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The President of the Legislative Council,  
Legislative Council Complex,  
Hong Kong.

Sir,

In accordance with the paper tabled in the Provisional Legislative Council on 11 February 1998 on the Scope of Government Audit in the Hong Kong Special Administrative Region — ‘Value for Money Audits’, I have the honour to submit my Report No. 72 on the results of value for money audits completed in accordance with the value for money audit guidelines laid down in the paper. These guidelines are also attached.

Yours faithfully,

John Chu

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The Director of Audit's Report No. 72 contains the following chapters:

<b>Chapter</b>	<b>Subject</b>
1	Planning, provision and management of public parking spaces
2	Management of Greening Master Plans
3	Employment services provided by the Labour Department
4	Administration of the Civil Aid Service
5	Environment and Conservation Fund
6	Hong Kong Arts Festival Society Limited
7	Hospitality training provided by the Hotel and Tourism Institute, the Chinese Culinary Institute and the International Culinary Institute
8	Sustainable Fisheries Development Fund and Sustainable Agricultural Development Fund

# VALUE FOR MONEY AUDIT GUIDELINES

## Value for money audit

Value for money audit is an examination into the economy, efficiency and effectiveness with which any bureau of the Government Secretariat, department, agency, other public body, public office, or audited organisation has discharged its functions. Value for money audit is carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and have been accepted by the Administration.

### 2. The guidelines are:

- firstly, the Director of Audit should have great freedom in presenting his reports to the Legislative Council. He may draw attention to any circumstance which comes to his knowledge in the course of audit, and point out its financial implications. Subject to the guidelines, he will not comment on policy decisions of the Executive and Legislative Councils, save from the point of view of their effect on the public purse;
- secondly, in the event that the Director of Audit, during the course of carrying out an examination into the implementation of policy objectives, reasonably believes that at the time policy objectives were set and decisions made there may have been a lack of sufficient, relevant and reliable financial and other data available upon which to set such policy objectives or to make such decisions, and that critical underlying assumptions may not have been made explicit, he may carry out an investigation as to whether that belief is well founded. If it appears to be so, he should bring the matter to the attention of the Legislative Council with a view to further inquiry by the Public Accounts Committee. As such an investigation may involve consideration of the methods by which policy objectives have been sought, the Director should, in his report to the Legislative Council on the matter in question, not make any judgement on the issue, but rather present facts upon which the Public Accounts Committee may make inquiry;
- thirdly, the Director of Audit may also consider as to whether policy objectives have been determined, and policy decisions taken, with appropriate authority;

- fourthly, he may also consider whether there are satisfactory arrangements for considering alternative options in the implementation of policy, including the identification, selection and evaluation of such options;
- fifthly, he may also consider as to whether established policy aims and objectives have been clearly set out; whether subsequent decisions on the implementation of policy are consistent with the approved aims and objectives, and have been taken with proper authority at the appropriate level; and whether the resultant instructions to staff accord with the approved policy aims and decisions and are clearly understood by those concerned;
- sixthly, he may also consider as to whether there is conflict or potential conflict between different policy aims or objectives, or between the means chosen to implement them;
- seventhly, he may also consider how far, and how effectively, policy aims and objectives have been translated into operational targets and measures of performance and whether the costs of alternative levels of service and other relevant factors have been considered, and are reviewed as costs change; and
- finally, he may also be entitled to exercise the powers given to him under section 9 of the Audit Ordinance (Cap. 122).

3. The Director of Audit is not entitled to question the merits of the policy objectives of any bureau of the Government Secretariat, department, agency, other public body, public office, or audited organisation in respect of which an examination is being carried out or, subject to the guidelines, the methods by which such policy objectives have been sought, but he may question the economy, efficiency and effectiveness of the means used to achieve them.

4. Value for money audit is conducted in accordance with a programme of work which is determined annually by the Director of Audit. The procedure of the Public Accounts Committee provides that the Committee shall hold informal consultations with the Director of Audit from time to time, so that the Committee can suggest fruitful areas for value for money audit by the Director of Audit.

# **CHAPTER 1**

**Transport and Housing Bureau  
Development Bureau  
Transport Department  
Lands Department  
Environmental Protection Department**

**Planning, provision and management  
of public parking spaces**

**Audit Commission  
Hong Kong  
1 April 2019**

*This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.*

Report No. 72 of the Director of Audit contains 8 Chapters which are available on our website at <https://www.aud.gov.hk>

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# PLANNING, PROVISION AND MANAGEMENT OF PUBLIC PARKING SPACES

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# PLANNING, PROVISION AND MANAGEMENT OF PUBLIC PARKING SPACES

## Executive Summary

1. With a transport policy which centres on the use of public transport, the Government's parking policy is to accord priority to considering and meeting the parking demand of commercial vehicles and to provide an appropriate number of parking spaces for private cars if overall development permits. Under the policy directives of the Transport and Housing Bureau, the Transport Department (TD) is responsible for parking-related matters for licensed vehicles. According to the Hong Kong Planning Standards and Guidelines (HKPSG), parking spaces in a development are generally divided into ancillary parking spaces (restricted to owners and authorised users) and public parking spaces (for use by the general public). Public parking spaces are mainly provided through: (a) incorporation of parking spaces in private, public housing and Government, Institution or Community (G/IC) developments, and open space projects; (b) short-term tenancy (STT) car parks administered by the Lands Department (LandsD); and (c) government multi-storey car parks and on-street parking spaces managed by TD. As at 31 December 2018, 756,909 parking spaces (including 238,320 public parking spaces) were provided to meet the parking needs of 744,191 licensed private cars, commercial vehicles and motorcycles (see para. 2). In 2018, the revenue from 11 government multi-storey car parks and metered parking spaces amounted to \$220 million and \$287 million respectively. The Audit Commission (Audit) has recently conducted a review to examine the Government's work in planning, provision and management of public parking spaces with a view to identifying areas for improvement.

### Planning and provision of public parking spaces

2. *Ratio of parking spaces to vehicles.* From December 2006 to December 2018, the total number of licensed vehicles (private cars, commercial vehicles and motorcycles) increased by 44.4% from 515,341 to 744,191 while that of parking spaces only increased by 11.6% from 678,230 to 756,909. As a result, the overall ratio of parking spaces to vehicles (parking space ratio) dropped from 1.32 to 1.02. Audit analysis showed that during the same period, the parking space ratio for commercial vehicles increased by 4.9% from 0.61 to 0.64 and that for private cars

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dropped significantly by 27.2% from 1.51 to 1.10 due to the substantial growth in the number of private cars by 53.4% from 401,692 to 616,220 (para. 2.3).

3. ***Need to closely monitor parking space ratio for private cars.*** According to the Second Parking Demand Study Final Report (2002 Study Report) issued in November 2002, there were surplus parking facilities for private cars up to 2011. Subsequently, in 2003 and 2014, the parking space standards of HKPSG for private housing developments were substantially revised, resulting in a reduction in the number of such parking spaces. However, since 2006, there have been changing circumstances on the demand and supply of private car parking spaces (i.e. the private car parking space ratio decreasing to 1.10 in 2018 (see para. 2) and further to a projected ratio of less than 1 in the coming years). The decreasing ratio revealing a shortfall of private car parking spaces has become a cause for concern (paras. 2.6 and 2.7).

4. ***Need to review planning standards of parking spaces in housing developments.*** Following the 2002 Study Report which predicted a surplus of private car parking spaces, from 2002 to 2018, HKPSG planning standards of ancillary private car parking spaces in housing developments were revised seven times. However, there was a significant increase in the demand for private car parking spaces in recent years. In view of the changing circumstances, TD needs to examine the need for refining the planning standards of parking spaces in housing developments promulgated in HKPSG (paras. 2.3, 2.8 and 2.9).

5. ***Need to consider promulgating new guidelines on provision of public parking spaces in G/IC and private developments.*** Unlike ancillary parking spaces, HKPSG does not promulgate guidelines for provision of public parking spaces. As a result, TD will decide on a case-by-case basis the incorporation of public parking spaces in G/IC and private developments, taking into account factors such as the demand and supply of parking spaces, and the illegal parking situation in the locality. TD needs to consider issuing internal guidelines for establishing the requirements for public parking spaces in new development and redevelopment proposals (para. 2.10).

6. ***Need to improve planning and provision of public parking spaces in G/IC and private developments.*** According to the 2018 Policy Address, the Government would follow the principle of “single site, multiple uses” to provide public car parking spaces in suitable G/IC facilities and public open space projects. With the support of

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the Development Bureau, TD will identify suitable sites and liaise with relevant departments to incorporate public parking spaces into such facilities at the planning stage. Apart from providing parking spaces in G/IC developments and open space projects, the Government might require developers to provide parking spaces for public use in suitable projects (paras. 2.11 to 2.13). Audit examination has revealed room for improvement in planning and providing public parking spaces in G/IC developments (see Case 1) and private developments (see Cases 2 and 3):

- (a) **Case 1.** In March 2011, the Sai Kung District Council (SKDC) supported the Leisure and Cultural Services Department (LCSD)'s proposed project scope for Town Park in Area 66 and 68 in Tseung Kwan O. Since February 2013, a portion in Area 66 has been used as a temporary car park under an STT. In the event, TD only proposed to split the Town Park project into two separate projects in November 2018, namely a Town Park project in Area 68 by LCSD as the project proponent and a Town Park with an underground car park project in Area 66 (providing 395 parking spaces) by TD as the project proponent. As at March 2019, while SKDC had indicated support to the Town Park project in Area 68, it had not endorsed the proposed Town Park with an underground car park project in Area 66. Audit noted that, upon the termination of the STT car park in Area 66, there would be a shortfall of about 380 parking spaces for meeting the estimated requirement of 880 parking spaces in the area (para. 2.12);
- (b) **Case 2.** In December 1999, a public lorry park with 155 light goods vehicle (LGV) parking spaces was approved for inclusion as a special condition in the land lease of Development A. From October 2016 to August 2018, LandsD conducted seven inspections to check the owner's compliance with the land lease condition and found no lorry was parked in the lorry park. However, TD's survey on illegal parking in the area suggested that there was a demand for LGV parking spaces. TD needs to ascertain the reasons for under-utilisation of these LGV parking spaces (para. 2.13); and
- (c) **Case 3.** In February 1999, LandsD included the provision of public parking spaces (not less than 200 for LGVs and not less than 178 for private cars) as a special condition in the land lease of Development B. LandsD's inspections in August and October 2018 found that some LGV parking spaces were occupied by private cars and letters were issued to the owner requiring rectification. In response, the car park operator informed LandsD that since cordoning-off of LGV parking spaces was not permitted, all LGV parking spaces were open to use by private cars which made it difficult to

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manage. Audit's site visit in January 2019 revealed that some LGV parking spaces were still occupied by private cars and the non-compliance with land lease condition remained unrectified (para. 2.13).

7. ***Need to provide more long-term public parking spaces to meet the shortfall arising from termination of STT car parks.*** From 2011 to 2018, the number of STT parking spaces for commercial vehicles decreased by 3,235 (24%) from 13,344 to 10,109 and that for private cars by 1,626 (7%) from 23,055 to 21,429. According to TD, as at 30 September 2018, 41 STT car parks (providing 6,187 parking spaces for private cars and 2,115 for commercial vehicles) would be terminated for long-term developments in the coming years. TD needs to formulate a strategy for providing more long-term public parking spaces to meet the shortfall arising from the termination of STT car parks (paras. 2.15 and 2.16).

### Management of government multi-storey car parks

8. ***Need to give due consideration to various factors in reviewing parking fees.*** As at 31 December 2018, TD managed 11 government multi-storey car parks providing a total of 5,547 parking spaces. To cater for different parking demands in different districts, parking fees are charged at different rates based on the parking duration. According to TD, parking fees should be reviewed every year taking into account: (i) the Government's policy objective to maintain the parking space availability rate of 15% during peak hours (i.e. a utilisation rate of 85%); (ii) parking fees to be comparable with fees charged by nearby public car parks; (iii) impact of fee revision on utilisation and the Government's policy objective of maximising government revenue; and (iv) public acceptability. Audit examination has revealed that there is a need to take into consideration the following audit observations in future parking fee review exercises (paras. 3.2, 3.3 and 3.5):

- (a) ***Parking space average daily peak-hour utilisation rates exceeding 85%.*** According to TD, the average daily peak-hour utilisation rate of parking spaces in the 11 government multi-storey car parks for private cars, van-type LGVs and taxis increased from 66% in 2013 to 90% in 2018 (the utilisation rates had exceeded TD's target utilisation rate of 85% since 2015). In 2018, the average daily peak-hour utilisation rates in 10 of the 11 car parks ranged from 89% to 95% (paras. 3.4 and 3.6);

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- (b) ***Parking fees below average market rate.*** According to a market research conducted by TD in July 2018, the monthly parking fees of non-reserved parking spaces for private cars and van-type LGVs in all the government multi-storey car parks (ranging from \$1,800 to \$4,300) were the lowest as compared with nearby public car parks (i.e. within 15 minutes walking distance). In general, the monthly parking fees were 15% to 34% lower than the average market rates of nearby public car parks (para. 3.7); and
  - (c) ***Concessionary parking fees for taxis.*** In 1999, TD launched a scheme to sell monthly parking tickets for taxis at a concessionary rate. The monthly parking fees for taxis in 10 government multi-storey car parks had increased by 16% from \$500 in 1999 to \$580 in 2018. Audit's research revealed that the granting of concessionary rate was not common (e.g. in the Hong Kong Housing Authority's car parks, the monthly parking fees for taxis and private cars were the same) (para. 3.8).
9. ***Need to improve sale arrangements of parking tickets.*** As at 31 December 2018, there were 3,811 (69% of 5,547 parking spaces) monthly and quarterly parking tickets made available for sale in the 11 government multi-storey car parks. Monthly parking tickets were sold on a first-come-first-served basis and quarterly parking tickets were sold by balloting. Audit found that monthly parking tickets for private cars and van-type LGVs had been sold out on the first day in four car parks (i.e. Tin Hau, Shau Kei Wan, Aberdeen and Kwai Fong Car Parks) for 5 to 6 consecutive months from July to December 2018. Audit's site visits in November 2018 and January 2019 also revealed that overnight queues existed in the four car parks. Since December 2018, TD has changed the sale arrangements of parking tickets in Sheung Fung Street Car Park from a first-come-first-served basis to a balloting arrangement. The balloting arrangement would also be extended to Rumsey Street and Yau Ma Tei Car Parks in March 2019. In Audit's view, apart from considering the extension of balloting arrangement to other car parks, TD also needs to explore the use of information technology (e.g. online application) to streamline the application process (paras. 3.9 to 3.11).
10. ***Need to put the rooftop parking spaces at Kwai Fong Car Park into effective use expeditiously.*** Audit found that the rooftop of Kwai Fong Car Park had been closed since October 2013 after the completion of the works to enhance the security of the Car Park. All the 75 parking spaces on the rooftop had not been open for public use. Upon enquiry, TD informed Audit that: (a) the surface of the rooftop

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was subsequently found not suitable for parking and the repair works were completed in October 2018; and (b) TD planned to re-open the rooftop parking spaces as a temporary vehicle detention centre and afterwards for general parking purpose. In Audit's view, the prolonged closure of rooftop parking spaces at Kwai Fong Car Park was unsatisfactory because there was a great demand for parking spaces in Kwai Fong (paras. 3.16 to 3.18).

11. ***Need to remove abandoned vehicles to release occupied parking spaces expeditiously.*** As at 12 November 2018, there were 13 abandoned vehicles in 5 government multi-storey car parks. Of the 13 vehicles, 10 had been abandoned for more than one year to 11 years up to 31 December 2018. Audit found that the inadequacies in TD's follow-up actions on removing the abandoned vehicles had resulted in prolonged occupation of parking spaces in the car parks (paras. 3.20 and 3.21).

12. ***Need to review adequacy of closed-circuit television (CCTV) security systems.*** In 2018, 37 incidents (e.g. vehicle theft) in government multi-storey car parks were reported to the Hong Kong Police Force. Audit found that: (a) in 30 of the 37 incidents, no image was captured by the CCTV footage or the scene was not under the coverage of CCTV security systems during the occurrence of the incidents and thus no record could be provided to the Hong Kong Police Force for investigation; and (b) the number of CCTV cameras varied from 4 to 43 in each of the 11 government multi-storey car parks. In Audit's view, TD needs to review the adequacy of CCTV security systems (paras. 3.25 and 3.26).

13. ***Need to expedite the replacement work of car park management system (CPMS).*** CPMS is a critical car park system installed in each government multi-storey car park to control and monitor the entry and exit of vehicles. Up to early 2016, CPMS had been in use for more than 10 years and had already reached the end of its planned serviceable life. Audit found that the number of breakdowns had significantly increased by 110% from 197 in 2016 to 414 in 2018. According to TD, the replacement work for CPMS was planned to be completed by mid-2019. TD needs to expedite the replacement work and avoid recurrence of similar problem in future (paras. 3.27 and 3.28).



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### Management of on-street parking spaces

14. Under the existing Government's policy, on-street parking spaces are provided to meet drivers' short-term parking needs. On-street parking spaces should be metered and charged to ensure that about 15% of the spaces are maintained empty. As at 31 December 2018, there were 34,565 on-street parking spaces, of which 17,898 were metered. Having regard to the traffic situation and parking demand in the area where the parking spaces are located, parking fees (i.e. either \$2 per 15 minutes (the high rate) or \$2 per 30 minutes (the low rate)), types of "longest parking period" for each transaction and operating periods vary among different districts. In January 2018, the Government announced its plan to install a new generation of parking meter system, which would replace about 10,250 existing meters from early 2020 for completion by early 2022 (paras. 4.2, 4.3, 4.5 and 4.7).

15. ***Parking space availability objective not always met.*** According to TD, the territory-wide availability rate of on-street metered parking spaces decreased from 27% in 2015 to 19% in 2018. Audit analysis revealed that, from 2015 to 2018, on average, the objective of maintaining the 15% parking space availability rate was not met in 15 (40%) of 37 districts (paras. 4.8 and 4.9). TD needs to formulate measures to achieve the "15% availability rate" objective, taking into account the following observations:

- (a) ***Need to review parking fees for meters charging the low rate.*** The Government's policy is to revise parking fees regularly to maintain a "15% availability rate". Audit noted that, of the 10 districts which had availability rates of lower than 15% persistently since 2015, there were metered parking spaces in 9 districts charging the low rate (i.e. \$2 per 30 minutes). According to TD's 2018 surveys, most of the parking spaces which charged the low rate in the 9 districts recorded availability rates of less than 15%. Audit also noted that the parking fees at some meter locations were different from those at very close meter locations. TD needs to review the parking fees for meters charging the low rate (paras. 4.10 to 4.12);
- (b) ***Need to review "longest parking period" for each transaction of 2-hour meters in core commercial areas.*** According to TD, parking meters for private cars and van-type LGVs should be of 30-minute duration in core commercial areas, and 2-hour duration at the outskirts. However, "core commercial areas" were not defined. Audit noted that for many parking meters which might be located in core commercial areas (e.g. Causeway

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Bay), the “longest parking period” for each transaction was set at 2 hours. To encourage vehicle turnover of on-street metered parking spaces, TD needs to review the “longest parking period” for each transaction of the 2-hour meters installed at parking spaces in core commercial areas (paras. 4.13 and 4.14); and

- (c) ***Need to consider extending meter operating periods of metered parking spaces with high utilisation.*** As at 31 October 2018, there were 10 types of operating periods for 17,869 on-street metered parking spaces. Most of them operated from 8:00 a.m. to midnight on weekdays, and from 10:00 a.m. to 10:00 p.m. on general holidays. Audit found that in some parking places, there were different meter operating periods, despite the fact that the parking spaces were provided for the same vehicle type and the demand should be the same. Audit’s site visits of 10 parking places (covering 274 metered parking spaces that were free-of-charge after 8:00 p.m.) from December 2018 to January 2019 between 8:00 p.m. and midnight found that most of the parking spaces were occupied. TD needs to consider extending the meter operating periods of metered parking spaces with high utilisation (para. 4.15).

16. ***Need to optimise deployment of parking meters.*** The new generation of parking meter system would be installed by early 2022 (see para. 14). Therefore, the existing parking meters which have been put in use since 2003-04 would need to operate for a total of about 17 years, which is much longer than their normal serviceable life of 7 to 10 years. Since the production of current model of parking meters had ceased, there were only limited spare parking meters for installation at new parking places. In this connection, TD has been redeploying parking meters from low-utilised parking places for implementation of metering at other parking places. Audit however found that: (a) 212 parking meters covering 399 parking spaces with persistent low utilisation from 2016 to 2018 were not redeployed; and (b) some requests for installation of parking meters were not accepted due to insufficient spare parking meters (paras. 4.16 and 4.17).

17. ***Need to take measures to improve on-street motorcycle parking.*** As at 31 December 2018, 10,404 (62%) of 16,667 non-metered parking spaces were for motorcycles. In 2017, TD conducted a territory-wide survey on on-street motorcycle parking spaces and found that the overall utilisation rate was 102%, and 618 motorcycles considered not roadworthy were found in 278 (47%) parking places.

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Audit surveyed 100 parking places (covering 1,644 parking spaces) from November 2018 to January 2019 and found that: (a) the high demand had persisted (utilisation rate was over 100% in 88 parking places); (b) motorcycles considered not roadworthy were found in 28 parking places; and (c) some motorcycles were parked on pavements nearby, jeopardising pedestrians' safety. TD needs to take measures to ensure that on-street motorcycle parking spaces are utilised effectively (paras. 4.21 and 4.25 to 4.27).

18. *Need to take measures to improve on-street non-metered parking spaces for other vehicle types.* As at 31 December 2018, 6,263 (38%) of 16,667 non-metered parking spaces were for vehicles other than motorcycles. Audit's site visits from November 2018 to January 2019 to 10 parking places where such non-metered parking spaces were located found that: (a) most of the non-metered parking spaces were occupied and the target of maintaining 15% parking space availability rate was not achieved; (b) parking spaces in some locations (such as those near beaches) were provided for meeting longer-term parking demand (e.g. for whole day) and kept as non-metered despite the high demand in holiday seasons; (c) there were cases where both metered and non-metered parking spaces were provided in the same location; and (d) there were cases of non-metered parking spaces occupied by abandoned vehicles or other objects. TD needs to take measures to ensure that on-street non-metered parking spaces are utilised effectively (para. 4.28).

19. *Need to ensure accuracy of list of non-metered parking spaces.* A comparison of the results of Audit's site visits with TD's inventory list of on-street non-metered parking spaces as at 31 December 2018 revealed discrepancies between the list and the actual number of parking spaces available. To provide accurate parking information to the public, TD needs to ensure the accuracy of the inventory list of on-street non-metered parking spaces (para. 4.29).

## Implementation of parking-related technology initiatives

20. *Need to enhance the dissemination of parking information.* Since July 2016, TD has been providing locations of on-street parking spaces, entrances and exits of off-street car parks, and real-time parking vacancies at some car parks via its dedicated website and mobile application. Since June 2017, TD has also uploaded parking vacancy data and information of the 11 government multi-storey car parks onto the one-stop Public Sector Information (PSI) Portal for free use by the public

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and the industry to develop mobile applications (paras. 5.2 and 5.3). Audit examination has revealed the following major areas for improvement:

- (a) ***Car park location and parking vacancy information.*** As at 31 December 2018, there were 2,071 car parks providing public parking spaces. However, TD's mobile application only showed locations of 1,546 (75%) car parks and parking vacancy information of only 263 (17%) of the 1,546 car parks. Moreover, of the 19 public car parks in government venues with location information in the mobile application, parking vacancy information of only 7 (37%) car parks was made available (paras. 5.6 to 5.8);
- (b) ***Supplementary information of car parks.*** Audit's sample check of 30 car parks revealed that supplementary information (e.g. information about charging services for electric vehicles (EVs)) was rarely provided in TD's mobile application (para. 5.9); and
- (c) ***Further opening up of parking data in PSI Portal.*** As at 31 December 2018, while parking vacancy information of 263 car parks was made available in TD's mobile application, parking vacancy data of only 27 (10%) of these car parks were uploaded onto the PSI Portal (para. 5.11).

21. ***Need to improve the provision and management of EV charging facilities.*** Since 2012, the Environmental Protection Department has been responsible for providing EV charging facilities in some of the existing government car parks. As at 30 September 2018, 321 EV chargers in 275 parking spaces were provided in 8 of the 11 government multi-storey car parks. In view of the significant increase in the number of licensed electric private cars from 314 in December 2013 to 10,660 in September 2018, there is merit to explore the need and feasibility of installing EV chargers in the remaining 3 car parks. Moreover, Audit's site visits to the 8 car parks in November and December 2018 found that: (a) 168 (69%) of 242 parking spaces equipped with EV chargers were occupied by non-EVs (the remaining 33 (275 minus 242) parking spaces were vacant); and (b) EV chargers were mainly located on lower floors and near the entrance. Coupled with the lack of a display and guidance system to show the availability of parking spaces on higher floors, non-EV drivers might prefer to park their vehicles at parking spaces with EV chargers on the lower floors for convenience sake. There is merit to consider introducing administrative measures

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to ensure that parking spaces equipped with EV chargers are available for use by EVs (paras. 5.15 and 5.16).

22. *Need to step up efforts in implementing automated parking systems.* According to the 2002 Study Report (see para. 3), one of the measures to address the parking problems in the long-term was the use of automated parking systems. However, it was not until some 16 years later in 2018 that TD commissioned a consultant to conduct a pilot study with a view to establishing the feasibility on developing public car parks with automated parking systems. As another few years would be required to proceed with the design and construction of public car parks with such systems after the completion of the study, there is a need to step up efforts in implementing automated parking systems (paras. 5.20 and 5.22).

### Audit recommendations

23. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that:**

- (a) **the Commissioner for Transport should:**
  - (i) **closely monitor the parking space ratio for private cars and review the planning standards of parking spaces in the housing developments promulgated in HKPSG (para. 2.17(a) and (b));**
  - (ii) **critically review the demand for parking spaces in reprovisioning of car parks, improve the planning and provision of public car parks in private developments and formulate a strategy for providing more long-term public parking spaces (para. 2.17(e), (f) and (i));**
  - (iii) **take into due consideration the high utilisation rates of parking spaces, the lower-than-market parking fees for private cars and van-type LGVs, and the concessionary parking fees for taxis in TD's future parking fee review exercises (para. 3.12(a));**

## **Executive Summary**

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- (iv) **take further actions to improve the sale arrangements of parking tickets in the government multi-storey car parks (para. 3.12(b));**
  - (v) **put the 75 rooftop parking spaces at Kwai Fong Car Park into effective use and explore feasible ways to remove abandoned vehicles in the government multi-storey car parks expeditiously (para. 3.23(a) and (b));**
  - (vi) **review the fee charging arrangements of on-street metered parking spaces and take measures to ensure that on-street non-metered parking spaces are utilised effectively (paras. 4.19(a) and 4.30(a)); and**
  - (vii) **take measures to improve the dissemination of parking information via TD's mobile application and website, and step up efforts in implementing automated parking systems in government car parks (paras. 5.13(a) and 5.23);**
- (b) **the Secretary for Transport and Housing should, in consultation with relevant government bureaux and departments, promulgate a circular setting out the criteria for considering whether and how public parking spaces should be provided under individual G/IC developments and open space projects (para. 2.19); and**
  - (c) **the Director of Environmental Protection should explore the need and feasibility of installing EV chargers in the three government multi-storey car parks without EV chargers (para. 5.17(a)).**

## **Response from the Government**

24. The Government generally agrees with the audit recommendations.

## PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

### *Government parking policy*

1.2 In Hong Kong, the Government adopts a transport policy based on public transport (including railways, trams, buses, minibuses, taxis and ferries) with railways as the backbone. Every day, over 12 million passenger trips are made through different public transport services, which account for over 90% of the total passenger trips. In other words, less than 10% of the total passenger trips are made through private cars.

1.3 As at 31 December 2018, there were about 784,400 licensed vehicles, including 565,800 private cars, 54,900 motorcycles and 123,600 commercial vehicles (Note 1). Commercial vehicles carrying passengers or goods play a key role in the logistics industry, tourism industry, as well as the overall economy of Hong Kong. Provision of parking spaces is essential to commercial transport operators as well as private car owners/drivers. With a transport policy which centres on the use of public transport, the Government's parking policy is as follows:

- (a) priority is accorded to considering and meeting the parking demand of commercial vehicles which play a key role in the economy and have a genuine operation need for parking; and

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**Note 1:** *According to the Transport Department, regarding parking needs, commercial vehicles included light goods vehicles, medium goods vehicles, heavy goods vehicles, coaches and non-franchised public buses, but excluded van-type light goods vehicles as they might also be parked at parking spaces for private cars. Other licensed vehicles totalling 40,100 comprised: (a) 18,150 taxis which generally operated on the road round the clock and their parking demand was mainly for short duration stay; and (b) 6,150 franchised buses, 4,300 public light buses, 3,350 private light buses, 1,750 special purpose vehicles and 6,400 government vehicles, most of which were parked at depots, bus stops within public transport termini as well as stands.*

## Introduction

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- (b) as regards private cars, the Government provides an appropriate number of parking spaces for them if the overall development permits, but at the same time not to attract passengers of public transport to opt for private cars instead, thereby aggravating road traffic congestion.

1.4 The Transport and Housing Bureau (THB) is responsible for formulating policies on matters relating to Hong Kong's internal and external transportation, including the provision of parking spaces for licensed vehicles. Under the policy directives of THB, the Transport Department (TD) is responsible for a number of specific parking-related matters for licensed vehicles, including:

- (a) the conduct of parking-related studies/surveys by the Strategic Studies Division of the Planning Branch and the Traffic Survey and Support Division of the Technical Services Branch;
- (b) the provision of advice on the interface between land use and traffic/transport issues, including the provision of parking spaces and handling of parking-related complaints at district levels by the Urban and New Territories Regional Offices;
- (c) the management of government multi-storey car parks and on-street (roadside) metered parking spaces (see para. 1.8(c) and (d)) by the Management Services Division of the Management and Paratransit Branch and that of on-street non-metered parking spaces by the Regional Offices; and
- (d) the implementation of parking-related technology initiatives by the Smart Mobility Division of the Technical Services Branch and the Strategic Studies Division of the Planning Branch.

Given the diverse nature of TD's parking-related work carried out by various Branches/Regional Offices, the relevant expenditures are subsumed in three different programmes in its Controlling Officer's Report, namely planning and development,



district traffic and transport services, and management of transport services (Note 2). An extract of TD's organisation chart as at 31 December 2018 is at Appendix A.

### ***Parking needs of commercial vehicles and private cars***

1.5 According to TD, parking needs of commercial vehicles and private cars have different characteristics, as follows:

- (a) ***Commercial vehicles.*** Commercial vehicles carry passengers and/or goods. As most of them operate in day time, the demand for commercial vehicle parking spaces is high after the drivers have finished work. Commercial vehicle drivers tend to park their vehicles near their homes so as to save transportation costs. As such, it is necessary to provide commercial vehicle parking spaces in various instead of a few centralised locations. Furthermore, of the different types of commercial vehicles, coaches are in need of not only night-time parking, but also waiting areas/parking spaces in the vicinity of tourist attractions and other places (e.g. shops) frequented by tourists/tour groups for easy drop-off and pick-up at day time; and
- (b) ***Private cars.*** Since a private car requires parking spaces at both the home-end and destination-end, it requires more than one parking space, and the parking demand is generally higher during night time at the home-end and during day time at the destination-end.

1.6 ***Number of vehicles and parking spaces from 2006 to 2016.*** According to a paper on parking policy submitted by THB and TD to the Legislative Council (LegCo) Panel on Transport in May 2017, the Government has always been concerned about the demand for, and supply of, parking spaces for different types of vehicles. The surge in the size of vehicle fleet (in particular the private car fleet) in recent years has aggravated road traffic congestion and brought about an adverse impact on the community. In the ten-year period from December 2006 to December 2016, the total number of licensed vehicles (including private cars, commercial vehicles and

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**Note 2:** *The estimated expenditures in 2018-19 for the three programmes, i.e. planning and development, district traffic and transport services, and management of transport services amounted to \$571.9 million, \$573.4 million and \$482.6 million respectively.*

motorcycles — see Note 1 to para. 1.3) increased by 37% from 515,341 to 706,126, with an average annual growth rate of 3% (and 3.8% for private cars). During the same period, the total number of parking spaces for various types of vehicles increased from 678,230 in 2006 to 742,938 in 2016, representing a growth of 9.5% (equivalent to an average annual growth rate of only 1%), which was much smaller than the 37% increase of licensed vehicles. As a result, the overall ratio of parking spaces to vehicles in the period dropped from 1.32 in 2006 to 1.05 in 2016.

### *Planning for ancillary parking spaces and public parking spaces*

1.7 The Hong Kong Planning Standards and Guidelines (HKPSG — Note 3) provides general guidelines to ensure that, during the planning process, the Government will provide appropriate facilities to meet the needs of the public, including parking facilities. Under HKPSG, car parking spaces in a development (proposed by a private developer or a government department) are generally divided into two types, namely ancillary parking spaces and public parking spaces (see Appendix B for the parking standards on various development types). According to THB and the Lands Department (LandsD), salient features of the two types of parking spaces are as follows:

- (a) ***Ancillary parking spaces.*** Ancillary parking spaces in a development (Note 4) serve the parking requirements of the development, and are

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**Note 3:** *HKPSG is a Government manual of criteria for determining the scale and locational requirements of various land uses and facilities. According to the Planning Department, it is responsible for coordinating the compilation of HKPSG, and government bureaux and departments will from time to time formulate/review their planning standards and guidelines in HKPSG, taking into account their policies and requirements.*

**Note 4:** *These are sometimes referred to as “private parking spaces” in private developments as they are not normally available for public use (e.g. parking spaces for owners/tenants’ use in residential developments). However, for certain types of developments with facilities open to the general public (e.g. commercial complexes, shopping arcades, office/hotel buildings, swimming pools and recreational complexes), authorised users may include members of the public using the facilities, and the owners may not place stringent checking on whether the drivers and their passengers actually use the facilities in the developments after parking their vehicles there. In addition, some privately owned parking spaces are offered by their owners for public use at market-driven fees. These parking spaces may in effect not be different from public parking spaces (see para. 1.7(b)).*

restricted to owners and authorised users or bona fide visitors (e.g. visitor car park is one type of ancillary parking). The ancillary parking needs are usually met by the proponents of developments (private developers or government departments) in accordance with HKPSG standard provisions (usually specified as a range) for the number of parking spaces to be provided in these developments (Note 5). To meet the needs of individual districts, TD advises relevant departments (e.g. LandsD, which is the authority in preparing land leases) to flexibly require, within (and beyond) the ranges of parking standards, the number of parking spaces for development projects with reference to other traffic and transport-related factors (Note 6); and

- (b) **Public parking spaces.** Public parking spaces (in addition to ancillary parking spaces) in a development are intended specifically for use by the general public and serve the areas around which the parking spaces are located.

Public parking needs are normally met through providing parking spaces (both ancillary and public — see (a) and (b)) in suitable private developments, public housing developments, Government, Institution or Community (G/IC) developments (Note 7), vacant sites let out on short-term tenancy (STT), government multi-storey car parks and on-street parking spaces. In addition, public parking spaces may also include some privately-owned parking spaces (i.e. ancillary parking spaces — see (a)) that are offered for public use by the owners (see Note 4 to (a)).

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**Note 5:** *The parking standards stipulated in HKPSG are mainly formulated on the basis of land use and scale of the development projects (including floor area, number and size of flats, number of related facilities and development densities) and their distance from railway stations.*

**Note 6:** *These factors include: (a) availability of public transport services in the vicinity and their scales; (b) availability of public car parks in the vicinity and their utilisation; (c) accessibility of pedestrian linkage to railway stations and other major transport interchanges; (d) traffic conditions of local road network; and (e) parking demand and supply condition in the vicinity.*

**Note 7:** *G/IC development is intended primarily for the provision of G/IC facilities serving the needs of the local residents and/or a wider district, region or the territories. It is also intended to provide land for use directly related to or in support of the work of the Government, organisations providing social services to meet community needs, and other institutional establishments.*

### *Provision of public parking spaces*

1.8 The Government provides public parking spaces mainly by the following means:

- (a) ***Private, public housing and G/IC developments.*** Apart from requiring developers or project departments to provide parking spaces to serve the developments' own parking needs (see para. 1.7(a)), the Government, having regard to local needs, will require developers or project departments to provide additional parking spaces for public use in suitable projects when appropriate opportunities arise. The number of parking spaces will depend on individual circumstances. Considerations include the local shortfall of parking spaces, the impact on the development projects and the traffic impact on the local road networks (Note 8). As at 31 December 2018, there were 150,241 public parking spaces in private developments, 7,726 in public housing developments managed by the Hong Kong Housing Authority and the Hong Kong Housing Society, and 9,220 in G/IC developments;
- (b) ***STT car parks administered by LandsD.*** Notwithstanding the scarcity of land resources with competing temporary uses, TD, with the support of LandsD, has been identifying suitable government land which does not yet have immediate implementation programme for its long-term planned use and is temporarily available in various districts with parking demand for use as temporary fee-paying public car parks (Note 9). The layout of parking spaces of STT car parks and the types and number of vehicles that can be parked therein are generally the commercial decision of the car-park tenants. Nevertheless, TD may take into account the actual circumstances and advise LandsD to stipulate in the tenancy agreement the ratio or the number in relation to the vehicle types that can be parked, so as to meet the local parking demand for specific types of vehicles. As at 31 December 2018, there were 193 STT car parks providing a total of 31,021 public parking spaces;

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**Note 8:** *TD will assess these factors for a particular development and recommend the number of public parking spaces to be provided therein.*

**Note 9:** *LandsD grants STTs at full market rents to tenants through open tenders for operating public car parks.*

- (c) ***Government multi-storey car parks managed by TD.*** As at 31 December 2018, there were 11 government multi-storey car parks under TD's management, providing a total of 5,547 parking spaces, comprising 4,823 for private cars, van-type light goods vehicles (LGVs) and taxis, and 724 for motorcycles with parking fees charged at different rates depending on the parking duration ranging from one hour to three months. TD outsources the management, operation and maintenance of the 11 car parks to two contractors. In 2018, the revenue from the 11 car parks amounted to \$220 million; and
- (d) ***On-street parking spaces managed by TD.*** The Government's existing policy is to provide parking spaces in development projects as far as possible to reduce the possible traffic impact brought about by the designation of on-street parking spaces. However, for locations with parking demand, TD provides on-street parking spaces to cater for drivers' short-term parking needs. At some locations with higher on-street parking demand, TD has installed parking meters for charging parking fees to facilitate turnover of the parking spaces so that they can be used by more drivers. As at 31 December 2018, there were 17,898 metered parking spaces and 16,667 non-metered (i.e. free of charge) parking spaces, making a total of 34,565 on-street parking spaces. TD outsources the management, operation and maintenance of all parking meters (Note 10) to a contractor. In 2018, the revenue from metered parking spaces amounted to \$287 million.

1.9 ***Distribution of public parking spaces.*** According to TD, about one-third of the parking spaces in the territory are public parking spaces. Table 1 shows the distribution of public parking spaces in public and private developments as at 31 December 2018.

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**Note 10:** *Some 9,700 parking meters which accept only Octopus cards for payment of parking fees have been in use since 2003-04 to control the on-street parking spaces.*

**Table 1**  
**Distribution of public parking spaces**  
**(31 December 2018)**

Type of public parking spaces	Number of public parking spaces	
(a) G/IC, public housing and private developments		
(i) G/IC developments (Note 1)	9,220	
(ii) Commercial and residential areas in public housing developments (Note 2)	7,726	
(iii) Private developments	<u>150,241</u>	167,187
(b) STT car parks		31,021
(c) Government multi-storey car parks		5,547
(d) On-street parking spaces		<u>34,565</u>
Total		238,320

*Source: Audit analysis of TD records*

*Note 1: These included mainly parking spaces in government buildings, parks, sport facilities, markets, education institutions and hospitals.*

*Note 2: These included parking spaces managed by the Hong Kong Housing Authority and the Hong Kong Housing Society.*

### ***Measures to increase the number of parking spaces***

1.10 The Government is actively pursuing various measures to increase the number of parking spaces, as follows:

- (a) ***Short-term measures.*** At the invitation of the Secretary for Transport and Housing in March 2014, the Transport Advisory Committee (TAC — Note 11) conducted a study to identify various factors contributing to road

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**Note 11:** *TAC comprises 16 non-official members including the chairman and three ex-officio members, i.e. the Permanent Secretary for Transport and Housing (Transport) or his representative, the Commissioner for Transport and the Commissioner of Police or his representative. TAC's function is to advise the Chief Executive-in-Council on transport matters including broad issues of transport policy with a view to improving the movement of both people and freight.*

traffic congestion in Hong Kong and put forward recommendations to the Government to tackle road traffic congestion. TAC submitted its report (TAC Report) in December 2014 and recommended a total of 12 short, medium and long-term measures at territorial level to contain road traffic congestion. In May 2015, THB submitted the Government's response to TAC Report to LegCo Panel on Transport. In May 2017, TD informed the Panel that the Government had been actively rolling out various immediate measures (i.e. short-term measures) to provide more parking spaces (in particular for commercial vehicles) as soon as possible, as follows:

- (i) ***On-street night-time parking.*** In 2016, TD launched a scheme for increasing on-street night-time parking spaces for commercial vehicles (i.e. coaches and goods vehicles). Up to 31 May 2017, 80 such on-street night-time parking spaces had been put into service; and
- (ii) ***Parking spaces for goods vehicles and coaches in STT car parks.*** When new STT car parks were tendered and when the STTs of existing car parks were re-tendered, TD would request LandsD to impose conditions stipulating the provision of a minimum number of parking spaces for goods vehicles and coaches at the car parks where TD and LandsD considered appropriate. Up to 31 May 2017, 16 STT car parks had been required to provide parking spaces for commercial vehicles in accordance with their tenancy conditions.

In addition, as an on-going measure, the Government Property Agency (GPA) will continue to identify government buildings to open up car parks for public parking outside office hours. As at 31 October 2018, about 1,100 parking spaces had been made available for non-office-hour parking of private cars; and

- (b) ***Medium to long-term measures.*** Various medium to long-term measures are also implemented to increase the supply of parking spaces, as follows:
  - (i) ***Gross floor area (GFA) concessions.*** Public car parks provided in private development projects, whether above-ground or underground, used to be accounted for in the calculation of the GFA of these projects. To provide incentives to encourage developers to provide underground public parking spaces, the Buildings

Department revised its guidelines in March 2017 to specify that underground public car parks in private developments might be granted 100% GFA concessions in the statutory building plan approval process, subject to the compliance with certain criteria (e.g. the parking spaces are electric vehicle (EV) charging-enabling);

- (ii) ***Provision of public car parks in G/IC facilities and underneath public open space (POS) projects.*** In the 2018 Policy Address, the Government announced that, subject to technical feasibility, at least 1,500 car parking spaces were expected to be provided in G/IC facilities and POS projects in the next five years, following the “single site, multiple uses” principle; and
- (iii) ***Construction of a new multi-storey car park.*** The Government is planning to construct an underground multi-storey car park beneath the public transport terminus at Stanley, which will provide about 140 parking spaces for private cars and 10 parking spaces for motorcycles.

1.11 ***Other facilitating measures.*** Other than increasing the number of parking spaces, TAC also recommended the following facilitating measures:

- (a) ***Increasing meter parking fees.*** TAC noted that metered parking was more convenient and in most cases much cheaper than commercial car parks. TAC considered that there was a case to raise on-street metered parking fees, in order to discourage motorists from circulating/double parking on roads waiting for metered parking spaces. In response to TAC’s recommendation, THB and TD submitted a paper to LegCo Panel on Transport proposing to raise the maximum fee for metered parking in conjunction with the installation of a new generation of parking meter system starting from 2019-20 (see para. 1.12(b)). However, the Panel Members opposed to the Government’s proposal to increase the maximum fee for metered parking. In the event, THB in May 2018 said that the proposed fee would be the maximum fee which could be set for parking meters and it did not mean that all parking meters across the territory would be set at such a level. TD would set the on-street metered parking fee at an appropriate level having regard to the traffic conditions and parking



demands in the areas. Up to 31 December 2018, the maximum meter parking fee had remained at the same level of \$2 for each 15 minutes;

- (b) ***Reviewing parking policy and disseminating real-time information on parking vacancies.*** TAC recommended that the Government should conduct a detailed review of the parking policy, in which various stakeholders and the general public should be fully engaged. To reduce the need for motorists to circulate on roads looking for available parking spaces and causing more congestion, TAC considered that the Government should examine ways to provide motorists with real-time information on the vacancies in off-street car parks in nearby areas. In response to the recommendation for a parking policy review, TD commenced a consultancy study on commercial vehicle parking in December 2017 for completion in 2019. As regards disseminating real-time information on parking vacancies, TD has been providing real-time vacancy information of car parks via its mobile application (i.e. “Hong Kong eRouting”) since July 2016. In July 2018, TD launched a new mobile application, namely the “HKeMobility” to integrate three transport-related mobile applications, including the “Hong Kong eRouting”. Up to 31 December 2018, parking vacancy information of 263 car parks had been made available in the “HKeMobility” mobile application (see para. 1.12(a)); and
- (c) ***Providing more park-and-ride facilities.*** TAC noted that park-and-ride car parks allowed motorists to drop off their cars at transport hubs to switch to public transport (Note 12), thus reducing the amount of traffic going into the central business districts. In response to TAC’s recommendation on providing more park-and-ride facilities, THB stated in its May 2015 paper (see para. 1.10(a)) that:
  - (i) the Government would explore the possibility of putting in place more park-and-ride facilities; and
  - (ii) it had requested the MTR Corporation Limited to examine the feasibility of promoting wider use of its existing park-and-ride

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**Note 12:** *Under the park-and-ride scheme, motorists who park their cars at the designated car parks and switch to railway are offered concessionary parking rates at the car parks concerned.*

## Introduction

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facilities and providing more park-and-ride facilities with parking fee concessions at car parks near railway stations.

Up to 31 December 2018, there were 25 park-and-ride car parks providing about 10,000 parking spaces.

1.12 ***Smart City Blueprint for Hong Kong (Blueprint)***. In December 2017, the Government released the Blueprint (Note 13), outlining the vision and mission to build Hong Kong into a world-class smart city. Smart mobility is one of the areas covered in the Blueprint, which includes the following smart parking initiatives:

- (a) encouraging owners or operators of existing public car parks to provide real-time parking vacancy information using technology solutions to facilitate drivers to find parking spaces and examining practicable measures to require new public car parks to provide real-time parking vacancy information; and
- (b) installing new on-street parking meters to support multiple payment systems starting from 2019-20 with provision of real-time parking vacancy information.

## Audit review

1.13 In 1999, the Audit Commission (Audit) completed a review of “Management of on-street parking spaces and parking facilities”, the results of which were reported in Chapter 6 of the Director of Audit’s Report No. 33 of October 1999. In October 2018, Audit commenced a review to examine the Government’s work in planning, provision and management of public parking spaces, focusing on:

- (a) planning and provision of public parking spaces (PART 2);

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**Note 13:** *The Blueprint is based on the recommendations of the Report of Consultancy Study on Smart City Blueprint for Hong Kong completed in June 2017, after making reference to and consolidating views from the Steering Committee on Innovation and Technology chaired by the Chief Executive of the Hong Kong Special Administrative Region.*

- (b) management of government multi-storey car parks (PART 3);
- (c) management of on-street parking spaces (PART 4); and
- (d) implementation of parking-related technology initiatives (PART 5).

Apart from THB and TD, the planning, provision and management of parking facilities also involve the work of the Development Bureau (DEVB), LandsD, the Leisure and Cultural Services Department (LCSD), the Planning Department (PlanD), the Hong Kong Police Force (HKPF) and the Environmental Protection Department (EPD). Audit has found room for improvement in the above areas and has made a number of recommendations to address the issues.

## General response from the Government

1.14 The Government generally agrees with the audit recommendations.

## Acknowledgement

1.15 Audit would like to acknowledge with gratitude the full cooperation of the staff of THB, DEVB, TD, LandsD, LCSD, PlanD, HKPF and EPD during the course of the audit review.

## **PART 2: PLANNING AND PROVISION OF PUBLIC PARKING SPACES**

2.1 The provision of parking spaces is an integral part of a road transport network. While ancillary parking spaces associated with a development are provided to meet the parking needs arising from the development per se, public parking spaces are required to meet the demand from different districts and localities (i.e. not ancillary to the development). This PART examines the planning and provision of public parking spaces, focusing on:

- (a) demand and supply of parking spaces (paras. 2.2 to 2.7);
- (b) planning and provision of long-term public parking spaces (paras. 2.8 to 2.13); and
- (c) planning and provision of temporary public parking spaces (paras. 2.14 to 2.16).

### **Demand and supply of parking spaces**

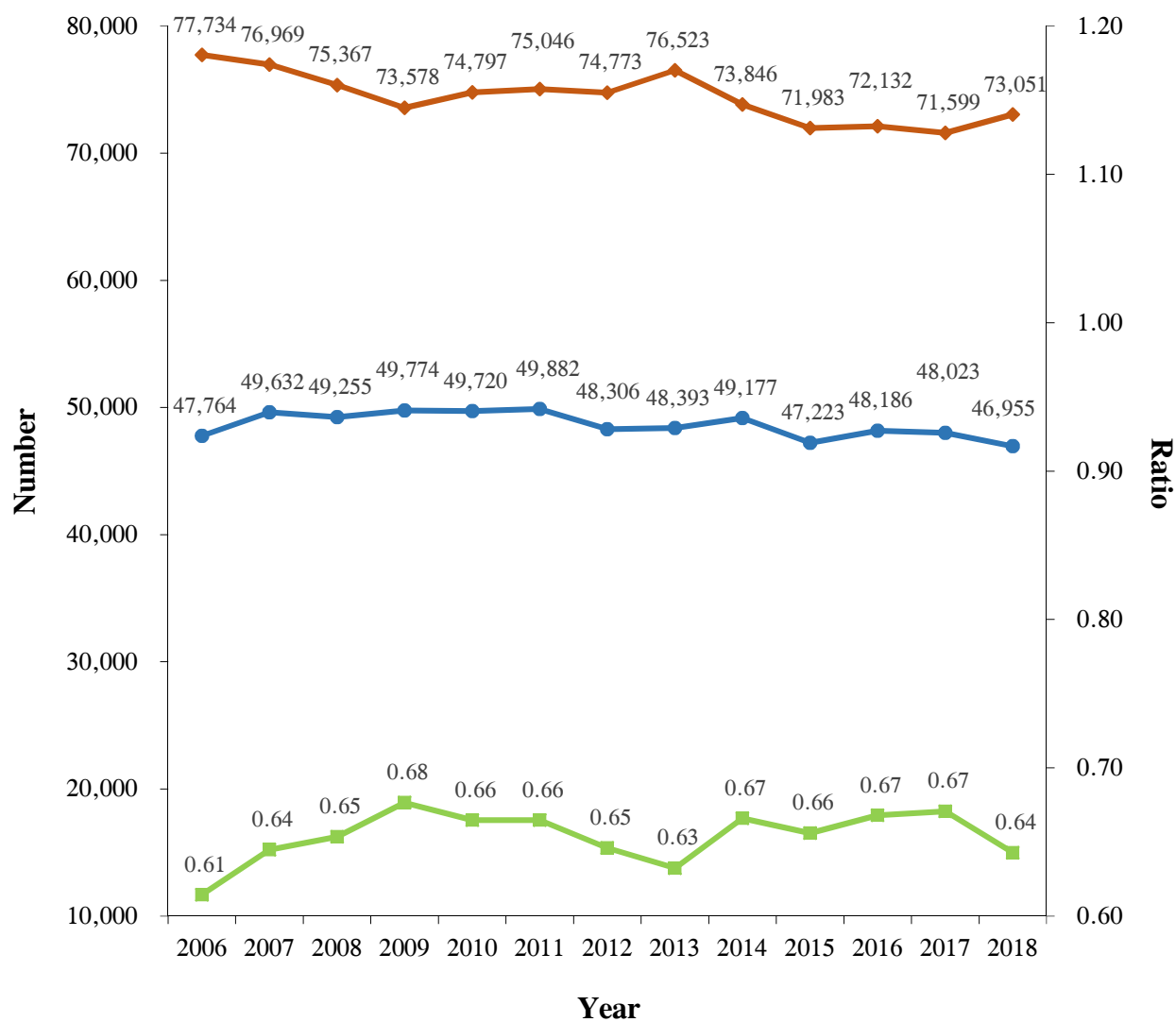
2.2 ***Parking policy.*** As mentioned in paragraph 1.3, the Government's policy in the provision of parking spaces is to accord priority to considering and meeting the parking demand of commercial vehicles. Regarding parking for private cars, given the scarce land resources in Hong Kong, the Government provides an appropriate number of parking spaces for them if the overall development permits, but at the same time not to attract passengers to opt for private cars instead, thereby aggravating road traffic congestion.

2.3 ***Significant increase in the number of private cars.*** As mentioned in paragraph 1.6, from 2006 to 2016, the number of parking spaces to vehicles (parking space ratio) decreased from 1.32 to 1.05. As at 31 December 2018, the ratio further decreased to 1.02 mainly because of the continuous increase in the number of private cars. TD projected that, based on the present trend, the parking space ratio would further drop to less than 1 in the coming years (i.e. theoretically, there would not be adequate parking spaces to accommodate all the vehicles). Audit analysis on the breakdown of licensed vehicles and parking spaces (see Appendix C) showed that:

- (a) **Commercial vehicles.** From 2006 to 2018, the number of licensed commercial vehicles decreased by 6% from 77,734 to 73,051 while the number of parking spaces decreased by 1.7% from 47,764 to 46,955 (see Figure 1). During the period, the parking space ratio increased by 4.9% from 0.61 to 0.64. The ratio improvement was attributable to the reduced number of goods vehicles due to the shrinkage of transboundary goods movement. According to TD, since some of the commercial vehicles operated during night time, operated and parked on the Mainland, or parked at non-designated parking spaces (including brownfield sites in the New Territories), the actual shortage of parking spaces was not serious as depicted by the low parking space ratio; and
- (b) **Private cars.** From 2006 to 2018, the number of licensed private cars increased significantly by 53.4% from 401,692 to 616,220 while the number of parking spaces increased by only 11.2% from 607,411 to 675,264 (see Figure 2). During the period, the parking space ratio dropped significantly by 27.2% from 1.51 to 1.10 due to the substantial growth in the number of private cars. There was a significant increase in the demand for parking spaces. According to TD, the parking space ratio was not meant to be a target (see paras. 1.3(b) and 2.2).

Figure 1

### Licensed commercial vehicles and parking spaces (2006 to 2018)



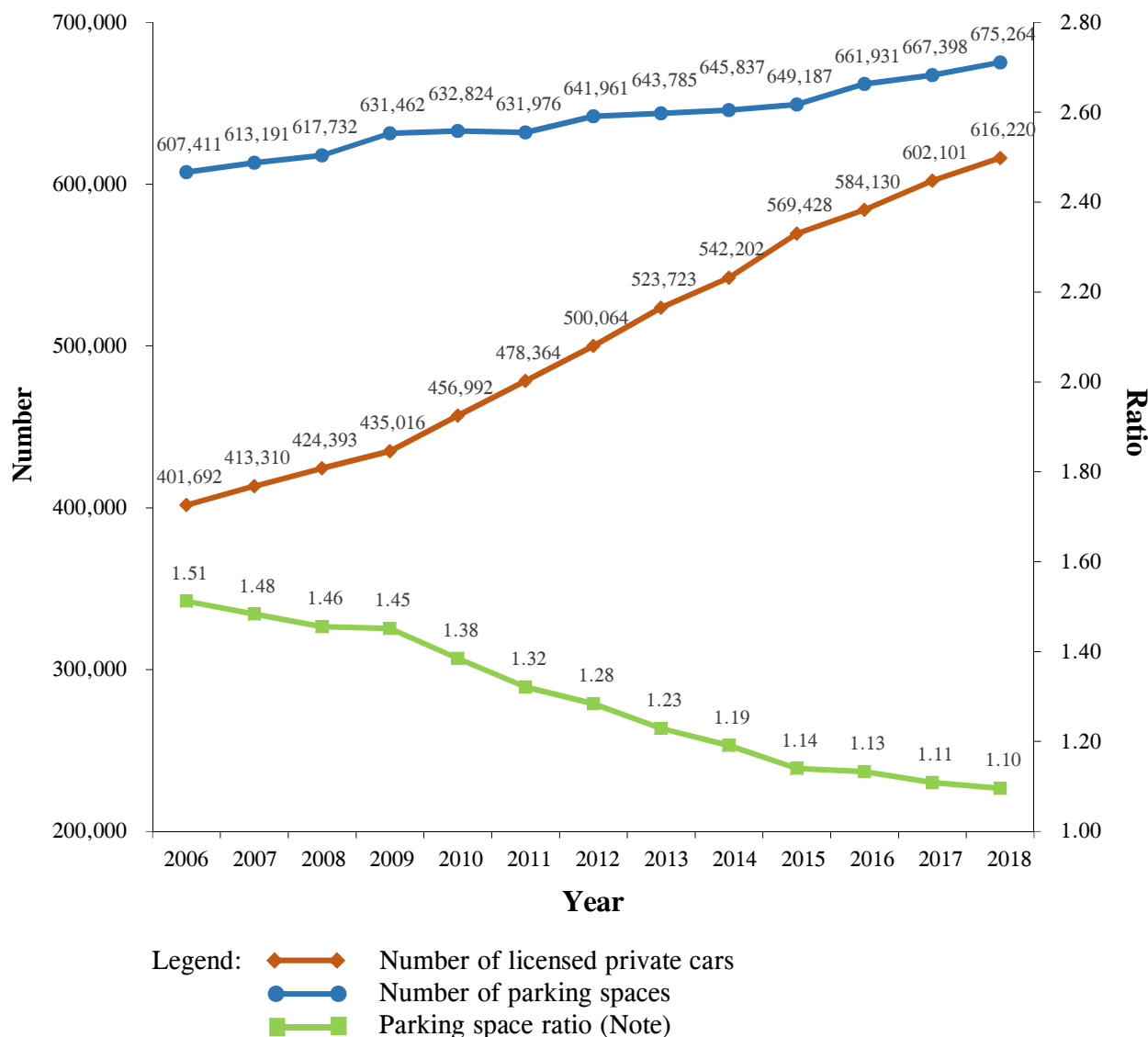
Legend:   
◆ Number of licensed commercial vehicles   
● Number of parking spaces   
■ Parking space ratio

Source: TD records

Remarks: Commercial vehicles included LGVs, medium goods vehicles, heavy goods vehicles, coaches and non-franchised public buses but excluded van-type LGVs.

Figure 2

Licensed private cars and parking spaces  
(2006 to 2018)



Source: TD records

Note: According to TD, in determining the parking space ratio, some types of vehicles (e.g. franchised buses and taxis) were excluded from TD's calculation on the grounds that they operated round-the-clock or had specific depots or termini (see Note 1 to para. 1.3). However, some of these vehicles, in particular taxis, had occupied the parking spaces for other commercial vehicles and private cars. For example, as at 31 December 2018, of the 5,547 parking spaces in the government multi-storey car parks managed by TD (see para. 1.8(c)), 340 (6%) parking spaces were reserved for taxis (see para. 3.8).

Remarks: Van-type LGVs might also park at private car parking spaces. Therefore, the number of private cars included van-type LGVs.

## Planning and provision of public parking spaces

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2.4 ***Types of parking spaces.*** According to TD, as shown in Table 2, there were two types of parking spaces, namely restricted parking spaces (for owners or authorised users including bona-fide visitors) and public parking spaces (open for public use). Audit analysis of the provision of parking spaces for commercial vehicles and private cars as at 31 December 2018 (see Table 2) showed that:

- (a) ***Commercial vehicles.*** Of the 46,955 parking spaces for commercial vehicles, 27,306 (58%) were public parking spaces; and
- (b) ***Private cars.*** Of the 675,264 parking spaces for private cars, 196,399 (29%) were public parking spaces.

According to LandsD, some of the public parking spaces in private developments as shown in Table 2 were not specified as requirements under lease (see Note 16 to para. 2.10).



**Table 2**  
**Number of various types of parking spaces**  
**(31 December 2018)**

Type of parking spaces	Number of parking spaces	
	Commercial vehicles	Private cars
<b><i>Restricted parking spaces for owners or authorised users (i.e. not open for public use)</i></b> (Note 1)		
G/IC developments and public housing developments	5,020	70,229
Private developments	14,011	408,512
STT car parks	<u>618</u> 19,649	<u>124</u> 478,865
<b><i>Public parking spaces (open for public use)</i></b>		
G/IC developments and public housing developments (Note 2)	1,493	14,956
Private developments (Note 2)	11,326	136,467
Government multi-storey car park	–	4,823
On-street parking spaces	4,996	18,848
STT car parks	<u>9,491</u> 27,306	<u>21,305</u> 196,399
<b>Total</b>	<b>46,955</b>	<b>675,264</b>

Source: Audit analysis of TD records

Note 1: These were: (a) parking spaces owned by tenants of the buildings reserved for their own use; and (b) monthly charged parking spaces reserved for the use of particular users. They included ancillary parking spaces provided by the Government and private developers (see para. 1.7).

Note 2: These were: (a) hourly charged parking spaces; and (b) monthly charged parking spaces in which any motorists could park their vehicles. The figure represented the number of parking spaces which had been reported by the operators to be open for public use, irrespective of whether or not: (a) the individual leases required the provision of public parking spaces; and (b) they were ancillary parking spaces required under lease (see para. 2.10).

## Planning and provision of public parking spaces

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2.5 *TAC's recommendations.* The 2014 TAC Report (see para. 1.10(a)) recommended a number of short, medium and long-term measures to tackle road traffic congestion. Among these measures, TAC recommended that the Government should conduct a detailed review of the parking policy. According to the 2017 Policy Address, the Government was adopting a multi-pronged approach, and had been taking forward progressively the measures recommended by TAC. In December 2017, TD commenced a consultancy study on parking for commercial vehicles for completion in 2019 at an estimated cost of \$4 million. The study included an assessment of the parking demand of commercial vehicles by district and formulation of short to long-term measures to address the parking demand.

### *Need to closely monitor parking space ratio for private cars*

2.6 In November 2002, TD issued the Second Parking Demand Study Final Report (2002 Study Report). According to the Report:

- (a) there were surplus parking facilities for private cars in general for 2000, 2006 and 2011, but shortfalls for goods vehicles, coaches and motorcycles; and
- (b) remedial measures were proposed to address the surplus in private car parking spaces, including the recommendation of a revision in HKPSG for housing developments.

In 2003 and 2014, the parking space standards of HKPSG for private housing developments were substantially revised.

2.7 After the 2003 revision of HKPSG, from 2006 to 2014, adopting a conservative basis that one parking space was required for one vehicle, the surplus of private car parking spaces had been reduced by 102,084 (49.6%) from 205,719 (607,411 less 401,692) to 103,635 (645,837 less 542,202). The revision of HKPSG in 2014 had further reduced the provision of parking spaces. In May 2017, THB informed the LegCo Panel on Transport that:

- (a) the number of licensed private cars and the corresponding parking spaces were 584,000 and 662,000 respectively (with a surplus of 78,000); and

- (b) since a private car required parking spaces at both the home-end and destination-end, a private car needed more than one parking space on average. The decrease in the ratio of private car parking spaces to such vehicles thus indicated an aggravating shortage of parking spaces for private cars.

Upon enquiry, in March 2019, TD informed Audit that a review on parking standard for provision of private car parking spaces in HKPSG was commissioned in August 2018 under the consultancy study on parking for commercial vehicles (see para. 2.5) to reflect the parking need in new development and redevelopment proposals. Prior to promulgation of the revised HKPSG standards, as an interim arrangement, TD had adopted higher ends of HKPSG in recommending the ancillary private car and commercial vehicle parking requirements in both private and government projects. Overall, since 2006, there have been changing circumstances on the demand and supply of private car parking spaces (i.e. a significant increase in the number of private cars resulting in the parking space ratio decreasing to 1.10 in 2018 and further to a projected ratio of less than 1 in the coming years — see para. 2.3). In Audit's view, the decreasing parking space ratio is a cause for concern. TD needs to closely monitor the parking space ratio for private cars and take appropriate measures to address the issue where necessary.

## Planning and provision of long-term public parking spaces

2.8 *Ancillary parking spaces.* On a district level, if ancillary parking spaces are not sufficient to meet the demand, the shortfall will have to be met by the provision of public parking spaces (such as multi-storey car parks and on-street parking spaces). Audit examination of the revisions of HKPSG revealed that:

- (a) the 2002 Study Report recommended major revisions for private car parking provision in subsidised and private housing developments. The revised parking provision was based on a global parking standard (GPS) applicable to both private and subsidised housing with built-in adjustment factors, in which the application of the new standards would provide more flexibility in setting parking requirements. In the case of private housing, adjustment factors on the demand indicator and accessibility would be applied to the GPS (see Appendix B). The demand indicator factor largely reflected the propensity to own a car and varied in accordance with the average flat size. The accessibility factor acknowledged that fewer parking spaces would be needed for developments located near railway stations by

## Planning and provision of public parking spaces

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applying a 15% discount to parking rates for development within a 500-metre (m) catchment area. This was in line with the transport policy of using railways as the backbone. In the case of subsidised housing, the accessibility factor was similar to that for private housing. From 2002 to 2018, HKPSG planning standards of ancillary parking spaces for private cars in housing developments were revised seven times (see Appendix D for details), in particular:

- (i) in March 2003, the relevant standards and guidelines for parking facilities in various types of development projects (including private housing, subsidised housing, community facilities, commercial facilities, and industrial and business developments) were revised;
  - (ii) parking standards for subsidised housing were revised in May 2009 based on findings of the Housing Department (HD)'s "Study on Parking for Public Housing Developments" which was commissioned in 2006 and completed in 2008; and
  - (iii) parking standards for private housing were revised in February 2014 based on findings of TD's "Review of Parking Standards for Private Housing Developments in the HKPSG" which was commissioned in 2008 and completed in 2011 (Note 14);
- (b) the 2002 Study Report forecasted that the parking supply for private cars would be able to meet the demand whilst the overall surplus supply margin would drop. From 2006 to 2018, although there was an increase of 11.2% in the overall provision of parking spaces (ancillary and public), it fell short of the increase of 53.4% in the number of private cars during the period; and
- (c) in 2015 and 2017, Members of LegCo Panel on Transport expressed concerns about the mismatch of the demand and supply of parking spaces

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**Note 14:** *In response to the revision, an organisation considered that the revised standards would result in a drastic reduction in the number of parking spaces for developments with smaller flats while the increase in the provision of parking spaces in developments with larger flats would not be enough.*

in some districts (Note 15) and urged the Government to review the standards of provision of parking spaces.

### *Need to review planning standards of parking spaces in housing developments*

2.9 As mentioned in the 2002 Study Report, the revision in HKPSG for housing developments aimed at addressing the surplus in private car parking spaces (see para. 2.6). As regards the last major revision in HKPSG on the provision of ancillary parking spaces in private housing developments in 2014, it was based on the findings of the consultancy study involving extensive field surveys at various locations in the territory between 2008 and 2011 (see para. 2.8(a)(iii)). However, Audit noted that the demand for parking spaces did not diminish as predicted with more production of small flats since 2011 (see Figure 2 in para. 2.3(b)). In January 2018, LegCo Panel on Transport passed a motion requesting the Government to expeditiously implement a parking policy of according priority to meeting the parking needs of commercial vehicles and at the same time ease the shortage of parking spaces for private cars and commercial vehicles in various aspects, including, among others, requesting developers to provide parking spaces in accordance with HKPSG in the conditions of land sale and updating the proportions of parking spaces for various types of developments in HKPSG to cater for the changes in population and economy of Hong Kong as well as the living habits of Hong Kong. According to TD, the Government would review from time to time the parking space standards and guidelines set out in HKPSG in relation to the provision of parking spaces and make revision as appropriate. In view of the changing circumstances, TD should examine the need for refining the planning standards of parking spaces in housing developments promulgated in HKPSG in light of the increasing demand for private cars parking spaces in recent years.

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**Note 15:** *At a LegCo Panel on Transport meeting held in December 2015, a Member expressed concern about the mismatch of car parks in various districts, such as Tung Chung, and that due to land resumption for increasing the supply of residential units, the number of sites which were being used as temporary car parks were dwindling. At another meeting held in May 2017, another Member expressed concern over the mismatch between the demand and supply of parking spaces for coaches and non-franchised buses.*

### *Need to consider promulgating new guidelines on provision of public parking spaces in G/IC and private developments*

2.10 There are at present no specific standards or guidelines promulgated for provision of public parking spaces, apart from ancillary parking spaces. According to LandsD's list of public facilities required under lease for use by the public within private developments mainly completed in or after 1980, 20,629 public parking spaces (comprising 17,800 for private cars, 2,663 for commercial vehicles and 166 for motorcycles) have been provided in private developments (Note 16). Taking into account the public parking spaces provided in G/IC and public housing developments (see Table 1 in para. 1.9), the total number of public parking spaces was 37,575 only (Note 17). According to TD, incorporation of public parking spaces in G/IC and private developments should be decided on a case-by-case basis. In determining the criteria for incorporating public parking spaces, TD will take into account the demand and supply of car parking spaces and the illegal parking situation in the locality. For specific sites, it will also take into account the specific site configuration/area in arriving at the requirements on public car parking spaces. Since the incorporation of public car parks in private developments, public housing developments and G/IC developments may help increase the number of parking spaces, there is merit in exploring the need for promulgating appropriate guidelines on the provision of public parking spaces (in addition to the provision of ancillary parking spaces). In this connection, TD needs to consider issuing internal guidelines for establishing the requirements for public parking spaces in new development and redevelopment proposals.

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**Note 16:** *According to LandsD, the list did not contain all public parking spaces provided in private developments. The list excluded: (a) cases of public facilities required under lease in developments completed before 1980; (b) cases where private developers provided public car parking spaces on their own accord; (c) cases where public parking spaces were not specified as requirements under lease; and (d) cases where ancillary parking spaces in private developments such as commercial complexes were provided for public use. As regards the 136,467 public parking spaces in private developments as shown in Table 2 in paragraph 2.4, the bulk was probably ancillary in nature (see para. 1.7(a)) or not specified as requirements under lease.*

**Note 17:** *This referred to "additional parking spaces for public use" required under lease to be provided in private developments, which was substantially less than the figure of 12,819 (for commercial vehicle parking spaces) and 151,423 (for private car parking spaces) as shown in Table 2 in paragraph 2.4. Some of those parking spaces open for public use were de facto ancillary in nature (see para. 1.7(a)) and might not serve the purpose of meeting the demand from different districts.*

### *Planning and provision of public parking spaces in G/IC developments*

2.11 According to the 2018 Policy Address:

- (a) the shortage of parking spaces is a concern of many car owners. The Government would follow the principle of “single site, multiple uses” to provide public car parking spaces in suitable G/IC facilities and POS projects; and
- (b) for example, the Government planned to provide public car parking spaces beneath the POS at Sze Mei Street, San Po Kong and at the Joint User Government Office Building in Area 67, Tseung Kwan O (TKO) (Note 18). Subject to technical feasibility, it was expected that at least 1,500 public car parking spaces would be provided in suitable government facilities and POS over the next five years (see para. 1.10(b)(ii)).

2.12 To better meet the demand for parking spaces in different districts, the Government incorporates public parking spaces into G/IC facilities (e.g. recreational facilities). With the support of DEVB, TD will identify suitable sites for G/IC facilities and liaise with relevant departments to incorporate public parking spaces into such facilities at the planning stage. In this connection, POS under planning provides an opportunity for incorporating public parking spaces, especially in areas with serious parking shortage and illegal parking problems. A case in point is the proposed project “Town Park in Area 66 and 68, TKO” (see Case 1 and chronology of key events in Appendix E), which was one of the potential sites identified in connection with the provision of 1,500 public car parking spaces in the next five years (see para. 2.11(b)). Since the provision of public parking spaces in G/IC development (and open space project as illustrated in Case 1) may involve different departments which may have conflicting interests, as advised by DEVB, there is a need to set out the criteria for consideration in planning and provision of public parking spaces in these sites:

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**Note 18:** *According to the Architectural Services Department, a client-initiated change was made in December 2018 to provide additional 285 public parking spaces in the Joint User Government Office Building project in Area 67, TKO, comprising 250 parking spaces for private cars, 25 parking spaces for motorcycles and 10 parking spaces for light buses. As at March 2019, re-assessment of the technical feasibility on the proposed changes was in progress.*

## Planning and provision of public parking spaces

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- (a) ***Identification of the leading project proponent.*** This refers to the need to delineate the responsibilities as to which party should lead the relevant part of the project, manage and maintain the parking spaces so provided and enforce against non-compliant uses, to ensure that any decision to incorporate public parking spaces into G/IC facilities (including POS) is made at the early planning stage and has gone through the due process, bearing in mind other uses on the G/IC sites. The leading project proponent should then include such parking space requirements in the project definition statement (specifying the project scope) where practicable;
- (b) ***Implementation strategy.*** This includes whether the provision should at least reach a certain scale to be cost-effective and whether the provision would be at the expense of other competitive uses or generate adverse traffic impact; and
- (c) ***Resolving conflicts.*** This involves devising a robust mechanism in resolving possible disputes among government bureaux/departments (e.g. on the timeframe and phasing of projects).

Audit considers that THB should, in consultation with relevant bureaux and departments, promulgate a circular setting out the criteria for considering whether and how public parking spaces should be provided under individual G/IC developments and open space projects.



### Case 1

#### Implementation of a POS project with an underground car park in TKO

1. In March 2011, the Sai Kung District Council (SKDC) supported LCSD's proposed project scope for "Town Park in Area 66 and 68, TKO". Pending project planning and funding approval, since February 2013, a portion (with a site area of about 16,600 square metres (m<sup>2</sup>)) of the proposed Town Park in Area 66 has been used as a temporary car park for motor vehicles under an STT. According to the Policy Address of January 2017, the project was included in the Five-Year Plan for Sports and Recreation Facilities.

2. In July 2017, SKDC endorsed a motion to explore the feasibility of providing parking facilities beneath the Town Park. After conducting local consultation in April 2018 to collect residents' views on the proposed underground carpark, SKDC considered at a special meeting in the same month that LCSD should proceed with the project without public car park. After consultation with SKDC and internal discussions among LCSD, TD, PlanD and the Architectural Services Department (ArchSD), in November 2018, TD proposed to SKDC splitting the Town Park project into two separate projects: (a) Town Park project in Area 68 by LCSD as project proponent; and (b) Town Park with an underground car park project in Area 66 by TD as project proponent, providing 395 parking spaces and compressing the project for completion in 2025 under a fast-tracking programme (i.e. two years after completion of the Town Park in Area 68). There were divided views among members at SKDC meetings in 2018 and 2019 (see Items 14 and 16 in Appendix E). As both SKDC and local residents urged for early implementation of the Town Park, in January 2019, SKDC supported LCSD's proposal to implement the Town Park project in Area 68 first. According to TD, it would step up efforts in district management to take forward the project in Area 66.

#### *Audit comments*

3. According to the latest submission to SKDC in March 2019: (a) the existing STT car park had about 800 parking spaces with a utilisation rate of approximately 85% (about 700 parking spaces were occupied); and (b) taking into account the 200 roadside illegal parking in the adjacent areas, there was a high demand for public parking spaces in Areas 66 and 68. TD needs to draw lessons from this case to assess the parking demand and improve planning in future projects:

## Planning and provision of public parking spaces

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### Case 1 (Cont'd)

- (a) TD had not taken early actions to plan for parking facilities concerning the termination of the STT car park in Area 66, including exploring the feasibility of providing the parking spaces in-situ; and
- (b) based on the latest parking requirement as stated in the submission to SKDC in March 2019, TD estimated that the number of parking spaces required was about 880 (i.e. 700 STT parking spaces plus 240 parking spaces for illegal parked-vehicles, and minus 60 surplus parking spaces in the vicinity). Taking into account the proposed 395 parking spaces to be provided in-situ (see para. 2) and 105 parking spaces to be provided in a Joint User Government Office Building in Area 67 (see Note 18 to para. 2.11(b)), there would still be a shortfall of about 380 (880 – 395 – 105) parking spaces.

*Source: Audit analysis of LCSD and TD records*

### ***Planning and provision of public parking spaces in private developments***

2.13 Apart from providing parking spaces in G/IC developments and open space projects, the Government might require developers to provide parking spaces for public use in suitable projects. However, there were media reports and complaints on the denial of access to public car parks in private developments. There were various reasons for doing so. According to DEVB, some developers might deliberately leave the public parking spaces for goods vehicles and coaches idle to avoid possible nuisances, or turn them into parking spaces for private cars. Follow-up actions were taken by TD and LandsD in two cases (see Cases 2 and 3). Audit examination has revealed that TD needs to draw lessons from the two cases to improve its planning in the provision of public parking spaces in private developments.

### Case 2

#### Access to LGV parking spaces at Development A

1. In November 1998, TD advised LandsD to include a public lorry park consisting of 155 LGV parking spaces in the site of Development A, according to a parking demand study. In December 1999, LandsD approved the inclusion of a public lorry park comprising 155 LGV parking spaces as a special condition in the land lease.

2. In October 2016, LandsD conducted an inspection to check the owner's compliance with land lease on provision of the public car park, and found that the ingress and egress points were blocked by movable railings, many lights were turned off and no lorry was parked therein. In November 2016, LandsD issued a warning letter requesting rectification. In December 2016, the car park operator assured that the car park was open for public use.

3. In October 2017, LandsD noted similar non-compliance issue during an inspection. In mid-May 2018, in processing a planning application of a new development nearby, PlanD sought advice from LandsD on the provision of the public lorry park in Development A from land administration aspect. LandsD found similar non-compliance and issued warning letters to the owner. LandsD conducted a follow-up inspection in late May 2018 and was satisfied with the rectification.

4. In response to some complaints/media enquiries about the availability of public parking spaces, LandsD inspected Development A in July 2018 twice and found that the stop bar at entrance was out of order and no lorry was parked inside the car park. During the inspection, LandsD staff also observed that a lorry stopped at the entrance of the car park and the car park attendants lifted the stop bar to allow the lorry to gain access. After issuing a letter requesting remedial actions, in August 2018, LandsD conducted a follow-up inspection and found that the stop bar remained not functioning and no parked lorries were found. According to LandsD: (a) the parking fee of Development A was broadly at market level; and (b) despite the mal-functioning of the stop bar, the car park attendants would assist public lorry park users to gain access to the car park. Thus, the car park was open for public use and there was no breach of lease condition. In response to LandsD's enquiry on the utilisation of the car park, the operator said that the utilisation was very low due to the low demand for LGV parking spaces. However, TD's survey in 2017 on illegal parking in

### Case 2 (Cont'd)

the area (88 LGVs) suggested that there was a demand for LGV parking spaces. LandsD planned to carry out another inspection in September 2019.

#### *Audit comments*

5. Audit's site visit in January 2019 found that the utilisation of the parking spaces for LGVs was very low. In this connection, Audit noted that at the planning stage, TD and PlanD had different views on whether a public lorry park (for 155 LGVs) or a public car park (for 300 motor vehicles) should be provided in Development A (Note). According to TD, if the public lorry park was included in the development site for LGV parking, it could be converted into public car park if necessary. According to the land lease, the owner shall operate, conduct and manage the public car park at all times and in all respects in accordance with all Ordinances, bye-laws and regulations relating to public car parks which are or may at any time be in force in Hong Kong. Audit considers that TD should ascertain the reasons for the under-utilisation of the LGV parking spaces in Development A and draw lessons for future planning of incorporating public car parks in private developments.

*Source: Audit analysis of LandsD and TD records*

*Note: TD and PlanD exchanged views on the issue in December 1999:*

- (a) *on 6 December 1999, PlanD informed LandsD that it had reservations on the provision of the LGV parking spaces because the consultant of the "Review of Land Use in the Northern Part of the West Kowloon Reclamation" had proposed to include public parking spaces (for private cars), instead of LGV parking spaces; and*
- (b) *on 8 December 1999, TD informed PlanD that public lorry (i.e. LGV) park consisting of 155 parking spaces should be provided instead of public car park with 300 private car parking spaces at the site because according to the latest Parking Demand Study, there would be a shortfall of goods vehicle parking spaces in northern part of West Kowloon Reclamation in 2006.*

### Case 3

#### Access to LGV parking spaces at Development B

1. According to a parking demand study conducted in 1995-96, TD discussed with LandsD to include a public lorry park in the site of Development B. In February 1999, LandsD included the provision of not less than 378 public parking spaces (i.e. not less than 200 for LGVs and not less than 178 for private cars) as a special condition in the land lease.

2. In August 2018, in response to media enquiries about the availability of goods vehicle parking spaces to the public, LandsD carried out an inspection and found that some of the LGV parking spaces were fenced off by chain-links or wooden boards, and some were occupied by private cars. LandsD issued a warning letter to the owner. In October 2018, LandsD conducted a follow-up inspection and found that the obstruction was removed but some LGV parking spaces were occupied by private cars. In December 2018, LandsD issued a letter to the owner requiring rectification. In response, in late December 2018, the car park operator informed LandsD that: (a) many users parked their private cars in LGV parking spaces for convenience sake, ease of parking and avoidance of possible damage during manoeuvring; and (b) since cordoning-off of LGV parking spaces was not permitted, all LGV parking spaces were open to use by private cars which made it difficult to manage.

#### *Audit comments*

3. Audit's site visit in January 2019 found that a number of LGV parking spaces were occupied by private cars. LandsD, in collaboration with TD, should carry out inspections and take actions to rectify the irregularities. TD should also draw lessons for future planning of car parks which provide both private car and LGV parking spaces at the same locality.

*Source: Audit analysis of LandsD and TD records*

## Planning and provision of temporary public parking spaces

2.14 ***Decrease in number of STT parking spaces.*** LandsD is responsible for the management of developable government land not yet leased or allocated for long-term development uses. To put land resources into gainful use, LandsD will,

## Planning and provision of public parking spaces

where practicable, put such government sites to appropriate temporary uses by suitable means, including leasing the land by way of STTs granted through open tenders for various commercial purposes (including fee-paying public car parks). The Traffic Survey and Support Division of TD conducts half-yearly parking surveys for STT sites in order to collect information on inventories and utilisation rates for different types of vehicle parking. As shown in Table 3, from 2011 to 2018, the number of STT car parks decreased by 4% from 213 to 205 and the number of parking spaces in STT car parks decreased by 13% from 36,631 to 31,763.

**Table 3**

**Decrease in number of parking spaces in STT car parks  
(2011 to 2018)**

Year	Number of STT car parks	Number of parking spaces in STT car parks			
		Private car (a)	Commercial vehicle (b)	Motorcycle (c)	Overall (d) = (a) + (b) + (c)
2011	213	23,055	13,344	232	36,631
2012	218	22,630	13,173	195	35,998
2013	211	20,509	12,531	318	33,358
2014	211	20,372	12,633	306	33,311
2015	207	20,133	11,109	217	31,459
2016	202	20,871	10,560	215	31,646
2017	209	20,421	10,296	219	30,936
2018	205	21,429	10,109	225	31,763
Percentage decrease from 2011 to 2018	4%	7%	24%	3%	13%

Source: TD records

2.15 ***Termination of STT car parks.*** As shown in Table 3, the number of STT parking spaces for commercial vehicles decreased by 3,235 (24%) from 13,344 to 10,109 and that for private cars by 1,626 (7%) from 23,055 to 21,429. In this connection, Audit has noted that:

- (a) unlike covered car parks with headroom restriction and structural elements, STT car parks are open-air sites which can accommodate larger vehicles. According to the 2002 Study Report, the use of STT car parks was effective in providing parking spaces for goods vehicles. Therefore, the substantial reduction in the number of STT spaces has an impact on meeting the parking need for medium and large-size commercial vehicles;
- (b) according to TD, there had been mounting pressure on the development of many STT sites in recent years because of a general shortage of land suitable for various development needs. According to TD, as at 30 September 2018, 41 STT car parks (providing 6,187 parking spaces for private cars and 2,115 for commercial vehicles) would be terminated for long-term developments in the coming years; and
- (c) there was a consensus at the Harbourfront Commission (Note 19) that STTs along the harbourfront (mainly in Victoria Harbour) should eventually be phased out, on the grounds that the land use of STT car parks was not compatible with the harbourfront, unless the STTs were meant to facilitate users of the harbourfront. As at 31 December 2018, 62 STT car parks (providing 5,096 parking spaces for private cars and 5,314 for commercial vehicles) were located in the harbourfront areas.

2.16 ***Need to provide more long-term public parking spaces to meet the shortfall arising from termination of STT car parks.*** Audit noted that, as at 30 June 2018, 12 (5.3%) STT car parks (involving 830 parking spaces for private cars and 1,570 for commercial vehicles) had operated for over 10 years. According to DEVB, by nature, STT car parks are only stop-gap measures and cannot replace efforts to

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**Note 19:** *The Harbourfront Commission was established in 2010 to advise the Government on harbourfront planning, design, management and other related matters with the objective of fostering and facilitating the development of the Victoria harbourfront. It comprises non-official members (including 12 representatives nominated by professional institutes, civic and environmental groups and the business sector, and 12 individual members including the Chairman), and the Secretary for Development as the Vice-Chairman and another 7 ex-officio members.*

## **Planning and provision of public parking spaces**

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identify and implement long-term solutions. Moreover, LandsD informed Audit in March 2019 that STT sites could not be maintained perpetually as they were allocated for implementing planned permanent developments which prevailed over temporary/short term uses and in addition, there was tremendous pressure in the supply of fresh STT sites for competing bidding such as social housing, works areas for public works, recycling industry, etc, all of which were pertinent to the functioning of this city, in one way or the other. Hence, the pool of STT sites available for car parks would continue to diminish as they were taken up for permanent developments, or deployed for other more pressing competing uses. In view of the fact that many STT car parks are planned to be taken back for other uses in the years ahead (see para. 2.15(b)), TD, in liaison with the relevant departments such as LandsD, needs to step up efforts to identify suitable reprovisioning sites in a timely manner. As there are always difficulties in identifying suitable reprovisioning sites because of other competing demands, Audit considers that TD needs to formulate a strategy for providing more long-term public parking spaces, especially for commercial vehicles, to meet the shortfall arising from termination of STT car parks. TD needs to consider reducing the reliance on STT car parks in meeting public parking space demand.

### **Audit recommendations**

**2.17      Audit has recommended that the Commissioner for Transport should:**

#### ***Demand and supply of parking spaces***

- (a)      closely monitor the parking space ratio for private cars and take appropriate measures to address the issue of decreasing ratio where necessary;**

#### ***Planning and provision of long-term public parking spaces***

- (b)      review the planning standards of parking spaces for private cars in the housing developments promulgated in HKPSG;**
- (c)      consider issuing internal guidelines for establishing the requirements for public parking spaces in new development and redevelopment proposals;**



- (d) in consultation with SKDC, endeavour to work out a reprovisioning plan for the STT car park in TKO Area 66 (see Case 1);
- (e) drawing lessons from Case 1, critically review the demand for parking spaces in planning the reprovisioning of car parks in future;
- (f) ascertain the reasons for the under-utilisation of LGV parking spaces in Case 2 and draw lessons to improve the planning and provision of public car parks in private developments;
- (g) drawing lessons from Case 3, improve the future planning of car parks which provide both private car and LGV parking spaces at the same locality;

### *Planning and provision of temporary public parking spaces*

- (h) in liaison with the Director of Lands, step up efforts to identify suitable reprovisioning sites in a timely manner if it is considered necessary to reprovision STT car parks that will be terminated for long-term developments, taking into account LandsD's specific views in paragraph 2.16; and
- (i) formulate a strategy for providing more long-term public parking spaces, especially for commercial vehicles, to meet the shortfall arising from termination of STT car parks in the near future, taking into account LandsD's specific views in paragraph 2.16.

2.18 Audit has *recommended* that the Director of Lands should, in collaboration with the Commissioner for Transport, carry out inspections and take actions to rectify the irregularities identified in Case 3.

2.19 Audit has also *recommended* that the Secretary for Transport and Housing should, in consultation with relevant government bureaux and departments, promulgate a circular setting out the criteria for considering whether and how public parking spaces should be provided under individual G/IC developments and open space projects.

### **Response from the Government**

2.20 The Commissioner for Transport agrees with the audit recommendations in paragraphs 2.17 and 2.18. She has said that:

- (a) TD will continue to closely monitor the parking space ratio for private cars and actively pursue short and medium to long term measures to address the parking space demand appropriately;
- (b) TD commissioned a review in August 2018 on the parking standard for provision of private car parking spaces in HKPSG with a view to updating the requirement for parking spaces in housing developments. The review is targeted for completion in 2020;
- (c) TD will draw up guidelines for establishing the requirements for public parking spaces in new development and redevelopment proposals for internal reference;
- (d) TD consulted SKDC on 5 March 2019 on the reprovisioning plan for the STT car park in TKO Area 66, which included construction of a town park with underground public vehicle park in the area. TD is considering views of SKDC members;
- (e) TD will critically review the demand for parking spaces in planning the reprovisioning of car parks in future, taking into account the local traffic conditions, land availability, utilisation of car parks nearby, illegal parking in the vicinity and views of stakeholders;
- (f) TD will ascertain the reasons for the under-utilisation of LGV parking spaces in Case 2 with a view to formulating measures to improve the planning and provision of public car parks in private developments in future;
- (g) TD will review Case 3 with a view to formulating measures to improve the future planning of car parks which provide both private car and LGV parking spaces at the same locality;

- (h) notwithstanding that land is a scarce resource in Hong Kong and that any temporarily vacant piece of land could be competed for various uses (e.g. transitional housing), TD will continue to liaise with LandsD to make every effort to identify suitable reprovisioning sites for those STT car parks to be terminated for long-term developments;
- (i) the strategy for providing more long-term public parking spaces has been established on two fronts. Firstly, the Government will, in line with the principle of “single site, multiple uses”, provide public car parking spaces in suitable G/IC facilities and POS projects so as to make full use of the sites. Secondly, through wider application of automated parking system, the Government will target to provide more parking spaces in future government car parks. In this regard, TD has commissioned a pilot study on automated parking systems and has identified six pilot sites for detailed technical assessment with a view to commencing construction in batches starting from 2021; and
- (j) as regards the audit recommendation in paragraph 2.18, TD will provide assistance to LandsD to carry out inspection, and take actions to rectify the irregularities identified in Case 3.

2.21 The Director of Lands generally agrees with the audit recommendations in paragraphs 2.17(h) and (i), and 2.18. He has said that the reprovisioning of temporary public parking spaces currently provided under STT car parks by long-term and permanent ones require long-term planning of suitable sites which is outside the remit of LandsD and involve other relevant department.

2.22 The Secretary for Transport and Housing agrees with the audit recommendation in paragraph 2.19. He has said that:

- (a) as announced in the 2018 Policy Address, the Government will follow the principle of “single site, multiple uses” to provide public car parking spaces in suitable G/IC facilities and POS projects; and
- (b) to facilitate implementation, THB has already promulgated to relevant bureaux and departments a host of measures to suitably make available more car parking spaces. In particular, THB/TD has initiated the process of revising, in consultation with relevant bureaux and departments, an

## **Planning and provision of public parking spaces**

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internal circular so that the requirements to incorporate public parking spaces in various government projects in line with the principle of “single site, multiple uses” will be set out by the project proponents and works agents, in consultation with TD, as part of the project scope under Project Definition Statements.

2.23 The Secretary for Development agrees with the audit recommendation in paragraph 2.19. He has said that the planning of public car parking facilities in new G/IC projects should take into account the potential competing uses and other value-for-money considerations (see para. 2.12(b)).

## **PART 3: MANAGEMENT OF GOVERNMENT MULTI-STOREY CAR PARKS**

3.1 This PART examines TD's management of government multi-storey car parks, focusing on:

- (a) review of parking fees and sale of parking tickets (paras. 3.5 to 3.13);
- (b) non-availability of parking spaces for public use (paras. 3.14 to 3.24); and
- (c) facilities management (paras. 3.25 to 3.30).

### ***Government multi-storey car parks***

3.2 ***Policy objectives.*** According to TD, the Government's policy objectives in managing government multi-storey car parks are to:

- (a) maintain the availability rate of parking spaces at 15% during peak hours (i.e. a utilisation rate of 85%); and
- (b) maximise government revenue.

3.3 ***Car park management.*** The Transport Facilities Management Section (TFMS — Note 20) under the Management Services Division of TD's Management and Paratransit Branch (see Appendix A) is responsible for the management of various transport facilities including the government multi-storey car parks and on-street metered parking spaces (see para. 4.4). As at 31 December 2018, TFMS managed 11 government multi-storey car parks (Note 21) providing a total of 5,547 parking

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**Note 20:** *TFMS, headed by a Chief Transport Officer, comprises 12 staff.*

**Note 21:** *From 2013 to 2018, three government multi-storey car parks and an open-air car park ceased operation, namely Tsuen Wan Transport Complex Car Park in February 2013, Middle Road Car Park in July 2014, Murray Road Car Park in May 2017 and Sheung Shui Park-and-Ride Car Park (an open-air car park) in August 2018. The Park-and-Ride scheme was provided on the same date in Po Shek Wu Estate Public Car Park under the Hong Kong Housing Authority's management.*

## Management of government multi-storey car parks

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spaces, including 4,823 for private cars, van-type LGVs and taxis, and 724 for motorcycles (see Appendix F). Two contractors are responsible for the day-to-day management, operation and maintenance of all 11 government multi-storey car parks under two 3-year contracts with effect from 1 May 2017. Under the contracts, the contractors shall collect, for and on behalf of the Government, the parking receipts from car park users. The revenue collected shall be shared by the Government and contractors at pre-determined percentages.

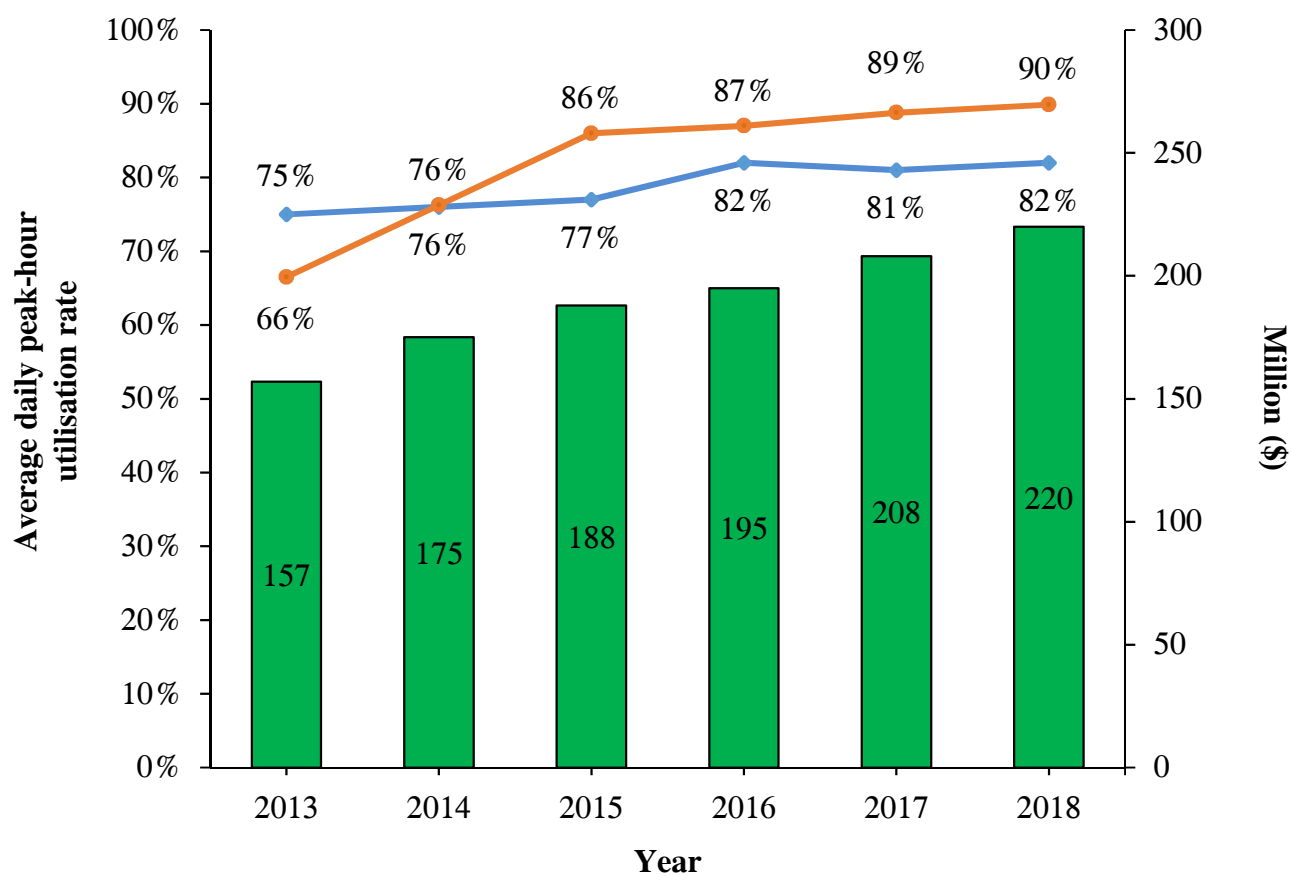
3.4 *Utilisation and revenue.* According to TD, the average daily peak-hour utilisation rate of parking spaces (Note 22) for private cars, van-type LGVs and taxis increased from 66% in 2013 to 90% in 2018 and that for motorcycles also increased from 75% in 2013 to 82% in 2018. The total revenue from the 11 car parks increased by 40% from \$157 million in 2013 to \$220 million in 2018 (see Figure 3).

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**Note 22:** *According to TD, the peak-hour utilisation rate was the ratio between the space-hours taken up by vehicles in a car park during peak hours with the highest demand and the total space-hours available in that car park during the same period.*

Figure 3

Average daily peak-hour utilisation rates and total revenue from 11 government multi-storey car parks (2013 to 2018)



Legend:   
—●— Average daily peak-hour utilisation rate of parking spaces for private cars, van-type LGVs and taxis   
—◆— Average daily peak-hour utilisation rate of parking spaces for motorcycles   
■ Total revenue from the 11 government multi-storey car parks

Source: Audit analysis of TD records

### Review of parking fees and sale of parking tickets

3.5 *Parking fee adjustment.* To cater for different parking demands in different districts, parking fees of the 11 government multi-storey car parks are charged at different rates based on the parking duration (i.e. hourly, half-daily, monthly and quarterly). TD sells monthly/quarterly parking tickets to motorists in respect of three vehicle types (i.e. (i) private cars and van-type LGVs; (ii) taxis; and (iii) motorcycles). According to TD, parking fees of the government multi-storey car parks should be reviewed every year taking into account the following factors:

- (a) maintaining the parking space utilisation rate at 85% during peak hours (see para. 3.2(a));
- (b) parking fees of the government multi-storey car parks to be comparable with fees charged by nearby public car parks;
- (c) impact of fee revision on utilisation and the objective of maximising government revenue (see para. 3.2(b)); and
- (d) public acceptability.

From 1998 to 2018, TD adjusted the parking fees of the government multi-storey car parks five times (i.e. in 1998, 2007, 2013, 2017 and 2018). For example, the parking fees were adjusted upward by 2% to 13% in 2017 and by 2% to 11% in 2018. In this regard, Audit examination of the average daily peak-hour utilisation rates of parking spaces in the car parks and the parking fee levels has revealed that there is a need to take into consideration the audit observations in paragraphs 3.6 to 3.8 in future parking fee review exercises.

3.6 *Parking space average daily peak-hour utilisation rates exceeding 85%.* As shown in Figure 3 in paragraph 3.4, the average daily peak-hour utilisation rates of parking spaces for private cars, van-type LGVs and taxis had exceeded TD's target utilisation rate of 85% since 2015 (see para. 3.2(a)) and reached 90% in 2018. An analysis of average daily peak-hour utilisation rates in 11 government multi-storey car parks in 2018 is shown in Table 4. It can be seen that in 2018, the average daily peak-hour utilisation rates in 10 of the 11 car parks ranged from 89% to 95%.



**Table 4**

**Analysis of average daily peak-hour utilisation rates of parking spaces for private cars, van-type LGVs and taxis in 11 government multi-storey car parks (2018)**

<b>Government multi-storey car park</b>	<b>Average daily peak-hour utilisation rate</b>
Yau Ma Tei	91 %
Star Ferry	90 %
City Hall	80 %
Rumsey Street	89 %
Aberdeen	93 %
Kwai Fong	90 %
Tsuen Wan	95 %
Shau Kei Wan	93 %
Tin Hau	92 %
Sheung Fung Street	95 %
Kennedy Town	90 %
Overall	90 %

*Source: Audit analysis of TD records*

**3.7 Parking fees below average market rate.** According to a market research conducted by TD in July 2018, except for the reserved parking spaces at Star Ferry Car Park, the monthly parking fees of non-reserved parking spaces for private cars and van-type LGVs in all the government multi-storey car parks were the lowest as compared with nearby public car parks (i.e. within 15 minutes walking distance from respective multi-storey car parks). In general, the monthly parking fees for private cars and van-type LGVs in government multi-storey car parks were 15% to 34% lower than the average market rates of nearby public car parks (see Table 5).

## Management of government multi-storey car parks

Table 5

**Comparison of monthly parking fees with average market rates for private cars and van-type LGVs in 11 government multi-storey car parks (July 2018)**

Government multi-storey car park	Monthly parking fee (Note 1) (a) (\$)	Average market rate (b) (\$)	Percentage of monthly parking fees below average market rate (c) = [(b) - (a)] ÷ (b) × 100%
Yau Ma Tei	2,800	3,275	15%
Star Ferry	4,300 (Note 2)	5,113	16%
City Hall	4,300	5,113	16%
Rumsey Street	3,950	4,767	17%
Aberdeen	1,800	2,355	24%
Kwai Fong	2,000	2,593	23%
Tsuen Wan	2,000	2,925	32%
Shau Kei Wan	2,000	2,682	25%
Tin Hau	2,800	3,671	24%
Sheung Fung Street	1,900	2,647	28%
Kennedy Town	2,200	3,327	34%

Source: TD records

Note 1: As at July 2018, quarterly parking tickets were only sold in Kennedy Town Car Park. The monthly parking fee was calculated by dividing the quarterly parking fee by three (i.e. \$6,600 ÷ 3 months = \$2,200/month).

Note 2: This referred to the monthly parking fee for non-reserved parking spaces. Monthly parking fee for reserved parking spaces was \$5,900.

3.8 **Concessionary parking fees for taxis.** According to TD, as a helping measure to the taxi trade at that time, in 1999, TD launched a scheme to sell monthly parking tickets for taxis at a concessionary rate of \$500. As at 31 December 2018,

monthly/quarterly parking tickets for 340 parking spaces for taxis were available for sale in 10 government multi-storey car parks (except Star Ferry Car Park). The monthly parking fees for taxis had increased by 16% from \$500 in 1999 to \$580 in 2018. Audit's research of the parking fees in other public car parks revealed that the granting of concessionary rate for monthly parking for taxis was not common (e.g. in the Hong Kong Housing Authority's car parks, the monthly parking fees for taxis and private cars were the same). In Audit's view, TD needs to take into due consideration in its future parking fee review exercises the concessionary parking fees granted for taxis, and consider whether the justification in 1999 for so doing is still valid in the present circumstances.

### *Sale arrangements of parking tickets*

3.9 *Monthly and quarterly parking tickets.* As at 31 December 2018, there were 3,811 (69% of 5,547 parking spaces) monthly and quarterly parking tickets made available for sale in the 11 government multi-storey car parks (see para. 3.5). Issued parking tickets are non-transferrable, except for vehicles under the same owners. TD adopts the following sale arrangements for monthly and quarterly parking tickets in the government multi-storey car parks:

- (a) *Monthly parking tickets.* Monthly parking tickets are sold on a first-come-first-served basis. The monthly parking tickets for the succeeding month are put on sale starting at 7:30 a.m. on the 23rd of each month. Applicants must purchase monthly parking tickets at the shroff of the respective car parks; and
- (b) *Quarterly parking tickets.* Quarterly parking tickets are sold by balloting. Application forms are available for collection at the shroff of the respective car parks from 23rd of January, April, July and October for parking in the forthcoming quarter starting from March, June, September and December in the year. For example, the January applications are for parking period from March to May of the year. An applicant must submit a completed application form together with the required supporting documents (i.e. a valid vehicle registration document and a valid vehicle licence) at the shroff of a car park on or before the deadline (usually about 2 weeks after the application forms are available for collection e.g. the first week of February for January applications). A computer-generated acknowledgement slip in respect of the application will be issued to the applicant. The ballot, which is open to the public, usually takes place a few days after the deadline. The

successful applicants can purchase the parking tickets at the shroff upon presenting the acknowledgement slips. A waiting list mechanism is also maintained in case there are unsold tickets.

3.10 ***Overnight queuing for purchase of monthly parking tickets.*** Probably due to the growth in fleet size of private cars (see para. 1.6) and the relatively lower parking fees in government multi-storey car parks (see para. 3.7), competition for monthly/quarterly parking tickets among applicants was keen in recent years. There were media reports about overnight queues for the purchase of monthly parking tickets. For example, according to TD's records, a queue was formed at around 11:00 a.m. on 22 November 2018 (i.e. more than 20 hours before the monthly parking tickets were put on sale at 7:30 a.m. on 23 November 2018) in one of the car parks. Audit examined TD's records on sale of monthly parking tickets from July to December 2018 and found that monthly parking tickets for private cars and van-type LGVs had been sold out on the first day in 4 car parks (i.e. Tin Hau, Shau Kei Wan, Aberdeen and Kwai Fong Car Parks) for 5 to 6 consecutive months. Audit's site visits in the evenings of 22 November 2018 and 22 January 2019 revealed that overnight queues existed in the 4 car parks (see Photographs 1(a) to (d) for the queuing situation on 22 January 2019).

### Photographs 1(a) to (d)

#### Overnight queues waiting for purchase of monthly parking tickets

(a) Tin Hau Car Park



(b) Shau Kei Wan Car Park



(c) Aberdeen Car Park



(d) Kwai Fong Car Park



Source: Photographs taken by Audit staff from 10:00 p.m. to 11:30 p.m. on 22 January 2019

3.11 ***Need to take further actions to improve the sale arrangements.*** In light of the media reports and similar public complaints, TD conducted a review in October 2018 on the sale arrangements of parking tickets. According to TD, a number of factors including the demand and utilisation (by reviewing the number of days required for the monthly parking tickets to be sold out (e.g. on the first day of sale for three consecutive months)), safety and order of queuing arrangements as well as users' opinions (by questionnaire surveys) were taken into account. In view of the high utilisation rates of the car parks and safety concern about the queuing public, TD has changed the sale arrangement of parking tickets in Sheung Fung Street Car Park

from a first-come-first-served basis to a balloting arrangement (Note 23) since December 2018. Upon enquiry, TD informed Audit in March 2019 that it would review the sale arrangements and consider implementing balloting arrangement in other individual car parks if appropriate, and the balloting arrangement would also be extended to Rumsey Street and Yau Ma Tei Car Parks in March 2019 (covering the parking period from April to June 2019). In Audit's view, apart from considering the extension of balloting arrangement to other car parks, TD also needs to explore the use of information technology (e.g. online application) to streamline the application process.

### Audit recommendations

3.12 **Audit has recommended that the Commissioner for Transport should:**

- (a) **take into due consideration the high utilisation rates of parking spaces, the lower-than-market parking fees for private cars and van-type LGVs, and the concessionary parking fees for taxis in TD's future parking fee review exercises; and**
- (b) **take further actions to improve the sale arrangements of monthly/quarterly parking tickets in the government multi-storey car parks.**

### Response from the Government

3.13 The Commissioner for Transport agrees with the audit recommendations. She has said that TD will continue to:

- (a) review the parking fees of the car parks (including the concessionary parking fees for taxis) under TD's management annually, taking into account the utilisation rates of the car parks and the parking fees of the nearby car parks; and

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**Note 23:** *TD has implemented balloting arrangement for sale of quarterly parking tickets in Kennedy Town Car Park for more than five years.*

- (b) review the sale arrangements for monthly parking tickets taking into account the demand and utilisation, safety and order of queuing arrangements, and explore the use of information technology to streamline the application process. As there are different views on adopting balloting arrangement for monthly/quarterly parking tickets, due regard should be given to users' opinions and acceptability in considering any extension of the balloting arrangement to other car parks.

### **Non-availability of parking spaces for public use**

3.14 Given the high demand for the parking spaces in the government multi-storey car parks, as reflected by the high utilisation rates during peak hours in recent years (see Figure 3 in para. 3.4), it is important that all parking spaces are open to the public as far as practicable. From November 2018 to January 2019, Audit conducted site visits to all the 11 car parks and identified room for improvement in the following two cases, as illustrated in paragraphs 3.15 to 3.22.

#### ***Unused parking spaces at Kwai Fong Car Park***

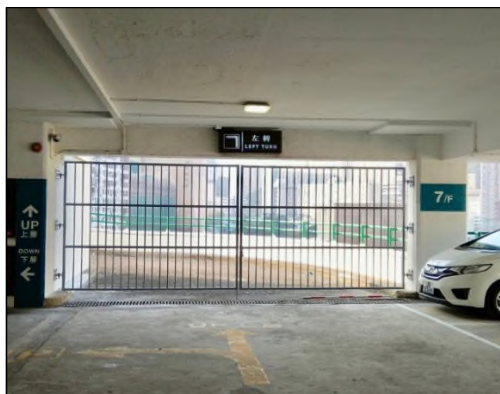
3.15 ***Rooftop parking spaces.*** Kwai Fong Car Park is a 7-storey car park providing 645 parking spaces, including 552 parking spaces for private cars, van-type LGVs and taxis, and 93 parking spaces for motorcycles. According to the floor plans of Kwai Fong Car Park, 477 parking spaces for private cars, van-type LGVs and taxis are located on 1st to 7th floors of the Car Park and the remaining 75 parking spaces for private cars, van-type LGVs and taxis are located on the rooftop of the Car Park.

3.16 ***Audit's site visits.*** Audit conducted site visits to Kwai Fong Car Park from November 2018 to January 2019 and found that the vehicular access between the 7th floor and the rooftop of the Car Park had been closed (see Photographs 2(a) and (b)). According to TD's records, the rooftop of the Car Park had been closed since October 2013 and since then all the 75 parking spaces on the rooftop had not been open for public use.

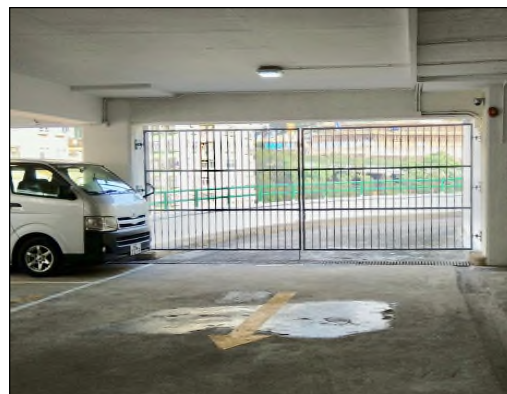
### Photographs 2(a) and (b)

#### Vehicular access between 7th floor and rooftop of Kwai Fong Car Park

(a) Entrance



(b) Exit



Source: Photographs taken by Audit staff on 17 January 2019

3.17 ***Incident leading to the closure of the rooftop parking spaces.*** According to TD's records, six theft cases of copper plates (i.e. lightning protection strips) were reported on the 1st floor, 7th floor and rooftop of the Kwai Fong Car Park from September 2012 to May 2013. To enhance security of the Car Park, TD implemented several security measures, including the installation of: (a) nine additional closed-circuit television (CCTV) cameras on the 7th floor and the rooftop; and (b) two gates with close-shackle padlocks at ramps located on the 7th floor (see Photographs 2(a) and (b) in para. 3.16). The installation works were completed in October 2013. However, no record was available showing the justifications for not re-opening the rooftop parking spaces for public use after the completion of the installation works.

3.18 ***Need to put the rooftop parking spaces into effective use expeditiously.*** In response to Audit's enquiry about the reasons for prolonged closure of the rooftop parking spaces at Kwai Fong Car Park, TD and ArchSD informed Audit in March 2019 that:

- (a) ***TD.*** The surface of the rooftop was subsequently found not suitable for parking. Upon liaising with ArchSD, the repair works were completed in October 2018. TD planned to re-open the rooftop parking spaces for temporary use as a temporary vehicle detention centre for impounding



vehicles used for illegal carriage of passengers for hire or reward, and afterwards for general parking purpose; and

- (b) **ArchSD.** There was no delay in completing the repair works for the rooftop parking spaces of the Kwai Fong Car Park. In April 2018, ArchSD received the request for the repair works (without any specific requirements for phasing or target completion date) and immediately arranged the minor repair works in May 2018. In August 2018, the works were substantially completed with subsequent defect rectification and outstanding works fully completed in October 2018. The minor repair works included patch repair of floor finishes, repainting of parapet walls and line markings, which would not jeopardise the opening of the car park.

In Audit's view, the prolonged closure of rooftop parking spaces at Kwai Fong Car Park was unsatisfactory because there was a great demand for parking spaces in Kwai Fong, as evidenced by the high demand for monthly parking tickets of Kwai Fong Car Park (see para. 3.10). Audit analysis also revealed that the average daily peak-hour utilisation rates of parking spaces for private cars, van-type LGVs and taxis of Kwai Fong Car Park had consistently exceeded 85% since 2015 (i.e. ranging from 88% to 90% from 2015 to 2018). TD needs to put the 75 rooftop parking spaces into effective use as soon as practicable.

### ***Parking spaces occupied by abandoned vehicles***

3.19 ***Impounding and disposal of abandoned vehicles.*** According to TD, a vehicle is considered abandoned if it is not having a valid monthly or quarterly parking ticket and has been stationary at a parking space for a continuous period of more than 30 days. Such abandoned vehicle may be impounded, detained and disposed of in accordance with the Road Traffic (Parking on Private Roads) Regulations (Cap. 374O). According to the Regulations, if a detained vehicle is not removed within 25 days after serving a notice to the vehicle owner within 3 days after its detention and the publication of the notice on newspapers within 14 days of the notice, the detained vehicle shall become a government property and may be disposed of by the Commissioner of Police. Therefore, the time taken from detention to removal of an abandoned vehicle from the parking space should be around one month. TD's contractors are required under the contracts to handle abandoned vehicles in accordance with the laid-down procedures.

## Management of government multi-storey car parks

3.20 *Prolonged occupation of parking spaces by abandoned vehicles.* According to TD's records, as at 12 November 2018, there were 13 abandoned vehicles (i.e. 9 private cars and 4 motorcycles) with expired vehicle licences or without any vehicle licence in 5 government multi-storey car parks. Audit's site visits in December 2018 revealed that all the 13 abandoned vehicles had not been removed. An analysis of the parking duration (i.e. from entry date to 31 December 2018) of the 13 vehicles showed that 10 had been abandoned for one year or more (see Table 6). Upon enquiry, in January 2019, TD informed Audit that 6 of the 13 abandoned vehicles had been removed and handed over to HKPF for disposal. According to TD, the actual loss of parking fees in respect of the 13 abandoned vehicles (i.e. calculated from their entry dates to the dates of becoming government properties) amounted to about \$210,000. However, Audit estimated that the parking fees forgone in respect of the prolonged occupation of the parking spaces by the 13 vehicles after becoming government properties amounted to \$3.4 million up to 31 December 2018.

**Table 6**

**Aging analysis of occupation of parking spaces by 13 abandoned vehicles  
in 5 government multi-storey car parks  
(31 December 2018)**

Parking duration	Number of vehicles
< 1 year	3
1 to < 3 years	5 (Note 1)
3 to < 5 years	3 (Note 1)
5 to < 7 years	1
≥ 7 years	1 (Note 2)

Source: Audit analysis of TD records

Note 1: Two abandoned vehicles had been parked in Murray Road Car Park since 1 January 2014 and 1 January 2016 respectively and were relocated to Aberdeen Car Park after cessation of operation of Murray Road Car Park in May 2017. The parking duration of the two abandoned vehicles was counted from the entry dates at Murray Road Car Park. According to TD, one of the abandoned vehicles was removed and handed over to HKPF in January 2019.

Note 2: The parking duration of the abandoned vehicle (a motorcycle) was about 11 years. According to TD, the vehicle was removed and handed over to HKPF in January 2019.

3.21 *Areas for improvement.* Audit examination of the records of follow-up actions taken by TD's contractors in respect of the abandoned vehicles revealed that there were inadequacies in such follow-up actions, resulting in prolonged occupation of parking spaces. Case 4 is an example.

### Case 4

#### Prolonged occupation of parking space by an abandoned vehicle

1. A vehicle had been found parked at Rumsey Street Car Park since 6 March 2015. The contractor served a first notice on 10 April 2015 reminding the registered vehicle owner to pay the accrued parking fees and that the contractor was entitled to sell the vehicle and to recover from the proceeds the accrued parking fees together with any other costs. No record was available showing that follow-up actions had been taken on the first notice.

2. After 20 months, on 2 December 2016, the contractor served a second notice to the registered vehicle owner. The notice was published in newspapers on 15 December 2016. On 18 December 2016, the contractor issued a letter informing HKPF that the vehicle could be handed over to HKPF for disposal. On 26 January 2017, the contractor served a final notice to the owner. On 3 February 2017, the contractor issued a second letter to HKPF. No record was available showing that handover arrangement had been made afterwards.

3. On 16 June 2017 and 16 March 2018, the contractor served another two notices to the owner and the latter was published in newspapers on 23 March 2018. On 22 November 2018, 8 months after the previous notice, the contractor issued the third letter informing HKPF that the vehicle could be handed over to HKPF for disposal. On 17 January 2019, HKPF replied that the vehicle could be delivered to HKPF's detention pound for disposal. Audit's site visit on 22 January 2019 found that the vehicle had been removed.

#### *Audit comments*

4. It took 45 months from the serving of the first notice to the removal of the abandoned vehicle from the parking space at Rumsey Street Car Park. In Audit's view, the repeated issue of notices and delays in taking follow-up actions led to prolonged occupation of the parking space. The case also highlighted the need to improve TD's monitoring of the contractor's performance because TD had not required the contractors to regularly report progress of follow-up actions on the abandoned vehicles.

Source: Audit analysis of TD records

3.22 In February 2019, in response to Audit's enquiry, HKPF said that:

- (a) the Road Traffic (Parking on Private Roads) Regulations empowered the Commissioner of Police to dispose of a vehicle that had been parked on a restricted parking area on a private road and had been impounded and removed by the owner of that road. This power was limited to vehicles parked in restricted parking areas, but not designated parking places; and
- (b) in normal circumstances, HKPF would only remove any vehicles or other obstructions on the road if they caused serious obstructions or posed imminent danger to other road users. However, each request for disposal was considered on a case-by-case basis having regard to circumstances including availability of space in HKPF's vehicle pounds. In Case 4 in paragraph 3.21, the subject vehicle was accepted by HKPF for disposal based on such considerations.

TD's contractors are required under the contracts to deal with abandoned vehicles in accordance with the Road Traffic (Parking on Private Roads) Regulations. However, the removal and disposal of abandoned vehicles in the government multi-storey car parks may not be effectively dealt with if the vehicles are not parked in restricted parking areas as defined in the Regulations. In Audit's view, TD needs to explore feasible ways to remove abandoned vehicles with a view to releasing the occupied parking spaces in the government multi-storey car parks expeditiously, including ascertaining the applicability of the Regulations.

## Audit recommendations

3.23 **Audit has *recommended* that the Commissioner for Transport should:**

- (a) **put the 75 rooftop parking spaces at Kwai Fong Car Park into effective use as soon as practicable;**
- (b) **explore feasible ways to remove abandoned vehicles with a view to releasing the occupied parking spaces in the government multi-storey car parks expeditiously, including ascertaining the applicability of the Road Traffic (Parking on Private Roads) Regulations; and**

- (c) **improve the monitoring of the contractors' performance in taking follow-up actions in respect of abandoned vehicles.**

### **Response from the Government**

3.24 The Commissioner for Transport agrees with the audit recommendations. She has said that:

- (a) TD has decided to convert the rooftop of Kwai Fong Car Park into a temporary detention centre for impounding vehicles and afterwards for general parking purposes. TD is going through the necessary procedures. TD will enhance liaison with the works departments in future for early completion of works in the car parks with a view to re-opening the affected parking spaces as soon as possible;
- (b) TD is devising a set of procedures to enable expeditious handling of abandoned vehicles; and
- (c) with effect from February 2019, TD's contractors for car parks have been submitting monthly returns on the numbers and details of abandoned vehicles in TD's car parks for TD's monitoring of their performance.

### **Facilities management**

#### ***Inadequacies in provision of CCTV security systems***

3.25 ***Lack of CCTV footage to facilitate incident investigation.*** The contractors are required under the contracts to submit written reports to TD for all incidents (e.g. vehicle theft and loss of properties), accidents or criminal activities in any car park involving any damage to any government property or vehicle, or injury or death to any person. Audit examination of all 37 incident reports submitted by the contractors in 2018 revealed that: (a) 18 incidents were related to car crash; (b) 3 incidents were related to loss of properties; (c) 9 incidents were related to death or injury; and (d) 7 incidents were related to damage of vehicles and others. All the incidents had been reported to HKPF. However, Audit noted that in 30 of the 37 incidents, no image was captured by the CCTV footage or the scene was not under the coverage of CCTV security systems during the occurrence of the incidents and

thus no record could be provided to HKPF for investigation. For example, in September 2018, a monthly patron lodged a complaint to TD that his vehicle had been seriously damaged by a “hit-and-run” driver. However, no video image could be provided to assist in the incident investigation.

3.26 *Need to review the adequacy of CCTV security systems.* Inadequacies in CCTV security systems may create security loopholes and pose risk to theft of properties (see para. 3.17). Audit examined the car park equipment lists as at 31 December 2018 and found that the number of CCTV cameras varied from 4 to 43 in each of the 11 government multi-storey car parks. There were areas not covered by CCTV cameras. In Audit’s view, there is a need to review the adequacy of CCTV security systems, especially for those car parks with only a small number of CCTV cameras, and take necessary measures to enhance the security of the car parks.

### *Delays in replacement of car park management system (CPMS)*

3.27 *CPMS.* CPMS (comprising two linked-in operating systems, namely access control system and licence plate recognition system) was installed in each government multi-storey car park to control and monitor the entry and exit of vehicles. CPMS is a critical car park system owned by the Government for: (a) calculation of parking fees payable by car park users; and (b) maintenance of all revenue data generated by the car parks. CPMS was supplied and maintained by two system suppliers through sub-contract agreements signed with the car park contractors. According to TD’s records, up to early 2016, CPMS had been in use for more than 10 years. It had already reached the end of its planned serviceable life and would be beyond economical repair. Up to January 2019, CPMS was still in use.

3.28 *Need to expedite the replacement work of CPMS.* Notwithstanding that TD had replaced obsolete parts of the access control systems in some car parks (Note 24) in December 2016 upon the advice of the system supplier, Audit found that the number of breakdowns had significantly increased by 110% from 197 in 2016 to 414 in 2018. In particular, CPMS became unserviceable and the control of entry and

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**Note 24:** *The car parks were Star Ferry, City Hall, Aberdeen, Kwai Fong, Kennedy Town, Murray Road and Sheung Shui Park-and-Ride Car Parks. Murray Road and Sheung Shui Park-and-Ride Car Parks ceased operation in May 2017 and August 2018 respectively.*

exit of vehicles was switched to manual mode in 106 breakdowns in 2018. This suggests a pressing need to replace CPMS. According to TD, the contracts for the replacement of CPMS in 10 government multi-storey car parks (Note 25) had been awarded and the replacement work was planned to be completed by mid-2019. As CPMS is a critical car park system and there is a pressing need to replace CPMS, TD needs to expedite the replacement work of CPMS and draw lessons from this incident (such as formulating a replacement plan before the end of serviceable life of the new CPMS) to avoid recurrence of similar problem in future.

### Audit recommendations

3.29      **Audit has *recommended* that the Commissioner for Transport should:**

- (a)      **review the adequacy of CCTV security systems installed in government multi-storey car parks, especially for those with only a small number of CCTV cameras, and take necessary measures to enhance the security of the car parks; and**
- (b)      **expedite the replacement work of CPMS and draw lessons from the problem of slow progress of CPMS replacement to avoid recurrence of similar problem in future.**

### Response from the Government

3.30      The Commissioner for Transport agrees with the audit recommendations. She has said that TD will:

- (a)      review the provision of CCTV security systems in TD's car parks in collaboration with ArchSD and the Electrical and Mechanical Services Department; and
- (b)      closely monitor the conditions of the new CPMS to be installed in mid-2019 and take actions to replace the systems in a timely manner in future.

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**Note 25:** *The replacement of CPMS would be carried out in 10 government multi-storey car parks only in view of the plan to demolish Yau Ma Tei Car Park in 2020 for the construction of the Central Kowloon Route.*

## PART 4: MANAGEMENT OF ON-STREET PARKING SPACES

4.1 This PART examines TD's management of:

- (a) on-street metered parking spaces (paras. 4.4 to 4.20); and
- (b) on-street non-metered parking spaces (paras. 4.21 to 4.31).

### *Government's policy on provision of on-street parking spaces*

4.2 Under the existing Government's policy, users are encouraged to make use of off-street parking facilities (e.g. government multi-storey car parks) for longer-term parking. On-street parking spaces are provided to meet drivers' short-term parking needs (see para. 1.8(d)). They are provided in designated locations where traffic flow, road safety and the loading/unloading activities of other road users are not affected. These parking spaces are normally metered to discourage prolonged parking and to facilitate turnover for use by more motorists (Note 26). The principles of on-street parking spaces can be summarised as follows:

- (a) in a TAC's submission accepted by the Executive Council in 1967, it was stated that:
  - (i) on-street parking should be metered and prices set to ensure that about 15% of the spaces were maintained empty;
  - (ii) this basic principle should apply to all areas and all types of vehicles; and
  - (iii) the times of day and days of week that charges should be made should be those times and days when demand for free parking was in excess of supply;

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**Note 26:** Pursuant to section 8 of the Road Traffic (Parking) Regulations (Cap. 374C), any person who parks a vehicle in a parking place for a continuous period of more than 24 hours commits an offence and is liable to a fine of \$2,000. This provision is intended to make on-street parking spaces available to more motorists.



- (b) in 1972, the Executive Council accepted the Government's proposal that the period of charging for metered spaces should be extended to include Sundays and Public Holidays (i.e. general holidays). This policy was later re-affirmed in the White Paper on Transport Policy (1990) which stated that "to ensure efficient use of parking spaces in Government car parks and on-street metered parking spaces, the Government intends to continue the present policy of revising parking charges regularly to maintain a 15% availability rate";
- (c) in 1981, the Government said that the eventual aim was to extend metering to all parts of the urban areas and new towns where on-street parking could be permitted, and to charge the appropriate rate in each area according to demand; and
- (d) in 2000, the then Transport Bureau (currently THB) reiterated the policy in (c) and said that TD had extended meter operations for parking spaces with a high utilisation rate (i.e. 85% or above).

4.3 ***Provision of on-street parking spaces.*** As at 31 December 2018, some 9,700 electronic parking meters which accepted only Octopus card for payment of parking fees were installed across the territory to control on-street parking spaces (Note 27). The numbers of metered and non-metered parking spaces from 2014 to 2018 are shown in Table 7.

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**Note 27:** *In general, one electronic parking meter controls two parking spaces.*

## Management of on-street parking spaces

**Table 7**  
**Number of on-street parking spaces**  
**(2014 to 2018)**

Type of parking spaces	2014	2015	2016	2017	2018
<b><i>Metered</i></b>					
Unclassified (Note)	15,032	15,056	15,086	15,100	15,137
Goods vehicles	2,276	2,205	2,182	2,177	2,095
Buses/coaches	603	651	652	654	666
Sub-total	17,911	17,912	17,920	17,931	17,898
<b><i>Non-metered</i></b>					
Motorcycles	9,437	9,627	9,901	10,172	10,404
Private cars, goods vehicles, coaches/buses and others	5,898	5,873	6,011	6,238	6,263
Sub-total	15,335	15,500	15,912	16,410	16,667
Total	33,246	33,412	33,832	34,341	34,565

Source: TD records

Note: It referred to parking spaces for vehicles other than medium and heavy goods vehicles, buses and motorcycles.

## Management of on-street metered parking spaces

4.4 ***Roles of TD and contractor on management of metered parking spaces.***  
The overall planning, monitoring and regulating of day-to-day traffic management matters are under the purview of the Regional Offices of TD. TFMS (see Appendix A) is responsible for the management of on-street metered parking spaces. TD has engaged a contractor through a public tender for the management, operation and maintenance of the parking meter system. The annual management fee for 2018 was \$41.4 million. The contractor's responsibilities include the following:

- (a) ***Collection of revenue and monitoring of utilisation.*** The contractor is responsible for the retrieval, handling, storage and uploading of all transaction data, management and maintenance information. It is required to retrieve data from all on-street parking meters at least once every 4 days by portable data retrievers, and upload all data to the central computer system. It helps TD monitor the utilisation of metered parking spaces by inspecting all on-street metered parking spaces through this 4-day collection cycle. Biannual surveys are also conducted to provide TD with actual utilisation (i.e. survey-based utilisation) of parking spaces; and
- (b) ***Assistance in enforcement.*** The contractor is required under the contract to identify, record and report to HKPF in writing on: (i) obstruction at a metered parking space; (ii) a metered parking space occupied by a vehicle which appears to be abandoned or a vehicle with extensive defective bodywork; and (iii) meters installed in areas of high parking demand but collecting extraordinarily low amount of parking meter revenue. If a metered parking space is occupied by any object other than a vehicle, the contractor is required to report to LandsD. If rubbish is identified at a parking space, the contractor is required to report to the Food and Environmental Hygiene Department (FEHD).

4.5 ***Parking fee charging arrangements of metered parking spaces.*** One of the principles of on-street parking spaces is that they should be metered and prices set to ensure that about 15% of the spaces are maintained empty (see para. 4.2(a)(i)). In practice, having regard to the traffic situation and parking demand in the area where the parking spaces are located, parking fees, types of “longest parking period” for each transaction and operating periods vary among different districts:

- (a) **Parking fees.** According to the Road Traffic (Parking) Regulations (Cap. 374C), the maximum parking fee is \$2 per 15 minutes (Note 28). Currently, there are two parking fees, i.e. \$2 per 15 minutes and \$2 per 30 minutes (hereinafter referred to as the high rate and the low rate respectively). As at 31 October 2018, 15,136 (85%) of the 17,869 on-street metered parking spaces charged the high rate, and the remaining 2,733 (15%) metered parking spaces charged the low rate;
  - (b) **Types of “longest parking period” for each transaction.** To discourage prolonged parking at on-street metered parking spaces, a “longest parking period” for each transaction has been provided in the parking meters. As specified in Schedule 2 of the Road Traffic (Parking) Regulations, it is currently fixed at 30 minutes, 1 hour or 2 hours. As at 31 October 2018, the “longest parking periods” of 15,327 (86%) of the 17,869 metered parking spaces were 2 hours, 1,562 (9%) were 1 hour and 980 (5%) were 30 minutes; and
  - (c) **Operating periods.** Most parking meters operate between 8:00 a.m. and midnight on weekdays, and between 10:00 a.m. and 10:00 p.m. on general holidays. Appendix G shows details of 10 types of operating periods for parking meters.
- 4.6 **Revenue and utilisation.** TD, through the contractor, collects information on parking meter revenue and monitors the utilisation of metered parking spaces by compiling an average revenue-based utilisation rate (Note 29). In 2018, the revenue from metered parking spaces was \$287 million and the average revenue-based utilisation rate was 41%.

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**Note 28:** *The maximum fee has been set at \$2 per 15 minutes since 1994. The Government proposed to increase the maximum fee to \$4 per 15 minutes in 1999, which was rejected by LegCo. In 2017, THB proposed again to raise the maximum fee to \$4 or \$5 per 15 minutes (see para. 1.11(a)), but it was opposed by LegCo. According to THB, TD would look into the feasibility of setting up an objective parking fee adjustment mechanism, under which the level of parking fee for a particular area would be set having regard to the utilisation rate of parking spaces over a period of time. This aimed to achieve the policy intent of short-term parking needs.*

**Note 29:** *The average revenue-based utilisation rate is calculated as: Total meter revenue collected ÷ Maximum revenue (assuming full utilisation during the same period, excluding period of meter suspension) × 100%.*

4.7 *New generation of parking meter system.* In January 2018, the Government announced its plan to install a new generation of parking meter system starting from 2019-20 (see para. 1.12(b)). The estimated cost was \$304 million for procuring 12,300 new meters for full replacement of the existing meters (Note 30) and provision of additional meters at more suitable locations. According to TD, the existing meters would be replaced by new ones by phases starting from early 2020 for completion by early 2022. The major functions and features of the new generation of parking meter system are shown in Appendix H.

### *Parking space availability objective not always met*

4.8 Information on usage of on-street metered parking spaces is essential to THB and TD for planning and policy formulation. As there are motorists occupying parking spaces without paying parking fees, the revenue-based utilisation rate (see Note 29 to para. 4.6) does not reflect the actual usage. In this connection, TD has included a contract requirement for the contractor to conduct utilisation surveys on all metered parking spaces twice every year (see para. 4.4(a)). The contractor's staff visit all metered parking spaces every 2 hours during the scheduled dates to collect data such as: (a) survey-based utilisation (i.e. whether the space was occupied); (b) turnover (i.e. whether the space was occupied by the same vehicle); and (c) fee evasion (i.e. whether the parking fee was paid if the space was occupied). Table 8 shows the survey results from 2015 to 2018, indicating an increase in the overall utilisation rate from 73% to 81% (i.e. parking space availability rate, which is equal to 100% minus utilisation rate, decreasing from 27% to 19%) and turnover rate from 14% to 17%. On the other hand, the evasion rate had remained stable at around 30%.

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**Note 30:** *The existing parking meters were installed in 2003-04 and would approach the end of their serviceable life and need to be replaced. There were about 10,250 meters in total. Normally, only around 95% (i.e. some 9,700) could be put into operation because the remaining ones were under maintenance. This led to undesirable situations that no meters were immediately available for installation at locations with high parking demand.*

## Management of on-street parking spaces

Table 8

### Results of biannual surveys on on-street metered parking spaces (2015 to 2018)

Region	2015	2016	2017	2018	Change from 2015 to 2018 (Percentage point)
<i>Survey-based utilisation rate</i>					
Hong Kong Island	78%	76%	80%	79%	+1
Kowloon	85%	89%	91%	93%	+8
New Territories	60%	64%	70%	72%	+12
Overall	73%	75%	79%	81%	+8
<i>Evasion rate</i>					
Hong Kong Island	18%	17%	17%	20%	+2
Kowloon	36%	39%	33%	33%	—3
New Territories	25%	34%	29%	25%	No change
Overall	29%	34%	29%	28%	—1
<i>Turnover rate (Note)</i>					
Hong Kong Island	21%	24%	26%	29%	+8
Kowloon	18%	18%	20%	19%	+1
New Territories	8%	10%	11%	12%	+4
Overall	14%	15%	17%	17%	+3

Source: Audit analysis of TD records

Note: The turnover rate was calculated as:  $\text{Number of vehicles parked in parking spaces} \div \text{Number of parking spaces} \div \text{Average operating hours of meters} \times 100\%$ .

Remarks: The contractor conducted surveys on weekdays and general holidays. The above analysis was based on consolidated data on weekdays and general holidays.

4.9 *District-based parking space availability rates.* While the territory-wide parking space availability rate was around 20%, Audit analysis of the availability rates on a district basis revealed that in 2018, the district-based availability rates ranged from 1% (Wong Tai Sin) to 83% (Sha Tau Kok). Table 9 summarises the number of districts that did not meet the “15% availability rate” objective (see para. 4.2(a)(i)).

**Table 9**  
**Number of districts with parking space availability rate below 15%**  
**(2015 to 2018)**

Region	Number of districts in the region	2015	2016	2017	2018
Hong Kong Island	8	4	1	3	2
Kowloon	15	10	11	12	13
New Territories	14	0	0	1	1
Total	37	14	12	16	16

Average: 15

*Source: Audit analysis of TD records*

As shown in Table 9, from 2015 to 2018, on average, the objective of maintaining the 15% parking space availability rate was not met in 15 (40%) of the 37 districts. In particular, this objective had not been met in many of the districts in Kowloon (i.e. increased from 10 districts in 2015 to 13 districts in 2018). As the above figures represented the daily average availability rate of the parking spaces, the situation could have been more serious during peak hours. TD needs to formulate measures to achieve the “15% availability rate” objective, taking into account the audit observations in paragraphs 4.10 to 4.18.

### ***Need to review parking fees of metered parking spaces***

4.10 *Meters charging the low rate.* The Government’s policy is to revise parking fees regularly to maintain a “15% availability rate” (see para. 4.2(a)(i) and (b)). In other words, parking fees should be adjusted upward if the parking space

## Management of on-street parking spaces

availability rate is lower than 15%. To ascertain whether TD had adjusted the meter charges accordingly, Audit analysed the proportion of metered parking spaces charging the low rate (see para. 4.5(a)) in the 10 districts which had availability rates of lower than 15% persistently since 2015 based on TD's surveys (see Table 9 in para. 4.9). The result is shown in Table 10.

**Table 10**

**Proportion of metered parking spaces charging the low rate in the  
10 districts with parking space availability rate lower than 15%  
(31 October 2018)**

District	Availability rate in 2018 surveys	Number of metered parking spaces	Number of metered parking spaces charging the low rate
Wong Tai Sin	1 %	161	75 (47 %)
Mong Kok	3 %	568	50 (9 %)
Kowloon City	3 %	651	189 (29 %)
Tsz Wan Shan	3 %	207	47 (23 %)
Yau Ma Tei	3 %	716	67 (9 %)
Tsim Sha Tsui	4 %	226	0 (0 %)
Sau Mau Ping	4 %	125	10 (8 %)
Tai Kok Tsui	4 %	371	177 (48 %)
To Kwa Wan	5 %	735	56 (8 %)
Hung Hom	6 %	447	30 (7 %)

*Source: Audit analysis of TD records*

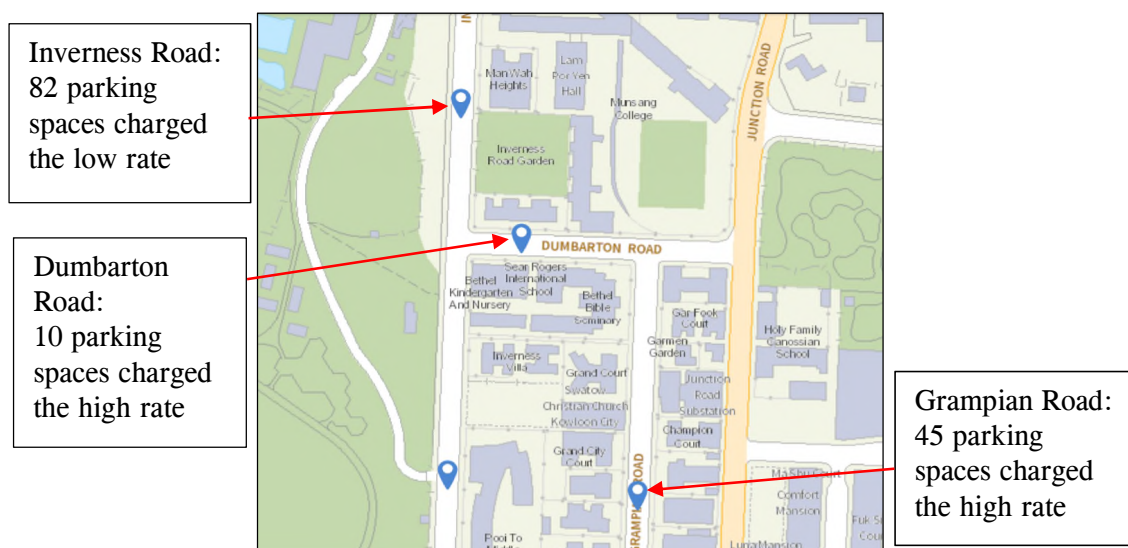
4.11 ***Different parking fees in close meter locations.*** Based on the result in Table 10, it appears that adjusting meter charges as one of the means to maintain a parking space availability rate of 15% was not always followed. For example, while all the metered parking spaces in Tsim Sha Tsui charged the high rate, 48% of those in Tai Kok Tsui and 29% of those in Kowloon City charged the low rate. In this connection, Audit noted that the parking fees at some meter locations were different from those at very close meter locations (e.g. in Kowloon City — see Figure 4). In terms of utilisation rate, the results of the 2018 surveys conducted by TD's contractor



showed that in 9 districts (Note 31), most of the parking spaces which charged the low rate recorded parking space availability rates of lower than 15%.

**Figure 4**

### Example of meter locations with different parking fees in Kowloon City



*Source: Audit analysis of TD records and LandsD's Geoinfo map*

**4.12 TD's review on meters charging the low rate.** In 2012, TD's Regional Offices conducted a review on parking fees and concluded that:

- (a) in general, the metered parking spaces charging the low rate and those charging the high rate did not have significant differences in terms of utilisation. It was necessary to consider, in the long term, adjusting the ceiling charges of parking meters. In the short term, it was obvious that meters currently charging the low rate should be standardised to charge the high rate;
- (b) two charging rates for parking spaces along the same streets were observed. There were 73 streets that had both types of metered parking spaces and

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**Note 31:** Tsim Sha Tsui was excluded as there was no meter charging the low rate.

the average utilisation rates were over 85%. Another 58 streets were with average utilisation rates of over 85% but were installed with parking meters charging the low rate only. Within the same districts, it was also not difficult to find some of the parking spaces charging the low rate were with higher utilisation rates than the ones charging the high rate; and

- (c) with the maximum parking fee stipulated in the Road Traffic (Parking) Regulations of \$2 per 15 minutes, the allowable parking fees could not be used to regulate the utilisation rate. As a result, without significant increase of the parking fee, the present policy of “revising parking charges regularly to maintain a 15% availability rate” could not be achieved.

In a paper submitted to LegCo in December 2017, THB proposed to raise the fee stipulated in the Road Traffic (Parking) Regulations from \$2 per 15 minutes to \$4 or \$5 per 15 minutes (see para. 1.11(a) and Note 28 to para. 4.5(a)). Against this background, it appears that charging a rate lower than the current maximum rate (i.e. \$2 per 15 minutes) was not conducive to improving the parking space availability rate. Upon enquiry, TD informed Audit in March 2019 that in setting the fee level, it had to take into account a number of factors, such as the fees of public car parks operated by the private sector and other public bodies (e.g. the Hong Kong Housing Authority), the utilisation of on-street metered parking spaces, affordability and public acceptance. In Audit’s view, TD needs to review the parking fees for meters charging the low rate, in particular those installed at streets charging both the high and the low rates. This is in line with TD’s 2012 review conclusion mentioned in (a).

### ***Need to review “longest parking period” for each transaction of metered parking spaces***

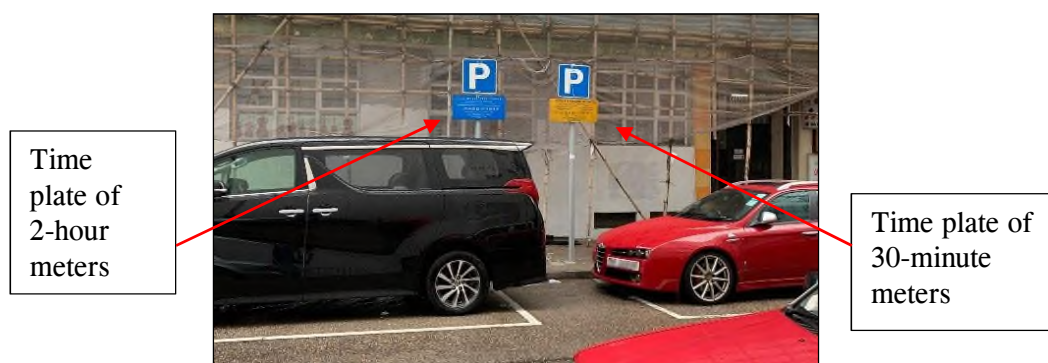
4.13 ***Guidelines on setting “longest parking period” for each transaction.*** To achieve the objective of encouraging vehicle turnover and enabling more motorists to use on-street parking spaces, TD fixes the “longest parking period” for each transaction allowed for metered parking spaces to either 30 minutes, 1 hour or 2 hours depending on circumstances of the road sections concerned. As such, TD has set out in its internal guidelines that parking meters for vehicles other than motorcycles, goods vehicles and buses (i.e. private cars and van-type LGVs) should be of 30-minute duration in core commercial areas, and 2-hour duration at the outskirts. For goods vehicles, the parking meters should be of 1-hour duration (in areas where demand for collection/delivery of goods is high, and off-street loading/unloading facilities are

inadequate to meet demand) or 2-hour duration (at popular goods vehicles hire locations).

4.14 ***Allocation of parking meters with different types of “longest parking period” for each transaction.*** TD’s internal guidelines specify that a “longest parking period” for each transaction of 30 minutes should be set for meters installed at parking spaces for private cars and van-type LGVs in core commercial areas. However, TD had not defined the term “core commercial areas” nor identified where these areas were. Audit noted that: (a) for many parking meters which might be located in core commercial areas, the “longest parking period” for each transaction was set at 2 hours. For example, of the parking spaces for private cars and van-type LGVs in Causeway Bay, Tsim Sha Tsui and Mong Kok, the proportion of 2-hour meters were 81 %, 67 % and 58 % respectively; (b) in 73 streets, parking meters with different types of “longest parking period” for each transaction were installed in the same street (see Photograph 3 as an example); and (c) for parking spaces in adjacent areas, the vehicle turnover rates tended to be higher for those spaces equipped with 30-minute meters. To follow the policy of encouraging vehicle turnover of on-street parking spaces, TD needs to review the “longest parking period” for each transaction of the 2-hour meters installed at parking spaces for private cars and van-type LGVs in core commercial areas, and adjust the “longest parking period” for each transaction to 30 minutes as appropriate.

**Photograph 3**

**Location with parking meters set with different types of “longest parking period” for each transaction**



*Source: Photograph taken by Audit staff at Wood Road (Wan Chai) on 25 November 2018*

### *Need to review operating periods of metered parking spaces*

4.15 **Types of operating periods.** In 2001, TD completed a program to extend meter operations to general holidays for all parking spaces with high utilisation rate (i.e. 85% or above). As at 31 October 2018, there were 10 types of operating periods for on-street metered parking spaces. Most of them operated from 8:00 a.m. to midnight on weekdays, and from 10:00 a.m. to 10:00 p.m. on general holidays (see Appendix G). Audit analysis of the operating periods as at 31 October 2018 revealed the following issues:

- (a) in some parking places, there were different meter operating periods, despite the fact that the parking spaces were provided for the same vehicle type and the demand for them should be the same (see Photograph 4 for an example); and

**Photograph 4**

**Location with parking meters set with different operating periods**



*Source: Photograph taken by Audit staff at Kam Shan Country Park Car Park on 6 December 2018*

- (b) 8,634 parking spaces (Types B, F, H, P and Q in Appendix G) that were located in 393 parking places were free-of-charge after 8:00 p.m. or 9:00 p.m. on weekdays. Audit conducted site visits from December 2018 to January 2019 to 10 parking places (covering 274 metered parking spaces) between 8:00 p.m. and midnight and noted that most of the parking spaces were occupied.

As the contractor conducted biannual surveys only during the meter operating periods, occupancy situation of the parking spaces outside the operating periods was not surveyed regularly. With the installation of new parking meters (starting from 2020) that will be equipped with vehicle occupancy sensors (see Appendix H), TD will have regular information on the occupancy situation of metered parking spaces. This will facilitate TD to adjust the configurations (including parking fee, “longest parking period” for each transaction and operating period) for a particular area or road section accordingly, with a view to meeting local traffic management needs in a more effective manner. In the interim, TD needs to monitor the utilisation of parking spaces beyond the pre-set operating periods by conducting regular surveys, and consider extending the meter operating periods (e.g. until midnight) in case of high utilisation of parking spaces. To achieve the policy intent of short-term on-street parking, TD also needs to expedite the setting up of a parking fee adjustment mechanism before the territory-wide installation of the new generation of parking meter system, so as to establish an objective basis (e.g. based on utilisation rate over a period of time) on adjustment of the parking meter configurations (see Note 28 to para. 4.5(a)).

### *Need to optimise deployment of parking meters*

4.16 *Delay in replacement of current parking meters.* The electronic parking meters have been put in use since 2003-04 vis-à-vis an estimated useful life of 7 to 10 years. In July 2012, TD submitted a proposal to LegCo Panel on Transport to launch a trial scheme to examine the scope for introducing a new generation of parking meter system. At LegCo Panel on Transport meeting in January 2018, TD reported that the trial scheme was expected to complete in May 2018. The invitation to tender was closed in December 2018 and the new generation of parking meter system would be installed starting from early 2020 for completion by early 2022 (see para. 4.7). In other words, the current meters would need to operate for 2 to 3 more years, i.e. a total of about 17 years since 2003-04, which is much longer than their normal serviceable life.

4.17 *Delay in redeployment of parking meters.* Due to the fact that the production of current model of parking meters had ceased, there were only limited spare parking meters in stock for installation at new parking places. TFMS had solicited collaboration with the Regional Offices to redeploy (i.e. cancellation of) parking meters from low-utilised parking places to facilitate implementation of metering at other parking places. In this context, TFMS sent quarterly reports of low-utilised parking meters to the Regional Offices for considering redeployment. For example, from 1 October 2017 to 31 December 2017, 510 parking meters

## Management of on-street parking spaces

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(covering 943 parking spaces) were identified with revenue-based utilisation rates (see para. 4.6) under 4%. Audit analysis of the quarterly reports covering the period from 2016 to 2018 revealed that 212 parking meters covering 399 parking spaces with persistent low utilisation were not redeployed. On the other hand, some requests for installation of parking meters were not accepted due to insufficient spare parking meters.

4.18 From the traffic management perspective as well as for protecting government revenue, it is important that a sufficient number of parking meters is always available for metering parking spaces with high utilisation. In Audit's view, TD needs to formulate a meter replacement plan before the end of serviceable life of the new generation of parking meter system. In this connection, TD informed Audit in March 2019 that in the procurement, management, operation and maintenance contract of the new generation of parking meter system, there were provisions on the supply and installation of additional parking meters, which would help cater for any additional need for parking meters. Furthermore, the contractors were required to complete a mid-term review in respect of the vehicle sensing technologies and electronic payment means, the results of which would be examined by the Government for considering the way forward and taking timely replacement/enhancement of the new generation of parking meter system before the end of its serviceable life. While Audit noted TD's initiatives, in the interim, there is a need for TD to closely monitor the implementation of the parking meter redeployment plans (i.e. cancellation of parking meters from low-utilised parking places for metering at other parking places) so as to deploy the limited meter resources more effectively.

## Audit recommendations

4.19 **Audit has recommended that the Commissioner for Transport should:**

- (a) **review the fee charging arrangements of on-street metered parking spaces, with a view to improving implementation of the on-street parking policy (i.e. maintaining a parking space availability rate of 15%) and protecting government revenue, including:**
  - (i) **reviewing parking fees for meters charging the low rate (i.e. \$2 per 30 minutes), in particular those installed at streets where there are both meters charging the high (\$2 per 15 minutes) and the low rates;**

- (ii) **reviewing the “longest parking period” for each transaction of the 2-hour parking meters installed at parking spaces for private cars and van-type LGVs in core commercial areas, and adjusting the “longest parking period” for each transaction to 30 minutes as appropriate; and**
  - (iii) **before the installation of the new generation of parking meter system, monitoring the utilisation of parking spaces beyond the pre-set operating periods by conducting regular surveys, and considering extending the meter operating periods for parking spaces with high utilisation;**
- (b) **expedite the setting up of a parking fee adjustment mechanism to achieve the policy intent of short-term on-street parking;**
- (c) **formulate a meter replacement plan before the end of serviceable life of the new generation of parking meter system; and**
- (d) **before the installation of the new generation of parking meter system, closely monitor the implementation of the parking meter redeployment plans.**

## **Response from the Government**

4.20 The Commissioner for Transport agrees with the audit recommendations. She has said that:

- (a) it has always been difficult to increase parking fees due to opposition by the local community, particularly when there is no comprehensive and continuous data to illustrate the high utilisation of the parking spaces. Upon installation of a new generation of parking meter system, which is capable to record the utilisation of parking spaces automatically, TD will review the parking fees for meters charging the low rate, having regard to the utilisation of the concerned parking spaces;
- (b) TD will review and adjust as appropriate the “longest parking period” for each transaction of existing 2-hour parking meters installed at parking

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spaces for private cars and van-type LGVs in core commercial areas, having regard to the utilisation of the concerned parking spaces;

- (c) TD will conduct regular surveys and consider extending the meter operating periods, beyond the pre-set operating periods, for parking spaces with high utilisation;
- (d) TD targets to formulate and report to LegCo a parking fee adjustment mechanism for the new generation of parking meter system, the installation of which is expected to be completed by early 2022;
- (e) the tender documents for the “Procurement cum Management, Operation and Maintenance of New Generation of Parking Meter System” have already included provisions requiring the contractors to complete a review by the end of the 6th contract year (i.e. in early 2025) on vehicle sensing technologies and electronic payment means. TD will examine the review reports with a view to considering the way forward regarding the future management of the metered parking spaces and taking timely action to replace or enhance the new generation of parking meter system; and
- (f) TD will continue to monitor closely the implementation of the parking meter redeployment plans.

## Management of on-street non-metered parking spaces

4.21 *Provision of on-street non-metered parking spaces.* Regarding non-metered parking spaces, TD’s Regional Offices are responsible for their planning, management and monitoring. As at 31 December 2018, there were a total of 16,667 on-street non-metered parking spaces (see Table 11).



Table 11

Number of on-street non-metered parking spaces by vehicle types  
(31 December 2018)

Region	Motorcycle	Private car/ van-type LGV	Goods vehicle, coach/ bus (Note 1)	Others (Note 2)	Total
Hong Kong Island	2,281	169	240	174	2,864
Kowloon	4,067	10	224	225	4,526
New Territories	4,056	3,112	1,771	338	9,277
Total	10,404	3,291	2,235	737	16,667

6,263

Source: Audit analysis of TD records

Note 1: This included overnight parking for coaches/buses and goods vehicles.

Note 2: This included parking spaces for persons with disabilities and special-purpose vehicles.

4.22 **Public concerns.** From time to time, there were public concerns over the shortage and usage of non-metered parking spaces. For example, at LegCo Panel on Transport meeting in October 2016, some Members urged the Government to review the policy on provision of parking spaces for motorcycles, which accounted for 62% of the non-metered parking spaces. From 2012 to 2018, the parking space ratio for motorcycles had decreased by 17% from 0.76 to 0.63.

4.23 **TD's surveys on non-metered parking spaces.** In 2000, TD said that it would continue to conduct periodic utilisation surveys of non-metered parking spaces. Upon enquiry, TD informed Audit in December 2018 that utilisation surveys for non-metered parking spaces would be carried out on an ad-hoc basis. In the past five years, TD only conducted a territory-wide survey on on-street motorcycle parking spaces in 2017.

### *Non-metered parking spaces for motorcycles*

4.24 *Previous reviews on motorcycle parking spaces.* In the past 20 years, TD reviewed the management of on-street motorcycle parking spaces on several occasions:

- (a) in 1999, TD considered that in principle, motorcycles should be charged for the use of on-street motorcycle parking spaces with a high utilisation rate, subject to technical and operational feasibility. However, the proposal was not pursued mainly due to technical, operational and enforcement problems;
- (b) in February 2006, TD concluded that on-street parking spaces for all motor vehicles should be metered based on the principle of fairness and equality. In addition, it could help regulate and improve turnover of the existing heavily utilised on-street motorcycle parking spaces, reduce the parking fee differentials between on-street and fee-paying off-street parking spaces, and generate government revenue. However, after considering the technical and operational aspects as well as enforcement concerns, the charging proposal would not be actively pursued; and
- (c) in looking into the feasibility of providing installations for securing a motorcycle at a designated parking space, TD noted in January 2012 that small-scale trials to install railings as a security measure were conducted in 2000, 2008 and 2010, but the usage rates were very low. As there was no imminent need to regulate on-street motorcycle parking by metering, coupled with the enforcement problems and the anticipated strong objection from the motorcyclists, the Government decided to maintain the status quo of not metering on-street motorcycle parking spaces.

4.25 *TD's survey of on-street motorcycle parking spaces.* In view of the public concerns over unauthorised occupation of on-street parking spaces by suspected abandoned motorcycles and miscellaneous objects, TD commissioned a contractor to conduct a survey on unauthorised use of on-street motorcycle parking spaces, with the objective of assessing the overall parking situation and the condition of the unauthorised occupation. The survey was conducted in July 2017, covering 10,138 on-street parking spaces for motorcycles in 590 parking places. The major findings were as follows:

- (a) a total of 10,304 motorcycles were parked in these parking spaces, giving an overall utilisation rate of 102% (ranging from 0% to 193% among different parking places — Note 32). The utilisation rate was over 85% in 446 (76%) parking places; and
- (b) 618 motorcycles (i.e. 6% of the 10,304 motorcycles parked) considered not roadworthy (Note 33) were found in 278 (47%) parking places surveyed.

4.26 ***Audit's survey of on-street motorcycle parking spaces.*** To ascertain the present situation, Audit surveyed 100 parking places (covering 1,644 parking spaces) from November 2018 to January 2019 and noted the following:

- (a) ***High demand for on-street motorcycle parking spaces.*** Utilisation rate was over 85% for 92 (92%) parking places. Among these places, the utilisation rate of 88 was over 100%, indicating that the demand and actual usage of these parking spaces were very high;
- (b) ***Abandoned vehicles.*** In 28 (28%) parking places, motorcycles considered not roadworthy were found. The abandoned vehicle problem might be attributable to the difficulties in taking enforcement actions on prolonged parking at these non-metered parking spaces (see Note 26 to para. 4.2); and
- (c) ***Illegal parking jeopardising pedestrians' safety.*** There were cases that motorcycles were parked on pavements nearby, jeopardising pedestrians' safety.

4.27 ***Need to take improvement measures on on-street motorcycle parking spaces.*** Audit noted TD's concerns over the technical and operational difficulties of installing parking meters for on-street motorcycle parking spaces (see para. 4.24).

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**Note 32:** *The survey also covered motorcycles parked within 20 m from the outer edge of the designated parking places. If these were taken into account, the overall utilisation rate became 115%.*

**Note 33:** *It referred to cases with one of these conditions: (a) missing licence plate; (b) missing motor vehicle licence; (c) expired licence; or (d) poor vehicle conditions such as flat tyre, heavily rusted or broken headlamp.*

However, Audit also noted that there were difficulties in taking enforcement actions against prolonged parking and abandoned vehicles if motorcycle parking spaces were non-metered (see para. 4.26(b)). As the high utilisation situation of such parking spaces has persisted, coupled with the issue of abandoned motorcycles and illegal parking, TD needs to take measures to ensure that on-street motorcycle parking spaces are utilised effectively with a view to improving the availability of parking spaces.

### *Non-metered parking spaces for other vehicle types*

4.28 According to TD's inventory list of non-metered parking spaces, apart from the parking spaces for motorcycles, a total of 6,263 non-metered parking spaces were also provided for other vehicle types as at 31 December 2018 (see Table 11 in para. 4.21). From November 2018 to January 2019, Audit conducted site visits to 10 parking places where non-metered parking spaces for vehicles other than motorcycles were located and found areas which warranted TD's attention:

- (a) **High utilisation.** Audit found that most of the non-metered parking spaces were occupied (see Photographs 5(a) and (b) for examples) and the target of maintaining 15% parking space availability rate (see para. 4.2(a)(i) and (ii)) was not achieved. TD needs to conduct regular surveys to assess the need to install meters with a view to encouraging vehicle turnover and improving parking space availability rate. In this connection, Audit has noted that parking spaces in some locations (such as those near beaches or country parks, usually in open space) were provided for meeting longer-term parking demand (e.g. for half-day or whole day). Given the limit of 2-hour "longest parking period" for each transaction as set out in the Road Traffic (Parking) Regulations (see para. 4.5(b)), TD has kept these parking spaces as non-metered despite the high demand in holiday seasons. Given that it is the Government's policy to provide on-street parking spaces for short-term parking and charges should be made when the demand for free parking is in excess of supply (see para. 4.2(a)(iii)), TD needs to review the justification for providing free on-street parking spaces to meet such longer-term parking needs;

### Photographs 5(a) and (b)

#### High utilisation of non-metered parking spaces for private cars

(a) Yiu Wai Street (Sha Tin)



(b) Tai Mo Shan



*Source:* Photographs taken by Audit staff at: (a) Yiu Wai Street (Sha Tin) on 7 January 2019; and (b) Tai Mo Shan on 18 November 2018

- (b) ***Metered and non-metered parking spaces in the same location.*** Audit noted cases where both metered and non-metered parking spaces were provided in the same location (e.g. Fuk Wang Street (Yuen Long)). To better manage parking demand, parking fees should be charged by installing parking meters for the non-metered parking spaces taking into account utilisation rates; and
- (c) ***Occupation by abandoned vehicles and other objects.*** Similar to motorcycles (see para. 4.26(b)), Audit noted cases of non-metered parking spaces occupied by abandoned vehicles or other objects. In Audit's view, such cases of unlawful occupation of non-metered parking spaces can be detected during the regular surveys to assess the need to install meters (see (a)) for timely referral to relevant government department(s) for follow-up actions (see para. 4.4(b)).

#### ***Inventory list of non-metered parking spaces***

4.29 ***Need to update information on non-metered parking spaces.*** A comparison of the results of Audit's site visits to the 110 non-metered parking places between November 2018 and January 2019 (see paras. 4.26 and 4.28) with TD's inventory list of on-street non-metered parking spaces as at 31 December 2018 revealed discrepancies as follows:

## Management of on-street parking spaces

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- (a) according to TD's inventory list, there were 103 non-metered parking spaces for private cars/van-type LGVs, 10 for motorcycles, and 2 for persons with disabilities at Fo Chun Road (Tai Po). The information was also shown in TD's "HKeMobility" mobile application (see para. 5.2). However, Audit's site visit on 5 January 2019 revealed a residential development situated at the location. Based on Audit's Internet research, the parking place has been closed since 2015;
- (b) according to TD's inventory list, there was a non-metered parking place providing 218 parking spaces and an LCSD-managed car park providing 190 parking spaces at Shek O Road (adjacent to the Shek O Beach). The non-metered parking place and the car park were also shown in the "HKeMobility" mobile application. However, Audit's site visit to Shek O Road on 13 December 2018 revealed that there were only about 200 parking spaces; and
- (c) during the inspection of motorcycle parking spaces in Chai Wan on 30 November 2018, Audit found a place with six parking spaces, which was not on TD's inventory list nor the "HKeMobility" mobile application.

From the management point of view and also for providing accurate parking information to the public, TD needs to ensure the accuracy of the inventory list of on-street non-metered parking spaces and the information provided in the "HKeMobility" mobile application.

## Audit recommendations

4.30 **Audit has *recommended* that the Commissioner for Transport should:**

- (a) **take measures to ensure that on-street non-metered parking spaces are utilised effectively with a view to improving the parking space availability rate, including:**
  - (i) **conducting regular surveys to assess the need to install meters and/or to detect unlawful occupation of parking spaces;**

- (ii) reviewing the justification for providing free on-street parking spaces in some locations (see para. 4.28(a)) to meet longer-term parking needs; and
  - (iii) for parking places where both metered and non-metered parking spaces are provided (see para. 4.28(b)), considering installing parking meters for the non-metered parking spaces to better manage parking demand taking into account utilisation rates; and
- (b) ensure the accuracy of the inventory list of on-street non-metered parking spaces and the information provided in the “HKeMobility” mobile application.

### Response from the Government

4.31 The Commissioner for Transport agrees with the audit recommendations. She has said that:

- (a) TD will conduct regular surveys to assess the need to install meters and to detect unlawful occupation of parking spaces;
- (b) TD will review the need and justification for providing free on-street parking spaces in certain locations (such as those near beaches and country parks), having regard to the installation of the new generation of parking meter system by early 2022, which will enable drivers to buy an extra parking session through remote payment so as to meet a longer-term parking need;
- (c) concerning parking places with both metered and non-metered parking spaces, TD will consider installing parking meters for the non-metered parking spaces; and
- (d) TD will take measures to ensure the accuracy of the inventory list of on-street non-metered parking spaces and the information provided in the “HKeMobility” mobile application. TD is arranging conversion of “on-street non-metered parking spaces” information to a geographic information system-enabled dataset suitable for dissemination to the public

## **Management of on-street parking spaces**

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via Public Sector Information (PSI) Portal (see para. 5.3). TD plans to upload the information to the “HKeMobility” mobile application and open to the PSI Portal upon completion of conversion of the data tentatively by mid-2019. To achieve continual update of such information, the on-street non-metered parking space information data can be automatically uploaded to the “HKeMobility” mobile application at regular intervals.



## PART 5: IMPLEMENTATION OF PARKING-RELATED TECHNOLOGY INITIATIVES

5.1 This PART examines the implementation of parking-related technology initiatives, focusing on:

- (a) dissemination of parking information (paras. 5.2 to 5.14);
- (b) provision and management of EV charging facilities (paras. 5.15 to 5.19);  
and
- (c) implementation of automated parking systems (paras. 5.20 to 5.24).

### Dissemination of parking information

5.2 *TD's website and mobile application.* TD launched its “Hong Kong eRouting” mobile application and website (<http://hkerouting.gov.hk>) in 2013 at a total cost of \$3.5 million to provide driving route, real-time traffic condition and parking information for motorists’ pre-trip planning. According to the 2014 TAC Report, TAC recommended that the Government should examine ways to provide motorists with real-time information on the vacancies in off-street car parks to reduce the need for motorists to circulate on roads looking for available parking spaces and causing more traffic congestion (see para. 1.11(b)). In response, TD in July 2016 updated its “Hong Kong eRouting” mobile application and website to provide locations of on-street parking spaces, entrances and exits of off-street car parks, and real-time parking vacancies at some car parks. As one of the smart mobility initiatives of the Blueprint (see para. 1.12), TD in July 2018 launched a new mobile application, namely the “HKeMobility” at a cost of \$2.3 million to integrate three transport-related mobile applications, including the “Hong Kong eRouting” mobile application (Note 34). After a transitional period of six months, the “Hong Kong eRouting” mobile application ceased operation in December 2018. Up to January 2019, the “Hong Kong eRouting” website was still in operation.

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**Note 34:** *The other two transport-related mobile applications were “Hong Kong eTransport” and “eTraffic News”. They provided one-stop service of point to point public transport route enquiry for pre-trip planning and latest traffic news and alerts on public transport service disruption.*

5.3 ***PSI Portal.*** Apart from disseminating real-time parking vacancy information through its website and mobile application, TD has uploaded parking vacancy data and car park information onto the one-stop PSI Portal (data.gov.hk — Note 35) in machine-readable formats since June 2017 for free use by the public and the industry (including start-ups) to make use of the open data to develop mobile applications. According to TD’s annual open data plan for 2018, apart from uploading parking vacancy data and car park information of the 11 government multi-storey car parks (see para. 3.3) on an hourly basis since June 2017, TD would since March 2018 upload the distribution of metered parking spaces at different districts onto the PSI Portal on a half-yearly basis. TD further plans to improve the data quality by replacing the hourly dataset of parking vacancy information for 10 government multi-storey car parks (see Note 25 to para. 3.28) with real-time dataset starting from June 2019. In conjunction with the installation of the new generation of parking meter system in 2019-20 (see para. 1.12(b)), TD also plans to upload real-time parking vacancy data of on-street metered parking spaces onto the PSI Portal starting from March 2020.

### ***Usage and user feedback***

5.4 ***Usage.*** Audit analysis of the usage statistics of TD’s “Hong Kong eRouting” website revealed that from 2014 to 2018, the average daily number of visitors to the website was generally on a decreasing trend from 1,277 in 2014 to 895 in 2018. For the “Hong Kong eRouting” mobile application, the average daily number of users also decreased after reaching its peak of 1,080 in 2016 (when the real-time parking vacancy information was first provided in the mobile application) to 752 in 2018. Regarding the “HKeMobility” mobile application which was launched in July 2018, the average daily number of users up to December 2018 was 29,171 (Note 36).

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**Note 35:** *The PSI Portal was set up by the Office of the Government Chief Information Officer in 2011. Up to December 2018, over 3,300 datasets under 18 categories from 51 government bureaux and departments and 9 public and private organisations had been made available on the PSI Portal. The datasets cover various areas, including medical and health, traffic, education, commerce and economy, environment, leisure and culture, housing, land development and matters relating to people’s livelihood.*

**Note 36:** *The integration of the three transport-related mobile applications into the “HKeMobility” mobile application (see para. 5.2) attracted more users as more services were provided by the mobile application. It was not appropriate to compare the usage statistics of the “HKeMobility” mobile application and that of the “Hong Kong eRouting” mobile application.*

**5.5 User feedback.** The “HKeMobility” mobile application is made available for download in the application stores of two major mobile operating systems. Users can give a rating (on a 5-point scale, with 5 being the highest) and comment on the mobile application in the application stores. Audit analysed all 374 user ratings received by TD from 24 July 2018 to 10 January 2019 and found that the average rating of the mobile application was 2.72 on a 5-point scale. There were also specific comments and suggestions on areas for improvement of the mobile application, including its user interface design, user-friendliness and stability. In light of these user feedbacks, TD issued several updates of the application during the period to address the issues. The monthly average user ratings increased by 1.3 (63%) from 2.08 in July 2018 to 3.38 in February 2019. However, in Audit’s view, taking into account the audit observations on the car park information provided therein, as illustrated in paragraphs 5.6 to 5.12, there is room for TD to further improve the “HKeMobility” mobile application and the “Hong Kong eRouting” website.

### *Coverage of car park location information*

**5.6 Need to enhance the completeness and accuracy of the car park location information in mobile application.** TD maintains information on car parks in the territory for planning purpose. To ascertain the completeness of car park location information in the “HKeMobility” mobile application and the “Hong Kong eRouting” website, Audit compared the list of car parks as at 31 December 2018 against the dataset of the “HKeMobility” mobile application (Note 37). Audit noted that according to the list of car parks as at 31 December 2018, there were 2,071 car parks providing public parking spaces. However, the “HKeMobility” mobile application only showed locations of 1,546 car parks, with information of 525 (25%) car parks missing. TD needs to take improvement measures to enhance the completeness and accuracy of the information provided by the “HKeMobility” mobile application. In this regard, TD needs to accord priority to including location information of the following two types of car parks with a high number of public parking spaces in the “HKeMobility” mobile application:

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**Note 37:** *According to TD, the dataset of the “HKeMobility” mobile application and that of the “Hong Kong eRouting” website are identical. Hence, despite that only the dataset of the “HKeMobility” mobile application was used for audit analysis, all observations derived from the dataset were also applicable to the “Hong Kong eRouting” website.*

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- (a) ***STT car parks.*** According to the list of car parks as at 31 December 2018, there were 193 STT car parks providing some 31,000 parking spaces for various types of vehicles (see para. 1.8(b)). However, information on the location of 176 (91%) STT car parks could not be found in the “HKeMobility” mobile application. Upon enquiry, TD informed Audit in March 2019 that only those STT car parks with real-time vacancy information were included in their current dataset of the mobile application; and
- (b) ***Car parks in other government venues.*** According to the list of car parks as at 31 December 2018, apart from the 11 government multi-storey car parks, there were 118 car parks (Note 38) in other government venues (with at least 20 public parking spaces each) providing a total of some 8,300 public parking spaces. These 118 car parks were under the management of various government departments such as the Agriculture, Fisheries and Conservation Department, GPA, HD and LCSD. Audit’s sample check of 30 car parks with the highest number of public parking spaces revealed that information on the location of only 19 (63%) car parks could be found in the “HKeMobility” mobile application. In other words, location information of the remaining 11 (37%) car parks (Note 39) could not be found in the mobile application.

### ***Number of car parks providing parking vacancy information***

5.7 From 2015 to 2018, TD made several attempts to encourage owners or operators of existing public car parks to provide parking vacancy information via its mobile application/website. Since July 2016, the number of car parks providing parking vacancy information had continually increased, i.e. from 50 in July 2016 (when the “Hong Kong eRouting” mobile application was updated to provide parking

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**Note 38:** *According to the list of car parks as at 31 December 2018, in addition to the 118 car parks, there was one more car park with at least 20 public parking spaces, namely the Cheung Sha Wan Abattoir under the management of FEHD providing 105 public parking spaces. However, according to FEHD, the Abattoir ceased operation in 1999 upon the commissioning of Sheung Shui Slaughterhouse and the buildings and structures therein were subsequently demolished for public housing development. Hence, there was no public car park in the location under the management of FEHD.*

**Note 39:** *Seven, three and one of the 11 car parks were under the management of GPA, HD and the Agriculture, Fisheries and Conservation Department respectively.*

vacancy information) to 220 in July 2018 (when the “HKeMobility” mobile application was launched), and further increased to 276 in February 2019. Audit analysed the dataset of “HKeMobility” mobile application as at 31 December 2018 and found that:

- (a) of the 1,546 car parks (see para. 5.6) shown in the “HKeMobility” mobile application, only 263 (17%) provided parking vacancy information; and
- (b) among the 263 car parks providing parking vacancy information, 104 (40%) provided the “number of parking vacancies”. For the remaining 159 (60%) car parks, only “availability status” of parking spaces (i.e. “Yes” or “No”) was provided.

### 5.8 *Need to provide more parking vacancy information of government venues.*

While there may be difficulties for TD to seek cooperation of car park operators in private developments to release parking vacancy information voluntarily as they may consider such data as commercially sensitive, there is scope for improving the provision of parking vacancy information, especially for public car parks in government venues. Of the 19 government venues with location information in the “HKeMobility” mobile application (see para. 5.6(b)), Audit found that parking vacancy information of 7 (37%) car parks was made available in the mobile application as at 31 December 2018. In this connection, Audit noted that TD had approached three departments (i.e. GPA, HD and LCSD) in 2015 and 2016 to solicit their support in providing parking vacancy information but the outcome was not satisfactory. In this connection, not all the agreements with the car park operators contained a clause requiring the provision of parking vacancy information to TD. Given that encouraging owners or operators of existing public car parks to provide real-time parking vacancy information using technology solutions to facilitate motorists to find parking spaces is one of the smart mobility initiatives in the Blueprint (see para. 1.12(a)), TD needs to continue to make efforts to work closely with the relevant departments to provide parking vacancy information of government venues.

5.9 *Need to provide more supplementary information of car parks.* Whilst the current objective of “HKeMobility” mobile application is to provide the basic vacancy information for the private car drivers to locate vacant parking spaces, motorists may need other supplementary information of car parks, such as address and telephone number, operating hours, parking fees, payment methods and other facilities available (e.g. EV chargers, and loading and unloading). Supplementary information including

## Implementation of parking-related technology initiatives

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address, telephone number, headroom and website of car parks may be made available in the “HKeMobility” mobile application, if such information has been provided by the owners or operators of car parks. Audit conducted a sample check of the supplementary information of 30 car parks, including all the 11 government multi-storey car parks, provided in the “HKeMobility” mobile application in January and February 2019 and found that:

- (a) payment information (i.e. parking fees and payment methods) was not available for all the 30 car parks;
- (b) while information about EV charging services was made available in one car park in a private development, similar information was not available for all the eight government multi-storey car parks with EV chargers (see para. 5.15); and
- (c) for two car parks in government venues under the management of GPA, the details of operating hours open to the public (i.e. non-office hours) were not provided. While the availability status of one car park was shown as “Closed” during office hours, no such information was made available for the other car park.

With a view to providing motorists with more useful and relevant parking information, there is a need to provide more supplementary information of car parks in the “HKeMobility” mobile application as far as practicable.

5.10 *Need to facilitate motorists to search for on-street parking spaces.* Besides parking information of off-street car parks, the “HKeMobility” mobile application also provides location information of on-street metered and non-metered parking spaces for various types of vehicle, which facilitates users to find on-street parking spaces. Currently, users need to manually search the streets on the map of the application and enlarge the images to find on-street parking spaces. As the mobile application does not support the searching of on-street parking spaces, there is no “search” function available for users to input the street names to help identify on-street parking spaces. In this connection, Audit noted that TD had planned to incorporate a searching function for vacant on-street metered parking spaces in the “HKeMobility” mobile application upon the installation of the new generation of parking meter system in 2019-20 (see para. 1.12(b)). While Audit appreciates TD’s initiative to provide the searching function in the mobile application, there is also merit to consider

incorporating into the searching function for location of on-street non-metered parking spaces to provide more parking space information to users.

5.11 *Need to further open up parking data in PSI Portal.* According to the 2017 Policy Address, the Government would step up its efforts in opening up government data. To support this initiative, TD set out in its annual open data plan for 2018 the need for further opening up its parking-related data in 2019 and 2020 (see para. 5.3). In this connection, Audit noted the following areas for improvement:

- (a) as at 31 December 2018, while parking vacancy information of 263 car parks was made available in the “HKeMobility” mobile application (see para. 5.7(a) and (b)), parking vacancy data of only 27 (10%) of these car parks were uploaded onto the PSI Portal; and
- (b) while TD had uploaded the distribution information of on-street metered parking spaces onto the PSI Portal on a half-yearly basis (see para. 5.3), such distribution information of on-street non-metered parking spaces was not made available in the PSI Portal.

In Audit’s view, TD needs to explore the feasibility of further opening up the parking data mentioned in (a) and (b). With regard to (a), TD may also need to consult the owners or operators of public car parks with parking vacancy information provided in the “HKeMobility” mobile application to seek their consents for opening up the data in the PSI Portal.

5.12 *Need to review the way forward for the “Hong Kong eRouting” website.* One of the initiatives in the Blueprint was to integrate the three transport-related mobile applications into a single mobile application (see para. 5.2). The integration work was completed with the launch of the “HKeMobility” mobile application in July 2018 and the decommissioning of the three previous mobile applications, namely “Hong Kong eRouting”, “Hong Kong eTransport” and “eTraffic News” in December 2018. Audit, however, noted that:

- (a) similar integration work was not done for the relevant websites;
- (b) the “Hong Kong eRouting” website was still in use up to January 2019;

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- (c) the “Hong Kong eRouting” website had not been enhanced to improve its usability on mobile devices (e.g. adopting responsive web design that allows web pages to be automatically adjusted to fit the screen display of different types of computers and mobile devices); and
- (d) while there was also a mobile version of the “Hong Kong eRouting” website, Audit’s accessibility check of the mobile website from 16 to 25 January 2019 on a daily basis found that the mobile website was not accessible. Audit subsequently found that the mobile website resumed operation on 26 January 2019 but it did not support the provision of parking information to users.

According to the Office of the Communications Authority, there were about 18 million mobile broadband customers using mobile data services in June 2018. In light of the high usage of mobile devices in recent years, TD needs to review the way forward for the website (i.e. whether to continue the operation of the website and, if yes, how the website can be enhanced to remain useful and user-friendly), taking into account its usage statistics (see para. 5.4), maintenance and enhancement cost, and new development in information technology.

## Audit recommendations

5.13      **Audit has *recommended* that the Commissioner for Transport should:**

- (a) **take measures to improve the dissemination of parking information via the “HKeMobility” mobile application and the “Hong Kong eRouting” website, including:**
  - (i) **taking improvement measures to enhance the completeness and accuracy of the information provided by the “HKeMobility” mobile application;**
  - (ii) **continuing to make efforts to work closely with the relevant departments (e.g. GPA, HD and LCSD — see para. 5.8) to provide parking vacancy information of government venues;**
  - (iii) **providing more supplementary information of car parks in the “HKeMobility” mobile application as far as practicable; and**



- (iv) **considering incorporating the searching function in the “HKeMobility” mobile application for locations of both on-street metered and non-metered parking spaces;**
- (b) **explore the feasibility of further opening up the parking data in the PSI Portal, e.g. the available parking vacancy information in consultation with the owners or operators of public car parks where necessary and distribution information of on-street non-metered parking spaces; and**
- (c) **review the way forward for the “Hong Kong eRouting” website, taking into account its usage statistics, maintenance and enhancement cost, and new development in information technology.**

## Response from the Government

5.14 The Commissioner for Transport agrees with the audit recommendations. She has said that:

- (a) upon enhancement of TD’s internal data system (tentatively by March 2019), the updated public car park information, including STT car parks, car parks affiliated with government venues and public car parks in private developments will be disseminated to the public via “HKeMobility” mobile application. To achieve continual update of such information, car park information data stored in TD’s internal data system can be uploaded to “HKeMobility” mobile application at regular intervals automatically;
- (b) TD has approached various government departments and has been appealing to them for support to disseminate parking vacancy information to the public since 2015. TD has formulated a set of car park vacancy information documents which are suitable for both automatic and manual input requirements, and has been sharing these documents and experiences with relevant government departments to facilitate their formulation of similar requirements for imposing on their car park operators to increase participating government car parks in future. TD will continue to appeal to relevant departments’ support to disseminate parking vacancy information of their respective car parks to the public;

## Implementation of parking-related technology initiatives

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- (c) basic and essential car park information (e.g. location and number of parking spaces) is provided to motorists for reference, which reduces the need for them to circulate on roads to look for parking spaces, thereby relieving traffic congestion. Operators, at their discretion, could reveal other supplementary car park information on the car park information page, including hyperlinks to the car park operators' specific websites. As some information (such as parking fees) is subject to change frequently to suit operators' own business needs, it is more preferable for operators to disseminate such information to the public via the web address of the carpark, rather than direct display in "HKeMobility" mobile application;
- (d) TD plans to digitise the geographic locations of the on-street parking spaces by mid-2019 after the completion of upgrading of TD's internal data system, and arrange subsequent enhancements on "HKeMobility" mobile application to incorporate searching function of on-street parking spaces;
- (e) as at end February 2019, the number of car parks with vacancy information disseminated by TD to the PSI Portal has increased to about 170. TD is arranging opening "on-street non-metered parking spaces" dataset suitable for dissemination to the public via the PSI Portal tentatively by mid-2019; and
- (f) TD plans to review the need for keeping the website version of "Hong Kong eRouting", taking into account such factors as the need of the users, usage statistics and cost for maintenance/upgrading.

## Provision and management of electric vehicle charging facilities

5.15 *Government's initiative to promote wider use of EVs.* The Government has been promoting EVs which have no tailpipe emissions. The use of EVs helps improve roadside air quality and reduces greenhouse gas emissions, and supports the development of a low-carbon, green economy. The availability of charging facilities is critical to the promotion of wider adoption of EVs. Regarding the charging arrangements for EVs, the Government's policy is that EV owners should perform daily charging of their EVs by using charging facilities at their homes, workplaces or other suitable places. Public charging facilities are supplementary in nature for EVs to top up their batteries to complete their journeys at times of occasional needs. Since 2012, EPD has been responsible for the installation, operation, maintenance and

removal of EV charging facilities in some of the existing government car parks, including those managed by TD which are open to the public. Of the 2,024 public EV chargers provided in Hong Kong as at 30 September 2018, 321 (16%) in 275 parking spaces were provided by EPD in 8 of the 11 government multi-storey car parks (see para. 3.3) (except for Aberdeen, Kennedy Town and Kwai Fong Car Parks). The number of parking spaces equipped with EV chargers in each car park ranged from 30 to 40. According to the estimated utilisation rates of EV chargers based on the total monthly electricity consumption since 2016 provided by EPD, the average monthly utilisation rate per EV charger installed at the car parks increased by 56% from 16 times in 2016 to 25 times in 2018 (up to November), suggesting a growing demand for EV charging facilities.

### *Areas for improvement*

5.16 Audit examination of the provision and management of EV charging facilities in the government multi-storey car parks revealed the following areas for improvement:

- (a) ***Need to explore the need and feasibility of installing EV chargers in car parks without EV chargers.*** According to the installation proposal, EV chargers were not provided in Aberdeen, Kennedy Town and Kwai Fong Car Parks due to various reasons. For example, there was strong objection from residents living above a car park as the cables would pass through their premises. In view of the significant increase in the number of licensed electric private cars in recent years, i.e. from 314 in December 2013 to 10,660 in September 2018, there is merit for EPD, in collaboration with TD, to explore the need and feasibility of installing EV chargers in the 3 government multi-storey car parks; and
- (b) ***Parking spaces with EV chargers occupied by non-EVs.*** According to the installation proposal, it was not the Government's intention for parking spaces equipped with EV chargers in the government multi-storey car parks to be exclusively used by EVs. Therefore, TD would only place traffic cones with reminder notices at the relevant parking spaces concerned indicating that EVs would be given priority in using the parking spaces with EV chargers. Audit conducted site visits to the 8 car parks equipped with EV chargers in five days in November and December 2018 and found that 168 (69%) of 242 parking spaces equipped with EV chargers were occupied by non-EVs (the remaining 33 (275 minus 242) parking spaces were

vacant). In this connection, Audit noted that TFMS had received 66 complaints from EV owners/drivers from March 2017 to October 2018 on the occupation of parking spaces equipped with EV chargers by non-EVs, making them unable to charge their vehicles' batteries to complete their journeys. Audit's site visits revealed that EV chargers were mainly located on lower floors and near the entrance of the car parks. Coupled with the lack of a parking bay display and guidance system (Note 40) to show the availability of parking spaces on higher floors, non-EV drivers might prefer to park their vehicles at parking spaces with EV chargers on the lower floors for convenience sake. In Audit's view, there is merit to consider introducing administrative measures to ensure that parking spaces equipped with EV chargers are available for use by EVs (e.g. installing a parking bay display and guidance system to show vacancy of parking spaces at higher floors). In planning suitable locations for the installation of EV chargers at car parks in future, EPD, in collaboration with TD, needs to take into account the occupation problem of parking spaces equipped with EV chargers by non-EVs and explore measures to discourage non-EV drivers to park their cars at such spaces (e.g. installing EV chargers at parking spaces on higher floors of car parks).

### Audit recommendations

**5.17      Audit has *recommended* that the Director of Environmental Protection should, in collaboration with the Commissioner for Transport:**

- (a)      explore the need and feasibility of installing EV chargers in the three government multi-storey car parks without EV chargers, i.e. Aberdeen, Kennedy Town and Kwai Fong Car Parks;**
- (b)      consider introducing administrative measures to facilitate both EV and non-EV drivers with an aim to ensure that parking spaces equipped with EV chargers are available for use by EVs; and**

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**Note 40:** *Parking bay display and guidance system provides guidance to motorists through installation of vehicle sensors to collect occupancy information. Motorists may use displays at appropriate locations and indicators at parking bays to find vacant parking bays. Installation of parking bay display and guidance system in government multi-storey car parks managed by TD is one of the recommendations in the Report of Consultancy Study on Smart City Blueprint for Hong Kong issued in June 2017 (see Note 13 to para. 1.12).*

- (c) **take into account the occupation problem of parking spaces equipped with EV chargers by non-EVs and explore measures to discourage non-EV drivers to park their cars at such spaces in planning suitable locations for the installation of EV chargers at car parks in future.**

### Response from the Government

5.18 The Director of Environmental Protection generally agrees with the audit recommendations. He has said that:

- (a) the audit recommendation in paragraph 5.17(a) is in line with the Government's plan to introduce stepped-up measures to promote the use of EVs, including the installation of additional EV chargers in government car parks. As the Financial Secretary has announced in the 2019-20 Budget, the Government will allocate \$120 million to extend the public EV charging networks in government car parks, including those under TD (covering Aberdeen, Kennedy Town and Kwai Fong Car Parks and other TD's car parks), GPA and LCSD. Over 1,000 additional public chargers are expected to be installed by 2022, bringing the total number of chargers to around 1,700;
- (b) as a longer-term measure, the Government plans to set up a smart system for the Government's public EV charging network. The intention is that the features will include, but not limited to, instant electronic information on the status of chargers, payment system and management facilities for parking spaces equipped with chargers, etc. EPD will, in consultation with TD and other relevant departments as appropriate, explore the feasibility of enabling reservation of parking spaces equipped with chargers; and
- (c) in deciding the locations of the additional public EV chargers in government car parks as mentioned above, EPD will consider other appropriate means to increase the availability of these EV chargers for use by EVs, for instance identifying suitable locations at higher floors of the car parks subject to site specific constraints.

5.19 The Commissioner for Transport agrees with the audit recommendations. She has said that:

## Implementation of parking-related technology initiatives

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- (a) TD and its car park contractors will continue to provide assistance to EPD in installing more EV chargers in TD's car parks, including Aberdeen, Kennedy Town and Kwai Fong Car Parks which have not been equipped with EV chargers currently;
- (b) TD will provide assistance to EPD in examining measures to cater for the need for EV chargers, including installation of more EV chargers in TD's car parks. Nevertheless, as only about 2% of private cars at present are EVs, reserving some parking spaces with EV chargers for the exclusive use by EVs will affect the availability of parking spaces available for conventional vehicles. TD will take into account the parking demand in specific car parks when providing assistance to EPD in examining the measures; and
- (c) TD will provide assistance to EPD in examining measures to discourage non-EV drivers to park their vehicles at parking spaces equipped with EV chargers, e.g. installation of EV chargers on higher floors of TD's car parks.

## Implementation of automated parking systems

5.20 According to the 2002 Study Report (see para. 2.6), one of the remedial measures formulated to address the parking problems in the long-term was the use of automated parking systems (also known as intelligent or mechanical parking systems). According to the Report, automated parking systems could be used to increase spatial efficiency (Note 41) and it was particularly relevant in densely built-up commercial districts where parking shortage currently existed. Such systems could be easily constructed with simple steelwork and hoisting equipment that could be very cost-effective. Photograph 6 shows a simple automated parking system used in Beijing as shown in the 2002 Study Report.

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**Note 41:** *Automated parking systems can increase the number of vehicles to be parked in a given footprint through stacking up vehicles in a compact manner by mechanical lifting/sliding or autonomous manoeuvring devices.*

**Photograph 6**

**A simple automated parking system in Beijing**



*Source: TD's 2002 Study Report*

***Progress of implementing automated parking systems in government car parks***

5.21 Automated parking systems are not common in Hong Kong. No major application has taken place due to huge land costs, considerable upfront capital investment, uncertain business model and substantial technical uncertainties with regard to site constraints. In fact, automated parking systems are not in use in all the 11 government multi-storey car parks (see para. 3.3). According to TD, although the adoption of automated parking systems could improve the land use efficiency by providing more parking spaces in a given footprint and with reduced headroom, such systems normally take some time to park or retrieve a car. As a result, large queuing areas would be required so that cars waiting to be parked would not tail back onto public roads. Furthermore, a comprehensive protocol must be established to handle promptly cases of machine failures in retrieval of vehicles. However, Audit has noted that such systems have been used in some overseas countries (e.g. Japan and Denmark) as they not only improve space utilisation, but are also environmental-friendly as there is virtually no vehicle emission inside the car park.

5.22 ***Need to step up efforts in implementing automated parking systems in government car parks.*** In view of the challenges in implementing automated parking systems, a feasibility study should be conducted before taking forward the initiative. However, Audit noted that since the release of the 2002 Study Report, no record was available showing that TD had commenced the relevant study until in 2018 (i.e. some

## **Implementation of parking-related technology initiatives**

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16 years later) when a consultant was commissioned to conduct a pilot study with a view to establishing the technical and financial feasibility on developing public car parks at six sites with automated parking systems and recommending the way forward for implementation. The pilot study was originally planned to be completed by the end of 2018 but the completion date was re-scheduled to early 2019. With the completion of the pilot study, another few years would be required to proceed with the design and construction of new public car parks with automated parking systems. There is a need to step up efforts on the related work based on the recommendations of the pilot study.

### **Audit recommendation**

**5.23      Audit has *recommended* that the Commissioner for Transport should step up efforts in implementing automated parking systems in government car parks based on the recommendations of the related pilot study.**

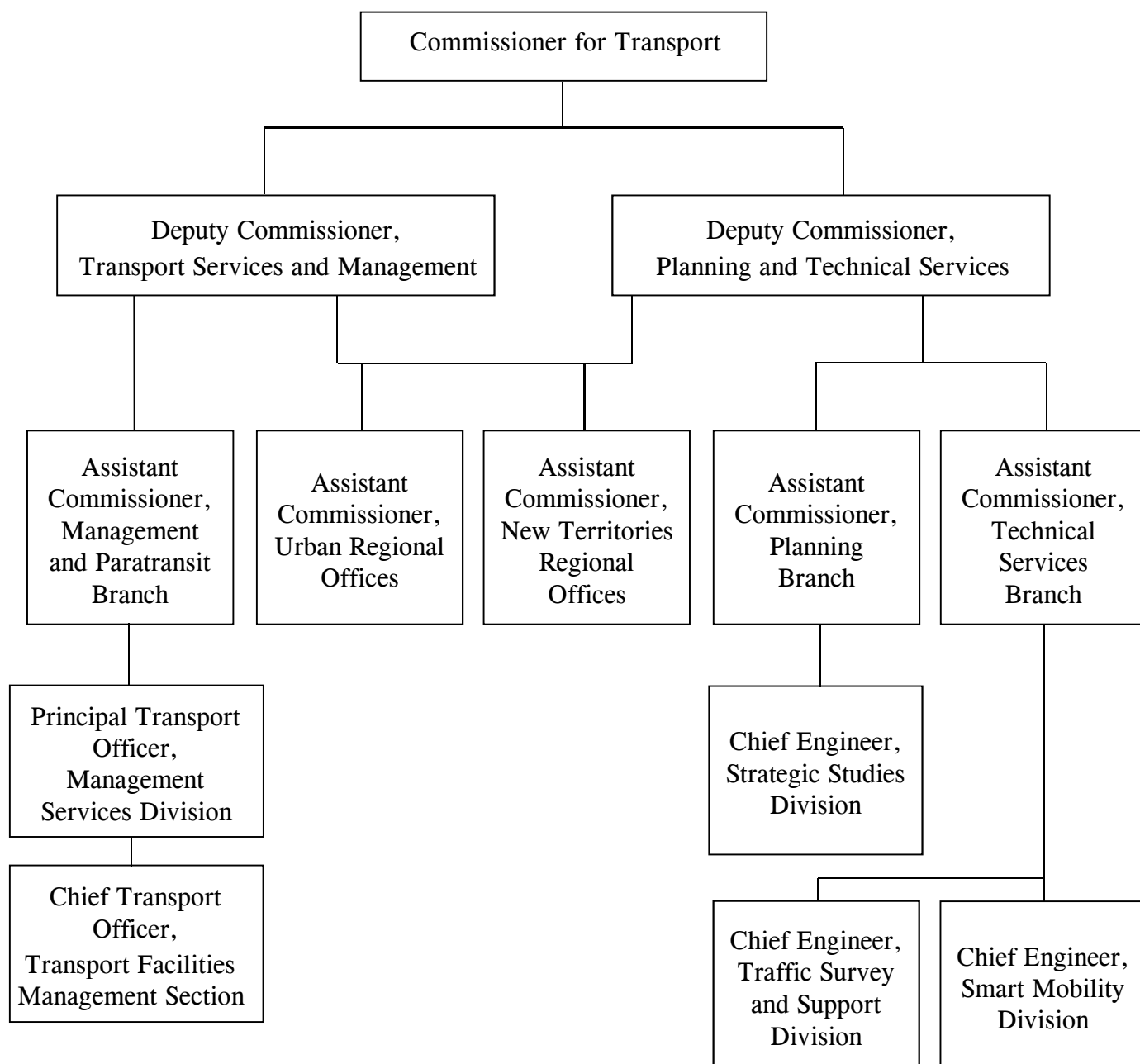
### **Response from the Government**

**5.24      The Commissioner for Transport agrees with the audit recommendation. She has said that:**

- (a) TD has deployed a dedicated team to oversee the planning and implementation of automated parking systems in government car parks. Under the pilot study, TD has identified six pilot sites for adopting automated parking systems and is conducting pre-construction planning; and
- (b) subject to technical feasibility and public acceptance, TD aims to have the construction commenced in batches starting from 2021. TD will consider wider application of automated parking systems in government car parks having regard to the outcome of these pilot projects.



**Transport Department:  
Organisation chart (extract)  
(31 December 2018)**



*Source: TD records*

**Appendix B**  
(paras. 1.7 and  
2.8(a) refer)

**Parking standards on various development types  
in Hong Kong Planning Standards and Guidelines**

Type of development	Parking standards				
1. Subsidised housing	<b>Provision ratio of private car parking spaces:</b> Private car parking requirement = GPS × R1 × R2				
	GPS			1 car space per 6 – 9 flats	
	Demand Adjustment Ratio (R1)	All subsidised housing		0.23	
	Accessibility Adjustment Ratio (R2)	Within a 500 m-radius of rail station		0.85	
		Outside a 500 m-radius of rail station		1	
	<b>Provision ratio of LGV parking spaces:</b> 1 LGV parking space per 200 – 600 flats				
	<b>Provision ratio of medium goods vehicle parking spaces:</b> No fixed standard. To utilise estate commercial centre loading/unloading bays for overnight parking in estates				
	<b>Provision ratio of motorcycle parking spaces:</b> 1 motorcycle parking space per 110 – 250 flats excluding one person/two persons flats as well as non-residential elements				
	2. Private housing	<b>Provision ratio of private car parking spaces:</b> Private car parking requirement = GPS × R1 × R2 × R3			
		GPS			1 car space per 6 – 9 flats
Demand Adjustment Ratio (R1)		Flat Size (FS) (m <sup>2</sup> )	FS ≤ 40	0.4	
			40 < FS ≤ 70	0.7	
			70 < FS ≤ 100	2.1	
			100 < FS ≤ 130	5.5	
			130 < FS ≤ 160	7.5	
			FS > 160	9.5	
Accessibility Adjustment Ratio (R2)		Within a 500 m-radius of rail station		0.75	
		Outside a 500 m-radius of rail station		1	
Development Intensity Adjustment Ratio (R3)		Plot Ratio (PR)	0.00 < PR ≤ 1.00	1.30	
			1.00 < PR ≤ 2.00	1.10	
			2.00 < PR ≤ 5.00	1.00	
			5.00 < PR ≤ 8.00	0.90	
			PR > 8.00	0.75	

**Appendix B**  
(Cont'd)  
(paras. 1.7 and  
2.8(a) refer)

Type of development	Parking standards										
	<p><b>Provision ratio of visitor parking spaces:</b> For a block with more than 75 units, 1 – 5 additional visitor spaces per block, or as determined by the Authority</p> <p><b>Provision ratio of motorcycle parking spaces:</b> 1 motorcycle parking space per 100 – 150 flats excluding non-residential elements</p>										
<b>3. Retail areas</b>	<p><b>Provision ratio of private car parking spaces:</b></p> <table border="1" data-bbox="416 763 1398 965"> <tr> <td colspan="2" data-bbox="416 763 879 801"><b>Zone 1 areas (Note 1):</b></td></tr> <tr> <td colspan="2" data-bbox="416 801 879 840">1 car space per 200 – 300 m<sup>2</sup> GFA</td></tr> <tr> <td colspan="2" data-bbox="416 840 879 878"><b>Zones 2 and 3 areas (Note 2):</b></td></tr> <tr> <td data-bbox="416 878 879 916">For the first 2,000 m<sup>2</sup> GFA</td><td data-bbox="879 878 1398 916">1 car space per 40 – 50 m<sup>2</sup> GFA</td></tr> <tr> <td data-bbox="416 916 879 954">For the remaining GFA</td><td data-bbox="879 916 1398 954">1 car space per 150 – 200 m<sup>2</sup> GFA</td></tr> </table> <p><b>Provision ratio of motorcycle parking spaces:</b> 5 to 10% of the total provision for private cars</p>	<b>Zone 1 areas (Note 1):</b>		1 car space per 200 – 300 m <sup>2</sup> GFA		<b>Zones 2 and 3 areas (Note 2):</b>		For the first 2,000 m <sup>2</sup> GFA	1 car space per 40 – 50 m <sup>2</sup> GFA	For the remaining GFA	1 car space per 150 – 200 m <sup>2</sup> GFA
<b>Zone 1 areas (Note 1):</b>											
1 car space per 200 – 300 m <sup>2</sup> GFA											
<b>Zones 2 and 3 areas (Note 2):</b>											
For the first 2,000 m <sup>2</sup> GFA	1 car space per 40 – 50 m <sup>2</sup> GFA										
For the remaining GFA	1 car space per 150 – 200 m <sup>2</sup> GFA										
<b>4. Offices</b>	<p><b>Provision ratio of private car parking spaces:</b></p> <table border="1" data-bbox="416 1117 1398 1240"> <tr> <th data-bbox="416 1117 879 1155">GFA</th><th data-bbox="879 1117 1398 1155">Provision ratio of parking spaces</th></tr> <tr> <td data-bbox="416 1155 879 1193">For the first 15,000 m<sup>2</sup> GFA</td><td data-bbox="879 1155 1398 1193">1 car space per 150 – 200 m<sup>2</sup> GFA</td></tr> <tr> <td data-bbox="416 1193 879 1232">For the remaining GFA</td><td data-bbox="879 1193 1398 1232">1 car space per 200 – 300 m<sup>2</sup> GFA</td></tr> </table> <p><b>Provision ratio of motorcycle parking spaces:</b> 5 to 10% of the total provision for private cars</p>	GFA	Provision ratio of parking spaces	For the first 15,000 m <sup>2</sup> GFA	1 car space per 150 – 200 m <sup>2</sup> GFA	For the remaining GFA	1 car space per 200 – 300 m <sup>2</sup> GFA				
GFA	Provision ratio of parking spaces										
For the first 15,000 m <sup>2</sup> GFA	1 car space per 150 – 200 m <sup>2</sup> GFA										
For the remaining GFA	1 car space per 200 – 300 m <sup>2</sup> GFA										

Legend: GFA – Gross floor area  
GPS – Global parking standard  
LGV – Light goods vehicles

Source: Chapter 8, HKPSG (Edited version by THB)

*Note 1: Zone 1 areas cover residential developments at the highest density and apply to districts well served by high capacity public transport systems such as rail stations or other major transport interchanges. The buildings often incorporate a significant component of commercial floor space on the lower one to three floors.*

*Note 2: Zone 2 areas cover developments at a medium density and apply in locations less well served by high capacity public transport systems. There is usually no commercial floor space component. Zone 3 areas cover residential developments at the lowest density and apply to districts with very limited public transport capacity or subject to special constraints for urban design, traffic or environmental reasons.*

**Analysis of numbers of licensed vehicles and parking spaces  
by major vehicle types  
(December 2006, December 2016 and December 2018)**

	Dec 2006	Dec 2016	Dec 2018	Increase/(Decrease)	
				Dec 2016 vs Dec 2006	Dec 2018 vs Dec 2006
(A) Number of licensed vehicles					
Private car (Note 1)	401,692	584,130	616,220	45.4 %	53.4 %
Commercial vehicle (Note 2)	77,734	72,132	73,051	(7.2 %)	(6.0 %)
Motorcycle	35,915	49,864	54,920	38.8 %	52.9 %
Overall (Note 2)	515,341	706,126	744,191	37.0 %	44.4 %
(B) Number of parking spaces					
Private car (Note 1)	607,411	661,931	675,264	9.0 %	11.2 %
Commercial vehicle (Note 2)	47,764	48,186	46,955	0.9 %	(1.7 %)
Motorcycle	23,055	32,821	34,690	42.4 %	50.5 %
Overall (Note 2)	678,230	742,938	756,909	9.5 %	11.6 %
(C) Parking space ratio [(B)/(A)]					
Private car (Note 1)	1.51	1.13	1.10	(25.2 %)	(27.2 %)
Commercial vehicle (Note 2)	0.61	0.67	0.64	9.8 %	4.9 %
Motorcycle	0.64	0.66	0.63	3.1 %	(1.6 %)
Overall (Note 2)	1.32	1.05	1.02	(20.5 %)	(22.7 %)

*Source: Audit analysis of TD records*

*Note 1: Van-type LGVs were counted as private cars (see Note 1 to para. 1.3).*

*Note 2: Commercial vehicles only included non-van-type LGVs, medium and heavy goods vehicles, and non-franchised public buses. Other types of commercial vehicles (i.e. taxis, franchised buses, light buses and special purpose vehicles) and government vehicles were excluded from the above analysis because most of them should be parked at depots, bus stops within public transport termini as well as stands. As regards taxis, they generally operated on the road round the clock and their parking demand was mainly for short duration stay.*

**Revisions of parking-related standards in  
Hong Kong Planning Standards and Guidelines**

<b>Date</b>	<b>Scope of revisions</b>
March 2003	Revised standards and guidelines for parking facilities in various types of development projects (including private housing, subsidised housing, community facilities, commercial facilities, and industrial and business developments)
December 2006	Minor technical amendments to the parking standards for cars and bicycles in residential developments
May 2009	Revised parking standards for subsidised housing based on findings of the HD's "Study on Parking for Public Housing Developments"
May 2011	Provided guidelines for EV charging facilities
August 2011	Provided planning standards for cross-boundary coach termini/stops and to update parking standards for persons with disabilities
February 2014	Revised parking standards for private housing based on findings of TD's "Review of Parking Standards for Private Housing Developments in the HKPSG"
May 2016	Inserted a footnote on parking requirements for subsidised saleable housing developments

*Source: PlanD records*

**Chronology of key events for the project  
“Town Park in Area 66 and 68, Tseung Kwan O”**

<b>Item</b>	<b>Date</b>	<b>Event</b>
1	March 2011	LCSD obtained the support of SKDC on the scope of the Town Park project in Areas 66 and 68 to meet recreational need of local residents.
2	June 2013	DEVB approved the Technical Feasibility Statement.
3	January 2017	The 2017 Policy Address announced that \$20 billion would be spent in the coming five years to launch 26 projects to develop new or improve existing sports and recreation facilities. The Town Park project was one of the 26 projects to be launched in the coming five years.
4	June 2017	TD found that the STT in Area 66 provided 298 parking spaces with utilisation rate of 87% (258 spaces) and there would be a shortfall of 472 parking spaces upon the resumption of the STT site.
5	July 2017	SKDC passed the motion of requesting the Government to study the feasibility of providing parking facilities underneath the Town Park. In the same month, LCSD consulted SKDC on the revised project scope (without car park).
6	September 2017	TD informed LCSD that the existing temporary car park provided over 700 parking spaces.
7	January 2018	SKDC accepted the revised project scope in principle (without car park) but requested LCSD to study the technical feasibility of including an underground car park in Area 66.
8	February 2018	LCSD, TD, PlanD and ArchSD convened a meeting to review the project scope and discuss TD’s proposal of providing an underground public car park (Note).
9	March 2018	LCSD put up two proposals to SKDC for consideration: (a) Areas 66 and 68 would be developed without underground car park; and (b) the works in Areas 66 and 68 would be implemented in phases, with an underground car park (with 260 and 90 parking spaces for private cars and goods vehicles respectively) in Area 66. The time for completing both phases under proposal (b) would be substantially increased by years under a very rough estimation.

**Appendix E**  
(Cont'd)  
(para. 2.12 refers)

Item	Date	Event
10	April 2018	SKDC held a local consultation to seek views from TKO (South) Area Committee and nearby residential estates on whether the Town Park project should include an underground car park. SKDC considered that LCSD should proceed with the project (without public car park) for an early implementation of the Town Park.
11	July 2018	TD proposed a provision of in-situ 395 parking spaces (300 for private cars, 65 for commercial vehicles and 30 for motorcycles) in Area 66, taking into account the planned parking spaces (105 for commercial vehicles) proposed in a Joint User Government Office Building in Area 67.
12	August 2018	DEVB approved the revised Technical Feasibility Statement (without underground car park).
13	September 2018	THB decided that the Town Park with an underground car park in Area 66 would be proceeded as a separate project with TD taking up the role of project proponent.
14	November 2018	TD consulted SKDC on the parking demand in TKO and proposed taking lead to implement the Town Park project in Area 66 with an underground public car park.
15	8 January 2019	SKDC supported LCSD's proposal to implement the Town Park project in Area 68 first.
16	24 January and 5 March 2019	TD consulted SKDC on the proposed Town Park with an underground car park project in Area 66.

*Source: TD, THB, LandsD and LCSD records*

*Note: According to PlanD, the proposed town park in Areas 66 and 68 fell within an area zoned "Open Space" under the TKO Outline Zoning Plan, and planning permission from the Town Planning Board was required for "Public Vehicle Park (excluding container vehicle)".*

**11 government multi-storey car parks  
(31 December 2018)**

Government multi-storey car park	Year of opening	Number of parking spaces		
		Private car, van-type LGV and taxi (a)	Motorcycle (b)	Total (c) = (a) + (b)
Yau Ma Tei	1957	770	76	846
Star Ferry	1957	380	37	417
City Hall	1959	170	27	197
Rumsey Street	1970	835	148	983
Aberdeen	1981	293	51	344
Kwai Fong	1983	552	93	645
Tsuen Wan	1983	545	34	579
Shau Kei Wan	1988	386	72	458
Tin Hau	1989	429	75	504
Sheung Fung Street	1989	268	74	342
Kennedy Town	2007	195	37	232
Total		4,823	724	5,547

*Source: TD records*



**Appendix G**  
(paras. 4.5(c) and  
4.15 refer)

**Types of operating periods for on-street metered parking spaces  
(31 October 2018)**

<b>Type of operating periods</b>	<b>Weekdays (Mondays to Saturdays, except general holidays)</b>	<b>General holidays</b>	<b>Number of parking spaces</b>
A	8:00 a.m. – midnight	Not charged	183
B	8:00 a.m. – 8:00 p.m.	Not charged	348
D	8:00 a.m. – midnight	10:00 a.m. – 10:00 p.m.	8,905
F	8:00 a.m. – 9:00 p.m.	8:00 a.m. – 9:00 p.m.	23
H	8:00 a.m. – 8:00 p.m.	8:00 a.m. – 8:00 p.m.	1,904
J	8:00 a.m. – midnight	8:00 a.m. – midnight	98
N	7:00 p.m. – midnight	7:00 p.m. – midnight	9
P	8:00 a.m. – 8:00 p.m.	8:00 a.m. – 8:00 p.m. (No parking on Sundays)	6
Q	8:00 a.m. – 8:00 p.m.	10:00 a.m. – 10:00 p.m.	6,353
S	5:00 p.m. – midnight (Mondays to Fridays) 8:00 a.m. – midnight (Saturdays)	10:00 a.m. – 10:00 p.m.	40
<b>Total</b>			<b>17,869</b>

*Source: TD records*

**Appendix H**  
(paras. 4.7 and  
4.15 refer)

**New functions of the new generation of parking meter system**

<b>Function</b>	<b>Feature</b>
Payment of parking fees through multiple means	Equipped with a card reader to provide several choices of physical payment methods, such as contactless stored valued cards, contactless credit cards and mobile electronic wallet.
Remote payment through mobile application	Support remote payment of parking fees through mobile applications. To align with the policy intent of providing on-street parking spaces to cater for short-term parking needs and preventing motorists or other persons from prolonged occupation of parking spaces through repeated payment of parking fees, if a motorist would like to use the mobile application to buy additional parking time, he/she can only purchase up to a total of two sessions of the “longest parking period” for each transaction.
Vehicle sensors	Equipped with vehicle sensors to detect whether a parking space is occupied, and provide real-time information to assist motorists in finding vacant parking spaces through TD’s mobile application and website. However, vehicle information will not be collected.
Connection to backend central computer	Configurations for the parking meters such as the “longest parking period” for each transaction and operating period can be adjusted through the central computer. This will help TD monitor the utilisation rate of parking meters at different locations and adjust the configurations having regard to the data collected.
Consolidation of utilisation situation and payment information	The backend computer will consolidate the utilisation situation and payment information collected by vehicle sensors, and compile information on parking spaces occupied but not paid. This will facilitate and enhance efficiency of enforcement actions by HKPF.

*Source: TD records*

## Acronyms and abbreviations

ArchSD	Architectural Services Department
Audit	Audit Commission
CCTV	Closed-circuit television
CPMS	Car park management system
DEVB	Development Bureau
EPD	Environmental Protection Department
EV	Electric vehicle
FEHD	Food and Environmental Hygiene Department
FS	Flat size
GFA	Gross floor area
G/IC	Government, Institution or Community
GPA	Government Property Agency
GPS	Global parking standard
HD	Housing Department
HKPF	Hong Kong Police Force
HKPSG	Hong Kong Planning Standards and Guidelines
LandsD	Lands Department
LCSD	Leisure and Cultural Services Department
LegCo	Legislative Council
LGV	Light goods vehicle
m	Metres
m <sup>2</sup>	Square metres
PlanD	Planning Department
POS	Public open space
PR	Plot ratio
PSI	Public Sector Information
SKDC	Sai Kung District Council
STT	Short-term tenancy
TAC	Transport Advisory Committee
TD	Transport Department
TFMS	Transport Facilities Management Section
THB	Transport and Housing Bureau
TKO	Tseung Kwan O

## **CHAPTER 2**

**Development Bureau  
Civil Engineering and Development Department  
Leisure and Cultural Services Department**

### **Management of Greening Master Plans**

**Audit Commission  
Hong Kong  
1 April 2019**

*This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.*

Report No. 72 of the Director of Audit contains 8 Chapters which are available on our website at <https://www.aud.gov.hk>

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# MANAGEMENT OF GREENING MASTER PLANS

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# **MANAGEMENT OF GREENING MASTER PLANS**

## **Executive Summary**

1. It is the Government's greening policy to uplift the quality of the living environment through active planting, proper maintenance and preservation of trees and other vegetation. In pursuance of a general direction announced by the Chief Executive of the Hong Kong Special Administrative Region in the 2000 Policy Address to green up Hong Kong by planting more trees and flowers in the urban areas, the Steering Committee on Greening, Landscape and Tree Management (Steering Committee on GLTM) has been established to formulate related strategies and supervise implementation of major greening programmes. The Greening Master Plan Committee (GMP Committee) has been set up under the Steering Committee on GLTM to provide a better focus and achieve better coordination of the greening efforts, including formulating Greening Master Plans (GMPs) and overseeing the implementation of short-term greening works arising from GMPs.

2. A GMP serves as a guide for all parties involved in planning, design and implementation of greening works. It defines comprehensively the overall greening framework of a district by establishing the greening themes, proposing suitable planting species and identifying suitable planting locations to promote a clear district identity, and thus paves the way for continuous and consistent results in enhancing the green environment, as follows: (a) the greening themes of each district-specific GMP take account of factors such as the local landscape and cultural characteristics; (b) the "right-species-at-the-right-place" principle is adopted when selecting plant species, and apart from matching the district-specific greening theme, the recommended plant palette is drawn up having regard to factors such as the local soil conditions and the micro-climate; and (c) suitable locations for planting are identified after site investigations and local consultations.

3. GMPs for urban areas embody a full spectrum of short, medium and long-term measures. According to the Development Bureau (DEVB), GMPs for the New Territories (NT) only have short-term measures (referred to as priority greening works) and the key considerations were that: (a) as learnt from GMPs for urban areas,

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medium and long-term measures involved a prolonged time span during which changes to the site situations and community sentiments could be frequent and major. Planning such measures at a too early stage could just be a waste of efforts and money; and (b) as NT had lots of development and re-development projects in the pipeline, greening measures planned and considered under individual projects would be more cost-effective and time relevant.

4. DEVB has the overall policy responsibility for greening, landscape and tree management. The Greening, Landscape and Tree Management Section (GLTMS) has been established under DEVB to take up the overall policy responsibility for formulating and coordinating landscape and tree management strategy and initiatives in Hong Kong. The Civil Engineering and Development Department (CEDD) is responsible for the development and implementation of GMPs, and serves as the executive arm of the GMP Committee. CEDD handed over the greening works completed under GMPs mostly to the Leisure and Cultural Services Department (LCSD) for maintenance.

5. As of December 2018, CEDD had developed 11 GMPs for urban areas and 9 for NT, incurring a total of \$734.7 million (with total approved funding of \$1,124.1 million) on development and implementation of GMPs. Regarding GMPs for: (a) urban areas, the short-term greening measures were completed in three phases by June 2011, and a total of about 25,000 trees and 5.1 million shrubs were planted; (b) Southeast and Northwest NT, the related greening works were completed in October 2017, and a total of about 4,000 trees and 2.6 million shrubs were planted; and (c) Northeast and Southwest NT (approved by the GMP Committee in February 2014), DEVB plans to consult the Panel on Development of the Legislative Council (LegCo) in second half of 2019 on upgrading the project for implementation of the relevant greening works to Category A under the Public Works Programme. The actual planting quantities (i.e. about 29,000 trees and 7.8 million shrubs) exceeded the planting targets of 20,000 trees and 5.6 million shrubs stated in the related papers seeking funding approval from the Public Works Subcommittee (PWSC) of the Finance Committee of LegCo. The Audit Commission (Audit) has recently conducted a review to examine the Government's efforts in managing GMPs.

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### Development and implementation of Greening Master Plans

6. Between September 2004 and February 2012, CEDD awarded 9 consultancy agreements for development of GMPs and supervising implementation of the greening works under the works contracts. Between May 2006 and December 2014, CEDD awarded 11 works contracts for implementation of greening measures under GMPs. The greening works under these works contracts were completed between 2007 and 2017 (works under 10 contracts were completed about 1 to 6 months later than the respective original contract completion dates). GMPs set out, among others, planned planting locations, focal points for planting (which are for realising the greening themes) and theme plants. The works contracts for implementing GMPs set out, among others, the number of trees and shrubs to be planted with the contract drawings showing “potential trees” and “potential planting areas” (paras. 2.2 to 2.4).

7. ***Considerable number of trees and shrubs not planted at potential planting areas under works contracts for GMPs.*** For the works contracts for Phase 3 of urban areas, 45% of trees and 16% of shrubs had not been planted at certain potential planting areas (i.e. no planting at these areas at all). The reasons for not planting at potential areas were underground utilities, objections and interfacing projects. According to CEDD, to overcome the related hurdles for not being able to plant at planned locations under GMPs, it had stepped up efforts when developing GMPs for Southeast and Northwest NT (e.g. carrying out more investigation works during the design stage to detect underground utilities). Audit noted that while CEDD had stepped up efforts in development of GMPs for Southeast and Northwest NT, considerable number of trees and shrubs had not been planted at potential planting areas, as follows: (a) overall, 42% of trees and 26% of shrubs had not been planted at potential planting areas; and (b) the deviations from the contract for Southeast NT were more significant (e.g. for Sha Tin, about 59% for trees and 40% for shrubs were not planted at potential planting areas). According to CEDD, it had not made specific analysis on the reasons for not planting at potential planting areas under the works contracts for Southeast and Northwest NT (paras. 2.7, 2.8, 2.10 and 2.11).

8. ***Percentages of theme trees planted lower than internal reference rates and those under works contracts.*** According to CEDD, theme tree species are selected to reflect the greening themes for each district in order to create a strong character for each district. Under GMPs for Southeast NT (Sha Tin and Sai Kung) and Northwest NT (Tuen Mun and Yuen Long), the consultant (with its initiative and noted by CEDD) set internal reference rates for planting 20% to 30% theme trees in

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each of the four districts. Audit noted that: (a) in all the four districts, the numbers and percentages of theme trees planted were lower than those under the related works contracts; and (b) in three (i.e. Sha Tin, Sai Kung and Tuen Mun) of the four districts, the percentages of theme trees planted (8% to 10%) did not meet the internal reference rates (paras. 2.15, 2.17 and 2.18).

9. ***Theme trees not planted at most focal points.*** According to CEDD, the greening themes of a GMP will be realised by identifying key planting areas that are representative of the area and can be easily identifiable as the focal points of the area. Audit noted that the two GMPs for Southeast NT (Sha Tin and Sai Kung) had specified a total of 23 focal points, of which greening works for 10 (43%) focal points were not implemented and only 2 (9%) focal points were planted with theme trees (paras. 2.21, 2.22 and 2.24).

10. ***Percentages of native plant species planted lower than estimated and those under works contracts.*** In March and June 2014, CEDD informed LegCo Panel on Development and PWSC of the Finance Committee of LegCo respectively that regarding GMPs for Southeast and Northwest NT, it was estimated that 35% of the trees and shrubs would be native species. Audit noted that: (a) in terms of both numbers and percentages, the native trees planted for all the four districts and the native shrubs planted for two districts (Tuen Mun and Yuen Long) were lower than those under the related works contracts; and (b) except for the planting of native shrubs in Sha Tin (49%), the native trees and shrubs planted in all the four districts (ranging from 9% to 23%) were lower than the estimated rate of 35% (paras. 2.29 and 2.30).

## Handover and maintenance of greening works under Greening Master Plans

11. After the one-year establishment period under the works contracts for GMPs, CEDD will hand over the trees and shrubs to the relevant departments (mainly LCSD) for maintenance. Subject to the satisfactory establishment of the planting works, LCSD will formally take over the maintenance of all related plantings with effect from the final joint inspection date. Maintenance of vegetation on landscape area is to ensure the healthy establishment and growth of plants, which in general includes watering, fertilising, pruning, pest control and replacement. LCSD maintains the trees and shrubs planted under GMPs together with other trees and

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vegetation under its purview by its in-house staff and/or contractors (paras. 3.2, 3.3 and 3.14).

12. ***Scope for enhancing handover records to meet the different recording needs of CEDD and LCSD.*** Audit reviewed the handover arrangement from CEDD to LCSD of the trees and shrubs planted under GMPs for Phase 3 of urban areas and Southeast and Northwest NT for maintenance. According to CEDD and LCSD, they had different definitions of trees and different measurement bases for shrubs, leading to differences in planting quantities for trees and shrubs between CEDD handover records and LCSD inventory records, as follows: (a) CEDD adopted the “Check List of Hong Kong Plants” published by the Agriculture, Fisheries and Conservation Department to determine whether a plant should be classified as a tree (based on its species irrespective of size and trunk diameter). LCSD adopted DEVB Technical Circular for “Tree Preservation”, which classified a plant as a tree if its trunk diameter measured 95 millimetres or more at a height of 1.3 metres above the ground level; (b) CEDD adopted the number of shrubs as the unit for the quantity of shrubs. LCSD adopted the size of planting area as the unit for measuring landscape works after taking over the vegetation for horticultural maintenance; and (c) based on CEDD handover records, the planting quantities of 16,490 trees and 3,434,260 shrubs under GMPs for Phase 3 of urban areas and 3,965 trees and 2,570,219 shrubs under GMPs for Southeast and Northwest NT were mostly handed over to LCSD. Based on LCSD records, the planting quantities taken over by LCSD were 3,080 trees and 74,699 square metres (m<sup>2</sup>) of planting areas for shrubs under the former GMPs and 3,273 trees and 65,313 m<sup>2</sup> of planting area for shrubs under the latter GMPs. Audit noted that CEDD handover records showed the number of trees planted without details about their height and trunk diameter measures. It would be difficult for LCSD to reconcile the planting quantities in the handover records with its inventory records due to different definitions of trees and different measurement bases for shrubs between CEDD and LCSD. There is merit for CEDD and LCSD to work out handover records in order to meet their different recording needs (paras. 3.6 to 3.8).

13. ***Removal of some trees planted under GMPs for urban areas.*** Of the 3,827 trees (classified by LCSD as trees) taken over by LCSD for maintenance under GMPs for urban areas, 958 trees (25%) had been removed as of October 2018. Of these 958 trees: (a) 682 trees were removed due to inclement weather and tree failure, and only 113 trees (12% of 958) had been replanted in the locations where the original trees were removed. According to LCSD, there were no replanting plan for some of these locations due to dense planting conditions; and (b) 227 trees were removed due to traffic consideration, 37 trees transplanted to other locations and 12 trees removed

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due to provision of universal access facilities. In Audit's view, LCSD needs to take measures to ensure timely replanting of replacement trees as appropriate, and to share its tree maintenance experiences with CEDD with a view to assisting CEDD's development of GMPs (paras. 3.16 and 3.17).

14. ***Room for improvement in maintenance of trees and shrubs.*** In December 2018 and January 2019, to ascertain the conditions of the trees and shrubs planted under GMPs after handing over to LCSD for maintenance, Audit conducted site visits to a total of 81 locations under GMPs for urban areas and referred those locations with suspected deficiencies to LCSD for examination. LCSD's examination confirmed that 44 locations had deficiencies (a location might have more than one deficiency) involving: (a) removal of some trees and shrubs (32 locations); (b) unsatisfactory conditions of some shrubs (14 locations); and (c) replanting of some trees and shrubs with other plant species (17 locations) (paras. 3.18 and 3.19).

### Overseeing and public engagement of Greening Master Plans

15. The Steering Committee on GLTM and the GMP Committee are tasked to oversee and monitor the greening measures under GMPs. In December 2009, in preparing the establishment of GLTMS, DEVB informed the Steering Committee on GLTM that there was merit in retaining the GMP Committee, particularly with respect to the formulation of GMPs and the implementation of the short-term measures, and the implementation of the medium and long-term measures under GMPs could be handled more effectively by GLTMS, with steer from the Steering Committee on GLTM as appropriate. According to DEVB, apart from the Government's greenery works, the wide participation of public organisations and the private sector is crucial to the success of greening efforts (paras. 4.2, 4.3 and 4.22).

16. ***Progress and results in implementing greening works under GMPs for NT not reported to GMP Committee and GLTMS.*** For GMPs for urban areas, CEDD had from time to time reported the progress and results in implementing greening works to the GMP Committee and the Steering Committee on GLTM. For GMPs for Southeast and Northwest NT, CEDD had not reported the implementation progress to the two Committees for the related greening works. According to GLTMS, since the establishment of GLTMS in March 2010, the greening targets, planting figures and progress of contracts under GMPs had been reported to GLTMS

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instead of the Steering Committee on GLTM, and only problematic cases would be escalated to the Steering Committee on GLTM for resolution but there was no such need in the recent past years. Audit noted that there was scope for CEDD to provide further information to GLTMS (e.g. experience gained from GMP implementation) (paras. 4.5 to 4.8).

17. ***Need to monitor progress of medium and long-term measures under GMPs for urban areas.*** In 2011, GLTMS commenced a tracking exercise to keep track of the medium and long-term measures under GMPs for urban areas (see para. 3) with a view to identifying those which would remain feasible and could be taken forward as well as the parties responsible for implementation. In December 2015, GLTMS completed the tracking exercise and identified a total of 288 medium and long-term measures which needed to be followed up by GLTMS (for 67 measures which required private sector/public organisations participation) and by government departments (for 221 measures under their purview). While GLTMS had taken certain follow-up actions with the responsible departments on the implementation progress of the 221 measures under their purview, it had not taken specific follow-up actions with private sector/public organisations on the 67 measures requiring their participation (paras. 4.11, 4.12 and 4.14).

18. ***Scope for reviewing plant species under GMPs.*** In December 2018, GLTMS published the Street Tree Selection Guide with the purpose to improve the resilience of the Territory's urban forest by maximising species diversity. Audit noted that GMPs for urban areas had been developed and approved by GMP Committee more than 10 years ago and for NT more than 5 years ago. Audit considers that there is scope for CEDD to review the plant species under GMPs for urban areas and NT, taking into account the additional tree species recommended by the newly published Street Tree Selection Guide (paras. 4.16 and 4.17).

19. ***Need to provide updated GMP information on website.*** For GMPs for urban areas, CEDD had uploaded information on theme species and plant palettes in different districts onto its website for reference by the public. However, while GMPs for NT were approved by GMP Committee in March 2013 (for Southeast and Northwest NT) and February 2014 (for Northeast and Southwest NT), CEDD only uploaded the related GMP information onto its website about five to six years later in January 2019 (para. 4.23).



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### **Audit recommendations**

20. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Government should:**

#### ***Development and implementation of Greening Master Plans***

- (a) **review the reasons for the considerable number of trees and shrubs not planted at the potential planting areas under the works contracts for GMPs for NT and take into account Audit's findings and recommendations on the matter with a view to better setting out the planting locations when developing GMPs (para. 2.13(a));**
- (b) **consider setting target rates for planting theme trees in order to better realise the greening themes for each district under GMPs and endeavour to meet the target rates when implementing GMPs (para. 2.25(a));**
- (c) **take measures to enhance the assessment of feasibility of planting at focal points under GMPs (para. 2.25(b));**
- (d) **plant theme trees at focal points under GMPs to realise the district-specific greening themes as far as practicable (para. 2.25(c));**
- (e) **consider setting target rates for planting native plant species and endeavour to meet the target rates when implementing GMPs (para. 2.33);**

#### ***Handover and maintenance of greening works under Greening Master Plans***

- (f) **to ensure that all greening works completed under GMPs are properly handed over and such works are properly and accurately recorded, work out handover records showing the greening works handed over at the handover date in order to meet the different recording needs of CEDD and LCSD arising from their different definitions of trees and different measurement bases for shrubs (para. 3.9);**

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- (g) **in preparing the handover records, take measures to ensure that all greening works completed under GMPs as agreed to be taken over by LCSD are accurately and completely included therein (para. 3.10);**
- (h) **properly record in LCSD's inventory records the greening works taken over based on the handover records (para. 3.11);**
- (i) **take measures to ensure timely replanting of replacement trees as appropriate (para. 3.20(a));**
- (j) **share LCSD's experiences in maintenance of plants with CEDD with a view to assisting CEDD's development of GMPs (para. 3.20(b));**
- (k) **strengthen measures in maintaining trees and shrubs planted under GMPs to ensure the healthy establishment and growth of plants (para. 3.20(c));**

### ***Overseeing and public engagement of Greening Master Plans***

- (l) **ensure the periodic reporting of the progress and results in implementing greening works under GMPs for NT to the GMP Committee and GLTMS (para. 4.18(a));**
- (m) **review the plant species under GMPs for urban areas and NT, taking into account the additional tree species recommended by the newly published Street Tree Selection Guide (para. 4.18(b));**
- (n) **monitor the progress of the to-be-followed-up medium and long-term measures under GMPs for urban areas on a more regular and systematic basis (para. 4.19(a)); and**
- (o) **provide updated GMP information on CEDD's website with a view to facilitating the public's understanding of GMPs and engaging their participation in greening works (para. 4.28).**

## **Response from the Government**

21. The Government agrees with the audit recommendations.



## PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

### *Background*

1.2 The Government has been actively promoting greening in order to improve the living environment of Hong Kong. In particular, there is a close relationship between greening and improvement in air quality (Note 1). It is the Government's greening policy to uplift the quality of the living environment through active planting, proper maintenance and preservation of trees and other vegetation.

1.3 In pursuance of a general direction announced by the Chief Executive of the Hong Kong Special Administrative Region in the 2000 Policy Address to green up Hong Kong by planting more trees and flowers in the urban areas, the then Environment, Transport and Works Bureau (now the Development Bureau (DEVB — Note 2)) established the Steering Committee on Greening in December 2002 to formulate related strategies and supervise implementation of major greening programmes. Upon the establishment of the Greening, Landscape and Tree Management Section (GLTMS — see para. 1.8) under DEVB in March 2010, the Committee was renamed the Steering Committee on Greening, Landscape and Tree Management (Steering Committee on GLTM — Note 3). The Steering Committee on GLTM is chaired by the Permanent Secretary for Development (Works) (see Appendix A for membership of the Committee) and supported by GLTMS to

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**Note 1:** *Green plants can help act as a sponge by sequestering carbon dioxide in the atmosphere while releasing oxygen. They can also improve air quality by intercepting particulate matters and absorbing gaseous contaminants such as sulphur dioxide and nitrogen oxides in the atmosphere as well as help lower urban temperature.*

**Note 2:** *DEVB was formed in July 2007 to take up, inter alia, the policy matters on greening works from the former Environment, Transport and Works Bureau. For simplicity, the former Environment, Transport and Works Bureau is referred to as DEVB in this Audit Report.*

**Note 3:** *For simplicity, the then Steering Committee on Greening is referred to as the Steering Committee on GLTM in this Audit Report.*

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formulate the strategic direction and oversee the implementation of major greening programmes. The responsibilities of the Steering Committee on GLTM include:

- (a) considering and approving greening targets and programmes submitted by its working committees; and
- (b) overseeing departmental efforts on greening, landscape and tree management.

According to DEVB, the Government's greening programmes include developing and implementing Greening Master Plans (GMPs — see para. 1.5), incorporating planting elements into works projects and increasing planting along roadside amenity areas and expressways.

### *Greening Master Plans*

1.4 ***Greening Master Plan Committee (GMP Committee).*** In August 2004, in order to provide a better focus and achieve better coordination of the greening efforts, the GMP Committee was set up under the Steering Committee on GLTM. The GMP Committee, chaired by the Director of Civil Engineering and Development (see Appendix B for membership of the Committee), is tasked to:

- (a) formulate GMPs (including short-term, medium-term and long-term measures) to guide the implementation of greening works on a district basis across the territory (see paras. 1.5 to 1.7);
- (b) oversee and monitor the implementation of short-term greening works arising from GMPs as endorsed by the Steering Committee on GLTM;
- (c) secure public support for GMPs; and
- (d) resolve inter-departmental interface issues arising from the formulation of GMPs and the implementation of the short-term greening works.

1.5 **GMPs.** One key component in the pursuit of greening is the development and implementation of GMPs. A GMP serves as a guide for all parties involved in planning, design and implementation of greening works. It defines comprehensively the overall greening framework of a district by establishing the greening themes, proposing suitable planting species and identifying suitable planting locations to promote a clear district identity, and thus paves the way for continuous and consistent results in enhancing the green environment, as follows:

- (a) **Greening themes.** The greening themes of each district-specific GMP (see Appendix C for a list of greening themes under all GMPs developed) take account of factors such as the local landscape and cultural characteristics, the public's perception and the future development of the district;
- (b) **Plant palettes.** The “right-species-at-the-right-place” principle is adopted when selecting plant species. Apart from matching the district-specific greening theme, the recommended plant palette is drawn up having regard to the local soil conditions, the micro-climate, reliability in the supply of plant species, as well as the functional and performance requirements that the species need to achieve (e.g. the desired visual effect and maintenance requirements); and
- (c) **Planting locations.** Suitable locations for planting are identified after site investigations and local consultations, with due consideration to greening opportunities and site constraints. Maps showing locations where greening works would be implemented form part of GMPs.

1.6 According to DEVB, in recognition of the fact that greening opportunities arise under different time frames, GMPs for urban areas (see para. 1.11(a)) embody a full spectrum of short, medium and long-term measures, as follows:

- (a) **Short-term measures.** These are measures conforming to the district layout and posing no direct conflict with land use or traffic arrangements and can be implemented within one to two years;
- (b) **Medium-term measures.** These are greening measures which have to be implemented in association with other projects or which require private sector participation; and

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- (c) ***Long-term measures.*** These measures depict the ultimate greening vision and include proposals such as tree corridors along major roads which can only be achieved in conjunction with urban renewal.

1.7 Under GMPs for the New Territories (NT — see para. 1.11(b)), the greening measures are referred to as “priority greening works” (Note 4). According to GLTMS and the Civil Engineering and Development Department (CEDD — see para. 1.9):

- (a) the priority greening works under GMPs for NT are equivalent to short-term measures under GMPs for urban areas. Accordingly, the terms of reference for the GMP Committee cover priority greening works under GMPs for NT;
- (b) it was a conscientious decision not to include medium and long-term greening measures in GMPs for NT. The key considerations were that:
  - (i) as learnt from GMPs for urban areas, medium and long-term measures involved a prolonged time span during which changes to the site situations and community sentiments could be frequent and major. Planning such measures at a too early stage could just be a waste of efforts and money; and
  - (ii) as NT had lots of development and re-development projects in the pipeline (e.g. Northeast NT, Hung Shui Kiu and Yuen Long South), greening measures planned and considered under individual projects would be more cost-effective and time relevant; and

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**Note 4:** *According to the paper seeking funding approval from the Finance Committee of the Legislative Council in April 2014:*

- (a) *the greening measures under GMPs for NT with relatively high greening effect and public aspirations would be implemented as priority greening works; and*
- (b) *funding for the remaining greening works in NT would be sought later when they were ready for upgrading to Category A under the Public Works Programme (a project is upgraded to a Category A project when funding approval is granted by the Finance Committee of the Legislative Council).*

- (c) to ensure that the greening theme in each district could be realised even without the guided medium and long-term measures, DEVB promulgated a technical circular in 2012 advising that relevant departments should make reference to GMP themes for projects which involved design for greening on new roads as far as possible.

### ***Responsible bureau and departments***

1.8 DEVB has the overall policy responsibility for greening, landscape and tree management. In March 2010, GLTMS was established under the Works Branch of DEVB to take up the overall policy responsibility for formulating and coordinating landscape and tree management strategy and initiatives in Hong Kong. GLTMS is underpinned by the Greening and Landscape Office and the Tree Management Office (Note 5). The two offices work in close cooperation to promote a holistic approach, embracing adequate space allocation for new planting, proper selection of planting species, as well as quality landscape design and planting practices in the upstream, and proper vegetation maintenance in the downstream, with protection of public safety as a priority consideration (Note 6). The Greening and Landscape Office is responsible for central coordination of the Government's greening and landscape planning and design efforts. Its work includes overseeing the development and implementation of GMPs.

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**Note 5:** *The Tree Management Office is responsible for advocating the adoption of a professional approach to tree management among tree management departments and in the community at large.*

**Note 6:** *The Audit Commission had conducted a review of the Government's efforts in enhancing tree safety, the results of which were included in Chapter 6 of the Director of Audit's Report No. 63 of October 2014.*



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1.9 CEDD is responsible for the development and implementation of GMPs. It serves as the executive arm of the GMP Committee. CEDD handed over the greening works completed under GMPs mostly to the Leisure and Cultural Services Department (LCSD — Note 7) for maintenance.

### ***Procedures in development and implementation of GMPs and maintenance of greenings works under GMPs***

1.10 The procedures in developing and implementing a GMP for a district and maintaining greening works completed under GMP (summarised in Figure 1) are, in general, as follows:

#### ***Development of GMPs***

- (a) ***Background study, consultation and approval of GMP.*** CEDD will engage a consultant to develop a GMP, including conducting background study and site investigation works, and consulting the public, relevant government departments and the relevant District Council (DC). GMP will then be submitted to the GMP Committee for approval and the Steering Committee on GLTM for endorsement;
- (b) ***Detailed design and funding application.*** Upon approval by the GMP Committee, the consultant will commence the detailed design of the greening measures under the approved GMP. The relevant funding application will then be submitted to the Finance Committee of the Legislative Council (LegCo) for approval;

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**Note 7:** *According to DEVB Technical Circular (Works) No. 6/2015 and its superseded version No. 2/2004 “Maintenance of Vegetation and Hard Landscape Features”, vegetation on landscaped area along non-expressway public roads (both versions of the Circular) and trees on unleased and unallocated government land within 10 metres from the kerb of public roads (prevailing version only) are maintained by LCSD while vegetation within the boundary of expressways are maintained by the Highways Department (both versions). According to CEDD, as the greening measures of GMPs mostly involve greening of pavements or roadside verges, the related greening maintenance is mostly undertaken by LCSD. For example, according to CEDD, of the 1,134 trees and 863,113 shrubs planted under GMP for Sha Tin, except for 15 (1%) trees and 62,263 (7%) shrubs handed over to the Highways Department, the remaining 1,119 trees and 800,850 shrubs were handed over to LCSD for maintenance.*

### ***Implementation of GMPs***

- (c) ***Tendering and implementation of greening works.*** After obtaining funding approval from the Finance Committee of LegCo, CEDD will conduct a tender exercise for the implementation of greening works and award the works contract to a contractor. The contractor, under the supervision of a consultant, will implement the greening works under the contract. Following completion of implementation of greening works under the works contract for a GMP, there is a one-year establishment period during which CEDD's contractor is responsible to carry out post-planting caring as establishment works (Note 8); and

### ***Maintenance of greening works completed under GMPs***

- (d) ***Handover and maintenance of greening works.*** After the establishment period, CEDD will hand over the greening works mostly to LCSD for maintenance (see Note 7 to para. 1.9).

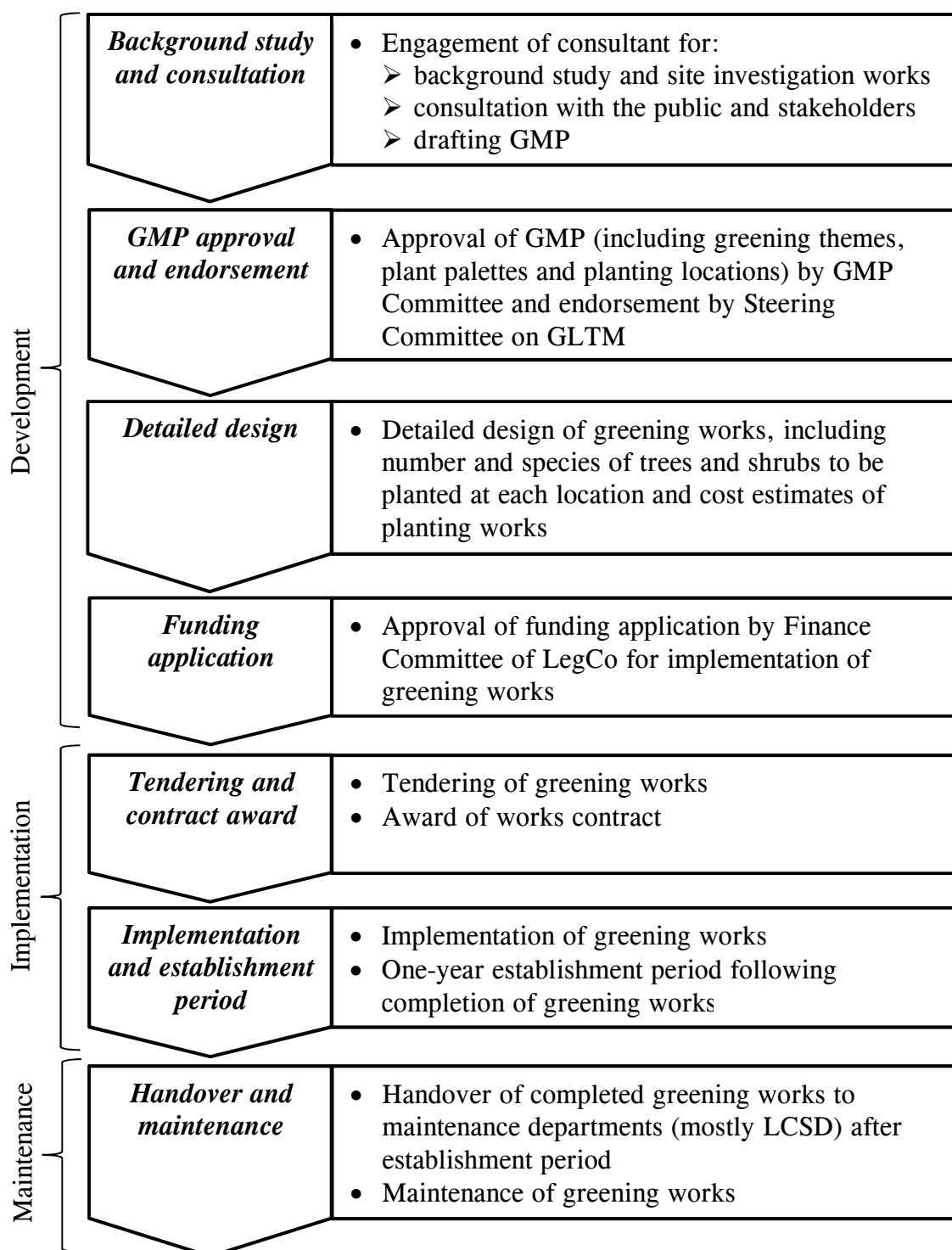
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#### **Note 8:** *According to CEDD:*

- (a) *unlike general construction products, trees and shrubs have a life cycle (i.e. grow, become weak and die) like other living organisms. Newly planted trees and shrubs are subject to various challenges from nature; and*
- (b) *abuse by external factors (regardless by nature or human activities) can adversely affect health condition of trees and shrubs and they may die as a result of serious abuse.*

Figure 1

**Procedures in development and implementation of GMPs  
and maintenance of greening works completed under GMPs**



Source: Audit analysis of CEDD records

### ***GMPs for urban areas and NT***

1.11 As of December 2018, CEDD had developed 11 GMPs for urban areas and 9 for NT. The development and implementation of these GMPs are shown in Table 1 and summarised as follows:

- (a) ***Urban areas.*** The Government embarked on the development of GMPs in September 2004 and selected Tsim Sha Tsui as a pilot district. By June 2011, CEDD had completed the short-term greening measures of the 11 GMPs for all urban areas (Note 9) in three phases. According to CEDD, a total of 24,890 trees and 5.1 million shrubs were planted under GMPs; and
- (b) ***NT.*** According to DEVB, the public had been supportive of GMP projects and there was a strong demand for extending GMPs to NT. In 2009, the Government embarked on preparation for the development of GMPs for NT. According to CEDD, in view of the extensive area of NT, GMP studies would focus primarily on the more densely populated areas (e.g. town centres), major transportation routes and tourist attraction locations, in order to effectively enhance the greening effect and improvement to the environment. The 9 GMPs for NT (Note 10) are developed and implemented in four areas, namely Southeast, Northwest, Northeast and Southwest. CEDD started formulating GMPs for:
  - (i) ***Southeast and Northwest NT in May 2011.*** The related greening works were completed in October 2017. According to CEDD, 3,980 trees and 2.6 million shrubs were planted under GMPs; and

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**Note 9:** *The 11 GMPs are for 9 urban DC districts (i.e. Central and Western, Eastern, Kowloon City, Kwun Tong, Sham Shui Po, Southern, Wan Chai, Wong Tai Sin and Yau Tsim Mong), with two DC districts (i.e. Central and Western, and Yau Tsim Mong) each having two GMPs.*

**Note 10:** *The 9 GMPs are for 9 NT DC districts (i.e. Islands, Kwai Tsing, North, Sai Kung, Sha Tin, Tai Po, Tsuen Wan, Tuen Mun and Yuen Long).*

- (ii) *Northeast and Southwest NT in February 2012.* GMPs were approved by the GMP Committee in February 2014. According to DEVB, it plans to consult the Panel on Development of LegCo in the second half of 2019 on upgrading the project for implementation of the relevant greening works to Category A under the Public Works Programme. The greening works are tentatively scheduled to commence in the first half of 2020 for completion in mid-2023.

Table 1

**Development and implementation of GMPs for urban areas and NT  
(June 2005 to December 2018)**

GMP		Date of approval by GMP Committee	Commencement date of greening works	Completion date of greening works	No. of trees planted	No. of shrubs planted
(a) Urban areas						
Phase 1						
1	Tsim Sha Tsui	6/2005	5/2006	9/2007	680	145,000
2	Central	9/2005			570	155,000
Phase 2						
3	Causeway Bay, Sheung Wan and Wan Chai	11/2007	8/2008	12/2009	2,230	520,000 (Note 1)
4	Mong Kok and Yau Ma Tei				4,170	860,000
Phase 3						
5	Southern	9/2008	12/2009	4/2011	1,440	255,500
6	Western			5/2011	900	96,500
7	Wong Tai Sin	12/2008	8/2009	6/2011	1,670	463,000
8	Kwun Tong		9/2009	3/2011	5,230	1,255,100
9	Kowloon City			6/2011	2,690	442,000
10	Sham Shui Po		3,210		540,000	
11	Eastern		12/2009		2,100	400,000
Subtotal of Phase 3					17,240	3,452,100
Subtotal (a)					24,890	5,132,100
(b) NT						
Southeast NT						
12	Sha Tin	3/2013	12/2014	10/2017	1,134	863,113
13	Sai Kung				838	386,475
Northwest NT						
14	Tuen Mun	3/2013	12/2014	10/2017	910	536,389
15	Yuen Long				1,098	846,505
Northeast NT						
16	North	2/2014	(Note 2)			
17	Tai Po					
Southwest NT						
18	Islands	2/2014	(Note 2)			
19	Kwai Tsing					
20	Tsuen Wan					
Subtotal (b)					3,980	2,632,482
Total (c)=(a)+(b)					28,870	7,764,582

Source: CEDD records

**Table 1 (Cont'd)**

- Note 1: According to CEDD, for Causeway Bay, Sheung Wan and Wan Chai: (a) the 520,000 shrubs included those planted by other contracts under GMP ambit for the same district; and (b) the expenditure incurred was charged to the approved funding for development and implementation of GMPs.*
- Note 2: According to DEVB, it plans to consult the Panel on Development of LegCo in the second half of 2019 on upgrading the project for implementation of the relevant greening works to Category A under the Public Works Programme.*

### ***Expenditure incurred on GMPs***

1.12 As of December 2018, the Government had incurred a total of \$734.7 million on development and implementation of GMPs, as follows:

- (a) ***Urban areas.*** The development of GMPs and implementation of short-term greening measures for all urban areas had been completed by June 2011 and the related accounts were subsequently finalised at \$489 million;
- (b) ***Southeast and Northwest NT.*** The development and implementation of GMPs had been completed by October 2017. As of December 2018, a total of \$227.7 million had been incurred, but the related accounts were yet to be finalised; and
- (c) ***Northeast and Southwest NT.*** GMPs were approved by the GMP Committee in February 2014. As of December 2018, a total of \$18 million had been incurred (on consultancy studies and site investigation works).

Table 2 shows the approved funding and the actual expenditure for development and implementation of GMPs as of December 2018.

Table 2

**Approved funding and actual expenditure  
for development and implementation of GMPs  
(December 2018)**

Region	Nature (Note)	Approved funding (\$ million)	Actual expenditure (\$ million)
<b>(a) Urban areas</b>			
<b><u>Phase 1</u></b> Central and Tsim Sha Tsui	Consultancy studies and site investigation works	4.3	3.4
	Greening works	38.4	25.2
<b><u>Phase 2</u></b> Causeway Bay, Mong Kok, Sheung Wan, Wan Chai and Yau Ma Tei	Consultancy studies and site investigation works	18.1	11.0
	Greening works	126.0	101.7
<b><u>Phase 3</u></b> Eastern, Kowloon City, Kwun Tong, Sham Shui Po, Southern, Western and Wong Tai Sin	Consultancy studies and site investigation works	51.5	24.4
	Greening works	466.0	323.3
Subtotal (a)		704.3	489.0
<b>(b) NT</b>			
Southeast and Northwest NT (Sha Tin, Sai Kung, Tuen Mun and Yuen Long)	Consultancy studies and site investigation works	35.3	23.5
	Greening works	350.0	204.2
Subtotal		385.3	227.7
Northeast and Southwest NT (Tai Po, North, Tsuen Wan, Islands and Kwai Tsing)	Consultancy studies and site investigation works	34.5	18.0
Subtotal (b)		419.8	245.7
Total (c)=(a)+(b)		1,124.1	734.7

Source: CEDD records

Note: The consultancy studies and site investigation works for GMPs for urban areas under Phase 1 and NT were funded under a block allocation for Category D projects in the Public Works Programme under the Capital Works Reserve Fund, which was set up in April 1982 for financing the Public Works Programme and the acquisition of land. The consultancy studies and site investigation works for GMPs for urban areas under Phases 2 and 3 and all the greening works were covered under Category A projects in the Public Works Programme.



## **Introduction**

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1.13 LCSD is responsible for the maintenance of the greening works completed under GMPs together with other trees and vegetation under its purview by its in-house staff and/or contractors. According to CEDD, it had handed over the greening works under GMPs for urban areas by December 2013 and those for Southeast and Northwest NT by December 2018 to LCSD. According to LCSD, its total in-house staff cost and contract cost for maintenance of all plants under its purview for 2017-18 were about \$190 million and \$241 million respectively, and no breakdown of the cost solely for maintenance of greening works under GMPs was available.

## **Audit review**

1.14 In November 2018, the Audit Commission (Audit) commenced a review to examine the Government's efforts in managing GMPs. The audit review has focused on the following areas:

- (a) development and implementation of GMPs (PART 2);
- (b) handover and maintenance of greening works under GMPs (PART 3); and
- (c) overseeing and public engagement of GMPs (PART 4).

Audit has found room for improvement in the above areas, and has made a number of recommendations to address the issues.

## **Acknowledgement**

1.15 Audit would like to acknowledge with gratitude the full cooperation of the staff of DEVB, CEDD and LCSD during the course of the audit review.

## **PART 2: DEVELOPMENT AND IMPLEMENTATION OF GREENING MASTER PLANS**

2.1 This PART examines CEDD's actions in the development and implementation of GMPs, focusing on:

- (a) planting locations (paras. 2.4 to 2.14);
- (b) planting of theme trees (paras. 2.15 to 2.26); and
- (c) planting of native plant species (paras. 2.27 to 2.34).

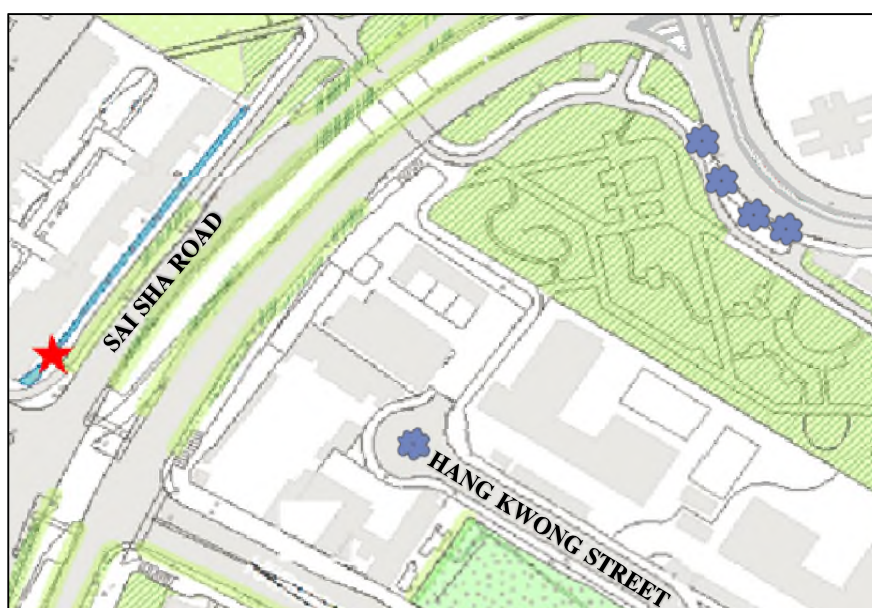
2.2 ***Consultancy agreements for development and supervising implementation of GMPs.*** Between September 2004 and February 2012, CEDD awarded 9 consultancy agreements for development of GMPs for urban areas (two agreements for each of Phases 1 and 2 and one for Phase 3, with actual expenditure totalled \$38.8 million) and GMPs for NT (one agreement for each of the Southeast, Northwest, Northeast and Southwest NT, with actual expenditure totalled \$41.5 million as of December 2018) and supervising implementation of the greening works under the works contracts. The responsibilities of the consultants mainly include:



- (a) ***Background study.*** In developing a GMP for a district, the consultant will conduct studies and site investigation works, including detailed background study and site inspections of the district to collect information such as land use/planning, existing landscape/greening features, records of underground utilities, traffic and pedestrian conditions, and relevant on-going studies which would have a bearing on GMP studies;
- (b) ***Draft GMP.*** Based on the detailed background study and site inspections, the consultant will investigate the greening opportunities and constraints within the district. The consultant is required to propose representative greening theme for each GMP, suitable plant species which can reflect the greening theme of each GMP and greening measures for implementation. The consultant is also required to identify suitable locations for planting (known as planned planting locations), including at least 10 key planting areas that are representative of the district and can be easily identifiable

for realising the greening themes of a GMP (known as focal points for planting). Figure 2 shows an example of planned planting locations and a focal point for planting under a GMP;

**Figure 2**

**An example of planned planting locations and a focal point for planting under Sha Tin GMP**



Legend:  A focal point for planting  
 Planned planting locations

Source: CEDD records

- (c) **Consultation and approval.** The consultant is required to identify stakeholders, including government bureaux/departments, public or private organisations, relevant DC and/or its sub-committees and working groups, and conduct consultation to solicit their support to the recommendations of the draft GMP. The draft GMP (including greening theme, theme tree species, plant palette, planned planting locations and focal points for planting) will be presented to the relevant DC or its sub-committees for support. After GMP is supported by DC, it will be submitted to the GMP Committee for approval and the Steering Committee on GLTM for endorsement;

## Development and implementation of Greening Master Plans

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- (d) ***Detailed design.*** Based on the approved GMP, the consultant will carry out detailed design of greening works, including consulting and obtaining agreement from relevant maintenance departments on the detailed design (including number and species of trees and shrubs to be planted at each location) and preparing cost estimates of the related planting works; and
- (e) ***Tender preparation and supervision of contract works.*** After obtaining funding approval from the Finance Committee of LegCo for implementation of greening works under GMP, the consultant will prepare tender documents for the works contract, arrange for tendering, and undertake contract administration and site supervision of the greening works after awarding the contract.

2.3 ***Works contracts for implementation of GMPs.*** The details of the works contracts for implementation of GMPs for urban areas and Southeast and Northwest NT are as follows:

- (a) ***Award of contracts.*** Between May 2006 and December 2014, CEDD awarded 11 works contracts for implementation of greening measures under GMPs, comprising 9 contracts for urban areas (one for each of Phases 1 and 2 and one for each of the 7 GMPs under Phase 3) and 2 contracts for NT (one for Southeast NT and another for Northwest NT);
- (b) ***Completion of contracts.*** The greening works under 9 contracts for urban areas for Phases 1, 2 and 3 were completed in 2007, 2009 and 2011 respectively, and those under the 2 contracts for Southeast and Northwest NT completed in 2017. For 10 of the 11 works contracts, the greening works were completed about 1 to 6 months later than the respective original contract completion dates (see Appendix D). According to CEDD, the extensions of contract periods were mainly due to inclement weather and additional planting works;
- (c) ***Greening works completed.*** According to CEDD, a total of about 29,000 trees and 7.8 million shrubs were planted under GMPs (see Table 1 in para. 1.11). The actual planting quantities exceeded the planting targets of 20,000 trees and 5.6 million shrubs stated in the related papers seeking funding approval from the Public Works Subcommittee (PWSC) of the Finance Committee of LegCo. Details are shown in Appendix E; and

- (d) **Contract expenditure.** For the 9 contracts for urban areas (the accounts for 2 contracts for NT not yet finalised as of December 2018), the respective expenditure for 6 contracts was less than the contract sum by 1% to 19% while that for 3 contracts exceeded the contract sum by 12% (\$4.5 million), 15% (\$5.4 million) and 24% (\$4.4 million) respectively (see Appendix F). According to CEDD, the excess was mainly due to the fact that more trees and shrubs had been planted under the contracts.

## Planting locations

2.4 GMPs set out, among others, planned planting locations, focal points for planting (which are for realising the greening themes) and theme plants (see para. 2.2(b)). The works contracts for implementing GMPs set out, among others, the number of trees and shrubs to be planted with the contract drawings showing “potential trees” and “potential planting areas” (Note 11).

2.5 According to CEDD:

- (a) for general engineering projects, the site boundaries are well defined and site investigations are conducted at selected areas to facilitate detailed design to minimise changes during construction. For GMP projects, there is considerable amount of potential planting areas scattered widely in each district. As such, it is not practical nor cost-effective to conduct extensive trial pits and trenches to cover all potential planting areas during detailed design stage; and
- (b) therefore, the potential planting areas might have to be adjusted to address actual site conditions, local comments and maintenance concerns during implementation. As a result, a high chance for changes during implementation is unavoidable due to the special nature of GMP projects.

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**Note 11:** *According to the works contracts, the number, size, species and location of potential trees as well as the layout, planting pattern and species of potential planting areas are indicative only on the drawings. The planting of potential trees and potential planting areas will be confirmed after considering various criteria (e.g. no objection received regarding the potential trees and potential planting areas, and no conflict with underground obstruction or interface project).*

2.6 **Phase 3 of urban areas.** In the course of implementing the works contracts for Phase 3 of urban areas (see Appendix D), in April 2010, CEDD and the consultant concerned discussed the issue of not implementing some planting works in the works contracts, and the consultant agreed that any planting works not implemented would be properly documented and with justifications provided. At the Steering Committee on GLTM meeting of June 2010, in view of the fact that some greening works could not be implemented at specific locations under GMPs for urban areas, DEVB stated that a more realistic planting programme should be drawn up under GMPs in future so as to avoid raising local expectations. Starting from July 2010, the consultant prepared and submitted to CEDD monthly summaries on the planting quantities with analysis of justifications for not planting at the potential planting areas.

2.7 For the works contracts for Phase 3 of urban areas, Audit noted that 45% of trees and 16% of shrubs had not been planted at certain potential planting areas (i.e. no planting at these areas at all — see Table 3). According to CEDD, the reasons for not planting at potential areas were underground utilities, objections and interfacing projects (see Table 4).

**Table 3**  
**Trees and shrubs not planted at potential planting areas**  
**for Phase 3 of urban areas**  
**(July 2013)**

Plant	No. of trees/shrubs		Percentage of trees/shrubs not planted at potential planting areas  (c) = (b) ÷ (a) × 100%
	According to contracts (Note 1) (a)	Not planted at potential planting areas (Note 2) (b)	
Trees	14,672	6,644	45 %
Shrubs	2,738,913	433,800	16 %

Source: CEDD records

Note 1: A total of 17,240 trees and 3,452,100 shrubs were planted, exceeding the numbers according to contracts by 18% and 26% respectively. In other words, a total of 2,568 (i.e. 17,240 minus 14,672) additional trees and 713,187 (i.e. 3,452,100 minus 2,738,913) additional shrubs were planted.

Note 2: The figures in column (b) were based on the consultant's monthly summaries submitted to CEDD (see para. 2.6).

**Table 4****Reasons for not planting at potential planting areas  
under works contracts for Phase 3 of urban areas  
(July 2013)**

<b>Reason</b>	<b>Tree (No.)</b>	<b>Shrub (No.)</b>
Underground utilities	2,907 (44%)	116,000 (27%)
Objections	1,729 (26%)	81,600 (19%)
Interfacing projects	2,008 (30%)	236,200 (54%)
Total	6,644 (100%)	433,800 (100%)

Source: CEDD records

***Considerable number of trees and shrubs not planted at potential  
planting areas under works contracts for GMPs***

2.8 ***Southeast and Northwest NT.*** In the course of developing GMPs for Southeast and Northwest NT, in July and August 2012, CEDD informed the GMP Committee and the Steering Committee on GLTM respectively that, to overcome the related hurdles for not being able to plant at planned locations under GMPs, it had stepped up efforts when developing these GMPs, as follows:

- (a) ***Underground utility detection.*** More investigation works had been carried out during the design stage, including excavating more trial pits (from about 10% in urban areas to about 16% in Southeast and Northwest NT) and applying a no-dig utility detection method to investigate the underground conditions. According to CEDD:
  - (i) the no-dig utility detection method was a hand-held device for scanning the ground surface and was quick, inexpensive and effective in detecting metallic cables or pipes (Note 12). It was used to reveal the existence of underground utilities at planned planting locations which were not covered by trial pit works; and

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**Note 12:** *According to CEDD, the no-dig utility detection method could not guarantee 100% detection rate, with limitation in sensing non-metallic materials such as concrete and plastic pipes and variance due to depth of underground utilities.*

## Development and implementation of Greening Master Plans

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- (ii) the use of trial pit excavation and the no-dig utility detection method should help eliminate infeasible tree planting proposals at an early stage of GMP development, thus minimising the gap between what were proposed in GMPs and what would finally be achieved; and
- (b) **Consulting DC members.** Instead of meeting DC members as a group to tour around the locations of greening opportunities, CEDD had arranged site walks or meetings with each NT DC member and each member of the Rural Committee individually. According to CEDD:
  - (i) through these site walks and meetings, it was able to discuss the greening proposals with the members in details, who, in return, were able to provide advice on the greening suggestions and concerns of the local residents; and
  - (ii) these interactive activities had significantly enhanced its knowledge of the local conditions, which were conducive to ensuring that GMPs would best serve the needs and expectations of the local residents.

### 2.9 According to CEDD:

- (a) after understanding that the success rate of planting at potential planting areas in the contracts under GMPs for urban areas was affected by various reasons during implementation, for GMPs for NT, CEDD deployed designer and resident site staff after commencement of contracts to identify opportunities to maximise the greening at potential planting areas and other potential locations in an attempt to boost potential areas, and thus achieving the target planting rates. Generally, despite difficulties encountered on site, CEDD planted more trees than planned in the contracts and achieved targets within the original contract sum;
- (b) for Southeast and Northwest NT, the consultant had strived to maximise the greening opportunities by planting more trees and shrubs at potential planting areas and, after commencement of the contracts, had additionally proposed some trees/shrubs to be planted at these areas; and



## **Development and implementation of Greening Master Plans**

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- (c) CEDD had requested the consultant to prepare monthly summaries for the planting at potential planting areas for Southeast and Northwest NT covering those in the contracts and those additionally proposed by the consultant after contracts commenced. Table 5 shows the trees and shrubs not planted at the potential planting areas. In addition, CEDD also conducted an analysis of planting at potential planting areas for Southeast and Northwest NT (see Table 6), while that for urban areas was not readily available.

## Development and implementation of Greening Master Plans

**Table 5**

**Trees and shrubs not planted at potential planting areas  
for Southeast and Northwest NT  
(October 2018)**

District	No. of trees/shrubs				Percentage of trees/shrubs not planted at potential planting areas  (e) = (d) ÷ (c) × 100%
	According to contracts (Note 1)	Additionally proposed to be planted at potential planting areas after contracts commenced	Totally proposed to be planted at potential planting areas	Not planted at potential planting areas (Note 2)	
	(a)	(b)	(c) = (a) + (b)	(d)	
<b>(a) Trees</b>					
Sha Tin	1,055	51	1,106	657	59%
Sai Kung	739	194	933	470	50%
Tuen Mun	727	350	1,077	278	26%
Yuen Long	1,029	90	1,119	379	34%
Overall	3,550	685	4,235	1,784	42%
<b>(b) Shrubs</b>					
Sha Tin	333,733	78,878	412,611	165,022	40%
Sai Kung	333,330	46,625	379,955	218,280	57%
Tuen Mun	506,400	28,264	534,664	87,170	16%
Yuen Long	655,542	—	655,542	38,259	6%
Overall	1,829,005	153,767	1,982,772	508,731	26%

Source: CEDD records

*Note 1: A total of 3,980 trees and 2,632,482 shrubs were planted, exceeding the numbers according to contracts by 12% and 44% respectively. In other words, a total of 430 (i.e. 3,980 minus 3,550) additional trees and 803,477 (i.e. 2,632,482 minus 1,829,005) additional shrubs were planted. Audit noted that, in order to meet the planting targets, CEDD had urged the consultant to explore new planting opportunities and sought LCSD's assistance in identifying suitable planting areas.*

*Note 2: According to CEDD, while it had the number of trees and shrubs not planted at potential planting areas, it could not provide a breakdown of trees/shrubs not planted at potential planting areas that were related to those in the contracts (i.e. column (a)) and those additionally proposed by the consultant (i.e. column (b)).*

**Table 6**

**Planting at potential planting areas under works contracts  
for Southeast and Northwest NT  
(March 2019)**

District	No. of potential planting areas		
	According to contracts (Note) (a)	With no planting (b)	With planting (c) = (a) – (b)
Sha Tin	112 (100 %)	63 (56 %)	49 (44 %)
Sai Kung	99 (100 %)	41 (41 %)	58 (59 %)
Tuen Mun	85 (100 %)	21 (25 %)	64 (75 %)
Yuen Long	129 (100 %)	23 (18 %)	106 (82 %)
Overall	425 (100 %)	148 (35 %)	277 (65 %)

*Source:* CEDD records

*Note:* According to CEDD, additional planting areas were identified and a total of 486 planting areas were with planting, exceeding the 425 planting areas according to contracts by 61 (14%) planting areas.

*Remarks:* The percentage in brackets represents the number of planting areas as compared with those under the related contracts.

2.10 While CEDD considered that the stepped up efforts could minimise the gap between what were proposed in GMPs for Southeast and Northwest NT and what would finally be achieved (see para. 2.8(a)(ii)), Audit noted that considerable number of trees and shrubs had not been planted at potential planting areas, as follows:

- (a) overall, 42% of trees and 26% of shrubs had not been planted at potential planting areas (see Table 5) and 35% of potential planting areas were without planting (see Table 6); and
- (b) the deviations from the contract for Southeast NT were more significant. About 59% (for Sha Tin) and 50% (for Sai Kung) for trees and 40% (for Sha Tin) and 57% (for Sai Kung) for shrubs were not planted at potential planting areas (see Table 5) and 56% (for Sha Tin) and 41% (for Sai Kung) of potential planting areas were without planting (see Table 6).

## Development and implementation of Greening Master Plans

2.11 According to CEDD, it had not made specific analysis on the reasons for not planting at potential planting areas under the works contracts for Southeast and Northwest NT. Audit examined 165 variation orders under the works contract for Southeast NT in order to ascertain the reasons for not planting at the potential planting areas. Based on these variation orders, Audit noted that 150 trees and 14,970 shrubs had not been planted at potential planting areas under the contract. As shown in Table 7, the reasons were, in general, the same as those for Phase 3 of urban areas (i.e. underground utilities, objections and interfacing projects — see para. 2.7). Cases 1 to 3 show room for improvement in dealing with these issues.

**Table 7**

**Reasons for not planting at potential planting areas  
under works contract for Southeast NT GMPs  
(January 2019)**

<b>Reason</b>	<b>Tree (No.)</b>	<b>Shrub (No.)</b>
Underground utilities (see Case 1)	111 (74%)	1,306 (9%)
Objections (see Case 2)	24 (16%)	1,901 (13%)
Interfacing projects (see Case 3)	15 (10%)	11,763 (78%)
Total	150 (100%)	14,970 (100%)

*Source: Audit analysis of CEDD records*

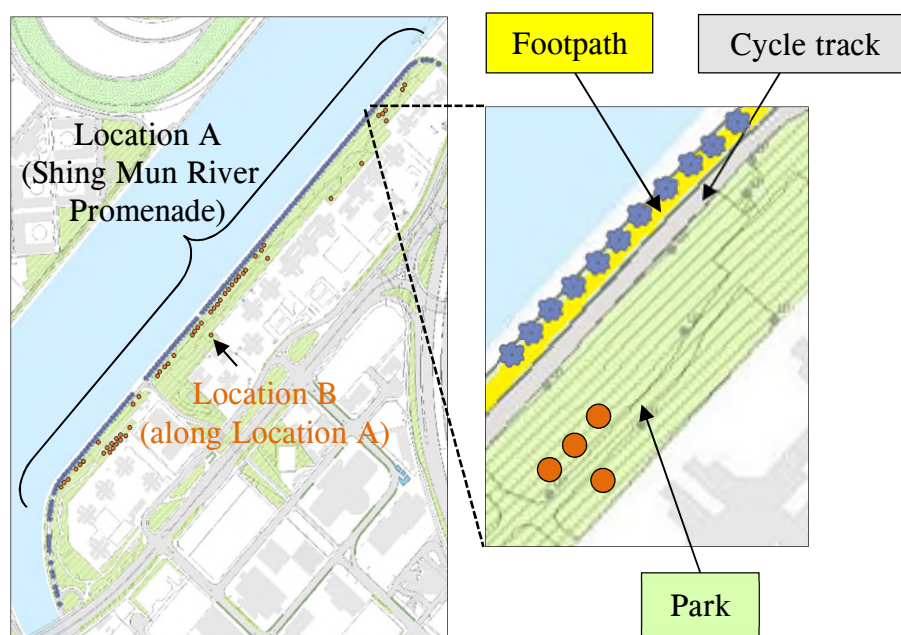
### Case 1



#### Trees not planted at a potential planting area due to underground utilities (March 2013 to March 2019)

1. In March 2013, CEDD submitted the draft GMP of Sha Tin (including planned planting at Shing Mun River Promenade along a cycle track, i.e. Location A — see Figure 3) to the Sha Tin DC for support and then to the GMP Committee for approval. In December 2014, the works contract for greening works in Southeast NT (where Sha Tin is located), which included potential planting of 89 trees at Location A, commenced.

**Figure 3**

**Map of Locations A and B  
(March 2013 and February 2017)**



Legend:       Planned planting locations  
              Actual planting locations

Source:      *Audit analysis of CEDD records*

**Case 1 (Cont'd)**

2. In February 2017, CEDD found that tree planting at Location A could not proceed due to obstruction of underground utilities. In April 2017, in order to compensate for the loss of the planned trees at Location A, CEDD decided to accept LCSD's suggestion (see Note 1 to Table 5 in para. 2.9) on enhancing some existing planters at a park in the vicinity along Location A (i.e. Location B — see Figure 3) under the works contract, with planting of 62 trees and 72,544 shrubs.

3. The original estimated cost of planting at Location A was about \$0.43 million and the cost incurred for planting at Location B was about \$1.7 million, resulting in an additional cost of about \$1.27 million. According to CEDD, the additional cost was due to planting of a large number of additional shrubs to enhance the existing planters along Shing Mun River.

4. In March 2019, CEDD informed Audit that:

- (a) there was expectation from local residents to provide greening measures at Location A;
- (b) taking into account the available utilities record drawings and results of three trial pits indicating the presence of underground utilities, the consultant reduced the proposed planting from 147 trees at preliminary design stage to 89 trees at detailed design stage to avoid the identified underground utilities at Location A. The proposal was retained in the tender documents for planting of 89 trees with a view to exploring the opportunities for implementing greening works at Location A; and
- (c) during implementation, CEDD conducted five more trial pits at Location A to ascertain the underground condition and found that tree planting could not proceed due to obstruction of underground utilities.

### Case 1 (Cont'd)

#### *Audit comments*

5. While CEDD was aware of the presence of underground utilities at Location A, it decided to plant at Location A (with reduced planting to avoid underground utilities) with a view to exploring the opportunities for implementing greening works there (see para. 4(b)). In the event, no tree planting could proceed at Location A due to obstruction of underground utilities (see para. 4(c)). In Audit's view, CEDD needs to explore further measures to enhance the assessment of feasibility of planting at areas with underground utilities with a view to facilitating the development of GMPs.

*Source: Audit analysis of CEDD records*

### Case 2

#### **Shrubs not planted at a potential planting area due to public objections (March 2013 to March 2019)**

1. In March 2013, CEDD submitted the draft GMP of Sha Tin (including the planned planting outside a Mass Transit Railway station (Location C)) to the Sha Tin DC for support and then to the GMP Committee for approval. In December 2014, the works contract for greening works in Southeast NT (covering Sha Tin) commenced. The contract included potential planting of 1,901 shrubs at Location C.

2. In June 2016, after construction of a planter for planting shrubs at Location C, CEDD received public objections expressing concerns about the pedestrian capacity of the footpath (which was a main route between the Mass Transit Railway station and nearby estates) as the planter occupied one-third of the footpath. CEDD then requested the related contractor to carry out a pedestrian flow survey at Location C. The results of the survey indicated that, after construction of the planter, the level of services of the remaining footpath was not satisfactory during morning peak hours. In March 2019, CEDD informed Audit that the level of services of the remaining footpath would potentially be reduced due to progressive household intake from a nearby new housing estate during morning peak hours.

3. In the event, CEDD did not proceed with planting shrubs at Location C and the planter at a cost of \$70,000 was subsequently removed. An additional cost of about \$105,000 was incurred under the works contract for demolishing the planter and reinstating the pavement and beam barriers.

#### ***Audit comments***

4. According to CEDD's related consultancy agreement, when developing the draft GMP, the consultant was required to conduct site surveys to assess feasibility of tree planting qualitatively, such as width of pedestrian pavement, pedestrian flows and conditions. However, CEDD only conducted the pedestrian flow survey at Location C in response to public objections received after construction of the planter, resulting in a total abortive cost of \$175,000 (\$70,000 plus \$105,000 — see para. 3). In Audit's view, CEDD needs to conduct pedestrian flow surveys at critical areas (e.g. planting locations near major new development or re-development projects) where necessary when developing GMPs.

*Source: Audit analysis of CEDD records*



### Case 3

#### Plants not planted at a potential planting area due to an interfacing project (March 2013 to March 2019)

1. In March 2013, CEDD submitted to the Sha Tin DC the draft GMP of Sha Tin (including the planned planting near a public housing estate (Location D)) for support and then to the GMP Committee for approval. In the same month, detailed design of the greening measures under the approved GMP commenced.
2. In September and October 2013, the Housing Department (HD) presented to the Sha Tin DC a development proposal for Phase 2 of a public housing estate including the associated realignment of a road section (Note), which covered Location D, and obtained its support for the proposal.
3. In June 2014, the detailed design of the greening measures under the Sha Tin GMP was completed. In August and December 2014, CEDD respectively invited tender for the related works contract and awarded the contract. The works contract included potential planting of 15 trees and 11,763 shrubs at Location D.
4. In June 2015, CEDD received an enquiry from a member of the Sha Tin DC expressing concerns that greening works under the Sha Tin GMP might be affected by the development proposal for Phase 2 of the public housing estate and the associated road realignment works. In July 2015, CEDD informed the DC member that, after discussion with HD, which would carry out the future greening works at Location D, planting at that location would not proceed by CEDD.
5. In March 2019, CEDD and HD informed Audit that:
  - (a) **CEDD.** The enquiry from the Sha Tin DC member (see para. 4) had been received through communication as part of the enhanced partnering approach with stakeholders and DC members; and
  - (b) **HD.** HD had agreed to take the holistic approach for implementation of the greening works in an integrated manner with the road realignment works.

### Case 3 (Cont'd)

#### *Audit comments*

6. According to CEDD's related consultancy agreement, when developing the draft GMP, the consultant was required to identify any proposed, on-going and recently completed studies which would have a bearing on GMP, and consult HD on greening proposals within or adjacent to public housing estates. However, Audit noted that the planned planting at Location D was included in tender invitation for works contract in August 2014 (see para. 3), about one year after the development proposal for Phase 2 of the housing estate had been presented to the Sha Tin DC in September 2013 (see para. 2). In the event, CEDD decided not to proceed with planting at Location D due to the interfacing project. In Audit's view, CEDD needs to strengthen measures to ensure that interfacing projects are taken into account when developing GMPs (e.g. reminding its consultants to identify any proposed, on-going and recently completed studies which would have a bearing on GMPs).

*Source: Audit analysis of CEDD records*

*Note: According to HD, the road realignment works had been entrusted from the Government to the Hong Kong Housing Authority. HD is the executive arm of the Hong Kong Housing Authority.*

2.12 Audit noted that while CEDD had stepped up efforts in development of GMPs for Southeast and Northwest NT (see para. 2.8), a considerable number of trees and shrubs were still not planted at potential planting areas (see para. 2.10). According to CEDD, unlike that for Phase 3 of urban areas, it had not made specific review on the reasons for the significant deviations. In Audit's view, CEDD needs to conduct such a review and take into account Audit's findings and recommendations on the matter with a view to better setting out the planting locations when developing GMPs.

### Audit recommendations

2.13 Audit has *recommended* that the Director of Civil Engineering and Development should:

- (a) review the reasons for the considerable number of trees and shrubs not planted at the potential planting areas under the works contracts for GMPs for NT and take into account Audit's findings and recommendations on the matter with a view to better setting out the planting locations when developing GMPs;
- (b) explore further measures to enhance the assessment of feasibility of planting at areas with underground utilities with a view to facilitating the development of GMPs; and
- (c) when developing GMPs:
  - (i) conduct pedestrian flow surveys at critical areas (e.g. planting locations near major new development or re-development projects) where necessary; and
  - (ii) strengthen measures to ensure that interfacing projects are taken into account (e.g. reminding CEDD's consultants to identify any proposed, on-going and recently completed studies which would have a bearing on GMPs).

### Response from the Government

2.14 The Director of Civil Engineering and Development agrees with the audit recommendations.

### Planting of theme trees

2.15 GMPs define comprehensively the greening framework of selected areas with coherent themes and plant species to promote a clear district identity. The greening theme of each district-specific GMP (see Appendix C) takes account of factors such as the local landscape and cultural characteristics, the public's perception and the future development of the district. At the GMP Committee meeting of June 2005, in response to a member's enquiry, CEDD said that the choice of plant species was a fundamental element of GMPs to deliver the greening themes and achieve the intended greening effects. According to CEDD, theme tree species are selected to reflect the greening themes for each district in order to create a strong character for each district. For example, the greening theme and theme trees for the Sai Kung GMP are as follows:

- (a) **Greening theme.** “Fragrant Blossom Paths (萬彩千香)” is adopted as the greening theme for Sai Kung (see Figure 4) to reflect the relaxing atmosphere of Sai Kung Town and its surrounding environment (known as the “Leisure Garden of Hong Kong”) and the sustainable, dynamic urban character of Tseung Kwan O (comprising mainly newly developed residential areas to the north and industrial estates to the south); and

Figure 4

#### Greening theme for Sai Kung



Source: CEDD records

- (b) **Theme trees.** Fragrant and flowering species are selected as theme trees (i.e. *Elaeocarpus balansae* (大葉杜英), *Michelia chapensis* (樂昌含笑), *Michelia x alba* (白蘭) and *Michelia maudiae* (深山含笑) — see Photographs 1 to 4) to reflect the greening theme of Sai Kung.

### Four theme tree species selected for Sai Kung GMP

**Photograph 1**

*Elaeocarpus balansae*  
(大葉杜英)  
(Exotic species)



**Photograph 2**

*Michelia chapensis*  
(樂昌含笑)  
(Native species)



**Photograph 3**

*Michelia x alba*  
(白蘭)  
(Exotic species)



**Photograph 4**

*Michelia maudiae*  
(深山含笑)  
(Native species)



Source: CEDD records

2.16 In March 2013, CEDD informed the GMP Committee that, for GMPs for Southeast and Northwest NT:

- (a) in order to create a strong character for each of the four districts, for each of the greening themes, three to four theme tree species were selected to reflect the greening theme;
- (b) theme tree species would be planted in the area of the district-specific GMP as dominant species if they could match with the surrounding environment/species and cope with the site conditions and design intents (such as providing shade to pedestrians); and
- (c) for locations where the theme tree species were not suitable, alternative species in the plant palettes of the related GMP would be considered.

In March 2019, CEDD informed Audit that it would also plant other suitable species to enrich biodiversity and enhance the greening effect.

### ***Percentages of theme trees planted lower than internal reference rates and those under works contracts***

2.17 According to CEDD, under the four district-specific GMPs for Southeast NT (Sha Tin and Sai Kung) and Northwest NT (Tuen Mun and Yuen Long), the greening themes had been arrived at after considering the existing plants and the special features of the districts, and three to four theme tree species had been selected to reflect the greening themes of each district and to create a strong character for the district. The greening works for the four GMPs were implemented under the two works contracts (one for Southeast NT and one for Northwest NT).

2.18 The two works contracts for Southeast and Northwest NT specified the potential planting areas together with the plant species (including theme trees) and their numbers. The consultant (with its initiative and noted by CEDD) set internal reference rates for planting 20% to 30% theme trees (internal reference rates) in each district to facilitate monitoring of greening works implemented under works contracts. The consultant submitted to CEDD monthly summaries on the numbers and percentages of theme trees planted in each district against the internal reference rates of 20% to 30%. Audit examined the achievement of the internal reference

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rates for planting theme trees under the two contracts for Southeast and Northwest NT (Note 13). The results are shown in Table 8 and summarised as follows:

- (a) ***Theme trees under works contracts.*** Audit noted that:
  - (i) 18% to 52% of the trees to be planted under each district were theme trees; and
  - (ii) the percentage of theme trees for Yuen Long (52%) far exceeded the internal reference rates (20% to 30%), that for Sai Kung (22%) met the internal reference rates, and that for Sha Tin and Tuen Mun (18%) was lower than the internal reference rates; and
- (b) ***Planting of theme trees.*** Audit noted that:
  - (i) in each district, theme trees planted ranged from 8% to 34% of the trees planted;
  - (ii) in all the four districts, the numbers and percentages of theme trees planted were lower than those under the related works contracts; and
  - (iii) in three (i.e. Sha Tin, Sai Kung and Tuen Mun) of the four districts, the theme trees planted (8% to 10%) did not meet the internal reference rates (20% to 30%).

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**Note 13:** *According to CEDD, regarding the 11 GMPs for urban areas: (a) no internal reference rate had been set for planting of theme trees for the short-term greening measures; and (b) while it had as-built records showing the planting works completed, it did not separately keep information on the actual numbers and percentages of theme trees planted.*

Table 8

**Achievement of internal reference rates for planting theme trees  
under GMPs for Southeast and Northwest NT  
(October 2018)**

Particulars	Southeast NT		Northwest NT	
	Sha Tin	Sai Kung	Tuen Mun	Yuen Long
<b>(A) Internal reference rates</b>	20% to 30%			
<b>(B) Rates under works contracts</b>				
No. of trees (a)	1,055	739	727	1,029
No. of theme trees (b)	192	163	129	530
% of theme trees (Note) (c)=(b)÷(a)	18%	22%	18%	52%
<b>(C) Actual rates</b>				
No. of trees planted (d)	1,134	838	910	1,098
No. of theme trees planted (e)	111	68	69	370
% of theme trees planted (f)=(e)÷(d)	10%	8%	8%	34%

Legend:  Rates lower than the lower range of the internal reference rates

Source: Audit analysis of CEDD records

Note: The rates were not set out in the works contracts. They were calculated by Audit based on the numbers of trees to be planted according to the works contracts.

2.19 In March 2019, DEVB and CEDD informed Audit that:

**DEVB**

- (a) the selection of the theme trees and the suggested plant palette were to reflect the design theme of the district. Specific to the quoted case for Sai Kung for which the greening theme was “Fragrant Blossom Paths (萬彩千香)” (see para. 2.15(a)), the essence was to bring out the olfactory experience of fragrance with colour interest in the greening efforts for the community. Hence, what mattered should be the quality and the effect of the planting design, encompassing the combination of trees, shrubs and groundcovers, which could bring out that experience. The number of theme trees planted needed not be followed dogmatically as long as the locals were happy with the design and its effect. After all, other plants also contributed to the fragrance and colour interest, and in the process of



implementation, adjustments having regard to the micro-climate of the site locations and views of the community should be allowed;

### ***CEDD***

- (b) there was no specific design requirement on the percentage of theme trees for GMPs. If actual site condition did not permit, CEDD would replace theme trees by proposing species from the plant palettes or other suitable species. The internal reference on the consultant's initiative on the percentages of theme trees was subject to detailed design, actual site conditions and maintenance concerns; and
- (c) with the change in the potential planting areas during implementation, the proposed species had to be reviewed according to the "right-species-at-the-right-place" principle. Plant species in the plant palettes or other suitable species were used as alternatives for planting to suit the site conditions and maintenance concerns.

2.20 Given that theme tree species are specified in each district-specific GMP to reflect the greening themes for each district in order to create a strong character for each district (see para. 2.15) and CEDD consultant had set internal reference rates of 20% to 30% for planting theme trees (see para. 2.18), Audit considers that too low a percentage of theme trees planted may not be conducive to fully realising the district-specific greening themes. In Audit's view, CEDD needs to consider setting target rates for planting theme trees in order to better realise the greening themes for each district under GMPs and endeavour to meet the target rates when implementing GMPs.

### ***Theme trees not planted at most focal points***

2.21 According to CEDD, the greening themes of a GMP will be realised by identifying key planting areas that are representative of the area and can be easily identifiable as the focal points (see para. 2.2(b)) of the area. The consultants are required under CEDD's consultancy agreements to propose at least 10 such focal points for each GMP.

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2.22 Audit noted that the two GMPs for Southeast NT (Sha Tin and Sai Kung) had specified a total of 23 focal points (12 for Sha Tin and 11 for Sai Kung). Audit found that greening works for 10 (43%) of 23 focal points were not implemented (see Table 9), as follows:

- (a) one focal point was not included in the contract and there was no planting;  
and
- (b) for the remaining 22 focal points included in the contract:
  - (i) four were specified to be planted with theme trees. For one focal point, there was no planting. Theme trees were planted at two focal points and other plant species at the remaining focal point;  
and
  - (ii) 18 were not specified to be planted with theme trees. There was no planting at 8 focal points. Plant species other than theme trees were planted at the remaining 10 focal points.

**Table 9**

**Planting at focal points  
under Southeast NT GMPs (Sha Tin and Sai Kung)  
(October 2018)**

Focal point	No. of focal points				
	With planting			With no planting (Note)	Total
	Theme trees planted	Other plant species planted	Subtotal		
	(a)	(b)	(c) = (a) + (b)	(d)	(e) = (c) + (d)
(A) Not included in contract	—	—	—	1	1
(B) Included in contract					
(i) Specified to be planted with theme trees	2	1	3	1	4
(ii) Not specified to be planted with theme trees	—	10	10	8	18
					22
Total	2 (9%)	11 (48%)	13 (57%)	10 (43%)	23 (100%)

*Source: Audit analysis of CEDD records*

*Note: According to CEDD, greening works could not proceed at these focal points due to various reasons, including underground utilities and objections received from the public/stakeholders.*

2.23 In March 2019, CEDD informed Audit that:

- (a) some theme tree species were not suitable for planting at focal points and alternative species in the plant palettes or other suitable species were used according to the “right-species-at-the-right-place” principle; and
- (b) theme tree species, plants in the plant palettes or other suitable species could be planted at focal points to enhance the greening effect.

2.24 Although focal points are key planting areas that are representative of the area and can be easily identifiable (see para. 2.21), Audit noted that greening works for 10 (43 %) of 23 focal points under GMPs for Southeast NT were not implemented (see para. 2.22). In addition, only 2 (9 %) of 23 focal points were planted with theme trees (see para. 2.22(b)(i)). In Audit's view, CEDD needs to take measures to enhance the assessment of feasibility of planting at focal points under GMPs. CEDD also needs to plant theme trees at focal points under GMPs to realise the district-specific greening themes as far as practicable.

### **Audit recommendations**

2.25 Audit has *recommended* that the Director of Civil Engineering and Development should:

- (a) **consider setting target rates for planting theme trees in order to better realise the greening themes for each district under GMPs and endeavour to meet the target rates when implementing GMPs;**
- (b) **take measures to enhance the assessment of feasibility of planting at focal points under GMPs; and**
- (c) **plant theme trees at focal points under GMPs to realise the district-specific greening themes as far as practicable.**

### **Response from the Government**

2.26 The Director of Civil Engineering and Development agrees with the audit recommendations.

### **Planting of native plant species**

2.27 According to the Guiding Principles on Use of Native Plant Species in Public Works Projects issued by DEVB in October 2010 (after commencement of greening works under GMPs for urban areas between May 2006 and December 2009):

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- (a) with growing awareness of nature conservation and biodiversity, there is rising demand for achieving ecological functions through the use of native plant species (Note 14) in landscape or rehabilitation works. The use of native plant species would minimise the risk of introducing accidentally invasive exotic species to the ecosystem. Certain local fauna attracted by native plants might act as seed dispersers which further enrich the plant biodiversity and serve as a catalyst for ecological rehabilitation;
- (b) government departments involved in the design of landscape or rehabilitation works in public works projects are encouraged to specify native plant species wherever practicable; and
- (c) as there are constraints on the use of native plant species, the “right-species-at-the-right-place” principle should be adopted in specifying native plant species.

2.28 According to CEDD, the selected exotic species under GMPs have been commonly planted in Hong Kong for many decades and they are neither invasive nor harmful to the local ecosystem. The selected exotic species also have ecological value and are adaptable to urbanised environment with good performance.

### ***Percentages of native plant species planted lower than estimated and those under works contracts***

2.29 During the development of GMPs for Southeast and Northwest NT (covering four districts — see para. 2.17), the GMP Committee recommended selecting native species for GMPs as far as practicable. In March and June 2014, CEDD informed LegCo Panel on Development and PWSC of the Finance Committee of LegCo respectively that regarding GMPs for Southeast and Northwest NT, it was estimated that 35% of the trees and shrubs (estimated rate) would be native species (e.g. *Michelia chapensis* (樂昌含笑) and *Michelia maudiae* (深山含笑) — see Photographs 2 and 4 respectively in para. 2.15(b)).

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**Note 14:** *Native plant species are those plant species that have originated in the region without human involvement or that have arrived there without human intervention from an area in which they are native.*

2.30 During the implementation of greening works under the two works contracts (for Southeast NT and Northwest NT), CEDD had repeatedly reminded the consultant engaged for monitoring the contractor's works to plant more native species to meet the estimated rate of 35% reported to LegCo. The consultant submitted to CEDD monthly summaries on the numbers and percentages of native trees and shrubs planted in each district against the estimated rate of 35% reported to LegCo. The results of Audit's examination of the percentages of planting native trees and shrubs as against the estimated rate under the two works contracts for Southeast and Northwest NT are shown in Table 10 and summarised as follows:

(a) *Native species under works contracts.* Audit noted that:

- (i) 20% to 55% of the trees and shrubs to be planted under each district were native species;
- (ii) the percentage of native trees for Tuen Mun (38%) was higher than the estimated rate of 35%, and those for Sha Tin, Sai Kung and Yuen Long (ranging from 32% to 33%) were lower than the estimated rate; and
- (iii) the percentages of native shrubs for Sha Tin (55%) and Yuen Long (45%) far exceeded the estimated rate of 35%, and those for Sai Kung (20%) and Tuen Mun (27%) were lower than the estimated rate; and

(b) *Planting of native species.* Audit noted that:


- (i) the native trees and shrubs planted for each district ranged from 9% to 22% and 12% to 49% respectively;
- (ii) in terms of both numbers and percentages, the native trees planted for all the four districts and the native shrubs planted for two districts (Tuen Mun and Yuen Long) were lower than those under the related works contracts; and
- (iii) except for the planting of native shrubs in Sha Tin (49%), the native trees and shrubs planted in all the four districts (ranging from 9% to 23%) were lower than the estimated rate of 35%.

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Table 10

**Percentages of planting native trees and shrubs as against the estimated rate under GMPs for Southeast and Northwest NT (October 2018)**

Particulars	Southeast NT		Northwest NT	
	Sha Tin	Sai Kung	Tuen Mun	Yuen Long
<i>(A) Estimated rate of native trees/shrubs reported to LegCo</i>	35%			
<i>(B) Rates under works contracts</i>				
(i) Trees				
No. of trees (a)	1,055	739	727	1,029
No. of native trees (b)	352	237	278	332
% of native trees (Note) (c)=(b)÷(a)	33%	32%	38%	32%
(ii) Shrubs				
No. of shrubs (d)	333,733	333,330	506,400	655,542
No. of native shrubs (e)	184,821	66,980	134,871	296,837
% of native shrubs (Note) (f)=(e)÷(d)	55%	20%	27%	45%
<i>(C) Actual rates</i>				
(i) Trees				
No. of trees planted (g)	1,134	838	910	1,098
No. of native trees planted (h)	104	76	190	237
% of native trees planted (i)=(h)÷(g)	9%	9%	21%	22%
(ii) Shrubs				
No. of shrubs planted (j)	863,113	386,475	536,389	846,505
No. of native shrubs planted (k)	426,482	87,651	65,143	144,779
% of native shrubs planted (l)=(k)÷(j)	49%	23%	12%	17%

Legend:  Rates lower than estimated rate reported to LegCo

Source: Audit analysis of CEDD records

Note: The rates were not set out in the works contracts. They were calculated by Audit based on the number of trees/shrubs to be planted according to the works contracts.

2.31 In March 2019, CEDD informed Audit that:

- (a) the Guiding Principles on Use of Native Plant Species in Public Works Projects issued by DEVB in October 2010 did not specify the percentage requirement for planting native species and there was no specific design requirement on the percentage of native trees under the consultancy agreement. The percentages of native trees and shrubs was subject to detailed design, actual site conditions and maintenance concerns; and
- (b) with the change in the potential planting areas during implementation, the proposed species had to be reviewed according to the “right-species-at-the-right-place” principle. Non-native plant species, plant species in the plant palettes or other suitable species were used as alternatives for planting to suit the site conditions and maintenance concerns.

2.32 In view of the rising demand for achieving ecological functions through the use of native plant species (see para. 2.27(a)), Audit considers that CEDD needs to consider setting target rates for planting native plant species and endeavour to meet the target rates when implementing GMPs.

### Audit recommendation

2.33 Audit has *recommended* that the Director of Civil Engineering and Development should consider setting target rates for planting native plant species and endeavour to meet the target rates when implementing GMPs.

### Response from the Government

2.34 The Director of Civil Engineering and Development agrees with the audit recommendation.



## **PART 3: HANDOVER AND MAINTENANCE OF GREENING WORKS UNDER GREENING MASTER PLANS**

3.1 This PART examines the handover of the trees and shrubs planted under GMPs from CEDD to LCSD for maintenance (paras. 3.2 to 3.13), and LCSD's efforts in maintaining the trees and shrubs planted under GMPs (paras. 3.14 to 3.21).

### **Handover of trees and shrubs planted under Greening Master Plans**

3.2 *Establishment period.* According to the works contracts for GMPs, in general, there is a one-year establishment period after substantial completion of the soft landscape works during which CEDD's contractors are responsible to carry out post-planting caring. After the one-year establishment period, CEDD will hand over the trees and shrubs to the relevant departments (mainly LCSD — see Note 7 to para. 1.9) for maintenance.

3.3 *Procedures for handing over plants.* According to CEDD and LCSD, procedures for handing over plants under GMPs from CEDD to LCSD (summarised in Figure 5) include:

- (a) *Pre-handover joint inspection.* Before commencement of the establishment period (Note 15), CEDD will arrange a joint site inspection with LCSD. LCSD will examine the completed planting works, including their locations and health condition, with reference to CEDD's record drawings detailing the plant species, sizes (e.g. small, medium and large), spacing, quantities and locations of planting sites. LCSD will identify the required rectifications for CEDD to follow up;

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**Note 15:** *According to LCSD guidelines, prior to commencement of an establishment period, a joint site inspection will be arranged between the works departments and LCSD to assess and examine whether the plants are growing in a healthy condition and in compliance with the required specifications.*

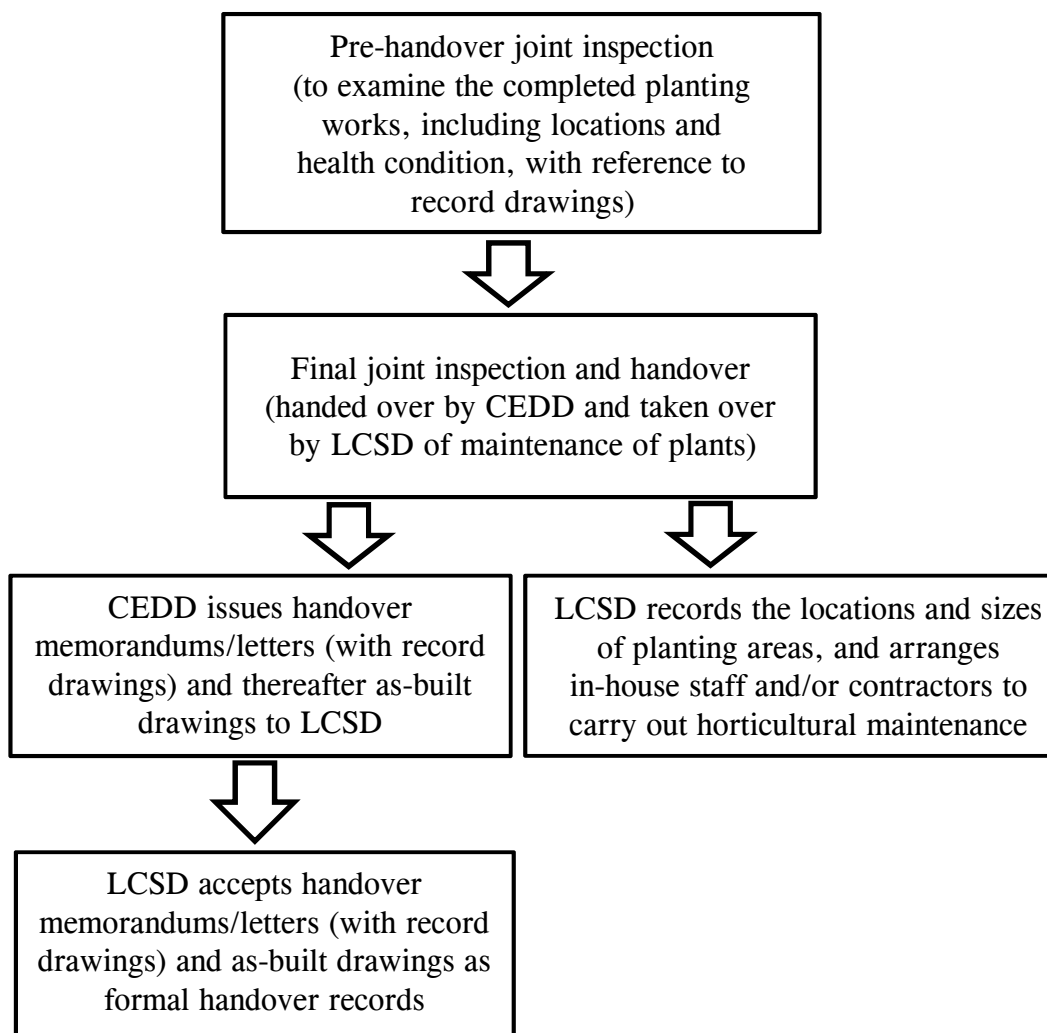
## Handover and maintenance of greening works under Greening Master Plans

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- (b) ***Final joint inspection and handover.*** At the end of the establishment period, CEDD will arrange final joint inspections with LCSD to re-examine the plants by batch, including their locations and health condition, with reference to CEDD's record drawings detailing the plant species, sizes, spacing, quantities and locations of planting sites. Subject to the satisfactory establishment of the planting works observed in each final joint inspection, LCSD will formally take over the maintenance of all related plantings with effect from the final joint inspection date;
- (c) ***CEDD's handover records.*** CEDD will prepare and issue handover memorandums/letters (with record drawings) to LCSD containing information on the landscaped areas handed over. Thereafter, it will issue as-built drawings (which show the planting works at the end of establishment period) to LCSD for record; and
- (d) ***LCSD's inventory records.*** Upon taking over the GMP works (at the final joint inspection date), LCSD will record the locations and sizes of planting areas. For trees with trunk diameter measured 95 millimetres (mm) or more at a height of 1.3 metres above the ground level (see para. 3.7(b)), the information will be recorded in LCSD's departmental inventory system (namely the Tree Data Bank System — which records the information and location of trees and planting areas). LCSD will then arrange its in-house staff and/or contractors to carry out horticultural maintenance. The handover memorandums/letters (with record drawings) prepared by CEDD (see item (c) above) detail the plant species, quantities and locations of planting sites, and LCSD will inform CEDD to amend the records if any discrepancies are found. Subject to no significant deviations from the agreed record drawings or on-site request from LCSD for amendment/modification, LCSD will accept the record drawings provided by CEDD after final handover as the final planting records which are largely the same as the as-built drawings provided to LCSD at a later stage. LCSD accepts the handover memorandums/letters (with record drawings) and subsequent final as-built drawings as formal handover records.

**Figure 5**

**Procedures for handing over plants under GMPs from CEDD to LCSD**



*Source: Audit analysis of CEDD and LCSD records*

3.4 ***Handover of plants in urban areas.*** In April 2009, CEDD and LCSD agreed that, in order to promote the long-term health of plants planted under GMPs for urban areas, CEDD would maintain the plants for a certain period after establishment period before handing over to LCSD, as follows:

- (a) for Phase 1 greening works (which had been completed in 2007 and handed over to LCSD), CEDD would take over the maintenance for a period of time and hand over them together with those Phase 3 GMP works (see item (c) below);

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- (b) for Phase 2 greening works (which would be completed by the end of 2009), CEDD would maintain the plants for a period of time and hand over them together with those Phase 3 GMP works (see item (c) below); and
- (c) for Phase 3 greening works (which would be completed in June 2011), CEDD would maintain the plants for one year after establishment period (i.e. around mid-2012) and hand over them to LCSD (i.e. around mid-2013).

According to CEDD, of the 11 urban GMPs, the handover of trees and shrubs for 10 GMPs had been completed by July 2013 and the remaining GMP (i.e. Wong Tai Sin) by December 2013.

**3.5 *Handover of plants in NT.*** According to CEDD, the handover of all trees and shrubs planted under 4 GMPs for Southeast and Northwest NT (with related greening works completed in October 2017) had been completed by December 2018. In March 2019, CEDD informed Audit that:

- (a) reports with photographic records had been provided to LCSD regularly during establishment period; and
- (b) at the final handover joint inspections, riding upon the experience gained in GMPs for urban areas, the information package provided to LCSD for GMPs for NT had been enhanced. Such handover information recorded the handover with more detailed summary table, photographic records and drawings which reflected the as-built works, including the planting species, quantities and locations.

As of mid-March 2019, CEDD had not yet provided the related as-built drawings to LCSD for record (Note 16).

### ***Room for improvement in handover arrangement***

**3.6** Audit reviewed the handover arrangement from CEDD to LCSD of the trees and shrubs planted under GMPs for Phase 3 of urban areas and Southeast and

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**Note 16:** *According to CEDD, the as-built drawings will include the production of microfilms and velograph with signature of the Engineer, containing largely the same information as the record drawings (see para. 3.3(d)).*

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Northwest NT for maintenance and found that there was room for improvement (see paras. 3.7 to 3.11).

**3.7 *Different definitions of trees and different measurement bases for shrubs.***  
In March 2019, CEDD and LCSD informed Audit that they had different definitions of trees and different measurement bases for shrubs, leading to differences in planting quantities for trees and shrubs between CEDD handover records and LCSD inventory records, as follows:

### ***Definitions of trees***

- (a) ***CEDD.*** CEDD adopted the “Check List of Hong Kong Plants” published by the Agriculture, Fisheries and Conservation Department to determine whether a plant should be classified as a tree. The Check List classified a plant as a tree based on its species (irrespective of its size and trunk diameter). The number of trees planted were recorded in the record drawings and the as-built drawings. All trees planted under GMPs were young and majority of them with trunk diameter measured less than 95 mm at a height of 1.3 metres above the ground level (see item (b) below);
- (b) ***LCSD.*** LCSD adopted DEVB Technical Circular (Works) No. 7/2015 and its superseded version No. 10/2013 “Tree Preservation” for tree management and maintenance purpose, which classified a plant as a tree if its trunk diameter measured 95 mm or more at a height of 1.3 metres above the ground level. For those “trees” with trunk diameter measured 95 mm or more, LCSD would record their locations, physical data and general conditions in its inventory system (see para. 3.3(d)) for regular monitoring (e.g. annual tree risk assessment). As most of the trees planted by CEDD under GMPs were small in size with trunk diameter measured less than 95 mm, LCSD did not classify them as trees and they would be maintained with other shrubs taken over;

### ***Measurement bases for shrubs***

- (c) ***CEDD.*** CEDD adopted the number of shrubs as the unit for the quantity of shrubs. The record drawings and the as-built drawings indicated both quantities of shrubs and related planting locations for reference by both CEDD and LCSD;

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- (d) **LCSD.** LCSD adopted the size of planting area as the unit for measuring landscape works after taking over the vegetation for horticultural maintenance by its in-house staff and/or contractors, as:
- (i) it was impracticable and not cost-effective to count the number of shrubs after one year's establishment period when the shrubs had grown up. As such, CEDD was responsible to ensure the quantity of shrubs planted and provided the measurement and locations of planting areas for handing over; and
  - (ii) it was a common practice in the field of horticulture and more practicable to adopt the size of planting area as the basis for calculation of horticultural maintenance cost. As a maintenance department, LCSD focused mainly on the health condition of plants (e.g. free from weeds, pests and diseases) and the overall landscape effect (e.g. plants should well cover the soil surface and with graceful appearance);

### *Planting quantities handed over*

- (e) **CEDD.** After the final joint site inspection, CEDD would provide the handover memorandums/letters (with record drawings) and thereafter the as-built drawings (which showed the position at the end of establishment period — Note 17) to LCSD. CEDD considered that the handover

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**Note 17:** *In March 2019, CEDD informed Audit that:*

- (a) *final joint site inspections generally took place at the end of the establishment period and the works, with conditions satisfactory to the maintenance departments, were handed over on the same date. Therefore, the end of establishment period and the handover dates would be the same juncture in time; and*
- (b) *for GMPs for Phase 3 of urban areas, the establishment period ended around mid-2012. The as-built drawings therefore reflected the GMP works as at the originally scheduled handover in 2012 under the contracts. The subsequent horticultural maintenance of the plants by CEDD for one more year (see para. 3.4(c)) was a special arrangement between CEDD and LCSD. During the horticultural maintenance period, CEDD was to maintain the conditions and quantities of the trees and shrubs. The conditions of the GMP works were inspected and taken over by LCSD in mid-2013, with the as-built drawings in 2012 accepted for record purpose.*

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memorandums/letters (with record drawings) provided at the time of handover would already provide clear records to LCSD and other maintenance departments for maintenance purpose. Trees and shrubs planted as included in the handover memorandums/letters (with record drawings) and the as-built drawings under GMPs for Phase 3 of urban areas (i.e. 16,490 trees and 3,434,260 shrubs) and GMPs for Southeast and Northwest NT (i.e. 3,965 trees and 2,570,219 shrubs) were mostly handed over to LCSD (Note 18); and

- (f) **LCSD.** During handover of plants under GMPs, LCSD accepted the handover memorandums/letters (with record drawings) and as-built drawings as the formal handover records. LCSD acknowledged that all the vegetation planted on site was generally in line with the as-built drawings and taken over for subsequent maintenance. The species, quantities and size of vegetation planted as well as the size of planting areas could largely be retrieved from the as-built drawings by cross-referencing to the list of GMP planters/areas. Based on LCSD records and its definition of trees, a total of 3,080 trees and 74,699 square metres (m<sup>2</sup>) of planting areas for shrubs under GMPs for Phase 3 of urban areas, and a total of 3,273 trees and 65,313 m<sup>2</sup> of planting area for shrubs under GMPs for Southeast and Northwest NT had been taken over by LCSD (see Appendix G).

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**Note 18:** *According to CEDD, regarding the number of trees and shrubs planted under GMPs for Phase 3 of urban areas and Southeast and Northwest NT (see Table 1 in para 1.11):*

- (a) *apart from handing over to the Highways Department, there were minimal planting quantities handed over to other maintenance departments (e.g. Home Affairs Department), though the related quantities handed over to each of them were not readily available; and*
- (b) *the planting quantities in item (e) represented those trees and shrubs remaining after handing over to the Highways Department, as follows:*
- (i) *GMPs for Phase 3 of urban areas: 17,240 trees and 3,452,100 shrubs planted minus 750 trees and 17,840 shrubs for Eastern district handed over to the Highways Department (i.e. 16,490 trees and 3,434,260 shrubs); and*
- (ii) *GMPs for Southeast and Northwest NT: 3,980 trees and 2,632,482 shrubs planted minus 15 trees and 62,263 shrubs for Sha Tin handed over to the Highways Department (i.e. 3,965 trees and 2,570,219 shrubs).*

3.8 ***Scope for enhancing handover records to meet the different recording needs of CEDD and LCSD.*** Audit noted that the record drawings and as-built drawings (which LCSD treated as formal handover records — see para. 3.3(d)) showed the number of trees planted without details about their height and trunk diameter measures (see para. 3.7(b)). It would be difficult for LCSD to reconcile the planting quantities in such handover records with its inventory records due to different definitions of trees and different measurement bases for shrubs between CEDD and LCSD. In Audit's view:

- (a) to ensure that all greening works completed under GMPs are properly handed over and such works are properly and accurately recorded, there is merit for CEDD and LCSD to work out handover records showing the greening works handed over at the handover date in order to meet the different recording needs arising from their different definitions of trees and different measurement bases for shrubs (e.g. working out a common form of handover records with sufficient details);
- (b) in preparing such handover records, CEDD needs to take measures (e.g. checking against the contracts for greening works completed and joint site inspection results) to ensure that all greening works completed under GMPs as agreed to be taken over by LCSD are accurately and completely included therein; and
- (c) LCSD needs to properly record in its inventory records the greening works taken over based on such handover records.

## **Audit recommendations**

3.9 **Audit has *recommended* that, to ensure that all greening works completed under GMPs are properly handed over and such works are properly and accurately recorded, the Director of Civil Engineering and Development and the Director of Leisure and Cultural Services should work out handover records showing the greening works handed over at the handover date in order to meet the different recording needs of CEDD and LCSD arising from their different definitions of trees and different measurement bases for shrubs (e.g. working out a common form of handover records with sufficient details).**



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3.10      Audit has *recommended* that the Director of Civil Engineering and Development should, in preparing the handover records, take measures (e.g. checking against the contracts for greening works completed and joint site inspection results) to ensure that all greening works completed under GMPs as agreed to be taken over by LCSD are accurately and completely included therein.

3.11      Audit has *recommended* that the Director of Leisure and Cultural Services should properly record in LCSD's inventory records the greening works taken over based on the handover records.

### **Response from the Government**

3.12      The Director of Civil Engineering and Development agrees with the audit recommendations in paragraphs 3.9 and 3.10.

3.13      The Director of Leisure and Cultural Services agrees with the audit recommendations in paragraphs 3.9 and 3.11. She has said that:

- (a)      in handling future projects, LCSD will continue to enhance its communication with CEDD to work out a common form of handover records detailing the plant species, quantities, locations and planting areas; and
- (b)      LCSD will remind its colleagues to keep the handover records properly and input information on trees to the Tree Data Bank System.

## **Maintenance of trees and shrubs planted under Greening Master Plans**

3.14 Maintenance of vegetation on landscape area is to ensure the healthy establishment and growth of plants, which in general includes watering, fertilising, pruning, pest control and replacement. LCSD maintains the trees and shrubs planted under GMPs together with other trees and vegetation under its purview by its in-house staff and/or contractors. LCSD has 18 district offices to provide public services on a district basis, including maintenance of plants.

3.15 Audit examined LCSD's efforts in maintaining the trees and shrubs planted under GMPs for urban areas (which were handed over by CEDD by December 2013) and found that there was room for improvement (see paras. 3.16 to 3.20).

### ***Removal of some trees planted under GMPs for urban areas***

3.16 Audit noted that, of the 3,827 trees (classified by LCSD as trees — Note 19) taken over by LCSD for maintenance under GMPs for urban areas, 958 trees (25%) had been removed and 113 trees (12% of 958) replanted as of October 2018 (see Table 11).

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**Note 19:** *According to LCSD, for "trees" with trunk diameter measured less than 95 mm at handover dates, they would be maintained together with other shrubs taken over from CEDD (see para. 3.7(b)). LCSD would conduct annual inspection to identify those "trees" which grew up to 95 mm trunk diameter and would record them as "trees" in its tree inventory records. However, the number of such "grown-up trees" was not readily available.*

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Table 11

Trees taken over by LCSD for maintenance under GMPs for urban areas  
(July 2013 to October 2018)

District	No. of trees			
	Taken over by LCSD per LCSD's inventory records (Note) (a)	Removed (b)	Replanted (c)	As of October 2018 (d) = (a) – (b) + (c)
<b>Phase 1 for urban areas</b>				
Central	299	6	4	297
Tsim Sha Tsui	212	12	9	209
<b>Phase 2 for urban areas</b>				
Causeway Bay, Sheung Wan and Wan Chai	23	1	-	22
Mong Kok and Yau Ma Tei	213	12	12	213
<b>Phase 3 for urban areas</b>				
Eastern	1,757	723	15	1,049
Kowloon City	192	24	15	183
Kwun Tong	227	32	6	201
Sham Shui Po	315	67	16	264
Southern	334	26	31	339
Western	75	15	5	65
Wong Tai Sin	180	40	-	140
Total	3,827	958	113	2,982

Source: Audit analysis of LCSD records

Note: According to LCSD, it maintained information about trees with trunk diameter measured 95 mm or more at a height of 1.3 metres above the ground level when they were taken over from CEDD (see para. 3.7(b)).

3.17 According to LCSD, the reasons for removal of the 958 trees planted under GMPs for urban areas (summarised in Table 12) were as follows:

- (a) **Inclement weather and tree failure.** The removal of 682 trees (640 + 42 — see items (a) and (b) in Table 12) was due to inclement weather and tree failure. Audit noted that LCSD had only replanted a total of 113 trees in

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the locations where the original trees were removed (see column (c) in Table 11 in para. 3.16). According to LCSD:

- (i) since there was a large number of trees being damaged during the passage of super typhoon “Mangkhut” in September 2018, LCSD would critically assess the situations and arrange replanting of fallen trees in accordance with the “right-species-at-the-right-place” principle in a mindful manner; and
- (ii) there were no replanting plan for some of these locations due to the dense planting conditions.

In Audit’s view, LCSD needs to take measures to ensure timely replanting of replacement trees as appropriate. For those locations without replanting plan due to dense planting conditions, there is merit for LCSD to share its tree maintenance experiences with CEDD with a view to assisting CEDD’s development of GMPs; and

- (b) *Traffic consideration, transplanting and provision of universal access facilities.* According to LCSD, 227 trees had been removed due to traffic consideration, 37 trees transplanted to other locations and 12 trees removed due to provision of universal access facilities (see items (c), (d) and (e) in Table 12). In Audit’s view, there is merit for LCSD to share its tree maintenance experiences with CEDD with a view to assisting CEDD’s development of GMPs.

**Table 12**

**Reasons for removal of trees under GMPs for urban areas  
(July 2013 to October 2018)**

Reason	No. of trees
(a) Failure due to inclement weather (including typhoon)	640 (67%)
(b) Tree failure (e.g. illness)	42 (4%)
(c) Traffic consideration	227 (24%)
(d) Transplanted to other locations	37 (4%)
(e) Provision of universal access facilities	12 (1%)
Total	958 (100%)

*Source: Audit analysis of LCSD records*

***Room for improvement in maintenance of trees and shrubs***

3.18 ***Audit's site visits.*** In December 2018 and January 2019, to ascertain the conditions of the trees and shrubs planted under GMPs after handing over to LCSD for maintenance, Audit conducted site visits to a total of 81 locations under the 11 GMPs for urban areas (Note 20). Audit identified 51 locations with suspected deficiencies (including removal of trees/shrubs, unsatisfactory conditions of trees/shrubs and replanting with other plant species) and referred them to LCSD for its examination and assessment. LCSD confirmed that there was no deficiency for 7 locations. For the remaining 44 locations, some trees/shrubs were removed, with unsatisfactory conditions, or replanted with other plant species.

3.19 LCSD's examination results (as of March 2019) for trees/shrubs at these 44 locations (summarised in Table 13) were as follows:

- (a) ***Removal of some trees and shrubs under GMPs.*** For 32 locations, some trees and shrubs planted under GMPs had been removed. According to LCSD, the reasons for the removal of trees included inclement weather, tree failure and traffic consideration (see paras. 3.16 and 3.17 for Audit's findings related to removal of some trees under GMPs). Cases 4 and 5 show room for improvement relating to removal of plants maintained by LCSD;

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**Note 20:** *For demonstration of greening works under GMPs, CEDD selected a total of 81 locations under all the 11 GMPs (6 to 9 locations for each GMP) for urban areas (which handed over to LCSD for maintenance) and uploaded onto its website photographs showing the conditions before and after greening works completed for each location. Audit conducted site visits to all these 81 locations.*

**Case 4**

**Removal of plants at road median strip  
(June 2011 to March 2019)**

1. In June 2011, the greening works under GMP for Sham Shui Po were completed. According to the photograph taken by CEDD after completion of greening works, a number of trees (*Juniperus chinensis* “Kaizuca” (龍柏)) had been planted at the median strip of a road in Sham Shui Po (Location E — see Photograph 5). According to the as-built drawings under CEDD’s works contract, 200 trees of *Juniperus chinensis* “Kaizuca” (龍柏) had been planted at Location E.

**Photograph 5**

**Location E  
(after greening works completed in June 2011)**



*Source: CEDD records*

2. In December 2018, Audit conducted a site visit to Location E and noted that all the 200 *Juniperus chinensis* “Kaizuca” (龍柏) planted under the works contract had been removed (see Photograph 6).

Case 4 (Cont'd)

Photograph 6  
Location E  
(December 2018)



*Juniperus chinensis*  
“Kaizuca”  
(龍柏)  
removed

Source: Photograph taken by Audit staff on 14 December 2018

3. In March 2019, LCSD informed Audit that:
- (a) at the time of handing over, the size of the 200 *Juniperus chinensis* “Kaizuca” (龍柏) was with trunk diameter measured less than 95 mm and therefore not counted as trees by LCSD (see para. 3.7(b));
  - (b) however, as the 200 *Juniperus chinensis* “Kaizuca” (龍柏) were planted at the narrow planter boxes at the road median strip with relatively high vehicular flow, LCSD encountered operational difficulties in maintaining the plants. The health condition of them was found deteriorating a few years later (Note); and
  - (c) the planters were replanted with other hardy shrubs under the district beautification of Sham Shui Po DC in 2015-16 and LCSD had enhanced the horticultural maintenance works at the subject site.

**Audit comments**

4. Audit noted that 200 *Juniperus chinensis* “Kaizuca” (龍柏) at the road median strip were removed and replanted with other hardy shrubs as LCSD encountered operational difficulties in maintaining the plants. In Audit’s view, LCSD needs to share its maintenance experiences with CEDD with a view to assisting CEDD’s development of GMPs.

Source: Audit analysis of CEDD and LCSD records

Note: According to CEDD, *Juniperus chinensis* “Kaizuca” (龍柏) had high tolerance to roadside pollution, drought and wind, and required small soil volume for planting, which was properly selected as plant for the road median strip to provide greenery along roadside.

**Case 5**

**Removal of plants along a pavement  
(June 2011 to March 2019)**

1. In June 2011, the greening works under GMP for Kowloon City were completed. According to the photograph taken by CEDD after completion of greening works, a number of trees (i.e. *Michelia x alba* (白蘭)) had been planted along a pavement in Kowloon City (Location F — see Photograph 7). According to the as-built drawings under CEDD's works contract, 3 trees of *Michelia x alba* (白蘭) had been planted at Location F.

**Photograph 7**

*Michelia x  
alba*  
(白蘭)

**Location F  
(after greening works completed in June 2011)**



*Source: CEDD records*

2. In July 2013, CEDD handed over the plants at Location F to LCSD. CEDD's handover records for Location F indicated 3 trees together with the planter had been handed over.
3. In January 2019, Audit conducted a site visit to Location F and noted that all these 3 trees had been removed (see Photograph 8).



**Case 5 (Cont'd)**

**Photograph 8**

**Location F  
(January 2019)**



*Source: Photograph taken by Audit staff on 7 January 2019*

4. In March 2019, LCSD informed Audit that:
- (a) the three trees of *Michelia x alba* (白蘭) were taken over for maintenance on 28 June 2013. However, before the data of these trees were recorded in its tree inventory (i.e. Tree Data Bank System), the trees were damaged by a typhoon on 1 July 2013; and
  - (b) since the site at Location F was very windy, the affected areas were replanted with shrubs to maintain the overall landscape.

***Audit comments***

5. According to LCSD, Location F was very windy and not suitable for replanting of replacement trees. In Audit's view, there is merit for LCSD to share its tree maintenance experiences with CEDD with a view to assisting CEDD's development of GMPs.

*Source: Audit analysis of CEDD and LCSD records*

- (b) *Unsatisfactory conditions of shrubs planted under GMPs.* According to LCSD, for 14 locations, the maintenance conditions of some shrubs planted under GMPs were unsatisfactory due to unfavourable growing environment (e.g. under shade, windy area or being frequently vandalised). In Audit's view, LCSD needs to strengthen measures in maintaining trees and shrubs planted under GMPs to ensure the healthy establishment and growth of plants and there is merit to share its maintenance experiences of plants with CEDD with a view to assisting CEDD's development of GMPs. Photographs 9 and 10 show an example of unsatisfactory conditions of some shrubs planted under a GMP (identified during Audit's site visit — Note 21); and

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**Note 21:** *In March 2019, CEDD and LCSD informed Audit that:*

- (a) **CEDD.** *CEDD considered that the planting space underneath the flyover had adequate headroom and shade tolerant plant species were selected in the GMP for planting under the flyover; and*
- (b) **LCSD.** *Experience showed that the conditions of the same species of trees and shrubs planted at different locations, even in close proximity, might vary as they were subject to challenges by the micro-climate of specific locations. This subject planter was in the shade of an elevated expressway with a rather windy micro-climatic condition. In view of the less favourable environmental factors, replacement of withered plants with some shade-tolerant and hardy species for this area would be conducted.*

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### Photographs 9 and 10

#### Unsatisfactory conditions of some shrubs planted under Sham Shui Po GMP

(after greening works completed in June 2011)



*Source: CEDD records*

(December 2018)



*Source: Photograph taken by Audit staff on 14 December 2018*

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- (c) ***Replanting with other plant species.*** For 17 locations, some trees and shrubs planted under GMPs had been replanted with other species, as follows:
- (i) for 5 locations, the trees/shrubs (species in plant palettes under the GMPs) had been replanted with other species not in plant palettes under GMPs (see Photographs 11 and 12 for an example identified during Audit’s site visit — Note 22);
  - (ii) for 9 locations, the trees/shrubs had been replanted with other species and both original and replanted species were not in plant palettes under GMPs;
  - (iii) for 2 locations, the trees/shrubs (species not in plant palette under GMPs) had been replanted with species in plant palettes under GMPs; and
  - (iv) for the remaining location, the shrubs had been replanted with other species and both original and replanted species were in plant palette under GMP.

According to LCSD, the GMP themes and plant palettes would be strictly observed as far as practicable during replanting, taking into account the specific micro-climatic conditions of the subject sites, the “right-species-at-the-right-place” principle, the concern of stakeholders, and availability of plants in the market at the time of procurement. In this connection, Audit noted that LCSD had not issued any guidelines requiring its staff to make reference to the greening themes and the plant palettes of GMPs for replanting of trees and shrubs during maintenance. In Audit’s view, LCSD needs to issue guidelines in this regard.

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**Note 22:** *According to LCSD, for this case, the shrubs planted under GMP (Lantana camara 黃花馬纓丹 — a species in the plant palette of GMP) were dead and changed to another shrub species (Nephrolepis auriculata 腎蕨 — not a species in plant palette under GMP). The shrubs had been replanted with other species not in plant palette under GMP due to the unavailability of original plant species in the market during the time of replanting work.*



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### Photographs 11 and 12

#### Replanting with other species for some shrubs planted under Kwun Tong GMP

(after greening works completed in March 2011)



*Lantana  
camara*  
(黃花馬纓丹)  
(a species in  
plant palette  
under Kwun  
Tong GMP)

Source: CEDD records

(January 2019)



*Nephrolepis  
auriculata*  
(腎蕨)  
(not a species  
included in  
plant palette  
under Kwun  
Tong GMP)

Source: Photograph taken by Audit staff on 7 January 2019

**Table 13**

**LCSD's examination results on 44 locations under GMPs for urban areas  
with suspected deficiencies identified by Audit's site visits  
(March 2019)**

<b>Deficiency</b>	<b>Number of locations involved (Note)</b>
(a) Removal of some trees and shrubs	32
(b) Unsatisfactory conditions for some shrubs	14
(c) Replanting with other plant species	17
Number of locations with deficiencies (Note)	44

*Source: LCSD examination results on findings of Audit's site visits*

*Note: A location might have more than one deficiency identified.*

## **Audit recommendations**

**3.20 Audit has recommended that the Director of Leisure and Cultural Services should:**

- (a) **take measures to ensure timely replanting of replacement trees as appropriate;**
- (b) **share LCSD's experiences in maintenance of plants with CEDD with a view to assisting CEDD's development of GMPs, including reasons for not replanting replacement trees/shrubs (e.g. due to dense planting conditions and windy locations) and for removal of trees/shrubs (e.g. due to traffic consideration and suitability of plant species at specific locations);**
- (c) **strengthen measures in maintaining trees and shrubs planted under GMPs to ensure the healthy establishment and growth of plants; and**

- (d) **issue guidelines requiring LCSD staff to make reference to the greening themes and the plant palettes of GMPs for replanting of trees and shrubs during maintenance.**

## **Response from the Government**

3.21 The Director of Leisure and Cultural Services agrees with the audit recommendations. She has said that LCSD will:

- (a) remind its staff to carry out timely replacement planting having due regard to the “right-species-at-the-right-place” principle and the planting density of trees in the vicinity;
- (b) share its operational views and experience in horticultural maintenance with CEDD with a view to optimising the greening works and development of GMPs;
- (c) closely monitor the overall performance of its staff and horticultural contractors to carry out proper plant maintenance to ensure healthy establishment and growth of plants. Nevertheless, it is noteworthy that trees and shrubs are subject to challenges by the environmental factors and the changing micro-climatic conditions at different planting locations. LCSD will adopt sustainable landscape strategies and practices including the “right-species-at-the-right-place” principle, improving soil quality, arranging timely replacement planting and enhancing irrigation regime to promote healthy plant growth; and
- (d) enhance its guidelines to require its staff to make reference to the themes and the plant palettes of GMPs for replacement planting during maintenance.

## **PART 4: OVERSEEING AND PUBLIC ENGAGEMENT OF GREENING MASTER PLANS**

4.1 This PART examines the efforts of CEDD and DEVB in overseeing implementation of greening measures under GMPs (paras. 4.2 to 4.21) and public engagement of GMPs (paras. 4.22 to 4.31).

### **Overseeing Greening Master Plans**

4.2 *Overseeing and monitoring of implementation of greening measures under GMPs.* According to DEVB, GMPs seek to define comprehensively the greening framework of selected areas with coherent themes and plant species to promote a clear district identity. The Steering Committee on GLTM and the GMP Committee are tasked to oversee and monitor the greening measures under GMPs, as follows:

- (a) *Steering Committee on GLTM.* The responsibilities of the Steering Committee on GLTM include considering and approving greening targets and programmes submitted by the GMP Committee and overseeing departmental efforts on greening, landscape and tree management (see para. 1.3); and
- (b) *GMP Committee.* The responsibilities of the GMP Committee include formulating GMPs (including short-term, medium-term and long-term measures) to guide the implementation of greening works on a district basis across the territory, and overseeing and monitoring the implementation of short-term greening works arising from GMPs as endorsed by the Steering Committee on GLTM (see para. 1.4(a) and (b)).

4.3 In December 2009, in preparing the establishment of GLTMS (see para. 1.8), DEVB informed the Steering Committee on GLTM that:

- (a) there was merit in retaining the GMP Committee, particularly with respect to the formulation of GMPs and the implementation of the short-term measures;



## **Overseeing and public engagement of Greening Master Plans**

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- (b) the GMP Committee would continue to make regular reports to the Steering Committee on GLTM as CEDD took forward the implementation of GMPs for urban areas and the preparation for drawing up GMPs for NT;
- (c) for the implementation of the medium-term and long-term measures under GMPs, it involved complex planning and land use issues which could be handled more effectively by GLTMS, with steer from the Steering Committee on GLTM as appropriate; and
- (d) the key responsibilities of GLTMS would include engaging key partners for cooperation and designing a mechanism that would efficiently keep track of target public/private sector projects affected by the greening proposals under GMPs.

### ***Progress and results in implementing greening works under GMPs for NT not reported to GMP Committee and GLTMS***

4.4 In June 2005 (when the GMP Committee approved the first GMP for Tsim Sha Tsui — see item (a)(1) in Table 1 in para. 1.11), in response to a GMP Committee member's enquiry, CEDD informed the GMP Committee that it would report progress of the implementation works periodically.

4.5 ***GMPs for urban areas.*** For GMPs for urban areas, the greening works for the short-term measures commenced in May 2006 and were completed by June 2011. Audit noted that CEDD had from time to time reported the progress and results in implementing greening works under GMPs for urban areas to:

- (a) **GMP Committee.** CEDD had reported implementation progress and results to the GMP Committee, including progress of implementation of greening works under related works contracts, actual planting quantities and experience gained during implementation of greening works (Note 23); and
- (b) **Steering Committee on GLTM.** CEDD had submitted to the Steering Committee on GLTM summaries of the progress reports for the GMP Committee (see item (a) above). According to GLTMS, the summaries were also submitted to GLTMS after its establishment in March 2010.

4.6 **GMPs for NT.** The four GMPs for Southeast NT (Sha Tin and Sai Kung) and Northwest NT (Tuen Mun and Yuen Long) were approved by the GMP Committee in March 2013 and endorsed by the Steering Committee on GLTM in April 2013. The related greening works commenced in December 2014 and were completed in October 2017. However, CEDD had not reported the implementation progress to the GMP Committee and the Steering Committee on GLTM since commencement of the contracts for the related greening works.

4.7 Regarding the reporting to the Steering Committee on GLTM, in March 2019, GLTMS informed Audit that:

- (a) when GMPs for urban areas were implemented, the Steering Committee on GLTM was the policy authority to offer steer and advice on formulation of GMPs under the ambit of the GMP Committee, approve the greening targets (see para. 4.2(a)) and receive progress reports from the GMP Committee or CEDD (see para. 4.5(b)), while upon the establishment of GLTMS in March 2010 (see para. 1.8), GLTMS took up the overall policy responsibility for formulating and coordinating landscape and tree management strategies and initiatives in Hong Kong; and

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**Note 23:** *For example, in June 2011 (after the greening works under GMPs for Phase 3 of urban areas had been completed), CEDD informed the GMP Committee of the experience gained from implementation of the greening works, including the performance of different plant species, impact of underground utilities and objections received on greening works with proposed measures for improvement. CEDD also provided a summary of such information to the Steering Committee on GLTM in August 2012.*

## **Overseeing and public engagement of Greening Master Plans**

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- (b) therefore, the greening targets, planting figures and progress of contracts (such as completion) under GMPs should be and had been reported to GLTMS instead of the Steering Committee on GLTM, and only problematic cases would be escalated to the Steering Committee on GLTM for resolution but there was no such need in the recent past years.

4.8 While CEDD had reported to GLTMS (since its establishment) implementation of greening works under GMPs, Audit noted that there was scope for CEDD to provide further information (e.g. experience gained from GMP implementation — see Note 23 in para. 4.5(a)).

4.9 To facilitate the GMP Committee (which is responsible for overseeing and monitoring the implementation of short-term greening works arising from GMPs (see para. 4.2(b)) and its role is not affected by the establishment of GLTMS (see para. 4.3(a))) and GLTMS to oversee and monitor the implementation of greening measures under GMPs, and in line with the practice of reporting the implementation progress of GMPs for urban areas to the GMP Committee, CEDD needs to report periodically the progress and results in implementing greening works under GMPs for NT to the GMP Committee and GLTMS.

### ***Need to monitor progress of medium and long-term measures under GMPs for urban areas***

4.10 Between June 2005 and December 2008, the GMP Committee had approved 11 GMPs for urban areas which set out short, medium and long-term measures. All the short-term measures had been completed (see para. 4.5). As mentioned in paragraph 1.6(b) and (c):

- (a) medium-term measures are those which have to be implemented in association with other projects or which require private sector participation; and
- (b) long-term measures depict the ultimate greening vision and include proposals such as tree corridors along major roads which can only be achieved in conjunction with urban renewal.

Audit noted that GMPs for urban areas had not set any time frame for completion of medium and long-term measures.

4.11 *Tracking exercise.* According to DEVB, as the urban districts were undergoing continual change, there was a need to take account of the latest situation and revisit the greening measures recommended for medium and long-term implementation under GMPs for urban areas. In 2011, GLTMS commenced a tracking exercise to keep track of the medium and long-term measures under GMPs for urban areas with a view to identifying those which would remain feasible and could be taken forward as well as the parties responsible for implementation. In December 2015, GLTMS completed the tracking exercise. The tracking exercise results for all the 1,216 medium and 413 long-term measures under the 11 GMPs for urban areas are summarised in Table 14 and the details are given in paragraph 4.12.

## Overseeing and public engagement of Greening Master Plans

**Table 14**

**Summary of tracking exercise results for medium and long-term measures  
under 11 GMPs for urban areas  
(December 2015)**

GMP		Implemented/ works-in- progress (a)	Not feasible (b)	To be followed up (c)	Total (d) = (a) + (b) + (c)
<b>(a) Medium-term measures</b>					
1	Causeway Bay, Sheung Wan and Wan Chai	22	74	12	108
2	Central	17	73	19	109
3	Eastern	32	80	30	142
4	Kowloon City	17	38	24	79
5	Kwun Tong	36	57	36	129
6	Mong Kok and Yau Ma Tei	16	50	48	114
7	Sham Shui Po	37	48	18	103
8	Southern	6	90	16	112
9	Tsim Sha Tsui	26	108	7	141
10	Western	13	15	10	38
11	Wong Tai Sin	25	81	35	141
Subtotal		247 (20%)	714 (59%)	255 (21%)	1,216 (100%)
<b>(b) Long-term measures</b>					
1	Causeway Bay, Sheung Wan and Wan Chai	1	29	1	31
2	Central	—	14	2	16
3	Eastern	1	32	3	36
4	Kowloon City	30	93	1	124
5	Kwun Tong	—	48	3	51
6	Mong Kok and Yau Ma Tei	—	9	4	13
7	Sham Shui Po	3	41	1	45
8	Southern	3	15	1	19
9	Tsim Sha Tsui	—	45	—	45
10	Western	—	14	—	14
11	Wong Tai Sin	—	2	17	19
Subtotal		38 (9%)	342 (83%)	33 (8%)	413 (100%)
Overall		285 (Note 1) (17%)	1,056 (65%)	288 (Note 2) (18%)	1,629 (100%)

Source: Audit analysis of DEVB records

Note 1: Of the 285 measures, 264 (93%) were classified as “implemented” and 21 (7%) as “works-in-progress”.

Note 2: Of the 288 measures, 102 (35%) were classified as “to be kept in view”, 156 (54%) as “to be explored” and 30 (11%) as “to be implemented”.

4.12 Regarding the tracking exercise results as of December 2015 on the 1,216 medium-term and 413 long-term measures (see Table 14 in para. 4.11), Audit noted that:

- (a) ***Measures implemented/works-in-progress.*** A total of 247 (20%) medium-term and 38 (9%) long-term measures had been implemented (classified as “implemented”) or were being implemented (classified as “works-in-progress”);
- (b) ***Measures considered not feasible.*** A total of 714 (59%) medium-term and 342 (83%) long-term measures were considered not feasible for implementation in view of the latest site situations and in the light of experience gained. According to GLTMS:
  - (i) the measures found not feasible were mainly due to limitation of set-back distance to building and insufficient space for planting; and
  - (ii) the findings of the tracking exercise indicated that feasibility of the medium-term and long-term greening measures had not been adequately explored and the relevant stakeholders had not been adequately engaged during the development of GMPs or before the inclusion of the proposals in GMPs; and
- (c) ***Measures to be followed up.*** A total of 255 (21%) medium-term and 33 (8%) long-term measures (i.e. 288 measures in total) needed to be followed up by GLTMS (for 67 measures which required private sector/public organisations participation) and by government departments (for 221 measures under their purview). There were 3 types of follow-up actions, as follows:
  - (i) “to be kept in view” (Note 24), involving 79 medium-term and 23 long-term measures;

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**Note 24:** *These are measures which have to be taken into account in current projects or to be considered by government departments, public organisations or the private sector.*

## Overseeing and public engagement of Greening Master Plans

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- (ii) “to be explored” (Note 25 ), involving 148 medium-term and 8 long-term measures; and
- (iii) “to be implemented”, involving 28 medium-term and 2 long-term measures to be implemented shortly.

4.13 Regarding the monitoring of the progress of the 288 to-be-followed-up measures, in March 2019, GLTMS informed Audit that:

- (a) upon completion of the tracking exercise in December 2015, relevant departments were informed of the results and their responsibilities for the follow-up actions; and
- (b) although GLTMS did not call for written reports, it checked with departments on the progress from time to time.

4.14 While GLTMS had taken certain follow-up actions with the responsible departments on the implementation progress of the 221 measures under their purview (see paras. 4.12(c) and 4.13), it had not taken specific follow-up actions with private sector/public organisations on the 67 measures requiring their participation (see para. 4.12(c)). In this connection, Audit noted that, in reporting the progress of the tracking exercise to the Steering Committee on GLTM in September 2014, GLTMS informed the Committee that it would follow up and encourage the private sector to implement medium and long-term measures of GMPs under their purview. In Audit’s view, GLTMS needs to monitor the progress of the 288 to-be-followed-up measures on a more regular and systematic basis.

4.15 Audit also noted that no time frame had been set for completion of the medium and long-term measures under GMPs for urban areas (see para. 4.10). As the tracking exercise had already taken into account the latest situation and continual change in urban districts, Audit considers that GLTMS needs to set target dates for completing the to-be-followed-up medium and long-term measures as far as practicable.

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**Note 25:** *These are measures which, based on initial review, have been considered practical and required feasibility studies.*

### *Scope for reviewing plant species under GMPs*

4.16 In December 2018, GLTMS published the Street Tree Selection Guide with the purpose to improve the resilience of the Territory's urban forest by maximising species diversity under the principle of "Right Tree, Right Place" to improve ecological health upstream and in turn, minimise tree risks downstream. According to the Guide:

- (a) the current Hong Kong roadside urban forest is dominated by a small range of 20 common tree species (e.g. *Acacia confusa* (台灣相思) and *Ficus microcarpa* (細葉榕)) in large quantity and planted en-masse;
- (b) it recommends 80 less commonly used but suitable tree species (e.g. *Plumeria rubra* (雞蛋花 — see Photograph 13)) to support a long-term sustainable, healthy and resilient urban forest; and

**Photograph 13**

*Plumeria rubra* (雞蛋花)



Source: DEVB records

- (c) plant species should be referred to GMP themes of plant species palette if the roadside planting works form part of the district based GMP.



## **Overseeing and public engagement of Greening Master Plans**

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4.17 Audit noted that GMPs for urban areas had been developed and approved by GMP Committee more than 10 years ago (between June 2005 and December 2008) and for the four areas in NT more than 5 years ago (Southeast and Northwest NT in March 2013 and Northeast and Southwest NT in February 2014). Audit considers that there is scope for CEDD to review the plant species under GMPs for urban areas and NT, taking into account the additional tree species recommended by the newly published Street Tree Selection Guide, with a view to identifying more plant species under GMPs for replanting and future greening works.

### **Audit recommendations**

4.18 Audit has *recommended* that the Director of Civil Engineering and Development should:

- (a) ensure the periodic reporting of the progress and results in implementing greening works under GMPs for NT to the GMP Committee and GLTMS; and
- (b) review the plant species under GMPs for urban areas and NT, taking into account the additional tree species recommended by the newly published Street Tree Selection Guide, with a view to identifying more plant species under GMPs for replanting and future greening works.

4.19 Audit has *recommended* that the Secretary for Development should:

- (a) monitor the progress of the to-be-followed-up medium and long-term measures under GMPs for urban areas on a more regular and systematic basis; and
- (b) set target dates for completing the to-be-followed-up medium and long-term measures under GMPs for urban areas as far as practicable.

## **Response from the Government**

4.20 The Director of Civil Engineering and Development agrees with the audit recommendations in paragraph 4.18.

4.21 The Secretary for Development agrees with the audit recommendations in paragraph 4.19.

## **Public engagement of Greening Master Plans**

4.22 GMPs define the overall greening framework of a district and serve as a guide for all parties involved in planning, design and implementation of greening works. They also specify the greening themes and the associated theme tree species as well as the plant palettes which will serve as a guide for plant species selection for reference by all parties involved in greening works in the areas. According to DEVB:

- (a) the greening themes and plant palettes as defined under GMPs will help individual districts maintain their distinct district identities and ensure that future greening efforts, whether by government departments or the private sector, will complement the existing greenery; and
- (b) apart from the Government's greenery works, the wide participation of public organisations and the private sector is crucial to the success of greening efforts.

### ***Need to provide updated GMP information on website***

4.23 According to CEDD, it has uploaded GMP information on theme species and plant palettes in different districts onto its website for reference by the public, including public organisations and the private sector. Audit noted that CEDD had uploaded such information (including greening themes, theme tree species and the plant palettes) for all urban areas onto its website. However, for GMPs for NT, Audit noted that:

## **Overseeing and public engagement of Greening Master Plans**

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- (a) GMPs for Southeast and Northwest NT were approved by GMP Committee in March 2013. However, CEDD only uploaded the related GMP information onto its website about six years later in January 2019; and
- (b) GMPs for Northeast and Southwest NT were approved by GMP Committee in February 2014. However, CEDD only uploaded the greening themes, potential theme tree species and potential representative shrub species onto its website about five years later in January 2019. As of February 2019, CEDD had still not uploaded the information on related plant palettes onto its website.

4.24 As a result of the long time taken by CEDD in uploading some GMP information onto its website, the public could not have timely GMP information which is not conducive to engaging their participation in the matter. In Audit's view, CEDD needs to provide updated GMP information (including the greening themes, theme species and the plant palettes) on its website with a view to facilitating the public's understanding of GMPs and engaging their participation in greening works.

### ***Need to continue to take measures to engage and encourage public organisations and private sector in GMP implementation***

4.25 The Government has issued guidelines on government departments' participation in greening works, as follows:

- (a) according to the Project Administration Handbook for Civil Engineering Works, government departments should make reference to the planting theme and the plant palette designated for each GMP in drawing up landscape designs for greening works; and
- (b) DEVB has issued a technical circular requiring relevant departments to make reference to GMP themes for projects which involve design for greening on new roads as far as possible.

4.26 Regarding the engagement of public organisations and private sector in GMP implementation, according to CEDD:

- (a) GMP information had been uploaded onto CEDD's website for reference by the public;
- (b) community forums had been arranged, and stakeholders from public organisations and private sector had been invited to participate in the formulation of GMPs; and
- (c) apart from designing and implementing the greening works, CEDD also promoted greening by explaining its benefits to the public through interviews with the media and through exhibitions and talks to schools, tertiary institutions and relevant professional bodies. Community planting ceremonies were arranged to cover all districts under GMPs. Students, DC members and Rural Committee members were invited to participate in the planting ceremonies to experience the joy of planting and share the happiness in the creation of more green space.

4.27 According to DEVB, apart from the Government's greenery works, the wide participation of public organisations and the private sector is crucial to the success of greening efforts. In fact, GLTMS's tracking exercise of December 2015 (see para. 4.12) found that such parties had implemented some medium-term measures of GMPs for urban areas (e.g. road works with associated greening in Sham Shui Po by a public organisation and greening on roof of a building in Central by the private sector). Audit also noted the engagement work conducted by CEDD (see para. 4.26). In Audit's view, GLTMS, in collaboration with CEDD, needs to continue to take measures to engage and encourage public organisations and the private sector in the implementation of greening measures under GMPs.

### Audit recommendations

4.28      Audit has *recommended* that the Director of Civil Engineering and Development should provide updated GMP information (including the greening themes, theme species and the plant palettes) on CEDD's website with a view to facilitating the public's understanding of GMPs and engaging their participation in greening works.

4.29      Audit has *recommended* that the Secretary for Development should, in collaboration with the Director of Civil Engineering and Development, continue to take measures to engage and encourage public organisations and the private sector in the implementation of greening measures under GMPs.

### Response from the Government

4.30      The Director of Civil Engineering and Development agrees with the audit recommendations in paragraphs 4.28 and 4.29.

4.31      The Secretary for Development agrees with the audit recommendation in paragraph 4.29.

## **Membership of Steering Committee on Greening, Landscape and Tree Management**

### **Chairman**

Permanent Secretary for Development (Works)

### **Membership**

1. Deputy Secretary for Development (Planning and Lands)<sup>3</sup>
2. Deputy Secretary for Development (Works)<sup>1</sup>
3. Director of Agriculture, Fisheries and Conservation
4. Director of Architectural Services
5. Director of Buildings
6. Director of Civil Engineering and Development
7. Director of Drainage Services
8. Director of Environmental Protection
9. Director of Highways
10. Director of Home Affairs
11. Director of Housing
12. Director of Lands
13. Director of Leisure and Cultural Services
14. Director of Planning
15. Director of Water Supplies
16. Commissioner for Tourism
17. Commissioner for Transport
18. Representatives from other departments on a need basis

*Source: DEVB records*

## **Membership of Greening Master Plan Committee**

### **Chairman**

Director of Civil Engineering and Development

### **Membership**

Representatives from:

1. Development Bureau
2. Architectural Services Department
3. Buildings Department
4. Drainage Services Department
5. Environmental Protection Department
6. Food and Environmental Hygiene Department
7. Highways Department
8. Home Affairs Department
9. Housing Department
10. Lands Department
11. Leisure and Cultural Services Department
12. Planning Department
13. Transport Department
14. Water Supplies Department

### **Non-governmental members**

1. Hong Kong Housing Society
2. Urban Renewal Authority

### **Ad hoc members**

1. Agriculture, Fisheries and Conservation Department
2. Tourism Commission
3. Others as necessary

### ***Advisors***

1. Relevant expert from the academia
2. Hong Kong Institute of Architects
3. Hong Kong Institute of Landscape Architects
4. Others as necessary

*Source: DEVB records*

**Appendix C**  
(paras. 1.5(a) and  
2.15 refer)

### Greening themes of Greening Master Plans

GMP		Greening theme
<b>(a) Urban areas</b>		
1	Causeway Bay, Sheung Wan and Wan Chai	Rainbow (彩虹)
2	Central	Heart of Gold (金融中心)
3	Eastern	Royal Palm Boulevard, Elegant Bay and Tranquil Garden (東城棕調、翠榕雅灣 及 安逸薪園)
4	Kowloon City	Verdant Parkland and Vibrant Heart (綠悠恬林 及 躍動紅灣)
5	Kwun Tong	Jade Crescent and Sunny Prospect (翠堤灣畔 及 曉巒翠景)
6	Mong Kok and Yau Ma Tei	Green Kaleidoscope, Coastal Scenery and Parkland (綠色萬花筒、海濱風光 及 休閒園地)
7	Sham Shui Po	Golden Kaleidoscope and Scenic Vistas (金影花筒 及 彩峰倚雲)
8	Southern	Bauhinia Neighbourhood, Incense Harbour and Ruby Shores (楓林紫影、香樹漁港 及 赤映灣畔)
9	Tsim Sha Tsui	Jade Necklace (翡翠玉帶)
10	Western	Civil Elegance and Joyful Renaissance (文城雅樹 及 「喜」動之城)
11	Wong Tai Sin	Celestial Garden, Shady Palm Garden and Vibrant Rainbow (華園仙踪、蒲園綠蔭 及 繽紛彩虹)
<b>(b) New Territories</b>		
12	Islands	Tranquil Seascape, Flourishing Isles (躍蓉恬翠)
13	Kwai Tsing	Blue Breeze and Green Vista (嵐海菁喬)
14	North	A Landscape Born of River and Mountain (錦繡山河)
15	Sai Kung	Fragrant Blossom Paths (萬彩千香) (see Figure 4 in para. 2.15(a))
16	Sha Tin	Floral Riverbanks, Verdant Hills (沙田聳翠)
17	Tai Po	History and Harmony in the Urban Landscape (綠意盎然)
18	Tsuen Wan	Green Vibrance (翠錦悅灣)
19	Tuen Mun	Ruby Flowers, Emerald Mountain (映照青瑤)
20	Yuen Long	Golden Sunset (彩鳥映霞)

Source: CEDD records



**Appendix D**  
(paras. 2.3(b) and 2.6 refer)

**Works contracts for implementation of Greening Master Plans  
for urban areas and New Territories**

Contract		Commencement date	Original contract completion date	Actual completion date	No. of months later than original contract completion date (Note)
<b>(a) Urban areas</b>					
<i>Phase 1</i>					
1	Central and Tsim Sha Tsui	29.5.2006	30.9.2007	30.9.2007	0
<i>Phase 2</i>					
2	Causeway Bay, Mong Kok, Sheung Wan, Wan Chai and Yau Ma Tei	29.8.2008	26.11.2009	31.12.2009	1
<i>Phase 3</i>					
3	Eastern	15.12.2009	14.4.2011	13.6.2011	2
4	Kowloon City	4.9.2009	2.1.2011	30.6.2011	6
5	Kwun Tong	25.9.2009	23.2.2011	24.3.2011	1
6	Sham Shui Po	21.9.2009	19.1.2011	30.6.2011	5
7	Southern	18.12.2009	17.3.2011	27.4.2011	1
8	Western	23.12.2009	22.3.2011	3.5.2011	1
9	Wong Tai Sin	31.8.2009	29.12.2010	30.6.2011	6
<b>(b) NT</b>					
<i>Southeast NT</i>					
10	Sai Kung and Sha Tin	30.12.2014	26.6.2017	23.10.2017	4
<i>Northwest NT</i>					
11	Tuen Mun and Yuen Long	24.12.2014	21.6.2017	19.10.2017	4

Source: CEDD records

Note: According to CEDD, the extensions of contract periods were due to inclement weather (for all works contracts), additional planting works (for works contracts for Kowloon City and Wong Tai Sin) and delay in obtaining excavation permits for some planting locations (for works contract for Sham Shui Po).

**Appendix E**  
(para. 2.3(c) refers)

**Target and actual number of trees and shrubs planted  
under Greening Master Plans for urban areas and New Territories**

Contract		Target no. stated in PWSC paper		Actual no. planted	
		Tree	Shrub	Tree	Shrub
<b>(a) Urban areas</b>					
<i>Phase 1</i>					
1	Central	300	50,000	570	155,000
	Tsim Sha Tsui	600	160,000	680	145,000
<i>Phase 2</i>					
2	Causeway Bay, Sheung Wan and Wan Chai	2,200	500,000	2,230	520,000
	Mong Kok and Yau Ma Tei	2,000	400,000	4,170	860,000
<i>Phase 3</i>					
3	Eastern	1,830	352,000	2,100	400,000
4	Kowloon City	2,200	440,000	2,690	442,000
5	Kwun Tong	2,940	840,000	5,230	1,255,100
6	Sham Shui Po	1,500	540,000	3,210	540,000
7	Southern	1,230	113,000	1,440	255,500
8	Western	540	95,000	900	96,500
9	Wong Tai Sin	1,260	310,000	1,670	463,000
Subtotal of Phase 3		11,500	2,690,000	17,240	3,452,100
Subtotal (a)		16,600	3,800,000	24,890	5,132,100
<b>(b) NT</b>					
<i>Southeast NT</i>					
10	Sai Kung	700	330,000	838	386,475
	Sha Tin	1,000	330,000	1,134	863,113
<i>Northwest NT</i>					
11	Tuen Mun	700	500,000	910	536,389
	Yuen Long	1,000	650,000	1,098	846,505
Subtotal (b)		3,400	1,810,000	3,980	2,632,482
Total (c)=(a)+(b)		20,000	5,610,000	28,870	7,764,582

Source: CEDD records

Remarks: The overall number of trees and shrubs planted under each of the 11 works contracts in urban areas and Southeast and Northwest NT exceeded the planting targets stated in the funding papers to PWSC of the Finance Committee of LegCo.

**Expenditure of works contracts for implementation of  
Greening Master Plans for urban areas  
(December 2018)**

Contract		Original contract sum (a) (\$ million)	Total contract expenditure (b) (\$ million)	Increase/(decrease) (c) = (b) – (a)	
				(\$ million)	(%)
<b><i>Phase 1</i></b>					
1	Central and Tsim Sha Tsui	18.6	23.0	4.4	24 %
<b><i>Phase 2</i></b>					
2	Causeway Bay, Mong Kok, Sheung Wan, Wan Chai and Yau Ma Tei	104.4	91.5	(12.9)	(12 %)
<b><i>Phase 3</i></b>					
3	Eastern	35.1	40.5	5.4	15 %
4	Kowloon City	34.0	33.7	(0.3)	(1 %)
5	Kwun Tong	77.3	77.1	(0.2)	(1 %)
6	Sham Shui Po	38.2	42.7	4.5	12 %
7	Southern	19.4	19.3	(0.1)	(1 %)
8	Western	10.2	8.3	(1.9)	(19 %)
9	Wong Tai Sin	26.4	25.6	(0.8)	(3 %)
Overall		363.6	361.7	(1.9)	(1 %)

Source: CEDD records

**Trees and shrubs planted  
under Greening Master Plans taken over by LCSD  
under Phase 3 of urban areas and New Territories**

District	Trees and shrubs taken over by LCSD	
	Trees (No.)	Shrubs (planting area)
<b>(a) Phase 3 of urban areas</b>		
Eastern	1,757	6,148 m <sup>2</sup>
Kowloon City	192	12,253 m <sup>2</sup>
Kwun Tong	227	27,086 m <sup>2</sup>
Sham Shui Po	315	18,184 m <sup>2</sup>
Southern	334	3,349 m <sup>2</sup>
Western	75	2,393 m <sup>2</sup>
Wong Tai Sin	180	5,286 m <sup>2</sup>
Subtotal (a)	3,080	74,699 m <sup>2</sup>
<b>(b) NT</b>		
<i>Southeast NT</i>		
Sai Kung	545	4,862 m <sup>2</sup>
Sha Tin	626	19,734 m <sup>2</sup>
<i>Northwest NT</i>		
Tuen Mun	882	13,443 m <sup>2</sup>
Yuen Long	1,220	27,274 m <sup>2</sup>
Subtotal (b)	3,273	65,313 m <sup>2</sup>
Total (c) = (a) + (b)	6,353	140,012 m <sup>2</sup>

Source: LCSD records

### Acronyms and abbreviations

Audit	Audit Commission
CEDD	Civil Engineering and Development Department
DC	District Council
DEVB	Development Bureau
GLTMS	Greening, Landscape and Tree Management Section
GMP	Greening Master Plan
GMP Committee	Greening Master Plan Committee
HD	Housing Department
LCSD	Leisure and Cultural Services Department
LegCo	Legislative Council
m <sup>2</sup>	Square metres
mm	Millimetres
NT	New Territories
PWSC	Public Works Subcommittee
Steering Committee on GLTM	Steering Committee on Greening, Landscape and Tree Management

## **CHAPTER 3**

**Labour and Welfare Bureau  
Labour Department**

**Employment services provided by  
the Labour Department**

**Audit Commission  
Hong Kong  
1 April 2019**

*This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.*

Report No. 72 of the Director of Audit contains 8 Chapters which are available on our website at <https://www.aud.gov.hk>

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# EMPLOYMENT SERVICES PROVIDED BY THE LABOUR DEPARTMENT

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# EMPLOYMENT SERVICES PROVIDED BY THE LABOUR DEPARTMENT

## Executive Summary

1. The Labour Department (LD) provides general employment and recruitment services to job seekers and employers through 13 job centres, 3 industry-based recruitment centres (namely the Recruitment Centre for the Catering Industry (RCCI), the Recruitment Centre for the Retail Industry (RCRI) and the Construction Industry Recruitment Centre (CIRC)), a Telephone Employment Service Centre, a Job Vacancy Processing Centre, and an Interactive Employment Service (iES) website and an iES mobile application (mobile app). LD also provides dedicated employment services for job seekers with special needs to promote their employment, including young job seekers, elderly and middle-aged job seekers, ethnic minority (EM) job seekers and job seekers with disabilities. As at 31 December 2018, the number of staff providing employment services was 443 (comprising 422 civil service staff and 21 non-civil service contract staff). In 2017-18, the total expenditure for providing employment services was \$365.7 million. The Audit Commission (Audit) has recently conducted a review of the employment services provided by LD.

### General employment services for all job seekers

2. ***Decreasing number of registered job seekers.*** LD reports the number of registered job seekers in the Controlling Officer's Report (COR) as one of the performance indicators. Audit analysed the number of unemployed persons and the number of LD's registered job seekers in Hong Kong in the period from 2008 to 2017. Audit noted that, while the number of unemployed persons decreased by 3.6% from 128,000 in 2008 to 123,400 in 2017, the number of LD's registered job seekers decreased by 70.8% from 168,740 in 2008 to 49,233 in 2017. This might suggest that more and more job seekers chose not to register with LD. Since the number of job seekers using mobile devices to seek jobs is increasing and they may make direct applications to employers without registering with LD, it appears that the number of registered job seekers is no longer a good indicator to reflect the performance of LD (paras. 2.7, 2.8 and 2.10).

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3. ***Decreasing number of job referrals and direct placements through LD's referrals.*** Audit analysed the numbers of job referrals and direct placements through LD's referrals for registered job seekers from 2014 to 2018 and noted that: (a) the total number of job referrals decreased by 59,354 (45%) from 131,869 in 2014 to 72,515 in 2018. In particular, the number of job referrals arranged by the job centres and recruitment centres decreased by 50,069 (47.6%) from 105,154 in 2014 to 55,085 in 2018; and (b) the number of direct placements through LD's referrals for registered job seekers decreased by 7,415 (48.8%) from 15,202 in 2014 to 7,787 in 2018 (para. 2.12).

4. ***Decreased number of visitors to job centres and a recruitment centre.*** Audit analysed the number of visitors of the 13 job centres and 3 recruitment centres for the period from 2016 to 2018 and noted that: (a) the number of visitors of 13 job centres decreased by 69,350 (18%) from 381,762 in 2016 to 312,412 in 2018; (b) 12 of the 13 job centres recorded a decrease in the number of visitors. The percentage of decrease ranged from 3% in Tai Po Job Centre to 34% in Employment in One-stop; and (c) the number of visitors of CIRC decreased by 2,114 (12%) from 18,181 in 2016 to 16,067 in 2018. For RCCI and RCRI, they did not keep statistics on the number of visitors (para. 2.15).

5. ***Need to conduct a comprehensive review on general employment services.*** The needs of job seekers have changed, as evidenced by the decrease in the number of registered job seekers, the decrease in the number of job referrals and direct placements, and the decrease in the number of visitors to job centres and recruitment centres. Audit considers that LD needs to conduct a comprehensive review on the general employment services with a view to addressing the issues (paras. 2.19 and 2.20).

6. ***Need to review the effectiveness of district-based job fairs and industry-based job fairs.*** LD organises district-based and industry-based job fairs through its 13 job centres and 3 recruitment centres respectively to facilitate job seekers and employers to meet and communicate direct. Interview facilities are available for employers to conduct on-the-spot interviews with registered job seekers during the job fairs. Audit noted that: (a) for district-based job fairs held in the period from 2016 to 2018, the average number of interviews arranged in each job fair was not high (i.e. 43 in 2016, 33 in 2017 and 26 in 2018), and the average number of placements secured in each job fair was only 5 in 2016, 4 in 2017 and 3 in 2018; and (b) for industry-based job fairs held by the three recruitment centres in 2018, the

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average number of interviews arranged in each job fair for RCCI was 20, which was lower than that of RCRI (34 interviews arranged) and CIRC (27 interviews arranged), and the average number of placements secured in each job fair for RCCI, RCRI and CIRC was 3, 8 and 2 respectively (paras. 2.23, 2.25 and 2.27).

**7. *Decreasing number of visits and number of page views of iES website.***

iES website was launched in March 1999 to provide job vacancy and employment information to job seekers, while employers can submit and publicise job vacancy information through the website. LD also launched an iES mobile app in January 2012, providing an additional online channel for job seekers to search for suitable vacancies from the job vacancy database of LD. Audit noted that: (a) number of visits to iES website decreased by 8 million (40%) from 20 million in 2014 to 12 million in 2018; (b) number of iES website page views decreased by 81 million (29%) from 283 million in 2014 to 202 million in 2018; and (c) while number of access to iES mobile app increased by 1 million (1%) from 144 million in 2014 to 145 million in 2018, there was some useful information provided on iES website which was not available on iES mobile app, for example, job hunting briefcase which provided template for application letter and Curriculum Vitae, interview techniques, etc. (paras. 2.32 to 2.35).

**8. *Need to disclose the number of direct and indirect placements separately.***

Since 1998, the number of placements had included: (a) direct placements (i.e. placements secured through LD's referrals); and (b) indirect placements (i.e. placements made by direct application to employers without LD's referrals), which was derived from LD's surveys with employers. LD only reported the total number of placements in COR, without disclosing the numbers of direct and indirect placements separately. In the 2018-19 COR, LD reported that 154,222 placements were made in 2017. Audit noted that the 154,222 placements comprised: (a) 9,845 (6%) direct placements; and (b) 144,377 (94%) indirect placements. Audit analysed the number of placements in the period from 2009 to 2018 and noted that: (a) the number of indirect placements accounted for a high percentage of total placements during the period, ranging from 84% to 94%; and (b) the number of total placements increased by 15,209 (13%) from 120,870 in 2009 to 136,079 in 2018. The increase was wholly attributed to the increase in indirect placement. The number of indirect placement increased by 26,807 (26%) from 101,485 in 2009 to 128,292 in 2018. On the other hand, the number of direct placements decreased by 11,598 (60%) from 19,385 in 2009 to 7,787 in 2018 (paras. 2.39 to 2.41).

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### **Dedicated employment services for job seekers with special needs**

9. LD provides dedicated employment services for different groups of job seekers with special needs:

- (a) young job seekers (see paras. 10 to 16);
- (b) elderly and middle-aged job seekers (see paras. 17 to 20);
- (c) EM job seekers (see paras. 21 to 23); and
- (d) job seekers with disabilities (see paras. 24 to 28).

### **Employment services for young job seekers**

10. *Decreased number of Youth Employment and Training Programme (YETP) trainees.* LD administers YETP to provide a comprehensive platform of job search with one-stop and diversified pre-employment training (PET) and on-the-job training (OJT) opportunities for young people aged 15 to 24 with educational attainment at sub-degree level or below. Audit noted that from 2012 to 2017, the overall unemployment rates of young people aged 15 to 24 stayed at a high level (ranging from 8.5% to 10.5%). While the number of target young people (i.e. unemployed young people aged 15 to 24 with educational attainment at sub-degree level or below) only decreased by 26% from 22,000 in 2012 to 16,200 in 2017, the number of trainees enrolled in YETP decreased by 42% from 8,095 in the programme year 2012/13 to 4,694 in the programme year 2017/18 (paras. 3.4, 3.5 and 3.10).

11. *Need to reduce number of cancelled training courses.* Under YETP, a PET course will be cancelled if the enrolment falls below the minimum number approved by LD. In programme years 2015/16, 2016/17 and 2017/18, 656, 459 and 446 PET courses were arranged by training bodies respectively. However, more than 50% of the courses arranged were cancelled due to insufficient enrolment of trainees. In particular, all training courses arranged by three of the training bodies were cancelled in programme years 2016/17 and 2017/18. Audit further analysed the cancelled courses from 2015/16 to 2017/18 programme years and noted that about 40% of the cancelled courses were core courses. The cancellation of core courses

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would affect the training progress of some trainees. The cancellation of courses would also result in reduction of choices in course selection for YETP trainees. Audit noted that for 11 (31%) out of the 35 course types in the programme year 2017/18, all the courses arranged were subsequently cancelled due to insufficient enrolment. As such, no courses of these 11 course types were available to the trainees concerned (paras. 3.14 to 3.16).

12. ***Need to encourage more trainees to enrol in OJT.*** Under YETP, LD makes arrangements with employers to offer OJT vacancies to trainees so that they have the opportunity to learn and be engaged as direct employees for a period of 6 to 12 months. Audit reviewed the percentage of trainees enrolled in OJT in the period from programme years 2013/14 to 2017/18 and found that less than half of the trainees enrolled in OJT, ranging from 2,129 to 2,982 trainees (paras. 3.18 and 3.19).

13. ***Need to encourage completion of OJTs by trainees.*** In 2016/17 programme year, 2,602 OJTs were arranged for trainees under YETP. Of the 2,602 OJTs, 1,031 (40%) were not completed (i.e. early termination). In particular, 135 (68%) of the 198 OJTs with training duration of 9 months were not completed (para. 3.22).

14. ***Target number of members using Youth Employment Start (Y.E.S.) services not met.*** LD operates two Youth Employment Resource Centres known as Y.E.S., namely the Mong Kok Centre and the Kwai Fong Centre, to provide one-stop employment and self-employment support services to young people aged between 15 and 29. LD specified in the Y.E.S. Operation Manual in 2014 that: (a) the two Y.E.S. centres should provide services to a total of about 29,000 members per year; and (b) LD would review from time to time whether the number of members who used Y.E.S. services met the target. Audit noted that the number of members using Y.E.S. services for 2018 was 14,889, representing only 51.3% of the target (i.e. about 29,000 per year) specified in the Y.E.S. Operation Manual (paras. 3.27 to 3.30).

15. ***Need to ensure that the information reported in the COR on performance of Y.E.S. services is accurate.*** The performance indicator reported in the COR relating to Y.E.S. service is the number of “young people receiving employment and self-employment advisory and support services provided by the Youth Employment Resource Centres”. However, in reporting the actual performance in the COR, LD



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reported the number of times of Y.E.S. services provided instead of the number of young people receiving Y.E.S. services. Audit noted that the number of young people receiving Y.E.S. services in 2018 (i.e. 14,889) was far less than the number of times of Y.E.S. services provided (i.e. 72,899) (para. 3.31).

16. ***Target attendance rates not met for some training activities.*** According to the operation contracts of Y.E.S. centres for programme years 2016/17 to 2018/19 between LD and the operator: (a) one of the performance standards is to maintain a quarterly average attendance rate of 85% for all training activities organised; and (b) for monitoring purposes, the operator shall be required to achieve an attendance rate of 80% of the target number for each training activity. Audit found that for 2018, while the two centres achieved a quarterly average attendance rate of 85% for all training activities, for 15% and 24% of the training activities organised by the Mong Kok Centre and by the Kwai Fong Centre respectively, the operator did not achieve the attendance rate of 80% for the training activities (paras. 3.32 and 3.33).

### Employment services for elderly and middle-aged job seekers

17. ***Need to encourage employers to join Employment Programme for the Elderly and Middle-aged (EPEM).*** LD implements EPEM to encourage employers to engage unemployed job seekers aged 40 or above and provide them with OJT through the provision of training allowance to the employers. After employing an eligible job seeker, the employer joining EPEM has to submit a preliminary application form for OJT to the EPEM Coordination Office. The employer should only commence OJT recognised under EPEM after obtaining LD's approval-in-principle for the preliminary application. Upon completion or termination of OJT, the employer should submit the assessment-cum-claim form for LD's approval to claim the OJT allowance. No OJT allowance will be granted if the OJT period undergone by the employee is less than one month. Audit noted that: (a) in the period from 2014 to 2018, the average number of eligible placements for EPEM was 2,660. However, the average number of eligible placements with preliminary applications for EPEM submitted was only 565 (21.2% of 2,660); and (b) in the period from 2013 to 2017, for 572 (22.2%) of the 2,581 placements with approval-in-principle, the employers did not claim the OJT allowance (paras. 3.39, 3.44 to 3.46 and 3.49).

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18. ***Decreased completion rates of OJTs.*** OJTs last for 3 to 6 months for employees aged 40 to below 60 and 6 to 12 months for employees aged 60 or above. Audit analysed the 2,581 placements with approval-in-principle under EPEM from 2013 to 2017 and noted that for only 1,951 (75.6%) placements with approval-in-principle, the employees could complete the whole approved OJT period. The percentage of placements where OJTs were completed decreased from 78.5% in 2013 to 71.2% in 2017 (paras. 3.51 and 3.52).

19. ***Decreasing retention rates for placements under EPEM.*** Based on the five recent retention surveys covering placements from April 2015 to September 2017, the retention rates for six months or above decreased from 77.7% for the period from April to September 2015 to 61.8% for the period from April to September 2017 (para. 3.56).

20. ***Need to improve reporting on number of placements secured under EPEM.*** LD discloses the number of “placements secured under EPEM” in its annual reports and the information given to the Finance Committee of the Legislative Council. Audit noted that the number of “placements secured under EPEM” disclosed was the number of placements eligible under EPEM. The number of placements for which employers joined EPEM (placements with approval-in-principle under EPEM) (i.e. 431 in 2017) was much smaller than the number of placements eligible for EPEM (i.e. 2,642 in 2017) (paras. 3.59 and 3.60).

### Employment services for ethnic minority job seekers

21. ***Need to step up efforts to increase number of placements for EM job seekers.*** The number of placements for EM job seekers through LD’s referrals was not high, ranging from 65 to 116 for the years 2014 to 2018, representing only 7% to 10% of the number of EM job seekers registered with LD. Audit noted that: (a) for large-scale inclusive job fairs, the number of placements for EM job seekers was not high, ranging from 4 in 2017 to 23 in 2016, and the average number of placements per job fair ranged from 2 in 2017 to 11.5 in 2016; and (b) for district-based inclusive job fairs, the number of placements for EM job seekers was not high, ranging from 20 in 2018 to 23 in both 2016 and 2017, with an average number of placements of about 2 in each job fair (paras. 3.66 and 3.68).

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22. *Small number of job seekers attending employment briefings.* Employment briefings are organised by job centres to help EM job seekers better understand the latest labour market situation and improve their job search skills. However, from 2016 to 2018, the number of EM job seekers attending the employment briefings was low, with an average number of attendees of 4.4 per briefing, ranging from 1 to 16 (para. 3.71).

23. *Need to encourage employers to indicate that EMs are welcome for the posts.* When employers submit information to place job vacancies with LD for advertising, there is an option for employers to specify that EMs are welcome for the post. Audit examined the job vacancies posted by the employers from 2016 to 2018 and noted that the percentage of vacancies where employers indicated that EMs were welcome for the posts was not high, ranging from 12% in 2016 to 16% in 2018 (para. 3.77).

### Employment services for job seekers with disabilities

24. *Need to endeavour to help job seekers with disabilities to secure placements.* LD monitors the placement rates per registered job seeker with disabilities and the percentage of registered job seekers with disabilities who had placements to assess the effectiveness of the employment services provided to them. The placement rates per registered job seeker with disabilities fell from 93 % in 2014 to 80.2% in 2018. For the period from 2014 to 2018, only about half of the registered job seekers with disabilities (i.e. 49.6% to 52.4%) had placements in a year (para. 3.89).

25. *Need to improve the reporting of the number of placements for job seekers with disabilities.* LD uses the sum of the number of direct placements (i.e. achieved by the placement efforts of LD staff) and indirect placements (i.e. self-help placements cases where the registered job seekers found the job themselves or with other help) for job seekers with disabilities as one of the performance indicators in COR. In the period from 2014 to 2018, the percentage of indirect placements increased from 20% in 2014 to 33.8% in 2018. Audit considers that LD needs to separately report the number of direct and indirect placements for job seekers with disabilities in COR (paras. 3.92, 3.94 and 3.95).

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26. ***Short retention period of placements for job seekers with disabilities.*** Audit analysed the retention period for placements made in the period from 2013 to 2017 and noted that: (a) the percentage of job seekers with disabilities who remained in the jobs for three months or longer was less than 50%, ranging from 35.2% in 2013 to 45.3% in 2017; and (b) the percentage of job seekers with disabilities who remained in the jobs for less than one month was high, ranging from 38.9% in 2017 to 52.7% in 2013 (para. 3.96).

27. ***Low retention rates for Work Orientation and Placement Scheme (WOPS) placements.*** WOPS aims to encourage employers to offer job vacancies and work orientation period to job seekers with disabilities through provision of financial incentive. Employers participating in WOPS are entitled to a monthly allowance for up to nine months. Audit noted that, after the end of WOPS allowance period, the percentage of WOPS placements with the employees with disabilities still staying in employment were 37.5% (304 of 811 WOPS placements), 38.1% (311 of 816 WOPS placements) and 37.9% (304 of 802 WOPS placements) for 2015, 2016 and 2017 respectively (paras. 3.100, 3.102 and 3.106).

28. ***Decreasing number of participants of PET classes.*** Under WOPS, LD regularly runs 1-day PET classes at the three regional offices for job seekers with disabilities with a view to enhancing their chance of employment. On completion of PET, the job seekers will receive a training allowance. The number of participants in PET classes decreased by 41.5% from 183 in 2014 to 107 in 2018. The average number of participants per class also decreased by 38% from 10.8 in 2014 to 6.7 in 2018 (paras. 3.109 and 3.110).

## Audit recommendations

29. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Commissioner for Labour should:**

### ***General employment services for all job seekers***

- (a) **conduct a comprehensive review on the general employment services (para. 2.21) with a view to:**

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- (i) **rationalising the employment services provided to registered job seekers and non-registered job seekers to better meet their needs (para. 2.21(a));**
- (ii) **reviewing the cost-effectiveness of and the need to rationalise the services provided by the job centres, recruitment centres and Telephone Employment Service Centre (para. 2.21(c)); and**
- (iii) **exploring measures to address the issue of decreasing number of visitors to job centres and recruitment centres (para. 2.21(d));**
- (b) **consider reviewing the effectiveness of the district-based job fairs and the industry-based job fairs in securing placements for job seekers and employers (para. 2.30);**
- (c) **continue to make necessary enhancements to iES website and consider providing more essential and useful information on iES mobile app to meet job seekers' needs (para. 2.36(a) and (b));**
- (d) **separately disclose in COR the number of direct placements through LD's referrals and indirect placements without going through LD's referrals, and disclose the calculation method of indirect placements (para. 2.44(a));**

### ***Employment services for young job seekers***

- (e) **review whether YETP meets the needs of young job seekers in finding jobs and ascertain the reasons why the number of trainees of YETP has been on a decreasing trend despite the relatively high unemployment rate for young people aged 15 to 24 (para. 3.25(a));**
- (f) **take measures to reduce the number of cancelled training classes and ensure that the training progress of YETP trainees and the variety of course types are not affected by the cancellation of courses as far as practicable (para. 3.25(b));**

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- (g) take measures to encourage more YETP trainees to enrol in OJT, keep in view the completion rates of OJTs of YETP trainees and conduct analysis on the reasons for early termination of OJTs (para. 3.25(c) and (d));
- (h) closely monitor the number of members using Y.E.S. services and take appropriate action to follow up with the operator for failing to meet the pertinent target (para. 3.35(a));
- (i) take measures to ensure the accuracy of information reported in the COR and ensure that the performance indicator in the COR reflects precisely the intention of LD (para. 3.35(c));
- (j) monitor the attendance rate for each training activity organised by Y.E.S. and, where necessary, take appropriate follow-up action with the operator for training activities which have not achieved the target attendance rate (para. 3.35(d));

### *Employment services for elderly and middle-aged job seekers*

- (k) take measures to encourage employers to join EPEM for their eligible placements (para. 3.61(a));
- (l) review the effectiveness of EPEM in promoting the employment of elderly and middle-aged job seekers (para. 3.61(b));
- (m) monitor the completion rates of OJTs under EPEM and take measures to help elderly and middle-aged job seekers complete OJTs as far as possible (para. 3.61(c));
- (n) monitor the retention rates for placements under EPEM with OJT allowance granted and take measures to help those elderly and middle-aged job seekers who have difficulty in staying in employment (para. 3.61(d));

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- (o) when disclosing information on placements secured under EPEM, distinguish the number of placements eligible for EPEM from the number of placements for which the employers joined EPEM (para. 3.61(f));

### ***Employment services for ethnic minority job seekers***

- (p) step up efforts to increase the number of placements for EM job seekers (para. 3.74(a));
- (q) make more efforts to encourage EM job seekers to attend the employment briefings to better understand the latest labour market situation and improve their job search skills (para. 3.74(b));
- (r) take further action to promote the employment of EMs among employers and continue to encourage employers to indicate that EMs are welcome for the posts when placing job vacancies with LD (para. 3.79);

### ***Employment services for job seekers with disabilities***

- (s) endeavour to help job seekers with disabilities to secure placements, especially those who have waited for a long time without placements (para. 3.98(b));
- (t) separately report the number of direct and indirect placements for job seekers with disabilities in COR (para. 3.98(c));
- (u) take measures to help job seekers with disabilities stay in their placements for longer period of time (para. 3.98(d));
- (v) closely monitor the percentage of WOPS placements staying in employment after the end of allowance period and take measures to help the job seekers with disabilities stay longer in their placements (para. 3.117(a)); and

## **Executive Summary**

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- (w) **rationalise the number of PET classes to be held in future, closely monitor the number of participants in PET programme and take effective follow-up action to improve the participation rate (para. 3.117(b)).**

## **Response from the Government**

- 30. The Commissioner for Labour agrees with the audit recommendations.



## **PART 1: INTRODUCTION**

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

### ***Background***

#### ***Labour force and unemployment rate in Hong Kong***

1.2 The Census and Statistics Department conducts General Household Survey to collect information on the labour force, unemployment and underemployment. According to the Census and Statistics Department, labour force refers to the land-based non-institutional population aged 15 and over who satisfy the criteria for being classified as employed persons or unemployed persons. Employed persons refer to those persons aged 15 and over who have been engaged in performing work for pay or profit during the 7 days before enumeration or have had formal job attachment. Employed persons also include unpaid family workers and employed persons who were on leave/holiday during the 7 days before enumeration. Unemployed persons refer to those persons aged 15 and over who fulfil the following conditions:

- (a) have not had a job and have not performed any work for pay or profit during the 7 days before enumeration;
- (b) have been available for work during the 7 days before enumeration; and
- (c) have sought work during the 30 days before enumeration.

If a person aged 15 or over fulfils the conditions (a) and (b) above but has not sought work during the 30 days before enumeration because he/she believes that work is not available, he/she is still classified as unemployed and is regarded as a discouraged worker.

## Introduction

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1.3 The following types of persons are also classified as unemployed:

- (a) persons without a job, have sought work but have not been available for work because of temporary sickness; and
- (b) persons without a job, have been available for work but have not sought work because they:
  - (i) have made arrangements to take up a new job or to start business on a subsequent date; or
  - (ii) were expecting to return to their original jobs.

Unemployment rate refers to the proportion of unemployed persons in the labour force.

1.4 The labour force and unemployment rates in the period from 2008 to 2017 are shown in Table 1. During the period, the unemployment rates of young people aged 15 to 24 were higher than those of the other age groups. In 2017, the labour force totalled 3.95 million people and the overall unemployment rate was 3.1%.

Table 1

**Labour force and unemployment rates by age group  
(2008 to 2017)**

Year	Labour force (million)	Unemployment rate by age group					
		15-24	25-29	30-39	40-59	60 or above	Overall
2008	3.64	8.4%	3.0%	2.4%	3.4%	1.9%	3.5%
2009	3.66	12.6%	4.8%	3.9%	4.9%	3.0%	5.3%
2010	3.63	12.2%	4.1%	3.1%	3.8%	2.8%	4.3%
2011	3.70	9.3%	3.5%	2.5%	3.0%	2.0%	3.4%
2012	3.78	9.3%	3.4%	2.4%	2.8%	2.0%	3.3%
2013	3.86	9.5%	3.6%	2.3%	3.0%	2.3%	3.4%
2014	3.87	9.2%	3.4%	2.2%	2.9%	2.8%	3.3%
2015	3.90	10.5%	3.4%	2.1%	2.8%	2.5%	3.3%
2016	3.92	9.8%	4.0%	2.3%	2.9%	2.2%	3.4%
2017	3.95	8.5%	4.2%	2.2%	2.7%	2.2%	3.1%
Change from 2008 to 2017	+0.31	+0.1 percentage point	+1.2 percentage point	−0.2 percentage point	−0.7 percentage point	+0.3 percentage point	−0.4 percentage point

*Source: General Household Survey of the Census and Statistics Department*

*Remarks: According to the latest statistics released by the Census and Statistics Department, the provisional figure of seasonally adjusted unemployment rate in the period November 2018 to January 2019 was 2.8%.*

### *Employment services provided by the Labour Department*

1.5 The Labour Department (LD) provides free employment and recruitment services to job seekers and employers as follows:

- (a) ***General employment services for all job seekers.*** LD provides employment and recruitment services to help job seekers find suitable jobs and employers fill their vacancies (see para. 1.6 and PART 2); and
- (b) ***Dedicated employment services for job seekers with special needs.*** LD provides dedicated employment services and programmes for job seekers with special needs to promote their employment (see para. 1.7 and PARTs 3 to 3D).

### *General employment services for all job seekers*

1.6 LD provides free employment and recruitment services to job seekers and employers through 13 job centres, 3 industry-based recruitment centres, a Telephone Employment Service Centre and a Job Vacancy Processing Centre. Employment services are also available through the LD's Interactive Employment Service (iES) website ([www.jobs.gov.hk](http://www.jobs.gov.hk)) launched in 1999 and an iES mobile application (mobile app) launched in 2012. Details are as follows:

- (a) ***Job centres.*** LD operates 13 job centres (3 on Hong Kong Island, 3 in Kowloon and 7 in the New Territories — see para. 2.2). Job seekers can browse vacancies at the job centres and seek LD's referral service or apply to the employers direct. Job seekers may also meet with LD's employment officers at job centres to receive personalised employment advisory service. Employment officers will provide them with job search advice as well as assistance in matching and finding suitable jobs in accordance with their individual needs and preferences. Various facilities such as digital display system, touch-screen vacancy search terminals, fax machines, toll-free telephones, computers equipped with resume-writing software and Internet connection, resource corners, etc. are available for use by job seekers;

- (b) ***Industry-based recruitment centres.*** LD operates three industry-based recruitment centres, namely the Recruitment Centre for the Catering Industry (RCCI), the Recruitment Centre for the Retail Industry (RCRI) and the Construction Industry Recruitment Centre (CIRC). The Centres provide free as well as one-stop and on-the-spot recruitment services for employers and job seekers, enhancing the efficiency of recruitment and job search;
- (c) ***Telephone employment service.*** Registered job seekers may call LD's Telephone Employment Service Centre for job referral service. Through conference calls, staff of the centre can make arrangement for job seekers to talk to employers direct (see para. 2.4);
- (d) ***Online employment services.*** LD's iES website provides employment and job vacancy information, and other online employment services to job seekers. Employers can publicise job vacancies on the website. Various dedicated webpages are set up on iES website to cater for the needs of different job seekers and employers. Job seekers can also make use of iES mobile app running on smart phones or mobile devices to search for suitable vacancies from the job vacancy database of LD and obtain employment information. In 2018, iES website recorded around 202 million page views, while iES mobile app registered about 145 million hits;
- (e) ***Job Vacancy Processing Centre.*** Free recruitment services are provided to employers. Employers may send their vacancy information to LD's Job Vacancy Processing Centre by fax or through the Internet. The vacancy information is then disseminated through job centres, industry-based recruitment centres, iES website and iES mobile app, and vacancy search terminals. The total number of private-sector job vacancies posted up by LD in 2018 was 1,468,394; and
- (f) ***Job fairs.*** Job fairs are held to facilitate job seekers and employers to meet and have on-the-spot interviews. In 2018, LD organised 19 large-scale job fairs, offering 42,550 job vacancies and arranging 5,311 on-the-spot interviews. Moreover, 958 district-based job fairs, with 24,877 on-the-spot interviews arranged, were held at 13 job centres to facilitate placements of job seekers in the vicinity of their residences. At the three industry-based recruitment centres, a total of 666 job fairs were organised, arranging 18,033 on-the-spot interviews.

### ***Dedicated employment services for job seekers with special needs***

1.7 LD provides dedicated employment services for job seekers with special needs to promote their employment, which will help replenish local workforce and build an inclusive society. The services for different groups of job seekers with special needs are as follows:

- (a) ***Young job seekers.*** LD's Youth Employment and Training Programme (YETP) provides customised training and employment support services, including case management services, pre-employment training (PET), workplace attachment training, and on-the-job training (OJT) of six to twelve months for young school leavers aged 15 to 24 with educational attainment at sub-degree level or below (see paras. 3.5 and 3.6). For young people aged between 15 and 29, one-stop advisory and support services are provided at two Youth Employment Resource Centres, known as Youth Employment Start (Y.E.S.) (see paras. 3.27 and 3.28);
- (b) ***Elderly and middle-aged job seekers.*** LD provides dedicated employment services for the elderly and middle-aged job seekers through various measures. These measures include staging large-scale job fairs for elderly and middle-aged job seekers, setting up special counters at job centres to provide priority registration and job referral service, organising employment briefings, and setting up a dedicated webpage under iES website to facilitate their access to updated employment information and search for suitable job vacancies. To meet the needs of those elderly persons who are more interested in taking up part-time jobs, district-based job fairs on part-time employment are also held at job centres. Furthermore, LD implements the Employment Programme for the Elderly and Middle-aged (EPEM) (Note 1). EPEM aims at encouraging employers to engage unemployed job seekers aged 40 or above and provide the job seekers with OJT, through the provision of training allowance to employers. Upon completion of OJT by eligible employees under EPEM, employers engaging unemployed elderly job seekers aged 60 or above may apply for an OJT allowance of up to \$4,000 per month per employee for 6 to 12 months. Employers engaging unemployed job seekers aged 40 to

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**Note 1:** *The Re-employment Training Programme for the Middle-aged was launched in May 2003 and was renamed the Employment Programme for the Middle-aged in early 2006. With effect from 1 September 2018, the Employment Programme for the Middle-aged had been renamed EPEM.*

below 60 may apply for an OJT allowance of up to \$3,000 per month per employee for 3 to 6 months (see para. 3.42);

- (c) ***Ethnic minority (EM) job seekers.*** LD's job centres provide dedicated services for EM job seekers through special counters, resource corners, employment briefings, personalised employment advisory service, etc. Interpretation services are also arranged for job seekers who are not proficient in Chinese and English. LD also provides in-depth follow-up services to offer employment assistance to EM job seekers and keep track of their employment statuses as appropriate. Since September 2014, LD has implemented the Employment Services Ambassador (ESA) Programme for EMs, under which trainees of the YETP who can communicate in EM languages are employed as ESAs to work at LD's job centres, industry-based recruitment centres and job fairs to help EM job seekers use various job search facilities and services. Furthermore, since May 2017, LD has engaged, on a pilot basis, two employment assistants who are conversant with EM languages and cultures at Kowloon West Job Centre in Sham Shui Po and Employment in One-stop (EOS) in Tin Shui Wai to provide employment services for EM job seekers (see para. 3.64); and
- (d) ***Job seekers with disabilities.*** Personalised employment services are provided for job seekers with disabilities who are fit for open employment. Job seekers with disabilities are provided with employment counselling, job matching and referral, and post-placement follow-up services. Since April 2005, LD has implemented Work Orientation and Placement Scheme (WOPS) to encourage employers to offer job vacancies and work orientation period to persons with disabilities through the provision of financial incentive. Employers participating in WOPS are entitled to a monthly allowance for up to nine months. The total amount of allowance payable to the employers for each job seeker with disabilities is subject to a maximum of \$51,000 (see para. 3.102).

### *Organisation structure*

1.8 LD provides employment services through four Divisions:

- (a) ***Employment Information and Promotion Division.*** The Employment Information and Promotion Division is responsible for organising large-scale job fairs, operating the Telephone Employment Service Centre and the Job Vacancy Processing Centre, and promoting LD's employment and recruitment services;
- (b) ***Employment Services Division.*** The Employment Services Division is responsible for providing free employment and recruitment services to job seekers and employers through its job centres, recruitment centres, and iES website and iES mobile app;
- (c) ***Selective Placement Division.*** The Selective Placement Division is responsible for providing free recruitment services to employers and free employment services to job seekers with disabilities; and
- (d) ***Youth Employment Division.*** The Youth Employment Division is responsible for providing careers advisory services, customised training and employment support services for the young people through YETP and Y.E.S.

As at 31 December 2018, the number of staff under four Divisions providing employment services was 443 (comprising 422 civil service staff and 21 non-civil service contract staff). An extract of the organisation chart of LD is shown at Appendix A. In 2017-18, the total expenditure for providing employment services was \$365.7 million (see Table 2).



Table 2

**Number of staff and expenditure of four Divisions of LD  
providing employment services  
(2017-18)**

<b>Division</b>	<b>No. of staff as at 31 December 2018 (No.)</b>	<b>Expenditure (\$ million)</b>
Employment Information and Promotion Division	104	46.6
Employment Services Division	217	139.2
Selective Placement Division	45	40.3
Youth Employment Division	77	139.6
Total	443	365.7

*Source: Audit analysis of LD records*

## **Audit review**

1.9 In October 2012, the Audit Commission (Audit) completed an audit review of youth employment services. The results were reported in Chapter 10 of the Director of Audit's Report No. 59 of October 2012.

1.10 In October 2018, Audit commenced a review of the employment services provided by LD. The audit has focused on the following areas:

- (a) general employment services for all job seekers (PART 2); and
- (b) dedicated employment services for job seekers with special needs (PART 3).

Audit has found room for improvement in the above areas and has made a number of recommendations to address the issues.

### **General response from the Government**

1.11 The Commissioner for Labour agrees with the audit recommendations. He has said that:

- (a) amidst the significant tightening of the labour market in recent years, LD has been striving to provide appropriate employment and recruitment services to cater for the changing needs of both job seekers (particularly those with special needs) and employers in different industries; and
- (b) LD will continue to keep close watch of the changes in the economy and explore measures to better serve the needs of job seekers and employers.

### **Acknowledgement**

1.12 Audit would like to acknowledge with gratitude the full cooperation of the staff of LD during the course of the audit review.

## **PART 2: GENERAL EMPLOYMENT SERVICES FOR ALL JOB SEEKERS**

2.1 This PART examines the general employment services provided by LD for all job seekers, focusing on the following areas:

- (a) provision of general employment and recruitment services (paras. 2.2 to 2.22);
- (b) job fairs (paras. 2.23 to 2.31);
- (c) iES (paras. 2.32 to 2.37); and
- (d) performance measurement (paras. 2.38 to 2.45).

### **Provision of general employment and recruitment services**

2.2 LD provides a wide range of free employment and recruitment services to job seekers and employers through 13 job centres (3 on Hong Kong Island, 3 in Kowloon and 7 in the New Territories) (Note 2), three industry-based recruitment centres, namely RCCI, RCRI and CIRC, a Telephone Employment Service Centre and a Job Vacancy Processing Centre. The services provided include:

- (a) ***Employment advisory service.*** The employment advisory service includes discussing with the job seekers their employment needs, assisting them to improve job-seeking techniques, providing them with latest information of the employment market and training/retraining courses, and undergoing career aptitude assessments as appropriate. In 2018, the job centres provided 1,916 employment advisory services to job seekers;

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**Note 2:** *In addition to the basic employment services, the job centre in Tin Shui Wai, known as EOS, also provides case management and employment support services on a pilot basis through a non-governmental organisation (NGO) commissioned by LD. LD has planned to cease the provision of case management and employment support services at EOS in around 2019 to 2020, and revert it to a regular job centre serving the Yuen Long district.*

## General employment services for all job seekers

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- (b) ***Job referral service.*** LD provides job referral service to registered job seekers visiting the job centres. On the other hand, where employers have chosen to disclose their contact means, job seekers can also make job applications to employers direct without LD's referral service. The vast majority of vacancies advertised through LD are open for direct application by job seekers;
- (c) ***Employment briefings.*** LD organises employment briefings to help job seekers better understand the current labour market situation and master job interview techniques. In 2018, the 13 job centres organised 74 employment briefings for 528 participants;
- (d) ***Employer-based job placement service.*** LD provides employer-based job placement service by matching suitable job seekers for the employers based on the criteria set by the employers. In 2018, the 13 job centres provided 2,365 employer-based job placement services to employers and job seekers;
- (e) ***Experience sharing sessions.*** LD organises experience sharing sessions for employers to promote the recruitment and employment services of LD, encourage employers to engage the elderly, new arrivals and EMs, exchange views with employers on the current job market, and provide a platform for the employers to share and exchange views on their recruitment needs, recruitment strategies and employment issues. Representatives from government departments, the insurance industry and NGOs are also invited to participate and share in these sessions. In 2018, LD organised 12 experience sharing sessions for employers;
- (f) ***Online job interviews.*** LD provides online job interview services at job centres to allow employers to conduct preliminary interviews with job seekers online. In 2018, the 13 job centres arranged 59 online job interviews for job seekers;
- (g) ***Job fairs.*** Job centres organise district-based job fairs to facilitate placements of job seekers in the vicinity of their residences. In 2018, the 13 job centres organised 958 job fairs. Three recruitment centres also organise industry-based job fairs for employers of related industries, and provide venues for the employers and job seekers to have job interviews on the spot. In 2018, the three recruitment centres organised 666 job fairs; and

- (h) *Canvassing job vacancies and monitoring the vacancies advertised through LD.* Job centres liaise and network with employers in the district to canvass job vacancies for job seekers, as well as handle enquiries and complaints from job seekers and the public on the job vacancies advertised through LD.

2.3 *Telephone Employment Service Centre.* LD's Telephone Employment Service Centre provides telephone employment service to job seekers. Registered job seekers may call the Telephone Employment Service Centre for job referral service. Through conference calls, staff of the Centre can make arrangement for job seekers to talk to employers direct. In 2018, the Telephone Employment Service Centre handled 21,193 telephone calls from job seekers and made 17,430 job referrals, and recorded 472 direct placements through LD's referral service.

2.4 *Job Vacancy Processing Centre.* Free recruitment services are provided to employers. Employers may send their information on their vacancies to LD's Job Vacancy Processing Centre by fax or through the Internet. The vacancy information is then disseminated through the 13 job centres, three industry-based recruitment centres, iES website and iES mobile app, and vacancy search terminals. The total number of private-sector job vacancies posted up by LD in 2018 was 1,468,394.

2.5 In 2018, through the services provided by the 13 job centres, 3 industry-based recruitment centres and the Telephone Employment Service Centre, LD arranged 72,515 job referrals, which led to 7,787 direct placements.

### *Changing needs of job seekers*

2.6 According to LD:

- (a) with the increasing number of job seekers using mobile devices to seek jobs and the fact that the vast majority of vacancies advertised through LD provided employers' contact details for direct application by job seekers, all job seekers, including those who are not registered with LD, may obtain job vacancy information through LD's various channels and make direct applications to employers. More and more job seekers may make job applications to employers directly, without going through LD's referrals; and
- (b) the arrangement of allowing employers to choose to open up their contact details for job seekers' direct application and not requiring job seekers to first register with LD before browsing the vacancy information and applying for the job not only can enhance the efficiency in disseminating job vacancy and labour market information, but also is more user-friendly for both job seekers and employers. Nevertheless, such user-friendly arrangement for job seekers and employers, coupled with the falling number of unemployed persons amidst the tight labour market, might result in the decrease in the number of registered job seekers with LD and the number of direct placements through LD's referrals.

In this regard, Audit noted that there had been changes in how job seekers made use of the employment services provided by LD in recent years. Details are discussed in paragraphs 2.7 to 2.20.

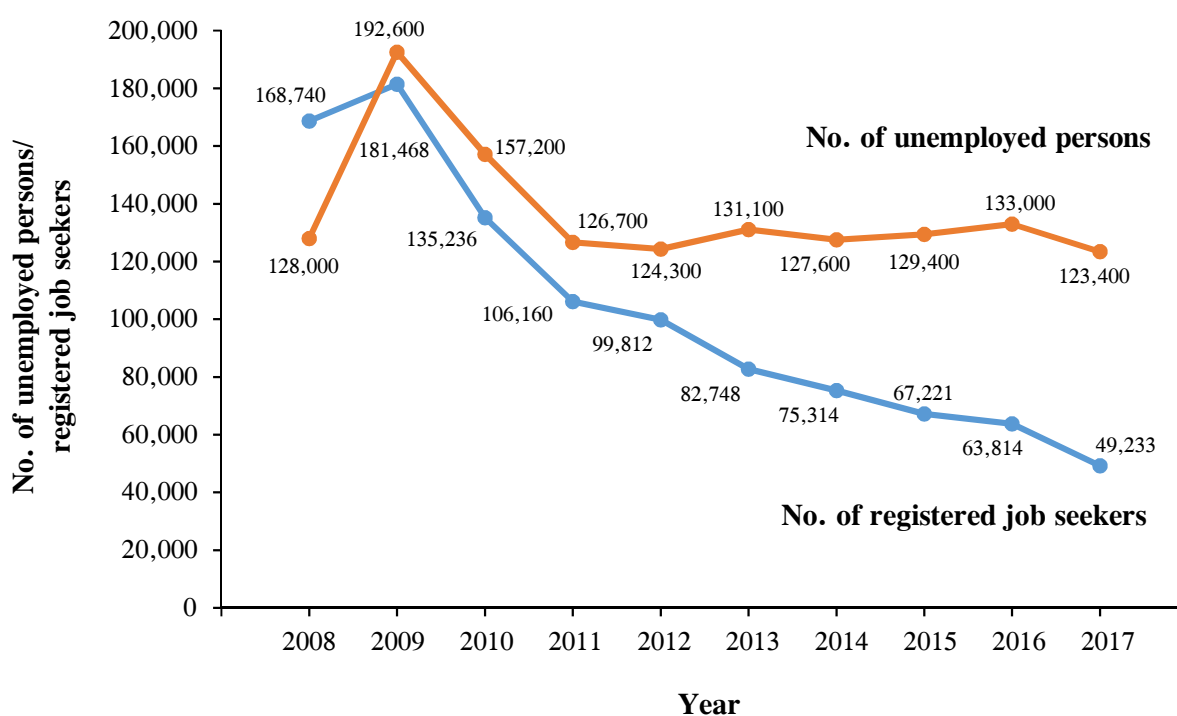
### *Decreasing number of registered job seekers*

2.7 LD reports the number of registered job seekers in the Controlling Officer's Report (COR) as one of the performance indicators. After registration with LD, a job seeker may receive various employment services such as employment advisory service, job referral service and telephone employment service. Registration is free of charge and is valid for three months. After the expiry of the registration, the job seekers may re-register if they would like to continue to receive these employment services.

2.8 Audit analysed the number of unemployed persons and the number of LD's registered job seekers in Hong Kong in the period from 2008 to 2017. Audit noted that, while the number of unemployed persons decreased by 3.6% from 128,000 in 2008 to 123,400 in 2017, the number of LD's registered job seekers decreased by 70.8% from 168,740 in 2008 to 49,233 in 2017 (see Figure 1). This might suggest that more and more job seekers chose not to register with LD.

**Figure 1**

**Number of unemployed persons and registered job seekers  
(2008 to 2017)**



*Source: LD records and statistics of the Census and Statistics Department*

*Remarks: Not all registered job seekers were unemployed persons.*

2.9 While appreciating LD's efforts in facilitating the job seekers and employers, in view of the substantial decrease in the number of registered job seekers in recent years, Audit considers that LD needs to review whether the employment services provided to the registered job seekers meet their needs and, in light of the results of the review, rationalise the employment services provided to registered job seekers and non-registered job seekers to better meet their needs.

## **General employment services for all job seekers**

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2.10 Audit noted that the number of registered job seekers was one of the performance indicators reported in the COR. Since the number of job seekers using mobile devices to seek jobs is increasing and they may make direct applications to employers without registering with LD (see para. 2.6(a)), it appears that the number of registered job seekers is no longer a good indicator to reflect the performance of LD. Audit considers that LD needs to review the appropriateness of using the number of registered job seekers as a key performance indicator in COR.

### ***Decreasing number of job referrals and direct placements through LD's referrals***

2.11 LD produces monthly report on key statistics on employment services, including:

- (a) ***Number of job referrals.*** The number of job referrals includes:
  - (i) referrals through job centres (including referrals through job referral service, employer-based job placement service, online job interviews and district-based job fairs) and industry-based recruitment centres (i.e. on-the-spot interviews arranged in industry-based job fairs); and
  - (ii) referrals through the Telephone Employment Service Centre; and
- (b) ***Number of placements.*** The number of placements includes:
  - (i) direct placements (i.e. through LD's referrals); and
  - (ii) indirect placements (i.e. placements made by direct application to employers by job seekers without going through LD's referrals).



## General employment services for all job seekers

2.12 Audit analysed the numbers of job referrals and direct placements through LD's referrals for registered job seekers from 2014 to 2018 and noted that:

- (a) the total number of job referrals decreased by 59,354 (45%) from 131,869 in 2014 to 72,515 in 2018. In particular, the number of job referrals arranged by the job centres and recruitment centres decreased by 50,069 (47.6%) from 105,154 in 2014 to 55,085 in 2018 (see Table 3); and

**Table 3**

### Number of job referrals (2014 to 2018)

Year	Job referrals		
	Job centres and recruitment centres (No.)	Telephone Employment Service Centre (No.)	Total (No.)
2014	105,154	26,715	131,869
2015	93,719	28,388	122,107
2016	95,955	30,255	126,210
2017	78,632	26,295	104,927
2018	55,085	17,430	72,515
Change from 2014 to 2018	-50,069 (-47.6%)	-9,285 (-34.8%)	-59,354 (-45.0%)

*Source: Audit analysis of LD records*

- (b) the number of direct placements through LD's referrals for registered job seekers decreased by 7,415 (48.8%) from 15,202 in 2014 to 7,787 in 2018 (see Table 4).

## General employment services for all job seekers

**Table 4**

**Number of direct placements through LD's referrals  
(2014 to 2018)**

Year	Direct placements through LD's referrals		
	Job centres and recruitment centres  (No.)	Telephone Employment Service Centre  (No.)	Total  (No.)
2014	14,208	994	15,202
2015	13,122	918	14,040
2016	11,653	855	12,508
2017	9,104	741	9,845
2018	7,315	472	7,787
Change from 2014 to 2018	-6,893 (-48.5%)	-522 (-52.5%)	-7,415 (-48.8%)

Source: Audit analysis of LD records

2.13 In response to Audit enquiry, LD informed Audit in February 2019 that:

- (a) since job seekers could secure an employment either through LD's referrals or by making direct application to employers after identifying suitable vacancies advertised through LD, the number of placements achieved by LD consisted of two components, namely direct placements through LD's referrals and indirect placements without going through LD's referrals;
- (b) with the vast majority of vacancies advertised through LD providing employers' contact details and with the increasing number of job seekers using mobile devices to seek jobs, more and more job seekers might make job applications to employers directly, without going through LD's referrals; and

- (c) while the total number of placements achieved by LD stayed quite steady in recent years, with such user-friendly arrangement for job seekers and employers, the number of direct placements through LD's referrals was on the decline which accounted for the lower percentage of the total number of placements achieved by LD. Direct placements through LD's referrals only accounted for less than 10% of the total placements achieved by LD in recent years.

2.14 Indirect placements were secured by job seekers making applications to the employers directly without using job referral services provided by LD staff at job centres, recruitment centres and Telephone Employment Service Centre (i.e. matching and finding suitable jobs in accordance with job seekers' individual needs and preferences and arranging interviews). As the number of direct placements through LD's referrals was on the decline (see Table 4 in para. 2.12 and para. 2.13(c)), Audit considers that LD needs to review the cost-effectiveness of and the need to rationalise the services provided by the job centres, recruitment centres and Telephone Employment Service Centre.

### ***Decreased number of visitors to job centres and a recruitment centre***

2.15 LD operates 13 job centres and 3 industry-based recruitment centres. As at 31 December 2018, the 13 job centres had 182 staff and the 3 industry-based recruitment centres had 30 staff. The 13 job centres and the 3 recruitment centres occupy a total floor area of 7,322.8 square metres (m<sup>2</sup>), ranging from 301 m<sup>2</sup> to 1,082 m<sup>2</sup>. Audit analysed the number of visitors of the 13 job centres and 3 recruitment centres for the period from 2016 to 2018 and noted that:

- (a) the number of visitors of 13 job centres decreased by 69,350 (18%) from 381,762 in 2016 to 312,412 in 2018;
- (b) 12 of the 13 job centres recorded a decrease in the number of visitors. The percentage of decrease ranged from 3% in Tai Po Job Centre to 34% in EOS;
- (c) the number of visitors of CIRC, which commenced operation in January 2016, decreased by 2,114 (12%) from 18,181 in 2016 to 16,067 in 2018; and

## General employment services for all job seekers

- (d) RCCI and RCRI, which commenced operation in February 2009 and June 2010 respectively, did not keep statistics on the number of visitors (see Table 5).

**Table 5**

### Number of visitors of job centres and recruitment centres (2016 to 2018)

Job Centre/ Recruitment Centre		2016	2017	2018	Increase/decrease from 2016 to 2018
<b>(A) Job Centre</b>					
<i><b>Hong Kong</b></i>					
1.	Hong Kong East	21,874	20,952	16,335	-5,539 (-25%)
2.	Hong Kong West	13,462	12,062	9,164	-4,298 (-32%)
3.	North Point	17,026	14,729	12,636	-4,390 (-26%)
<i><b>Kowloon</b></i>					
4.	Kowloon East	23,875	18,564	15,964	-7,911 (-33%)
5.	Kowloon West	54,856	50,871	49,832	-5,024 (-9%)
6.	Kwun Tong	41,813	36,737	34,996	-6,817 (-16%)
<i><b>New Territories</b></i>					
7.	Shatin	19,611	26,818	20,105	+494 (+3%)
8.	Tung Chung	22,754	20,308	16,983	-5,771 (-25%)
9.	Tsuen Wan	34,847	30,937	29,115	-5,732 (-16%)
10.	Tai Po	19,632	17,589	19,053	-579 (-3%)
11.	Tuen Mun	28,798	23,521	25,997	-2,801 (-10%)
12.	Sheung Shui	24,539	24,638	23,386	-1,153 (-5%)
13.	EOS	58,675	49,801	38,846	-19,829 (-34%)
Total for (A)		381,762	347,527	312,412	-69,350 (-18%)
<b>(B) Recruitment Centre</b>					
1.	RCCI	Not available (Note)			
2.	RCRI				
3.	CIRC	18,181	20,856	16,067	-2,114 (-12%)

Source: Audit analysis of LD records

Note: In response to Audit enquiry, LD informed Audit in March 2019 that RCCI and RCRI had kept statistics on the number of visitors since January 2019.

## **General employment services for all job seekers**

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2.16 In January and February 2019, Audit conducted a site visit to each of the four job centres (Shatin Job Centre, Kowloon East Job Centre, North Point Job Centre and Hong Kong East Job Centre) and a recruitment centre (RCRI), and noted that there were not many visitors (see Photographs 1 and 2).

**Photograph 1**

**Hong Kong East Job Centre**



*Source: Photograph taken by Audit at 3:17 pm on 26 February 2019 (Tuesday)*

**Photograph 2**

**RCRI**



*Source: Photograph taken by Audit at 3:25 pm on 26 February 2019 (Tuesday)*

2.17 In response to Audit enquiry, LD informed Audit in February 2019 that owing to the low unemployment rates and buoyant economy, the labour market of Hong Kong continued to be tight. Coupled with LD's arrangement of allowing employers to choose to open up their contact details for job seekers' direct application without going through LD's referrals, fewer job seekers needed to visit job centres and recruitment centres in person to seek employment in recent years.

2.18 Audit considers that LD needs to explore measures to address the issue of decreasing number of visitors to job centres and recruitment centres.

***Need to conduct a comprehensive review on general employment services***

2.19 The needs of job seekers have changed, as evidenced by:

- (a) the decrease in the number of registered job seekers;
- (b) the decrease in the number of job referrals and direct placements; and
- (c) the decrease in the number of visitors to job centres and recruitment centres.

2.20 Audit considers that LD needs to conduct a comprehensive review on the general employment services with a view to addressing the issues.

**Audit recommendations**

2.21 Audit has *recommended* that the Commissioner for Labour should conduct a comprehensive review on the general employment services. In particular, the Commissioner for Labour should:

- (a) review whether the employment services provided to the registered job seekers meet their needs and in the light of the results of the review, rationalise the employment services provided to registered job seekers and non-registered job seekers to better meet their needs;
- (b) review the appropriateness of using the number of registered job seekers as a key performance indicator in COR;
- (c) review the cost-effectiveness of and the need to rationalise the services provided by the job centres, recruitment centres and Telephone Employment Service Centre; and
- (d) explore measures to address the issue of decreasing number of visitors to job centres and recruitment centres.

## **Response from the Government**

2.22 The Commissioner for Labour agrees with the audit recommendations. He has said that:

- (a) owing to buoyant economy and the low unemployment rate, which dropped from 3.4% in 2016 to 3.1% in 2017 and fell further in the first half of 2018 to a 20-year low of 2.8%, the labour market exhibited significant tightening in the past couple of years; and
- (b) LD will keep close watch of the changes in the economy and strive to provide appropriate employment services to cater for the changing needs of both job seekers and employers under different labour market situations.

## **Job fairs**

2.23 LD organises district-based and industry-based job fairs through its 13 job centres and 3 recruitment centres respectively to facilitate job seekers and employers to meet and communicate direct. Interview facilities are available for employers to conduct on-the-spot interviews with registered job seekers during the job fairs. In 2018, the 13 job centres and 3 recruitment centres organised 958 district-based job fairs and 666 industry-based job fairs respectively.

2.24 LD also organises large-scale job fairs, including thematic job fairs for EM and middle-aged/elderly job seekers, and job fairs for specific group of employers such as the retail industry and the rehabilitation industry. In 2018, LD organised 19 large-scale job fairs, including 2 thematic job fairs for EM job seekers, 4 for middle-aged/elderly job seekers and 2 for the rehabilitation industry. Unlike district-based and industry-based job fairs, due to the large number of visitors, job seekers attending large-scale job fairs are not required to register before making job applications.



***Need to review the effectiveness of district-based job fairs and industry-based job fairs***

2.25 ***District-based job fairs.*** LD's job centres organise district-based job fairs to assist employers in recruitment of staff. At job fairs, the employer's representative interviews the job seekers at job centre. Audit analysed the number of interviews arranged and placements secured in district-based job fairs held in the period from 2016 to 2018 and noted that:

- (a) the average number of interviews arranged in each job fair was not high (i.e. 43 in 2016, 33 in 2017 and 26 in 2018); and
- (b) the average number of placements secured in each job fair was only 5 in 2016, 4 in 2017 and 3 in 2018 (see Table 6).

**Table 6**

**Interviews arranged and placements  
secured in district-based job fairs  
(2016 to 2018)**

	<b>2016</b>	<b>2017</b>	<b>2018</b>
No. of job fairs held (a)	960	946	958
No. of vacancies available (b)	210,026	198,518	224,362
No. of interviews arranged (c)	41,166	30,746	24,877
No. of placements secured (d)	4,590	3,620	3,227
Average no. of interviews arranged in each job fair (e)=(c)÷(a)	43	33	26
Average no. of placements secured in each job fair (f)=(d)÷(a)	5	4	3

*Source: Audit analysis of LD records*

## General employment services for all job seekers

2.26 In Audit's view, LD needs to consider reviewing the effectiveness of the district-based job fairs in securing placements for job seekers and employers.

2.27 **Industry-based job fairs.** RCCI, RCRI and CIRC was set up in February 2009, June 2010 and January 2016 respectively to provide employers and job seekers in the respective industries with one-stop and on-the-spot recruitment services. Catering, retail and construction establishments may apply to stage job fairs in RCCI, RCRI and CIRC respectively for on-the-spot recruitment. Job seekers can submit applications and attend interviews with recruiting employers at the dedicated recruitment centres. Audit analysed the industry-based job fairs held by the three recruitment centres in 2018 and noted that:

- (a) the average number of interviews arranged in each job fair for RCCI was 20, which was lower than that of RCRI (34 interviews arranged) and CIRC (27 interviews arranged); and
- (b) the average number of placements secured in each job fair for RCCI, RCRI and CIRC was 3, 8 and 2 respectively (see Table 7).

**Table 7**

**Job fairs organised by recruitment centres  
(2018)**

	<b>RCCI</b>	<b>RCRI</b>	<b>CIRC</b>
No. of job fairs held (a)	244	245	177
No. of job vacancies involved (b)	87,451	72,111	13,642
No. of interviews arranged (c)	4,796	8,371	4,866
No. of placements secured (d)	788	1,844	344
Average no. of interviews arranged in each job fair (e)=(c)÷(a)	20	34	27
Average no. of placements secured in each job fair (f)=(d)÷(a)	3	8	2

Source: Audit analysis of LD records

2.28 As the main service provided in the recruitment centres is to organise job fairs for employers of their respective industries, the small number of placements secured from the job fairs might indicate that the job fairs were not attractive to the job seekers. In response to Audit enquiry on the effectiveness of the industry-based job fairs for employers and job seekers in securing placements, LD informed Audit in February 2019 that:

- (a) the three industries concerned all along had their respective recruitment difficulties;
- (b) among these three industries, the employment terms and conditions of the catering industry were in general less attractive, and as a result, job fairs of RCCI attracted the lowest number of job seekers;
- (c) in general, the waiting time for employers to stage job fairs in RCCI and RCRI was maintained at three to six months, showing that job fairs held by these two recruitment centres were considered to be effective by employers of these two industries; and
- (d) CIRC only commenced operation in 2016 and more time was required for it to build up its client-base and change the culture of the construction industry from recruiting through personal referrals to open recruitment through CIRC.

2.29 In Audit's view, LD needs to consider reviewing the effectiveness of the industry-based job fairs in securing placements for job seekers and employers.

### **Audit recommendation**

2.30 **Audit has *recommended* that the Commissioner for Labour should consider reviewing the effectiveness of the district-based job fairs and the industry-based job fairs in securing placements for job seekers and employers.**

## **Response from the Government**

2.31 The Commissioner for Labour agrees with the audit recommendation. He has said that:

- (a) to better cater for those employers with urgent or special recruitment needs, LD has put in place flexible arrangements in organising recruitment activities for meeting their needs;
- (b) with the prevailing tight labour market situation, employers in general considered district-based job fairs organised by LD as an effective channel for them to recruit staff as evidenced by the keen participation of employers in the event. Employers need to wait for three to six months before they can take part in a district-based job fair; and
- (c) noting employers' strong demand for manpower and the relatively limited labour supply at the current 20-year low unemployment situation, LD will strive to provide appropriate employment services to cater for the changing needs of both job seekers and employers under different labour market situations.

## **iES**

2.32 iES website was launched in March 1999 to provide job vacancy and employment information to job seekers, while employers can submit and publicise job vacancy information through the iES website. LD also launched an iES mobile app in January 2012, providing an additional online channel for job seekers to search for suitable vacancies from the job vacancy database of LD. LD informed Audit in February 2019 that:

- (a) continuous enhancements were being made to iES website and iES mobile app to improve user experience and facilitate their obtaining of required information and online services. For instance, various dedicated webpages for different special needs groups or industries were set up or enriched over the past few years to provide more comprehensive employment information to the respective target groups; and

- (b) since April 2017, the iES mobile app had launched a new function of sending push notifications on newly posted job vacancies that matched individual users' pre-set job search criteria and upcoming job fairs. The subscribers were no longer required to visit the iES website or mobile app constantly to check the latest vacancies published or new job fairs organised by LD.

### ***Decreasing number of visits and number of page views of iES website***

2.33 Audit analysed the number of visits and page views of iES website for the period from 2014 to 2018 and noted that:

- (a) the number of visits to iES website decreased by 8 million (40%) from 20 million in 2014 to 12 million in 2018; and
- (b) the number of iES website page views decreased by 81 million (29%) from 283 million in 2014 to 202 million in 2018 (see Table 8).

**Table 8**

**Number of visits and page views of iES website  
(2014 to 2018)**

<b>Year</b>	<b>No. of visits (Note 1) (million)</b>	<b>No. of page views (Note 2) (million)</b>
2014	20	283
2015	18	248
2016	17	224
2017	16	211
2018	12	202
Decrease from 2014 to 2018	–8 (–40%)	–81 (–29%)

*Source: Audit analysis of LD records*

*Note 1: A visit is an activity, from beginning to end, of one visitor to a website. If a visitor is idle longer than the idle-time limit (30 minutes), the system assumes the visit is voluntarily terminated. If the visitor continues to browse the website after reaching the idle-time limit, a new visit is counted.*

*Note 2: A page view is the result of a request for a particular webpage.*

2.34 According to LD, the main reasons for the decrease in the number of visits and page views to iES website were the increasing use of smartphones and mobile devices in Hong Kong and the generally tight labour market with fewer unemployed persons over the past years. In this regard, Audit also analysed the number of access to iES mobile app and noted that the number of access increased by 1 million (1%) from 144 million in 2014 to 145 million in 2018 (see Table 9).

**Table 9**

**Number of access to iES mobile app  
(2014 to 2018)**

<b>Year</b>	<b>No. of access to iES mobile app (Note) (million)</b>
2014	144
2015	145
2016	155
2017	156
2018	145
Increase from 2014 to 2018	+1 (+1%)

*Source: Audit analysis of LD records*

*Note: This refers to the number of requests sent to the web server for conducting job search or browsing job fair information, or using the associated functions.*

2.35 Audit noted that both iES website and iES mobile app provided job search function for job seekers to search for vacancies by job type, position, industry, work location, salary range and job nature. They also provided information on the details of job fairs to be organised. However, there was some useful information provided on iES website which was not available on iES mobile app, for example, job hunting briefcase which provided template for application letter and Curriculum Vitae, interview techniques, etc. In view of the increasing number of access to iES mobile app and the decreasing number of visits to iES website, LD needs to consider providing more essential and useful information on iES mobile app to meet job seekers' needs.

## **Audit recommendations**

- 2.36      **Audit has *recommended* that the Commissioner for Labour should:**
- (a)      **continue to make necessary enhancements to iES website to strengthen the design and functionality of the website with a view to making the provision of information and services more efficient and improving user experience; and**
  - (b)      **consider providing more essential and useful information on iES mobile app to meet job seekers' needs.**

## **Response from the Government**

2.37      The Commissioner for Labour agrees with the audit recommendations. He has said that:

- (a)      LD will continue to enhance iES website and iES mobile app; and
- (b)      as announced in the 2018 Policy Address, LD will strengthen the dissemination of job vacancy information via these platforms so as to more effectively assist job seekers in finding jobs and employers in recruiting workers.

## **Performance measurement**

2.38      LD reports two performance indicators in COR to measure the effectiveness of its employment service for able-bodied job seekers:

- (a)      number of persons registered; and
- (b)      number of placements.

In the 2018-19 COR, LD reported that in 2017, there were 49,233 able-bodied job seekers registered with LD and 154,222 placements were made.



***Need to disclose the number of direct and indirect placements separately***

2.39 Since July 1998, employers who place vacancy orders with LD can choose to disclose their contact details for job seekers to make direct application. Job seekers do not need to register at job centres and can make self-arrangement according to the application method specified in the vacancy information. Since 1998, the number of placements had included:

- (a) direct placements (i.e. placements secured through LD's referrals); and
- (b) indirect placements (i.e. placements made by direct application to employers without LD's referrals). The number of indirect placements was derived from LD's surveys with employers. Only a fraction of the placement indirectly made will be regarded as placements of LD if the employer posted the vacancy in more than one channel. For example, an indirect placement made for a vacancy that had been posted on two recruitment channels by employers would be counted as  $\frac{1}{2}$  indirect placement.

LD only reported the total number of placements in COR, without disclosing the details of direct and indirect placements.

2.40 In the 2018-19 COR, LD reported that 154,222 placements were made in 2017. Audit noted that the 154,222 placements reported by LD comprised:

- (a) 9,845 (6%) direct placements; and
- (b) 144,377 (94%) indirect placements.

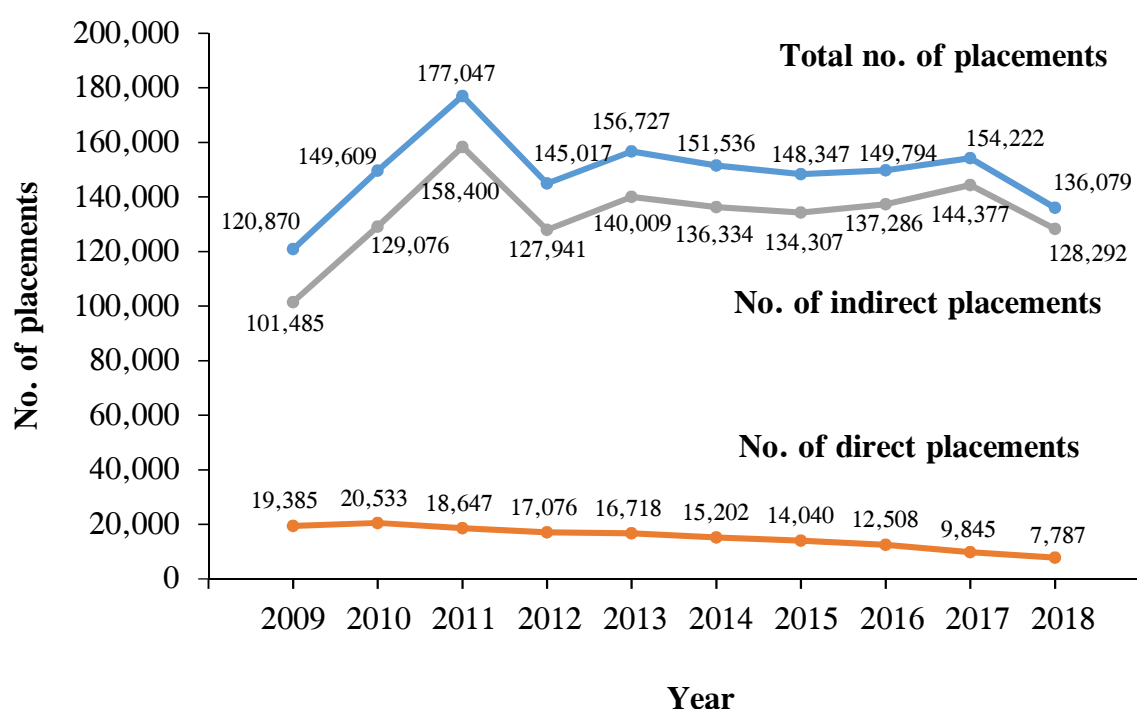
## General employment services for all job seekers

2.41 Audit analysed the number of placements (see Figure 2 and Table 10) in the period from 2009 to 2018 and noted that:

- (a) the number of indirect placements accounted for a high percentage of total placements during the period, ranging from 84 % to 94 %; and
- (b) the number of total placements increased by 15,209 (13 %) from 120,870 in 2009 to 136,079 in 2018. The increase was wholly attributed to the increase in indirect placement. The number of indirect placement increased by 26,807 (26 %) from 101,485 in 2009 to 128,292 in 2018. On the other hand, the number of direct placements decreased by 11,598 (60 %) from 19,385 in 2009 to 7,787 in 2018 (see Table 10).

**Figure 2**

### Number of placements of able-bodied job seekers (2009 to 2018)



Source: Audit analysis of LD records

## General employment services for all job seekers

**Table 10**

**Number of placements  
(2009 to 2018)**

<b>Year</b>	<b>Direct placements (No.)</b>	<b>Indirect placements (No.)</b>	<b>Total (No.)</b>
2009	19,385 (16%)	101,485 (84%)	120,870 (100%)
2010	20,533 (14%)	129,076 (86%)	149,609 (100%)
2011	18,647 (11%)	158,400 (89%)	177,047 (100%)
2012	17,076 (12%)	127,941 (88%)	145,017 (100%)
2013	16,718 (11%)	140,009 (89%)	156,727 (100%)
2014	15,202 (10%)	136,334 (90%)	151,536 (100%)
2015	14,040 (9%)	134,307 (91%)	148,347 (100%)
2016	12,508 (8%)	137,286 (92%)	149,794 (100%)
2017	9,845 (6%)	144,377 (94%)	154,222 (100%)
2018	7,787 (6%)	128,292 (94%)	136,079 (100%)
Increase/decrease from 2009 to 2018	− 11,598 (− 60%)	+ 26,807 (+ 26%)	+ 15,209 (+ 13%)

*Source: Audit analysis of LD records*

2.42 In response to Audit enquiry, LD informed Audit in February 2019 that:

- (a) application by job referral through LD might not be the most efficient and preferred means for job seekers in general to seek employment and employers to recruit staff; and
- (b) the number of direct placements should no longer be the sole performance indicator to measure the effectiveness of employment services provided by LD.

## **General employment services for all job seekers**

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2.43 To enhance transparency, Audit considers that LD needs to separately disclose in COR the number of direct placements through LD's referrals and indirect placements without going through LD's referrals, and disclose the calculation method of indirect placements. Moreover, if LD considers that the number of direct placements through LD's referrals should no longer be the sole performance indicator to measure the effectiveness of employment services provided by LD (see para. 2.42(b)), Audit considers that LD needs to consider the need to revise its performance indicators to better measure the effectiveness of employment services provided by LD.

### **Audit recommendations**

2.44 **Audit has *recommended* that the Commissioner for Labour should:**

- (a) **separately disclose in COR the number of direct placements through LD's referrals and indirect placements without going through LD's referrals, and disclose the calculation method of indirect placements; and**
- (b) **consider the need to revise LD's performance indicators to better measure the effectiveness of employment services provided by it.**

### **Response from the Government**

2.45 The Commissioner for Labour agrees with the audit recommendations. He has said that in the replies given to the Finance Committee of the Legislative Council in relation to the COR, he has explained that the number of placements also included indirect placements and how these indirect placements were arrived at.

## **PART 3: DEDICATED EMPLOYMENT SERVICES FOR JOB SEEKERS WITH SPECIAL NEEDS**

3.1 This PART examines the dedicated employment services of LD for job seekers with special needs.

### ***Background***

3.2 LD provides dedicated employment services for different groups of job seekers with special needs as follows:

- (a) ***Young job seekers.*** LD's YETP provides customised training and employment support services for young school leavers aged 15 to 24 with educational attainment at sub-degree level or below. For young people aged between 15 and 29, one-stop advisory and support services are provided at two youth employment resource centres (i.e. Y.E.S.);
- (b) ***Elderly and middle-aged job seekers.*** LD provides dedicated employment services for the elderly and middle-aged job seekers through setting up special counters at job centres, organising employment briefings, and setting up a dedicated webpage under iES website. Furthermore, LD implements EPEM to encourage employers to engage unemployed job seekers aged 40 or above and provide the job seekers with OJT, through the provision of training allowance to employers;
- (c) ***EM job seekers.*** LD's job centres provide dedicated services for EM job seekers through special counters, resource corners, employment briefings, etc. Interpretation services are also arranged for job seekers who are not proficient in Chinese and English; and
- (d) ***Job seekers with disabilities.*** Personalised employment services are provided for job seekers with disabilities who are fit for open employment. Job seekers with disabilities are provided with employment counselling, job matching and referral and post-placement follow-up services. LD also implements WOPS to encourage employers to offer job vacancies and work orientation period to persons with disabilities through the provision of financial incentive.

## **Dedicated employment services for job seekers with special needs**

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Details of the audit findings on dedicated employment services for job seekers with special needs are shown in:

- (a) PART 3A — Employment services for young job seekers (paras. 3.3 to 3.36);
- (b) PART 3B — Employment services for elderly and middle-aged job seekers (paras. 3.37 to 3.62);
- (c) PART 3C — Employment services for ethnic minority job seekers (paras. 3.63 to 3.80); and
- (d) PART 3D — Employment services for job seekers with disabilities (paras. 3.81 to 3.118).

## **PART 3A: EMPLOYMENT SERVICES FOR YOUNG JOB SEEKERS**

3.3 This PART examines the employment services for young job seekers, focusing on the following areas:

- (a) YETP (paras. 3.5 to 3.26); and
- (b) Y.E.S. (paras. 3.27 to 3.36).

### ***Background***

3.4 In the period from 2008 to 2017, the unemployment rates of young people aged 15 to 24 and 25 to 29 ranged from 8.4% to 12.6% and 3% to 4.8% respectively (see Table 1 in para.1.4). The unemployment rates of young people aged 15 to 24 were significantly higher than the overall unemployment rate for persons aged 15 and over. In 2017, the unemployment rates of 8.5% for those aged 15 to 24 and 4.2% for those aged 25 to 29 were higher than the overall unemployment rate of 3.1%. To enhance the employability of young people, LD administers YETP and operates two youth employment resource centres known as Y.E.S.

### **YETP**

3.5 YETP aims to provide a comprehensive platform of job search with one-stop and diversified PET and OJT opportunities for young people aged 15 to 24 with educational attainment at sub-degree level or below. It enables young people to better understand themselves and their work aptitudes while enriching their job skills and experience so as to enhance their employability.

## Employment services for young job seekers

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3.6 Trainees can join YETP at any time of a year and are provided with the following support and training for 12 months:

- (a) **Case management services.** Trainees are provided with personalised career guidance, job search assistance, training and post-employment support by professional social workers as case managers in the form of 12 months' case management services. Upon expiry of the first 12 months' case management services (basic period), trainees who have secured employment may receive extended case management services for another 12 months, so as to better assist them to settle in their jobs, overcome problems at workplaces and pursue further learning and skills upgrading opportunities;
- (b) **PET courses.** PET courses comprise:
  - (i) **Core course.** Trainees aged 15 to 19 who join YETP for the first time must attend a 48-hour core course "Job Search and Interpersonal Skills Training". Trainees aged 20 to 24 or those who had participated in YETP before may also enrol on this course on case managers' recommendation;
  - (ii) **Elective courses.** Trainees can choose a maximum of five elective courses from Discipline and Motivation Training, Computer Application Training and Job-specific Skills Training in the 12-month basic period; and
  - (iii) **Tailor-made training courses.** From time to time, YETP organises special projects with tailor-made training courses to suit the specific needs of trainees and employers;

Trainees will receive a training allowance at a rate of \$70 per training day if they have an attendance rate of not less than 80% in a course (Note 3);

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**Note 3:** *The amount of training allowance payable to a trainee for attending training courses was \$30 per training day for the period from 1 September 2009 to 31 August 2013. The allowance was increased to \$50 for the period from 1 September 2013 to 31 August 2017 and further increased to \$70 with effect from 1 September 2017.*



- (c) **Workplace attachment training.** Trainees may undergo a one-month workplace attachment training. There is no employment relationship between the trainees and the hosting organisations. An allowance of \$4,500 is payable to a trainee who has completed the workplace attachment training with an attendance rate of 80% or above (Note 4); and
- (d) **OJT.** Trainees are engaged as employees under full-time or part-time OJT of 6 to 12 months with salary. Employers appoint staff with relevant work experience to act as mentors and provide appropriate guidance at work. Employers who engage trainees as paid employees in full-time or part-time OJT may apply for a monthly OJT allowance. The amount of such allowance is 50% of the monthly salary of a trainee during the training period, up to a maximum amount of \$4,000 per month per trainee (Note 5). During OJT period, a trainee may enrol on relevant vocational courses and apply for reimbursement of course and examination fees up to \$4,000 from YETP.

Case management services and training courses are outsourced to NGOs and training institutions as training bodies. In the programme year (Note 6) 2017/18, there were 31 training bodies and 4,694 trainees.

3.7 In the financial year 2017-18, the expenditure of YETP was \$83.3 million, including \$54.5 million of training subsidy paid to employers for OJT and \$16.6 million of course fees and case management service fees paid to training bodies.

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**Note 4:** *The amount of workplace attachment training allowance payable to a trainee was \$2,000 for the period from 1 September 2009 to 31 May 2013. The allowance was increased to \$3,000 for the period from 1 June 2013 to 31 August 2017 and further increased to \$4,500 with effect from 1 September 2017.*

**Note 5:** *The amount of OJT allowance payable to an employer was \$2,000 per month from 1 September 2009 to 31 May 2013. The ceiling of the allowance was increased to \$3,000 per month for employers who engaged trainees with monthly salary of \$6,000 or above for the period from 1 June 2013 to 31 August 2018. The scope of YETP was expanded to cover part-time OJT and the allowance was further increased to 50% of the monthly salary of the trainee during the training period, up to a maximum amount of \$4,000 with effect from 1 September 2018.*

**Note 6:** *A programme year starts on 1 September of a year and ends on 31 August of the following year.*

## **Employment services for young job seekers**

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3.8 To ascertain the effectiveness of YETP in enhancing the trainees' employability and assisting them to pursue career goals, LD conducts a Trainee Development Survey biannually on trainees who have enrolled under YETP and completed the 12-month support services. According to LD, over the years, the survey results indicated consistently that over 70% of the surveyed trainees were in employment. Another 15% to 19% were either awaiting to take up a new job, studying or participating in training programmes.

### ***Decreased number of YETP trainees***

3.9 According to LD:

- (a) the number of trainees enrolled under YETP was demand-led and was affected by various factors including the economic and labour market conditions. With the overall unemployment rate staying at a low level, a buoyant labour market, increased employment opportunities and an ageing labour force, it had become easier for young people to secure employment on their own in recent years; and
- (b) factors such as increased education and training channels for secondary school graduates and continued decrease in the relevant age cohort had reduced the demand for YETP.

3.10 Audit noted that in the past six years from 2012 to 2017, the overall unemployment rates of young people aged 15 to 24 stayed at a high level (ranging from 8.5% to 10.5%). While the number of target young people (i.e. unemployed young people aged 15 to 24 with educational attainment at sub-degree level or below) only decreased by 26% from 22,000 in 2012 to 16,200 in 2017, the number of trainees enrolled in YETP decreased by 42% from 8,095 in the programme year 2012/13 to 4,694 in the programme year 2017/18 (see Table 11).

**Table 11**

**Unemployment rates of young people, number of target young people  
and number of YETP trainees  
(2012/13 to 2017/18)**

<b>Calendar year</b>	<b>Unemployment rates of young people aged 15 to 24</b>	<b>No. of target young people (a)</b>	<b>Programme year</b>	<b>No. of YETP trainees (b)</b>	<b>Proportion of target young people joining YETP (c) = (b) ÷ (a) × 100%</b>
2012	9.3%	22,000	2012/13	8,095	36.8%
2013	9.5%	23,100	2013/14	7,753	33.6%
2014	9.2%	20,900	2014/15	6,741	32.3%
2015	10.5%	20,900	2015/16	6,165	29.5%
2016	9.8%	20,000	2016/17	5,720	28.6%
2017	8.5%	16,200	2017/18	4,694	29.0%

*Source: Audit analysis of LD records and statistics of the Census and Statistics Department*

3.11 In response to Audit enquiry, LD informed Audit in February 2019 that among the unemployed young people aged 15 to 24, those with educational attainment at sub-degree level or below decreased by 22.5% from 20,900 in 2015 to 16,200 in 2017. Figures showed that the 4,694 YETP trainees in programme year 2017/18 accounted for around 29% of the 16,200 target young people in year 2017.

3.12 Audit considers that LD needs to review whether YETP meets the needs of young job seekers in finding jobs and ascertain the reasons why the number of trainees of YETP has been on a decreasing trend despite the relatively high unemployment rate for young people aged 15 to 24.

### *Need to reduce number of cancelled training courses*

3.13 The total number of training classes awarded and the minimum number of training hours per training class for each of the course types of PET courses are specified in the service contracts with the training bodies. Services fees paid to the training bodies are based on the number of trainees who have attended the courses organised.

3.14 According to LD, it has become more difficult for the service providers to successfully commence the training classes given the downward trend of the enrolment of YETP trainees in recent years. A PET course will be cancelled if the enrolment falls below the minimum number approved by LD and LD needs not pay the service fee to the training body. In programme years 2015/16, 2016/17 and 2017/18, 656, 459 and 446 PET courses were arranged by training bodies respectively. However, more than 50% of the courses arranged were cancelled due to insufficient enrolment of trainees (see Table 12). In particular, all training courses (i.e. a total of 40 courses) arranged by three of the training bodies were cancelled in programme years 2016/17 and 2017/18.

**Table 12**

**Analysis of number of YETP PET courses cancelled and held  
(2015/16 to 2017/18)**

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Courses cancelled	424 (65 %)	255 (56 %)	287 (64 %)
Courses held	232 (35 %)	204 (44 %)	159 (36 %)
Total	656 (100 %)	459 (100 %)	446 (100 %)

*Source: Audit analysis of LD records*

3.15 Before the programme year 2018/19, trainees aged 15 to 19 who joined YETP for the first time had to attend the core course on job-search and interpersonal skills training and achieve an attendance rate of 80% or above before they were allowed to enrol in elective courses and other activities. Audit analysed the cancelled courses from 2015/16 to 2017/18 programme years and noted that about 40% of the cancelled courses were core courses (see Table 13). In the contract management meeting held between LD and the training bodies for YETP PET in January 2018, a few training bodies expressed concern about the problem on the frequent cancellation of courses due to insufficient enrolment of trainees. The training bodies pointed out that the cancellation of core courses would affect the training progress of some trainees. These younger trainees might need to wait for a long time before they could go on with elective courses and other activities after the cancellation of core courses. Having taken on board the views of the training bodies, starting from the programme year 2018/19, these younger trainees are allowed to enrol in workplace attachment training and not more than two elective courses before attending core course. They have to complete a core course before enrolling in the third elective course and/or OJT.

**Table 13**

**Analysis of cancelled courses  
(2015/16 to 2017/18)**

<b>Cancelled courses</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Core courses	162 (38%)	99 (39%)	109 (38%)
Elective and tailor-made training courses	262 (62%)	156 (61%)	178 (62%)
Total	424 (100%)	255 (100%)	287 (100%)

*Source: Audit analysis of LD records*

## **Employment services for young job seekers**

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3.16 The cancellation of courses would also result in reduction of choices in course selection for YETP trainees. For the programme year 2017/18, there were 35 course types of PET courses of YETP. Audit noted that for 11 (31%) out of the 35 course types, all the courses arranged were subsequently cancelled due to insufficient enrolment. As such, no courses of these 11 course types were available to the trainees concerned. These 11 course types were: (a) beauty culture - general; (b) IT technical assistant; (c) multi-media design and applications; (d) general health care or care services for the elderly; (e) tourism; (f) hotel; (g) cookery - Chinese and others; (h) hairdressing; (i) technical training; (j) performing arts; and (k) fitness training and physical trainer.

3.17 Audit considers that LD needs to take measures to reduce the number of cancelled training classes and ensure that the training progress of YETP trainees and the variety of course types are not affected by cancellation of courses as far as practicable.

### ***Need to encourage more trainees to enrol in OJT***

3.18 Under YETP, LD makes arrangements with employers to offer OJT vacancies to trainees so that they have the opportunity to learn and be engaged as direct employees for a period of 6 to 12 months. OJT can help enrich trainees' work experience, vocational skills and qualifications, and enhance their employability so as to brighten up employment prospects.

3.19 9,845 to 13,380 OJT vacancies were recorded each programme year during the period from 2013/14 to 2017/18. Audit reviewed the percentage of trainees enrolled in OJT in the period from programme years 2013/14 to 2017/18 and found that less than half of the trainees enrolled in OJT, ranging from 2,129 to 2,982 trainees (see Table 14).

**Table 14**

**Number of trainees enrolled in OJT  
(2013/14 to 2017/18)**

<b>Programme year</b>	<b>No. of trainees (a)</b>	<b>No. of trainees enrolled in OJT (b)</b>	<b>Percentage of trainees enrolled (c) = (b) ÷ (a) × 100%</b>
2013/14	7,753	2,828	36 %
2014/15	6,741	2,982	44 %
2015/16	6,165	2,818	46 %
2016/17	5,720	2,480	43 %
2017/18	4,694	2,129	45 %

*Source: Audit analysis of LD records*

3.20 In response to Audit enquiry, LD informed Audit in February 2019 that:

- (a) YETP provided a variety of employment support services to young people to enhance their employability and the offer of OJT was just some of these services; and
- (b) the trainees needed not undergo each and every of these support services before they got employment. This was particularly so in the tight labour market in Hong Kong in recent years when the young people could more easily find a job.

3.21 Audit noted that since 2012/13, LD has conducted a biannual OJT trainee opinion survey for trainees who completed OJT training in that year. The results of the surveys showed that in general more than 80% of the respondents considered that OJT had helped or greatly helped them in obtaining working experience and skills, nurturing good working habits and attitude as well as building up confidence. As the OJTs can help enrich trainees' work experience, vocational skills and qualifications, and enhance their employability so as to brighten up employment prospects, Audit considers that LD needs to take measures to encourage more YETP trainees to enrol in OJT.

### ***Need to encourage completion of OJTs by trainees***

3.22 In 2016/17 programme year, 2,602 OJTs were arranged for trainees. Of the 2,602 OJTs, 1,031 (40%) were not completed (i.e. early termination) (see Table 15). In particular, 135 (68%) of the 198 OJTs with training duration of 9 months were not completed.

3.23 According to LD, it is their existing practice to follow up each OJT placement and require the employer to inform the YETP office of the termination and completion of OJT, including the reasons for the cessation of OJT. The relevant information is accessible by the respective case managers of the trainees. LD noted that in a number of cases, OJT was ended prematurely for various reasons, such as trainees looking for a change of work environment, having secured another job, pursuing further studies or trainees' personal factors. For cases warranting special attention by the case managers, LD will relate the cases to them for rendering counselling and assistance as appropriate.



**Table 15**

**Completion of OJTs  
(2016/17)**

<b>Contract duration</b>	<b>No. of OJTs arranged (a) = (b) + (c)</b>	<b>No. of OJTs completed (b)</b>	<b>No. of OJTs not completed (c)</b>
6 months	544 (100%)	326 (60%)	218 (40%)
9 months	198 (100%)	63 (32%)	135 (68%)
12 months	1,860 (100%)	1,182 (64%)	678 (36%)
Overall	2,602 (100%)	1,571 (60%)	1,031 (40%)

*Source: Audit analysis of LD records*

3.24 Audit considers that LD needs to keep in view the completion rates of OJTs, conduct analysis on the reasons for early termination of OJTs with a view to ascertaining whether further measures can be taken to help trainees complete their OJTs.

## **Audit recommendations**

3.25 **Audit has recommended that the Commissioner for Labour should:**

- (a) **review whether YETP meets the needs of young job seekers in finding jobs and ascertain the reasons why the number of trainees of YETP has been on a decreasing trend despite the relatively high unemployment rate for young people aged 15 to 24;**

- (b) **take measures to reduce the number of cancelled training classes and ensure that the training progress of YETP trainees and the variety of course types are not affected by the cancellation of courses as far as practicable;**
- (c) **take measures to encourage more YETP trainees to enrol in OJT; and**
- (d) **keep in view the completion rates of OJTs of YETP trainees, conduct analysis on the reasons for early termination of OJTs with a view to ascertaining whether further measures can be taken to help trainees complete their OJTs.**

## **Response from the Government**

3.26 The Commissioner for Labour agrees with the audit recommendations. He has said that:

- (a) while the factors in paragraph 3.9 such as the economic and labour market conditions explained the drop in the number of young people enrolling in YETP, Table 11 showed that the proportion of target unemployed young people joining the programme had stabilised at around 30% in recent years, notwithstanding the multifarious employment and training opportunities opened to them in the current buoyant economy. LD will continue to monitor the situation and put in place enhancement measures to ensure effective and efficient provision of training and employment support to young people;
- (b) YETP will continue to offer sufficiently large number and variety of training courses, including those course types with low patronage, to cater for any possible upsurge in demand for courses due to unexpected downturn of the economy and meet the interests and needs of YETP trainees. For the new PET service contracts of programme years 2019/20 to 2021/22 that are being tendered, LD has introduced new course types and adjusted the number of training classes required for each course type to better cater for the needs of trainees. In addition, LD has also introduced measures to provide service providers more flexibility and incentive to adjust downwards the minimum number of trainees required for commencement of class so as to reduce the number of cancelled classes; and

- (c) the objective of YETP is to enhance young people's employability, prepare them for the changing labour market and help them acquire skills for employment in a wide variety of jobs. Having upgraded their skills or developed clearer career aspiration since joining YETP, some trainees may leave their OJT's midway in pursuit of better employment or further studies and this could be positive development in the trainees' career. LD will continue to monitor and assist trainees whose OJT's are ended prematurely due to, say, trainees' inadequate work skills or behavioural problems.

### **Y.E.S.**

3.27 LD operates two Youth Employment Resource Centres known as Y.E.S., namely the Mong Kok Centre (total floor area: 330 m<sup>2</sup>) set up in December 2007 and the Kwai Fong Centre (total floor area: 480 m<sup>2</sup>) set up in March 2008. The monthly rentals for the Mong Kok Centre and the Kwai Fong Centre are \$227,220 (from 24 August 2016 to 23 August 2019) and \$204,876 (from 26 October 2016 to 25 October 2019) respectively. An NGO manages the two centres. The monthly operating fees paid to the operator for the Mong Kok Centre and the Kwai Fong Centre are \$180,000 (from 24 August 2016 to 23 August 2019) and \$185,000 (from 26 October 2016 to 25 October 2019) respectively.

3.28 Y.E.S. aims to help young people start life planning at an early stage and understand the manpower requirements, career prospects and progression pathways in different trades and industries. The two centres provide one-stop employment and self-employment support services to young people aged between 15 and 29. Facilities provided in each centre include Computer Zone, Multi-function Room, Business Room (see Photograph 3), Professional Counselling Room (see Photograph 4), Workstations and Design Corner. Membership is valid for 12 months, automatically renewed on a yearly basis if the members meet the eligibility criteria. As at 31 December 2018, there were 90,542 members.

**Photograph 3**

**The Business Room at Mong Kok Centre**



*Source: LD records*

**Photograph 4**

**The Professional Counselling Room at Kwai Fong Centre**



*Source: LD records*

***Target number of members using Y.E.S. services not met***

3.29 In the deliberation of LD in 2012 about the monitoring of Y.E.S. services, LD was of the view that in addition to monitoring the required number of times of services as specified in the operation contract, LD also reckoned with the number of members using the Y.E.S. services. Subsequently, LD specified in the Y.E.S. Operation Manual in 2014 that:

- (a) the two Y.E.S. centres should provide services to a total of about 29,000 members per year, which was comparable to the number of members who used the services in 2011; and
- (b) LD would review from time to time whether the number of members who used Y.E.S. services met the target.

3.30 Audit noted that LD did not monitor the number of members who used Y.E.S. services. Upon Audit request, LD calculated the number of members using Y.E.S. services for 2018. The calculation revealed that the number of members using Y.E.S. services was 14,889, representing only 51.3% of the target (i.e. about 29,000 per year) specified in the Y.E.S. Operation Manual. Audit considers that LD needs to closely monitor the number of members using Y.E.S. services and take appropriate action to follow up with the operator for failing to meet the pertinent target and urge the Y.E.S. operator to take measures to attract more young people to use the Y.E.S. services.

***Need to ensure that the information reported in the COR on performance of Y.E.S. services is accurate***

3.31 The performance indicator reported in the COR relating to Y.E.S. services is the number of “young people receiving employment and self-employment advisory and support services provided by the Youth Employment Resource Centres”. However, in reporting the actual performance under this performance indicator in the COR, LD reported the number of times of Y.E.S. services provided instead of the number of young people receiving Y.E.S. services. Audit noted that the number of young people receiving Y.E.S. services in 2018 (i.e. 14,889) was far less than the number of times of Y.E.S. services provided (i.e. 72,899) because a Y.E.S. member who had used Y.E.S. services in 2018 used the services on average 4.9 times in the year. In February 2019, LD informed Audit that the performance indicator was meant

to refer to “the number of times of the services provided” rather than the “number of people receiving the services”. Audit considers that LD needs to ensure the accuracy of information reported in the COR. LD also needs to take measures to ensure that the performance indicator in the COR reflects precisely the intention of LD.

### ***Target attendance rates not met for some training activities***

3.32 According to the operation contracts of Y.E.S. centres for programme years 2016/17 to 2018/19 between LD and the operator:

- (a) one of the performance standards is to maintain a quarterly average attendance rate of 85 % for all training activities organised by Y.E.S. during the implementation period;
- (b) to calculate the attendance rate, the Labour Officer of LD and Centre-in-charge of the Operator at the centre shall determine the target number of participants of each training activity organised at Y.E.S. taking into account the objective, nature, requirements and capacity of the venue of each training activity; and
- (c) for monitoring purposes, the operator shall be required to achieve an attendance rate of 80% of the target number for each training activity.

3.33 Audit examination of the quarterly reports for 2018 submitted by the operator to LD revealed that, while the two centres achieved a quarterly average attendance rate of 85% for all training activities, for 15% and 24% of the training activities organised by the Mong Kok Centre and by the Kwai Fong Centre respectively, the operator did not achieve the attendance rate of 80% for the training activities (see Table 16).

## Employment services for young job seekers

3.34 LD informed Audit in February 2019 that LD had been monitoring closely the Y.E.S. operator's performance on maintaining a quarterly average attendance rate of 85% of all training organised and achieving an attendance rate of 80% of the target number for each training activity. Nonetheless, LD considered that, in order not to overlook the needs of some minority groups, Y.E.S. also has to organise non-mainstream training courses. In order not to discourage the operator from organising less popular courses or trying out new courses, LD would adopt some flexibility on the achievement of the attendance rate of 80% for individual training activity while maintaining a quarterly average attendance rate of 85% of all training organised. Notwithstanding this, as stipulated in the operation contracts of Y.E.S. centres, Audit considers that LD needs to monitor the attendance rate for each training activity organised by Y.E.S. and, where necessary, take appropriate follow-up action with the operator for training activities which have not achieved the target attendance rate.

**Table 16**

**Number of training activities at Y.E.S. centres  
with attendance rates below 80%  
(2018)**

	<b>1<sup>st</sup> quarter</b>	<b>2<sup>nd</sup> quarter</b>	<b>3<sup>rd</sup> quarter</b>	<b>4<sup>th</sup> quarter</b>	<b>Overall</b>
<b>Mong Kok Centre</b>					
No. of training activities organised	34	40	43	35	152
No. of training activities with attendance rates below 80%	3 (9%)	6 (15%)	7 (16%)	7 (20%)	23 (15%)
<b>Kwai Fong Centre</b>					
No. of training activities organised	40	37	38	33	148
No. of training activities with attendance rates below 80%	12 (30%)	9 (24%)	6 (16%)	8 (24%)	35 (24%)

*Source: Audit analysis of LD records*

## **Audit recommendations**

- 3.35      **Audit has *recommended* that the Commissioner for Labour should:**
- (a)      **closely monitor the number of members using Y.E.S. services and take appropriate action to follow up with the operator for failing to meet the pertinent target;**
  - (b)      **urge the Y.E.S. operator to take measures to attract more young people to use the Y.E.S. services;**
  - (c)      **take measures to ensure the accuracy of information reported in the COR and ensure that the performance indicator in the COR reflects precisely the intention of LD; and**
  - (d)      **monitor the attendance rate for each training activity organised by Y.E.S. and, where necessary, take appropriate follow-up action with the operator for training activities which have not achieved the target attendance rate.**

## **Response from the Government**

3.36      The Commissioner for Labour agrees with the audit recommendations. He has said that:

- (a)      despite the fact that the existing contract with the Y.E.S. operator only specifies, as a performance indicator, the number of times Y.E.S. services were used, LD will work with the operator to take measures to attract more young people to use the Y.E.S. services;
- (b)      the description of the relevant performance indicator on the usage of the Y.E.S. services in the 2019-20 COR has been revised to reflect the intention that the indicator refers to the number of times the Y.E.S. services were used; and



- (c) LD will, as before, continue to monitor the attendance rate of all training activities organised by Y.E.S. LD will work with the operator to achieve the target attendance rate as far as practicable, without dampening its incentives in organising less popular training activities for young people with different interests and aspirations.

## **PART 3B: EMPLOYMENT SERVICES FOR ELDERLY AND MIDDLE-AGED JOB SEEKERS**

3.37 This PART examines the employment services for elderly and middle-aged job seekers.

3.38 LD implements various measures to encourage employers to engage elderly or middle-aged job seekers and foster elderly persons to re-join the labour market:

- (a) ***EPEM.*** EPEM aims at encouraging employers to engage unemployed job seekers aged 40 or above and provide them with OJT of 3 to 12 months through the provision of training allowance of up to \$4,000 per month per employee to the employers;
- (b) ***Special counters at job centres.*** Special counters are available at all LD's job centres to provide priority registration and job referral service for job seekers aged 50 or above;
- (c) ***Employment briefings.*** LD organises employment briefings to help elderly and middle-aged job seekers to better understand the latest local labour market situation and to improve their job search skills;
- (d) ***Experience sharing sessions.*** To encourage employers to engage elderly and middle-aged job seekers, LD organises experience sharing sessions on employment of elderly and middle-aged persons;
- (e) ***Dedicated webpage for elderly job seekers.*** There is a dedicated webpage for elderly job seekers under iES website to provide them with employment information, such as special employment services for elderly persons, schedule of employment briefings, vacancies suitable for the middle-aged and elderly job seekers, and details of EPEM;
- (f) ***Touch-screen vacancy search terminals.*** The functions of vacancy search terminals have been enhanced (e.g. installation of multi-touch interface with zooming properties) to facilitate elderly job seekers' access to employment information and search for vacancies; and

- (g) **Job fairs.** LD organises large-scale thematic job fairs targeting elderly and middle-aged job seekers to enhance their employment opportunities. To meet the needs of some elderly persons who are more interested in taking up part-time jobs, district-based job fairs on part-time jobs are also held at job centres.

### EPEM

3.39 LD implements EPEM to encourage employers to engage unemployed job seekers aged 40 or above and provide them with OJT through the provision of training allowance to the employers.

3.40 To be eligible for EPEM, the job seeker must:

- (a) be aged 40 or above at the time of employment and have an unemployment period of not less than one month within one year prior to the commencement date of employment;
- (b) have registered with LD; and
- (c) have no relative or prior employment relationship with the employer concerned.

3.41 To be eligible for EPEM, the employer must:

- (a) hold a valid Business Registration Certificate, Certificate of Registration of a School or other recognised licence;
- (b) register its vacancy of full-time (i.e. working 30 hours or more per week) or part-time (i.e. working 18 hours to less than 30 hours per week) permanent post with LD and then employ elderly or middle-aged job seeker aged 40 or above with an unemployment period of not less than one month within one year prior to the commencement date of employment to fill such post; and

## Employment services for elderly and middle-aged job seekers

- (c) be the direct employer to undertake all legal responsibilities as an employer under relevant ordinances, and to offer wage rate in compliance with the Minimum Wage Ordinance and at par with the market level. The employment terms offered must be no less favourable than that as stated in the vacancy registered with LD.

3.42 After joining EPEM, the employer must provide OJT to the employee and assign an experienced staff as the mentor of the employee. Subject to the approval of LD, the OJT lasts for 3 to 6 months for employee aged 40 to below 60, and 6 to 12 months for employee aged 60 or above. Upon completion of OJT by eligible employee under EPEM, participating employer may apply for OJT allowance of up to \$3,000 per month per employee aged 40 to below 60, and up to \$4,000 per month per employee aged 60 or above (see Table 17) (Note 7).

**Table 17**

### **OJT allowance under EPEM**

Age of employee	OJT period	Type of post	OJT allowance (per month per employee)	
			Monthly salary below \$6,000	Monthly salary \$6,000 or above
40 to below 60	3 to 6 months	Full-time post	\$2,000	\$3,000
		Part-time post	25% of the employee's salary of the month, with the maximum amount up to \$3,000	
60 or above	6 to 12 months	Full-time post	50% of the employee's salary of the month, with the maximum amount up to \$4,000	
		Part-time post		

Source: Audit analysis of LD records

**Note 7:** In general, OJT lasts for 3 months for employee aged 40 to below 60, and 6 months for employee aged 60 or above. Subject to the approval of LD with assessment on the content of OJT, working experience of the employee and the nature of the business, etc., OJT period may be extended to a maximum of 6 months for employee aged 40 to below 60, and 12 months for employee aged 60 or above.

3.43 In the period from the inception of EPEM in May 2003 to 31 December 2018, the number of approved claims for OJT allowance was 14,214.

### ***Need to encourage employers to join EPEM***

3.44 After employing an eligible job seeker, the employer joining EPEM has to submit a completed preliminary application form for OJT, together with supporting documents on the salary and hours of work of the job (such as a signed employment contract), to the EPEM Coordination Office at the Kwun Tong Job Centre within:

- (a) three months from the date when the job vacancy is posted at LD; and
- (b) the first month after the commencement of employment of the job seeker.

The employer should only commence OJT recognised under EPEM after the preliminary application has been approved by LD.

3.45 LD will issue a letter of approval-in-principle to the employer after the preliminary application is approved by LD. Upon completion or termination of OJT, the employer should submit the assessment-cum-claim form as well as the salary and attendance records for LD's approval to claim the OJT allowance within one month after the end of wage period for the last calendar month of the OJT period. For employment which ends before completion of the approved OJT period, no OJT allowance will be granted if the OJT period undergone by the employee is less than one month. Moreover, OJT allowance will not be granted if the employer does not submit the assessment-cum-claim form and other required documents or fails to meet the EPEM requirements, such as the OJT not being properly provided.

3.46 ***Low percentage of eligible placements with preliminary applications for EPEM.*** In the period from 2014 to 2018, the average number of eligible placements for EPEM was 2,660. However, the average number of eligible placements with preliminary applications for EPEM submitted was only 565. The average percentage of eligible placements with preliminary applications for EPEM submitted was 21.2% (see Table 18).

**Table 18****Number of eligible placements with preliminary applications for EPEM  
(2014 to 2018)**

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Average</b>
Number of eligible placements (a)	2,564	2,541	2,978	2,642	2,574	2,660
Number of eligible placements with preliminary applications submitted (b)	716	527	542	476	565	565
Percentage of eligible placements with preliminary applications for EPEM submitted (c) = (b) ÷ (a) × 100%	27.9%	20.7%	18.2%	18.0%	22.0%	21.2%

*Source: Audit analysis of LD records*

3.47 According to LD, EPEM Coordination Office will screen the placement results and mail invitation letters for joining EPEM to all eligible employers who have employed job seekers eligible for joining EPEM. EPEM Coordination Office will check the employers who have not responded to the invitation letters for over a week and will call these employers to invite them again to join EPEM. Each employer will be followed up at a maximum of three times until it gives a reply. Notwithstanding these measures taken by LD, the percentage of eligible employers applying for EPEM was low (i.e. ranging from 21.1% to 27% from 2014 to 2018).

3.48 In response to Audit enquiry, LD informed Audit in February 2019 that:

- (a) based on feedbacks from employers they had collected, the employers did not apply for EPEM due to various reasons, such as they chose to absorb the training cost by their own resources. Some employers engaged elderly job seekers solely because the job seekers were suitable for the posts instead of due to the government allowance and they considered that their application for such allowance might adversely affect their corporate image; and
- (b) the purpose of EPEM was to encourage employers to hire unemployed mature job seekers. As these employers had already employed the elderly or middle-aged job seekers, whether they applied for the OJT allowance under EPEM was immaterial to their decision of hiring these job seekers and whether they would claim the OJT allowance under EPEM would be of secondary importance.

3.49 ***Large number of employers not claiming OJT allowance after joining EPEM.*** In the period from 2013 to 2017, for 572 (22.2%) of the 2,581 placements with approval-in-principle for EPEM issued by LD, the employers who obtained approval-in-principle did not claim the OJT allowance (see Table 19). LD had documented the reasons for not claiming the OJT allowance for 275 of the 572 cases, which were mainly due to their failure to meet the requirements of EPEM. Audit noted that for 170 (61.8%) of the 275 placements, the employers did not claim any OJT allowance because the OJT period had been less than one month.

**Table 19****Number of placements with approval-in-principle and claims of OJT allowance  
(2013 to 2017)**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>Overall</b>
Number of placements with approval-in-principle (a)=(b)+(c)+(d)	604	637	437	472	431	2,581
Number of placements with:						
OJT allowance granted (b)	443 (73.3%)	468 (73.5%)	305 (69.8%)	358 (75.8%)	313 (72.6%)	1,887 (73.1%)
OJT allowance not granted						
(i) Not claimed by employers (c)	143 (23.7%)	144 (22.6%)	93 (21.3%)	106 (22.5%)	86 (20.0%)	572 (22.2%)
(ii) Claims rejected by LD (d)	18 (3.0%)	25 (3.9%)	39 (8.9%)	8 (1.7%)	32 (7.4%)	122 (4.7%)

*Source: Audit analysis of LD records*

3.50 In view of the low percentage of eligible placements with preliminary applications for EPEM and the fact that a large number of employers did not claim OJT allowance after joining EPEM, Audit considers that LD needs to take measures to encourage employers to join EPEM for their eligible placements and review the effectiveness of EPEM in promoting the employment of elderly and middle-aged job seekers.

***Decreased completion rates of OJTs***

3.51 In general, OJTs last for 3 months for employees aged 40 to below 60 and 6 months for employees aged 60 or above. Subject to the approval of LD, the OJT period may be extended to a maximum of 6 months for employees aged 40 to below 60 and 12 months for employees aged 60 or above for deserving cases. LD will issue letters of approval-in-principle to the employers with the approved commencement and end dates of the OJTs.



## Employment services for elderly and middle-aged job seekers

3.52 Audit analysed the 2,581 placements with approval-in-principle under EPEM from 2013 to 2017 and noted that for only 1,951 (75.6%) placements with approval-in-principle, the employees could complete the whole approved OJT period (see Table 20). The percentage of placements where OJTs were completed decreased from 78.5% in 2013 to 71.2% in 2017. In particular, for employees aged 60 or above, the percentage of placements with completed OJTs decreased by 11.1 percentage points from 87.7% in 2013 to 76.6% in 2017.

**Table 20**

**Number of placements with approval-in-principle where OJTs were completed  
(2013 to 2017)**

	Age	2013	2014	2015	2016	2017	Overall	Change from 2013 to 2017
Number of placements with approval-in-principle	40 to below 60	539	572	391	411	384	2,297	–155
	60 or above	65	65	46	61	47	284	–18
	Total	604	637	437	472	431	2,581	–173
Number of placements with approval-in-principle where OJTs were completed	40 to below 60	417 (77.4%)	438 (76.6%)	301 (77.0%)	294 (71.5%)	271 (70.6%)	1,721 (74.9%)	–146 (–6.8 percentage points)
	60 or above	57 (87.7%)	53 (81.5%)	32 (69.6%)	52 (85.2%)	36 (76.6%)	230 (81.0%)	–21 (–11.1 percentage points)
	Overall	474 (78.5%)	491 (77.1%)	333 (76.2%)	346 (73.3%)	307 (71.2%)	1,951 (75.6%)	–167 (–7.3 percentage points)

Source: Audit analysis of LD records

## **Employment services for elderly and middle-aged job seekers**

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3.53 According to LD, the purpose of EPEM is to encourage employers to hire elderly and middle-aged job seekers and provide them with OJT. For employees failing to complete the whole OJT period, it does not mean that they have not benefited from the enhanced employability through the work experience and skills acquired during the OJT. Besides, due to the continuous and steadily low unemployment rate with the availability of abundant job openings in the labour market, it is common to have a high turnover rate of staff, which includes EPEM participants.

3.54 Audit considers that LD needs to keep in view the completion rates of OJTs under EPEM and take measures to help elderly and middle-aged job seekers complete OJTs as far as possible.

### ***Decreasing retention rates for placements under EPEM***

3.55 LD conducts retention surveys of EPEM twice a year (i.e. in April and October each year), including placements under EPEM with OJT allowance granted. The April survey covers placements during the period 1 April to 30 September of the previous year and the October survey covers placements during 1 October of the previous year to 31 March of the survey year.

3.56 Based on the five recent retention surveys covering placements from April 2015 to September 2017, the retention rates for six months or above decreased from 77.7% for the period from April to September 2015 to 61.8% for the period from April to September 2017 (see Table 21).

**Table 21**

**Retention periods of placements under EPEM with OJT allowance granted  
(April 2015 to September 2017)**

<b>Retention period (month)</b>	<b>Date of placement</b>				
	<b>April to September 2015</b>	<b>October 2015 to March 2016</b>	<b>April to September 2016</b>	<b>October 2016 to March 2017</b>	<b>April to September 2017</b>
(a) < 1	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
(b) ≥ 1 to < 2	3 (2.0%)	1 (0.6%)	5 (2.7%)	3 (1.6%)	6 (4.4%)
(c) ≥ 2 to < 3	7 (4.7%)	3 (1.9%)	4 (2.2%)	4 (2.1%)	9 (6.6%)
(d) ≥ 3 to < 4	6 (4.1%)	8 (5.0%)	16 (8.7%)	12 (6.2%)	11 (8.1%)
(e) ≥ 4 to < 5	12 (8.1%)	14 (8.8%)	13 (7.1%)	23 (12.0%)	17 (12.5%)
(f) ≥ 5 to < 6	5 (3.4%)	9 (5.7%)	17 (9.2%)	10 (5.2%)	9 (6.6%)
(g) ≥ 6	115 <b>(77.7%)</b>	124 (78.0%)	129 (70.1%)	140 (72.9%)	84 <b>(61.8%)</b>
<b>Total</b>	148 (100%)	159 (100%)	184 (100%)	192 (100%)	136 (100%)

*Source: Audit analysis of LD records*

3.57 EPEM aims to enable eligible job seekers to secure stable employment and enable employers to continue to employ EPEM participants upon their satisfactory completion of the OJTs. Audit considers that LD needs to keep in view the retention rates for placements under EPEM with OJT allowance granted and take measures to help those elderly and middle-aged job seekers who have difficulty in staying in employment.

### *Need to compile the retention rates for longer employment period*

3.58 Under the existing arrangement for conducting the retention surveys of EPEM (see para. 3.55), at the time of conducting the retention surveys, the duration of the placements could range from around 6 to 13 months, depending on the actual start dates of the placements. For example, for the April surveys, the retention period for placements started on 30 September of the previous year was at most around six months. LD compiles retention rates by month for employment periods up to six months. This practice dovetails with the OJT period prior to September 2018 because the OJT period of EPEM ranged from 3 to 6 months. However, with the enhancement of the scheme in September 2018, the OJT period may be extended up to 12 months. EPEM aims to enable eligible job seekers to secure stable employment and enable employers to continue to employ EPEM participants upon their satisfactory completion of the OJTs. In order to ascertain whether employers continue to employ EPEM participants after the completion of OJTs of up to 12 months, Audit considers that LD needs to compile the retention rates of placements under EPEM by month for a longer employment period of at least up to 12 months.

### *Need to improve reporting on number of placements secured under EPEM*

3.59 LD discloses the number of “placements secured under EPEM” in its annual reports and the information given to the Finance Committee of the Legislative Council. In April 2018, LD informed the Finance Committee of the number of “placements secured under EPEM” for 2013 to 2017 (see Table 22).

**Table 22**

**Information on the number of “placements secured under EPEM”  
disclosed in LD’s annual reports and given to Finance Committee  
(2013 to 2017)**

	2013	2014	2015	2016	2017
Placements secured under EPEM	2,562	2,564	2,541	2,978	2,642

Source: LD records

3.60 Audit noted that the number of “placements secured under EPEM” disclosed was the number of placements eligible under EPEM (see paras. 3.40 and 3.41). At the time of securing placements, the eligible employers have not applied to join the EPEM yet. Invitations for joining the EPEM were only sent by LD to the employers after the employers have employed job seekers eligible under EPEM. After employing eligible job seekers, the employers have to obtain approval-in-principle for the placement before starting OJT. The number of placements for which employers joined EPEM (placements with approval-in-principle under EPEM) (i.e. 431 in 2017) was much smaller than the number of placements eligible for EPEM (i.e. 2,642 in 2017) (see Table 23). To avoid confusion, Audit considers that when disclosing information on placements secured under EPEM, LD needs to distinguish the number of placements eligible for EPEM from the number of placements for which employers joined EPEM.

**Table 23**

**Number of eligible placements and number of placements  
with approval-in-principle  
(2013 to 2017)**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Number of eligible placements	2,562	2,564	2,541	2,978	2,642
Number of placements with approval-in-principle	604	637	437	472	431

*Source: LD records*

## **Audit recommendations**

3.61 **Audit has *recommended* that the Commissioner for Labour should:**

- (a) **take measures to encourage employers to join EPEM for their eligible placements;**
- (b) **review the effectiveness of EPEM in promoting the employment of elderly and middle-aged job seekers;**

## **Employment services for elderly and middle-aged job seekers**

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- (c) **monitor the completion rates of OJTs under EPEM and take measures to help elderly and middle-aged job seekers complete OJTs as far as possible;**
- (d) **monitor the retention rates for placements under EPEM with OJT allowance granted and take measures to help those elderly and middle-aged job seekers who have difficulty in staying in employment;**
- (e) **compile the retention rates of placements under EPEM by month for a longer employment period of at least up to 12 months; and**
- (f) **when disclosing information on placements secured under EPEM, distinguish the number of placements eligible for EPEM from the number of placements for which the employers joined EPEM.**

## **Response from the Government**

3.62 The Commissioner for Labour agrees with the audit recommendations. He has said that:

- (a) owing to the continuous and steadily low unemployment rate with abundant job openings available, it is not uncommon for elderly and middle-aged employees, including EPEM participants, to change for better jobs. Nonetheless, LD will continue to monitor the employment situations of EPEM participants by enhancing the follow-up with participating employers and employees and offer assistance as required; and
- (b) with the extension of the OJT period in September 2018 up to 12 months, LD will definitely compile the retention rates of placements under EPEM by month for a longer employment period for at least up to 12 months.

## **PART 3C: EMPLOYMENT SERVICES FOR ETHNIC MINORITY JOB SEEKERS**

3.63 This PART examines the employment services provided for EM job seekers, focusing on:

- (a) provision of employment services to EM job seekers (paras. 3.64 to 3.75); and
- (b) promoting the employment of EMs to employers (paras. 3.76 to 3.80).

### **Provision of employment services to EM job seekers**

3.64 According to the Census and Statistics Department, in 2016, the population of EMs in Hong Kong was about 260,000 (excluding foreign domestic workers), or around 3.6% of the whole Hong Kong population. The number of unemployed EMs was 6,281 (of whom 2,165 were South Asians, including 885 Indians, 650 Nepalese and 567 Pakistanis), with an unemployment rate of 4.6%. LD provides the following dedicated employment services for EM job seekers:

- (a) ***Special counters and resource corners.*** Special counters and resource corners for EM job seekers are set up at job centres to provide them with job referral services and employment information. Major publicity leaflets on LD's employment services are published in English, Chinese and six other languages (i.e. Hindi, Indonesian, Nepali, Tagalog, Thai and Urdu) commonly used among EM job seekers;
- (b) ***Tailor-made employment briefings.*** Employment briefings are organised by job centres to help EM job seekers better understand the latest labour market situation and improve their job search skills. In 2018, a total of 14 employment briefings were held at 5 job centres;

## Employment services for ethnic minority job seekers

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- (c) ***Employment advisory service and in-depth follow up.*** Employment advisory service is provided at all job centres where experienced employment officers who are familiar with the local employment market and proficient in English will provide EM job seekers with job search advice and information on the job market and training/retraining courses. In 2018, 432 employment advisory services (Note 8) were provided to 381 EM job seekers. LD also provides in-depth follow-up services to EM job seekers. In 2018, 1,538 in-depth follow-up services (Note 8) were provided to 967 EM job seekers;
- (d) ***Free interpretation services.*** Free interpretation services are provided to EM job seekers who speak neither Chinese nor English by an NGO arranged by LD. Intensive efforts have been made to ensure all EM visitors are aware of the availability of the interpretation services;
- (e) ***Displaying key job vacancy information bilingually.*** Key information of all job vacancies (e.g. job title, industry, working hours, salary, work district, educational requirements and application procedures) is translated and displayed bilingually on LD's iES website, iES mobile app and vacancy search terminals to facilitate EM job seekers to browse vacancy information;
- (f) ***Dedicated webpage for EM job seekers.*** LD has set up an exclusive e-platform, a dedicated webpage for EM job seekers on iES website ([www.jobs.gov.hk/EM](http://www.jobs.gov.hk/EM)). The webpage features job vacancies which are posted by employers welcoming EM job seekers and having no or little Chinese language requirements. It also publishes successful employment stories of EMs, and provides information on LD's dedicated employment services for EM job seekers, inclusive job fairs as well as other multi-lingual employment information;
- (g) ***ESA Programme for EMs.*** LD has implemented ESA Programme for EMs since September 2014, under which trainees of YETP who can communicate in EM languages are employed as ESAs to undergo OJT at job centres, recruitment centres and job fairs. To strengthen the training for the trainees, LD has extended the on-the-job training period for those ESAs engaged since

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**Note 8:** *Each employment advisory service/in-depth follow-up service represents a telephone contact or an interview between an LD staff and an EM job seeker.*



## Employment services for ethnic minority job seekers

September 2018 from six months to one year. Since the implementation of ESA Programme for EMs, LD had employed 134 trainees; and

- (h) *Employment assistants proficient in EM languages.* To strengthen the employment services for EM job seekers, since May 2017, LD has engaged on a pilot basis 2 employment assistants proficient in EM languages at the Kowloon West Job Centre in Sham Shui Po and EOS in Tin Shui Wai to provide EM job seekers with personalised employment advisory service in partnership with experienced employment officers, and offer support in the provision of other employment services.

3.65 Same as other job seekers, EM job seekers are required to register with LD to receive some employment services like employment advisory service. Registration is free of charge and is valid for three months. After the expiry of the registration, the job seekers may re-register if they would like to continue to receive those employment services. In 2018, there were 1,173 registered EM job seekers (see Table 24).

**Table 24**

**Number of registered EM job seekers  
(2018)**

<b>Ethnicity</b>	<b>No. of job seekers</b>
Pakistani	488 (42%)
Indian	217 (18%)
Nepalese	173 (15%)
Filipino	88 (8%)
Indonesian	28 (2%)
Thai	25 (2%)
Others (such as Bengali and Sri Lankan)	154 (13%)
Total	1,173 (100%)

*Source: LD records*

***Need to step up efforts to increase number of placements for EM job seekers***

3.66 The number of placements for EM job seekers through LD's referrals was not high, ranging from 65 to 116 for the years 2014 to 2018, representing only 7% to 10% of the number of EM job seekers registered with LD (see Table 25).

**Table 25**

**Number of placements for registered EM job seekers through LD's referrals  
(2014 to 2018)**

<b>Year</b>	<b>No. of EM registered job seekers (a)</b>	<b>No. of job offers to EM job seekers (b)</b>	<b>No. of placements (c)</b>	<b>Percentage of placements to registered EM job seekers (d) = (c) ÷ (a) × 100%</b>
2014	901	98	65	7%
2015	994	129	75	8%
2016	1,043	126	82	8%
2017	1,036	151	94	9%
2018	1,173	254	116	10%

*Source: Audit analysis of LD records*

3.67 To enhance the employment opportunities for EMs, LD organises district-based inclusive job fairs at 13 job centres and large-scale inclusive job fairs. Both EMs and other job seekers can submit job applications and attend interviews with employers on the spot. LD encourages employers to provide vacancies suitable for EMs and to relax the language requirement as far as possible so as to enable more EMs to apply for the vacancies. During the inclusive job fairs, on-site interpretation is available through an NGO arranged by LD.

3.68 Audit analysed the large-scale and the district-based inclusive job fairs held in the period from 2016 to 2018. Details are as follows:

- (a) **Large-scale job fairs.** In the period from 2016 to 2018, 2 large-scale inclusive job fairs were organised each year. The number of placements for EM job seekers was not high, ranging from 4 in 2017 to 23 in 2016. The average number of placements per job fair ranged from 2 in 2017 to 11.5 in 2016 (see Table 26); and

**Table 26**  
**Large-scale inclusive job fairs**  
**(2016 to 2018)**

Year	No. of job fairs (a)	No. of vacancies (b)	No. of interviews arranged for EM job seekers (c)	No. of job offers to EM job seekers (d)	No. of placements (e)	Average no. of placements per job fair (f) = (e) ÷ (a)
2016	2	7,042	118	55	23	11.5
2017	2	5,670	140	30	4	2.0
2018	2	7,648	63	47	21	10.5

*Source: Audit analysis of LD records*

- (b) **District-based job fairs.** In the period from 2016 to 2018, 12 district-based inclusive job fairs were organised each year. The number of placements for EM job seekers was not high, ranging from 20 in 2018 to 23 in both 2016 and 2017, with an average number of placements of about 2 in each job fair (see Table 27).

**Table 27****District-based inclusive job fairs  
(2016 to 2018)**

<b>Year</b>	<b>No. of job fairs (a)</b>	<b>No. of vacancies (b)</b>	<b>No. of interviews arranged for EM job seekers (c)</b>	<b>No. of job offers to EM job seekers (d)</b>	<b>No. of placements (e)</b>	<b>Average no. of placements per job fair (f) = (e) ÷ (a)</b>
2016	12	2,754	573	35	23	1.9
2017	12	3,278	389	56	23	1.9
2018	12	3,492	477	52	20	1.7

*Source: Audit analysis of LD records*

3.69 According to LD, with the vast majority of vacancies advertised through LD open for direct application to employers by job seekers (including EM job seekers), job referral service provided by LD is not the only way in making job application and might not be the most effective and efficient means. Therefore, the number of direct placements through LD's referrals cannot fully reflect the effectiveness of employment services provided by LD to EM job seekers. However, LD could not provide the number of indirect placements secured for EM job seekers.

3.70 There is room for increasing the number of placements secured through referral services and job fairs for EM job seekers. Audit considers that LD needs to step up efforts to increase the number of placements for EM job seekers.

***Small number of job seekers attending employment briefings***

3.71 Employment briefings are organised by job centres to help EM job seekers better understand the latest labour market situation and improve their job search skills. The content of the employment briefings includes the introduction of LD's dedicated employment services for EM job seekers, and providing information such as job hunting tips, job interview skills and latest market situation. However, from 2016 to 2018, the number of EM job seekers attending the employment briefings was low, with an average number of attendees of 4.4 per briefing, ranging from 1 to 16 (see Table 28).

**Table 28**

**Number of attendees for employment briefings  
(2016 to 2018)**

<b>Year</b>	<b>No. of employment briefings (a)</b>	<b>No. of EM attendees (b)</b>	<b>Average no. of attendees (c) = (b) ÷ (a)</b>
2016	11	60	5.5 (range: 1 to 16)
2017	9	54	6.0 (range: 1 to 14)
2018	14	36	2.6 (range: 1 to 6)
Overall	34	150	4.4 (range: 1 to 16)

*Source: Audit analysis of LD records*

3.72 According to LD, instead of asking EM job seekers who need job search advice to enrol and wait for the scheduled employment briefings, employment officers of job centres would more often provide them with employment advisory service on the spot and offer them job search advice and information on the job market and training/retraining courses right away.

3.73 Audit considers that LD needs to make more efforts to encourage EM job seekers to attend the employment briefings to better understand the latest labour market situation and improve their job search skills.

### **Audit recommendations**

3.74 Audit has *recommended* that the Commissioner for Labour should:

- (a) **step up efforts to increase the number of placements for EM job seekers; and**
- (b) **make more efforts to encourage EM job seekers to attend the employment briefings to better understand the latest labour market situation and improve their job search skills.**

### **Response from the Government**

3.75 The Commissioner for Labour agrees with the audit recommendations. He has said that:

- (a) there was a steady increase in the number of placements secured for EM job seekers through LD's referral service from 2014 to 2018; and
- (b) to further strengthen the employment support for EM job seekers, it has been announced in the 2018 Policy Address that LD will launch a pilot programme in conjunction with NGOs to provide employment services for EM job seekers through a case management approach.

## Promoting the employment of EMs to employers

3.76 LD promotes the employment of EMs to employers by:

- (a) promoting the working abilities of EMs among employers and reminding them to consider the genuine occupational qualifications of the posts when specifying the language requirements;
- (b) organising experience sharing sessions for employers to help them better understand EM cultures and acquire the skills to communicate with them. NGOs serving EMs are invited to participate in these sessions; and
- (c) facilitating employers to indicate that EMs are welcome for the post when providing job vacancy information to LD for advertising. LD would publicise the vacancies among EM job seekers mainly through the dedicated webpage on iES website and iES mobile app, and vacancy search terminals installed at various locations across the territory.

### *Need to encourage employers to indicate that EMs are welcome for the posts*

3.77 When employers submit information to place job vacancies with LD for advertising, there is an option for employers to specify that EMs are welcome for the post. Audit examined the job vacancies posted by the employers from 2016 to 2018 and noted that the percentage of vacancies where employers indicated that EMs were welcome for the posts was not high, ranging from 12% in 2016 to 16% in 2018 (see Table 29). Audit noted, however, that both the numbers and percentages of these vacancies were on the rise from 2016 to 2018.

**Table 29****Number of vacancies indicating EMs were welcome for the posts  
(2016 to 2018)**

	<b>2016</b>	<b>2017</b>	<b>2018</b>
No. of vacancies indicating EMs were welcome for the posts	162,086 (12 %)	192,925 (14 %)	238,270 (16 %)
No. of vacancies without indicating EMs were welcome for the posts	1,185,527 (88 %)	1,226,345 (86 %)	1,230,124 (84 %)
Total	1,347,613 (100 %)	1,419,270 (100 %)	1,468,394 (100 %)

*Source: Audit analysis of LD records*

3.78 Audit considers that LD needs to take further action to promote the employment of EMs among employers and continue to encourage employers to indicate that EMs are welcome for the posts when placing job vacancies with LD.

## **Audit recommendation**

3.79 Audit has *recommended* that the Commissioner for Labour should take further action to promote the employment of EMs among employers and continue to encourage employers to indicate that EMs are welcome for the posts when placing job vacancies with LD.

## **Response from the Government**

3.80 The Commissioner for Labour agrees with the audit recommendation. He has said that despite the continuous increase in the number and proportion of vacancies received by LD indicating EMs were welcome for the posts (see Table 29), LD will continue with its efforts to promote the employment of EMs among employers and enhance its post-placement support for employers engaging EMs through the pilot programme mentioned in paragraph 3.75(b).



## **PART 3D: EMPLOYMENT SERVICES FOR JOB SEEKERS WITH DISABILITIES**

3.81 This PART examines the employment services for job seekers with disabilities, focusing on the following areas:

- (a) placement service for job seekers with disabilities (paras. 3.87 to 3.99); and
- (b) WOPS (paras. 3.100 to 3.118).

### ***Background***

3.82 The Census and Statistics Department periodically carries out surveys on the population of Persons with Disabilities (PWDs) and their employment status. The latest report entitled “Special Topics Report on PWDs and Chronic Diseases” was published in 2014. According to the Report, there were 578,600 PWDs (excluding persons with single disability of intellectual disability or chronic diseases) in 2013, accounting for 8.1% of the total population in Hong Kong. Of the 558,000 PWDs aged 15 and over, some 477,000 (85.5%) were economically inactive and the remaining 81,000 (14.5%) were economically active. Among the 81,000 economically active PWDs, 4,800 were unemployed persons and the unemployment rate of PWDs was 6%, which was higher than that of the total population of 3.4% in 2013.

3.83 The Selective Placement Division (SPD) of LD provides free recruitment services to employers and free employment services to job seekers with nine types of disabilities. The nine types of disabilities comprise visual impairment, hearing impairment, physical impairment, chronic illness, intellectual disability, ex-mental illness, autism spectrum disorder, specific learning difficulties and attention deficit/hyperactivity disorder.

## **Employment services for job seekers with disabilities**

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3.84 The objective of SPD is to help employers to recruit suitable PWDs according to the requirements of the vacancies and to assist job seekers with disabilities fit for open employment in securing jobs in the labour market that best suit their abilities, skills, qualifications and experience and cater for their special needs, with the ultimate aim of integrating them into the community and helping them to be financially independent. The work of SPD includes:

- (a) providing employment counselling and guidance service;
- (b) providing matching and referral service;
- (c) providing at least 6-month follow-up service;
- (d) organising public education and promotional activities; and
- (e) administering WOPS.

3.85 Job seekers with disabilities need to register with SPD in order to use the services. The registration is valid for a period of 12 months. They have to re-register after the expiry of registration. In 2018, the number of registered job seekers with disabilities was 2,766 and the number of placements achieved for them was 2,219.

3.86 SPD has five operational units/offices, namely the Headquarters Unit, three regional offices providing employment services on Hong Kong Island, in Kowloon and the New Territories and the Publicity and Promotion Unit. SPD is headed by a Senior Labour Officer and supported by 5 Labour Officers.

## **Placement service for job seekers with disabilities**

### ***Divisional targets on number of registered job seekers with disabilities and number of placements not always met***

3.87 LD sets divisional targets on the number of registered job seekers with disabilities received and the number of placements achieved in a year.

3.88 While the number of registered job seekers with disabilities increased by 4.4% from 2,650 in 2014 to 2,766 in 2018, the total number of placements for job seekers with disabilities decreased by 9.9% from 2,464 in 2014 to 2,219 in 2018 (see Table 30). LD did not meet the divisional target on the number of registered job seekers with disabilities in 2018. For four years from 2015 to 2018, LD did not meet the divisional targets on the number of placements for job seekers with disabilities.

**Table 30**

#### **Performance against divisional targets on number of registered job seekers with disabilities and placements for job seekers with disabilities (2014 to 2018)**

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>No. of registered job seekers with disabilities</b>					
Divisional target (a)	2,600	2,650	2,700	2,700	2,800
Actual (b)	2,650	2,720	2,790	2,833	2,766
% achieved (c) = (b) ÷ (a) × 100%	101.9%	102.6%	103.3%	104.9%	98.8%
<b>No. of placements for job seekers with disabilities</b>					
Divisional target (d)	2,400	2,450	2,450	2,400	2,400
Actual (e)	2,464	2,401	2,250	2,203	2,219
% achieved (f) = (e) ÷ (d) × 100%	102.7%	98.0%	91.8%	91.8%	92.5%

Source: Audit analysis of LD records

***Need to endeavour to help job seekers with disabilities to secure placements***

3.89 LD monitors the placement rates per registered job seeker with disabilities and the percentage of registered job seekers with disabilities who had placements to assess the effectiveness of the employment services provided to them. The placement rates per registered job seeker with disabilities fell from 93% in 2014 to 80.2% in 2018 (see Table 31). As some registered job seekers might have more than one placement in a year, LD also analysed the percentage of registered job seekers with disabilities who had placements. For the period from 2014 to 2018, Audit found that only about half of the registered job seekers with disabilities (i.e. 49.6% to 52.4%) had placements in a year (see Table 31). For example, in 2017, LD did not provide job referrals to 900 registered job seekers with disabilities who had no placements. Furthermore, LD did not monitor the time needed for a registered job seeker with disabilities to have a referral and/or placement or perform age analysis of the waiting time for a referral and/or placement.

**Table 31****Placements of registered job seekers with disabilities  
(2014 to 2018)**

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
No. of registered job seekers with disabilities (a)	2,650	2,720	2,790	2,833	2,766
No. of placements (b)	2,464	2,401	2,250	2,203	2,219
Placement rates per registered job seeker with disabilities (c) = (b) ÷ (a) × 100%	93.0%	88.3%	80.6%	77.8%	80.2%
No. of registered job seekers with disabilities who had placements (d)	1,367	1,426	1,436	1,405	1,383
Percentage of registered job seekers with disabilities who had placements (e) = (d) ÷ (a) × 100%	51.6%	52.4%	51.5%	49.6%	50.0%

*Source: Audit analysis of LD records*

3.90 LD informed Audit in February 2019 that LD had set up mechanism in place to monitor and keep track of the cases with no referrals made and placements secured for the registrants. According to the past records, such cases occurred mainly because the job seekers were still in employment or did not require employment service for the time being due to personal reasons including health conditions. According to the snapshot survey (Note 9) conducted in January 2018, of those 900 job seekers who had no placements or referrals in 2017, 218 were still looking for employment, 204 were still in employment and their preferred alternative jobs were not available, 208 had already found jobs on their own, 34 were medically assessed as unfit for open employment, 69 were pending medical assessment reports, 109 were not looking for jobs due to their personal reasons and 58 were out of contact.

3.91 Audit considers that LD needs to monitor the time taken for job seekers with disabilities to successfully have placements and endeavour to help job seekers with disabilities to secure placements, especially those who have waited for a long time without placements.

### ***Need to improve the reporting of the number of placements for job seekers with disabilities***

3.92 LD uses the sum of the number of direct placements and indirect placements for job seekers with disabilities as one of the performance indicators in COR. The sum is derived by adding up:

- (a) direct placements (i.e. achieved by the placement efforts of LD staff); and
- (b) indirect placements (i.e. self-help placement cases where the registered job seekers found the job themselves or with other help).

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**Note 9:** *Since 2014, LD has conducted annual snapshot surveys on the employment situation of each registered job seekers with disabilities in the previous year in January of a year. Information on the reasons for no placement secured for the job seekers has been collected to keep track of the employment situation of job seekers concerned.*

## Employment services for job seekers with disabilities

3.93 LD considers that indirect placements reflect the efforts made by LD staff in securing the placements, e.g. providing job seekers with vocational counselling and helping them improve their job searching skill. To ensure the indirect placement case was related to or attributable to the efforts made by LD staff, only the indirect placements achieved within 12 months after delivery of the counselling service to the job seekers were included.

3.94 In the period from 2014 to 2018, the percentage of indirect placements increased from 20% in 2014 to 33.8% in 2018 (see Table 32).

**Table 32**

**Direct and indirect placements for job seekers with disabilities  
(2014 to 2018)**

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Change from 2014 to 2018</b>
Direct placements	1,971 (80.0%)	1,869 (77.8%)	1,727 (76.8%)	1,525 (69.2%)	1,468 (66.2%)	– 503 (– 25.5%)
Indirect placements	493 (20.0%)	532 (22.2%)	523 (23.2%)	678 (30.8%)	751 (33.8%)	+ 258 (+ 52.3%)
No. of placements reported in COR	2,464	2,401	2,250	2,203	2,219	– 245 (– 9.9%)

*Source: Audit analysis of LD records*

3.95 Audit considers that LD needs to report the number of direct and indirect placements separately and disclose the calculation method of the number of indirect placements for job seekers with disabilities in COR.

***Short retention period of placements for job seekers with disabilities***

3.96 Every year, LD collects information on retention period of placements for job seekers with disabilities. Audit analysed the retention period for placements made in the period from 2013 to 2017. Audit noted that there were improvements in the retention period. However, there was still room for improvement:

- (a) the percentage of job seekers with disabilities who remained in the jobs for three months or longer was less than 50%, ranging from 35.2% in 2013 to 45.3% in 2017; and
- (b) the percentage of job seekers with disabilities who remained in the jobs for less than one month was high, ranging from 38.9% in 2017 to 52.7% in 2013 (see Table 33).

**Table 33**

**Retention period of placements for job seekers with disabilities  
(2013 to 2017)**

<b>Retention period (month)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
(a) < 1	1,298 (52.7%)	1,210 (49.1%)	1,123 (46.8%)	920 (40.9%)	856 (38.9%)
(b) ≥ 1 to < 2	185 (7.5%)	202 (8.2%)	186 (7.7%)	175 (7.8%)	204 (9.3%)
(c) ≥ 2 to < 3	112 (4.6%)	124 (5.0%)	146 (6.1%)	161 (7.1%)	144 (6.5%)
(d) ≥ 3	866 (35.2%)	928 (37.7%)	946 (39.4%)	994 (44.2%)	999 (45.3%)
<b>Total</b>	<b>2,461 (100%)</b>	<b>2,464 (100%)</b>	<b>2,401 (100%)</b>	<b>2,250 (100%)</b>	<b>2,203 (100%)</b>

*Source: Audit analysis of LD records*

## Employment services for job seekers with disabilities

3.97 Audit analysed the reasons for employment terminated within three months and noted that, for a majority of the cases in the period from 2013 to 2017, the employment was terminated due to resignation (see Table 34). According to LD, “dissatisfied with job nature”, “unable to perform job” and “dissatisfied with work environment” were the top three reasons for resignation of job seekers with disabilities (see Table 35). LD informed Audit in February 2019 that like their able-bodied counterparts, PWDs would also change to other jobs with higher salary and better working condition if such vacancies were available. Under the prevailing tight labour market, it was conceivable that there was relatively high turnover rate of the job seekers. In Audit’s view, LD needs to take measures to help job seekers with disabilities stay in their placements for longer period of time, for example, by matching the requirements of job vacancies against the work abilities of the job seekers and referring jobs which are commensurate with the expectations of job seekers with disabilities on job nature, work environment and work requirements.

**Table 34**

**Reasons for termination within 3 months for placements  
for job seekers of disabilities  
(2013 to 2017)**

Reason	2013	2014	2015	2016	2017
Resignation	797 (50.0%)	951 (61.9%)	899 (61.8%)	827 (65.8%)	789 (65.5%)
Completion of contract	441 (27.6%)	172 (11.2%)	185 (12.7%)	113 (9.0%)	130 (10.8%)
Dismissal	357 (22.4%)	413 (26.9%)	371 (25.5%)	316 (25.2%)	285 (23.7%)
Total	1,595 (100%)	1,536 (100%)	1,455 (100%)	1,256 (100%)	1,204 (100%)

Source: Audit analysis of LD records



**Table 35**

**Reasons for resignation within 3 months for placements  
for job seekers with disabilities  
(2013 to 2017)**

<b>Reason</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Dissatisfied with job nature	331 (39.3%)	386 (36.4%)	316 (29.9%)	239 (25.6%)	252 (29.4%)
Unable to perform job	118 (14.0%)	127 (12.0%)	147 (13.9%)	159 (17.0%)	123 (14.4%)
Dissatisfied with work environment	93 (11.0%)	135 (12.7%)	124 (11.7%)	96 (10.3%)	100 (11.7%)
Poor health	72 (8.6%)	90 (8.5%)	94 (8.9%)	99 (10.6%)	89 (10.4%)
Low volition to work	42 (5.0%)	73 (6.9%)	102 (9.6%)	92 (9.9%)	72 (8.4%)
Interpersonal relationship problems	57 (6.8%)	93 (8.8%)	81 (7.7%)	91 (9.7%)	62 (7.2%)
Poor income	28 (3.3%)	52 (4.9%)	63 (6.0%)	56 (6.0%)	55 (6.4%)
Inconvenient work location	32 (3.8%)	43 (4.1%)	49 (4.6%)	40 (4.3%)	35 (4.1%)
Others	69 (8.2%)	61 (5.7%)	81 (7.7%)	62 (6.6%)	69 (8.0%)
Total (Note)	842 (100%)	1,060 (100%)	1,057 (100%)	934 (100%)	857 (100%)

*Source: Audit analysis of LD records*

*Note: The total was greater than the number of job seekers (see Table 34) because one job seeker might give more than one reason for his/her resignation.*

### Audit recommendations

3.98      **Audit has *recommended* that the Commissioner for Labour should:**

- (a)      **endeavour to achieve the divisional targets on the number of registered job seekers with disabilities and the number of placements;**
- (b)      **monitor the time taken for job seekers with disabilities to successfully have placements and endeavour to help job seekers with disabilities to secure placements, especially those who have waited for a long time without placements;**
- (c)      **report the number of direct and indirect placements separately and disclose the calculation method of the number of indirect placements for job seekers with disabilities in COR; and**
- (d)      **take measures to help job seekers with disabilities stay in their placements for longer period of time, for example, by matching the requirements of job vacancies against the working abilities of job seekers and referring jobs which are commensurate with the expectations of job seekers with disabilities on job nature, work environment and work requirements.**

### Response from the Government

3.99      The Commissioner for Labour agrees with the audit recommendations. He has said that while LD will make every endeavour to enhance the employment services for job seekers with disabilities in areas recommended by Audit, the following should be noted:

- (a)      each year, divisional targets on the number of registrations received from job seekers with disabilities and the number of placements secured for them are set for internal reference. While the estimated number of placements published in the COR was worked out basing on past experience and other factors like the prevailing labour market situation, the divisional target was sometimes set slightly higher with a view to encouraging LD staff to aim higher in helping job seekers with disabilities secure employment. For example, in 2018, while the estimated number of placements for job seekers with disabilities published in the COR was 2,200, the internal divisional target

was 2,400. The actual number of placements secured for that year was 2,219 – though not attaining the divisional target that had been purposefully set higher, it did meet the estimated figure in the COR;

- (b) LD has all along been striving to help each job seeker with disabilities find suitable jobs in the labour market. There were cases where placements could not be secured for some job seekers after a relatively longer period of time. According to follow-up surveys conducted by LD, the reasons for this were, among others, job seekers already in employment but looking for better jobs which were not yet available or job seekers not looking for jobs for the time being due to personal reasons. LD would continue to closely monitor the employment situation of each job seeker and render appropriate employment services taking account of their unique situations and preferences; and
- (c) with LD's enhanced efforts in providing follow-up service to help job seekers with disabilities adapt to the new posts and support employers better understand the special needs of the employees with disabilities, there was a notable improvement in the retention rate for the job seekers in recent years. However, in light of the prevailing tight labour market, it is conceivable that like their able-bodied counterparts, some job seekers with disabilities may change to better jobs if opportunities arise. Hence, job seekers with disabilities having turnover is not necessarily negative.

## **WOPS**

3.100 WOPS was introduced in April 2005. It aims to encourage employers to offer job vacancies and work orientation period to job seekers with disabilities through provision of financial incentive to enhance their understanding of the work abilities of job seekers with disabilities, thereby facilitating their open employment.

3.101 Employers, who hire job seekers with disabilities through LD under WOPS and provide appropriate coaching or support and appoint a mentor for such employees as well as comply with other requirements of WOPS, will be granted an allowance. Requirements for participating in WOPS are, as follows:

## **Employment services for job seekers with disabilities**

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- (a) the employer must hold a valid Business Registration Certificate;
- (b) the employer must register the job vacancy with LD and have it filled by a job seeker with disabilities registered with LD with the assistance of LD staff;
- (c) the vacancy has to meet the following requirements:
  - (i) length of employment contracts should be 3 months or longer;
  - (ii) working hours should be 15 hours or more per week; and
  - (iii) average wage rate should be no less than the Statutory Minimum Wage rate on average;
- (d) the job seeker with disabilities must not be a member of the family of the employer who is a proprietor of the business in which he/she is employed and who lives in the same dwelling as the proprietor;
- (e) the employer must not have any employment relationship with the job seeker with disabilities within one year prior to the date of employment commencement; and
- (f) if the employer has received or would receive other government funding for payment of salary to this employee with disabilities during the concerned employment period, then the employer could not apply for allowance in respect of the same employee under WOPS.

3.102 In June 2013, the “enhanced WOPS” was launched for employers who employed job seekers with disabilities having employment difficulties. The allowance of enhanced WOPS payable to the employer was increased from \$24,000 to \$35,000 with the allowance period up to 8 months. For the employers hiring job seekers with disabilities who were not assessed as having employment difficulties, the allowance of such “basic WOPS” remained at \$24,000 with the allowance period up to 6 months. With further enhancement since 1 September 2018, the allowance of enhanced WOPS payable to the employer was increased to \$51,000 with the allowance period extended up to 9 months. The allowance of basic WOPS was also increased to \$30,000 with the allowance period up to 6 months. Details are shown in Table 36.

**Table 36**

**Allowance under WOPS  
(with effective from 1 September 2018)**

<b>Nature</b>	<b>Basic WOPS</b>	<b>Enhanced WOPS</b>
	<b>Hiring a job seeker with disabilities not assessed as having employment difficulties</b>	<b>Hiring a job seeker with disabilities assessed as having employment difficulties</b>
Allowance period	6 months	9 months
Monthly WOPS allowance	Two-thirds of actual salary, subject to a ceiling of \$5,000 per month	1 <sup>st</sup> to 3 <sup>rd</sup> month: Actual salary minus \$500 per month, subject to a ceiling of \$7,000 per month; and  4 <sup>th</sup> to 9 <sup>th</sup> month: Two-thirds of actual salary, subject to a ceiling of \$5,000 per month
Total maximum WOPS allowance	\$30,000 (\$5,000 × 6 months)	\$51,000 (\$7,000 × 3 months + \$5,000 × 6 months)

*Source: LD records*

3.103 The employer is required to appoint an experienced staff as the mentor of the employee with disabilities to coach him/her on relevant job skills, as well as to assist him/her to adapt to the new job environment and integrate with co-workers. A mentor who has successfully assisted an employee with disabilities having employment difficulties to continue with employment after the first three months will be granted a cash award of \$1,500. A mentor who has assisted an employee with disabilities not assessed as having employment difficulties to continue with employment after the first month will be granted a cash award of \$500.

## Employment services for job seekers with disabilities

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3.104 LD staff will advise job seekers with disabilities to take part in a short-term PET programme under WOPS with a view to enhancing their chance of employment with the participating employers. On completion of PET, they will receive a training allowance of \$80 per day of training (Note 10).

3.105 For the period from 2014 to 2018, the number of WOPS placements was about 800 per year (see Table 37). After the introduction of enhanced WOPS in June 2013, WOPS expenditure increased from about \$8.6 million in 2013-14 to about \$13 million from 2014-15 to 2017-18 (see Table 38).

**Table 37**

**Number of WOPS placements  
(2014 to 2018)**

<b>Year</b>	<b>Basic WOPS placements (a)</b>	<b>Enhanced WOPS placements (b)</b>	<b>Total WOPS placements (c) = (a) + (b)</b>
2014	31	774	805
2015	11	800	811
2016	21	795	816
2017	28	774	802
2018	24	772	796

*Source: LD records*

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**Note 10:** *The training allowance is also payable to a job seeker with disabilities registered at SPD, no matter whether the job seeker has a WOPS placement or not.*

**Table 38**

**WOPS expenditure  
(2013-14 to 2017-18)**

	<b>2013-14 (Note) (\$)</b>	<b>2014-15 (\$)</b>	<b>2015-16 (\$)</b>	<b>2016-17 (\$)</b>	<b>2017-18 (\$)</b>
Financial incentive to employers	7,511,741	12,162,559	11,892,301	12,633,105	12,105,121
Cash awards to mentors	314,000	478,000	496,500	528,500	430,000
PET allowance to participants	9,300	9,420	10,920	11,340	7,600
Others (e.g. publicity and administrative expenses)	746,844	577,281	413,004	550,710	443,247
<b>Total</b>	<b>8,581,885</b>	<b>13,227,260</b>	<b>12,812,725</b>	<b>13,723,655</b>	<b>12,985,968</b>

*Source: LD records*

*Note: Since June 2013, LD has introduced the enhanced WOPS to encourage eligible employers to hire job seekers with disabilities who have employment difficulties by increasing the maximum amount of allowance payable for each job seeker with disabilities hired from \$24,000 to \$35,000.*

***Low retention rates for WOPS placements***

3.106 After the end of WOPS allowance period (i.e. 6 months for basic WOPS and 8 months for enhanced WOPS), the percentage of WOPS placements with the employees with disabilities still staying in employment were 37.5% (304 of 811 WOPS placements), 38.1% (311 of 816 WOPS placements) and 37.9% (304 of 802 WOPS placements) for 2015, 2016 and 2017 respectively. In the meeting of 16 January 2018, the Panel on Manpower of the Legislative Council expressed grave concern about the low retention rate of WOPS and urged the Government to study the reason for the low retention rate and follow up with the employment status of WOPS participants.

## Employment services for job seekers with disabilities

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3.107 In response to Audit enquiry, LD informed Audit in February 2019 that since 2015, LD had been following up the employment status of employees with disabilities placed under WOPS up to the 12<sup>th</sup> month of their employment period. In most cases where job seekers left the jobs before the end of the allowance period, they were looking for better jobs.

3.108 As coaching and support are provided to job seekers with disabilities during WOPS allowance period, Audit considers that LD needs to closely monitor the retention period of job seekers with disabilities under WOPS, especially after the end of WOPS allowance period, and take measures to help them stay longer in their placements.

### *Decreasing number of participants of PET classes*

3.109 LD regularly runs 1-day PET classes at the three regional offices for job seekers with disabilities with a view to enhancing their chance of employment. On completion of PET, the job seekers will receive a training allowance of \$80 per day of training.

3.110 The number of participants in PET classes decreased by 41.5% from 183 in 2014 to 107 in 2018 (see Table 39). The average number of participants per class also decreased by 38% from 10.8 in 2014 to 6.7 in 2018.

**Table 39**

**Decreased number of participants in PET classes  
for job seekers with disabilities  
(2014 to 2018)**

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
No. of classes	17	17	19	14	16
No. of participants	183	228	240	99	107
Average no. of participants per class	10.8	13.4	12.6	7.1	6.7

*Source: Audit analysis of LD records*



3.111 In view of the decreased number of participants, LD reviewed PET programme in September 2018 and found that:

- (a) more and more registrants had attained higher educational qualifications, and that more and more registrants had already received some sorts of training on soft skills, such as communication and interpersonal skills, in schools, NGOs and other training bodies before; and
- (b) many registrants were ready to land a job and would welcome a PET which would equip or empower them to secure a job.

3.112 LD planned to incorporate revised contents for classes starting from May 2019, which will focus on drilling of job search skills and practical applications of soft skills in solving problems in work setting.

3.113 In view of the decreasing number of participants in PET programme, Audit considers that LD needs to rationalise the number of PET classes to be held in future. LD also needs to closely monitor the number of participants in PET programme and take effective follow-up action to improve the participation rate.

***Performance against published pledges of WOPS not reported***

3.114 In August 2015, the Independent Commission Against Corruption (ICAC) completed a review and issued an assignment report on the administration of WOPS. ICAC recommended that to enhance transparency and ensure timely processing of applications, LD should devise and publicise the performance pledges for processing applications for joining WOPS, and claiming allowances and cash awards.

3.115 In response to the ICAC review, LD has devised and published the following pledges in the website since mid-January 2016:

- (a) issuing approval letter to employer within 14 days after the receipt of the complete application form together with all the documents required; and
- (b) making payment within 6 weeks after the receipt of the complete application form together with all the documents required.

3.116 In response to Audit enquiry, LD informed Audit in January 2019 that the respective officers in regional offices would monitor the achievements against the published pledges of WOPS. However, LD had not published its performance against the pledges of WOPS.

### **Audit recommendations**

3.117 **Audit has *recommended* that the Commissioner for Labour should:**

- (a) **closely monitor the percentage of WOPS placements staying in employment after the end of allowance period and take measures to help the job seekers with disabilities stay longer in their placements;**
- (b) **rationalise the number of PET classes to be held in future, closely monitor the number of participants in PET programme and take effective follow-up action to improve the participation rate; and**
- (c) **publish the performance against the pledges of WOPS.**

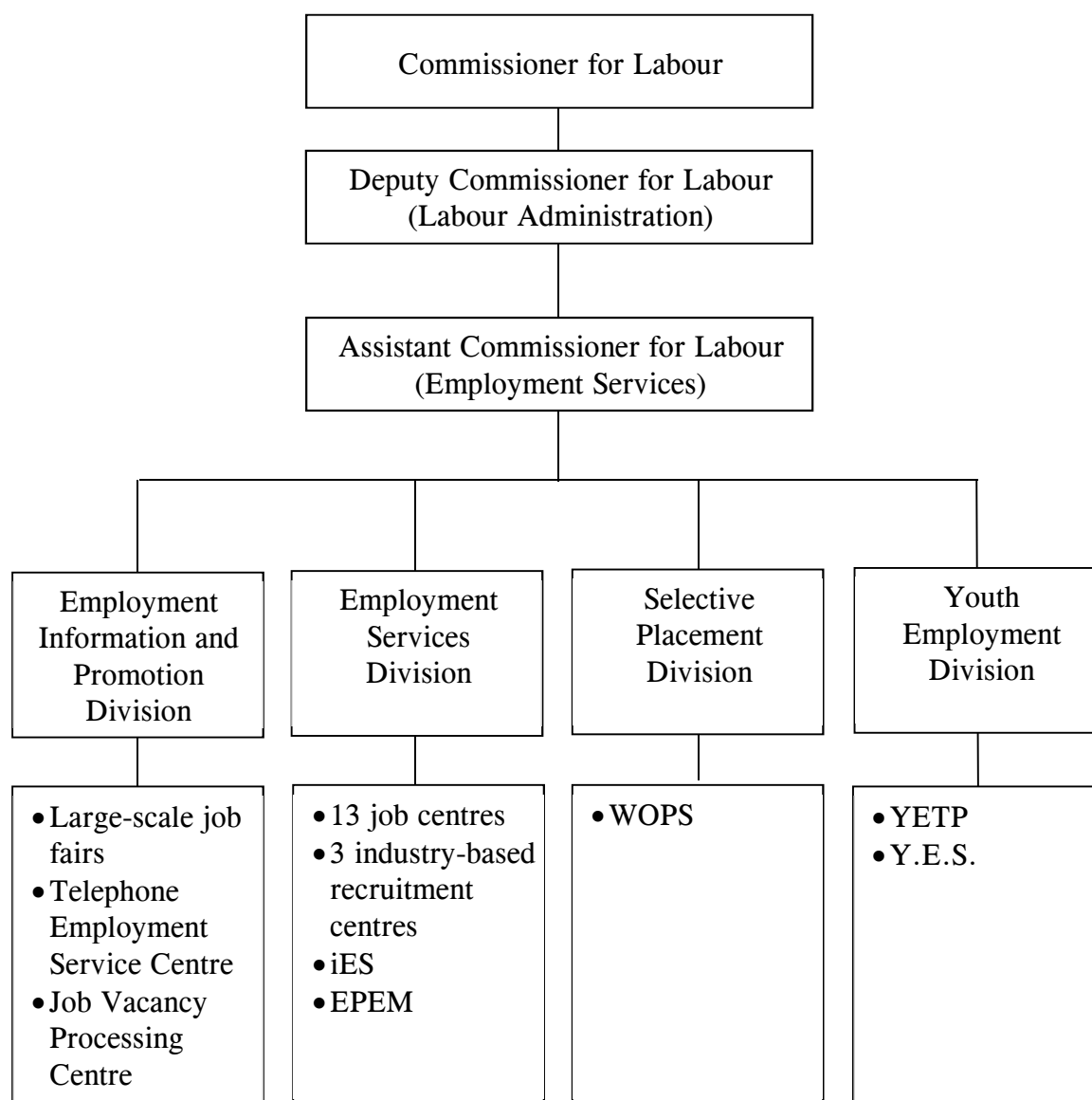
### **Response from the Government**

3.118 The Commissioner for Labour agrees with the audit recommendations. He has said that:

- (a) LD will continue to keep close watch on WOPS placement cases both within and after the allowance period and help the participants of WOPS stay longer in employment;
- (b) since 2015, LD has already stepped up monitoring of WOPS cases by extending the follow-up on the employment situation of employees with disabilities placed under WOPS up to the 12<sup>th</sup> month of employment. The follow-up results showed that the employment of only a small number of employees with disabilities were terminated after the allowance period i.e. less than 3% of WOPS participants in 2015, 2016 and 2017 were dismissed by their employers during the period from the 9<sup>th</sup> to the 12<sup>th</sup> month of employment; and

- (c) WOPS enhances the work capabilities and competitiveness of job seekers with disabilities through the process of work orientation and training. With on-the-job coaching provided by participating employers under the Scheme, employees with disabilities placed under WOPS would acquire work experience and skills which could enable them to change for better jobs.

**Labour Department: Organisation chart (extract)**  
**(31 December 2018)**



*Source: LD records*

**Acronyms and abbreviations**

Audit	Audit Commission
CIRC	Construction Industry Recruitment Centre
COR	Controlling Officer's Report
EM	Ethnic minority
EOS	Employment in One-stop
EPEM	Employment Programme for the Elderly and Middle-aged
ESA	Employment Services Ambassador
ICAC	Independent Commission Against Corruption
iES	Interactive Employment Service
LD	Labour Department
m <sup>2</sup>	Square metres
Mobile app	Mobile application
NGO	Non-governmental organisation
OJT	On-the-job training
PET	Pre-employment training
PWD	Persons with Disability
RCCI	Recruitment Centre for the Catering Industry
RCRI	Recruitment Centre for the Retail Industry
SPD	Selective Placement Division
WOPS	Work Orientation and Placement Scheme
Y.E.S.	Youth Employment Start
YETP	Youth Employment and Training Programme

# **CHAPTER 4**

## **Security Bureau Civil Aid Service**

### **Administration of the Civil Aid Service**

**Audit Commission  
Hong Kong  
1 April 2019**

*This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.*

Report No. 72 of the Director of Audit contains 8 Chapters which are available on our website at <https://www.aud.gov.hk>

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# ADMINISTRATION OF THE CIVIL AID SERVICE

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# ADMINISTRATION OF THE CIVIL AID SERVICE

## Executive Summary

1. The Civil Aid Service (CAS), established in 1952, is a uniformed and disciplined auxiliary emergency service financed by the Government. The operation of CAS is governed by the CAS Ordinance (Cap. 518) and the CAS Regulation (Cap. 518A). CAS's work contributes to the policy area of "Internal Security" under the Security Bureau (SB). The aims of CAS are to provide an effective auxiliary force to augment the Government's regular emergency services in emergency situations, provide civic services to government departments and outside agencies, and provide young people (aged 12 to 17) with the opportunity to develop self-confidence and civic-mindedness through participation in the CAS Cadet Corps. CAS comprises the CAS Auxiliary Force which mainly consists of volunteer members and cadets, and the CAS (Department) which is a government department providing administrative and logistic support to the CAS Auxiliary Force. The CAS Auxiliary Force is headed by the Commissioner of the CAS, who is appointed by and accountable to the Chief Executive of the Hong Kong Special Administrative Region. The Chief Staff Officer is the Controlling Officer, who is responsible for managing the CAS (Department) and is accountable for CAS's expenditure. The total expenditure of CAS in 2017-18 was \$109.4 million. As at 31 December 2018, the CAS (Department) had an establishment of 103 staff, and there were 3,333 CAS members and 4,262 cadets in the CAS Auxiliary Force. The Audit Commission (Audit) has recently conducted a review to examine the administration of CAS with a view to identifying areas for improvement.

## Training and services of Civil Aid Service members

2. *Efficiency requirements for CAS members.* Section 10(1) of the CAS Regulation stipulates that the requirements for efficiency of a member in any year shall be 60 hours performance of training with diligence. CAS General Order states that the 60-hour efficiency requirements might be met by a minimum of 30 hours of attendance in unit training plus a minimum of 30 hours of attendance in services. Any member who fails to comply with the efficiency requirements is an offence against discipline. In 2018, CAS provided 251,757 hours of training to its members (75 training hours per member on average) and CAS members provided

## Executive Summary

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302,532 services hours (90 service hours per member on average) (paras. 2.2, 2.3 and 2.10).

3. ***Non-compliance with minimum unit training requirements by some CAS members.*** For the years 2016 to 2018, the numbers of CAS members failing to meet the minimum unit training requirements of 30 hours were 826, 804 and 816, representing 24.5%, 23.9% and 24.1% of the average strength of CAS members respectively. In particular, 320 (9.5%), 269 (8%) and 281 (8.3%) of these members respectively did not attend any unit training. Audit noted that with effect from 1 January 2019, attendance of a member in centralised training organised by the CAS Training School would be counted on top of unit training when assessing whether he has fulfilled the 60-hour efficiency requirements (see para. 2). Audit considers that CAS needs to strengthen measures to ensure members' compliance with the minimum training requirements (para. 2.4).

4. ***Many new recruits leaving CAS before completion of recruitment training.*** Considerable resources are used in recruiting (e.g. through advertisement in local newspapers and recruitment talks) and training new CAS members (e.g. organising recruitment training programmes). Audit found that of the 1,351 new members recruited from 2014 to 2018, 345 (26%) left CAS before completing the recruitment training programme. CAS needs to explore ways to retain new recruits of CAS members (paras. 2.3(a) and 2.7).

5. ***Non-compliance with minimum service requirements by some CAS members.*** For the years 2016 to 2018, the numbers of CAS members failing to meet the minimum service requirements of 30 hours (see para. 2) were 711, 626 and 763, representing 21.1%, 18.7% and 22.5% of the average strength of CAS members respectively. In particular, 262 (7.8%), 234 (7%) and 275 (8.1%) of these members respectively did not provide any service. CAS needs to strengthen measures to ensure members' compliance with the minimum service requirements (paras. 2.12 and 2.13).

6. ***Approval of exemption from efficiency requirements not always obtained.*** According to CAS General Order, CAS members who do not fulfil the 60-hour efficiency requirements (see para. 2) may apply for exemption. However, in 2017, only 16 (26%) of 61 CAS members who received less than 30 hours of unit training and provided 100 or more hours of services each had applied for exemption and were granted approval. Audit's sample check of five members failing to meet the minimum

## Executive Summary

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service requirements of 30 hours also revealed that they had not applied for exemption. CAS needs to remind members who have not fulfilled the efficiency requirements to apply for exemption with justifications (paras. 2.5 and 2.14).

7. ***No guidelines for handling requests for non-emergency services.*** Audit analysis of 292 requests received by CAS for providing non-emergency services (e.g. crowd control) in 2017 revealed that documented reasons were only found in 10 (21%) of the 48 service requests rejected. Moreover, no guidelines were laid down on accepting non-emergency requests. CAS needs to promulgate such guidelines and document the reasons for accepting or rejecting the requests (paras. 2.15 and 2.16).

8. ***Need to lay down the basis for measuring target lead time for mountain emergency call-out operations.*** According to CAS's performance pledge, the lead time for the Mountain Search and Rescue Company to respond to any emergency call-out operation is one hour. According to CAS, the lead time is the time between receiving a call for assistance and the first CAS vehicle departing from the CAS Headquarters to the scene. However, this basis was not defined clearly in CAS guidelines. Audit examination of 13 emergency call-out cases in 2017 revealed that the one-hour performance pledge was not met in 7 (54%) cases. CAS needs to define clearly the basis for measuring the target lead time in CAS guidelines and take measures to meet the target (paras. 2.19 and 2.20).

9. ***Need to take follow-up actions on CAS members not fulfilling efficiency requirements.*** For the years 2016 to 2018, 954 to 1,059 CAS members had not complied with the 60-hour efficiency requirements, representing 28% to 31% of the average strength of CAS members in the respective years. Audit examination of the follow-up actions taken on five members who failed to attend any unit training nor provide any service from January 2015 to June 2018 revealed that some follow-up actions (e.g. issuing warnings and conducting Formal Disciplinary Inquiry Board) had not been taken in accordance with the procedures stipulated in CAS General Order. CAS needs to take measures to ensure compliance with the procedures (paras. 2.23 and 2.27).

10. ***Need to promptly implement a fair and equitable duty allocation system.*** In 2017-18, CAS's expenditure on pay and allowances for CAS members who engaged in services and training was \$37.2 million. In 2017 and 2018, the average

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hours spent on training and provision of services per CAS member were 186 and 166 respectively. However, three members were each allocated with more than 1,500 hours a year in training and services in 2017 and 2018. Although these members were experienced and efficient helpers who possessed relevant skills, CAS needs to ascertain whether there are other members who are also qualified for the relevant duties and avoid allocating duties only to a few members as far as practicable. CAS also needs to take prompt measures to implement a fair and equitable duty allocation system (paras. 2.30, 2.31, 2.34, 2.35(b) and 2.37).

11. *Need to step up monitoring of training and service attendance.* Audit examined 315 approved attendance claim forms (ACFs) for training received or services provided from April to June 2018 and noted areas for improvement, including: (a) early departure of members while attending scheduled training/voluntary duties without documented justifications; (b) late arrival for scheduled training/voluntary duties; (c) scheduled training/voluntary duties conducted without prior approval; and (d) ACFs not certified properly by officers-in-charge. CAS needs to step up efforts in monitoring the processing of ACFs, and remind CAS members/staff to comply with the requirements pertinent to the submission of claims for pay and allowances (paras. 2.40 and 2.41).

## Management of the Civil Aid Service Cadet Corps

12. The CAS Cadet Corps was established in 1968. Its mission is to nurture its cadets and facilitate their development into future leaders and responsible citizens by motivating them to participate actively in community services, civic education and discipline training (paras. 3.2 and 3.9).

13. *Cancellation/postponement of centralised training courses.* Centralised training courses are organised to meet the training needs of CAS cadets in specific skills and for promotion of cadets. Audit examination revealed that 30 (37%) of 81 centralised training courses in 2018 were postponed/cancelled due to limited resources (15 courses), and insufficient nominations (another 15 courses). Of the courses that were postponed/cancelled due to limited resources, 3 were mandatory for the promotion of cadets. CAS needs to ascertain the reasons for insufficient nominations and take measures to encourage participation. CAS also needs to explore ways to better utilise its resources so that essential training courses can be provided as planned (paras. 3.7 and 3.8).

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14. ***Need to improve performance of participation in community services.*** Notwithstanding that there are no mandatory requirements on community services (e.g. crowd management) provided by a CAS cadet in a year, CAS has set a performance target for community services provided by CAS cadets in its Controlling Officer's Report. While the target community service hours were reduced by 37% from 35,000 hours in 2013 to 22,000 hours in 2018, the actual community service hours had decreased by 40% from 35,000 hours in 2013 to 21,000 hours in 2018 (i.e. persistently below the performance targets from 2014 to 2018). According to CAS, the reasons for not meeting the performance targets included reduction in requests for community services, change of training focus by CAS on cadets and other commitments of cadets (e.g. school study). Audit also found that the CAS could not deploy enough cadets to meet the service requirements in three major community services in 2018. CAS needs to explore effective measures to improve cadets' participation in community services (paras. 3.9, 3.10 and 3.12 to 3.14).

15. ***Need to increase participation of inactive cadets and step up follow-up actions.*** For the years 2015 to 2018, the number of inactive cadets, who did not participate in any training, any community services nor any recreational and social activities ranged from 755 to 938, representing 26% to 32% of the average strength. Audit sample checked the follow-up actions taken on 10 inactive cadets and found that follow-up actions (e.g. issuing notification letters to cadets' parents) had not been taken in accordance with CAS guidelines in some cases. CAS needs to step up actions to increase cadets' participation so as to achieve the mission of the Cadet Corps (see para. 12), and take measures to ensure that follow-up actions are taken in accordance with CAS guidelines (paras. 3.16, 3.18 and 3.19).

16. ***Vacancies of senior-rank cadets not filled.*** Audit found that the vacancy rates of cadet leader and senior cadet leader were over 90% in 2018 and the number of promotions to the ranks above senior cadet was relatively lower. According to CAS, the major causes of the vacancies included the relative short time span of a cadet participating in the Cadet Corps, other commitments of cadets (e.g. school events), and specific measures to encourage cadet promotion was withheld pending the implementation of the recommendations of a study of the repositioning of the Cadet Corps. CAS needs to formulate action plans to improve the vacancy situation as soon as possible (paras. 3.23 to 3.25).



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### Administrative issues

17. ***Financial control.*** In 2017-18, CAS incurred an expenditure of \$112.2 million which exceeded the approved provision of \$109.4 million under Head 27 — CAS in the General Revenue Account by \$2.8 million. After the overspending incident, SB, the Treasury and CAS conducted reviews and made recommendations to improve the financial control of CAS. According to CAS, it had taken on board the recommendations of the reviews (para. 4.2).

18. ***Need to expedite recovery actions in respect of arrears of revenue.*** As at 30 September 2018, the total amount of arrears of revenue was \$111,900, of which \$69,200 (62%) involving 314 cases was related to unreturned uniforms and accoutrements of CAS members/cadets. As at 31 October 2018, 166 (53%) of the 314 cases had been outstanding for over 6 years. Audit found that there was delay by CAS staff in issuing demand notes and taking follow-up actions (e.g. informing the Department of Justice for issuing legal notices). CAS needs to expedite recovery actions in respect of arrears of revenue and write-off actions if further recovery actions are not warranted (paras. 4.3, 4.5 and 4.6).

19. ***Procurement of goods and services.*** The CAS's procurement activities and management of stores are governed by the Stores and Procurement Regulations (SPRs). Audit selected 50 quotation exercises with a value of over \$50,000 each for examination and reviewed the registers for quotations with a value of not exceeding \$50,000 each from 2013-14 to 2017-18 (paras. 4.12 and 4.13). Audit has found room for improvement in the following areas:

- (a) ***Number of quotations invited less than required.*** Audit found that in 2016-17, in a quotation exercise with a value of purchases exceeded \$50,000, only three quotations were invited instead of a minimum of five in accordance with SPRs. Moreover, similar services of an operation were procured by another three quotation exercises. To achieve better economy of scale, the three quotation exercises could have been consolidated into one (para. 4.13(a));
- (b) ***Approval for contract variations not sought.*** The final contract sums for two contracts were 6% and 4% above the approved contract sums due to changes in service requirements. In both cases, there were no records

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showing that approval for contract variations had been sought from a Directorate Officer, contrary to SPR requirements (para. 4.13(c)); and

- (c) ***Cancellation of quotation exercises.*** Audit examination of 50 quotation exercises for purchases with a value of over \$50,000 each revealed that some quotation exercises were cancelled due to inadequate market research before drawing up essential requirements for quotations or insufficient funds (para. 4.13(d)).

20. ***Management of stores.*** CAS has three major stores: (a) a Uniform Store; (b) a General and Stationery Store; and (c) a Dangerous Goods Store (para. 4.18). Audit reviewed the management of stores by CAS and noted the following issues:

- (a) ***Delays in updating records of returned stores items.*** In CAS annual departmental stock verification exercises from 2014 to 2018, surpluses were found in respect of 9 to 15 stores items when compared with the ledger balances, partly because the stores records were not updated when the items were returned (para. 4.18(a)); and
- (b) ***Annual inventory verification exercises not conducted.*** Audit reviewed the inventory sheets of inventory holding units for the period from 2013 to 2018 and found that 6 (26%) of 23 office units and all the 32 volunteer units had not conducted annual inventory verifications as required by SPRs for more than one year. According to CAS, inventory holders of volunteer units were CAS members, who were not “public officers” under SPRs. CAS was seeking the advice from the Financial Services and the Treasury Bureau on the issue (para. 4.18(b)).

21. ***Disposed stores not properly recorded and accounted for.*** According to SPRs, a list of stores for dumping is prepared to certify that the stores have been dumped or destroyed and a voucher must be completed to certify that stores are issued and received for dumping purposes. Audit examination revealed that in 10 (20%) of 50 disposal exercises approved from January 2015 to July 2018, the list of stores for dumping and/or vouchers were not found (paras. 4.20 and 4.21).

22. ***Management of dangerous goods.*** CAS maintains a Dangerous Goods Store where dangerous goods are kept. While the provisions of the Dangerous Goods

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Ordinance (Cap. 295) do not apply to the Government, CAS obtained the Fire Services Department (FSD)'s approval in February 2006 on the quantities of the dangerous goods kept in its Dangerous Goods Store subject to the compliance with a number of fire services requirements. Audit conducted an inspection and stocktake at the Store on 11 January 2019 and found that some fire services requirements were not complied with, including: (a) four dangerous goods items kept inside the Store exceeded FSD's approved quantities; (b) conspicuous warning notices (e.g. "no smoking") were not displayed on the front door of the Store; (c) the fire extinguisher inside the Store was not properly maintained; and (d) a self-closing device of a door was broken. According to CAS, the irregularities were rectified on 22 February 2019. CAS needs to take measures to ensure compliance with the pertinent fire services requirements at all times (paras. 4.22 to 4.25 and 4.27(b)).

23. ***Need to enhance governance of CAS.*** In this Audit Report, Audit has highlighted inadequacies in the training and services of CAS members and cadets, and instances of non-compliance with SPRs in procurement of goods and services and the fire services requirements in the management of the Dangerous Goods Store. There is a need for CAS to enhance its governance, and raise the awareness of CAS staff and CAS members on the need to comply with government regulations and guidelines, and CAS General Orders respectively. In this regard, CAS also needs to promulgate in CAS General Orders the terms of reference of the Commissioner's Office, the quorum requirement and frequency of the meetings of the Commissioner's Conference, the Commissioner's Committee and the Commissioner's Office, and properly document the records of meetings of the Commissioner's Office and the declaration of conflict of interests by CAS members (para. 4.29).

## Audit recommendations

24. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that CAS Management should:**

- (a) **strengthen measures to ensure that CAS members comply with the minimum training requirements and service requirements stipulated in CAS General Order, and explore ways to retain new recruits of CAS members (paras. 2.8(a) and (d), and 2.21(a));**

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- (b) remind CAS members who have not fulfilled the minimum training requirements or the minimum service requirements to apply for exemption with justifications (paras. 2.8(b) and 2.21(b));**
- (c) promulgate guidelines on accepting non-emergency service requests and document the reasons for accepting or rejecting the requests (para. 2.21(c));**
- (d) take prompt measures to implement a fair and equitable duty allocation system (para. 2.42(b));**
- (e) step up efforts in monitoring the processing of ACFs and remind CAS members/staff to comply with requirements pertinent to the submission of claims for pay and allowances (para. 2.42(c) and (d));**
- (f) ascertain the reasons for insufficient nominations of centralised training courses provided for CAS cadets and take measures to encourage participation and explore ways to better utilise CAS resources so that essential training courses can be provided as planned (para. 3.20(a) and (b));**
- (g) explore effective measures to improve the performance of the provision of community services and step up actions to increase cadets' participation in training, community services and recreational and social activities (para. 3.20(c) and (f));**
- (h) expedite recovery actions in respect of arrears of revenue and write-off actions if warranted (para. 4.9(a));**
- (i) take measures to ensure compliance with SPR requirements for procurement of goods and services and management of stores, and the pertinent fire services requirements at all times (paras. 4.14(a), and 4.26(a) and (d)); and**
- (j) enhance the governance of CAS to ensure that an established mechanism is in place to oversee and regularly report to the relevant CAS authorities the follow-up actions on the issues identified in this Audit Report (para. 4.30(a)).**

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### **Response from the Government**

25. The Government generally agrees with the audit recommendations.

## **PART 1: INTRODUCTION**

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

### ***Background***

1.2 The Civil Aid Service (CAS), established in January 1952, is a uniformed and disciplined auxiliary emergency service financed by the Government. The operation of CAS is governed by the CAS Ordinance (Cap. 518) and the CAS Regulation (Cap. 518A). The aims of CAS are to provide an effective auxiliary force to augment the Government's regular emergency services in emergency situations, provide civic services to government departments and outside agencies, and provide young people (aged 12 to 17) with the opportunity to develop self-confidence and civic-mindfulness through participation in the CAS Cadet Corps. CAS comprises the CAS (Department) which is a government department (see para. 1.6) and the CAS Auxiliary Force which mainly consists of volunteer members (see para. 1.8).

### ***Services provided by CAS***

1.3 According to section 4 of the CAS Ordinance, the functions of CAS are to:

- (a) provide civil support services on the occasion of any emergency;
- (b) at the discretion of the Chief Executive of the Hong Kong Special Administrative Region, perform such other functions as may be commensurate with the training of members, and on such occasions, as she may order; and
- (c) at the discretion of the Commissioner of the CAS, provide such other services of a non-emergency nature for the general benefit of the community as he may direct.

1.4 CAS provides a wide range of services for government bureaux/departments (B/Ds) and non-governmental organisations (NGOs). According to its Controlling Officer's Report (COR), CAS's work contributes to the

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policy area of “Internal Security” under the purview of the Security Bureau (SB). Its work involves:

- (a) providing support to the Government’s regular emergency services in counter-disaster activities, mountain search and rescue, and countryside protection duties;
- (b) providing crowd control and crowd management services in major public functions;
- (c) assisting people in need of help in country parks and hiking trails;
- (d) providing stage performances to enhance public attention at major campaigns or activities organised by government departments and outside agencies; and
- (e) providing, through the CAS Cadet Corps, youth with specific training in discipline and skills, and an orientation towards civic duty.

In 2017-18, the auxiliary emergency and civic services provided to B/Ds and outside agencies by CAS included typhoon duties, flood rescue, mountain search and rescue, countryside fire-fighting and protection, community services, and training on emergency rescue, hiking safety and work safety at height.

1.5 Key performance targets of CAS as reported in its CORs for 2014 to 2018 are shown in Table 1.

Table 1

**Key performance targets of CAS  
(2014 to 2018)**

Key performance target	Target (Man-hour)	2014	2015	2016	2017	2018
		Actual (Man-hour)				
(a) Providing standby teams on Sundays and general holidays for immediate deployment to handle emergencies (mountain search and rescue, and countryside fire-fighting)	32,000	34,000	33,000	33,000	35,000	32,000
(b) Providing crowd management services for major public functions	78,000	63,000	78,000	85,000	78,000	77,000
(c) Patrolling the country parks and hiking trails	44,000	46,000	47,000	45,000	45,000	42,000
(d) Providing performances for the public on major government campaigns and activities	6,000	7,000	7,000	8,000	7,000	4,000
(e) Providing full-time and part-time training for CAS members through the CAS Training School	72,000 (Note 1)	71,000	63,000	74,000	89,000	68,000
(f) Providing full-time and part-time training for CAS cadets in skills and discipline through the CAS Training School	48,000 (2014 to 2016) 60,000 (2017) 65,000 (2018) (Note 2)	48,000	55,000	65,000	80,000	82,000
(g) Providing recreational and social activities for CAS cadets	115,000 (Note 3)	97,000	104,000	119,000	125,000	122,000



**Table 1 (Cont'd)**

Key performance target	Target (Man-hour)	2014	2015	2016	2017	2018
		Actual (Man-hour)				
(h) Providing community services by CAS cadets	35,000 (2014)  30,000 (2015)  25,000 (2016)  22,000 (2017 to 2018) (Note 4)	29,000	24,000	21,000	21,000	21,000
(i) Providing training on mountain rescue, hiking safety and work safety at height for staff of government departments and NGOs	20,000	19,000	21,000	20,000	22,000	19,000

*Source:* CAS's CORs

*Note 1:* The target was adjusted upwards from 65,000 to 72,000 man-hours from 2018 onwards in view of the increase in the number of CAS new recruits and the provision of more training in alignment with the enhanced promotion of mountaineering and hiking safety.

*Note 2:* The target was adjusted upwards from 48,000 to 60,000 and 65,000 man-hours effective 2017 and 2018 respectively, and further to 75,000 man-hours effective 2019 in view of the increase in the number of CAS cadets.

*Note 3:* The target was adjusted upwards from 115,000 to 125,000 man-hours effective 2019 in view of the increase in the number of CAS cadets.

*Note 4:* The target was adjusted downwards from 35,000 to 30,000 and 25,000 man-hours effective 2015 and 2016 respectively as the requirement for Hong Kong Wetland Park duties had been reduced from 12 to 7 months a year since 2014. The target was further reduced to 22,000 man-hours effective 2017 and to 20,000 man-hours effective 2019 in view of a reduced scale of deployment of CAS cadets in community services (e.g. Hong Kong Wetland Park duties and crowd management service).

### ***CAS (Department)***

1.6 The CAS (Department) is a government department under SB. It performs and provides operational control, service training, administrative and logistic support to members of the CAS Auxiliary Force (see para. 1.8 — Note 1). The Chief Staff Officer is responsible to the Secretary for Security for managing the CAS (Department). He also serves as the Deputy Commissioner (Operations) of the CAS Auxiliary Force. As at 31 December 2018, the Department had an establishment of 103 civil servants (Note 2) in the following two Divisions:

- (a) ***Administration Division.*** It provides administrative, accounting, membership and translation support to the CAS Auxiliary Force; and
- (b) ***Operations and Training Division.*** It provides recruitment and training support to the CAS Auxiliary Force.

The organisation chart of the CAS (Department) as at 1 January 2019 is at Appendix A.

### ***CAS Auxiliary Force***

1.7 The CAS Auxiliary Force is headed by the Commissioner of the CAS, who is appointed by and accountable to the Chief Executive. He is assisted by three Deputy Commissioners for the administration, operations, development and youth training of CAS. In this Audit Report, the Commissioner of the CAS and the Chief Staff Officer of the CAS (Department) are referred to as CAS Management.

1.8 The CAS Auxiliary Force is formed by members from all walks of life in the Hong Kong community. CAS invites members of the public who are interested in serving the community and undertaking various emergency duties to join the

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**Note 1:** *In this Audit Report, “CAS member” refers to a member of the CAS Auxiliary Force and “CAS staff” refers to a staff working in the CAS (Department).*

**Note 2:** *The CAS (Department) is staffed by officers in the departmental grade of Operations and Training Officers and other officers in various general grades (e.g. Executive Officer, Supplies Officer and Clerical Officer) of the Government.*

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Auxiliary Force (Note 3 ). CAS members are classified into officer rank (Note 4 ) or other ranks (Note 5). Members at officer rank are tasked with management responsibilities (e.g. allocation of duties) on top of their operational duties. The recruitment procedures for a CAS member comprise functional and fitness tests, a written test (on use of Chinese and English for officer rank and Chinese for other ranks), an interview and a medical examination. Based on the performance of the applicants, CAS selects suitable applicants for enrolment as CAS members. As at 31 December 2018, there were 3,333 CAS members.

1.9 To ensure that CAS members maintain their proficiency in operations, section 10(1) of the CAS Regulation stipulates that the requirements for efficiency of a member in any year shall be 60 hours performance of training with diligence.

1.10 CAS provides youth training through its Cadet Corps. It aims at nurturing cadets to become future leaders and responsible citizens by motivating them to participate actively in community services, civic education and discipline training.

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**Note 3:** *The recruitment exercise for members at officer rank is carried out annually and enrolment applications for members at other ranks are accepted throughout the year.*

**Note 4:** *For enrolment as a member at officer rank, the applicant should be:*  
(a) *a permanent resident of Hong Kong of at least 18 years of age;*  
(b) *able to speak fluent Cantonese and to read and write Chinese and English, and a holder of a bachelor's degree with special skills/experience that fits for the missions of CAS; and*  
(c) *able to pass the functional and fitness tests and the medical examination.*

**Note 5:** *For enrolment as a member at other ranks, the applicant should be:*  
(a) *a permanent resident of Hong Kong of at least 16 years of age. Any applicant under 18 years of age should obtain from his/her parent or guardian a written consent;*  
(b) *able to speak fluent Cantonese and to read and write Chinese, with qualification as Form 3 graduate or above; and*  
(c) *able to pass the functional and fitness tests and the medical examination.*

CAS accepts enrolment applications for cadets throughout the year (Note 6). Based on interview results, CAS selects successful applicants for enrolment as cadets. As at 31 December 2018, there were 4,262 cadets in 20 platoon groups under five Cadet Corps Companies.

1.11 The CAS Auxiliary Force comprises the following set-up:

- (a) **Command Core.** The Command Core assumes the roles of operational command and co-ordination, and takes overall charge of the command, control and resources deployment in execution of operational duties;
- (b) **Administration Force.** The Administration Force comprises the Human Resources Office, Internal Communications Office, Information Technology Office and Public Relations Office. The Force helps promulgate the positive image of CAS to the public, takes charge of all human resource issues, manages all kinds of internal communications among members in CAS, and assists and monitors the use of computers installed at different units;
- (c) **Tactical Force.** Its main function is to control and co-ordinate the performance of Tactical Force members in operations and emergencies. The Tactical Force comprises the Emergency Rescue Company, Mountain Search and Rescue Company (MSaR Company), Emergency Rescue Training Office, and Mountain Search and Rescue Training Office;
- (d) **Support Force.** It plays the major role in offering logistic support to the CAS Auxiliary Force in operations, major community services and ceremonial events. The Support Force comprises the Welfare Company, the CAS Band, the Transport Company, the Stores Company and the Communications Company;
- (e) **Regions.** There are three Regions, namely Hong Kong, Kowloon and New Territories Regions. Each Region comprises a Regional Headquarters and four Companies. Each Regional Headquarters exercises the command and

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**Note 6:** *For enrolment as a cadet, the applicant should:*

- (a) *be aged 12 or above but under 16;*
- (b) *be a Hong Kong Identity Card holder; and*
- (c) *have obtained from his/her parent or guardian a written consent.*

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control functions on its Companies in regional administration, training and management;

- (f) ***Training and Development Force.*** It is responsible for providing training and developing policies and strategies in the aspects of service-wide and regional training, overseas programme, government and non-government training on CAS subjects, and ensuring that the implementation of training for CAS is up to the standard;
- (g) ***Cadet Corps.*** It is responsible for the management and development of cadets in the five Cadet Corps Companies; and
- (h) ***Audit Office.*** The Audit Office is responsible directly to the Commissioner of the CAS through the Commissioner's Committee (Note 7). It examines, evaluates and reports on the adequacy of the internal controls.

An extract of the organisation chart of the CAS Auxiliary Force as at 1 January 2019 is at Appendix B.

1.12 The Commissioner of the CAS will periodically chair a conference (i.e. Commissioner's Conference) with 15 members who are Regional/Force/Cadet Corps Commanders and above in examining or approving all administrative and managerial matters as well as operational policies within CAS. Besides, a Commissioner's Committee chaired by the Deputy Commissioner (Operations) assists the Commissioner in ensuring that CAS is well managed, and laid-down policies are adhered to by all CAS members. The Committee oversees matters such as discipline, training, welfare, efficiency and proper performance of duties of all personnel under the command of respective regional heads. The Committee will hold meeting before the Commissioner's Conference or at any time as and when required. The Committee examines and makes recommendations to the Commissioner on: (a) promotion of officers; (b) awards or commendations; (c) disciplinary matters; (d) service development; and (e) other crucial issues. In addition, the Commissioner's Office

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**Note 7:** *The Commissioner's Committee is chaired by the Deputy Commissioner (Operations) and comprises the Deputy Commissioner (Administration), Deputy Commissioner (Development) and four Senior Assistant Commissioners of the CAS.*

holds meetings from time to time to discuss administrative matters of CAS (Note 8).

### *Expenditure of CAS*

1.13 The Chief Staff Officer is the Controlling Officer of the CAS (Department) and is accountable for CAS's expenditure. The pay and allowances of CAS members are governed by the Auxiliary Forces Pay and Allowances Ordinance (AFPAO — Cap. 254). CAS members are eligible for pay and allowances (Note 9) only when they have been called out to provide emergency or regular services, or when they have attended training courses conducted by CAS. An extract of the rates of pay for CAS members in 2018-19 and 2019-20 are at Appendix C. A CAS member who attends training or provides services and a CAS cadet who attends training, activities or community services are eligible to receive a daily ration allowance (Note 10). Of CAS's total expenditure of \$109.4 million in 2017-18 (see Figure 1), the pay and allowances received by CAS members and cadets amounted to \$38.6 million (35% of \$109.4 million).

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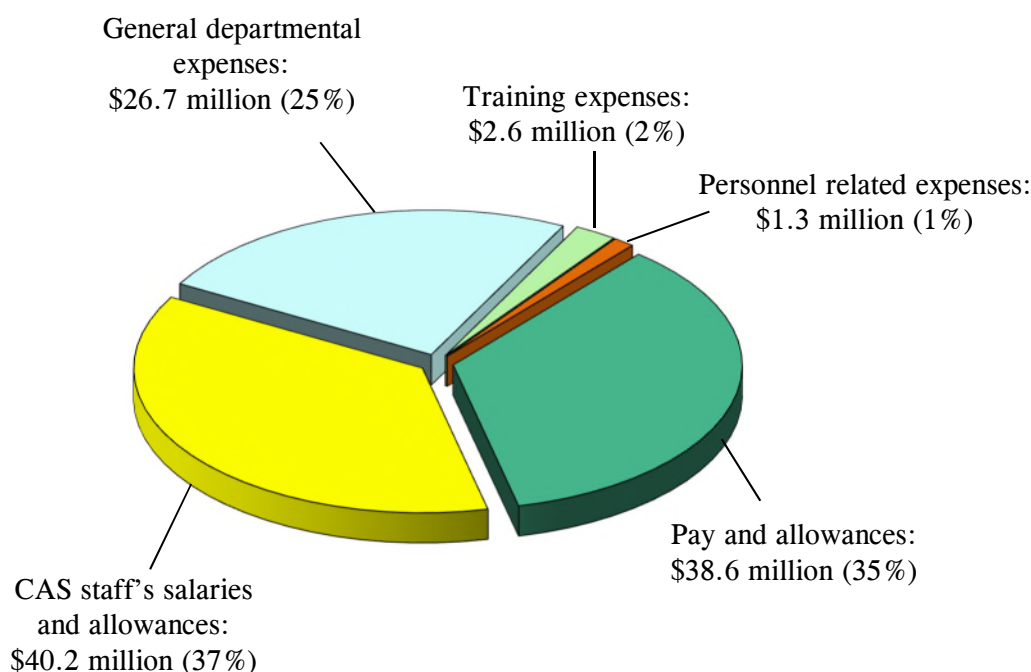
**Note 8:** *The Commissioner's Office is chaired by the Commissioner of the CAS and comprises seven members (i.e. three Deputy Commissioners and four Senior Assistant Commissioners of the CAS). According to CAS, the Office holds meetings to discuss policies, strategies and management issues relating to the development, administration and operations of CAS.*

**Note 9:** *The pay rates of CAS members range from \$92.6 to \$218.1 per hour for officers, and from \$44.8 to \$72.6 per hour for other ranks. The pay rates are reviewed every two years by the Secretary for Security. The revised pay rates are then submitted to the Secretary for Financial Services and the Treasury for approval under delegated authority from the Finance Committee of the Legislative Council.*

**Note 10:** *According to CAS, a CAS member or cadet who attends training, activities, community services or voluntary duties continuously for eight hours or more in a 24-hour period during which he/she is not provided with free meal is eligible for a ration allowance of \$96. Half ration allowance of \$48 is payable to a CAS cadet for attending training, activities or community services continuously for four hours or more but less than eight hours.*

**Figure 1**

**Analysis of CAS's total expenditure of \$109.4 million  
(2017-18)**



Source: CAS records

### ***Guidelines and instructions***

1.14 The Commissioner of the CAS may, from time to time, under the authority of the CAS Ordinance and the CAS Regulation, issue orders for the administration and control of CAS. The General Orders of CAS (Note 11) embody policies, directives and instructions on specific subjects or issues relating to CAS organisational structure, function and service management. Similar to other government departments, the operations of CAS (Department) are governed by relevant government regulations and guidelines (including the Civil Service Regulations, the Stores and Procurement Regulations (SPRs) and the Financial Circulars, etc.) while the CAS Auxiliary Force makes reference to these regulations and guidelines.

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**Note 11:** *The General Orders cover different themes including organisation functions, personnel, conduct and discipline, finance and accounts, uniform, stores and equipment, transport, accommodation and general administration.*

### **Audit review**

1.15 In November 2018, the Audit Commission (Audit) commenced a review to examine the administration of CAS, focusing on:

- (a) training and services of Civil Aid Service members (PART 2);
- (b) management of the Civil Aid Service Cadet Corps (PART 3); and
- (c) administrative issues (PART 4).

Audit has found room for improvement in the above areas and has made a number of recommendations to address the issues.

### **General response from the Government**

1.16 The Secretary for Security has said that he agrees in general with the audit observations and helpful audit recommendations. The SB notes that CAS has generally agreed with the audit recommendations and will make every endeavour to address those issues requiring follow-up actions, as part of its ongoing efforts to enhance operation and resource management. In particular, it is noted that CAS will conduct a holistic review on its administration, training and operation arrangements, taking into account all recommendations in this report, which will help improve the administration of CAS in the overall.

1.17 CAS Management agrees with the audit recommendations regarding the administration of CAS, which will help enhance the administration, training and operation management, as well as the governance and management of both the Department and the Auxiliary Force.

### **Acknowledgement**

1.18 Audit would like to acknowledge with gratitude the full cooperation of the staff of SB, and staff and members of CAS during the course of the audit review.



## **PART 2: TRAINING AND SERVICES OF CIVIL AID SERVICE MEMBERS**

2.1 This PART examines the training and services of CAS members, focusing on:

- (a) training provided to CAS members (paras. 2.3 to 2.9);
- (b) services provided by CAS members (paras. 2.10 to 2.22);
- (c) follow-up actions on CAS members not fulfilling efficiency requirements (paras. 2.23 to 2.29); and
- (d) pay and allowances of CAS members (paras. 2.30 to 2.43).

### ***Efficiency requirements for CAS members***

2.2 To ensure that CAS members maintain their proficiency in operations, section 10(1) of the CAS Regulation stipulates that the requirements for efficiency of a member in any year shall be 60 hours performance of training with diligence. CAS General Order No. 3.6.4 (Note 12) states that the 60-hour efficiency requirements might be met by a minimum of 30 hours of attendance in unit training plus a minimum of 30 hours of attendance in services. Any member who fails to comply with the efficiency requirements is an offence against discipline (see paras. 2.24 and 2.25). The total number of unit training hours provided by CAS each year is sufficient for each member to fulfil the minimum unit training requirements.

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**Note 12:** *CAS General Order No. 3.6.4 superseded the then CAS General Order No. 3.3.2 “Requirements for efficiency of CAS members” with effect from 20 April 2017. The requirements for efficiency (i.e. a minimum of 30 hours of attendance in unit training plus a minimum of 30 hours of attendance in services) in both Orders are the same.*

## Training provided to Civil Aid Service members

2.3 CAS aims to provide well-trained, skilful and disciplined personnel to assist in emergency operations or in situations where CAS assistance is required (see para. 1.4(a) to (d)). Training provided to CAS members comprises:

- (a) **Recruitment training.** All new members are required to attend a comprehensive recruitment training programme (of 161 and 271 hours for officer and other ranks respectively) to ensure that they are equipped with the basic skills and techniques for performing their duties. The CAS Training School provides recruitment training for new members. Recruitment training covers areas such as knowledge of CAS (e.g. the aim, role and functions of CAS), first aid, foot drill and basic emergency rescue;
- (b) **Centralised training.** Centralised training is provided by the CAS Training School. The training may be in the form of training courses, workshops and seminars through which CAS members may enhance their knowledge and skills, and acquire the necessary qualifications for further development or promotion. A CAS member is encouraged to attend at least one centralised training course per year through nomination by his/her Unit Commander; and
- (c) **Unit training.** The Regional/Force Commanders organise unit training for individual units to ensure and strengthen the operational efficiency of CAS members (e.g. core competency training to update and reinforce members' knowledge and skills and regular physical fitness training). Company Commanders are required to submit a quarterly training programme one month before commencement of the quarter concerned to the Commander of the relevant Region/Force for approval.

In 2018, CAS provided 251,757 hours of training to its members, i.e. on average, 75 hours per member (Note 13).

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**Note 13:** *The average number of training hours per CAS member was calculated based on the average strength (i.e. the average of the strength as at each month end during the year) of 3,379 CAS members in 2018.*

### *Non-compliance with minimum unit training requirements by some CAS members*

2.4 *Need to meet minimum training requirements.* Training is essential to ensure CAS members' proficiency in operations. The minimum unit training requirements (see para. 2.2) are also part of the statutory efficiency requirements that members must fulfil. Audit analysed the attendance of unit training by CAS members from 2016 to 2018 (Note 14). As shown in Table 2, for the years 2016 to 2018, the numbers of CAS members failing to meet the minimum unit training requirements of 30 hours were 826, 804 and 816, representing 24.5%, 23.9% and 24.1% of the average strength of CAS members respectively. In particular, 320 (9.5%), 269 (8%) and 281 (8.3%) of these members respectively did not attend any unit training. Audit noted that with effect from 1 January 2019, attendance of a member in centralised training organised by the CAS Training School would be counted on top of unit training when assessing whether he had fulfilled the 60-hour efficiency requirements (see para. 2.6). Audit considers that CAS needs to strengthen measures to ensure that CAS members comply with the minimum training requirements stipulated in CAS General Order (see also paras. 2.23 to 2.27).

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**Note 14:** *Audit's analysis excluded those members recruited in the year because they might not have enough time to complete the 30 hours of unit training after completing the recruitment training programme in their first year of service. Members who left CAS in the year were also excluded as no follow-up actions were required.*

## Training and services of Civil Aid Service members

**Table 2**

### Unit training attendance of CAS members (2016 to 2018)

Unit training  (Hour)	2016		2017		2018	
	(Number)	(% of average strength)	(Number)	(% of average strength)	(Number)	(% of average strength)
0	320	9.5	269	8.0	281	8.3
1 to <30	506	15.0	535	15.9	535	15.8
30 to <60	955	28.4	949	28.2	1,034	30.6
60 to <100	671	19.9	639	19.0	677	20.0
100 to <200	556	16.5	565	16.8	481	14.2
200 to <300	87	2.6	74	2.2	69	2.0
≥ 300 (Note)	23	0.7	17	0.5	3	0.1

*Source: Audit analysis of CAS records*

*Note: The largest number of unit training hours was 414 in 2017.*

*Remarks: The average strengths in 2016, 2017 and 2018 were 3,367, 3,362 and 3,379 respectively.*

#### **2.5 Approval of exemption from efficiency requirements not always obtained.**

According to CAS General Order No. 3.6.4, CAS members who do not fulfil the 60-hour efficiency requirements (see para. 2.2) may apply for exemption from the Commissioner of the CAS or Chief Staff Officer (Note 15). Audit examination revealed that in 2017, each of the 61 CAS members who received less than 30 hours of unit training had provided 100 or more hours of services. Of these 61 members, only 16 (26%) had applied for exemption from the efficiency requirements and were

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**Note 15:** *The Commissioner may exempt any member from the requirements for efficiency, and the Chief Staff Officer is delegated to grant exemption to officers of Grade V or below (see Appendix C).*

## Training and services of Civil Aid Service members

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granted approval by the Commissioner of the CAS or Chief Staff Officer. Audit considers that CAS needs to remind CAS members who have not fulfilled the minimum training requirements to apply for exemption with justifications in accordance with CAS General Order.

**2.6      *Need to keep proper records on approval made by CAS Management.*** On 26 November 2018, CAS issued a circular informing CAS members that with effect from 1 January 2019, attendance of a member in centralised training (see para. 2.3(b)) organised by the CAS Training School would be counted on top of unit training when assessing whether he had fulfilled the 60-hour efficiency requirements. As stated in the circular, the proposed change was submitted to the Commissioner's Committee (see Note 7 to para. 1.11(h)) and was approved by the Commissioner of the CAS. Upon enquiry, the CAS (Department) informed Audit on 7 December 2018 and March 2019 that the recommended change was approved by the Commissioner in a Commissioner's Office meeting (see para. 1.12) held on 18 September 2018 but no minutes were kept. As it was necessary to wait for the upgrading of the computer system for implementing the change, the Commissioner approved and agreed to bring up the changes to the Commissioner's Conference for comment. On 18 December 2018, the matter was brought up at the Commissioner's Conference and the approval was recorded in the minutes of the Conference. Audit considers that as a good management practice, proper documentation needs to be kept on approval made by CAS Management.

### ***Many new recruits leaving CAS before completion of recruitment training***

**2.7      *Need to explore ways to retain new recruits in CAS.*** CAS invites the public to join the Auxiliary Force through providing recruitment information on its website, advertisement in local newspapers, information leaflets and recruitment talks (e.g. in various local universities). Considerable resources are used by CAS in recruiting and training new CAS members (Note 16). Audit found that from 2014 to 2018, a total of 1,351 new members were recruited by CAS (see Table 3). However,

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**Note 16:** *Expenses include cost of medical examination, uniform, transportation and pay and allowances payable to a member for attending the recruitment training programme.*

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## Training and services of Civil Aid Service members

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there were 345 (26%) drop-outs, i.e. new recruits who left CAS (Note 17) before completing the recruitment training programme (see para. 2.3(a)).

**Table 3**

**Analysis of new members leaving CAS  
before completing the recruitment training programme  
(2014 to 2018)**

<b>Year</b>	<b>Number of new recruits (a)</b>	<b>Number of drop-outs (b)</b>	<b>Drop-out rate (c) = (b) ÷ (a) × 100%</b>
2014	224	61	27%
2015	198	37	19%
2016	253	80	32%
2017	351	101	29%
2018	325	66	20%
Overall	1,351	345	26%

*Source: Audit analysis of CAS records*

Audit considers that CAS needs to explore ways to retain new recruits of CAS members (e.g. providing opportunities for interested persons to experience CAS training/activities so that they are more informed about the ethos and requirements of CAS before joining the Auxiliary Force).

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**Note 17:** *According to CAS, 139 members did not provide reasons for not completing the recruitment training programme. For the remaining members, 36 members left CAS because they joined other disciplinary forces, and 140 and 30 members left because of work and family reasons respectively.*

### **Audit recommendations**

**2.8      Audit has *recommended* that CAS Management should:**

- (a)      strengthen measures to ensure that CAS members comply with the minimum training requirements stipulated in CAS General Order;**
- (b)      remind CAS members who have not fulfilled the minimum training requirements to apply for exemption with justifications in accordance with CAS General Order;**
- (c)      remind CAS staff to keep proper documentation on approval made by CAS Management; and**
- (d)      explore ways to retain new recruits of CAS members.**

### **Response from the Government**

**2.9      CAS Management agrees with the audit recommendations. The Chief Staff Officer of the CAS has said that CAS will:**

- (a)      strive to encourage members to meet the training requirements;**
- (b)      strengthen measures to ensure that CAS members who could not meet the efficiency requirements shall apply for exemption (e.g. timely reminders will be issued to all CAS members to remind them to apply for the exemption, if required);**
- (c)      ensure that proper documentation is kept on approvals made by CAS Management; and**
- (d)      continue to explore ways to retain new recruits in CAS (e.g. the CAS Civil Defence Leadership Programme (Tertiary Students) has been implemented since early 2018 for engaging students from various colleges or universities to experience CAS training and activities).**

### Services provided by Civil Aid Service members

2.10 As mentioned in paragraph 1.4, CAS provides various services to B/Ds and NGOs. The services included emergency services, regular public services (e.g. patrolling at hiking trails), and community services (e.g. crowd management and band performance). With respect to CAS members, the services also included providing training to other CAS members and CAS cadets. In 2018, CAS members provided 302,532 service hours, i.e. on average, 90 service hours per member (Note 18).

#### *Non-compliance with minimum service requirements by some CAS members*

2.11 *Minimum service requirements.* CAS General Order No. 3.6.4 states that a CAS member has to provide a minimum of 30 hours of services to fulfil the efficiency requirements in a year. Failure to meet the efficiency requirements is subject to disciplinary action. The total number of service hours provided by CAS each year is sufficient for each member to fulfil the minimum service requirements.

2.12 *Non-compliance with minimum service requirements.* Audit analysed the service hours of CAS members from 2016 to 2018 (Note 19). As shown in Table 4, for the years 2016 to 2018, the numbers of CAS members failing to meet the minimum service requirements of 30 hours were 711, 626 and 763, representing 21.1%, 18.7% and 22.5% of the average strength of CAS members respectively. In particular, 262 (7.8%), 234 (7%) and 275 (8.1%) of these members respectively did not provide any service.

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**Note 18:** *The average number of service hours per CAS member was calculated based on the average strength of 3,379 CAS members in 2018.*

**Note 19:** *Audit's analysis excluded new recruits and members who left CAS in the year.*



**Table 4**

**Service hours provided by CAS members  
(2016 to 2018)**

Service hours	2016		2017		2018	
	(Number)	(% of average strength)	(Number)	(% of average strength)	(Number)	(% of average strength)
0	262	7.8	234	7.0	275	8.1
1 to < 30	449	13.3	392	11.7	488	14.4
30 to < 60	932	27.7	858	25.5	938	27.8
60 to < 100	672	20.0	591	17.6	562	16.6
100 to < 400	716	21.3	864	25.7	725	21.5
400 to < 700	70	2.1	85	2.5	66	2.0
700 to < 1,000	15	0.4	17	0.5	17	0.5
≥ 1,000	2 (Note)	0.1	7 (Note)	0.2	9 (Note)	0.3

*Source: Audit analysis of CAS records*

*Note: The largest numbers of service hours provided by the corresponding CAS member in 2016, 2017 and 2018 were 1,179, 1,801 and 1,729 respectively.*

*Remarks: The average strengths in 2016, 2017 and 2018 were 3,367, 3,362 and 3,379 respectively.*

**2.13 Need to meet minimum service requirements.** The provision of services is essential for maintaining CAS members' proficiency in operations. The minimum service requirements (see para. 2.2) are also part of the statutory efficiency requirements that members must fulfil. The fact that a significant number of CAS members failing to fulfil the minimum service requirements in the period under audit examination is not satisfactory. Audit considers that CAS needs to strengthen measures to ensure that CAS members comply with the minimum service requirements stipulated in CAS General Order (see also paras. 2.23 to 2.27).

**2.14 Approval of exemption from efficiency requirements not always obtained.** As mentioned in paragraph 2.5, CAS members who do not fulfil the 60-hour efficiency requirements may apply for exemption from the Commissioner of the CAS

or Chief Staff Officer. Audit sample checked five members who failed to meet the minimum service requirements of 30 hours in 2017 and noted that these members had not applied for exemption. Audit considers that CAS needs to remind CAS members who have not fulfilled the minimum service requirements to apply for exemption with justifications in accordance with CAS General Order.

### ***No guidelines for handling requests for non-emergency services***

2.15 From time to time, CAS received requests from B/Ds and outside agencies for providing non-emergency services such as crowd control, band performance and motorcycle performance. Audit analysed the results of 292 requests received by CAS in 2017 (Note 20) and noted that 240 (82%) of the requests were accepted, 48 (17%) were rejected and 4 (1%) were either cancelled or withdrawn by the applicants.

2.16 ***Need to promulgate guidelines for assessing requests for non-emergency services.*** Audit found that the decision of accepting/rejecting a service request rested solely on two Principal Operations and Training Officers in the CAS (Department). According to CAS, there were no guidelines setting out the criteria for accepting service requests. Audit examination also found that of the 48 service requests rejected by the officers, there were only documented reasons for rejecting the requests in 10 cases (21%). Upon enquiry, the CAS (Department) informed Audit in December 2018 and March 2019 that the decisions were made by the officers after clarifying the nature of service requests from the applicants, assessing the risks involved and the availability of resources by consulting volunteer commanders if necessary, and carrying out evaluations by virtue of the officers' experience and sensitivity on work issue. For controversial cases, the officers would consult the top management of CAS. Given that CAS staff may assess service requests for non-emergency services based on different criteria, Audit considers that CAS needs to promulgate guidelines on accepting non-emergency service requests from B/Ds and outside agencies, and require CAS staff to keep proper records on the requests and document the reasons for accepting or rejecting the requests.

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**Note 20:** *Audit requested CAS to provide a full list of service requests received in 2017. Up to early March 2019, it could only provide the relevant records for 292 requests.*

### *Response to emergency services*

2.17 MSaR Company under the Tactical Force provides trained rescuers for search and rescue tasks in the mountains (e.g. searching and rescuing people who get lost or are missing in hiking and mountain activities) at the request of the Hong Kong Police Force, Fire Services Department (FSD) or other B/Ds. Members of MSaR Company must be qualified in first aid and evacuation of casualties, and be able to carry out mountain rescue tasks in complex situations and weather conditions.

2.18 When the CAS (Department) receives a service request involving MSaR Company, it will refer the request to the responsible Commander who will call upon his members to report for duty at the CAS Headquarters. According to CAS General Order No. 2.1.3, MSaR Company Commander needs to ensure that all members in the Company are able to report for duty within 60 minutes from the time of call out for any emergency tasks. However, according to CAS, no proper record was kept on the time of calling individual members. As such, Audit could not ascertain whether members of the Company met the requirements stated in the General Order.

2.19 *Need to lay down the basis for measuring target lead time for mountain emergency call-out operations.* According to CAS's performance pledge, the lead time for MSaR Company to respond to any mountain emergency call-out operation is one hour. According to CAS, the lead time is the time between the CAS (Department) receiving a call for assistance and the first CAS vehicle departing from the CAS Headquarters to the scene. However, the basis for measuring the lead time was not defined clearly in CAS guidelines.

2.20 Audit examined 13 emergency call-out cases in 2017 (Note 21) which involved members of MSaR Company and found that in 7 (54%) of the 13 cases, MSaR Company could not meet the one-hour performance pledge. Audit considers that CAS needs to remind CAS officers to record the time of call-outs made to individual MSaR Company members to facilitate the monitoring of the members'

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**Note 21:** *The 13 emergency call-outs were made where members were not on standby duties at CAS Headquarters. For Sundays and public holidays, a team of members from MSaR Company was on standby duties at CAS Headquarters and would respond immediately to call-out operations. In 2017, seven emergency call-outs were made on Sundays or public holidays and the performance pledge was fully met.*

response times to call-outs. CAS also needs to define clearly the basis for measuring the target lead time in CAS guidelines for mountain emergency call-out operations and take measures to meet the target.

### **Audit recommendations**

**2.21      Audit has *recommended* that CAS Management should:**

- (a)      strengthen measures to ensure that CAS members comply with the minimum service requirements stipulated in CAS General Order;**
- (b)      remind CAS members who have not fulfilled the minimum service requirements to apply for exemption with justifications in accordance with CAS General Order;**
- (c)      promulgate guidelines on accepting non-emergency service requests from B/Ds and outside agencies, and require CAS staff to keep proper records on the requests and document the reasons for accepting or rejecting the requests; and**
- (d)      regarding emergency services provided by MSaR Company:**
  - (i)      remind CAS officers to record the time of call-outs made to individual members to facilitate the monitoring of the members' response times to call-outs; and**
  - (ii)     define clearly the basis for measuring the target lead time for mountain emergency call-out operations in CAS guidelines and take measures to meet the target.**

### **Response from the Government**

**2.22      CAS Management agrees with the audit recommendations. The Chief Staff Officer of the CAS has said that CAS will:**

## **Training and services of Civil Aid Service members**

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- (a) more strictly enforce the minimum service requirements stipulated in CAS General Order to ensure that members meet the service requirements;
- (b) strengthen measures to ensure that CAS members who could not meet the efficiency requirements shall apply for exemption (e.g. timely reminders will be issued to all CAS members to remind them to apply for the exemption, if required);
- (c) establish relevant guidelines on accepting non-emergency service requests from B/Ds and outside agencies, and keep proper records on the requests and document the reasons for accepting/rejecting the requests; and
- (d) remind CAS officers to properly record the time of call-outs. CAS will also review and clearly define the basis for measuring the performance pledge/target lead time for mountain emergency call-out operations.

### **Follow-up actions on Civil Aid Service members not fulfilling efficiency requirements**

2.23 As mentioned in paragraphs 2.4 and 2.12, some CAS members did not comply with the 60-hour efficiency requirements on the minimum training or service requirements. Audit noted that the overall number of CAS members who had not complied with the efficiency requirements for the years 2016 to 2018 ranged from 954 to 1,059, representing 28% to 31% of the average strength of CAS members in the respective years (Note 22). In particular, Audit analysis revealed that 215, 181, and 208 CAS members (representing 6%, 5% and 6% of the average strength respectively) had not attended any unit training nor provided any service from 2016 to 2018 respectively.

2.24 According to section 14(1) and schedule 1 of the CAS Regulation, the failure of a CAS member to comply with the efficiency requirements for any year is an offence against discipline. Section 14(1) states that the Commissioner of the CAS may impose upon a CAS member any one or more of the following punishments:

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**Note 22:** *New recruits and members who left CAS in the year were excluded.*

- (a) a reduction in rank;
- (b) a caution, warning, reprimand or severe reprimand; and
- (c) a fine not exceeding \$500.

According to CAS, from 2016 to 2018, no disciplinary actions had been taken against any CAS members under section 14(1) of the CAS Regulation for non-compliance with the efficiency requirements. There were no documented justifications for not taking any disciplinary actions on these non-compliance cases (see para. 2.23).

2.25 In accordance with section 19 of the CAS Ordinance, the Commissioner, as the sole judge of the sufficiency of the cause, may discharge any member from CAS upon receiving a recommendation to that effect made by an officer of a rank higher than the rank held by the member in question. According to CAS, from 2015 to 2018, five members were discharged under section 19 of the CAS Ordinance due to non-compliance with the efficiency requirements and loss of contact.

2.26 ***Procedures for following up cases of non-compliance with the efficiency requirements.*** The CAS General Order No. 3.6.4 specifies the procedures for following up cases of non-compliance with the efficiency requirements as follows:

- (a) if a member is found absent from unit training and activities (e.g. services) for a period of time based on the attendance reports (Note 23 — see (b) below), the unit head should try all possible ways to locate the member and encourage him to improve the unsatisfactory attendance;
- (b) to ascertain CAS members' compliance with the efficiency requirements, the CAS (Department) compiles in February and August every year reports on members' attendance in preceding calendar year and the first six months of the current year respectively. Attendance reports are issued to unit heads for their review. After reviewing the attendance reports in February/August, the unit heads concerned will interview the members

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**Note 23:** *The attendance reports highlight CAS members who attend less than 30 hours of training or provide less than 30 hours of services.*

## Training and services of Civil Aid Service members

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concerned and encourage them to improve their unsatisfactory attendance;  
and

- (c) if there is no significant improvement, the management will take the following sequence of actions:
  - (i) ***Advisory stage.*** Advisory action (i.e. guidance/advice) will be taken at Regional/Company level. The member concerned should be fully apprised by his supervising officer of the contents of the guidance/advice given to him;
  - (ii) ***Summary disciplinary stage.*** If the Company Commander considers that the actions taken in the advisory stage are not effective, he will refer the case to the Regional Commander. According to the General Order, the Company Commander should submit his recommendations to the Regional Commander in March/September. The Regional Commander shall set up a Summary Inquiry Group (Note 24) to interview the member and to consider giving verbal or written warning to him. The Regional Commander should take appropriate actions and report to the Senior Assistant Commissioner (Administration) via the Chief Staff Officer in April/October; and
  - (iii) ***Formal disciplinary stage.*** In the case of no significant improvement after such warnings, the Senior Assistant Commissioner (Administration) will set up a Formal Disciplinary Inquiry Board (Note 25) to consider imposing further disciplinary actions in June/December.

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**Note 24:** *The Summary Inquiry Group is chaired by an Assistant Regional/Force Commander or above and comprises two members (from other Companies and of a rank higher than that of the interviewee) and a secretary.*

**Note 25:** *The Formal Disciplinary Inquiry Board is chaired by an officer at Grade SVI or above and comprises two officers at Grade VI or above (see Appendix C) and a secretary. The Board conducts an independent hearing and determine actions to be taken (e.g. discharge the member from CAS).*

### *Areas for improvement*

2.27 *Need to take follow-up actions on CAS members not fulfilling efficiency requirements.* Audit examined the follow-up actions taken (up to June 2018) on five members from different formations who failed to attend any unit training nor provide any service from January 2015 to June 2018. The results are shown in Table 5. Audit noted that Member C did not attend the Summary Inquiry Group meeting in early November 2018. In late November 2018, the Summary Inquiry Group suggested that the Formal Disciplinary Inquiry Board should consider discharging the member on the grounds that he failed to comply with the efficiency requirements from 2013 to 2017. However, Audit noted that the member had not been discharged as at 31 January 2019. Audit also noted that according to the recommendations proposed by the Regional Heads submitted to the Chief Staff Officer from 2015 to 2017, the performance of Members A, B, D and E was being closely monitored by the respective formations or followed up by the CAS Headquarters. However, up to December 2018, no further disciplinary actions had been taken on these members. Upon enquiry, CAS informed Audit in March 2019 that CAS General Order No. 3.6.4 had been under review, affecting the proceeding of these cases. Audit considers that CAS needs to follow up the five cases of CAS members failing to attend any unit training nor provide any service as soon as possible in accordance with the procedures stipulated in CAS General Order No. 3.6.4. Besides, as mentioned in paragraph 2.23, 28% to 31% of CAS members did not comply with the efficiency requirements from 2016 to 2018 each year. Audit considers that CAS needs to take measures to ensure that the procedures stipulated in CAS General Order No. 3.6.4 are followed for all cases of non-compliance with the efficiency requirements.



Table 5

**Analysis of actions taken by CAS officers on five CAS members who had not attended any unit training nor provided any service (January 2015 to June 2018)**

Member	Interview conducted	Summary Inquiry Group meeting convened	Verbal/written warning issued	Formal Disciplinary Inquiry Board hearing conducted
A	✓	×	✓	×
B	✓	×	×	×
C	✓	✓	×	×
D	✓	×	×	×
E	✓	×	×	×

*Source: Audit analysis of CAS records*

## Audit recommendations

2.28 **Audit has recommended that CAS Management should:**

- (a) **follow up the five cases of CAS members failing to attend any unit training nor provide any service as soon as possible in accordance with the procedures stipulated in CAS General Order No. 3.6.4; and**
- (b) **take measures to ensure that the procedures stipulated in CAS General Order No. 3.6.4 are followed for all cases of non-compliance with the efficiency requirements.**

## Response from the Government

2.29 CAS Management agrees with the audit recommendations. The Chief Staff Officer of the CAS has said that CAS will strengthen measures to ensure that appropriate and timely follow-up actions will be taken against CAS members failing

to attend training and services (including the five members mentioned in paragraph 2.27).

### Pay and allowances of Civil Aid Service members

#### *Duties qualified for pay and allowances*

2.30 The AFPAO (see para. 1.13) makes provision for the granting of pay, pensions, gratuities, allowances and other benefits in respect of the auxiliary forces, including CAS. According to CAS General Order, CAS members who have engaged in the following types of duties are eligible for pay and allowances:

- (a) **Active service.** Active service is the service of a member when the whole or any part of CAS is called out on the occasion of emergency by the Chief Executive or by the Commissioner of the CAS pursuant to any order of the Chief Executive under section 16 of the CAS Ordinance;
- (b) **Training.** This includes various types of training provided to CAS members (see para. 2.3); and
- (c) **Voluntary duty.** Voluntary duties include provision of the services mentioned in paragraph 2.10 and services to CAS Headquarters (e.g. recruitment duties), and unit administration work.

2.31 In 2017-18, CAS's expenditure on CAS members' pay and allowances was \$37.2 million. CAS provides general information and guidance on the accounting procedures concerning pay and allowances payable to CAS members in a CAS General Order.

#### *Allocation of training and service hours*

2.32 **Independent Commission Against Corruption (ICAC) 2017 assignment study.** In early 2017, ICAC conducted an assignment study on CAS's administration of duties and training for members. The study examined the procedures and practices adopted by CAS for the administration of duties and training for its members, and

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monitoring of their attendance. In relation to the allocation of duties and training, the findings of ICAC included:

- (a) invitation for enrolment for one-off duties might not be sent to all members at the same time;
- (b) administrative duties tended to be allocated to a restricted pool of members over a prolonged period;
- (c) there was no proper mechanism laid down for handling withdrawals from assigned duties; and
- (d) the basis of nominating and selecting members to attend centralised training courses was not always documented.

2.33 On 4 January 2018, CAS informed ICAC that measures had been taken to address its findings, including:

- (a) Company Commanders had been directed to follow the guiding principle of giving equal chance to individual members to take up one-off duty;
- (b) members should not be entrusted with overwhelmingly administrative duties and officers-in-charge had been reminded to enhance the job rotation mechanism to balance the interest and ability of individual members and the operational needs;
- (c) assignment of substitute members to fill up vacancies due to withdrawals of members from assigned duties would be on platoon basis; and
- (d) the CAS Training Development Section of the CAS (Department) had implemented a transparent selection system on allocation of training places.

2.34 **Audit examination.** Audit selected CAS members who were allocated with more hours in training and services in 2017 and 2018 to examine whether there was improvement in 2018 after CAS had implemented measures to ensure a fair allocation of training and service hours. Audit found that the average hours spent on training

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and provision of services per CAS member in 2017 and 2018 were 186 and 166 respectively. However, as shown in Table 6, 7 and 5 CAS members each received training and provided services for more than 1,500 hours a year in 2017 and 2018 respectively. In particular, three members (i.e. Members I, J and L) were each allocated with more than 1,500 hours a year in training and services in 2017 and 2018.

**Table 6**

**CAS members allocated with  
more than 1,500 hours each in training and services  
(2017 and 2018)**

Member	Number of hours allocated				Pay and allowances involved
	Training	Service	Service: unit administration	Total	
2017					
F	244	1,270	34	1,548	\$72,300
G	306	1,272	12	1,590	\$116,700
H	43	1,720	0	1,763	\$139,800
I	178	1,667	2	1,847	\$110,000
J	99	1,892	55	2,046	\$117,400
K	286	1,821	6	2,113	\$141,200
L	47	1,997	107	2,151	\$125,700
2018					
I	190	1,490	48	1,728	\$100,800
J	61	1,831	44	1,936	\$114,900
L	60	1,981	93	2,134	\$144,200
M	112	1,729	6	1,847	\$184,200
N	95	2,016	6	2,117	\$113,000

Source: Audit analysis of CAS records

## Training and services of Civil Aid Service members

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2.35 Upon enquiry in January and February 2019 about the reasons for allocating more than 1,500 hours a year in training and services a year to Members I, J and L in 2017 and 2018, CAS informed Audit that:

- (a) Member I had a good knowledge and experience in photo shooting and editing, and assisted in co-ordinating with photographers and managing the related equipment in major events upon requests of the Operations and Training Division;
- (b) Member J worked at CAS's Yuen Tun Camp normally twice a week. Member J was an experienced, reliable and efficient helper who possessed the skills and qualifications on carrying out minor works at the Campsite; and
- (c) Member L was a member of the Stores Company and was responsible for offering logistic support to Companies of the Support Force. Member L provided services in special assignments such as the CAS Spring Reception, Senior Officers' visit to Shenzhen and Zhongshan, and the 65th Anniversary Officers Mess Dinner. Member L was very devoted to Stores Company duties such as the Operations and Training Store maintenance duty.

While noting CAS's explanations, to ensure that duties are allocated in a fair and equitable manner, CAS needs to ascertain whether there are other members who are also qualified for those duties that used to be carried out by only a few members and avoid allocating duties only to a few members as far as practicable.

2.36 Audit noted that in response to ICAC's further enquiry in August 2018 (see para. 2.32), CAS issued a circular (CAS Circular No. 11/2018) in October 2018 on deployment of voluntary duties and unit administration duties which stated the general principle of giving equal chance to individual members to take up those duties. According to the Circular:

- (a) for voluntary duties (see para. 2.30(c)):
  - (i) a name list of all officers and members at other ranks of the respective units should be prepared;

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- (ii) a duty roster should be prepared in a fair and equitable manner (e.g. by adopting a shift system) with due consideration to a member's rank and qualification, as well as requirements of duties;
  - (iii) any member who is unable to perform the allocated duties should report to the respective Deputy Company Commander on the reasons concerned. A substitute member should also be deployed to fill the vacancy in accordance with the established relief procedure;
  - (iv) the finalised duty roster should be vetted by the Deputy Company Commanders;
  - (v) records in relation to (ii) to (iv) above should be properly documented for future vetting; and
  - (vi) reasons for failing to allocate duties according to (ii) above should be recorded for vetting by the Company Commander; and
- (b) for unit administration duties:
- (i) Unit Commanders should encourage qualified members to receive training on unit administration duties; and
  - (ii) members involved in unit administrative work are subject to a two-year office term. A duty roster should be formulated in this regard.

**2.37      *Need to promptly implement a fair and equitable duty allocation system.***  
In late November 2018, the Chief Staff Officer of the CAS issued a memorandum informing all Regional/Force/Cadet Corps Commanders that CAS Circular No. 11/2018 (see para. 2.36) would be effective from 1 January 2019 and requested them to submit to the CAS Headquarters on or before 22 December 2018 information on the regular operation and unit administration duty allocation system, covering details such as allocation procedures, relief mechanism and vetting procedures. Up to mid-February 2019, 8 of 9 regions/units had submitted their returns. According to CAS, Company Commanders were requested to report and discuss the returns at the Commander's Review and Senior Officer Seminar held on 2 March 2019. After

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the seminar, the CAS Headquarters would request all Company Commanders to further enhance their duty allocation systems by generating exception reports and laying down the mechanism for handling cases of withdrawal from allocated duties. The finalised proposal would be submitted to the Commissioner's Committee for examination before seeking the Commissioner of the CAS's approval. Audit considers that CAS needs to take prompt measures to implement a fair and equitable duty allocation system, giving due consideration to the audit findings in paragraphs 2.34 and 2.35.

### *Attendance monitoring*

2.38 ICAC's 2017 assignment study found that there were inadequacies in the monitoring of CAS members' attendance in training and services, including:

- (a) there was inadequate control over the risk of fraudulent attendance records to cover up late arrival and early departure of members; and
- (b) the attendance claim forms (ACFs) for overtime work/training were not supported with written approval from the supervisors.

In early January 2018, CAS informed ICAC that a CAS circular was issued in mid-November 2017 to address ICAC's findings and all Company Commanders and above were reminded to closely supervise members to strictly follow the guidelines (Note 26) stated in the circular.

2.39 Apart from the circular, CAS General Order No. 4.1.1 also provides general guidance on the accounting procedures concerning pay and allowances payable to CAS members. According to the General Order:

- (a) Regional/Force/Cadet Corps Commanders should not approve any claim for scheduled training/voluntary duty which is not of a complete hour;

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**Note 26:** *The guidelines included a requirement for a CAS member to complete ACF personally and input the dismissal time after the training/duty.*

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- (b) a member is not allowed to leave before completion of the first hour of scheduled training/voluntary duty, otherwise he will not receive any payment. If a member leaves before the scheduled dismissal time (because of emergency reasons) but after completion of the first hour of training/voluntary duty, he must obtain the approval of the officer-in-charge and the justifications must be documented in ACF;
- (c) a member is not allowed to join the first hour of a scheduled training/voluntary duty if he is late for more than 15 minutes. He is only allowed to join at the commencement of the following hour; and
- (d) the approving officer of ACF will check the training/voluntary duty against the approved programme of activities (e.g. quarterly training programme — see para. 2.3(c)) or the relevant order of the operation.

2.40 ***Need to step up monitoring of training and service attendance.*** Audit selected 315 approved ACFs for checking. These ACFs were submitted by 9 CAS formations for training received or services provided from April to June 2018 (Note 27). Audit noted the following areas for improvement:

- (a) ***Scheduled training/voluntary duties not of complete hour(s).*** According to 38 (12%) ACFs, the scheduled training/voluntary duties were not of complete hour(s);
- (b) ***Early departure of members while attending scheduled training/voluntary duties.*** According to 52 (17%) ACFs, the CAS members left before completion of the scheduled training/voluntary duties. However, no justifications were documented on ACFs. According to another 5 (2%) ACFs, the CAS members left before completion of the one-hour scheduled training;
- (c) ***Late arrival for scheduled training/voluntary duties.*** According to 15 (5%) ACFs, the CAS members were allowed to join the scheduled

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**Note 27:** *For 6 larger formations with more CAS members (e.g. Hong Kong/Kowloon/New Territories Regions and Cadet Corps), 15 ACFs each were selected per month. For 3 smaller formations (e.g. Administration Force, and Training and Development Force), 5 ACFs each were selected per month.*



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training/voluntary duties even though they were late for more than 15 minutes. However, no explanations were documented on the ACFs;

- (d) ***Scheduled training/voluntary duties conducted without prior approval.*** The training/voluntary duties recorded in 58 (18%) ACFs could not be found in the approved programme of activities/orders of operations; and
- (e) ***ACFs not certified properly.*** According to 7 (2%) ACFs, the start times of the training/voluntary duties certified by the officers-in-charge were earlier than the arrival times reported in the ACFs by the officers. According to 4 (1%) ACFs, the dismissal times of the training/voluntary duties certified by the officers-in-charge were later than the departure times reported in the ACFs by the officers.

2.41 The above irregularities highlight inadequacies in the monitoring of CAS members' attendance in training and services. Audit considers that CAS needs to step up efforts in monitoring the processing of ACFs, and remind CAS members/staff to comply with the requirements stipulated in CAS General Order and circular pertinent to the submission of claims for pay and allowances.

## Audit recommendations

2.42 **Audit has recommended that CAS Management should:**

- (a) **ascertain whether there are other CAS members who are also qualified for those duties that used to be carried out by only a few members and avoid allocating duties only to a few members as far as practicable;**
- (b) **take prompt measures to implement a fair and equitable duty allocation system, giving due consideration to the audit findings in paragraphs 2.34 and 2.35;**
- (c) **step up efforts in monitoring the processing of ACFs; and**
- (d) **remind CAS members/staff to comply with the requirements stipulated in CAS General Order and circular pertinent to the submission of claims for pay and allowances.**

## **Response from the Government**

2.43 CAS Management agrees with the audit recommendations. The Chief Staff Officer of the CAS has said that CAS will:

- (a) continue to ensure that duties for minor projects are allocated in a fair and equitable mechanism through further enhancement of CAS's duty allocation system as set out in paragraphs 2.36 and 2.37;
- (b) further specify in CAS internal circular and apply strict control to ensure that a fair and equitable duty allocation system is fully implemented;
- (c) continue to impose tight control over the training and service attendance by issuing reminders to all CAS members to strictly observe the requirements on submitting claims and stepping up the vetting of attendance claims for pay and allowances by the CAS Headquarters; and
- (d) issue reminders regularly to ensure compliance with relevant CAS General Orders and guidelines.

## **PART 3: MANAGEMENT OF THE CIVIL AID SERVICE CADET CORPS**

3.1 This PART examines the management of the CAS Cadet Corps, focusing on:

- (a) participation of Civil Aid Service cadets in training, services and activities (paras. 3.3 to 3.21); and
- (b) control over vacant posts and strength (paras. 3.22 to 3.31).

### ***The CAS Cadet Corps***

3.2 The CAS Cadet Corps was established in 1968. It aims at providing teenagers with opportunities to acquire practical and leadership skills, as well as develop their confidence, sense of responsibility and self-discipline through group activities and training. The CAS Cadet Corps, headed by a Senior Assistant Commissioner, comprises five Cadet Corps Companies, which are subdivided into 20 Platoon Groups. CAS members are deployed to the Corps to serve as trainers in the Cadet Corps Training Office and/or leaders of Cadet Corps Companies or Platoon Groups. As at 31 December 2018, there were 4,262 cadets. In 2017-18, CAS cadets received allowances (see para. 1.13) of \$1.4 million.

### **Participation of Civil Aid Service cadets in training, services and activities**

3.3 According to CAS General Order No. 3.4.2, the essence of training of the Cadet Corps is to provide a thorough youth leadership development to cadets through simplified and compact training activities, and encouragement of active participation in unit training and community services.

### ***Training provided to CAS cadets***

3.4 Training are mainly provided to CAS cadets through the following ways:

- (a) ***Induction training.*** All new cadets are required to attend a 32-hour induction training programme before they can attend a passing-out parade and be posted to their respective platoons. The cadet induction training programme covers knowledge of CAS (e.g. the aim, role and functions of CAS), foot drill and expedition techniques. According to CAS, the CAS Training School/CAS Cadet Corps Training Office provided about 40,000 hours of induction training to CAS cadets in 2018;
- (b) ***Cadet service training.*** The CAS Training School/CAS Cadet Corps Training Office and Platoon Groups organise centralised training courses and cadet promotion courses for cadets every year. Such training courses include first aid, basic rescue, crowd management, flag raising, canoeing, mountaineering and life saving. According to CAS, about 42,000 hours of cadet service training were provided to CAS cadets in 2018; and
- (c) ***Unit training.*** Company Commanders of Cadet Companies plan, organise, and supervise the training on platoon group basis for cadets under their command. Training provided to cadets includes foot drill and lecture for hiking. According to CAS, about 40,000 hours of unit training were provided to CAS cadets in 2018.

3.5 Training to cadets is structured under a stage training system which is divided into five stages from the rank of Cadet to the rank of Senior Cadet Leader (see Appendix D). The system works in line with the cadet promotion system. Upon completion of each training stage, a cadet is eligible for consideration for promotion.

3.6 Unlike CAS members, there are no mandatory requirements on annual training hours for cadets. In 2018, CAS provided about 122,000 hours of cadet induction, service training and unit training to its cadets. On average, each CAS cadet received about 34 hours of training in 2018 (Note 28).

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**Note 28:** *The average training hours per CAS cadet was calculated based on the average strength (i.e. the average of the strength as at each month end during the year) of 3,580 CAS cadets in 2018.*

### *Cancellation/postponement of centralised training courses*

3.7 Centralised training courses are organised by the CAS Training School and the Cadet Corps Training Office to meet the training needs of CAS cadets in specific skills, techniques and development, and for promotion of cadets (see para. 3.4(b)). The annual training plan for centralised training courses is proposed by the Company Commander/Staff Officer to the Cadet Corps Training Committee for final approval by the CAS Service Training Board with funding from the CAS Headquarters. CAS cadets who wish to apply for such courses have to be nominated by their Group Commanders. Audit examination of centralised training courses organised for the years 2016 to 2018 revealed that 12, 20 and 30 courses had been postponed or cancelled, representing 15%, 22% and 37% of the approved courses respectively (see Table 7).

**Table 7**

**Analysis of number of cancelled/postponed  
centralised training courses  
(2016 to 2018)**

Year	Number of courses			
	Approved as per training plan	Postponed	Cancelled	Provided
2016	81	8	4	69
2017	89	1	19	69
2018	81	4	26	51
		30		

Source: CAS records

3.8 Upon enquiry about the reasons for cancelling or postponing 30 (37%) of 81 centralised training courses in 2018, CAS informed Audit in January 2019 that 15 (50%) training courses had been postponed or cancelled due to limited resources and the remaining 15 (50%) due to insufficient nominations. In this connection, Audit

noted that of the 15 courses that were postponed/cancelled due to limited resources, 3 were mandatory for the promotion of cadets to senior ranks (e.g. Deputy Cadet Leaders Course and Foot Drill Course for Cadet Leaders — see Appendix D). Audit considers that CAS needs to ascertain the reasons for insufficient nominations of centralised training courses provided for CAS cadets and take measures to encourage participation (e.g. stepping up promotion to increase awareness of the courses). CAS also needs to explore ways to better utilise its resources, so that essential training courses (e.g. those that are mandatory for the promotion of cadets to senior ranks) can be provided as planned.

### *Participation of cadets in community services*

3.9 The mission of the CAS Cadet Corps is to nurture its cadets and facilitate their development into future leaders and responsible citizens by motivating them to participate actively in community services, civic education and discipline training. Cadets reaching 13 years of age are encouraged to perform community services under the supervision of CAS officers and members at other ranks. The community services provided by CAS cadets include crowd management services in the Hong Kong Wetland Park and in major events (e.g. carnivals and open days), patrolling in country parks and hiking trails, and promotion of fire safety in major festivals (e.g. Chung Yeung and Ching Ming Festivals).

3.10 *Performance target on provision of community services.* Notwithstanding that there are no mandatory requirements on community services (Note 29) provided by a CAS cadet in a year, CAS has set a performance target for community services provided by CAS cadets in its COR. As shown in Figure 2, the target community service hours were reduced by 37% from 35,000 hours in 2013 to 22,000 hours in 2018 (see Note 4 to Table 1 in para. 1.5). According to CAS, the reasons for lowering the performance target included:

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**Note 29:** *In COR of CAS, service hours provided by CAS cadets in conjunction with CAS members in country park patrolling duties are not reported under the performance target of “providing community services by CAS cadets”. The related service hours are reported under “patrolling the country parks and hiking trails” (see item (c) in Table 1 in para. 1.5).*

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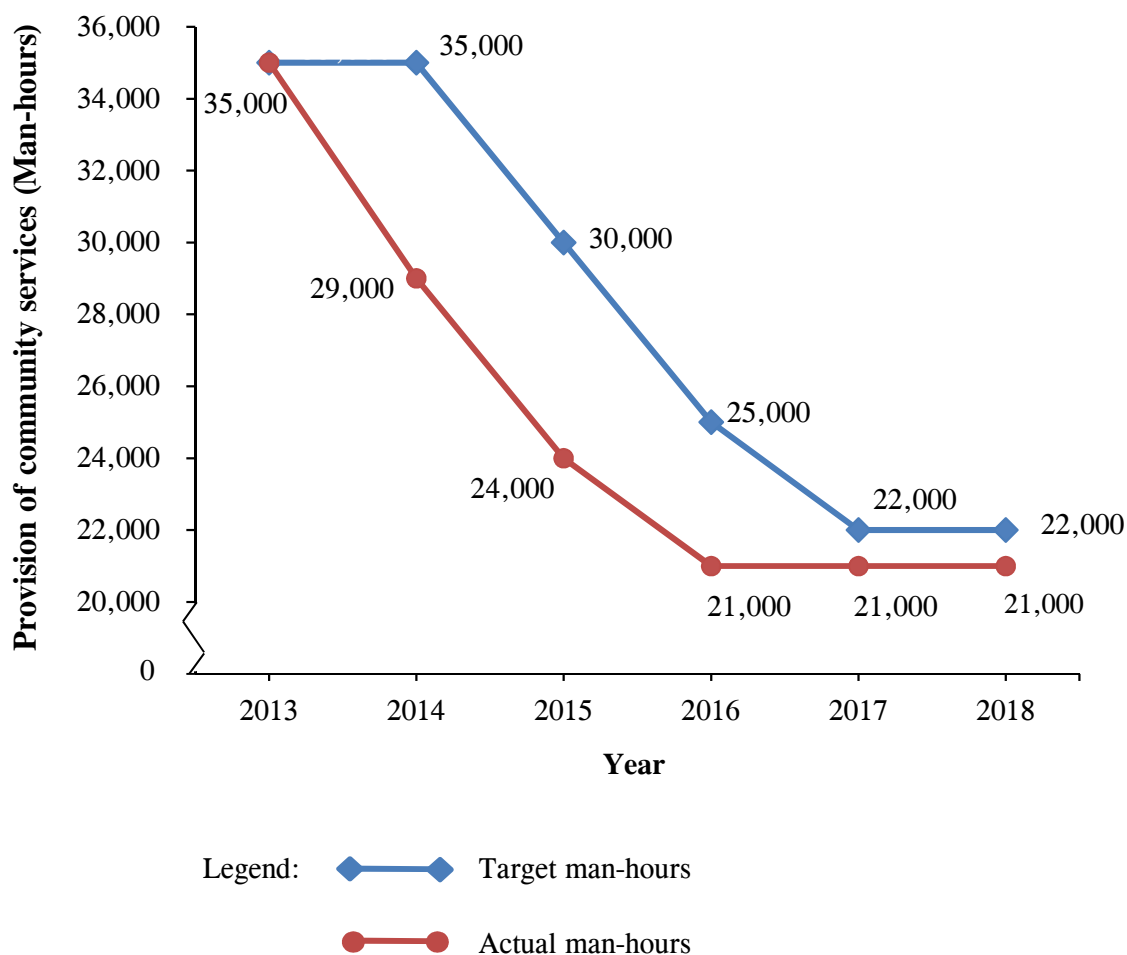
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- (a) the CAS Cadet Corps was focusing on providing cadets with a wide range of training and platoon group activities, which were means to nurture, educate and develop cadets. In this connection, CAS had increased the target man-hours for providing “recreational and social activities for CAS cadets” from 115,000 to 125,000 in the 2019 COR;
- (b) analysis of resignation forms of cadets revealed that too many services and activities were required by CAS;
- (c) most of the cadets enrolled in 2018 were below the age of 13 who were unable to participate in community services; and
- (d) students aged 16 to 17 were preparing for the Hong Kong Diploma of Secondary Education Examination (HKDSE) and they would minimise their participation in extracurricular activities.

3.11 As shown in Figure 2, despite repeated lowering of the performance targets, the actual community service hours from 2014 to 2018 still persistently failed to meet the targets, with the shortfall ranging from 1,000 to 6,000 man-hours (average: 3,600 man-hours).

Figure 2

Number of man-hours of CAS cadets' participation in community services  
(2013 to 2018)



Source: CAS records

3.12 *Need to improve performance of participation in community services.* Upon enquiry on whether the under-performance of targets in COR (see para. 3.11) had been discussed by the senior management of CAS and the actions taken to address the issue, CAS informed Audit in January 2019 that the relevant matters were discussed by the senior management but no minutes or records were kept. In March 2019, CAS informed Audit that the reasons for not meeting the performance targets included:

- (a) reduction in the requests for community services by outside bodies;



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- (b) change of training focus by CAS on cadets (see para. 3.10(a)); and
- (c) joining the CAS Cadet Corps was rarely the only extracurricular activity for any single cadet and the attendance of cadets was always greatly affected by their school study together with school activities, and parental and peer group influences.

While noting CAS's explanation, given that the actual community service hours had decreased by 40% from 35,000 hours in 2013 to 21,000 hours in 2018 and were persistently below the performance targets from 2014 to 2018, Audit considers that CAS needs to explore effective measures to improve the performance as far as practicable.

3.13 ***Inadequate number of cadets to perform community services.*** To ascertain the participation of CAS cadets in community services organised by CAS, Audit examined the attendance of CAS cadets in three major community services in 2018, viz. crowd control at the Hong Kong Wetland Park, fire protection promotion duties in Ching Ming Festival and in Chung Yeung Festival. Audit examination revealed that:

- (a) ***Crowd control at the Hong Kong Wetland Park.*** A minimum of 20 cadets were required in each of the 35 days of duty at the Hong Kong Wetland Park in 2018. However, CAS could only deploy enough cadets to meet the requirements in 17 days (49%). For the remaining 18 days (51%), the numbers of cadets deployed were below the requirements by 1 cadet to 12 cadets (average: 5 cadets); and
- (b) ***Fire protection promotion services in Ching Ming and Chung Yeung Festivals.*** For the 2018 Ching Ming Festival, 368 cadets were required to carry out the services. However, CAS could only deploy 242 (66%) cadets to provide the services. For the 2018 Chung Yeung Festival, 194 cadets were required to carry out the services. However, CAS could only deploy 119 (61%) cadets to provide the services.

3.14 According to CAS, the reduction in service requests by outside bodies was one of the reasons for lowering the performance target on the number of community service hours (see para. 3.10). However, when there were opportunities for cadets to perform community services, the numbers of cadets deployed were less than the

requirements (see para. 3.13). Audit considers that CAS needs to take measures to grasp available community service opportunities and encourage CAS cadets to participate in community services.

**3.15      *Need to increase the variety of community services by expanding the scope of self-initiated community services.*** As mentioned in paragraphs 1.5 and 3.10, the target community service hours were reduced from 35,000 hours in 2013 to 22,000 hours in 2018 and the target was further reduced to 20,000 hours in 2019. According to CAS, one of the reasons was that the Agriculture, Fisheries and Conservation Department had reduced its demand for cadet services in the Hong Kong Wetland Park from 20,880 hours in 2013 to about 7,400 hours in 2018. In addition, the scale of deployment of CAS cadets in other crowd management services (e.g. at carnivals, festivals or open days) had also been reduced from about 8,000 hours in 2015 to about 5,000 hours in 2018. These changes had impacted on the service opportunities of the cadets. In this connection, Audit noted that the CAS Cadet Corps had provided self-initiated community services for other organisations (e.g. visits to elderly homes and hospitals). The man-hours for such self-initiated community services in 2017 and 2018 were 2,500 and 2,080 respectively. In August 2018, the establishment of the CAS Cadet Corps increased by 25% from 3,232 to 4,032. Audit considers that there is a need for CAS to step up efforts in increasing the variety of community services by expanding the scope of self-initiated community services to cater for the increase in the number of cadets and to facilitate the achievement of the mission of the Cadet Corps.

### ***Inactive CAS cadets***

**3.16      *Need to increase participation of inactive cadets.*** Provision of training, community services, and recreational and social activities (Note 30) are the means used by CAS to develop self-confidence and civic-mindedness of its cadets. Audit analysis of the training, community services, and recreational and social activities participated by CAS cadets for the years 2015 to 2018 revealed that the number of inactive cadets, who did not participate in any training, any community services nor any recreational and social activities ranged from 755 to 938, representing 26% to 32% of the average strength (see Table 8). Notwithstanding that there are no mandatory requirements on the training, community services and recreational and

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**Note 30:** *Recreational and social activities provided to CAS cadets include spring carnival, games day, camping, backwoods cooking and visit to museums.*

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social activities for cadets, there is a need for CAS to step up actions to increase cadets' participation in training, community services, and recreational and social activities, so as to achieve the mission of the Cadet Corps (see para. 3.9).

**Table 8**

**Inactive CAS cadets  
(2015 to 2018)**

Year	Average strength (a)	Cadets not participated in any training, any community services nor any recreational and social activities	
		Number (b)	Number of inactive cadets as % of average strength (c) = (b) ÷ (a) × 100%
2015	2,782	755	27%
2016	2,712	812	30%
2017	2,826	918	32%
2018	3,580	938	26%

*Source: Audit analysis of CAS records*

*Remarks: The number of inactive cadets did not include new recruits and cadets who left the Cadet Corps in the year.*

3.17 **CAS guidelines.** According to CAS guidelines, the follow-up actions for a cadet who has been absent from regular unit training for a period of time (Note 31) are as follows (see Table 9):

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**Note 31:** *According to CAS, regular unit training includes training and activities provided by a platoon. A cadet is required to attend two regular unit training sessions of three hours each (effective from October 2018) or three regular unit training sessions of two hours each in a month.*

**Table 9****Follow-up actions stipulated in CAS guidelines  
on absence from regular unit training of CAS cadets**

<b>Period of absence</b>	<b>Follow-up action</b>	<b>Responsible officer</b>
Three times or above (i.e. one month or more)	Call the cadet concerned to find out the reasons for not attending regular unit training and encourage the cadet to attend the training	Instructor
Three months or more	Call the cadet concerned or his/her parents to find out the reasons for not attending the regular unit training and encourage the cadet to attend the training	Platoon Commander
Six months or more	Call the cadet concerned and his/her parents or issue a notification letter (Note) to the cadet's parents concerned to find out the reasons for the cadet not attending the regular unit training and encourage the cadet to attend the training	Group Commander
One year or more		

*Source:* CAS records

*Note:* In the letter, the parents concerned are informed that the cadet has been absent from regular unit training for six months or one year and leave application has not been received despite that a number of telephone calls has been made or letter has been sent to find out the reasons. In the letter, the timetable for training, activities and services for the quarter are enclosed and parents are requested to encourage the cadet concerned to participate.

The responsible officers are required to document the follow-up actions taken. According to the guidelines, Group Commanders and Company Commanders are required to review attendance of cadets under their command every three and six months respectively.

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3.18 ***Audit examination.*** Audit sample checked the follow-up actions taken on ten inactive cadets (Note 32), comprising five cadets who had been inactive for four years and five other cadets who had been inactive for two to three years as of December 2018. Audit noted that:

- (a) for two cadets, according to the records as of January 2017, one was busy with school work and the other could not be contacted. No records on other follow-up actions taken could be provided by CAS;
- (b) for three cadets, according to the records for the period from January to June 2018, two cadets could not be contacted. The other cadet was expected to resume activities after school examination. In all three cases, records on other follow-up actions taken could not be provided by CAS;
- (c) for two cadets, up to February 2019, CAS could only provide records on the issue of notification letters during 2016 to 2018. No other records of follow-up actions could be provided; and
- (d) for three cadets, up to February 2019, CAS could not provide the records showing that follow-up actions had been taken.

3.19 ***Need to step up follow-up actions on inactive cadets.*** As shown in paragraph 3.18, follow-up actions (e.g. issuing notification letters to cadets' parents) had not been taken on cadets who had not attended any training, provided any community services nor participated in any recreational and social activities in accordance with CAS guidelines in some cases. Audit considers that CAS needs to step up actions to increase cadets' participation, including enhancing the monitoring of cadets' attendance. In this connection, Audit noted that on 6 December 2018, the Chief Staff Officer issued a memorandum requesting Company Commanders to make use of the system reports to monitor the attendance of cadets, take appropriate encouragement actions and submit a return before 1 February 2019 on actions taken on cadets with no attendance in training, services, and activities for the period from

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**Note 32:** *These cadets were chosen from platoons from different regions. They did not attend any training, provided any community services nor participated in any recreational and social activities. Since these cadets had not attended any regular unit training during the period under audit examination, the guidelines mentioned in paragraph 3.17 were applicable.*

1 January to 30 June 2018. The revised guidelines enclosed in the memorandum also required Company Commanders to submit reports on actions taken on cadets with no attendance every six months. While Audit appreciates CAS's efforts in strengthening the monitoring of CAS cadets, Audit considers that:

- (a) CAS needs to promulgate additional guidelines on follow-up procedures on unsatisfactory attendance of cadets (e.g. not participating in any services), as the current guidelines only stipulate procedures on unsatisfactory attendance relating to regular unit training (see para. 3.17). The guidelines should also stipulate further follow-up actions for cases where there is no improvement in the cadets' attendance after all the existing follow-up actions mentioned in paragraph 3.17 have been taken; and
- (b) apart from cadets with no attendance, CAS needs to take measures to ensure that responsible officers will take appropriate follow-up actions in accordance with its guidelines (e.g. absent from regular unit training for a period of time), and to remind officers to keep proper records on all the follow-up actions taken.

### **Audit recommendations**

**3.20      Audit has *recommended* that CAS Management should:**

- (a) **ascertain the reasons for insufficient nominations of centralised training courses provided for CAS cadets and take measures to encourage participation;**
- (b) **explore ways to better utilise CAS resources so that essential training courses for CAS cadets (e.g. those courses which are mandatory for the promotion of cadets to senior ranks) can be provided as planned;**
- (c) **explore effective measures to improve the performance of the provision of community services as far as practicable;**
- (d) **take measures to grasp available community service opportunities and encourage CAS cadets to participate in community services;**

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- (e) **step up efforts in increasing the variety of community services by expanding the scope of self-initiated community services; and**
- (f) **step up actions to increase cadets' participation in training, community services and recreational and social activities, including:**
  - (i) **promulgating additional guidelines on follow-up procedures on unsatisfactory attendance of cadets (e.g. not participating in any services) and further follow-up actions for cases where there is no improvement in the cadets' attendance after all the existing follow-up actions have been taken; and**
  - (ii) **reminding CAS officers to take appropriate follow-up actions in accordance with CAS guidelines and keep proper records on all the follow-up actions taken.**

## **Response from the Government**

3.21 CAS Management agrees with the audit recommendations. The Chief Staff Officer of the CAS has said that CAS will:

- (a) ascertain the reasons for insufficient nominations of centralised training courses and encourage the participation of cadets;
- (b) closely monitor the availability of resources for essential training courses;
- (c) explore effective measures to improve the performance in respect of the target on provision of community services as far as practicable;
- (d) review the situation and encourage cadets to participate more in community services. It should be noted that providing cadets with the experience of performing community services is just one of the many methods to train up a cadet, and the CAS's belief and ultimate aim are that its cadets could enrich themselves, learn and reach higher in their life-long development through training and activities, as well as community services;

- (e) expand the scope of self-initiated community services. Platoon Group Commanders will be required to step up efforts in this regard and more actively encourage cadets to participate in community services; and
- (f) review the existing monitoring mechanism with a view to enhancing the monitoring of cadets' attendance and follow the arrangement outlined in the memorandum issued on 6 December 2018 for cadets with zero attendance (see para. 3.19). CAS will encourage officers and instructors to take follow-up actions in accordance with CAS guidelines to cultivate cadets' sense of responsibility.

### Control over vacant posts and strength

#### *Vacancies of senior-rank cadet not filled*

3.22 One of the aims of the Cadet Corps is to nurture cadets to become future leaders. CAS cadets are encouraged to take up leadership roles in their platoons and shoulder part of the responsibilities of the trainers/leaders. To recognise cadets' devotion and efforts in attending training and civic duties, promotion and award schemes have been established (Note 33).

3.23 ***Strength of senior-rank cadets significantly below the establishment.*** Audit analysed the strength and establishment of CAS cadets of senior ranks in 2018 and noted that the vacancy rate of each rank ranged from 35% to 96% (see Table 10). In particular, the vacancy rates of cadet leader and senior cadet leader were over 90%. As shown in Table 11, the total number of cadet promotions from 2015 to 2018 were generally stable. However, the number of promotions to the ranks above senior cadet in terms of the respective establishments was relatively lower.

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**Note 33:** *Through successful completion of different leadership training courses and participation in community services, a cadet can be promoted to senior ranks. For example, for promotion from senior cadet to deputy cadet leader, the cadet has to attend: (a) a platoon group training (in hiking or community services); (b) a training course organised by the CAS Training School/CAS Cadet Corps Training Office; (c) 24 hours of community services; and (d) an activity organised by the CAS Cadet Corps.*



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**Table 10**

**Establishment and strength of senior-rank cadets  
(2018)**

	<b>Senior cadet</b>	<b>Deputy cadet leader</b>	<b>Cadet leader</b>	<b>Senior cadet leader</b>
Average establishment (a)	1,131	565	283	141
Average strength (b)	734	119	25	5
Vacancy (c) = (a) – (b)	397	446	258	136
Vacancy percentage (d) = (c) ÷ (a) × 100%	35%	79%	91%	96%

*Source: Audit analysis of CAS records*

**Table 11**

**Number of cadets promoted to senior ranks  
(2015 to 2018)**

<b>Promotion to</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Percentage increase/(decrease) from 2015 to 2018</b>
Senior cadet	298	313	266	337	13%
Deputy cadet leader	85	90	65	65	(24%)
Cadet leader	37	32	30	17	(54%)
Senior cadet leader	18	7	9	9	(50%)
Overall	438	442	370	428	(2%)

*Source: Audit analysis of CAS records*

3.24 Upon enquiry, CAS informed Audit in March 2019 that the major causes of vacancies of senior-rank cadets were:

- (a) the time span of a cadet participating in the Cadet Corps was only five years which was relatively short;
- (b) HKDSE highly affected the participation of cadets and their willingness for promotion;
- (c) cadets were usually heavily committed in their school events and other extracurricular activities; and
- (d) some cadets did not want to be promoted.

3.25 *Need to formulate action plans to address vacancy situation.* Upon enquiry about the actions taken by CAS to address the vacancy problems of senior-rank cadets, CAS informed Audit that a Cadet Promotion and Service Award Review Committee chaired by the Deputy Cadet Corps Commander was formed. During May to July 2017, three meetings were held to explore ways to simplify and enhance the cadet promotion and award procedures. However, the implementation of specific measures to encourage promotion was withheld pending the implementation of the recommendations of a study of the repositioning of the Cadets Corps (e.g. enhancement of the training framework). In view of the high vacancy rates of senior-rank cadets, Audit considers that CAS needs to formulate action plans to improve the situation as soon as possible.

### *Shortage of CAS members in the Cadet Corps*

3.26 CAS members are deployed to the Cadet Corps as trainers or leaders to manage the Platoon Groups and provide training to CAS cadets. As at 31 December 2018, the establishment of CAS members in the Cadet Corps was 633. Audit analysis of the strength and establishment of CAS members in the Cadet Corps from 2015 to 2018 revealed that the number of vacancies increased by 45% from 55 in 2015 to 80 in 2018 (average number of vacancies: 69).

## Management of the Civil Aid Service Cadet Corps

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3.27 *Need to monitor the shortage of CAS members in the Cadet Corps.* In 2017, CAS proposed to increase the establishment of the Cadet Corps by 25% from 3,232 to 4,032 and recruit more cadets from secondary schools through the School Partnership Scheme (Note 34). In July 2018, SB approved CAS's proposed increase in the establishment of the Cadet Corps with effect from August 2018. The establishment of CAS members also increased by 135 (3.7%) from 3,634 to 3,769 to man the newly created training teams under the CAS Training School/CAS Cadet Corps Training Office and to manage the enlarged CAS Cadet Corps. A financial provision of \$4.1 million for pay and allowances and training expenses was reserved for the initiatives.

3.28 Upon enquiry, CAS informed Audit in March 2019 that the following actions had been taken to address the shortage of CAS members in the Cadet Corps:

- (a) a "Groom Our Cadet to be Instructor" Scheme was commenced in early January 2018 with 70 cadets being enrolled as CAS members through the Scheme. Under the Scheme, they would be trained as instructors when they reached the age of 18; and
- (b) a special recruitment exercise of officers and instructors for the CAS Cadet Corps was launched in December 2018.

3.29 As the establishment of the Cadet Corps increased by 25%, it is expected that more training courses and activities will be organised. Audit considers that there is a need for CAS to monitor the shortage of CAS members in the CAS Cadet Corps and take appropriate follow-up actions to address the issue.

## Audit recommendations

3.30 **Audit has recommended that CAS Management should:**

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**Note 34:** *Under the Scheme, cadets are directly recruited from the secondary schools which are interested to participate in the Scheme and training can be provided in the school venues.*

- (a) **formulate action plans to address the vacancy situation of senior-rank cadets as soon as possible; and**
- (b) **monitor the shortage of CAS members in the CAS Cadet Corps and take appropriate follow-up actions to address the issue.**

### **Response from the Government**

3.31 CAS Management agrees with the audit recommendations. The Chief Staff Officer of the CAS has said that:

- (a) CAS will formulate action plans to improve the vacancy situation of senior-rank cadets; and
- (b) in light of the increase in the establishment of the Cadet Corps (see para. 3.27), corresponding CAS reorganisation was approved in August 2018. Recruitment training for additional CAS members will take about nine months. The situation will be improved upon completion of the recruitment training. CAS will continue to review the vacancy position of CAS members in the Cadet Corps.

## **PART 4: ADMINISTRATIVE ISSUES**

4.1 This PART examines CAS's administrative issues, focusing on:

- (a) financial control (paras. 4.2 to 4.10);
- (b) procurement of goods and services (paras. 4.11 to 4.15);
- (c) management of stores and dangerous goods (paras. 4.16 to 4.27); and
- (d) governance of the Civil Aid Service (paras. 4.28 to 4.31).

### **Financial control**

#### ***Overspending in 2017-18***

4.2 In 2017-18, CAS had incurred an expenditure of \$112.2 million which exceeded the approved provision of \$109.4 million under Head 27 — CAS in the General Revenue Account by \$2.8 million. The excess expenditure fell into the pay and allowances item of the CAS Auxiliary Force, which was paid through a standing imprest account in late March 2018. In the absence of sufficient provision in Head 27 and given that supplementary provision was not available before the close of the financial year, the amount of \$2.8 million was reported under “advances” in the 2017-18 financial statements as a transitional accounting treatment and a one-off exceptional arrangement. In August 2018, Audit issued a management letter to the Financial Services and the Treasury Bureau, SB, the Treasury and CAS during the audit of the General Revenue Account. In the event, the overspending was reported in the supporting statements to the 2017-18 financial statements. In September 2018, the amount of \$2.8 million was charged to Head 27 for 2018-19 (absorbed within the 2018-19 provision). After the overspending incident, SB, the Treasury and CAS conducted reviews and made recommendations to improve the financial control of CAS. According to CAS, it had taken on board the recommendations of the reviews.

***Arrears of revenue related to unreturned uniforms and accoutrements***

4.3 *Need to expedite recovery actions in respect of arrears of revenue.* Audit examination of the arrears of revenue register revealed that as at 30 September 2018, the total amount of arrears of revenue was \$111,900, of which \$69,200 (62%) involving 314 cases was related to unreturned uniforms and accoutrements of CAS members/cadets.

4.4 CAS members/cadets have to return their uniforms and accoutrements when they retire, resign or are discharged from the Auxiliary Force. According to CAS, the practice for following up unreturned uniforms and accoutrements includes:

- (a) the Records Office of the CAS (Department) will send a notification letter to a member/cadet requesting him/her to return the items. If no response after a lapse of about 2.5 months and 4 months since the issue of notification letter to a member or a cadet respectively, the case will be passed to the Accounts Office to issue demand note for cost recoupment including administration cost;
- (b) if no response is received one month for a member and 14 days for a cadet after the due date specified on the demand note, the Accounts Office will issue the first reminder. Second reminder will be issued to a member if no settlement is made after another month (second reminder will not be issued to a cadet). If no settlement is made after 3 months from the issue of demand note, the case will be referred to the Department of Justice (DoJ) for the issue of legal notice; and
- (c) if no settlement is made one month after the issue of legal notice, the Accounts Office will inform DoJ to issue the second legal notice. If no response is received for another month after the issue of the second legal notice, the case will be referred to relevant Senior Operations and Training Officer to consider recommending for approval to write off the outstanding amount.

4.5 Audit noted the following issues relating to the cost recovery of unreturned uniforms and accoutrements:

- (a) ***Delay in issuing demand notes.*** Audit analysed 44 demand notes which were issued on 28 December 2018 and 7 January 2019. Audit found that the demand notes were issued, on average, 38.7 months (ranged from 7.2 to 87.1 months) after the Records Office issued notification letters to retired/resigned members/cadets requesting the return of the uniforms (Note 35). Audit sample checked ten cases each for members and cadets selected from the arrears of revenue register kept by the Accounts Office as of December 2018 (reporting the position as at 31 October 2018) and noted that:
- (i) in 18 (90%) of 20 cases, the Records Office had not taken timely actions to pass the cases to the Accounts Office for issuing demand notes. The delays ranged from 2 to 31.4 months (average: 12.7 months) (see para. 4.4(a)); and
  - (ii) in 10 (56%) of the 18 cases mentioned in (i), the Records Office took more than 12 months for taking follow-up actions (e.g. making telephone calls to CAS members/cadets concerned) before passing the cases to the Accounts Office for issuing demand notes;
- (b) ***Delay in taking follow-up actions by the Accounts Office.*** As at 31 October 2018, 166 (53%) of the 314 outstanding cases (see para. 4.3) had been outstanding for over 6 years (see Appendix E). Audit examination revealed that of the 314 cases:
- (i) in 109 (35%) cases with outstanding periods ranging from 1.7 to 12.5 years, it took 7 to 59 months (instead of 3 months — see para. 4.4(b)) for the Accounts Office to pass the cases to DoJ for issuing the first legal notices. Subsequently, for 54 of the 109 cases, it took a further 10 to 37 months (instead of one month — see para. 4.4(c)) for the Accounts Office to inform DoJ to issue the second legal notices. For the remaining 55 cases, the Accounts Office failed to inform DoJ to issue the second legal notices; and

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**Note 35:** *Upon enquiry, the Records Office informed Audit that there were 30 cases where no demand notes were issued as at 31 December 2018. There was a lapse of 16.8 months on average (ranging from 2.6 to 70.9 months) from the issue of notification letters to retired/resigned members/cadets to 31 December 2018.*

- (ii) in 205 (65%) cases with outstanding periods ranging from 7.6 months to 7.1 years, the cases were not referred to DoJ; and
- (c) *Need to promulgate guidelines on existing practice.* According to CAS, responsible CAS staff followed the practice mentioned in paragraph 4.4 for handling unreturned uniform and accoutrement cases. However, such practice was not laid down in CAS guidelines. Audit considers that CAS needs to promulgate the practice in CAS guidelines and take measures to ensure compliance by CAS staff.

4.6 Upon enquiry, CAS informed Audit in March 2019 that the 44 cases (see para. 4.5(a)) involving \$37,425 were related to CAS members and cadets who had retired or resigned since 2011. As the cases had been outstanding for years, the chance of recovery was low. In view of the insignificant amount involved, CAS did not accord top priority to follow up these cases because of the shortage of staff in the Records Office and the Accounts Office. While noting CAS's explanation, Audit considers that CAS needs to expedite recovery actions in respect of arrears of revenue and write-off actions if further recovery actions are not warranted.

### *Internal audit services*

4.7 According to CAS General Orders No. 2.1.7 and No. 3.3.4, the CAS Audit Office and Unit Audit Teams in each Region/Force/Cadet Corps/Unit are responsible for providing independent internal auditing services to CAS. The CAS Audit Office examines, evaluates and reports on the adequacy of internal control with a view to achieving proper, economic, efficient and effective use of resources. The Unit Audit Teams mainly perform audit inspection visits to unit training and unit administration (e.g. attendance records, attendance claims and discipline matters). ICAC's 2017 assignment study (see para. 2.32) found that there was a lack of independence in CAS's internal audit function, especially for unit audits where the auditor and the auditees belonged to the same Region/Force. The scope of the audit programme was also limited (e.g. not covering allocation of training/duties to members).

4.8 Audit noted that as at 31 December 2018, CAS was in the process of revising the scope of duties of its internal audit function. According to CAS, additional scope and duties of CAS's internal audit function would be added in CAS General Order No. 3.3.4, viz.: (a) Unit Audit Teams and CAS Audit Office would



inspect scheduled duty deployment records and unit administration deployment records; and (b) apart from Regional Headquarters, CAS Audit Office would conduct visits to various Companies/Units/Offices. In this connection, Audit noted that in 2017 and 2018, the internal audits conducted by CAS Audit Office and Unit Audit Teams had limited coverage on financial control matters (e.g. checking of ACFs). In light of the findings in this Audit Report, Audit considers that CAS needs to take measures to strengthen its internal audit function and consider extending the scope of its internal audits to cover more aspects of the financial control of the CAS Auxiliary Force (e.g. expenditure control on pay and allowances of CAS members).

### **Audit recommendations**

#### **4.9      Audit has *recommended* that CAS Management should:**

- (a)      promulgate the practice for following up unreturned uniforms and accoutrements in CAS guidelines and take measures to ensure compliance by CAS staff with a view to expediting the recovery actions in respect of arrears of revenue and write-off actions if further recovery actions are not warranted; and**
- (b)      take measures to strengthen CAS internal audit function and consider extending the scope of the internal audits to cover more aspects of the financial control of the CAS Auxiliary Force.**

### **Response from the Government**

**4.10      CAS Management agrees with the audit recommendations. The Chief Staff Officer of the CAS has said that CAS will:**

- (a)      conduct a review on the procedures for recovery of unreturned uniforms and accoutrements and promulgate the procedures. The review will include whether non-significant and personal uniform items (e.g. socks) from CAS members/cadets could be waived to save administrative efforts and costs in disposing of them; and**
- (b)      take measures to strengthen the internal audit function of the CAS Audit Office.**

## Procurement of goods and services

4.11 According to SPR 125, Controlling Officers are responsible for the procurement of stores, services and revenue contracts within the financial limits set out in SPR 220 (Note 36), and management of the stores and services procured and the contracts awarded. Controlling Officers shall also observe and uphold a culture of compliance with requirements of SPRs, and closely monitor their staff's compliance with the relevant requirements.

4.12 The CAS's procurement activities and management of stores are governed by SPRs. According to CAS, the Administration Division is entrusted with the function of supervising all stores and procurement matters. In general, day-to-day procurement of goods and services is carried out by the Supplies Section of the CAS (Department) headed by a Supplies Officer. For operational efficiency, Senior Operations and Training Officers of various sections are delegated with the authority to make direct procurement of transportation services not exceeding \$50,000 (through the General and Personnel Registry of the CAS (Department)) and to procure goods and services of urgent operational needs not exceeding \$50,000. From 2013-14 to 2017-18, CAS spent, on average, \$19.3 million per year on procurement of goods and services.

### *Areas for improvement*

4.13 According to the CAS's registers, there were 181 and 3,708 quotation exercises each with an estimated amount over \$50,000 and \$50,000 or below respectively from 2013-14 to 2017-18. Audit selected 50 (28%) quotation exercises with a value of over \$50,000 each for examination and reviewed the registers for quotations with a value of not exceeding \$50,000 each kept by the Supplies Section and the General and Personnel Registry. Audit found that there is room for improvement in the following areas:

- (a) ***Number of quotations invited less than required.*** According to SPR 260(b), for purchases with a value of over \$50,000 but not exceeding

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**Note 36:** *For example, according to SPR 220(a), the quotation limits for consultancy services and for goods and other services are \$3 million and \$1.4 million respectively.*

the quotation limit set out in SPR 220(a) (see Note 36 to para. 4.11), departments must invite at least five written quotations. Audit examination of quotation exercises of transportation services during 2016-17 and 2017-18 found that in 2016-17, there were one quotation exercise for the operations in Ching Ming Festival and three quotation exercises for the operations in Chung Yeung Festival. In the former case, the value of the purchases exceeded \$50,000 but only three quotations were invited. In the latter case, similar services were procured by three quotation exercises (see Table 12). In this case, three quotations were invited in each quotation exercise. Audit considers that the three quotation exercises could have been consolidated into one to achieve better economy of scale and at least five written quotations should be invited in accordance with SPR 260(b);

**Table 12**

**Quotation exercises for transportation services  
that should have been consolidated**

<b>Quotation Exercise</b>	<b>Date of service required</b>	<b>Number of service locations (Note)</b>	<b>Amount  (\$)</b>
1	9.10.2016	5	13,560
2	9.10.2016	7	18,528
3	10.10.2016	12	31,852
Total			63,940

*Source: Audit analysis of CAS records*

*Note: The twelve locations in Quotation Exercise 3 were exactly the same as the five and seven service locations in Quotation Exercises 1 and 2 respectively.*

*Remarks: The three invitations for quotations were all made on 27 September 2016 to the same three suppliers.*

- (b) *Suppliers repeatedly invited in a number of quotation exercises.* According to SPR 260(a), for purchases with a value of not exceeding \$50,000, departments should normally invite more than one supplier for quotations and accept the lowest conforming offer. According to the CAS's registers for procurement value of not exceeding \$50,000, there were 2,281 quotation exercises for transportation services and 1,427 quotation exercises for other goods and services with procurement value of not exceeding \$50,000 each from 2013-14 to 2017-18. In a system survey (Note 37) conducted by the Government Logistics Department (GLD) in 2017, GLD found that the same three suppliers were invited repeatedly for quotations within a short period of time in 2015. To maintain fair and competitive bidding, GLD recommended that the CAS should select suppliers from its supplier list on a fair basis. Audit examination of 40 quotation exercises for transportation services from January to March 2018 revealed that of some 80 suppliers in the supplier list, the same supplier(s) was/were repeatedly invited in two to seven quotation exercises each (see Table 13). However, there were no documented justifications for this practice.

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**Note 37:** *Subject to the availability of resources, GLD may conduct system survey of a B/D, in addition to the routine supplies surveys and stock verification exercises under SPR 1005(a), to examine in depth the B/D's procurement and supplies procedures.*

Table 13

**Quotation exercises for transportation services  
with same supplier(s) repeatedly invited  
(January to March 2018)**

<b>Suppliers invited</b>	<b>Number of times invited</b>	<b>Total number of quotation exercises involved</b>
A	2	2
B, C	3	6
D, E	4	8
F, G	6	12
H	7	7
Total		35

*Source: Audit analysis of CAS records*

*Remarks: Incumbent suppliers were excluded in the analysis.*

Audit considers that CAS needs to invite quotations from suppliers on its supplier list by rotation together with the last successful supplier if its performance is satisfactory and avoid over-reliance on only a few suppliers for providing goods/services;

- (c) ***Need to seek proper approval for contract variations.*** According to SPR 520(c) and Appendix V(B) of the SPRs, approval of a Directorate Officer is required for making contract variations (e.g. any variations to a contract which will increase the original value of the contract or increase in contract sum) for contracts awarded through quotation, provided that the accumulated value of the contract will not exceed the quotation limit. Two contracts with approved contract sums of \$192,000 and \$249,000 were awarded. Due to changes in the service requirements, the final contract sums for the two contracts were \$203,520 and \$258,600 respectively (i.e. 6% and 4% above the approved contract sums). In both cases, contrary to SPR requirements, there were no records showing that approval for contract variations had been sought from a Directorate Officer;

- (d) ***Cancellation of quotation exercises.*** Audit examination of 50 quotation exercises for purchases with a value of over \$50,000 each revealed that some quotation exercises were cancelled due to inadequacies in the planning process, as follows:
- (i) ***Need to conduct more market research before setting essential requirements.*** In July 2016, a quotation exercise for supplying anchor slings together with connectors was cancelled because no supplier could meet all the three required safety standards set for the anchor slings (which was an essential requirement) specified in the terms of quotation. Another quotation exercise was conducted in August 2016 and the safety standard requirements for the anchor slings were reduced from the original three to any two of three. The contract was awarded in September 2016. Audit considers that more market research should be conducted before drawing up the essential requirements for quotations; and
- (ii) ***Need to secure sufficient funding before inviting quotations.*** Audit noted that a quotation exercise in late 2013 with eight offers received was cancelled in 2014 due to insufficient funds;
- (e) ***Need to take measures to avoid ambiguity in the terms and conditions of the quotation documents.*** Audit noted that the terms of quotation in a quotation exercise stated that “upon request, a supplier must submit to CAS, one pair of quotation sample of the product offered, free of all costs, on or before the quotation closing date for evaluation”. Upon enquiry, GLD informed Audit in March 2019 that under the terms of quotation, the supplier involved could assume that it would only be required to submit a sample of its product offered upon the request of CAS. However, in reality, it would be impossible for CAS to make such a request to the supplier as CAS should only know who had submitted quotations after the quotation closing date. Audit considers that CAS needs to take measures to avoid ambiguity in the terms and conditions of the quotation documents; and
- (f) ***Need to ensure declaration of conflict of interests is made by responsible officers.*** Audit noted that there was no documentary evidence showing that the officers involved in the quotation exercise in July 2016 for supplying anchor slings together with connectors (see (d)(i)) had declared their interests. Audit considers that CAS needs to ensure that CAS staff

performing duties related to procurement declare their conflict of interests in the quotation process.

### **Audit recommendations**

4.14      **Audit has *recommended* that CAS Management should:**

- (a)      **take measures to ensure that the requirements stipulated in SPRs are complied with, including:**
  - (i)      **ensuring that at least five written quotations are invited for purchases with value exceeding \$50,000;**
  - (ii)     **consolidating purchases of goods/services of a similar nature to achieve better economy of scale; and**
  - (iii)    **seeking proper approval for contract variations;**
- (b)      **take measures to ensure that CAS staff invite quotations from suppliers on CAS supplier list by rotation together with the last successful supplier if its performance is satisfactory and avoid over-reliance on only a few suppliers for providing goods/services;**
- (c)      **remind CAS staff to conduct more market research before setting essential requirements in quotation exercises;**
- (d)      **take measures to ensure that funds are sufficient before conducting quotation exercises;**
- (e)      **take measures to avoid ambiguity in the terms and conditions of the quotation documents; and**
- (f)      **take measures to ensure that CAS staff performing duties related to procurement declare their conflict of interests in the quotation process.**

## Response from the Government

4.15 CAS Management agrees with the audit recommendations. The Chief Staff Officer of the CAS has said that CAS will:

- (a) strictly adhere to SPRs when inviting quotations (including those with value exceeding \$50,000). It will remind staff to consolidate purchase of goods/services of a similar nature to achieve better economy of scale and follow the relevant SPRs in procuring goods/services except under emergency operations. CAS will take measures to ensure that contract variations are approved in accordance with SPRs;
- (b) remind CAS staff to select suppliers from CAS's supplier list by rotation and avoid over-reliance on only a few suppliers for providing goods/services except when there is a limited number of suppliers in the market;
- (c) conduct more market research before inviting quotations and ensure that there is sufficient funding before inviting quotations; and
- (d) take steps to avoid ambiguity in the terms and conditions of the quotation documents and ensure that staff performing duties related to procurement declare their conflict of interests.

## Management of stores and dangerous goods

4.16 Controlling Officers are responsible for the general supervision and control of stores. According to SPR 610, departments should keep complete records of the receipt and issue of all stores held in a departmental store unit. According to SPR 715, the Departmental Stores Manager (DSM) is responsible for proper accounting of inventory stores received and issued. SPRs also state that departments should consult the Director of Fire Services on the storage of highly inflammable or explosive items where quantities exceed the exemption levels stipulated under the Dangerous Goods Ordinance (DGO — Cap. 295), and on the adequacy of fire-fighting facilities, where necessary.



### *Management of stores*

4.17 ***Departmental stock verification.*** According to SPR 1015, in addition to the supplies surveys and stock verification exercises conducted by GLD, a Controlling Officer may appoint public officers of his department to inspect and verify completely stocks of all items held on ledger charge in all stores under his control. The appointed officers should inspect and verify:

- (a) progressively, in the case of large store, ensuring that each item is checked at least once every three years. The Controlling Officer should, where necessary, arrange more frequent verifications and inspections to be carried out; and
- (b) completely, stores by stores in the case of small stores, at least once a year, and preferably about six months after the last verification by either GLD or a Board of Survey (Note 38).

4.18 CAS has three major stores: a Uniform Store, a General and Stationery Store, and a Dangerous Goods Store. The numbers of stores items in the three stores as of October 2018 were 106, 178 and 2 respectively. According to CAS, the Uniform Store and the General and Stationery Store are under the management of the Supplies Section while the management of the Dangerous Goods Store is shared by various user formations and the Supplies Section for operational reasons. Audit reviewed the management of stores by CAS and noted the following issues:

- (a) ***Delays in updating records of returned stores items.*** Audit reviewed the results of the annual departmental stock verification exercises by CAS from 2014 to 2018 for its three major stores. Audit noted that surpluses were found in the verification exercises in respect of 9 to 15 stores items when compared with the ledger balances. Audit also found that:

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**Note 38:** *According to SPR 1010(a), the Director of Government Logistics appoints Boards of Survey to verify stocks of government stores held by departments which the Supplies Surveys and Stock Verification Section of GLD is unable to verify within the approved checking period stipulated in SPR 1005(a), i.e. at least once every three years.*

- (i) 12 stores items (e.g. rubber industrial gloves) were repeatedly reported as having surpluses after annual departmental stock verifications. The surpluses found ranged from 10 to 1,735 units (average: 287 units). According to CAS, the surpluses were attributable to the fact that stores records were not updated when the stores items were returned but updated only after an annual stock verification exercise; and
- (ii) for 18 stores items (e.g. latex disposable gloves and triangular bandage), each of the surpluses represented a large percentage of the respective ledger balances, ranging from 21% to 826% (average: 182%). According to SPR 610, departments should keep complete records of the receipt and issue of all stores held in a departmental store unit. Departments should also post all ledgers promptly.

Audit considers that CAS needs to update the stores records promptly once returned stores are received for stock replenishment purpose and for monitoring the expiry dates of stores items;

- (b) ***Annual inventory verification exercises not conducted.*** Inventory holding units of CAS are divided into two groups: 23 office units and 32 volunteer units. Inventory items are broadly classified into two categories: furniture and office equipment, and training and operational stores items. Inventory items are accounted for in inventory sheets of two copies each, with the master copy and duplicated copy kept by the Supplies Section and respective inventory holding units respectively. An inventory holder is appointed in each of the inventory holding units to maintain and update the record of inventory items. According to SPR 715, the DSM should ensure that the public officer maintaining the inventories in a store unit records all the issues and receipts correctly and makes cross-references of the entries in the relevant inventory records. The DSM should also arrange to check inventories at least once a year and ensure that any discrepancies are properly dealt with. Audit reviewed the master copies of the inventory sheets for the period from 2013 to 2018 and noted that among the 23 office units and 32 volunteer units:
  - (i) the number of office units which had not conducted annual inventory verification increased from 0 in 2015 to 3 (13%) in 2018. The number of volunteer units which had not conducted annual inventory

## Administrative issues

verification increased significantly from 1 (3%) in 2015 to 32 (100%) in 2018; and

- (ii) 6 (26%) of 23 office units and all 32 volunteer units had not conducted annual inventory verifications for more than one year (see Table 14).

**Table 14**

**Analysis of office/volunteer units  
with no annual inventory verifications conducted  
(2013 to 2018)**

Number of year with no annual inventory verifications conducted	Number of unit involved	
	Office unit	Volunteer unit
1	14	—
2	3	9
3	2	13
4	1	10
Total	20	32

*Source: Audit analysis of CAS records*

Upon enquiry, CAS informed Audit in March 2019 that inventory holders of volunteer units were CAS members who were not “public officers” under SPR 715. As CAS was seeking the advice from the Financial Services and the Treasury Bureau on the issue, CAS would take stop-gap measures to address the issue in the interim. While noting CAS’s explanation, Audit considers that CAS needs to remind its staff to carry out inventory verifications on departmental stores, and maintain an accurate and up-to-date inventory records as required under SPRs; and

- (c) ***Irregularities identified in Audit’s inventory checks.*** Audit conducted inventory checks on 2 office units and 3 volunteer units on a sample basis in January and February 2019. For each unit, five inventory items were selected for checking. In three units, discrepancies between the physical

quantities and quantities as shown in the inventory sheets were found in seven inventory items (with discrepancies ranging from 1 to 37 units). According to CAS, the discrepancies arose mainly because inventory sheets were not updated by the inventory holding units for some items transferred to other units and a digital camera was missing. Audit considers that CAS needs to take follow-up actions on the irregularities identified in Audit's inventory checks.

### ***Disposal of surplus stores***

4.19 The Supplies Section is responsible for processing requests for disposal of surplus stores in CAS. Surplus stores pending disposal are kept in user sections and surplus uniforms and accoutrements are kept in the Supplies Section. According to SPRs 1105 and 1106, a Departmental Disposal Committee (DDC) shall be appointed to consider and approve disposal of surplus (serviceable and unserviceable) stores with a value of not exceeding \$1.4 million (Note 39). For disposal of surplus stores exceeding the value of \$1.4 million, DDC will put forward its recommendations to the Controlling Officer (i.e. Chief Staff Officer) for his consideration and approval.

4.20 From January 2015 to July 2018, a total number of 50 disposals (involving 1,421 items of some 162,000 units) of unserviceable stores were approved by DDC. Out of the 50 disposals, 20 (40%) with a total of 238 items were having saleable value and managed through commercial disposal. The remaining 30 (60%) disposals involved stores items, which were disposed of through dumping as commercial disposal was considered not cost-effective.

4.21 ***Disposed stores not properly recorded and accounted for.*** According to SPR 1155, whatever the method of disposal, Controlling Officers are responsible to ensure that the movement of stores is properly recorded and accounted for, in line with the requirements in SPRs and for items dumped, a list of stores for dumping is prepared to certify that the stores have been dumped or destroyed. According to SPR 850, when departments issue stores for dumping, a voucher must be completed to certify that stores are issued and received for dumping purposes. Audit examined the 50 disposal exercises (items included projectors, cameras and generator set)

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**Note 39:** *With effect from 1 January 2018, the financial limit has changed from \$1.43 million to \$1.4 million.*

## **Administrative issues**

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approved by DDC together with the relevant disposal records and identified the following deficiencies:

- (a) for 1 disposal exercise approved in 2016 (involving 120 items), both the list of stores for dumping and the voucher were not found;
- (b) for 6 disposal exercises approved in 2015 and 1 exercise in 2016 (involving 194 and 17 items respectively), all the relevant vouchers were not found;
- (c) for 2 disposal exercises approved in 2015 and 2017, lists of stores for dumping were not found; and
- (d) a disposal exercise was approved in November 2017 for disposing of 5 items of medical consumables (i.e. 3,500 surgical masks, 2,000 gowns, 1,885 gowns for protection against special disease, 1,700 personal protective coveralls and 2,500 shoe covers for protection against special disease by which the effective dates had expired). Upon Audit enquiry, the list of stores for dumping and the voucher were only prepared in January 2019.

For proper control of stores, Audit considers that CAS needs to take measures to ensure that when conducting disposal exercises of stores items, vouchers and lists of stores are prepared in accordance with SPR requirements.

### ***Management of dangerous goods***

4.22 ***Storage of dangerous goods.*** CAS maintains a Dangerous Goods Store of some 7 square metres which is located at the ground floor of the CAS Headquarters. Due to operational reasons, the store is used by various users such as the Supplies Section of the CAS (Department), and Support Force, Tactical Force and New Territories Region of CAS. Petrol and diesel kept in the Store, which are highly inflammable, are used by CAS for operating its equipment (e.g. chainsaws). They are classified as Category 5 dangerous goods under DGO.

4.23 While the provisions of DGO do not apply to the Government, CAS obtained FSD's approval in February 2006 on the quantities of the dangerous goods kept in its Dangerous Goods Store. According to the approval, a number of

Category 5 dangerous goods with specified quantities were allowed to be kept inside CAS's Dangerous Goods Store (see Appendix F) subject to the compliance with a number of fire services requirements including:

- (a) the entrance to the Dangerous Goods Store should bear a notice in English and Chinese painted thereon in a conspicuous colour indicating that the Store contains flammable Category 5 dangerous goods and smoking is prohibited;
- (b) the Store should be provided with a fixed automatically operated appliance (e.g. a sprayer unit) inside and a gas fire extinguisher outside;
- (c) the Store's door opening is to be fitted with a self-closing door having a fire resisting period of not less than one hour; and
- (d) two buckets of sand are to be provided and allocated outside the Dangerous Goods Store near the doorway.

4.24 ***Audit inspection and stocktake.*** Audit conducted an inspection and stocktake, accompanied by a CAS staff, at the Dangerous Goods Store on 11 January 2019. Audit found inadequacies in CAS's management of its Dangerous Goods Store, as follows:

- (a) ***Dangerous goods exceeded approved quantity.*** Audit's stocktake revealed that four dangerous goods items kept inside the Store exceeded FSD's approved quantities by 3 litres (enamel) to 108 litres (diesel) (see Appendix F). Audit examination of the stores ledger also revealed that as at 31 October 2018, the balances of petrol and diesel were 72 litres and 90 litres respectively, exceeding FSD's approved quantities by 36 (72 – 36) litres and 54 (90 – 36) litres respectively;
- (b) ***Storage of dangerous goods with other goods.*** According to FSD, apart from the approved dangerous goods (see Appendix F), no other goods should be stored inside the Dangerous Goods Store. Audit found that other flammable items (i.e. three cylinders of liquefied petrol gas, three bottles of engine oil, one can of unknown fluid, and two bottles of ethanol) were kept in the Dangerous Goods Store (see Appendix F and Photograph 1);

### Photograph 1

#### Dangerous goods and other items found in the Dangerous Goods Store



Source: Photograph taken by Audit staff on 11 January 2019

- (c) ***Conspicuous warning notices not displayed.*** Audit found that the notice on the front door of the CAS Dangerous Goods Store was small and the colour was fading. The warnings of “no smoking” and “flammable Category 5 dangerous goods” were also not displayed, which was not in compliance with the fire services requirements;
  - (d) ***Fire extinguisher not properly maintained.*** The CAS Dangerous Goods Store had two fire extinguishers, one kept inside the Store and the other one outside. Audit noted that the fire extinguisher inside the Store had a notice stating that the appliance failed in the maintenance inspection conducted in May 2018; and
  - (e) ***Defective self-closing door and sand buckets placed inside the Store.*** Audit found that a self-closing device of a door was broken and therefore the self-closing function was out of order. A total of four buckets of sand were all put inside the Store, which was not in compliance with the fire services requirements.
- 4.25 ***Need to take prompt follow-up actions.*** After the inspection, in view of the possibility of posing a risk of fire hazards, Audit referred the audit findings

mentioned in paragraph 4.24(a) and (d) to CAS for urgent follow-up actions on 28 January 2019. In response, CAS staff invited Audit staff to visit the Dangerous Goods Store again on 1 February 2019. Audit noted that CAS had removed the excess quantities of dangerous goods kept in the Store and the interior condition of the Store had been tidied up (see Photograph 2). However, the non-compliance with the fire services requirements mentioned in paragraph 4.24(c) to (e) had not been rectified. In Audit's view, to minimise fire safety hazards, CAS needs to take prompt follow-up actions on the irregularities identified by Audit and consult the Director of Fire Services where necessary. CAS also needs to take measures to ensure compliance with the pertinent fire services requirements at all times.

**Photograph 2**

**Dangerous Goods Store after tidying up**



*Source: Photograph taken by Audit staff on 1 February 2019*

## Audit recommendations

**4.26 Audit has recommended that CAS Management should:**

- (a) take measures to ensure that the requirements of SPRs are complied with, including:**
  - (i) updating the stores records promptly once returned stores are received;**



## **Administrative issues**

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- (ii) **conducting annual inventory verifications on departmental stores and maintaining an accurate and up-to-date inventory records; and**
  - (iii) **preparing vouchers and lists of stores when conducting disposal exercises of stores items;**
- (b) **take follow-up actions on the irregularities identified in the Audit's inventory checks as mentioned in paragraph 4.18(c);**
- (c) **take prompt follow-up actions on the irregularities identified by Audit (see para. 4.24(c) to (e)) relating to the management of Dangerous Goods Store and consult the Director of Fire Services where necessary; and**
- (d) **take measures to ensure compliance with the pertinent fire services requirements at all times.**

## **Response from the Government**

4.27 CAS Management agrees with the audit recommendations. The Chief Staff Officer of the CAS has said that:

- (a) appropriate follow-up actions for the audit recommendations in paragraph 4.26(a) and (b) will be taken;
- (b) prompt rectification actions for management of the Dangerous Goods Store had been taken by CAS and all rectifications were completed on 22 February 2019. FSD conducted an inspection to the Dangerous Goods Store on 28 February 2019 and no irregularity was noted; and
- (c) CAS Stores Company will be assigned to take up the full responsibility for and management of the daily operations of the Dangerous Goods Store to ensure compliance with relevant fire services requirements at all times.

## Governance of the Civil Aid Service

### *Areas for improvement in the governance of CAS*

4.28 As mentioned in paragraph 1.12, CAS has established the Commissioner's Conference and the Commissioner's Committee to assist the Commissioner of the CAS to manage CAS. In addition, the Commissioner's Office also holds meetings from time to time to discuss administrative matters of CAS. Apart from CAS staff, members of the meetings included Senior Officers of the Auxiliary Force. Audit noted areas for improvement, as follows:

- (a) ***Terms of Reference.*** CAS General Orders only specify the composition (Note 40) and functions of the Commissioner's Conference and the Commissioner's Committee but not that of the Commissioner's Office;
- (b) ***Quorum and frequency of meetings.*** The quorum of each meeting and frequency of meetings are not laid down in CAS General Orders. According to CAS, about five Commissioner's Conference meetings are held each year and the attendance rate of the five conferences held in 2017 was 100%. For the Commissioner's Committee, meetings are held before the Commissioner's Conference or at any time as and when required. The attendance rates of the seven Committee meetings held in 2017 were over 80%. Since records of the Commissioner's Office meetings were not kept (see (c) below), the frequency and the attendance of meetings were not available;
- (c) ***Records of meetings.*** Records of meetings are kept for the Commissioner's Conference and the Commissioner's Committee. No minutes of meetings have been prepared for the Commissioner's Office meeting (see also para. 2.6); and
- (d) ***Declaration of conflict of interests.*** CAS General Order No. 3.5.2 lays down guidelines on declaration of interests by CAS members at meetings. According to the General Order, when a member (including the Chairman)

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**Note 40:** *The Commissioner's Conference, Commissioner's Committee and Commissioner's Office comprise 16, 7 and 8 members respectively (see para. 1.12). Among the members, the Deputy Commissioner (Operations) and the Senior Assistant Commissioner (Operations) are civil servants and others are volunteers.*

has any direct personal or pecuniary interest in any matter under consideration by the Committee, he must as soon as practicable after he has become aware of it, disclose to the Chairman (or the Committee) prior to the discussion of the item. The Chairman (or the Committee) shall decide the follow-up action on the member disclosing the interest (e.g. remain in the meeting as an observer or withdraw from the meeting). A designated form (requiring the signatures of the member disclosing the interest and the officer acknowledging the receipt of the declaration) should be used for declaration of interests. Audit examination of the minutes of the Commissioner's Conference and the Commissioner's Committee meetings held in 2017 and 2018 revealed that:

- (i) on three occasions, the designated form was not used and the declaration of interests was recorded in the minutes of meeting instead; and
- (ii) at a Commissioner's Committee meeting held to discuss matters including promotion of officers, all members declared that there were no conflict of interests in a declaration form. However, in the minutes of meeting, it was recorded that two members had declared conflict of interests and made no comments in the discussion of the promotion of the officers concerned.

4.29 ***Need to enhance governance of CAS.*** In PARTs 2 and 3 of this Audit Report, Audit has highlighted inadequacies in the training and services of CAS members and cadets (including members' non-compliance with the CAS Regulation and/or General Orders regarding the efficiency requirements and the processing of claims for pay and allowances, and inadequate follow-up actions on cadets not participating in training, services and activities). In PART 4, while CAS has taken measures to improve its financial control, Audit has identified instances of non-compliance with: (a) SPRs in the procurement of goods and services, and management of stores; and (b) the fire services requirements in the management of the Dangerous Goods Store. In the relevant PARTs of this Audit Report, Audit has made recommendations to address the specific issues. To ensure that an established mechanism is in place to oversee and regularly report the follow-up actions to the relevant CAS authorities, CAS needs to enhance its governance. CAS also needs to raise the awareness of CAS staff and CAS members on the need to comply with government regulations and guidelines, and CAS General Orders respectively. In view of the inadequacies mentioned in paragraph 4.28, CAS also needs to promulgate

in CAS General Orders the terms of reference of the Commissioner's Office, the quorum requirement and frequency of the meetings of the Commissioner's Conference, the Commissioner's Committee and the Commissioner's Office, and properly document the records of meetings of the Commissioner's Office and the declaration of conflict of interests by CAS members.

## **Audit recommendations**

4.30      **Audit has *recommended* that CAS Management should:**

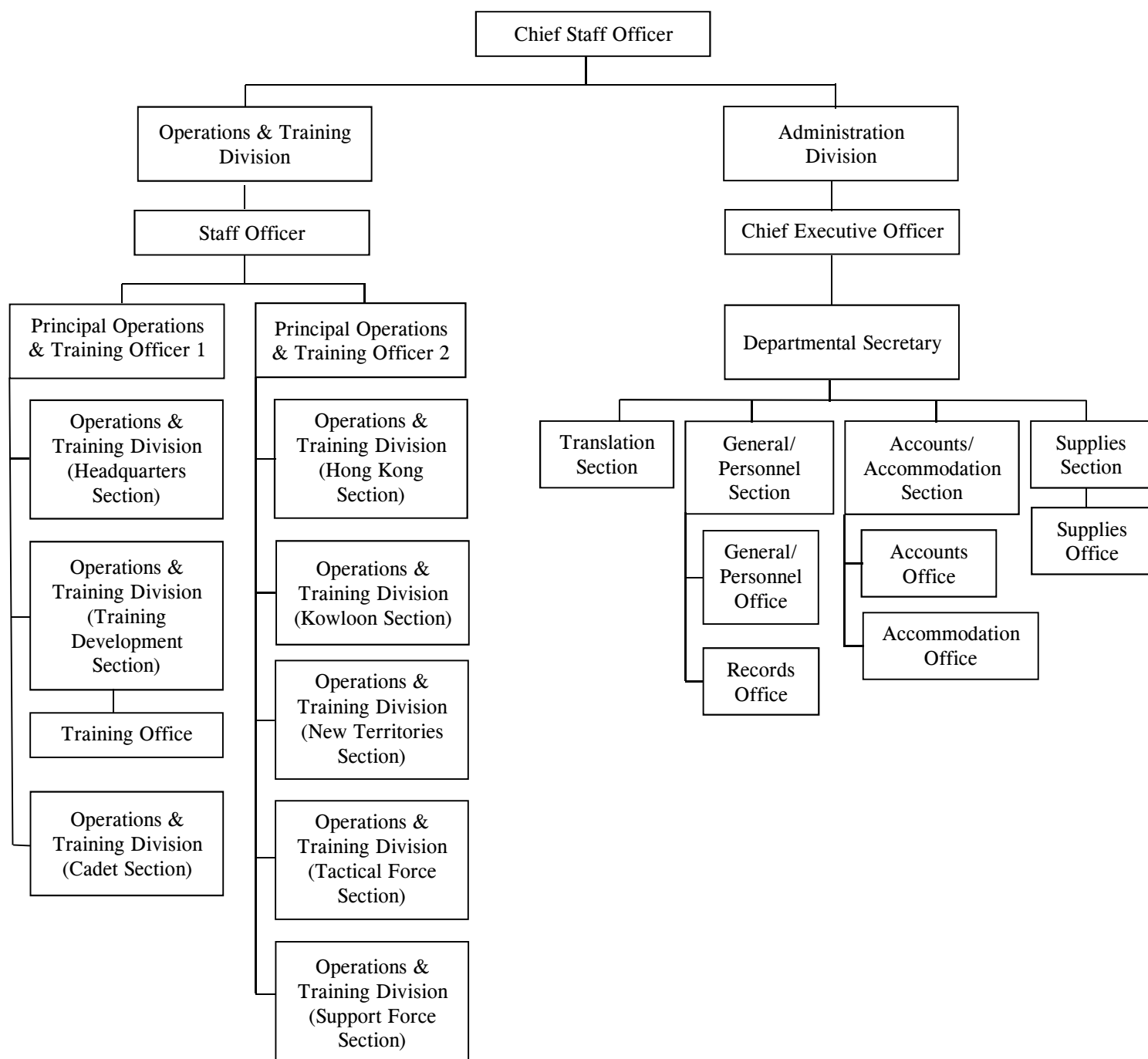
- (a)      **enhance the governance of CAS to ensure that an established mechanism is in place to oversee and regularly report to the relevant CAS authorities the follow-up actions on the issues identified in this Audit Report;**
- (b)      **raise the awareness of CAS staff and CAS members on the need to comply with government regulations and guidelines, and CAS General Orders respectively;**
- (c)      **promulgate in CAS General Orders:**
  - (i)      **the terms of reference of the Commissioner's Office; and**
  - (ii)     **the quorum requirement and frequency of the meetings of the Commissioner's Conference, the Commissioner's Committee and the Commissioner's Office; and**
- (d)      **properly document the records of meetings of the Commissioner's Office and the declaration of conflict of interests by CAS members.**

### **Response from the Government**

4.31 CAS Management agrees with the audit recommendations. The Chief Staff Officer of the CAS has said that CAS will:

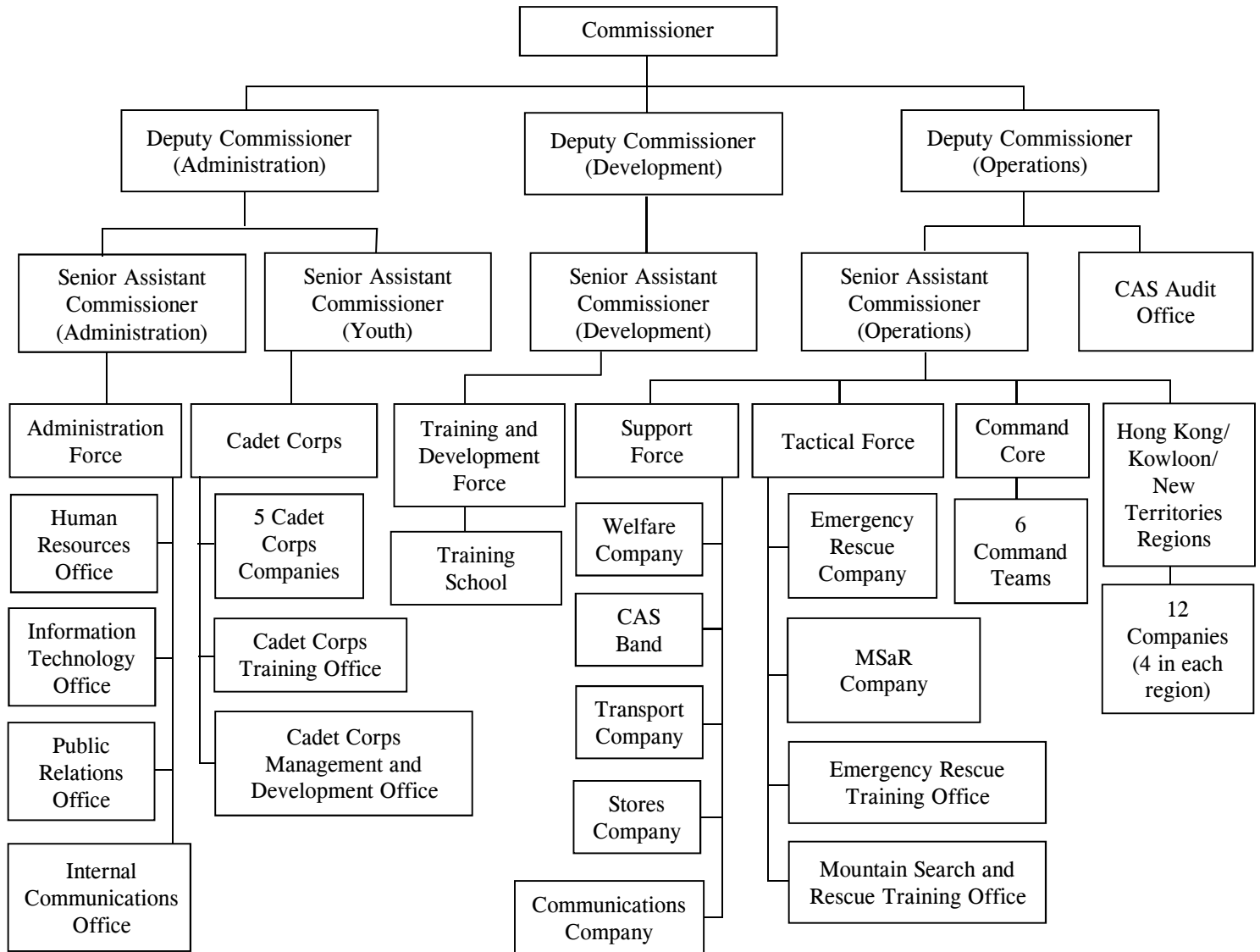
- (a) update relevant internal orders and guidelines;
- (b) enhance administrative procedures regarding records of meetings and declaration of interests;
- (c) conduct a holistic review on CAS's administration, training and operation. The review will take into account all recommendations in this Audit Report and CAS Management will closely monitor the implementation of all follow-up actions; and
- (d) monitor more closely the governance and management of both the CAS (Department) and the Auxiliary Force.

**Organisation chart: Civil Aid Service (Department)**  
**(1 January 2019)**



Source: CAS records

**Organisation chart: Civil Aid Service Auxiliary Force (extract)  
(1 January 2019)**



Source: CAS records

**Rates of pay for Civil Aid Service members (extract)  
(2018-19 and 2019-20)**

	<b>Grade</b>	<b>Hourly rate of pay (\$)</b>	<b>Daily rate of pay (i.e. hourly rate × 8 hours) (\$)</b>
<b>Officer</b>			
Commissioner	SVII	218.1	1,744.8
Deputy Commissioner	VII	186.3	1,490.4
Senior Assistant Commissioner	VII	186.3	1,490.4
Assistant Commissioner	VII	186.3	1,490.4
Principal Adviser	SVI	166.2	1,329.6
Deputy Regional Commander	SVI	166.2	1,329.6
Assistant Regional Commander	VI	166.2	1,329.6
Adviser	VI	166.2	1,329.6
Company Commander	SV	134.5	1,076.0
Deputy Company Commander	V	103.8	830.4
Platoon Commander	IV	92.6	740.8
<b>Other ranks</b>			
Senior Section Leader	SIII	72.6	580.8
Section Leader	III	66.8	534.4
Deputy Section Leader	II	54.4	435.2
Senior Member	SI	45.8	366.4
Member	I	44.8	358.4

*Source: CAS records*

*Remarks: A member can only receive the daily rate of pay (i.e. hourly rate × 8 hours) for attendance in training or service duty for 8 hours or more in any period of 24 hours.*



### **Civil Aid Service Cadet Stage Training System**

<b>Stage</b>	<b>Rank</b>	<b>Basic training requirements</b>	<b>Supplementary requirements</b>
I	Cadet (on enrolment)	<ul style="list-style-type: none"> <li>• Cadet Induction Programme</li> </ul>	<ul style="list-style-type: none"> <li>• Recommended by Senior Staff Officer, Cadet Corps Training Office</li> </ul>
II	Senior Cadet	<ul style="list-style-type: none"> <li>• Outdoor Activities Training</li> <li>• Cadet Corps Induction Training</li> </ul>	<ul style="list-style-type: none"> <li>• Recommended by Platoon Commander</li> </ul>
III	Deputy Cadet Leader	<ul style="list-style-type: none"> <li>• Deputy Cadet Leader Course</li> <li>• Elementary Expedition Training and Assessment or Community Services Training</li> </ul>	<ul style="list-style-type: none"> <li>• Recommended by Platoon Commander</li> <li>• Performed at least 24 hours of community services in the capacity of a Senior Cadet</li> <li>• Attended at least 1 Cadet Corps major event or national education programme in the capacity of a Senior Cadet</li> </ul>
IV	Cadet Leader	<ul style="list-style-type: none"> <li>• Foot Drill Course for Cadet Leaders</li> <li>• Elementary Expedition Training and Assessment</li> <li>• Community Services Training</li> </ul>	<ul style="list-style-type: none"> <li>• Recommended by Platoon Commander</li> <li>• Performed at least 24 hours of community services in the capacity of a Deputy Cadet Leader</li> <li>• Attended at least 1 Cadet Corps major event or national education programme in the capacity of a Deputy Cadet Leader</li> </ul>
V	Senior Cadet Leader	<ul style="list-style-type: none"> <li>• Senior Cadet Leader Course</li> <li>• Emergency Rescue Training for Cadets or Casualty Handling Training for Cadets or Casualty Simulation Training for Cadets</li> </ul>	<ul style="list-style-type: none"> <li>• Recommended by Platoon Commander</li> <li>• Performed at least 24 hours of community services in the capacity of a Cadet Leader</li> <li>• Attended at least 1 Cadet Corps major event or national education programme in the capacity of a Cadet Leader</li> </ul>

Source: CAS records

**Ageing analysis of outstanding demand notes  
(31 October 2018)**

Number of years outstanding	Number of demand notes	Percentage
1 or less	14	4 %
> 1 to 3	40	13 %
> 3 to 6	94	30 %
> 6 to 9	91	29 %
> 9 to 12	60	19 %
> 12 (Note)	15	5 %
Total	314	100 %

*Source: Audit analysis of CAS records*

*Note: The oldest case had been outstanding for 12.5 years.*

**Dangerous goods and other items stored  
in the Civil Aid Service Dangerous Goods Store  
(11 January 2019)**

Items	FSD approved quantities  (a) (Litre)	Estimated quantities inspected by Audit (Note 1)  (b) (Litre)	Excess quantities  (c) = (b) – (a) (Litre)
<b>Category 5 dangerous goods</b>			
Petrol	36	72 (Note 2)	36
Diesel	36	144 (Note 2)	108
Kerosene	90	145	55
Paint, enamel, various colours	20	23	3
Thinner for cellulose lacquer	8	8	0
Cellulose lacquer	8	4	0
Mineral turpentine	36	18	0
Ethanol	Not applicable	3	3
<b>Others</b>			
Liquefied petroleum gas (Note 3)	Not applicable	3 cylinders	3 cylinders
Engine oil	Not applicable	2.5	2.5
Unknown fluid	Not applicable	18	18

*Source: Audit stocktake on 11 January 2019*

*Note 1: Audit estimated the quantities based on the quantity labels on the containers of the dangerous goods.*

*Note 2: According to the stores records kept by the Supplies Section as at 11 January 2019, 54 litres of petrol and 90 litres of diesel were kept.*

*Note 3: Liquefied petrol gas is controlled under the Gas Safety Ordinance (Cap. 51) and is not subject to the control of DGO.*

**Acronyms and abbreviations**

ACF	Attendance claim form
AFPAO	Auxiliary Forces Pay and Allowances Ordinance
Audit	Audit Commission
B/Ds	Government bureaux/departments
CAS	Civil Aid Service
COR	Controlling Officer's Report
DDC	Departmental Disposal Committee
DGO	Dangerous Goods Ordinance
DoJ	Department of Justice
DSM	Departmental Stores Manager
FSD	Fire Services Department
GLD	Government Logistics Department
HKDSE	Hong Kong Diploma of Secondary Education Examination
ICAC	Independent Commission Against Corruption
MSaR Company	Mountain Search and Rescue Company
NGO	Non-governmental organisation
SB	Security Bureau
SPRs	Stores and Procurement Regulations

## **CHAPTER 5**

**Environment Bureau  
Environmental Protection Department**

**Environment and Conservation Fund**

**Audit Commission  
Hong Kong  
1 April 2019**

*This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.*

Report No. 72 of the Director of Audit contains 8 Chapters which are available on our website at <https://www.aud.gov.hk>

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# ENVIRONMENT AND CONSERVATION FUND

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# **ENVIRONMENT AND CONSERVATION FUND**

## **Executive Summary**

1. The Environment and Conservation Fund (ECF), which came into operation in August 1994, is a statutory trust fund established under the Environment and Conservation Fund Ordinance (Cap. 450 — ECF Ordinance) to provide funding support to local non-profit-making organisations for educational, research and other projects and activities in relation to environmental and conservation matters. The Secretary for the Environment, head of the Environment Bureau (ENB), is the trustee of ECF.
2. The Environment and Conservation Fund Committee (ECFC) is set up under ECF Ordinance to advise the trustee on the use of funds. It is assisted by five subcommittees in vetting applications and overseeing the implementation of approved projects under ECF. These subcommittees are the Waste Reduction Projects Vetting Subcommittee (WRPVSC), the Environmental Education and Community Action Projects Vetting Subcommittee (EE&CAPVSC), the Research Projects Vetting Subcommittee (RPVSC), the Energy Conservation Projects Vetting Subcommittee (ECPVSC) and the Nature Conservation Subcommittee (NCSC). The Environment and Conservation Fund Investment Committee (ECFIC) is set up to set policies on investment and monitor the investment of ECF. The Environmental Protection Department (EPD) provides secretariat support to the committees/subcommittees and support for the administration (including processing applications and monitoring the implementation of approved projects) of ECF.
3. Since June 1994 and up to December 2018, the Finance Committee of the Legislative Council had approved seven funding injections into ECF totalling \$6,735 million. For the first six rounds of injection (\$1,735 million in total), both the funding injected and the bank interest accruing from unspent balance were used to support projects funded by ECF. The seventh round of injection of \$5,000 million served as seed capital to generate investment returns to provide ECF with a long-term and sustainable funding source for supporting community green actions.

## Executive Summary

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4. As of October 2018, there were six main types of ECF-funded projects, namely (a) waste reduction projects, (b) energy conservation projects, (c) environmental education and community action projects, (d) environmental research, technology demonstration and conference projects, (e) nature conservation management agreement projects and (f) large-scale environmental education and awareness projects/programmes. These projects were funded under 11 ECF funding programmes (5 for waste reduction projects, 2 for energy conservation projects and 4 for the remaining 4 project types). Since its establishment in 1994 and up to March 2018, ECF had supported some 5,200 projects with approved grants of some \$2,800 million in total. The Audit Commission (Audit) has recently conducted a review of ECF.

### Administration of applications

5. *Need to keep in view the processing time for ECF applications.* EPD is responsible for processing ECF applications before submitting them to the subcommittee concerned and/or ECFC for vetting and approval. Audit noted that the processing time (from date of receipt of application to date of approval) for 377 (27.6%) of the 1,364 ECF applications approved during 2013-14 to 2017-18 was more than one year. According to EPD, 99% of the 377 applications were those approved in 2013-14 and 2014-15 and significant improvement had been made in recent years (91% to 97% of the ECF applications during the period from 2015-16 to 2017-18 were approved within 6 months). Audit examination found that there was a need for ENB and EPD to strengthen measures to help complete the processing of one long-outstanding application (apart from issuing reminders, EPD had not taken other follow-up actions with the applicant) and consider providing further assistance to the applicant of another application. As of December 2018, there were 215 ECF applications under processing by EPD and, according to EPD, all these applications, except two, had been received for less than 6 months. Audit considers that ENB and EPD need to keep in view the processing time of ECF applications, strengthen measures to help complete the processing as soon as practicable and provide assistance to the applicants where necessary and appropriate (paras. 2.3 and 2.5 to 2.8).

6. *Increasing rejection rate for ECF applications.* During the period from 2013-14 to 2017-18, the rejection rates for ECF applications increased from 20% (112 of 559 applications rejected) in 2013-14 to 48% (217 of 451 applications rejected) in 2017-18. Audit noted that EPD had provided reasons for rejection (e.g. reservations about the possible value and effectiveness) to unsuccessful

## Executive Summary

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applicants and organised briefing/experience sharing sessions for potential applicants, in which the points to note in applying for funding support from ECF, the main reasons for supporting or not supporting the past applications, and past meritorious projects were discussed/shared. In Audit's view, ENB and EPD need to explore further measures to encourage and facilitate potential applicants to submit meritorious applications to ECF (paras. 2.9 and 2.10).

7. ***Room for improvement in procedures for processing applications for ECF-funded projects.*** Audit examination of the procedural guidelines for funding programmes under ECF revealed that there was room for improvement in procedures for processing applications (para. 2.13), as follows:

- (a) ***Issue of some discussion papers/summaries of project applications to subcommittees shortly before the meetings.*** EPD submits to subcommittees discussion papers/summaries of project applications to facilitate their discussions and assessments on whether the applications should be approved for funding support. Audit noted that: (i) except for RPPVSC, it was not uncommon that the discussion papers/summaries of project applications were only issued to members shortly before the scheduled meetings from 2013-14 to 2017-18. For example, the discussion papers/summaries of project applications for 45 (47%) of a total of 95 meetings for four subcommittees (i.e. WRPVSC, EE&CAPVSC, ECPVSC and NCSC) were issued to members 1 to 5 calendar days (averaging 3.7 calendar days) before the scheduled meetings; and (ii) only the procedural guidelines for the funding programme of one project type (environmental research, technology demonstration and conference projects) had stipulated the time frame for issuing discussion papers/summaries of project applications but not stipulated in those for other funding programmes (paras. 2.14, 2.16 and 2.17); and
- (b) ***Different practices adopted in checking for double benefits.*** There were two different practices adopted to check whether the applicants receive double benefits on the same budget item from other funding schemes of the Government: (i) for four project types (see para. 4(a) to (d)), in addition to declarations by the applicants, EPD conducted full checking or random checking with the pertinent secretariats of other funding schemes of the Government; and (ii) for nature conservation management agreement projects, other than declarations by the applicants, no checking for double benefits was conducted by EPD while there were fewer projects as

## Executive Summary

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compared with the four project types in (i) above, and the grant for each project was higher (para. 2.21).

### **Monitoring of project implementation and accounts finalisation**

8. ECF's guides to application and EPD's procedural guidelines set out EPD's monitoring work for on-going and completed projects, including requirements for checking of progress and completion reports, statement of accounts and supporting documents submitted by the grantees, and conducting site inspections (para. 3.2).

9. ***ECF-funded projects not commenced long after approval.*** According to EPD: (a) as of September 2018, 99 approved ECF-funded projects had not yet commenced; (b) of the 99 projects, 15 (15%) had been approved for more than one year; and (c) all the 15 projects were environmental education and community action projects with facilities/installations (e.g. green roofs, solar panels and energy efficient devices), which usually took a longer time to complete as they had to follow established procedures (e.g. undertaking feasibility studies). Audit examination found inadequacies in follow-up actions by EPD on a project which had not commenced long after approval. In this case, EPD had not followed up with the grantee for a total of five years (comprising three periods of time) regarding the commencement of an approved project. As a result of the inadequacies in follow-up actions by EPD, the funding had been unnecessarily tied up for a long time (paras. 3.3, 3.4 and 3.8).

10. ***Long time taken for completing ECF-funded projects.*** According to EPD: (a) it is not suitable for ECF-funded projects to last for a long duration (more than three years) given the need for ECF to adjust its priority funding areas to support initiatives and activities which complement the Government's policy priorities; and (b) as of September 2018, 607 approved ECF-funded projects had commenced but not yet been completed. Of the 607 projects, 284 (47%) had commenced for more than four years. All the 284 projects were environmental education and community action projects with facilities/installations. Audit examination of long-outstanding on-going projects found inadequacies in follow-up actions by EPD on the progress of projects. For example, in a case, EPD had not followed up with the grantee for a total of 6.4 years (comprising three periods of time) regarding the progress of the project. As a result, the progress of the project was not known despite significant

## Executive Summary

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project slippage (5.5 years behind the scheduled completion date) as of January 2019 (paras. 3.6 and 3.7).

11. ***Scope for improvement in monitoring ECF-funded projects.*** During the implementation of an approved project by the grantee, EPD observed certain irregularities in the publicity materials and considered such materials to have breached ECF funding conditions on publicity (i.e. the photograph and name of a District Councillor, who was also the senior consultant of the grantee and one of the co-organisers of the project, were displayed prominently on the poster publicising the project, and there was no mentioning of the project title or ECF's funding support for the project on the souvenir shopping bags). In view of the irregularities, EPD had taken follow-up actions (e.g. requesting the grantee to submit a sample of all future publicity materials for prior approval before production) and requested an explanation from the grantee. In response, the grantee said that the posters in question were designed, produced and distributed with funding from the District Councillor and it would take rectification actions on the souvenir shopping bags. According to EPD, the final project expenditure did not include expenditure for publicity materials found not complying with ECF funding conditions, and the grantee had taken rectification actions on the bags. In Audit's view, there is a need for ENB and EPD to continue to remind the grantees to comply with ECF funding conditions on publicity. Audit also noted deficiencies in monitoring implementation of this project: (a) the grantee submitted the completion report with audited statement of accounts nearly three years after the due date despite repeated reminders from EPD; and (b) there was no record available showing the conduct of site inspection by EPD as required by EPD's procedural guidelines (para. 3.10).

12. ***Project accounts not finalised long after project completion.*** According to EPD: (a) as of September 2018, there were 303 completed ECF-funded projects with project accounts not yet finalised for various reasons and circumstances (e.g. the grantees had not provided complete and clear documentary proofs in support of their expenditures and satisfactory implementation of the projects); and (b) of the 303 projects, 185 (61%) had been completed for more than one year. Audit examination found room for improvement in follow-up actions by EPD on a project regarding its account finalisation. In this case, despite the grantee's repeated enquiries about the progress of project account finalisation, it was not until 2.8 years after the receipt of completion report from the grantee that EPD requested the grantee to make clarifications and provide additional information for further processing the account finalisation work of the project. In the event, the project was endorsed for completion and the final disbursement was released to the grantee about 4 years after the receipt

## Executive Summary

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of completion report. As a result, the unspent commitment (about \$87,000) had been tied up for about 4 years and could not be released to fund other projects (paras. 3.14 and 3.15).

### Governance and administrative issues

13. *Low attendance of some members at meetings.* For the seven committees/subcommittees (i.e. ECFC, ECFIC, WRPVSC, EE&CAPVSC, RPVSC, ECPVSC (disbanded on 15 October 2018) and NCSC — see para. 2), the number of members (including the chairman) of each committee/subcommittee as of December 2018 ranged from 9 to 15. Audit examined the attendance records of members at meetings of the seven committees/subcommittees held in the past three completed terms (two years for each term) of membership (hereinafter referred to as Terms 1 to 3). Audit noted that: (a) the average attendance rates for meetings held in each term of the committees/subcommittees were in general satisfactory (ranging from 62% to 96%). However, the average attendance rates for meetings of RPVSC (from 79% in Term 1 to 69% in Term 3) and EE&CAPVSC (from 84% in Term 1 to 67% in Term 3) were on a decreasing trend; and (b) the attendance rates of some members at meetings held in Terms 1 to 3 were below 50% (paras. 4.2 to 4.7).

14. *Reappointment of members with low attendance at meetings.* For the current-term members of ECFC, ECFIC, WRPVSC, EE&CAPVSC and RPVSC, Audit noted that, in total, eight members with low attendance rates (below 50%) at meetings in the preceding term (i.e. Term 3) were reappointed. According to EPD, it had considered the attendance rates of members at meetings in the preceding term in the submissions to the approving authorities for recommendations on the reappointments. However, the justifications for reappointments of members with low attendance rates were not documented (paras. 4.10 and 4.11).

15. *Need to improve first-tier declarations.* Except for ECFIC and NCSC which adopt a one-tier reporting system, ECFC and the four vetting subcommittees (i.e. WRPVSC, EE&CAPVSC, RPVSC and ECPVSC) adopt a two-tier reporting system for declaration of interests. The one-tier reporting system includes the procedures for declaration of interests at meetings. The two-tier reporting system includes the requirement for registering members' interests upon appointment and annually thereafter in a prescribed declaration form (first-tier declaration) and the procedures for declaration of interests at meetings (second-tier declaration). Audit

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reviewed the records of submission of declaration forms by members of ECFC and the four vetting subcommittees for Terms 1 to 3 and noted that, of the total 308 declaration forms required to be submitted by members: (a) 140 (45%) were submitted on time; (b) 85 (28%) were submitted late with delays ranging from 1 to 256 days, averaging 31 days; and (c) 83 (27%) were not available in EPD records. According to EPD, this was due to the fact that some members had not submitted the declaration forms as required (paras. 4.22, 4.23 and 4.25).

16. *Scope for making better use of information technology in monitoring the processing of applications and progress of approved projects.* EPD maintains an ECF database, which is a computerised database capturing the key information of all ECF applications/approved projects. According to EPD, despite some recent enhancements, ECF database was not found to be very user-friendly and, as such, records in it might not be updated in a timely manner by all supporting teams for the vetting subcommittees. The various supporting teams had maintained their own comprehensive registers with updated information which they worked on. In Audit's view, there is scope for making better use of information technology in monitoring the processing of applications and progress of approved projects in view of the fact that: (a) ECF database is a centralised database while the individual registers maintained by the various supporting teams provide the information they work on; and (b) the input of information of ECF applications/approved projects in both ECF database and the registers requires double efforts from the supporting teams (paras. 4.32, 4.36 and 4.37).

### Audit recommendations

17. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Secretary for the Environment and the Director of Environmental Protection should:**

#### *Administration of applications*

- (a) **keep in view the processing time of ECF applications, strengthen measures to help complete the processing as soon as practicable and provide assistance to the applicants where necessary and appropriate (para. 2.11(a) and (b));**

## **Executive Summary**

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- (b) explore further measures to encourage and facilitate potential applicants to submit meritorious applications to ECF (para. 2.11(c));**
- (c) issue discussion papers/summaries of project applications to members of the subcommittees as early as possible (para. 2.26(a));**
- (d) consider stipulating the time frame for issuing discussion papers/summaries of project applications to members of the subcommittees in the procedural guidelines for all ECF funding programmes (para. 2.26(b));**
- (e) carry out random checking of applications under the funding programme of nature conservation management agreement projects regarding the receipt of double benefits from other funding schemes of the Government (para. 2.26(d));**

### ***Monitoring of project implementation and accounts finalisation***

- (f) closely monitor the commencement and progress of ECF-funded projects and take measures to ensure that there is no undue delay in commencement and completion (para. 3.11(a));**
- (g) strengthen measures to ensure the timely submission of required documents by the grantees (para. 3.11(b));**
- (h) continue to remind the grantees to comply with ECF funding conditions on publicity (para. 3.11(c));**
- (i) take measures to ensure that site inspection is conducted in the course of each project (para. 3.11(d));**
- (j) take prompt actions to process project accounts finalisation (para. 3.18);**



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### *Governance and administrative issues*

- (k) **keep in view members' attendance at meetings and continue to explore effective measures to encourage members with low attendance to attend meetings as far as possible (para. 4.30(a));**
- (l) **properly document the justifications for recommending members with low attendance records to the approving authorities for reappointments (para. 4.30(b));**
- (m) **take measures to ensure that declaration forms for registering members' interests are submitted by members in a timely manner and are properly maintained (para. 4.30(f)); and**
- (n) **make better use of information technology in monitoring the processing of applications and progress of approved projects (para. 4.38).**

## **Response from the Government**

18. The Secretary for the Environment and the Director of Environmental Protection agree with the audit recommendations.

## **PART 1: INTRODUCTION**

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

### ***Background***

1.2 The Environment and Conservation Fund (ECF), which came into operation in August 1994, is a statutory trust fund established under the Environment and Conservation Fund Ordinance (Cap. 450 — ECF Ordinance) to provide funding support to local non-profit-making organisations for educational, research and other projects and activities in relation to environmental and conservation matters. The Secretary for the Environment, head of the Environment Bureau (ENB), is the trustee of ECF.

### ***Committees and subcommittees***

1.3 ***Environment and Conservation Fund Committee (ECFC).*** ECFC is set up under ECF Ordinance to advise the trustee (i.e. the Secretary for the Environment) on the use of funds. Its terms of reference are to:

- (a) vet applications seeking funding support for over \$2 million from local non-profit-making organisations to undertake educational, research and technology demonstration projects and activities in relation to environmental and conservation matters, as well as applications for community waste reduction projects and to advise on their relative priorities for funding support; and
- (b) advise the trustee on the exact amount of fund to be allocated for each project supported.

1.4 ECFC comprises a chairman and not more than eight non-official members appointed by the Chief Secretary for Administration under the delegated authority of the Chief Executive of the Hong Kong Special Administrative Region for a term of

## Introduction

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two years, and four ex-officio members (Note 1). The current term of ECFC is from 16 October 2018 to 15 October 2020. As of December 2018, ECFC comprised a chairman, eight non-official members and four ex-officio members.

1.5 **Subcommittees.** ECFC is assisted by five subcommittees in vetting applications and overseeing the implementation of approved projects under ECF (see para. 1.10), as follows:

***Four vetting subcommittees established under ECFC or the Environmental Campaign Committee (ECC)***

- (a) ***Waste Reduction Projects Vetting Subcommittee (WRPVSC).*** This subcommittee, established under ECFC, is responsible for vetting applications for projects related to waste reduction (e.g. surplus food recovery, food waste recycling and source separation of waste) and overseeing the implementation of approved projects. As of December 2018, it comprised 12 non-official members (including a chairman) and 1 ex-officio member;
- (b) ***Environmental Education and Community Action Projects Vetting Subcommittee (EE&CAPVSC).*** ECFC has entrusted ECC (Note 2) which set up an EE&CAPVSC to vet applications for projects related to

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**Note 1:** *The four ex-officio members are the Secretary for the Environment, the Permanent Secretary for Education, the Director of Environmental Protection, and the Director of Agriculture, Fisheries and Conservation, or their representatives.*

**Note 2:** *ECC has been set up since 1990 to promote public awareness of environmental issues and encourage the public to contribute actively towards a better environment. It is an advisory body which advises the Government on community environmental education matters and a close partner of ECF in pursuing community-wide environmental programmes. The chairman, vice-chairman and members of ECC are appointed by the Secretary for the Environment under the delegated authority of the Chief Executive of the Hong Kong Special Administrative Region for a term of two years. As of December 2018, ECC comprised a chairman, a vice-chairman, 15 non-official members and four ex-officio members (i.e. the Secretary for Education, the Secretary for Home Affairs, the Director of Environmental Protection and the Director of Information Services, or their representatives).*

environmental education and community action (Note 3) and oversee the implementation of approved projects. As of December 2018, it comprised 12 non-official members (including a chairman) and 2 ex-officio members;

- (c) ***Research Projects Vetting Subcommittee (RPVSC)***. This subcommittee, established under ECFC, is responsible for vetting applications for environmental research, technology demonstration and conference projects and overseeing the implementation of approved projects. As of December 2018, it comprised 12 non-official members (including a chairman) and 3 ex-officio members;
- (d) ***Energy Conservation Projects Vetting Subcommittee (ECPVSC)***. This subcommittee, established under ECFC, was responsible for vetting applications for energy conservation projects and overseeing the implementation of approved projects. As the funding programmes for energy conservation projects ceased receiving new applications for these projects in 2012 (see para. 1.10(d)) and the finalisation of project accounts and disbursement of funds had been substantially completed, the subcommittee was disbanded on 15 October 2018 (i.e. upon completion of the term of membership from 2016 to 2018); and

***One subcommittee established under the Advisory Council on the Environment (ACE)***

- (e) ***Nature Conservation Subcommittee (NCSC)***. This subcommittee, established under ACE (Note 4), considers the recommendations of an Assessment Panel (which consists of members from the Environmental Protection Department (EPD) and the Agriculture, Fisheries and

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**Note 3:** *According to the Trustee Report of ECF, the reason for this arrangement is that ECFC considers that ECC has developed the expertise for considering projects related to environmental education and community action.*

**Note 4:** *ACE, established in 1994, is the Government's principal advisory body on matters relating to environmental protection and conservation. The chairman, deputy chairman and members of ACE are appointed by the Chief Executive of the Hong Kong Special Administrative Region for a term of two years. As of December 2018, ACE comprised a chairman, a deputy chairman and 20 non-official members. NCSC advises the Government, through the Secretary for the Environment, on nature conservation matters and examines nature conservation proposals referred to it by the Government.*

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Conservation Department (AFCD)) about the vetting of applications for nature conservation management agreement projects. After considering the recommendations of the Assessment Panel, NCSC's views and recommendations are put forward to ECFC for consideration of funding support. ECFC also requires the grantees to report the progress of on-going projects to NCSC. As of December 2018, it comprised 14 non-official members (including a chairman).

1.6 The four vetting subcommittees (i.e. WRPVSC, EE&CAPVSC, RPVSC and ECPVSC) are authorised by ECFC to approve grants up to \$2 million for each project within their respective purview. For applications seeking funding support exceeding the approval ceiling (i.e. \$2 million for each project), the recommendations of these vetting subcommittees have to be considered and endorsed by ECFC. For NCSC, its views and recommendations on applications for nature conservation management agreement projects are put forward to ECFC for consideration of funding support. The terms of reference and the chairmen of WRPVSC, RPVSC and ECPVSC shall be decided by ECFC while those of EE&CAPVSC shall be decided by ECC. Membership of a vetting subcommittee established under ECFC or ECC shall include those ECFC or ECC members who have signified interest and any other personalities who have been co-opted by ECFC or ECC, where appropriate. The terms of reference of NCSC shall be decided by ACE. ACE members are free to join NCSC and the chairman of NCSC is elected among its members.

1.7 ***Environment and Conservation Fund Investment Committee (ECFIC).*** ECFIC is set up to set policies on investment and monitor the investment of ECF. Its terms of reference are to advise the Secretary for the Environment on:

- (a) the investment strategy of ECF; and
- (b) matters related to the monitoring of the local and overseas investment of ECF.

1.8 ECFIC is chaired by the Secretary for the Environment and comprises non-official members (Note 5) appointed by the Secretary for the Environment under the delegated authority of the Chief Executive of the Hong Kong Special Administrative Region for a term of two years and two ex-officio members (Note 6). The current term of ECFIC is from 16 October 2018 to 15 October 2020. As of December 2018, ECFIC comprised a chairman, 6 non-official members and 2 ex-officio members.

### *ECF Secretariat*

1.9 The Community Relations Unit of EPD provides secretariat support to ECFC and the vetting subcommittees (i.e. except for ECFIC and NCSC). For ECFIC and NCSC, the secretariat support is provided by the Accounting Services Group and the Cross-Boundary and International Division of EPD (Note 7) respectively. For simplicity, the Secretariats of the various committees and subcommittees of ECF are referred to as EPD in this Audit Report. The Community Relations Unit, among other duties (Note 8), provides support for the administration (including processing applications and monitoring the implementation of approved projects) of ECF (Note 9). As of December 2018, the Community Relations Unit, headed by the Community Relations Manager, had a staff establishment of 85, of which 52 were involved in the administration of ECF. An organisation chart of the Unit is at Appendix A.

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**Note 5:** *The number of non-official members in ECFIC is not specified.*

**Note 6:** *The two ex-officio members are the Director of Environmental Protection and the Deputy Director of Environmental Protection (1), or their representatives.*

**Note 7:** *According to EPD, as of December 2018, three staff of the Accounting Services Group and four staff of the Cross-Boundary and International Division provided secretariat support to ECFIC and NCSC respectively. They were also responsible for other duties (e.g. providing accounting support to other groups/divisions of EPD and secretariat support to ACE and its subcommittees).*

**Note 8:** *The other duties mainly include providing secretariat support to ECC (see Note 2 to para. 1.5(b)) and administrative support to projects organised by ECC.*

**Note 9:** *The Community Relations Unit is supported by the Nature Conservation Division of EPD and AFCD in processing applications for and monitoring the implementation of nature conservation management agreement projects. The Unit is also supported by the Accounting Services Group of EPD in disbursements of funds to the grantees of ECF-funded projects.*

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### *Types of ECF-funded projects*

1.10 As of October 2018, there were six main types of ECF-funded projects, as follows:

- (a) **Waste reduction projects.** They cover:
  - (i) **Community waste reduction projects.** These projects, which are community-based and result-oriented, aim to enhance awareness and ensure sustained participation of the public in waste prevention and recovery, including surplus food recovery;
  - (ii) **Programme on source separation of waste.** The objective of the programme is to facilitate residents to separate waste at source by providing waste separation facilities on each floor (see Photograph 1) and/or in common areas (see Photograph 2) of the domestic buildings, and broaden the types of recyclables to be recovered. The programme makes the separation more convenient to residents and mobilises their participation in waste separation and recovery;

**Photograph 1**

**Waste separation facilities  
on a floor**



**Photograph 2**

**Waste separation facilities  
in a common area**



Source: EPD records

- (iii) ***Food waste recycling projects in housing estates.*** The objective of these projects is to facilitate housing estates to set up on-site composters (see Photograph 3) to treat food waste collected from households. These projects also aim to provide funding support for hiring personnel and purchasing equipment, such as containers, necessary for the collection of food waste, as well as organising educational programmes for encouraging participation from residents and raising their awareness towards food waste recovery;

**Photograph 3**

**Food waste composter**



*Source: EPD records*

- (iv) ***On-site meal portioning projects in schools.*** These projects aim to carry out conversion works and install facilities necessary for implementing on-site meal portioning. The facilities include electrical/plumbing and drainage installation works, equipment for re-heating and washing of containers/cutlery, cookers, dining tables and chairs (see Photograph 4), and reusable lunch containers (see Photograph 5) and cutlery; and



**Photograph 4**

**Students taking lunch at school using dining tables and chairs**



**Photograph 5**

**Students taking lunch at school using reusable lunch containers**



*Source: EPD records*

- (v) ***Community involvement projects for waste reduction through quantity-based municipal solid waste (MSW) charging.*** These projects are community-based and result-oriented. They aim to encourage all sectors in the community to try out how to implement quantity-based MSW charging in the respective sectors with features that can help the waste producers to better understand the type and quantity of wastes they generate/dispose of, to develop practices to help the waste producers get prepared for complying with MSW charging and to develop measures to reduce waste in order to pay less;
  
- (b) ***Environmental education and community action projects.*** These projects include educational programmes (see Photograph 6 for an example) or activities to enhance community awareness and knowledge of environmental issues, and environmental projects that mobilise individuals to take direct and positive action to improve and conserve the environment and induce behavioural change towards a green lifestyle;

**Photograph 6**

**Solar panel system installed at a school for educational purposes**



*Source: EPD records*

- (c) ***Environmental research, technology demonstration and conference projects.*** Environmental research and technology demonstration projects are projects that should have contributions in a direct and practical way towards environmental improvement and conservation of the local environment and should not be too theoretical in nature. They include the introduction and development of new technologies, such as technology on waste minimisation and recycling. In particular, technology demonstration projects should promote and encourage the adoption of technologies by different sectors in Hong Kong. International conferences should facilitate exchange of best practices, expertise and experience on environmental and conservation issues and raise Hong Kong's profile as a leading green city;

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- (d) ***Energy conservation projects.*** The objectives of these projects are to encourage:
  - (i) non-governmental organisations (NGOs) to carry out educational projects or activities for enhancing community awareness of energy conservation in Hong Kong, energy-cum-carbon audits and energy improvement works under a funding programme known as “Energy Conservation Projects for Non-government Organisations”. The programme was launched in October 2009 for three years and ceased receiving new applications in October 2012, and ECPVSC for vetting these projects was disbanded in October 2018 (see para. 1.5(d)); and
  - (ii) existing building owners to carry out energy-cum-carbon audits and energy efficiency projects under a funding programme known as “Buildings Energy Efficiency Funding Schemes”. The programme was launched in April 2009 for three years and ceased receiving new applications in April 2012, and ECPVSC for vetting these projects was disbanded in October 2018 (see para. 1.5(d));
- (e) ***Nature conservation management agreement projects.*** These projects contribute to enhancing the conservation of the sites concerned through management agreements between NGOs and landowners or tenants. Under these agreements, NGOs may provide landowners or tenants with financial incentives in exchange for management rights over their land or their cooperation in enhancing conservation of the priority sites of ecological importance (see Photograph 7 for an example), country park enclaves (Note 10) or private land in country parks; and

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**Note 10:** *Country park enclaves are sites that are surrounded by or are adjacent to country parks, but are not part of the country parks.*

**Photograph 7**

**Priority site of ecological importance: Long Valley**



*Source: EPD records*

- (f) ***Large-scale environmental education and awareness projects/programmes.*** These projects/programmes (e.g. Hong Kong Awards for Environmental Excellence, Hong Kong Green Organisation Certification, Hong Kong Green School Awards, Student Environmental Protection Ambassador Scheme, World Environment Day and other publicity programmes in support of environmental policy priorities) are organised by ECC.

The above 6 main types of projects were funded under 11 ECF funding programmes (5 programmes for waste reduction projects (see (a)(i) to (v) above), 2 programmes for energy conservation projects (see (d)(i) and (ii) above) and 4 programmes for the remaining 4 project types (see (b), (c), (e) and (f) above)). Table 1 shows a summary of the committees, subcommittees and panel (see paras. 1.5 and 1.6) which are responsible for vetting project applications and overseeing the implementation of approved projects.

**Table 1**

**Committees, subcommittees and panel responsible for  
vetting project applications and overseeing implementation of  
ECF-funded projects  
(October 2018)**

<b>Project type</b>	<b>Vetting project applications</b>	<b>Overseeing project implementation (Note 1)</b>
Waste reduction project	WRPVSC (Note 2)	WRPVSC
Environmental education and community action project	EE&CAPVSC (Note 2)	EE&CAPVSC
Environmental research, technology demonstration and conference project	RPVSC (Note 2)	RPVSC
Energy conservation project	ECPVSC (Note 2)	ECPVSC
Nature conservation management agreement project	<ul style="list-style-type: none"> <li>• Vetting by the Assessment Panel with recommendations considered by NCSC</li> <li>• Consideration of funding support by ECFC</li> </ul>	NCSC
Large-scale environmental education and awareness project/programme	ECC (Note 3)	ECC (Note 3)

*Source: EPD records*

*Note 1: ECFC has an overall role in overseeing the implementation of all ECF-funded projects.*

*Note 2: These vetting subcommittees are authorised by ECFC to approve grants up to \$2 million for each project within their respective purview. For applications seeking funding support exceeding the approval ceiling (i.e. \$2 million for each project), the recommendations of these vetting subcommittees have to be considered and endorsed by ECFC.*

*Note 3: ECC submits an annual programme plan to ECFC to seek funding to organise large-scale environmental education and awareness projects/programmes to raise public awareness on environmental protection. According to EPD, ECC is the execution body of these projects/programmes, which are subject to consideration and vetting by ECC.*

### *Funding injections*

1.11 Since June 1994 and up to December 2018, the Finance Committee of the Legislative Council had approved seven funding injections into ECF totalling \$6,735 million (see Table 2).

**Table 2**  
**Funding injections into ECF**  
**(June 1994 to June 2013)**

Round	Date	Amount (\$ million)	
1	June 1994	50	} \$1,735 million
2	March 1998	50	
3	May 2002	100	
4	February 2006	35	
5	January 2008	1,000	
6	May 2011	500	
7	June 2013	5,000	
Total		6,735	

*Source: EPD records*

1.12 For the first six rounds of injection (\$1,735 million in total), both the funding injected and the bank interest accruing from unspent balance were used to support projects funded by ECF. As a long-term commitment to environmental protection and conservation, the seventh round of injection of \$5,000 million served as seed capital to generate investment returns to provide ECF with a long-term and sustainable funding source for supporting community green actions. Of the \$5,000 million seed capital, \$4,700 million was placed with the Exchange Fund (Note 11) managed by the Hong Kong Monetary Authority for six years starting from 1 August 2013, during which the amount of original placement cannot be

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**Note 11:** *The Exchange Fund is established under the Exchange Fund Ordinance (Cap. 66). The principal objectives of the Fund are safeguarding the exchange value of the currency of Hong Kong and maintaining the stability and integrity of Hong Kong's monetary and financial systems.*

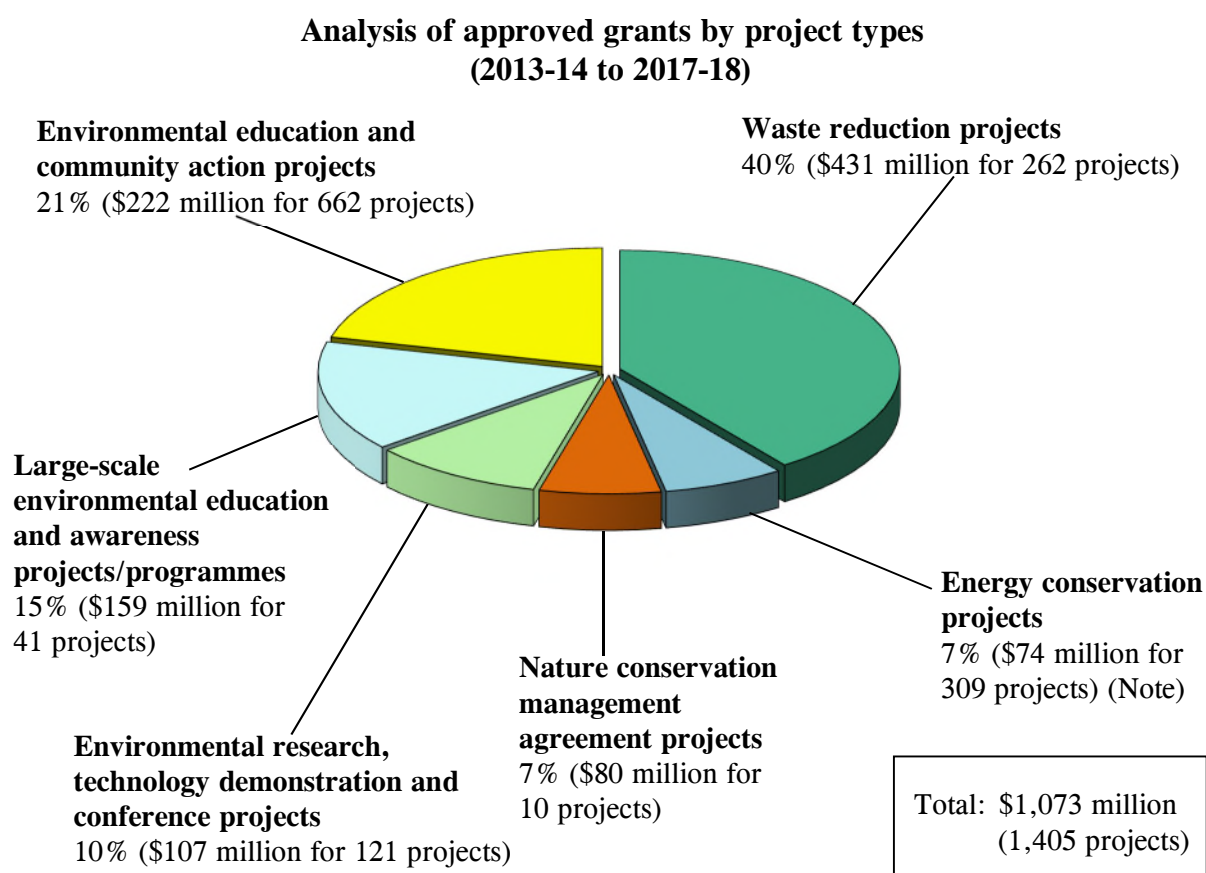
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withdrawn (Note 12). The remaining \$300 million was set aside to cater for ECF's cash flow requirements.

1.13 Since its establishment in 1994 and up to March 2018, ECF had supported some 5,200 projects with approved grants of some \$2,800 million in total. Figure 1 shows an analysis of approved grants by project types for the five years from 2013-14 to 2017-18.

**Figure 1**



Source: Audit analysis of EPD records

Note: A project with an approved grant of \$6 million was related to extending a service level agreement engaging the Electrical and Mechanical Services Trading Fund to provide professional support for the operation of the funding programme known as "Buildings Energy Efficiency Funding Schemes" (see para. 1.10(d)(ii)). The Fund (the trading arm of the Electrical and Mechanical Services Department) provides electrical and mechanical services to customers (including government bureaux/departments).

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**Note 12:** Interest on the placement is at a rate determined annually in January and payable annually in arrears on 31 December. The interest rate was 2.8% per annum in 2017 and 4.6% per annum in 2018.

### Audit review

1.14 In November 2018, the Audit Commission (Audit) commenced a review of ECF. The audit review has focused on the following areas:

- (a) administration of applications (PART 2);
- (b) monitoring of project implementation and accounts finalisation (PART 3);  
and
- (c) governance and administrative issues (PART 4).

Audit has found room for improvement in the above areas and has made a number of recommendations to address the issues.

### General response from the Government

1.15 The Secretary for the Environment and the Director of Environmental Protection welcome the audit review and generally agree with the audit recommendations. The Director of Environmental Protection has said that:

- (a) EPD fully recognises the valuable contributions by the grantees of ECF-funded projects in promoting public awareness of the community on environmental and conservation matters and acting towards a better environment. EPD also values highly the support provided by members of the related committees and subcommittees in the vetting of applications for ECF funding support under a competition basis;
- (b) in the administration of applications, EPD has taken concrete steps and achieved significant progress in facilitating the application process and shortening the processing time for applications under the various funding programmes to within six months in recent years;
- (c) regarding the monitoring of project implementation and accounts finalisation, with the support of ECFC, EPD has also taken proactive measures and conducted reviews on the administration of project implementation and funds arrangement of ECF-funded projects with a view



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to streamlining the overall procedures and processing payments in a more effective manner;

- (d) EPD has enhanced communication with and provided assistance to potential applicants and the grantees for the submission of applications and the required documents and reports during project implementation through briefing and training sessions; and
- (e) for some areas identified for improvements by Audit, EPD has already made some progress in recent years since 2015-16. EPD will follow up the audit recommendations and continue to take appropriate measures to further improve ECF procedures/guidelines and its governance.

## **Acknowledgement**

1.16 Audit would like to acknowledge with gratitude the full cooperation of the staff of EPD during the course of the audit review.

## **PART 2: ADMINISTRATION OF APPLICATIONS**

2.1 This PART examines the administration of ECF applications by EPD, focusing on:

- (a) processing ECF applications (paras. 2.2 to 2.12); and
- (b) processing procedures for ECF applications (paras. 2.13 to 2.27).

### **Processing ECF applications**

2.2 Local non-profit-making organisations are eligible to apply for funding support from ECF. In general, an application for ECF support should fulfil the following basic requirements:

- (a) the project must contribute to the overall environment of Hong Kong, raise environmental awareness of the local community, or mobilise the community to take action to improve the environment;
- (b) the benefits of the project must accrue to the local community as a whole, and not just to individuals, a single private organisation or a consortium of private companies; and
- (c) the project must be non-profit-making in nature.

As of October 2018, a total of 11 funding programmes were operated under ECF to support different types of ECF-funded projects (see para. 1.10). In addition to the above basic requirements, each funding programme has a set of vetting criteria developed by the subcommittee/panel (see para. 1.5) concerned for vetting applications on the basis of the nature of projects involved, as well as the outcomes and deliverables expected to be derived from these projects.

## Administration of applications

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2.3 EPD is responsible for processing ECF applications before submitting them to the subcommittee/panel concerned and/or ECFC for vetting and approval (see paras. 1.5 and 1.6). According to the guides to application and the procedural guidelines for funding programmes under ECF, the general procedures for processing ECF applications (summarised in Figure 2) are as follows:

- (a) ***Invitations for applications.*** ECFC will approve an annual budget for each of the funding programmes under ECF. For each funding programme, open invitations for applications will be called at scheduled intervals (once or twice a year) or applications will open throughout the year (Note 13);
- (b) ***Initial checking and referral to parties concerned for comments.*** Upon receiving an application, EPD will issue an acknowledgement of receipt to the applicant. For all applications received by the application deadline, EPD will conduct initial checking of the applications to ensure that they are complete with all necessary supporting documents submitted. In parallel, EPD will refer the applications to its relevant groups/divisions and/or other government bureaux/departments (B/Ds) for comments, when necessary (Note 14);
- (c) ***Processing of applications.*** Based on the results of its initial checking and the comments received from its relevant groups/divisions and/or other B/Ds, EPD will request the applicants to make clarifications and provide additional information as needed for further assessment. The applicants will then prepare and submit additional information as requested by EPD for further processing of applications;

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**Note 13:** *Apart from three funding programmes (programme on source separation of waste, food waste recycling projects in housing estates and on-site meal portioning projects in schools — see para. 1.10(a)(ii) to (iv)) which are open for applications throughout the year, open invitations for applications under the remaining funding programmes will be called at scheduled intervals.*

**Note 14:** *For an application seeking funding support of over \$500,000 for environmental research, technology demonstration and conference project, EPD will also invite two external assessors (e.g. professors or academics from tertiary institutions) to conduct a review on the project proposal.*

- (d) *Seeking funding approval.* For eligible applications, EPD will submit to the subcommittee/panel concerned and/or ECFC discussion papers/summaries of project applications to facilitate their discussions and assessments on whether the applications should be approved for funding support. Since early 2014, eligible applications have been considered on a competition basis (Note 15) and the most meritorious applications are selected for funding support, subject to the budget for the relevant funding programme not being exceeded; and
- (e) *Notifying applicants of application results* (Note 16). For approved applications, EPD will issue approval letters with funding conditions to the applicants. For rejected applications, EPD will issue notification letters with reasons for rejection to the applicants.

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**Note 15:** *Regarding the funding programmes for programme on source separation of waste, food waste recycling projects in housing estates, on-site meal portioning projects in schools and community involvement projects for waste reduction through quantity-based MSW charging (see para. 1.10(a)(ii) to (v)), the applications received are considered on individual merits and a first-come-first-served basis, subject to the budget for the relevant funding programme not being exceeded.*

**Note 16:** *According to EPD, all applicants will be notified of their application results by the application result announcement date of the relevant funding programme, which is given on ECF's website when it invites applications.*

**Figure 2**

**General procedures for processing ECF applications**

<b><i>Invitations for applications</i></b>	<ul style="list-style-type: none"> <li>• Approval of annual budget for funding programmes under ECF</li> <li>• Open invitations for applications</li> </ul>
<b><i>Initial checking and referral to parties concerned for comments</i></b>	<ul style="list-style-type: none"> <li>• Initial checking of applications by EPD</li> <li>• Referral of applications to EPD's relevant groups/divisions and/or B/Ds for comments</li> </ul>
<b><i>Processing of applications</i></b>	<ul style="list-style-type: none"> <li>• Requesting applicants to make clarifications and provide additional information as needed for further assessment</li> <li>• Submission of additional information by applicants for further processing</li> </ul>
<b><i>Seeking funding approval</i></b>	<ul style="list-style-type: none"> <li>• Submission of discussion papers/summaries of project applications by EPD to subcommittee/panel concerned and/or ECFC for consideration</li> </ul>
<b><i>Notifying applicants of application results</i></b>	<ul style="list-style-type: none"> <li>• Issue of approval letters with funding conditions or notification letters with reasons for rejection to applicants</li> </ul>

*Source: Audit analysis of EPD records*

2.4 EPD processes several hundreds of applications for funding support from ECF each year. An analysis of ECF applications received and processed during the period from 2013-14 to 2017-18 is shown in Table 3.

Table 3

**Analysis of ECF applications received and processed  
(2013-14 to 2017-18)**

Application	No. of applications					
	2013-14	2014-15	2015-16	2016-17	2017-18	Total
<b>Received</b> (Note 1)	333	359	396	400	477	1,965
<b>Processed</b>						
Approved (Note 2)	383	449	192	214	167	1,405
Rejected	112	245	151	210	217	935
Withdrawn /invalid (Note 3)	64	73	28	24	67	256
Total (Note 1)	559	767	371	448	451	2,596

Source: EPD records

*Note 1: The number of applications received in a financial year was not equal to the number of applications processed in that year as some applications processed in the year were received in previous years, and some applications received in the year were still under processing at the financial year end. According to EPD, this might be the case when applications were invited or meetings of vetting subcommittees were held near the end of the financial year, or when more time was needed to consider these applications.*

*Note 2: According to EPD, the decrease in number of approved applications in general was mainly due to: (a) the fact that the funding programmes for energy conservation projects ceased receiving new applications in 2012 (see para. 1.10(d)) and some of the related applications received in 2012 or before were approved in 2013-14 and 2014-15; and (b) the increasing rejection rate for ECF applications (see paras. 2.9 and 2.10).*

*Note 3: According to EPD, common reasons for: (a) withdrawn applications included obtaining another funding source and change of circumstances during the application process; and (b) invalid applications included late submission of applications and failure to provide documentary proof on the applicants' non-profit-making status.*

## Administration of applications

### *Need to keep in view the processing time for ECF applications*

2.5 During the period from 2013-14 to 2017-18, there were 1,405 approved ECF applications. Apart from 41 applications which were large-scale environmental education and awareness projects/programmes under ECC (Note 17), the remaining 1,364 (1,405 less 41) approved applications were related to the other five project types (see para. 1.10(a) to (e)). Table 4 shows the processing time (from date of receipt of application to date of approval) for these 1,364 approved applications. According to EPD, the processing time included the time taken for:

- (a) the applicants to provide the essential information for vetting; and
- (b) the subcommittee/panel concerned and/or ECFC to vet the applications after receiving all the essential information from the applicants.

**Table 4**

**Time taken in processing ECF applications  
approved during 2013-14 to 2017-18**

Time taken	No. of applications approved					
	2013-14	2014-15	2015-16	2016-17	2017-18	Total
6 months or less	87	162	174	187	155	765 (56.1%)
More than 6 months to 1 year	120	74	9	17	2	222 (16.3%)
More than 1 year to 2 years	166	204	—	2	1	373 (27.3%)
More than 2 years to 4 years	2	—	1	—	1	4 (0.3%)
Total	375	440	184	206	159	1,364 (100.0%)

} 377 (27.6%)

Source: EPD records

**Note 17:** For large-scale environmental education and awareness projects/programmes (see para. 1.10(f)), ECC submits an annual programme plan to ECFC to seek funding to organise the related projects/programmes. According to EPD, ECC is the execution body of these projects/programmes, which are subject to consideration and vetting by ECC.

2.6 As shown in Table 4, the processing time for 377 (27.6%) of the 1,364 approved applications was more than one year. These 377 approved applications involved four project types, i.e. the projects mentioned in paragraph 1.10(a) to (d). The processing time for all approved applications for nature conservation management agreement projects (see para. 1.10(e)) was less than one year. According to EPD:

- (a) most (99%) of the 377 approved applications were the approved applications in 2013-14 (168 (166 + 2)) and 2014-15 (204). This was likely due to the need to handle the surge of applications received for energy conservation projects before the related funding programmes ceased receiving new applications in 2012 (see para. 1.10(d));
- (b) 268 (71%) of the 377 approved applications were energy conservation projects. The applicants of these projects had to provide certain technical information in their applications and they had taken considerable time to do so;
- (c) the willingness and timeliness of the applicants to prepare and provide the essential information for vetting were out of the control of the vetting body; and
- (d) significant improvement had been made in recent years. In 2015-16, 2016-17 and 2017-18, 95% (174 out of 184), 91% (187 out of 206) and 97% (155 out of 159) respectively of the ECF applications were approved within 6 months from the time when the applications were received.



## Administration of applications

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2.7 Audit selected 4 of the 377 approved applications (comprising an application from each of the four project types with the longest processing time in their respective project type) for examination. Audit found areas for improvement in processing applications in 2 cases, as follows:

- (a) Case 1: Need to strengthen measures to help complete the processing of one long-outstanding application for an environmental education and community action project; and
- (b) Case 2: Need to consider providing further assistance to the applicant of an energy conservation project.

### Case 1

#### **Need to strengthen measures to help complete the processing of one long-outstanding application (April 2011 to March 2019)**

1. In April 2011, a kindergarten (Applicant A) submitted an application for an environmental education and community action project seeking funding support of \$74,000 (revised to \$42,280 in November 2012) to carry out minor works to improve the lighting and air-conditioning systems in the school premises by using more energy efficient equipment (Project A).

2. In May 2011, EPD informed Applicant A that EE&CAPVSC was conducting a review on the vetting criteria for minor works projects and all related applications received by EPD on or after 1 January 2011 (i.e. including Applicant A's application) would be considered under the new vetting criteria. In the same letter of May 2011, EPD reminded Applicant A that the application form would need to be revised accordingly. After the completion of the review, EPD informed Applicant A in June 2011 that a new template of application form, which was applicable for all applications with effect from 1 January 2011, was uploaded onto ECF's website and requested Applicant A to resubmit the application for Project A using the new template.

3. In March and August 2012, EPD issued two reminders to Applicant A regarding the outstanding application for Project A using the new template of application form. In the August reminder, EPD requested Applicant A to resubmit the application by mid-September 2012, or else, the application would be considered withdrawn. In November 2012, Applicant A resubmitted the application seeking funding support of \$42,280. In the event, in April 2013, Project A was approved by EE&CAPVSC at a grant of \$42,280, 1.9 years after Applicant A first sought funding support in April 2011.

**Case 1 (Cont'd)**

4. In March 2019, EPD informed Audit that:
- (a) according to the guide to application for the funding programme of environmental education and community action projects: (i) the applicants were required to provide additional or supplementary information in relation to their applications upon request; and (ii) the applicants should provide the best and fullest information in their applications and the vetting subcommittee was not obliged to request additional information from the applicants. EPD staff would check if the supporting documents were sufficient and in order. The applicants would be requested to clarify and revise the documents, and to provide supplementary information when necessary;
  - (b) for this case, Applicant A was clearly informed by EPD in June 2011 to resubmit its application using the new template of application form. However, Applicant A only resubmitted its application in November 2012 after the issue of two reminders by EPD in March and August 2012 respectively. The application was approved in April 2013 after the valid application reached EPD in November 2012 (i.e. processing time of about 6 months); and
  - (c) it was the applicants' responsibility to provide relevant information related to their applications and EPD's reminders could only serve to remind them to reply. In this case, it was an issue of not using the new template of application form as required and the application was considered invalid.

***Audit comments***

5. Audit noted that EPD issued the first reminder in March 2012 (9 months after it requested Applicant A to resubmit the application for Project A in June 2011) and the second reminder in August 2012 (5 months after the first reminder issued in March 2012). Apart from issuing these reminders, no other follow-up actions (e.g. contacting Applicant A by telephone advising it to use the new template of application form) had been taken by EPD. In the event, Applicant A resubmitted the application in November 2012 and the application was approved by EE&CAPVSC in April 2013. In Audit's view, there is a need for ENB and EPD to strengthen measures to help complete the processing of long-outstanding applications.

*Source: Audit analysis of EPD records*

### Case 2

#### **Need to consider providing further assistance to an applicant (May 2011 to March 2019)**

1. In May 2011, an NGO (Applicant B) submitted an application for an energy conservation project seeking funding support of \$288,840 (revised to \$363,310 in April 2013) to carry out energy improvement works for a social service centre and three hostels (Project B). In June 2011, EPD referred the application to the Electrical and Mechanical Services Trading Fund (EMSTF — see Note to Figure 1 in para. 1.13) for vetting in view that the application involved installation works for lighting and air-conditioning items at multiple sites. EMSTF conducted the first and second pre-approval site inspections in July 2011 and March 2012 respectively.
2. Between July 2011 and April 2013, Applicant B had responded to 8 rounds of enquiries from EMSTF by making clarifications or providing supplementary information for the application. EMSTF's enquiries were mainly related to inadequate or outstanding information in the application form (e.g. calculations of energy saving and payback period, provision of electricity bills for every site, maintenance records of existing air-conditioners and layout plans of existing lighting and air-conditioning items proposed to be replaced). In the event, in November 2013, Project B was approved by ECPVSC at a grant of \$358,310, 2.5 years after Applicant B first sought funding support in May 2011.
3. In March 2019, EPD and EMSTF informed Audit that:
  - (a) Project B was an energy improvement works project. EPD had no expertise in such technical projects and hence engaged EMSTF under a service level agreement to provide professional support to EPD for processing funding applications for such projects (which involved some extent of technical complexities or where the amount of funding support sought was substantial) and in monitoring these approved projects. Project B involved technical complexities at four sites and this required a relatively longer time for processing the application especially if the information provided for the application was inadequate and incorrect;
  - (b) according to the guide to application for the funding programme known as “Energy Conservation Projects for Non-government Organisations”, for energy improvement works, the applicants should engage a Qualified Service Provider (QSP) in certifying the detailed scope of the projects and provide the name and qualifications of the QSP with documentary proof;

Case 2 (Cont'd)

- (c) QSP, a professional with expertise, should be able to assist the applicants in providing clear and concise information for the application. If no QSP was engaged in the application stage, the applicants should have the responsibility to provide complete information in their applications and to respond to any subsequent enquiries which EMSTF might have;
- (d) EMSTF had requested Applicant B to provide details of the QSP (such as copy of his/her relevant certificate and professional institution card) and the required information was duly submitted. EMSTF had also sought and received confirmation from Applicant B that the QSP fee was for all four sites of the application. In addition, EMSTF had made a series of enquiries which were of highly technical nature and could only be replied by someone with technical background (e.g. QSP). Unfortunately, Applicant B together with its QSP could not address EMSTF's concerns due to repeated submission of inadequate and incorrect information; and
- (e) assistance provided by EPD and EMSTF to the applicants should be on the procedures and not on the contents, and on a "same-to-all" basis.

*Audit comments*

4. Applicant B had taken a long time from July 2011 to April 2013 to respond to enquiries from EMSTF by making clarifications or providing supplementary information for the application. Audit noted that EMSTF had made repeated enquiries on or requests for some information (e.g. inaccurate calculations of energy saving and payback period — see para. 2), which indicated that Applicant B might have difficulties in submitting a complete application for vetting. In Audit's view, ENB and EPD need to consider providing further assistance to the applicants where necessary and appropriate (e.g. in collaboration with the relevant B/Ds) to facilitate them in providing information required in the vetting process.

*Source: Audit analysis of EPD and EMSTF records*

2.8 As of December 2018, there were 215 ECF applications under processing by EPD. According to EPD, all these applications had been received for less than 6 months except 2 applications which were received about 10 months ago (clarifications were required from the applicants on details in their application forms). Audit considers that ENB and EPD need to keep in view the processing time of ECF

## **Administration of applications**

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applications and strengthen measures (e.g. issuing timely reminders and/or contacting the applicants by telephone) to help complete the processing as soon as practicable. ENB and EPD also need to provide assistance to the applicants where necessary and appropriate to facilitate them in providing information required in the vetting process.

### ***Increasing rejection rate for ECF applications***

2.9 During the period from 2013-14 to 2017-18, the rejection rates for ECF applications increased from 20 % (112 of 559 applications rejected — see Table 3 in para. 2.4) in 2013-14 to 48 % (217 of 451 applications rejected) in 2017-18. Audit noted that the major reasons for rejection from 2013-14 to 2017-18 were as follows:

- (a) reservations about the possible value (e.g. contributions to environmental protection and environmental education impact) and effectiveness (e.g. cost effectiveness) of the proposed projects or activities;
- (b) insufficient information to support the applications;
- (c) proposals not practicable or technically not feasible; and
- (d) duplication of work or similar services or activities already existed.

2.10 Audit noted that EPD had provided reasons for rejection to unsuccessful applicants. In addition, EPD had organised briefing/experience sharing sessions for potential applicants, in which the points to note in applying for funding support from ECF and the main reasons for supporting or not supporting the past applications were discussed. According to EPD, best-practice or past meritorious projects under the various funding programmes were also shared with interested parties in briefing/experience sharing sessions for potential applicants and/or publicised through various means (e.g. television, newspaper and other social media means). In Audit's view, ENB and EPD need to explore further measures to encourage and facilitate potential applicants to submit meritorious applications to ECF.

## **Audit recommendations**

**2.11      Audit has *recommended* that the Secretary for the Environment and the Director of Environmental Protection should:**

- (a)      keep in view the processing time of ECF applications and strengthen measures (e.g. issuing timely reminders and/or contacting the applicants by telephone) to help complete the processing as soon as practicable;**
- (b)      provide assistance to the applicants where necessary and appropriate to facilitate them in providing information required in the vetting process; and**
- (c)      explore further measures to encourage and facilitate potential applicants to submit meritorious applications to ECF.**

## **Response from the Government**

**2.12      The Secretary for the Environment and the Director of Environmental Protection agree with the audit recommendations. The Director of Environmental Protection has said that EPD will:**

- (a)      keep in view the processing time of ECF applications and take measures to help complete the processing as soon as practicable;**
- (b)      continue to conduct briefing/experience sharing sessions for potential applicants to explain the application requirements and provide assistance to the applicants in providing information required in the vetting process as appropriate under the competition-based approach though full submission of all required information primarily remains the responsibilities of the applicants; and**
- (c)      explore further measures to encourage and facilitate potential applicants to submit meritorious applications to ECF and continue to share best-practice or past meritorious projects with potential applicants in briefing/experience**

## Administration of applications

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sharing sessions and/or showcase them through various means (e.g. television, newspaper and website).

## Processing procedures for ECF applications

2.13 EPD has drawn up procedural guidelines for funding programmes under ECF. Audit examination of these procedural guidelines revealed that there was room for improvement in procedures for processing applications for ECF-funded projects (see paras. 2.14 to 2.26).

### *Issue of some discussion papers/summaries of project applications to subcommittees shortly before the meetings*

2.14 EPD submits to subcommittees discussion papers/summaries of project applications to facilitate their discussions and assessments on whether the applications should be approved for funding support (see para. 2.3(d)).

2.15 According to the Fund Management Guide (Note 18) issued by the Treasury, members of the committee should be provided with the agenda and discussion papers in good time, normally not less than five working days before the meeting (the 5-working-day rule). According to EPD:

- (a) except for RRVSC, the issue of discussion papers/summaries of project applications to members of other subcommittees, in general, follows the 5-working-day rule in accordance with the Fund Management Guide; and
- (b) for RRVSC, all discussion papers for applications under the funding programme of environmental research, technology demonstration and conference projects should be issued to members of RRVSC by e-mail at least 10 calendar days before the scheduled meeting as far as possible (which has been stipulated in the procedural guidelines for such funding programme). A slightly longer time is allowed for environmental research

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**Note 18:** *The Fund Management Guide aims at providing a handy reference for B/Ds in discharging their duties and responsibilities of fund management.*

projects as the applications contain more technical information including past research papers and comments from relevant groups/divisions of EPD and other B/Ds as well as assessments from external assessors if the funding support sought exceeds \$500,000.

2.16 For the discussion papers/summaries of project applications issued to members of the subcommittees from 2013-14 to 2017-18, Audit found that, except for RVPSC (Note 19), it was not uncommon that the discussion papers/summaries of project applications were only issued to members shortly before the scheduled meetings. For example, the discussion papers/summaries of project applications for 45 (47%) of a total of 95 meetings for four subcommittees (i.e. WRPVSC, EE&CAPVSC, ECPVSC and NCSC) were issued to members 1 to 5 calendar days (averaging 3.7 calendar days) before the scheduled meetings. The time for issuing discussion papers/summaries of project applications to members of the four subcommittees for all these 95 meetings was as follows:

- (a) for WRPVSC, 1 to 7 calendar days (averaging 4.4 calendar days) before the scheduled meetings;
- (b) for EE&CAPVSC, 1 to 15 calendar days (averaging 6.6 calendar days) before the scheduled meetings;
- (c) for ECPVSC, 2 to 43 calendar days (averaging 18.3 calendar days) before the scheduled meetings; and
- (d) for NCSC, 2 to 7 calendar days (averaging 4.3 calendar days) before the scheduled meetings.

2.17 In Audit's view, ENB and EPD need to issue discussion papers/summaries of project applications to members of the subcommittees as early as possible with a view to allowing sufficient time for them to consider the applications. In this connection, Audit noted that only the procedural guidelines for the funding programme of environmental research, technology demonstration and conference

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**Note 19:** *For RVPSC, the discussion papers of project applications were issued to members 14 to 24 calendar days before the scheduled meetings from 2013-14 to 2017-18.*



## Administration of applications

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projects had stipulated the time frame for issuing discussion papers of project applications (see para. 2.15(b)) but not stipulated in those for other funding programmes. Audit considers that ENB and EPD need to consider stipulating such time frame in the procedural guidelines for all ECF funding programmes.

### ***Different practices adopted in handling of cases involving information not provided by applicants within specified time period***

2.18 According to the procedural guidelines for ECF funding programmes, there are two different practices adopted to handle cases involving information not provided by the applicants within the specified time period, as follows:

- (a) according to the procedural guidelines for funding programmes of three project types (i.e. waste reduction projects, environmental research, technology demonstration and conference projects, and energy conservation projects), in general:
  - (i) to avoid undue delay in the processing work for an application, where the applicant does not reply to any enquiries from EPD within a specified time period (e.g. 1 month), EPD should write to remind the applicant that if it does not reply within another specified time period (e.g. 2 weeks), the application will be considered withdrawn and the processing work for the application will terminate (Note 20); and
  - (ii) the applicant will have to submit a fresh application in case it subsequently wishes to pursue the application again; and
- (b) according to the procedural guidelines for the funding programme of environmental education and community action projects, to avoid undue delay in the processing work for an application, where the applicant does not reply to any request for additional information/clarifications/response within 1 month (for projects with facilities/installations (see para. 3.8(a))

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**Note 20:** *For the funding programme of nature conservation management agreement projects, its procedural guidelines stipulate that if an applicant does not reply to enquiries from EPD within 2 weeks, the application will be considered withdrawn and the processing work for the application will terminate.*

or 5 working days (for projects without facilities/installations), EPD should write to remind the applicant that if it does not reply within another 2 weeks (for projects with facilities/installations) or 3 working days (for projects without facilities/installations), the application will be considered on the basis of information previously provided.

As a result of the difference between the two practices, for cases involving information not provided by the applicants within the specified time period, the processing work for applications of the three project types in (a) above will terminate while the applications of the project type in (b) above will be considered on the basis of information previously provided.

2.19 In March 2019, EPD informed Audit that:

- (a) environmental education and community action projects were of a comparatively simple nature. Certain missing information required for consideration of approval (e.g. details of activities proposed and type of target participants) was in most cases not essential in determining the validity of the proposal itself but such information might enable members of EE&CAPVSC to have a better understanding of the contents of the proposal; and
- (b) EE&CAPVSC was generally satisfied with the existing arrangement and would request clarifications from the applicants after discussing the proposals if necessary.

2.20 In Audit's view, ENB and EPD need to review and revise the procedural guidelines for ECF funding programmes as appropriate to ensure consistency of practices in the processing of applications under various funding programmes.

### ***Different practices adopted in checking for double benefits***

2.21 According to the procedural guidelines for ECF funding programmes, there are two different practices adopted to check whether the applicants receive double benefits on the same budget item from other funding schemes of the Government, as follows:

## Administration of applications

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### *Declarations by applicants only*

- (a) for the funding programme of nature conservation management agreement projects (1 project with a grant of \$8.5 million was approved in 2017-18), the applicant declares in the application form regarding the details of other sources of funds. No other checking is conducted by EPD;

### *Declarations by applicants and checking by EPD*

- (b) for funding programmes of three project types, in addition to declaration by the applicant in the application form, EPD sends a list of applications which are selected on a random sampling basis (e.g. 1 in every 5 applications) to the pertinent secretariats of other funding schemes of the Government (e.g. the Quality Education Fund — Note 21) for checking. The three project types are:
  - (i) waste reduction projects (56 projects with grants totalling \$89 million were approved in 2017-18);
  - (ii) environmental education and community action projects (85 projects with grants totalling \$47.1 million were approved in 2017-18); and
  - (iii) energy conservation projects (no projects were approved in 2017-18 as the related funding programmes ceased receiving new applications in 2012 — see para. 1.10(d)); and
- (c) for the funding programme of environmental research, technology demonstration and conference projects (17 projects with grants totalling \$17.7 million were approved in 2017-18), in addition to declaration by the applicant in the application form, EPD sends a list of all applications to the pertinent secretariats of other funding schemes of the Government (e.g. the

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**Note 21:** *The Quality Education Fund provides funding to schools, educational bodies, teaching professionals, organisations and individuals to undertake one-off projects for the promotion of quality school education at all levels.*

Innovation and Technology Fund and the Research Grant Council —  
Note 22) for checking.

Audit noted that there were fewer projects for the funding programme of nature conservation management agreement projects as compared with the funding programmes of the other four project types, and the grant for each nature conservation management agreement project was higher (see (a) to (c) above). However, unlike the funding programmes of the four project types, there is no checking for double benefits in respect of applications under the funding programme of nature conservation management agreement projects by EPD.

2.22 In March 2019, EPD informed Audit that:

- (a) EPD had observed and complied with the requirements stipulated in the procedural guidelines. EPD considered it infeasible to conduct full checking across the board for the funding programmes under ECF, taking into account the large number of applications, the nature of projects and the existence of abundant funding bodies within the Government. EPD had tried to standardise the practice under the various funding programmes as far as possible with due regard to the specific nature of environmental research projects which were more related to the Innovation and Technology Fund and the Research Grant Council (see para. 2.21(c)); and
- (b) for nature conservation management agreement projects, the applicants were encouraged to seek alternative funding sources (including income-generating activities and private sponsorship) for generating 5% income of the total budget of their projects, and thus it was reasonably believed that the applicants would provide the information in their applications if they had secured sponsorships from other sources as income. The applicants were requested to clearly indicate in their application forms regarding sponsorships outside ECF (including the source, amount, and income to be generated, etc.). Even when details were not yet available

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**Note 22:** *The Innovation and Technology Fund provides funding support for research and development projects that contribute to innovation and technology upgrading in manufacturing and service industries. The Research Grant Council is a non-statutory body which advises the Government on the needs of the institutions of higher education in Hong Kong in the field of academic research and invites and receives applications for research grants from academic staff.*

## Administration of applications

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when the applications were submitted, the applicants should still indicate their intentions to seek other sponsorships if this was the case. In addition, there were only a few related projects funded by ECF and all of them were large-scale and managed by renowned NGOs. EPD considered that declaration alone should be sufficient for nature conservation management agreement projects, and proactive checking of additional funding sources outside ECF for these projects was unnecessary.

2.23 In Audit's view, ENB and EPD need to carry out random checking of applications under the funding programme of nature conservation management agreement projects (which are generally large-scale projects requiring substantial funding support) regarding the receipt of double benefits from other funding schemes of the Government with a view to tallying with the good practice of other funding programmes under ECF.

### *Need to stipulate requirements for assessment of ECF applications in procedural guidelines*

2.24 According to ECF's assessment mechanism for handling ECF applications, in general, open invitations for applications under individual funding programmes will be called at scheduled intervals each year (see para. 2.3(a)) and eligible applications will be considered on a competition basis (see para. 2.3(d)). A marking scheme based on the vetting criteria is implemented to vet and evaluate the relative merits of individual applications and select the most meritorious applications for funding support.

2.25 According to the procedural guidelines for the funding programme of environmental research, technology demonstration and conference projects:

- (a) members of the vetting subcommittees should follow the pre-determined assessment criteria for selection of projects for funding support (i.e. applications attaining less than the passing mark will not be supported, regardless of whether the budget for the funding programme in that round of invitation is exhausted or not), and that unallocated funds should be returned to ECF pool; and

- (b) if there are strong reasons to deviate from the pre-determined assessment criteria for assessment of ECF applications, the justifications and the decisions should be properly documented.

Audit noted that none of the procedural guidelines for the other funding programmes had stipulated such requirements. In March 2019, EPD informed Audit that it was EPD's prevailing practice to properly document the justifications and decisions of the vetting subcommittees for any deviation from the pre-determined assessment criteria in the assessment of ECF applications though this practice had not been stipulated in the procedural guidelines. In Audit's view, ENB and EPD need to stipulate such requirements in the procedural guidelines for all ECF funding programmes in order to formalise the prevailing practice on the assessment of applications.

### **Audit recommendations**

**2.26      Audit has *recommended* that the Secretary for the Environment and the Director of Environmental Protection should:**

- (a) **issue discussion papers/summaries of project applications to members of the subcommittees as early as possible with a view to allowing sufficient time for them to consider the applications;**
- (b) **consider stipulating the time frame for issuing discussion papers/summaries of project applications to members of the subcommittees in the procedural guidelines for all ECF funding programmes;**
- (c) **review and revise the procedural guidelines for ECF funding programmes as appropriate to ensure consistency of practices in the processing of applications under various funding programmes;**
- (d) **carry out random checking of applications under the funding programme of nature conservation management agreement projects (which are generally large-scale projects requiring substantial funding support) regarding the receipt of double benefits from other funding schemes of the Government with a view to tallying with the good practice of other funding programmes under ECF; and**

## **Administration of applications**

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- (e) **in order to formalise the prevailing practice on the assessment of applications, in the procedural guidelines for all ECF funding programmes, stipulate the requirements on:**
  - (i) **following the pre-determined assessment criteria for selection of projects for funding support and returning unallocated funds to ECF pool; and**
  - (ii) **properly documenting the justifications and the decisions if there are strong reasons to deviate from the pre-determined assessment criteria for assessment of ECF applications.**

## **Response from the Government**

2.27 The Secretary for the Environment and the Director of Environmental Protection agree with the audit recommendations. The Director of Environmental Protection has said that:

- (a) for meetings of WRPVSC and EE&CAPVSC, agenda and relevant documents such as discussion papers, if any, and applications received for vetting are now issued one week before the date of the meetings. EPD will take steps to issue discussion papers/summaries of project applications to members of the subcommittees as early as possible;
- (b) EPD will review and revise the procedural guidelines for all ECF funding programmes as appropriate to stipulate the time frame for issuing discussion papers/summaries of project applications to members of the subcommittees, ensure consistency of practices in the processing of applications and stipulate the requirements on following the pre-determined assessment criteria; and
- (c) EPD will carry out random checking of applications under the funding programme of nature conservation management agreement projects regarding the receipt of double benefits from other funding schemes of the Government to tally with the good practice in vetting of applications that is applicable to other funding programmes under ECF.

## **PART 3: MONITORING OF PROJECT IMPLEMENTATION AND ACCOUNTS FINALISATION**

3.1 This PART examines EPD's work in monitoring of implementation of ECF-funded projects (paras. 3.2 to 3.12) and project accounts finalisation (paras. 3.13 to 3.19).

### **Monitoring of implementation of ECF-funded projects**

3.2 ECFC and the various subcommittees (see Table 1 in para. 1.10), with the support of relevant groups/divisions of EPD and AFCD, oversee the implementation of ECF-funded projects. According to ECF's guides to application and EPD's procedural guidelines, EPD's monitoring work for on-going and completed projects is, in general, as follows:

- (a) ***On-going projects.*** The monitoring work is as follows:
  - (i) for a project lasting more than 6 months, the grantee is required to submit half-yearly progress reports with information on financial position of its project together with the original invoices and receipts to EPD within one month following the end date of the corresponding reporting period (e.g. 6 months after the project commencement date). For a project with a grant of more than \$300,000 and lasting more than 18 months, the grantee is also required to submit an audited statement of accounts once every 12 months;
  - (ii) EPD will then check if the progress report and supporting documents are in order and if the project is progressing satisfactorily; and
  - (iii) except for the initial disbursement, all interim disbursements of funds will be subject to satisfactory performance and progress of the project (or completion of a milestone for a minor works project). EPD will also conduct site inspections or surprise checks to examine the progress of the project at any time. For monitoring purposes,



## Monitoring of project implementation and accounts finalisation

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at least one site inspection should be conducted in the course of each project. For projects with duration exceeding 2 years, a second site inspection should be conducted (for minor works project, site inspections are usually conducted before the endorsement of installation report and completion report); and

- (b) ***Completed projects.*** The monitoring work is as follows:
- (i) within two months of completion of a project, the grantee has to submit a completion report with a statement of accounts (an audited statement of accounts for a project with a grant of more than \$300,000) together with the original invoices and receipts to EPD;
  - (ii) EPD will then check if the completion report and supporting documents are in order and if the project is completed satisfactorily (Note 23);
  - (iii) the subcommittee concerned will assess the success or effectiveness of the project by comparing the project results against its original objectives and targets as set out in the project proposal; and
  - (iv) after the endorsement of satisfactory completion of the project and the final project expenditure by the subcommittee concerned, final disbursement of funds will be made to the grantee.

### ***ECF-funded projects not commenced long after approval***

3.3 According to EPD:

- (a) as of September 2018, 99 approved ECF-funded projects had not yet commenced; and

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**Note 23:** *For an environmental research, technology demonstration and conference project with a grant of over \$500,000, EPD will also invite an independent evaluator (e.g. professor or academic from tertiary institutions) to assess the overall effectiveness of the project.*

## Monitoring of project implementation and accounts finalisation

- (b) of the 99 projects, 15 (15%) had been approved for more than one year (see Table 5). All the 15 projects were environmental education and community action projects with facilities/installations (see para. 3.8(a)).

**Table 5**

### Ageing analysis of approved projects not yet commenced (September 2018)

Time elapsed after approval	Projects	
	No.	Percentage
1 year or less	84	85%
More than 1 year to 2 years	—	0%
More than 2 years to 4 years	4	4%
More than 4 years to 6 years	5	5%
More than 6 years to 9 years	6	6%
Total	99	100%

Source: EPD records

Note: All the 15 projects were environmental education and community action projects with facilities/installations (see para. 3.8(a)).

3.4 Audit selected 5 projects for examination (Note 24) and noted that there were inadequacies in follow-up actions by EPD on a project which had not commenced long after approval (see Case 3).

**Note 24:** Based on the information (extracted from ECF database — see para. 4.32) provided by EPD in January 2019 during Audit's fieldwork, Audit selected 5 projects which had been approved for more than four years but were shown as not yet commenced as of September 2018 for examination. Apart from a project (Case 3) meeting these criteria, the remaining 4 projects had actually commenced (ranging from 3 to 11 months after obtaining approval). According to EPD, this was due to the fact that the data field "project commencement date" in ECF database was not applicable to environmental education and community action projects with facilities/installations (see para. 4.36(b) and (e)) and thus not updated.

### Case 3

#### **Inadequacies in follow-up actions on a project not commenced long after approval (September 2010 to January 2019)**

1. In September 2010, EE&CAPVSC approved a grant of \$375,000 for a secondary school (Grantee A) to carry out minor works for the installation of solar panel system and provision of green roof in the school premises (Project C). In May 2011, EPD notified Grantee A of the approval of Project C in writing. According to Grantee A, Project C was scheduled for commencement in July 2011 and completion in April 2014.

2. According to the prevailing funding conditions, if a project did not commence within one year of the approval of the grant and no reasonable explanation had been given, the funding support might be suspended/terminated. In April 2012, noting that Project C had not yet commenced, EPD issued a letter to Grantee A enquiring about the reasons for the delay. In response, in May 2012, Grantee A explained that the delay was due to the fact that the school became a Direct Subsidy Scheme school in 2011 and so it needed to complete the administrative and financial transition work before commencing Project C. In July 2012, Grantee A further informed EPD that the tendering work for the project was in progress.

3. In April 2013, Grantee A informed EPD that re-tendering work was needed due to the insufficient number of tenders received. In November 2013, Grantee A further informed EPD that the feasibility study for Project C could not commence due to the incomplete records of building plans of the school premises, which was built in the 1950s, and requested EPD to extend the commencement of Project C.

4. In January 2016, noting that Project C had still not yet commenced, EPD issued a letter to Grantee A again enquiring about the reasons for the delay. According to EPD, in November 2017, it contacted Grantee A twice to enquire about the latest position but Grantee A did not respond.

5. On 15 January 2019, Audit requested the case file of Project C for review. On 18 January 2019, EPD sent an e-mail to Grantee A asking Grantee A to submit written withdrawal for Project C to support the verbal withdrawal previously conveyed by Grantee A to EPD.

### Case 3 (Cont'd)

#### *Audit comments*

6. EPD had not followed up with Grantee A for a total of 5 years (2.1 years from December 2013 to December 2015, 1.8 years from February 2016 to October 2017 and 1.1 years from December 2017 to December 2018) regarding the commencement of Project C after notifying Grantee A of the approval of the project in May 2011. As a result of the inadequacies in follow-up actions by EPD, it was not until January 2019 that EPD was informed by Grantee A that Project C was withdrawn and hence the funding had been unnecessarily tied up for a long time.

*Source: Audit analysis of EPD records*

3.5 In Audit's view, ENB and EPD need to closely monitor the commencement of ECF-funded projects and take measures to ensure that there is no undue delay in commencement, particularly for environmental education and community action projects with facilities/installations as all the 15 projects which had not commenced more than one year after approval as of September 2018 were such projects (see para. 3.3(b)).

#### *Long time taken for completing ECF-funded projects*

3.6 According to EPD:

- (a) ECF plays a role, through grants of fund, in supporting initiatives and activities which complement the Government's policy priorities, and hence, it is not suitable for ECF-funded projects to last for a long duration (more than three years) given the need for ECF to adjust its priority funding areas to support the Government's new policy initiatives; and
- (b) as of September 2018, 607 approved ECF-funded projects had commenced but not yet been completed. Of the 607 projects, 284 (47%) had commenced for more than four years (see Table 6). All the 284 projects (i.e. long-outstanding on-going projects) were environmental education and community action projects with facilities/installations (see para. 3.8(a)).

## Monitoring of project implementation and accounts finalisation

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Table 6

**Ageing analysis of projects commenced but not yet completed  
(September 2018)**

Time elapsed after commencement	Projects	
	No.	Percentage
1 year or less	136	22 %
More than 1 year to 2 years	79	13 %
More than 2 years to 4 years	108	18 %
More than 4 years to 6 years	139	23 %
More than 6 years to 11 years	145	24 %
	} 284 (Note) } 47 %	
Total	607	100 %

*Source:* EPD records

*Note:* All the 284 projects were environmental education and community action projects with facilities/installations (see para. 3.8(a)).

3.7 Audit examined 5 long-outstanding on-going projects and noted that there were inadequacies in follow-up actions by EPD on the progress of 4 projects (see Case 4 for an example).

**Case 4****Inadequacies in follow-up actions on progress of a project  
(December 2010 to January 2019)**

1. In December 2010, EE&CAPVSC approved a grant of \$866,550 for a secondary school (Grantee B) to carry out minor works for the provision of green roof in the school premises (Project D). In March 2011, EPD notified Grantee B of the approval of Project D in writing. According to Grantee B, Project D was scheduled for commencement in April 2011 and completion in July 2013. The disbursement schedule for Project D was as follows:

<b>Milestone</b>	<b>Disbursement</b>	<b>Amount (\$)</b>
Submission of quotations for feasibility study	Initial	20,000
Submission of feasibility study report and quotations for plan submission	Second	50,000
Works commencement	Third	311,620
Endorsement of installation report	Fourth	311,620
Endorsement of progress report	Fifth	86,655
Endorsement of completion report	Final	86,655
Total		866,550

2. Upon submitting the required documents to EPD, Grantee B requested the initial and second disbursements in September 2011 and April 2012 respectively. The initial and second disbursements were then released to Grantee B in October 2011 and May 2012 respectively.

3. Since April 2012, Grantee B had not informed EPD of the progress of Project D. In October 2016, EPD sent an e-mail to Grantee B enquiring about the progress of Project D. In November 2016, Grantee B replied that it was raising funds for the fencing works before the installation works for green roof could commence. In the same month, EPD requested Grantee B to submit a written explanation but no action was taken by Grantee B afterwards. In August 2018 and January 2019, EPD contacted Grantee B again but as of January 2019, Grantee B's response was still pending.

### Case 4 (Cont'd)

#### *Audit comments*

4. EPD had not followed up with Grantee B for a total of 6.4 years (4.4 years from May 2012 to September 2016, 1.7 years from December 2016 to July 2018 and 0.3 year from September 2018 to December 2018) regarding the progress of Project D. As a result of the inadequacies in follow-up actions by EPD, the progress of Project D was not known despite significant project slippage (5.5 years behind the scheduled completion date of July 2013) as of January 2019.

*Source: Audit analysis of EPD records*

3.8 In March 2019, EPD informed Audit that:

- (a) ECF-funded projects with facilities/installations (e.g. green roofs, solar panels and energy efficient devices) usually took a longer time to complete as they had to follow established procedures (e.g. undertaking feasibility studies, obtaining approval from relevant authorities or parties, tendering and procurement, etc.). In general, the project duration from works commencement to completion for environmental education and community action projects with facilities/installations would normally be more than 3 years and depend on the nature of the facilities/installations involved. The installation projects (e.g. weather stations, solar panels, wind turbine and green roofs) that involved feasibility study and plan submission would take much longer time to complete;
- (b) the monitoring period (from 1 year to 2 years) for these projects would only start when all the relevant documents including the installation report with all the supporting documents (invoices and receipts) had been submitted and approved;
- (c) the applicants of these projects (mainly schools) were aware of the above requirements as laid down clearly in an appendix of the application form. Each step might take 3 months to 1 year and the whole project could take 4 to 11 years to complete; and

- (d) EE&CAPVSC had recognised the deficiency in implementing such installation projects at schools and had been discussing in recent meetings on how to deal with these problems. In March 2019, the Government launched a renewable energy programme, which aimed to promote the development of local renewable energy at eligible schools and welfare NGOs and might help install solar panels at schools in a more efficient way.

3.9 In Audit's view, ENB and EPD need to closely monitor the progress of ECF-funded projects and take measures to ensure that there is no undue delay in completion, particularly for environmental education and community action projects with facilities/installations as all the 284 long-outstanding on-going projects as of September 2018 were such projects (see para. 3.6(b)).

### ***Scope for improvement in monitoring ECF-funded projects***

3.10 Apart from selecting long-outstanding on-going projects for examination of EPD's monitoring actions (see para. 3.7), Audit also selected 5 completed, 3 withdrawn and 2 terminated ECF-funded projects for examination and noted that:

- (a) for 1 completed project, there were deficiencies in monitoring project implementation including late submission of reports and accounts by the grantee, non-compliance with ECF funding conditions on publicity, and no site inspection conducted by EPD (see Case 5);
- (b) for 1 terminated project, there was late submission of reports and accounts by the grantee (similar to Case 5); and
- (c) for 1 withdrawn project, there were inadequacies in taking actions for monitoring project progress (similar to Case 4 in para. 3.7).



### Case 5

#### Deficiencies in monitoring project implementation (March 2014 to March 2019)

1. In March 2014, ECPVSC approved a grant of \$569,500 for an NGO (Grantee C) to carry out an energy conservation education project to promote energy saving through workshops, ambassador training sessions and energy and carbon assessments (Project E). Project E commenced in April 2014 and was completed in May 2015 with a project duration of 13 months. The disbursement schedule for Project E was as follows:

Disbursement	Amount (\$)	Paid in
Initial (confirmation of acceptance)	284,750	May 2014
Second (endorsement of progress report)	227,800	April 2015
Final (endorsement of completion report)	56,950	N/A (see para. 7 below)
Total	569,500	

2. According to EPD, ECF's guides to application and the "Conditions for the Use and Allocation of Fund" enclosed with the approval letter have set out detailed requirements for the layout of publicity materials related to ECF-funded projects, including:

- (a) grantees are prohibited from using ECF-funded projects and activities, including the related publicity materials, for any personal, political, commercial or religious publicity;
- (b) grantees are also prohibited from presenting any activities, events or materials arising from an ECF-funded project in such a way as to induce public perception of any personal, political, commercial or religious publicity;
- (c) for publicity materials produced under ECF-funded projects or activities, the name and/or logo of the organisers, or co-organising, assisting, supporting or sponsoring bodies should not be larger or placed in a more prominent position than those of ECF; and
- (d) grantees are obliged to submit a copy/sample/artwork of all publicity materials proposed, produced or used for the projects or their activities for review by EPD as and when required, and should follow the advice of EPD on the format and presentation of such materials whenever required.

### Case 5 (Cont'd)

3. In December 2014, Grantee C submitted a progress report to EPD. In reviewing the progress report and related documents, EPD observed certain irregularities in the publicity materials produced for Project E, as follows:

- (a) the photograph and name of a District Councillor, who was also the senior consultant of Grantee C, were displayed prominently on the poster publicising the project's opening ceremony held in August 2014. The manner in which the District Councillor's photograph and name were displayed raised the concern and possible public perception that the publicity materials had been used for personal publicity of the District Councillor; and
- (b) on the souvenir shopping bags produced for the project, the name of Grantee C was printed prominently at the centre. ECF's logo together with, inter alia, the District Councillor's name, was printed lower down as one of Grantee C's "long time partners". There was no mentioning of the project title or ECF's funding support for the project on the shopping bags. The display on the bags raised the concern that the souvenirs might be perceived as Grantee C's own souvenirs, and that the organisation might have been giving these out as its own souvenirs or publicity materials. The shopping bags obviously were not designed in a way to publicise the project or its activities.

4. In January 2015, EPD wrote to inform Grantee C that the design and layout of the aforesaid publicity materials were considered to have breached ECF funding conditions on publicity (see para. 2), and to request an explanation from Grantee C. In addition, EPD demanded Grantee C to reclaim the distributed publicity materials in question, to stop distributing such materials and to take immediate remedial measures to rectify the irregularities. To facilitate monitoring, EPD also requested Grantee C to submit a sample or artwork of all future publicity materials proposed for Project E for prior approval before production.

5. In February 2015, EPD received a letter from Grantee C responding that:

- (a) the posters in question were designed, produced and distributed with funding from the District Councillor, who was one of the co-organisers of Project E as well as an officiating guest of the opening ceremony. For these reasons, the District Councillor's photograph was put into the poster. There was no intention of publicising the District Councillor;

### Case 5 (Cont'd)

- (b) regarding the souvenir shopping bags, it had intended to set out Project E's activities on the other side of the bags. However, due to printing errors, such information had been omitted. It would rectify the situation by printing the other side of the bags again with the omitted information; and
- (c) as the publicity materials in question involved a large quantity and had been distributed long time ago, it was not possible to reclaim all distributed materials. Nevertheless, it would stop distributing such materials.

6. Project E was completed in May 2015. In October 2015, EPD urged Grantee C to submit a completion report for Project E. In December 2015, Grantee C informed EPD that the audit for the accounts of Project E was in progress. Since then, EPD issued 13 reminders to Grantee C regarding the outstanding completion report and audited statement of accounts between March 2016 and April 2018. In June 2018, Grantee C submitted the completion report and the audited statement of accounts.

7. In October 2018, ECPVSC endorsed the completion of Project E and the final project expenditure of \$486,814.59 (Note). In the same month, EPD requested Grantee C to refund \$25,735.41 (\$284,750 + \$227,800 (i.e. grants paid) – \$486,814.59 (i.e. final project expenditure)) to ECF by the end of October 2018. According to EPD, it had made numerous telephone calls and concurrently issued 10 reminders to Grantee C regarding the refund between November 2018 and March 2019. In March 2019, EPD received the refund from Grantee C.

#### *Audit comments*

8. Timely submission of progress and completion reports is essential to facilitate the monitoring of implementation of projects. Grantee C submitted the completion report with audited statement of accounts nearly three years after the due date of July 2015 despite repeated reminders from EPD. In Audit's view, ENB and EPD need to strengthen measures to ensure the timely submission of required documents (e.g. reports on progress and completion and audited statements of accounts) by the grantees with a view to facilitating the monitoring of implementation of ECF-funded projects.

### Case 5 (Cont'd)

9. According to EPD, the grantees are constantly reminded of the need to comply with ECF funding conditions on publicity. Audit considers that ENB and EPD need to continue to remind the grantees to comply with ECF funding conditions on publicity and to seek EPD's advice on the publicity materials proposed for ECF-funded projects before production where in doubt.

10. In addition, according to EPD's procedural guidelines, for monitoring purposes, at least one site inspection should be conducted in the course of each project. For projects with duration exceeding 2 years, a second site inspection should be conducted. However, there was no record available showing the conduct of site inspection for Project E by EPD. In Audit's view, ENB and EPD need to take measures to ensure that site inspection is conducted in the course of each project in accordance with EPD's procedural guidelines.

*Source: Audit analysis of EPD records*

*Note: According to EPD, the final project expenditure did not include expenditure for publicity materials found not complying with ECF funding conditions (see paras. 3 and 5) and Grantee C had taken rectification actions on the souvenir shopping bags (see paras. 3(b) and 5(b)).*

## Audit recommendations

**3.11 Audit has recommended that the Secretary for the Environment and the Director of Environmental Protection should:**

- (a) closely monitor the commencement and progress of ECF-funded projects and take measures to ensure that there is no undue delay in commencement and completion, particularly for environmental education and community action projects with facilities/installations which accounted for all of the projects not commenced long after approval or not completed long after commencement as of September 2018;**
- (b) strengthen measures to ensure the timely submission of required documents (e.g. reports on progress and completion and audited statements of accounts) by the grantees with a view to facilitating the monitoring of implementation of ECF-funded projects;**

## **Monitoring of project implementation and accounts finalisation**

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- (c) **continue to remind the grantees to comply with ECF funding conditions on publicity and to seek EPD's advice on the publicity materials proposed for ECF-funded projects before production where in doubt; and**
- (d) **take measures to ensure that site inspection is conducted in the course of each project in accordance with EPD's procedural guidelines.**

## **Response from the Government**

3.12 The Secretary for the Environment and the Director of Environmental Protection agree with the audit recommendations. The Director of Environmental Protection has said that EPD will:

- (a) closely monitor the commencement and progress of ECF-funded projects and take measures to reduce undue delay. For environmental education and community action projects with facilities/installations, they might continue to require a longer time in commencement and completion due to the need to undertake feasibility studies and completion of tendering procedures, etc.;
- (b) continue to assist the grantees in submitting the required documents through training sessions arranged for successful applicants and sharing of good examples to help them avoid delay, and to streamline the overall procedures to facilitate payment of funds to the grantees and expedite project accounts finalisation for future projects;
- (c) continue to remind the grantees to comply with ECF funding conditions on publicity; and
- (d) take measures to ensure that adequate site inspection is conducted in the course of each project.

### Project accounts finalisation

3.13 Audit examination has found that there is room for improvement in EPD's work in monitoring of project accounts finalisation (see paras. 3.14 to 3.18).

#### *Project accounts not finalised long after project completion*

3.14 According to EPD, as of September 2018, there were 303 completed ECF-funded projects with project accounts not yet finalised. Of the 303 projects, 185 (61%) had been completed for more than one year (see Table 7). Of the 185 projects, 102 (55%) were waste reduction projects and 35 (19%) were environmental education and community action projects (see Table 8). In March 2019, EPD informed Audit that there were various reasons and circumstances for project accounts not finalised after project completion, such as:

- (a) the grantees had not submitted progress and completion reports on time and/or had not provided complete and clear documentary proofs in support of their expenditures and satisfactory implementation of the projects; and
- (b) excessive time and manpower were required by EPD in conducting thorough checking and clarifying uncertainties with the grantees on a large number of invoices, receipts and salary payment records submitted by them to ensure that the incomes and expenditures as provided in their submissions had complied with the approved budget of the projects and the ceilings of individual budgeted items had not been exceeded.

## Monitoring of project implementation and accounts finalisation

**Table 7**

**Ageing analysis of project accounts not finalised after project completion  
(September 2018)**

Time elapsed after completion	Projects	
	No.	Percentage
1 year or less	118	39%
More than 1 year to 2 years	84	28%
More than 2 years to 4 years	73	24%
More than 4 years to 6 years	18	6%
More than 6 years to 11 years	10	3%
Total	303	100%

Source: EPD records

**Table 8**

**Projects with their accounts not finalised  
more than one year after project completion  
(September 2018)**

Project type	Projects	
	No.	Percentage
Waste reduction project	102	55%
Environmental education and community action project	35	19%
Environmental research, technology demonstration and conference project	17	9%
Energy conservation project	31	17%
Total	185	100%

Source: EPD records

3.15 Audit selected 5 projects for examination (Note 25) and noted that there was room for improvement in follow-up actions by EPD on a project regarding its account finalisation (see Case 6).

### **Case 6**

#### **Room for improvement in follow-up actions on project account finalisation (May 2010 to September 2017)**

1. In May 2010, WRPVSC approved a grant of \$1 million for an NGO (Grantee D) to carry out a waste reduction project to link up different villages in the Lantau areas for promotion and implementation of waste separation and recycling (Project F). Major activities under Project F included conducting door-to-door collection of recyclables in the participating villages for 22 consecutive months, conducting second-hand market at Mui Wo or Pui O every 2 months, and organising talks on recycling and visits to environmental sites for the residents. Project F commenced in June 2010 and was completed in June 2012 with a project duration of 24 months. The disbursement schedule for Project F was as follows:

<b>Disbursement</b>	<b>Amount (\$)</b>	<b>Paid in</b>
Initial (confirmation of acceptance)	287,794.50	July 2010
Second (endorsement of progress report)	287,794.50	February 2011
Third (endorsement of progress report)	281,330.25	November 2011
Final (endorsement of completion report)	7,999.51	September 2017
Total	864,918.76	

2. In August 2013, Grantee D submitted a completion report to EPD and requested the final disbursement. In October 2013, Grantee D sent an e-mail to EPD enquiring about the progress of project account finalisation. In response, EPD said that the processing work was in progress.

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**Note 25:** *Based on the information (extracted from ECF database — see para. 4.32) provided by EPD in January 2019 during Audit’s fieldwork, Audit selected 5 projects which had been completed for more than six years and the related project accounts were shown as not yet been finalised as of September 2018 for examination. All these 5 projects did not meet these criteria as their project accounts had actually been finalised. The incorrect information in ECF database was due to the fact that their data fields “project settlement date” in ECF database had not been updated (see para. 4.36(a) and (c)). Notwithstanding this, Audit noted that there was room for improvement in 1 project (Case 6).*



### Case 6 (Cont'd)

3. In November 2014, noting that there was no response from EPD since October 2013, Grantee D sent a letter to EPD enquiring about the progress of project account finalisation. According to Grantee D, EPD verbally advised that the case would be processed as soon as possible.

4. In March and May 2016, noting that there was no response from EPD since November 2014, Grantee D sent letters to EPD enquiring about the progress of project account finalisation again. In June 2016, EPD requested Grantee D to make clarifications and provide additional information for further processing. According to EPD, the receipts and documents necessary for the reimbursement were incomplete and were not arranged in a correct sequence and therefore a longer processing time was needed.

5. Upon receiving all the requested information from Grantee D in August 2017, WRPVSC endorsed in September 2017 the completion of Project F and the final project expenditure of \$864,918.76. In September 2017, the final disbursement of \$7,999.51 was released to Grantee D. The unspent commitment was \$87,213.74 (\$952,132.5 (i.e. approved grant) – \$864,918.76 (i.e. final project expenditure)).

#### *Audit comments*

6. According to EPD's procedural guidelines, if a grantee does not submit the completion report four weeks after the due date (i.e. two months after completion of a project) without providing any sound reasons, EPD will issue a reminder and/or request for an explanation for the delay. As revealed in this case, Grantee D submitted the completion report in August 2013 (i.e. one year after the due date of August 2012). Audit noted that EPD only sent e-mails to remind Grantee D to submit the completion report in June 2012 and June 2013. In addition, despite Grantee D's repeated enquiries about the progress of project account finalisation, it was not until June 2016 (2.8 years after the receipt of completion report from Grantee D in August 2013) that EPD requested Grantee D to make clarifications and provide additional information for further processing the account finalisation work of Project F. In the event, Project F was endorsed for completion in September 2017 and the final disbursement was released to Grantee D in the same month. The unspent commitment of about \$87,000 had been tied up for about 4 years (from the receipt of completion report in August 2013 to September 2017) and could not be released to fund other projects.

Source: *Audit analysis of EPD records*

## **Monitoring of project implementation and accounts finalisation**

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3.16 In March 2019, EPD informed Audit that:

- (a) there might be a number of reasons for the grantees not being able to provide the required documents for project accounts finalisation. For example, the grantees:
  - (i) might not be familiar with the requirement of submitting a full set of tidy invoices and receipts for reimbursement purpose and might have difficulties to provide a certain number of missing invoices and receipts;
  - (ii) might not be familiar with ECF's guides to application and might have overlooked a number of essential clauses; and
  - (iii) might have already obtained enough funding support through the initial and second or third disbursements and might not be keen to get the final disbursement sooner, especially if they had approved extension projects in hand;
- (b) some grantees experienced a high turnover of project officers which might make matters worse if there were no clear handover instructions;
- (c) as the reasons for project accounts not finalised long after project completion could be complicated, issuing frequent reminders by EPD might not be effective enough;
- (d) in recent years, EPD had directly approached the senior management or chief executive officer level of the grantees and had held meetings with them and their project officers with a view to resolving all outstanding issues. This had found to be effective and EPD had managed to clear some long-outstanding cases; and
- (e) to assist the grantees in submitting the required documents (such as reports, invoices, receipts, etc.) in a timely manner, EPD had already taken the initiative to provide training to the grantees on the proper documentation, preparation and submission of such documents. In such training sessions run by EPD, participants were taught how to properly prepare and submit the necessary information for funding reimbursement and

## Monitoring of project implementation and accounts finalisation

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progress/completion reports, etc. Participants were also required to practise what they had learnt by preparing sample submission during the training sessions.

3.17 In Audit's view, the long time taken in finalising project accounts after project completion would tie up unspent commitments which could have been used for funding other new projects, and might also lead to delay in making funding disbursements to the grantees. With a view to early releasing the unspent commitments to support other new projects and the final disbursements to the grantees as well as recovering overpaid grants from the grantees as appropriate (see Case 5 in para. 3.10(a)), Audit considers that ENB and EPD need to take prompt actions (e.g. clarifying with the grantees in a timely manner) to process project accounts finalisation, particularly for waste reduction projects and environmental education and community action projects which accounted for most of the outstanding cases as of September 2018 (see para. 3.14).

### Audit recommendation

3.18 **Audit has *recommended* that the Secretary for the Environment and the Director of Environmental Protection should, with a view to early releasing the unspent commitments to support other new projects and the final disbursements to the grantees as well as recovering overpaid grants from the grantees as appropriate, take prompt actions (e.g. clarifying with the grantees in a timely manner) to process project accounts finalisation, particularly for waste reduction projects and environmental education and community action projects which accounted for most of the outstanding cases as of September 2018.**

### Response from the Government

3.19 The Secretary for the Environment and the Director of Environmental Protection agree with the audit recommendation. The Director of Environmental Protection has said that EPD:

- (a) will enhance communication with the grantees in handling requests for disbursement of funds not supported by the required documents;

## **Monitoring of project implementation and accounts finalisation**

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- (b) has already initiated and completed a review on the disbursement and reimbursement of funds arrangement of ECF-funded projects with a view to streamlining the overall procedures to facilitate payment of funds to the grantees and expedite project accounts finalisation for future projects;
- (c) has obtained the support of ECFC in September 2018 on the short, medium and long-term proposals to expedite the disbursement and reimbursement of funds and started to put in place the improvement measures for new projects; and
- (d) will deploy additional manpower in dealing with the outstanding disbursements.

## **PART 4: GOVERNANCE AND ADMINISTRATIVE ISSUES**

4.1 This PART examines the governance and administrative issues of ECF, focusing on:

- (a) governance issues (paras. 4.2 to 4.31);
- (b) management information system (paras. 4.32 to 4.39); and
- (c) other administrative issues (paras. 4.40 to 4.47).

### **Governance issues**

4.2 ECFC is set up under ECF Ordinance to advise the trustee (i.e. the Secretary for the Environment) on the use of funds (see para. 1.3). ECFC comprises a chairman and not more than eight non-official members appointed by the Chief Secretary for Administration for a term of two years, and four ex-officio members (see para. 1.4). According to its standing orders, ECFC shall meet as frequently as necessary to discharge its duties and any other related business, and a quorum of seven members is required for each meeting.

4.3 ECFC is assisted by five subcommittees in vetting applications and overseeing the implementation of approved projects under ECF (see para. 1.5), as follows:

- (a) ***Vetting subcommittees.*** WRPVSC, RPSVSC and ECPVSC are established under ECFC while EE&CAPVSC is established under ECC (see Note 2 to para. 1.5(b)). Membership of a vetting subcommittee shall include those ECFC or ECC members who have signified interest and any other personalities who have been co-opted by ECFC or ECC, where appropriate. According to their respective standing orders, the vetting subcommittee shall meet as frequently as necessary to discharge its duties, and a quorum of half of its total number of members is required for each meeting; and

- (b) ***Subcommittee under ACE.*** NCSC is established under ACE (see Note 4 to para. 1.5(e)). ACE members are free to join NCSC. According to the house rule of ACE, NCSC shall set its meeting frequency having regard to the discussion topics, and a quorum of more than half of its total number of members, including the chairman, is required for each meeting.

4.4 ECFIC is set up to set policies on investment and monitor the investment of ECF (see para. 1.7). ECFIC is chaired by the Secretary for the Environment and comprises non-official members appointed by the Secretary for the Environment for a term of two years and two ex-officio members (see para. 1.8). According to its standing orders, ECFIC shall meet on a need basis and a quorum of five members is required for each meeting.

4.5 The compositions and the terms of membership of the various committees and subcommittees as of December 2018 are shown in Table 9.

**Table 9**

**Compositions and terms of membership of committees and subcommittees  
(December 2018)**

Committee/ subcommittee	No. of members (including the chairman)			Term of membership
	Non-official	Ex-officio	Total	
ECFC	9	4	13	Starting on 16 October of a year and ending on 15 October of the year after next
ECFIC	6	3	9	
WRPVSC	12	1	13	
RPVSC	12	3	15	
ECPVSC	(Note)			Starting on 1 January of a year and ending on 31 December of the next year
EE&CAPVSC	12	2	14	
NCSC	14	—	14	

*Source:* EPD records

*Note:* ECPVSC had a term of membership starting on 16 October of a year and ending on 15 October of the year after next and was disbanded on 15 October 2018 (see para. 1.5(d)). Before disbandment, it comprised 7 non-official members and 2 ex-officio members.

### *Low attendance of some members at meetings*

4.6 Audit examined the attendance records of members at meetings of the seven committees/subcommittees held in the past three completed terms of membership in the period from 2012 to 2018 (hereinafter referred to as Terms 1 to 3 — Note 26). Audit noted that the average attendance rates for meetings held in each term of the committees/subcommittees were in general satisfactory (ranging from 62% to 96%). However, the average attendance rates for meetings of RPSVSC and EE&CAPVSC were on a decreasing trend (see Table 10).

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**Note 26:** *The three completed terms of membership for each committee/subcommittee were as follows:*

<i>Committee/ subcommittee</i>	<i>Term 1</i>	<i>Term 2</i>	<i>Term 3</i>
<i>ECFC</i>	<i>16 October 2012 to 15 October 2014</i>	<i>16 October 2014 to 15 October 2016</i>	<i>16 October 2016 to 15 October 2018</i>
<i>ECFIC</i>			
<i>WRPVSC</i>			
<i>RPVSC</i>			
<i>ECPVSC</i>			
<i>EE&amp;CAPVSC</i>	<i>1 January 2013 to 31 December 2014</i>	<i>1 January 2015 to 31 December 2016</i>	<i>1 January 2017 to 31 December 2018</i>
<i>NCSC</i>			

Table 10

**Average attendance rates for  
committee/subcommittee meetings held in each term  
(October 2012 to December 2018)**

Committee/ subcommittee	Term 1		Term 2		Term 3	
	No. of meetings held	Average attendance rate	No. of meetings held	Average attendance rate	No. of meetings held	Average attendance rate
ECFC	8	78 %	6	85 %	5	88 %
ECFIC	2	91 %	2	78 %	3	96 %
WRPVSC	11	76 %	11	62 %	9	67 %
RPVSC	10	79 %	11	73 %	12	69 %
ECPVSC	6	71 %	2	94 %	(Note)	
EE&CAPVSC	18	84 %	24	75 %	22	67 %
NCSC	4	68 %	4	75 %	6	63 %

*Source:* Audit analysis of EPD records

*Note:* No meeting was held in the term. All matters were considered by circulation of papers.

4.7 Audit examination also found that the attendance rates of some members at meetings held in Terms 1 to 3 were below 50% (see Table 11) and, in two WRPVSC meetings held in September 2016 and January 2018, the approvals for applications for waste reduction projects were deferred due to the lack of a quorum.



**Table 11**

**Members' attendance at committee/subcommittee meetings  
(October 2012 to December 2018)**

Committee/ subcommittee	Term 1			Term 2			Term 3		
	No. of meetings held	No. of members with attendance rates		No. of meetings held	No. of members with attendance rates		No. of meetings held	No. of members with attendance rates	
		Below 50%	50% or above		Below 50%	50% or above		Below 50%	50% or above
ECFC	8	2 (15%)	11 (85%)	6	—	13 (100%)	5	1 (8%)	12 (92%)
ECFIC	2	—	11 (100%)	2	1 (11%)	8 (89%)	3	—	9 (100%)
WRPVSC	11	2 (13%)	13 (87%)	11	4 (27%)	11 (73%)	9	4 (31%)	9 (69%)
RPVSC	10	1 (7%)	14 (93%)	11	1 (6%)	15 (94%)	12	3 (19%)	13 (81%)
ECPVSC	6	1 (8%)	12 (92%)	2	—	8 (100%)	(Note)		
EE&CAPVSC	18	—	10 (100%)	24	—	13 (100%)	22	3 (21%)	11 (79%)
NCSC	4	1 (10%)	9 (90%)	4	1 (8%)	11 (92%)	6	3 (21%)	11 (79%)

*Source: Audit analysis of EPD records*

*Note: No meeting was held in the term. All matters were considered by circulation of papers.*

**4.8 In March 2019, EPD informed Audit that:**

- (a) the dates of meetings of committees/subcommittees were finalised according to the availability of most members;
- (b) as most members had certain standing in their own expertise area or profession, they had very busy schedules. They sometimes had important unforeseen commitments to attend to and could not attend the meetings of committees/subcommittees;

- (c) mere absence from a meeting did not imply that the member concerned was not participating in the vetting process as apart from meetings, members' comments were often sought via e-mail circulations; and
- (d) for the two WRPVSC meetings with approvals for applications deferred due to the lack of a quorum (see para. 4.7):
  - (i) members were enquired about their availabilities two to three months before the scheduled meetings and reminded to attend the meetings more than one week beforehand via e-mails and phone calls; and
  - (ii) some members might have new commitments after confirmation of their availabilities to the meetings.

4.9 In Audit's view, through attending meetings, a member can participate in voting for making decisions and contribute the most by actively taking part in the discussions during the meetings. Audit considers that ENB and EPD need to keep in view members' attendance at meetings and continue to explore effective measures to encourage members with low attendance to attend meetings as far as possible.

### ***Reappointment of members with low attendance at meetings***

4.10 For the current-term members (Note 27) of ECFC, ECFIC, WRPVSC, RVPVSC and EE&CAPVSC, Audit noted that some members with low attendance rates (below 50%) at meetings in the preceding term (i.e. Term 3) were reappointed (see Table 12).

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**Note 27:** *NCSC is established under ACE and ACE members are free to join NCSC (see para. 4.3(b)).*

**Table 12**

**Current-term committee/subcommittee members  
with attendance rates below 50% in the preceding term  
(October 2016 to December 2018)**

<b>Committee/subcommittee</b>	<b>Term 3</b>	
	<b>No. of meetings held</b>	<b>No. of members</b>
ECFC	5	1
WRPVSC	9	2
RPVSC	12	2
EE&CAPVSC	22	3

*Source: Audit analysis of EPD records*

4.11 According to EPD, it had considered the attendance rates of members at meetings in the preceding term in the submissions to the approving authorities for recommendations on the reappointments. However, the justifications for reappointments of members with low attendance rates were not documented. In March 2019, EPD informed Audit that it had already attempted to adopt measures to seek for improvement (e.g. avoid reappointing members with low attendance at meetings and maintaining proper records to justify reappointing members with low attendance at meetings).

4.12 While recognising that there may be other factors (e.g. personal expertise, experience and integrity) that need to be taken into account in reappointing members to a committee/subcommittee, Audit considers that ENB and EPD need to properly document the justifications for recommending members with low attendance records to the approving authorities for reappointments. There is also merit for ENB and EPD to remind members of the need to attend meetings as far as practicable when reappointing them to the committees/subcommittees.

***Scope for defining more clearly terms of reference and code of conduct***

4.13 As of December 2018, ECFC was assisted by three vetting subcommittees (i.e. WRPVSC, EE&CAPVSC and RPVSC) in vetting applications and overseeing the implementation of approved projects under ECF. ECFC and the three vetting subcommittees have their own terms of reference and code of conduct. Audit's comparison of their terms of reference and code of conduct found that there were some differences between them (see paras. 4.14 to 4.19).

4.14 ***Terms of reference.*** Table 13 shows a comparison of the terms of reference of the three vetting subcommittees as of December 2018.

**Table 13**  
**Comparison of terms of reference**  
**(December 2018)**

Particulars	WRPVSC	EE&CAPVSC	RPVSC
(a) To vet applications seeking funding support from local non-profit-making organisations to undertake projects under the purview of the vetting subcommittee and advise on their relative priorities for funding support	✓	✓	✓
(b) To make recommendations to ECFC on the exact amount of fund to be allocated for each project supported if the grant is over \$2 million	✓	✓	✓
(c) To advise the trustee on the exact amount of fund to be allocated for each project supported if the grant is \$2 million or below and report back to ECFC	✓	✓	✓
(d) To monitor progress of funded projects	×	✓	×
(e) To review completed projects to see if they have achieved the project objectives set out in the proposal	×	✓	×

Legend: ✓: Included in the terms of reference  
×: Not included in the terms of reference

Source: Audit analysis of EPD records

4.15 According to EPD, all the three vetting subcommittees had assisted ECFC in overseeing the implementation of approved projects under ECF. However, Audit noted that the terms of reference of ECFC did not include clauses relating to the overseeing function. In addition, as shown in Table 13, the terms of reference of EE&CAPVSC included clauses relating to the overseeing function (i.e. items (d) and (e) in Table 13) while that of WRPVSC and RPVSC did not have such clauses. Audit further examined the terms of reference of these two vetting subcommittees in Terms 1 to 3 and noted that such clauses were included in Term 1 (i.e. the term of membership from 2012 to 2014) but had been removed since Term 2 (i.e. the term of membership from 2014 to 2016).

4.16 In March 2019, EPD informed Audit that:

- (a) the terms of reference of WRPVSC and RPVSC were amended after the seventh round of funding injection of \$5,000 million into ECF in June 2013 (see para. 1.11) with the removal of clauses relating to the overseeing function for simplicity. As EE&CAPVSC was established under ECC, no amendment was particularly made to its terms of reference to remove such clauses; and
- (b) while the removal of such clauses did not affect the function of the vetting subcommittees in overseeing the project implementation, EPD saw merits in standardising all the terms of reference for consistency.

4.17 **Code of conduct.** According to ECF guidelines, it is imperative for all members of ECFC and the vetting subcommittees who are responsible for the vetting and approval of funding applications to commit to ethical practices in the allocation and use of funds. All members of ECFC and the vetting subcommittees are required to observe the code of conduct, which sets out the guidelines and standards of integrity expected for members.

4.18 For the code of conduct of ECFC, Audit noted that guidelines for managing possible conflict of interest arising from a member's application for funding support were included. For the three vetting subcommittees, Audit noted that the code of conduct of WRPVSC and RPVSC included such guidelines while that of EE&CAPVSC did not have such guidelines. In March 2019, EPD informed Audit that the guidelines on declaration of interests by members (see Note 28 to para. 4.23)

circulated annually also set out how to manage a direct or indirect conflict of interest of a member in any matter under consideration by the committee/subcommittee. EPD would continue to review and refine the guidelines as necessary.

4.19 In Audit's view, ENB and EPD need to, in consultation with ECFC and ECC, review the terms of reference and code of conduct of ECFC and the three vetting subcommittees with a view to defining more clearly the requirements and standardising the documents as appropriate to ensure consistency.

### *Need to ensure endorsement of minutes of meetings by members*

4.20 Audit examined the minutes of meetings of the seven committees/subcommittees held in Terms 1 to 3 and noted that, as of January 2019, the minutes for 20 meetings had not been endorsed by members in subsequent meetings, as follows:

- (a) **Term 1.** The minutes for 4 consecutive EE&CAPVSC meetings held between July and October 2013, and 6 consecutive WRPVSC meetings held between February and September 2014 had not been endorsed; and
- (b) **Term 2.** For WRPVSC, the minutes for 2 consecutive meetings held in February 2015 and 8 consecutive meetings held between August 2015 and September 2016 had not been endorsed.

4.21 In Audit's view, ENB and EPD need to take measures to ensure that minutes of meetings of the various committees and subcommittees are endorsed by members in a timely manner (e.g. circulating the draft minutes to members promptly after each meeting and endeavouring to endorse the minutes in the following meeting).

### *Management of conflicts of interest*

4.22 According to a memorandum issued by the Secretary for Home Affairs in August 2005, B/Ds should introduce either a one-tier reporting system or a two-tier reporting system for declaration of interests for each of the advisory and statutory bodies under their purview. Both systems include the procedures for declaration of

interests at meetings. In addition, the two-tier reporting system incorporates the requirement for registering members' interests.

4.23 Except for ECFIC and NCSC which adopt the one-tier reporting system, ECFC and the four vetting subcommittees adopt the two-tier reporting system. According to an ECF paper issued to members at the beginning of every term of membership (Note 28), under the two-tier reporting system:

- (a) ***First-tier declaration (register of members' interests).*** A member is required to register his personal interests, direct or indirect, pecuniary or otherwise, upon appointment and annually thereafter in a prescribed declaration form (i.e. Register of Interests). A register of members' interests shall be kept by EPD and be made available for inspection on request by the public; and
- (b) ***Second-tier declaration (declaration of interests at meetings).*** If a member has an actual or potential conflict of interest in any matter under consideration by the committee/subcommittee, he must, as soon as practicable after he has become aware of it, make a declaration to the committee/subcommittee prior to the discussion of the item. All cases of declaration of interests shall be recorded in the minutes of meeting.

4.24 According to EPD:

- (a) in earlier years, it was not a mandatory requirement for ECFC members to submit separate declaration forms upon their joining of the vetting subcommittees and for ex-officio members to submit declaration forms; and

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**Note 28:** *According to EPD: (a) at the beginning of every term of membership, ECFC and all vetting subcommittees issued a paper entitled "Terms of Reference, Standing Orders and Code of Conduct" to members; and (b) the code of conduct included extracts from the Prevention of Bribery Ordinance (Cap. 201), procedures for handling gifts/souvenirs and guidelines on declaration of interests by members (which stated clearly the two-tier reporting system).*

- (b) since Term 3, for the purpose of tidiness and completeness, it has already requested all members to submit separate declaration forms for the committees and vetting subcommittees they have joined.

### *Need to improve first-tier declarations*

4.25 Audit reviewed the records of submission of declaration forms by members of ECFC and the four vetting subcommittees (i.e. WRPVSC, EE&CAPVSC, RPVSC and ECPVSC) for Terms 1 to 3 and noted that, of the total 308 declaration forms (see Table 14) required to be submitted by members (i.e. for Terms 1 and 2, each non-official member was required to submit a declaration form and for Term 3, all members were required to submit separate declaration forms for the committees and vetting subcommittees they had joined):

- (a) 140 (45%) were submitted on time;
- (b) 85 (28%) were submitted late with delays ranging from 1 to 256 days, averaging 31 days (see Table 15); and
- (c) 83 (27%) were not available in EPD records. According to EPD, this was due to the fact that some members had not submitted the declaration forms as required.



Table 14

**Analysis of submission of declaration forms  
by committee/subcommittee members  
(October 2012 to December 2018)**

Particulars	No. of declaration forms (Note)			
	Submitted on time	Late submission	Not available in EPD records	Overall
<b><i>Term 1</i></b>				
Upon appointment	20 (46%)	14 (33%)	9 (21%)	43 (100%)
Annual submission	29 (66%)	7 (16%)	8 (18%)	44 (100%)
Overall	49 (56%)	21 (24%)	17 (20%)	87 (100%)
<b><i>Term 2</i></b>				
Upon appointment	14 (30%)	20 (44%)	12 (26%)	46 (100%)
Annual submission	5 (11%)	5 (11%)	35 (78%)	45 (100%)
Overall	19 (21%)	25 (27%)	47 (52%)	91 (100%)
<b><i>Term 3</i></b>				
Upon appointment	35 (54%)	20 (31%)	10 (15%)	65 (100%)
Annual submission	37 (57%)	19 (29%)	9 (14%)	65 (100%)
Overall	72 (55%)	39 (30%)	19 (15%)	130 (100%)
<b><i>Terms 1 to 3</i></b>				
Upon appointment	69 (45%)	54 (35%)	31 (20%)	154 (100%)
Annual submission	71 (46%)	31 (20%)	52 (34%)	154 (100%)
Overall	140 (45%)	85 (28%)	83 (27%)	308 (100%)

Source: Audit analysis of EPD records

Note: The total number of declaration forms required from members upon appointment and annual submission in a term might be different due to resignation/appointment of members. In addition, according to EPD, prior to Term 3, it was not a mandatory requirement for ECFC members to submit separate declaration forms upon their joining of the vetting subcommittees and for ex-officio members to submit declaration forms (see para. 4.24).

Table 15

**Delay in submission of declaration forms by committee/subcommittee members  
(October 2012 to December 2018)**

Delay	No. of declaration forms		
	Upon appointment	Annual submission	Overall
1 day to 10 days	28 (52 %)	14 (45 %)	42 (49 %)
More than 10 days to 30 days	15 (28 %)	6 (19 %)	21 (25 %)
More than 30 days to 90 days	5 (9 %)	7 (23 %)	12 (14 %)
More than 90 days to 256 days	6 (11 %)	4 (13 %)	10 (12 %)
Overall	54 (100 %)	31 (100 %)	85 (100 %)

*Source: Audit analysis of EPD records*

4.26 According to the ECF paper issued to members at the beginning of every term of membership (see Note 28 to para. 4.23), failure to avoid or declare any conflicts of interest might give rise to criticisms of favouritism or abuse of authority. Audit considers that ENB and EPD need to take measures to ensure that declaration forms for registering members' interests are submitted by members in a timely manner and are properly maintained.

***Need to document decisions on declared interests***

4.27 According to the ECF paper issued to members at the beginning of every term of membership (see Note 28 to para. 4.23):

- (a) when a member makes a declaration of interests at meeting, the chairman shall decide whether the member may speak or vote on the matter, may remain in the meeting as an observer, or should withdraw from the meeting;
- (b) if the chairman declares an interest in a matter under consideration, the chairmanship may be temporarily taken over by a member appointed by a majority of votes; and

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- (c) all cases of declaration of interests shall be recorded in the minutes of meeting.

4.28 Audit reviewed the minutes of meetings of the seven committees/subcommittees held in Terms 1 to 3 and noted two cases where decisions on declared interests were not documented in the minutes of meetings, as follows:

- (a) at a meeting of ECPVSC held in Term 1, the chairman declared that he was the executive director of the applicant of a funding application under consideration. However, the minutes of meeting did not document the decision on declared interest and did not indicate that the chairmanship was temporarily taken over by a member. In the event, the meeting approved the application; and
- (b) at a meeting of WRPVSC held in Term 3, a member declared that he had a business relationship with the applicant of a funding application under consideration. However, the minutes of meeting did not document the decision on declared interest and the member concerned continued to attend the meeting. In the event, the meeting approved the application. In March 2019, EPD informed Audit that according to the audio record of the meeting, the chairman allowed the member to vote on the matter.

4.29 In Audit's view, ENB and EPD need to take measures to ensure that decisions on declared interests by members at meetings of the committees/subcommittees are documented in the minutes of meetings.

## Audit recommendations

4.30 Audit has *recommended* that the Secretary for the Environment and the Director of Environmental Protection should:

- (a) **keep in view members' attendance at meetings and continue to explore effective measures to encourage members with low attendance to attend meetings as far as possible;**

- (b) properly document the justifications for recommending members with low attendance records to the approving authorities for reappointments;
- (c) remind members of the need to attend meetings as far as practicable when reappointing them to the committees/subcommittees;
- (d) in consultation with ECFC and ECC, review the terms of reference and code of conduct of ECFC and the three vetting subcommittees (i.e. WRPVSC, EE&CAPVSC and RPBVSC) with a view to defining more clearly the requirements and standardising the documents as appropriate to ensure consistency;
- (e) take measures to ensure that minutes of meetings of the various committees and subcommittees are endorsed by members in a timely manner (e.g. circulating the draft minutes to members promptly after each meeting and endeavouring to endorse the minutes in the following meeting);
- (f) take measures to ensure that declaration forms for registering members' interests are submitted by members in a timely manner and are properly maintained; and
- (g) take measures to ensure that decisions on declared interests by members at meetings of the committees/subcommittees are documented in the minutes of meetings.

## Response from the Government

4.31 The Secretary for the Environment and the Director of Environmental Protection agree with the audit recommendations. The Director of Environmental Protection has said that EPD will:

- (a) keep in view members' attendance at meetings and take into consideration attendance rates in the reappointment of members to the committees/subcommittees but noting that the contribution of a member should not be related solely to attendance rate as a member may offer professional views on vetting applications through circulation of papers as

well as participate in related events organised by the grantees during project implementation, etc.;

- (b) in consultation with ECFC and ECC, review the terms of reference and code of conduct of ECFC and the three vetting subcommittees (i.e. WRPVSC, EE&CAPVSC and RPVSC) to ensure consistency;
- (c) take measures to ensure that minutes of meetings of the various committees and subcommittees are endorsed by members in a timely manner; and
- (d) take measures to ensure that declaration forms for registering members' interests submitted by members are properly maintained and that decisions on declared interests are documented in the minutes of meetings.

## Management information system

4.32 **ECF database.** EPD maintains an ECF database, which is a computerised database capturing the key information of all ECF applications/approved projects (e.g. project title, applicant name, application date, approval date, project status, approved/revised budget, project commencement date, project completion date, report submission history, site inspection history and funds disbursement history). ECF database, developed in 2009 by in-house staff, was implemented by phases and fully launched in mid-2011.

4.33 According to EPD's procedural guidelines:

- (a) ECF database is an important tool for monitoring the processing of applications and progress of approved projects, and provides a useful information base for reference;
- (b) EPD staff should regularly update ECF database, particularly at critical milestones to facilitate the processing and monitoring work;
- (c) supervisory checks on ECF database to ensure the proper updating of application/project details should be carried out; and

- (d) EPD staff should call up relevant reports from ECF database regularly for management monitoring.

4.34 ***Registers maintained by individual teams.*** According to EPD:

- (a) each vetting subcommittee is supported by a team of EPD staff (hereinafter referred to as the supporting team); and
- (b) apart from ECF database, each supporting team also uses word processing/spreadsheet software to maintain their own comprehensive registers for monitoring the processing of applications and progress of approved projects.

***Scope for making better use of information technology in monitoring the processing of applications and progress of approved projects***

4.35 Audit noted that:

- (a) there were some common data fields between ECF database and the registers (Note 29), including:
  - (i) project background information such as applicant name, approved budget, project commencement date and project completion date;
  - (ii) submission history of progress and completion reports;
  - (iii) site inspection history; and
  - (iv) funds disbursement history;

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**Note 29:** *The number of registers varies among the supporting teams, ranging from 1 to 6 files, and the files provide information (e.g. approved budget, project commencement date, project completion date and report submission history) for monitoring the processing of applications and progress of approved projects.*

## **Governance and administrative issues**

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- (b) information of ECF applications/approved projects was input in both ECF database and the registers for the common data fields. However, ECF database was not updated in a timely manner by all supporting teams to reflect the most updated information on the applications and approved projects. According to EPD, supporting teams would update their own comprehensive registers regularly; and
- (c) except for RPVSC supporting team which would call up reports from ECF database on a bi-weekly basis, other supporting teams would only call up reports from ECF database as and when there was a need (see para. 4.33(d)).

4.36 In March 2019, EPD informed Audit that:

- (a) despite some recent enhancements, ECF database was not found to be very user-friendly and, as such, records in it might not be updated in a timely manner by all supporting teams;
- (b) some mandatory data fields in ECF database were not applicable to all ECF funding programmes;
- (c) various supporting teams had maintained their own comprehensive registers with updated information which they worked on. ECF database was not as updated as individual comprehensive registers maintained by the supporting teams;
- (d) the supporting teams would call up reports from their own comprehensive registers from time to time for management monitoring;
- (e) ECF database had deficiencies and could not serve as an important tool as stated in EPD's procedural guidelines (see para. 4.33(a)). Nevertheless, the comprehensive registers maintained by the supporting teams were important tools and the supporting teams relied on such registers for monitoring the processing of applications and progress of approved projects; and
- (f) EPD considered that subject to the availability of resources, it would consider the need to redesign and revamp ECF database.

4.37 In Audit's view, there is scope for making better use of information technology in monitoring the processing of applications and progress of approved projects in view of the fact that:

- (a) ECF database is a centralised database while the individual registers maintained by the various supporting teams provide the information they work on (see para. 4.36(c));
- (b) while ECF database is equipped with automatic management report generating function, individual supporting teams might require additional manual work in compiling regular management reports from the registers maintained by them; and
- (c) the input of information of ECF applications/approved projects in both ECF database and the registers (see para. 4.35(b)) requires double efforts from the supporting teams.

Audit considers that ENB and EPD need to make better use of information technology in monitoring the processing of applications and progress of approved projects (e.g. reviewing the need to redesign and revamp ECF database to enhance the provision of management information).

### **Audit recommendation**

4.38 **Audit has *recommended* that the Secretary for the Environment and the Director of Environmental Protection should make better use of information technology in monitoring the processing of applications and progress of approved projects (e.g. reviewing the need to redesign and revamp ECF database to enhance the provision of management information).**

### **Response from the Government**

4.39 The Secretary for the Environment and the Director of Environmental Protection agree with the audit recommendation. The Director of Environmental Protection has said that EPD will make better use of information technology and review the need to redesign and revamp ECF database to enhance the provision of management information.



### Other administrative issues

4.40 Audit examination has found that there is room for improvement in other administrative work relating to ECF by EPD (see paras. 4.41 to 4.46).

#### *Need to update information on ECF's website in a timely manner*

4.41 ECF has set up its own website providing various information for public information. The information includes agendas, discussion papers and minutes of meetings of ECFC and the four vetting subcommittees (Note 30), application procedures and guidelines of various ECF funding programmes, information on approved projects and the Trustee Reports of ECF. According to EPD's procedural guidelines, EPD staff should check on ECF's website from time to time to ensure that the information on ECF's website is kept up-to-date.

4.42 Audit examination of the agendas, discussion papers and minutes of meetings of ECFC and the four vetting subcommittees for Terms 1 to 3 provided on ECF's website as of December 2018 found that some agendas, discussion papers and minutes of meetings were not available on the website (see Table 16). In particular, none of the agendas, discussion papers and minutes of WRPVSC meetings for Term 2 was uploaded onto the website.

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**Note 30:** *All agendas, discussion papers and minutes of NCSC meetings for Terms 1 to 3 were uploaded onto EPD's website.*

**Table 16**

**Availability of information relating to  
meetings of ECFC and four vetting subcommittees on ECF's website  
(December 2018)**

Information	Availability of information				
	ECFC	WRPVSC	EE&CAPVSC	RPVSC	ECPVSC
<b><i>Term 1</i></b>					
Agendas	✓	✗	×	✓	✓
Discussion papers	✓	×	×	✓	✓
Meeting minutes	✓	✗	✓	✓	✓
<b><i>Term 2</i></b>					
Agendas	✓	×	×	✗	✓
Discussion papers	✓	×	×	×	✓
Meeting minutes	✓	×	✓	×	✗
<b><i>Term 3</i></b>					
Agendas	✗	✗	×	✓	(Note)
Discussion papers	✗	×	×	✗	
Meeting minutes	✗	✗	✗	✗	

Legend:    ✓: Information available  
               ✗: Information partially available  
               ×: Information not available

*Source:*    Audit analysis of EPD records

*Note:*      No meeting was held in the term. All matters were considered by circulation of papers.

4.43        In Audit's view, ENB and EPD need to ensure that information relating to meetings of ECFC and the four vetting subcommittees (i.e. agendas, discussion papers and minutes of meetings) are uploaded onto ECF's website timely and completely with a view to enhancing accountability and transparency of ECF.

### *Review of performance of ECF*

4.44 In April 2016, EPD engaged a local tertiary institution to conduct a research study aiming to evaluate the overall performance of ECF (Note 31), identify areas for enhancement and recommend the way forward for future developments and improvements. The research study commenced in June 2016 and had a study period of 15 months. The original completion date was September 2017, which was subsequently extended to March 2018 due to longer-than-expected time used for data collection and consolidation. In March 2018, the institution submitted the final research report.

4.45 At an ECFC meeting held in September 2018, the research findings were presented to members. The research study found that ECF-funded projects had resulted in enhancing participants' knowledge and a positive change in their attitude and behaviours on different aspects of environmental protection, such as waste reduction and recycling, energy-saving and wise use of water resources. The study also made four recommendations for ECF. ECFC noted the recommendations of the study and endorsed the completion of the study at the meeting. According to EPD:

- (a) it has already implemented two recommendations (i.e. establishing a knowledge sharing platform for showcasing the best-practice projects under different ECF funding programmes and simplifying the application procedures and re-examining the administrative requirements);
- (b) a recommendation (i.e. conducting evaluation session at the project completion stage to grasp a better understanding of the projects' overall effectiveness) would be difficult to be implemented for every ECF-funded project but it would explore the possibility of selecting certain projects to test out such evaluation process via social media means; and
- (c) another recommendation (i.e. exploring the feasibility of supporting ECF-funded projects with a long duration to employ a third-party organisation to carry out a tracking study for recording and measuring the

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**Note 31:** *The previous review on the effectiveness of ECF was conducted by EPD in 2013. The review found that ECF-funded projects had effectively contributed to raising public awareness and deepening the community's involvement in green campaigns, and ECF had played an important role in the promotion of environmental protection in Hong Kong.*

attitudinal and behavioural change of the participants over time) would not be implemented as the research study pointed out that it would be difficult to verify the cause and effect relationship. However, for projects with environmental education elements, it would explore the feasibility to gauge participants' feedback, say after a few months, to see whether participants have sustained their green behaviour or not.

In Audit's view, ENB and EPD need to closely monitor the progress of implementing the recommendations of the research study on ECF's overall performance.

### **Audit recommendations**

**4.46      Audit has *recommended* that the Secretary for the Environment and the Director of Environmental Protection should:**

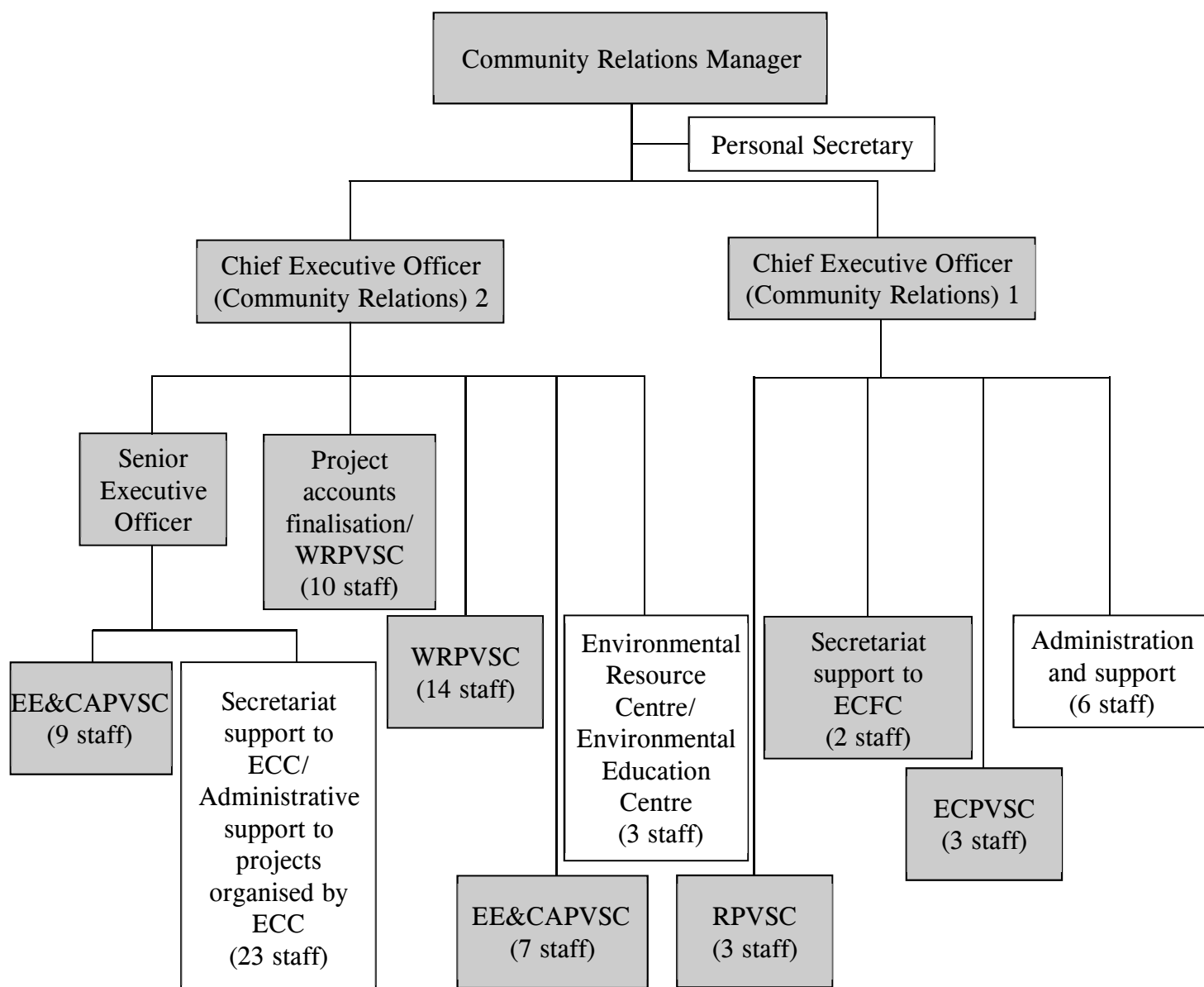
- (a)      **ensure that information relating to meetings of ECFC and the four vetting subcommittees (i.e. agendas, discussion papers and minutes of meetings) are uploaded onto ECF's website timely and completely with a view to enhancing accountability and transparency of ECF; and**
- (b)      **closely monitor the progress of implementing the recommendations of the research study on ECF's overall performance.**

### **Response from the Government**

**4.47      The Secretary for the Environment and the Director of Environmental Protection agree with the audit recommendations. The Director of Environmental Protection has said that EPD will:**

- (a)      **ensure that relevant information relating to ECFC and the vetting subcommittees are uploaded onto ECF's website in a timely manner; and**
- (b)      **monitor the progress of implementing the recommendations of the research study on ECF's overall performance.**

**Community Relations Unit of Environmental Protection Department:  
Organisation chart  
(31 December 2018)**



Legend:  Staff involved in administration of ECF

Source: EPD records

Remarks: The Community Relations Unit is supported by the Nature Conservation Division of EPD and AFCD in processing applications for and monitoring the implementation of nature conservation management agreement projects. The Unit is also supported by the Accounting Services Group of EPD in disbursements of funds to the grantees of ECF-funded projects.

## **Acronyms and abbreviations**

ACE	Advisory Council on the Environment
AFCD	Agriculture, Fisheries and Conservation Department
Audit	Audit Commission
B/Ds	Government bureaux/departments
ECC	Environmental Campaign Committee
ECF	Environment and Conservation Fund
ECFC	Environment and Conservation Fund Committee
ECFIC	Environment and Conservation Fund Investment Committee
ECPVSC	Energy Conservation Projects Vetting Subcommittee
EE&CAPVSC	Environmental Education and Community Action Projects Vetting Subcommittee
EMSTF	Electrical and Mechanical Services Trading Fund
ENB	Environment Bureau
EPD	Environmental Protection Department
MSW	Municipal solid waste
NCSC	Nature Conservation Subcommittee
NGO	Non-governmental organisation
QSP	Qualified Service Provider
RPVSC	Research Projects Vetting Subcommittee
WRPVSC	Waste Reduction Projects Vetting Subcommittee

## **CHAPTER 6**

**Home Affairs Bureau  
Leisure and Cultural Services Department**

**Hong Kong Arts Festival Society Limited**

**Audit Commission  
Hong Kong  
1 April 2019**

*This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.*

Report No. 72 of the Director of Audit contains 8 Chapters which are available on our website at <https://www.aud.gov.hk>

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# HONG KONG ARTS FESTIVAL SOCIETY LIMITED

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# HONG KONG ARTS FESTIVAL SOCIETY LIMITED

## Executive Summary

1. The Hong Kong Arts Festival Society Limited (HKAFSL) is a non-profit-making organisation. It was established in 1972 under the then Companies Ordinance (Cap. 32) as a company limited by guarantee. The mission of HKAFSL is to present an annual arts festival (i.e. the Hong Kong Arts Festival — HKAF) of the highest artistic standard. In February 2019, HKAF entered into its 47<sup>th</sup> event. According to HKAFSL, HKAF has over the years become a major international arts festival. The festival includes arts programmes in different genres of performing arts, outreach and other arts education programmes conducted in community locations to promote arts appreciation and enhance engagement between artists and audience, and the Young Friends Scheme (YFS). Under YFS, full-time students of local secondary schools and tertiary institutions aged 25 or below are eligible to apply for membership (a YFS member is entitled to a total of two tickets for HKAF performances, rehearsals or arts programmes exclusively for YFS members).

2. HKAFSL is governed by an Executive Committee. Day-to-day operation of HKAFSL is under the management of an Executive Director. As at 31 December 2018, HKAFSL had a total of 58 staff (i.e. the Executive Director plus 57 other staff). In 2017-18, HKAFSL had a total income of \$127.7 million and a total expenditure of \$126.1 million. Of the total income, \$39 million was government subventions. The Leisure and Cultural Services Department (LCSD) oversees the government subventions provided to HKAFSL. The Audit Commission (Audit) has recently conducted a review of HKAFSL.

## Programme management

3. *Procurement of goods and services.* HKAFSL procures goods and services (e.g. materials for setting up stages, and services of programme crews) for the production of arts programmes. According to HKAFSL's procurement guidelines, at least 2 quotations should be obtained for expenses between \$5,000 and \$25,000, and at least 3 quotations should be obtained for expenses above \$25,000. Audit examined

## Executive Summary

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15 cases of procurement of goods and services in 2017-18 and found that (paras. 2.6 and 2.7):

- (a) in 2 cases (with expenses of \$6,144 and \$21,000), the required number of quotations had not been obtained (para. 2.7(a));
- (b) in the 15 cases, there were 13 types of goods and services procured. Of these 13 types, supplier lists had not been maintained for 3 types of goods and services (para. 2.7(b)); and
- (c) to achieve best possible value for money, the Government obtains more quotations than HKAFSL does for purchases with an amount of more than \$50,000 (i.e. the Government obtains at least 5 quotations) (para. 2.7(c)).

4. ***Management of programme crews.*** Programme crews are freelancers who provide services in the production of arts programmes (para. 2.10):

- (a) ***Room for better control on the use of manpower resources.*** Audit examined the number of programme crews commissioned for the 42 arts programmes staged in 2018 (i.e. 2018 programmes). Audit found that the manpower resources deployed to the programmes were very different. According to HKAFSL, this was the best judgement of the responsible staff. However, HKAFSL records did not document that such a judgement had been subjected to supervisory scrutiny. There was a risk that the manpower resources had not been optimally used. There is room for HKAFSL to enhance its documentation on the use of manpower resources (e.g. keeping the use of manpower resources under supervisory scrutiny and documenting such scrutiny) (paras. 2.2 and 2.12); and
- (b) ***Need to enhance documentation on payment of service fees.*** Programme crews are paid by the hour or session. For calculation of service fees, HKAFSL maintains a list of standard wage rates (per hour or per session) for different types of programme crews. Audit examined the service fee payments to 15 programme crews who were commissioned for the 2018 programmes and found that (paras. 2.13 and 2.14):

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- (i) a programme crew was paid for work under two different programmes simultaneously on one day in March 2018 (para. 2.14(a));
- (ii) the payments for 6 programme crews were in excess of the hours actually worked on a day in March 2018 (i.e. each worked 2.5 hours but was paid 4 hours) (para. 2.14(b)); and
- (iii) the service fee paid to a programme crew in March 2018 was calculated based on a wage rate higher than the standard rate (para. 2.14(c)).

Upon enquiry, in February and March 2019, HKAFSL provided Audit with further information which helped explain the above payments. However, such information had not been documented in records which supported the payments or, whilst documented, the records did not indicate that the information was the “justification” for the payment. Audit further noted that HKAFSL had not signed any service agreements stipulating the terms of engagement with the 15 programme crews (paras. 2.15 to 2.17).

5. ***Ticketing matters.*** In May 2018, HKAFSL reported to LCSD that, for the 46<sup>th</sup> HKAF in 2018, the total number of paid audience was 105,034, and that the attendance rate was 92% (para. 2.21):

- (a) ***Need to improve the reporting of attendance.*** According to HKAFSL, attendance rate is calculated by applying the formula: “number of paid audience” ÷ “number of tickets available for sale” × 100%. Audit noted that (para. 2.22):
  - (i) ***Complimentary tickets should have been excluded.*** According to the funding and service agreements (FSAs) signed between HKAFSL and LCSD, the number of paid audience should exclude all complimentary tickets. However, HKAFSL reported the number of paid audience in the 46<sup>th</sup> HKAF in 2018 as 105,034, which included 708 complimentary tickets provided to press media and guests. The number of paid audience should be 104,326 (i.e. 105,034 less 708) and, accordingly, the attendance rate for the

## Executive Summary

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arts programmes should be 91% instead of the 92% reported (para. 2.22(a)); and

- (ii) ***Audience attending other programmes were included.*** Included in the number of paid audience (i.e. 104,326 — see (i) above) were 2,960 paid audience who were not audience of HKAF arts programmes. These 2,960 people were paid audience of an HKAF outreach programme. Inclusion of these 2,960 people might not be proper (para. 2.22(b)); and
- (b) ***Need to better account for blocked seats.*** According to HKAFSL, blocked seats refer to seats reserved for specific purposes (e.g. for setting up control panels and for use by HKAFSL staff on duty at performance). Audit found that, for the 2018 programmes, 4,506 of the 21,746 blocked seats had subsequently been released. However, the FSAs did not specify any requirements about the use of blocked seats by HKAFSL. HKAFSL also has no written guidelines on blocked seats (e.g. the number of seats to be blocked, their designated purposes and when they should be released). It was therefore uncertain whether all blocked seats that could be released by HKAFSL had been released, or whether some seats had been blocked unnecessarily (paras. 2.24 and 2.27).

## Funding of the Hong Kong Arts Festival Society Limited

6. ***Income of HKAFSL.*** The three key sources of income of HKAFSL are sponsorship/donations, government subventions and income from ticket sales (para. 3.2):

- (a) ***Need to monitor the use of subventions by HKAFSL.*** According to HKAFSL, heavy reliance on sponsorship/donations may put sustainability of HKAFSL at risk as this income stream is dependent on many factors outside HKAFSL's control. According to the Home Affairs Bureau (HAB — the policy bureau of LCSD), it is the policy of HAB to encourage all arts groups/organisations to solicit more private sponsorship/donations and build up their audience base. Nevertheless, in March 2019, HAB informed Audit that from 2019-20, subject to the passage of the Appropriation Bill 2019 by the Legislative Council, LCSD will increase the recurrent subvention to HKAFSL. For the five years from 2018-19, LCSD will also provide an additional one-off funding each year to HKAFSL with specific

## Executive Summary

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policy intent (e.g. to groom local artists). LCSD will also review the effectiveness of the five-year funding. The LCSD needs to ensure that the review of the effectiveness of the five-year funding is carried out in a timely manner. It also needs to continue to monitor the use of government subventions by HKAFSL to ensure that HKAFs are delivered in accordance with FSAs (paras. 3.4 to 3.6); and

- (b) ***Some relevant factors not taken into account when setting ticket prices.*** According to HKAFSL practice, in setting ticket prices for HKAFs, it takes into account various factors (e.g. buying power/habits of different types of audience, audience satisfaction and venue locations, and popularity of programmes and venues). However, HKAFSL has not set any target proportion of costs to be recovered through ticket sales. HKAFSL's expenditure recovered through ticketing income dropped from 39% in 2013-14 to 30% in 2017-18. Moreover, while HKAFSL provides discounted tickets (50% discount on original ticket prices) to full-time students and people with disabilities, no similar concessions are available to senior citizens (paras. 3.7 and 3.8).

7. ***Conditions of subvention.*** LCSD enters into FSAs with HKAFSL on the government subventions (para. 1.11). Audit found that HKAFSL and LCSD need to better observe conditions of subvention:

- (a) ***Need for HKAFSL to better observe conditions of subvention.*** HKAFSL is required to observe the conditions of subvention stipulated in FSAs (para. 3.13):
  - (i) ***Need to maintain records of consultation with the Government on selecting the Chairman of the Executive Committee.*** According to FSAs, HKAFSL needs to consult the Government in advance in each and every selection of the Executive Committee's Chairman. Audit noted that, while there were changes of Chairman of the Executive Committee in 2012 and 2015, there were no records of advance consultation with the Government. Upon enquiry in February 2019, HKAFSL informed Audit that it had verbally consulted the Government representatives in advance on both occasions (para. 3.13(a)); and

## Executive Summary

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- (ii) ***Need to submit reports in a timely manner.*** According to FSAs, HKAFSL was required to submit reports/accounts (referred to as reports) to LCSD by specified dates each year. Audit found that the number of reports submitted after the deadlines increased from 1 in 2013-14 to 3 in 2017-18 (para. 3.13(b)); and
- (b) ***Need for LCSD to better oversee government subventions to HKAFSL.*** LCSD is responsible for overseeing the government subventions provided to HKAFSL (para. 3.14):
  - (i) ***Need to better ensure timely submission of reports.*** In 2013-14 to 2017-18, of the 26 reports required to be submitted to LCSD, 13 (50%) reports were submitted after the deadlines. Of these 13 reports, for 4 reports, 7 to 112 days had elapsed before LCSD's follow-up actions. For the remaining 9 reports, LCSD records did not indicate that LCSD had taken any follow-up actions (para. 3.14(a));
  - (ii) ***Need to maintain proper records of report submission.*** In 2013-14 to 2017-18, for 4 reports, LCSD could not locate the reports for Audit's examination. Moreover, for three years 2013-14 to 2015-16, LCSD did not record the dates of HKAFSL's submission of audited accounts. LCSD took the dates of signing the accounts by HKAFSL's auditor as the submission dates (para. 3.14(b)); and
  - (iii) ***Need to set more appropriate expected levels of performance.*** For each performance indicator in FSAs, an expected level of performance was set by LCSD in consultation with HKAFSL. In 2013-14 to 2017-18, the expected levels of performance were not met on 6 occasions (involving 6 indicators). LCSD records indicated that when HKAFSL did not attain an expected level in a year, the expected level was lowered in the ensuing year. The lowered expected level would not be raised again, or sometimes would even be further lowered, even though HKAFSL outperformed the expected levels in subsequent years (para. 3.14(c)).



## Executive Summary

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### Governance and administrative issues

8. ***Governance issues.*** The Executive Committee is the overall governing body of HKAFSL. As at 31 December 2018, HKAFSL had 10 Executive Committee members (paras. 4.2 and 4.3):

- (a) ***Need to improve practices on declaration of conflicts of interest.*** HKAFSL required every member of the Executive Committee and its supporting committees to sign an undertaking that, when he/she has a potential conflict of interest in a matter placed before the committees, he/she should make full disclosure of his/her interests, and that the undertaking should be signed upon joining the committees and, subsequently, after each annual general meeting. However, HKAFSL records indicated that in each year from 2014-15 to 2018-19, some members (35% to 54%) of the Executive Committee and its supporting committees did not sign the undertakings on declaration of conflicts of interest. Audit further noted that HKAFSL had not adopted a two-tier reporting system for the declaration of conflicts of interest (paras. 4.4 to 4.6); and
- (b) ***Need to obtain prior endorsement for salary adjustment.*** HKAFSL staff receive a monthly salary and may receive a year-end bonus. Each year, the Executive Director makes a proposal on a cost of living adjustment for monthly salary, and on the year-end bonus where appropriate. The proposal is submitted to the Finance Committee for discussion, and then to the Executive Committee for further discussion and endorsement. Audit noted that in 2015, details of the new salary scale had not been discussed and endorsed at Executive Committee meetings before the new salary scale was implemented (paras. 4.7, 4.8 and 4.10).

9. ***Administrative issues.*** As at 31 December 2018, HKAFSL had 58 staff, which comprised 18 (31%) permanent staff and 40 (69%) contract staff (para. 4.13):

- (a) ***Need to take measures to address high staff turnover rate.*** Audit analysed changes in the number of HKAFSL staff from 2016 to 2018 and noted that, in each year, 22% to 34% of staff left HKAFSL, and 29% to 51% of staff had newly joined HKAFSL for less than one year. High staff turnover rate is not conducive to operational efficiency and fulfilling the mission of HKAFSL (paras. 4.14 and 4.16); and

## Executive Summary

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- (b) ***Need to promptly report details about non-resident entertainers to the Inland Revenue Department.*** Every year, HKAFSL engages local and overseas artists to perform in HKAF. According to the Inland Revenue Ordinance (Cap. 112) and the Inland Revenue Department (IRD)’s information pamphlet, for a non-resident entertainer (i.e. overseas artist) (para. 4.17):
- (i) the sums received from performances in Hong Kong are chargeable to Hong Kong Profits Tax (para. 4.17(a)); and
  - (ii) the person who paid the sums (i.e. the Hong Kong payer) is responsible for completing the IRD’s form “IR623 — Notification of Arrival in Hong Kong of Non-resident Entertainer(s)/Sportsmen” (the IR623 form) to provide details about the non-resident entertainer and report the gross amount payable to him/her. The Hong Kong payer should complete the IR623 form immediately when the non-resident entertainer arrives in Hong Kong (para. 4.17(b) and (c)).

Audit noted that as at 31 January 2019, of the 42 performance contracts of overseas artists engaged by HKAFSL for the 46<sup>th</sup> HKAF in 2018, for 29 (69%) performance contracts, the IR623 forms had not been submitted to IRD. In March 2019, HKAFSL informed Audit that it had submitted the outstanding IR623 forms for the 29 performance contracts in February and March 2019 (paras. 4.18 and 4.21).

## Audit recommendations

10. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Executive Director, Hong Kong Arts Festival Society Limited should:**

- (a) **take measures to ensure that the quotation requirements as laid down in the HKAFSL’s procurement guidelines are complied with (para. 2.8(a));**

## **Executive Summary**

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- (b) **consider maintaining a supplier list for each individual type of goods and services (para. 2.8(c));**
- (c) **consider obtaining more quotations in procuring goods and services involving larger amounts and keep under review the need for setting a financial limit on procurement, exceeding which tender procedures have to be followed (para. 2.8(d));**
- (d) **take measures to enhance documentation on the use of manpower resources in the production of arts programmes (para. 2.18(a));**
- (e) **enhance documentation on the payment of service fees to programme crews (para. 2.18(b));**
- (f) **consider the need for signing service agreements with programme crews, having regard to the need for enhancing accountability and control on payment of service fees (para. 2.18(c));**
- (g) **clarify with LCSD the definition of paid audience and attendance rate and report accordingly to LCSD (para. 2.31(a));**
- (h) **draw up written guidelines on the use of blocked seats to ensure that the number of blocked seats is kept to a minimum and blocked seats are released as soon as possible and as far as possible (para. 2.31(b));**
- (i) **report to LCSD periodically information on blocked seats, including the number of seats blocked and the number of blocked seats subsequently released (para. 2.31(c));**
- (j) **taking into account all relevant factors, review the practices on setting ticket prices for HKAF programmes (para. 3.10);**
- (k) **maintain records of the consultation with the Government regarding the selection of the Chairman of the Executive Committee (para. 3.17(a));**
- (l) **step up efforts to ensure that reports are submitted to LCSD in a timely manner in accordance with FSAs (para. 3.17(b));**

## Executive Summary

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- (m) remind members of the Executive Committee and the supporting committees to sign and submit undertakings on declaration of conflicts of interest (para. 4.11(a));
  - (n) consider adopting a two-tier reporting system for declaration of conflicts of interest (para. 4.11(b));
  - (o) seek the Executive Committee's endorsement of the details of salary revisions in future (para. 4.11(c));
  - (p) take effective measures to address the high staff turnover rate, taking into account staff's reasons for leaving HKAFSL (para. 4.22(a)); and
  - (q) ensure that IR623 forms are promptly submitted when non-resident entertainers arrive in Hong Kong (para. 4.22(b)).
11. Audit has *recommended* that the Director of Leisure and Cultural Services should:
- (a) specify in FSAs whether paid audience of programmes other than HKAF arts programmes should be included in the “number of paid audience” (para. 2.32);
  - (b) ensure that the review of the effectiveness of the time-limited subvention to HKAFSL is carried out in a timely manner (para. 3.9(a));
  - (c) continue to monitor the use of government subventions by HKAFSL to ensure that HKAFs are delivered in accordance with FSAs (para. 3.9(b));
  - (d) take follow-up actions on late submission of reports (e.g. ascertain why the reports are not submitted on time and urge for their timely submission) by HKAFSL (para. 3.18(a));
  - (e) maintain proper records of reports submitted by HKAFSL, including the date of submission (para. 3.18(b)); and

## **Executive Summary**

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- (f) in consultation with HKAFSL, consider revising the expected levels of performance for indicators in FSAs, taking into account the actual performance results (para. 3.18(c)).

### **Response from Hong Kong Arts Festival Society Limited and the Government**

12. The Executive Director, Hong Kong Arts Festival Society Limited and the Director of Leisure and Cultural Services agree with the audit recommendations.



## PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

### *Background*

1.2 It is the Government's policy to create an environment conducive to artistic expression and creation, and wide participation in creative cultural activities and performances. Under this policy, insofar as performing arts are concerned, the Government:

- (a) provides and maintains facilities to meet the needs of the arts community and the public, presents cultural and entertainment programmes for the development of performing arts, and organises audience building activities (including exhibitions, lectures, workshops, training courses and performances) in the community and at schools to promote appreciation of performing arts through the Leisure and Cultural Services Department (LCSD) (Note 1); and
- (b) provides funding to promote and develop performing arts in Hong Kong, through:
  - (i) **LCSD.** LCSD provides regular funding to the Hong Kong Arts Festival Society Limited (HKAFSL) (see para. 1.4); and

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**Note 1:** *In 2010, the Audit Commission (Audit) conducted a review entitled "Management of performing arts venues" (Chapter 7 of the Director of Audit's Report No. 55). In 2016, Audit conducted a review entitled "Audience building activities for performing arts" (Chapter 10 of the Director of Audit's Report No. 67).*

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- (ii) *the Home Affairs Bureau (HAB)*. HAB provides regular funding to the Hong Kong Academy for Performing Arts (Note 2), the Hong Kong Arts Development Council (Note 3), and nine major performing arts groups (Note 4). With a view to widening the source of funding of relevant arts groups/organisations and promoting a culture of donation, HAB also operates an Art Development Matching Grants Scheme (Note 5) (see para. 1.9(a)).

1.3 In 2008, to meet the long-term infrastructural and development needs of Hong Kong's arts and culture, the West Kowloon Cultural District Authority was established as a body corporate under the West Kowloon Cultural District Authority Ordinance (Cap. 601) to implement the West Kowloon Cultural District project. The project, which is in progress, aims to develop an integrated arts and cultural district with core arts and cultural facilities, retail, dining and entertainment facilities, and communal and ancillary facilities on a harbourfront site in West Kowloon.

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**Note 2:** *Established in 1984 under the Hong Kong Academy for Performing Arts Ordinance (Cap. 1135), the Hong Kong Academy for Performing Arts aims to foster and provide training, education and research in the performing arts and related technical arts. In 2016, Audit conducted a review entitled "Hong Kong Academy for Performing Arts" (Chapter 5 of the Director of Audit's Report No. 66).*

**Note 3:** *Established in 1995 under the Hong Kong Arts Development Council Ordinance (Cap. 472), the Hong Kong Arts Development Council is a statutory body set up by the Government to support the broad development of arts in Hong Kong. Its major roles include grant allocation, policy and planning, advocacy, promotion and development, and programme planning. In 2009, Audit conducted a review entitled "Hong Kong Arts Development Council" (Chapter 5 of the Director of Audit's Report No. 52).*

**Note 4:** *The nine major performing arts groups are: (a) Chung Ying Theatre Company; (b) City Contemporary Dance Company; (c) Hong Kong Ballet; (d) Hong Kong Chinese Orchestra; (e) Hong Kong Dance Company; (f) Hong Kong Philharmonic Orchestra; (g) Hong Kong Repertory Theatre; (h) Hong Kong Sinfonietta; and (i) Zuni Icosahedron. In 2010, Audit conducted a review entitled "Hong Kong Chinese Orchestra Limited" (Chapter 6 of the Director of Audit's Report No. 54).*

**Note 5:** *In June 2016, HAB launched the Art Development Matching Grants Pilot Scheme. In June 2018, the Scheme was renamed as the Art Development Matching Grants Scheme.*



### ***HKAFSL***

1.4 HKAFSL, which receives regular funding from LCSD (see para. 1.2(b)(i)), is a non-profit-making organisation. It was established in 1972 under the then Companies Ordinance (Cap. 32) (Note 6) as a company limited by guarantee (Note 7). HKAFSL is tax-exempted under section 88 of the Inland Revenue Ordinance (Cap. 112). The mission of HKAFSL is to present an annual arts festival (i.e. Hong Kong Arts Festival — HKAF) of the highest artistic standard which will:

- (a) enrich the cultural life of Hong Kong;
- (b) act as a catalyst and arouse wider interest in the arts; and
- (c) encourage cross-cultural fertilisation.

### ***HKAF***

1.5 With the first event launched in 1973, HKAF entered into its 47<sup>th</sup> event in February 2019. According to HKAFSL, HKAF has over the years become a major international arts festival, which comprises different programmes and activities:

- (a) ***Arts programmes.*** Arts programmes are delivered normally between February and March each year:
  - (i) the programmes present local artists and ensembles of renown, as well as renowned international ones, in different genres of performing arts such as Western opera, Chinese opera, classical music, jazz, world music, dance and theatre;

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**Note 6:** *The Companies Ordinance was replaced by the new Companies Ordinance (Cap. 622) which took effect in March 2014.*

**Note 7:** *A company limited by guarantee does not have a share capital. The parties involved in setting up the company are guarantee members and not shareholders. Instead of investing capital, the members guarantee to contribute a predetermined sum to the company to cover its liabilities in the event of winding up of the company.*

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- (ii) the programmes also showcase emerging local artists and collaborate with Hong Kong's own creative talent in local productions, including theatre, chamber opera, music and contemporary dance; and
- (iii) for the 46<sup>th</sup> HKAF in 2018, a total of 42 programmes (comprising 130 performances) were staged. The 42 programmes are shown at Appendix A.

Photographs 1 and 2 show examples of arts programmes of the 46<sup>th</sup> HKAF in 2018. According to HKAFSL, it has over the years presented top international artists and ensembles across multiple genres in HKAFs (see Appendix B);

### Photograph 1

**A theatre performance presented  
in the 46<sup>th</sup> HKAF in 2018**



*Source: HKAFSL records*

### Photograph 2

**A Chinese opera presented  
in the 46<sup>th</sup> HKAF in 2018**



*Source: HKAFSL records*

- (b) ***Outreach and other arts education programmes.*** With a view to nurturing people's interest in the arts, HKAFSL has offered outreach and other arts education programmes alongside its arts programmes. Outreach programmes, referred to as "Festival PLUS", are conducted in community locations during and beyond the HKAF period to promote arts appreciation and enhance engagement between artists and audience. Programmes under "Festival PLUS" include films, backstage visits, exhibitions, meet-the-artist sessions and guided cultural tours. HKAFSL also organises other arts education programmes to enhance the appreciation of performing arts, including student showcases, pre-performance talks, in-school workshops and lecture demonstrations led by international and local artists; and
- (c) ***Young Friends Scheme (YFS).*** Under YFS, full-time students of local secondary schools and tertiary institutions aged 25 or below are eligible to apply for YFS membership. Upon paying an annual membership fee

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(Note 8), a member is entitled to a total of two tickets for HKAF performances, rehearsals or Young Friends Specials (i.e. arts programmes exclusively for YFS members). Members could also participate in workshops, talks and backstage tours. In 2017-18 (Note 9), YFS had a total of some 6,300 members (from 156 secondary schools and 41 tertiary institutions).

1.6 Table 1 shows the number of programmes and activities organised by HKAFSL and the number of members of YFS for years 2013-14 to 2017-18.

**Table 1**  
**Number of HKAFSL programmes and**  
**activities and YFS members**  
**(2013-14 to 2017-18)**

	2013-14	2014-15	2015-16	2016-17	2017-18
Number of HKAF programmes (Number of performances)	53 (133)	48 (133)	50 (117)	51 (127)	42 (130)
Number of outreach and other arts education programmes/activities	263	262	305	574	418
Number of YFS members	7,569	6,876	6,519	6,300	6,382

*Source: HKAFSL and LCSD records*

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**Note 8:** *In 2017-18, YFS annual membership fees for students of secondary schools and tertiary institutions were \$80 and \$120 respectively.*

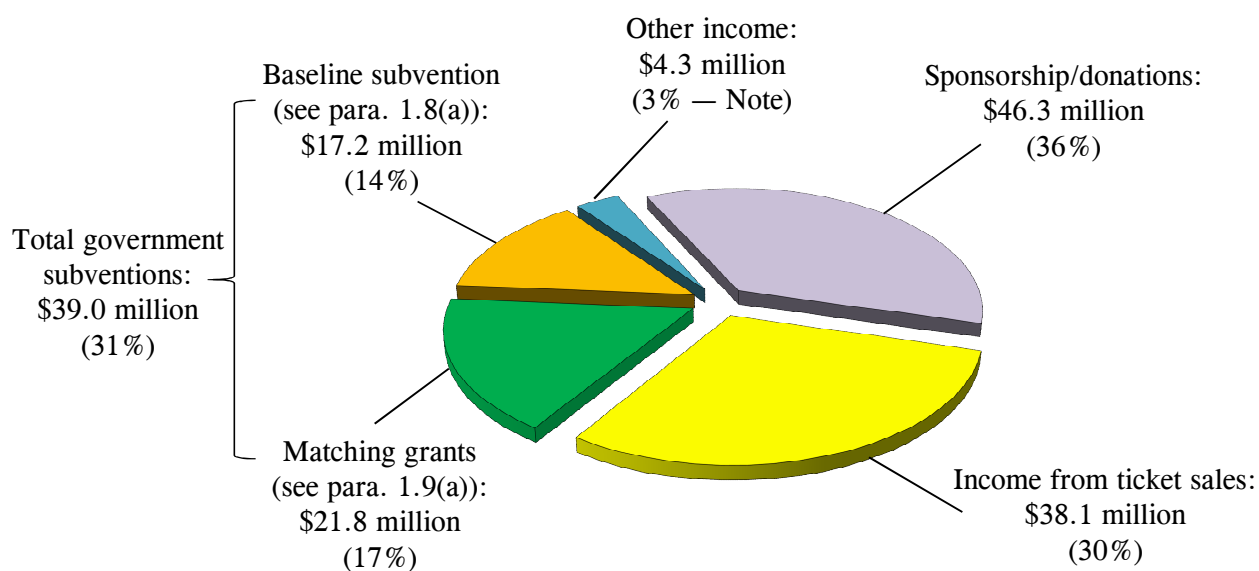
**Note 9:** *The financial year of HKAFSL commences on 1 July and ends on 30 June of the ensuing year. The financial year in this Audit Report refers to the HKAFSL's financial year unless otherwise specified.*

### *Income and expenditure of HKAFSL*

1.7 In 2017-18, HKAFSL had a total income of \$127.7 million and a total expenditure of \$126.1 million. Figures 1 and 2 provide breakdowns of the income and expenditure of HKAFSL for 2017-18 respectively.

**Figure 1**

#### **Income of HKAFSL (2017-18)**

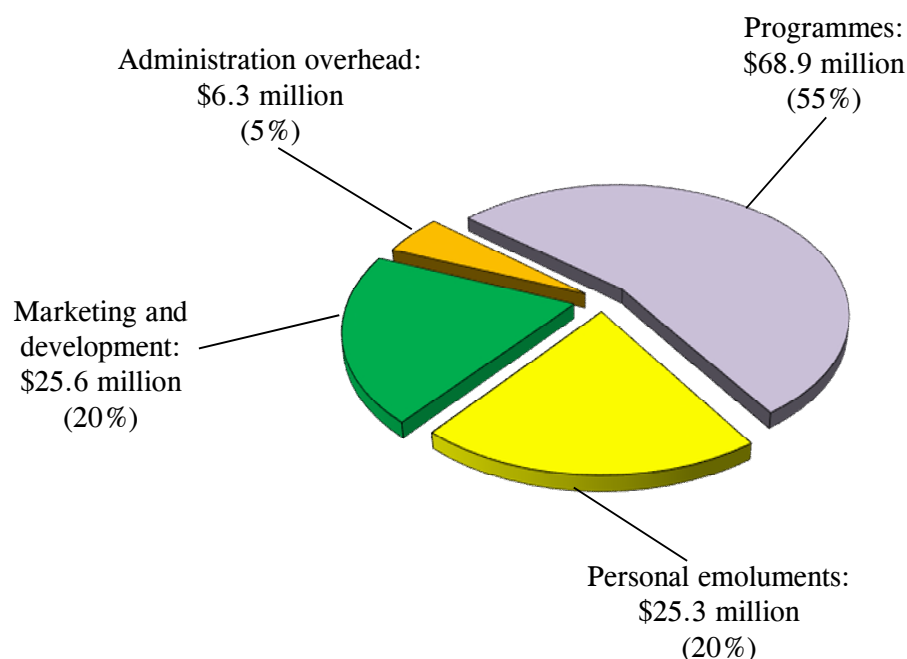


*Source: HKAFSL records*

*Note: Other income included advertising income from publications and interest income.*

Figure 2

**Expenditure of HKAFSL  
(2017-18)**



Source: HKAFSL records

### ***Government subventions***

1.8 Government subventions are provided to HKAFSL by LCSD (see para. 1.2(b)(i)). Two types of subventions have been provided in recent years:

- (a) ***Baseline subvention.*** This is a recurrent subvention, which has been set at \$17.2 million per annum since 2009-10; and
- (b) ***Time-limited/one-off subvention.*** To enhance HKAFSL programmes, additional funding has been provided on top of the baseline subvention on a time-limited basis (i.e. for a specific period of time). For years 2010-11 to 2014-15, HKAFSL was granted a five-year time-limited subvention of \$16 million per annum. Upon the expiry of the time-limited subvention in 2015-16, a one-off subvention of \$16 million was granted to bridge the funding gap before the launch of the matching grants scheme in 2016 (see para. 1.9(a)). From 2018-19 onwards, HKAFSL has been granted another

five-year time-limited subvention of \$8 million per annum (see also item 2 of Table 2 in para. 1.10).

1.9 In addition to LCSD subventions, other government subventions have also been provided to HKAFSL:

- (a) **Matching grants.** Since 2016, HAB has provided matching grants under the Art Development Matching Grants Scheme (see Note 5 to para. 1.2(b)(ii)). The grants are provided, on a dollar-for-dollar matching basis, to arts groups/organisations for eligible private sponsorship/donations received by them (Note 10). In 2018, the maximum amount of grants is capped at 20% of the total annual income as reflected in the last audited accounts or \$30 million, whichever is lower (Note 11). Since 2016, HKAFSL has been provided, through LCSD (Note 12), with grants under the Scheme; and
- (b) **Project-based subvention.** In 2016-17, HAB provided through LCSD (Note 13) a one-off funding to HKAFSL for three special programmes (Note 14) to celebrate the 20<sup>th</sup> anniversary of the establishment of the Hong Kong Special Administrative Region in 2017.

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**Note 10:** *The sponsorship/donations eligible for matching under the Art Development Matching Grants Scheme include cash sponsorship/donations received from sources other than government funding with expenses incurred in obtaining the sponsorship/donations netted off, excluding sponsorship/donations received in return for purchase of goods/services by sponsors/donors directly or indirectly.*

**Note 11:** *Before 2018, the maximum amount of grants was capped at 20% of the total annual income as reflected in the last audited accounts.*

**Note 12:** *HKAFSL is one of the arts groups/organisations eligible for grants under the Art Development Matching Grants Scheme. Since LCSD has been providing subventions to HKAFSL, it has also taken up the administration of the HAB's matching grants for HKAFSL.*

**Note 13:** *Since LCSD has been providing subventions to HKAFSL, it has also taken up the administration of the HAB's project-based subvention for HKAFSL.*

**Note 14:** *The three special programmes were: (a) concerts of the Sascha Goetzel and the Borusan Istanbul Philharmonic Orchestra; (b) performances of Dream of the Red Chamber co-produced with the San Francisco Opera; and (c) performances and a series of related outreach activities of the Sound Sculpture "Chorus" by Ray Lee.*

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1.10 Table 2 shows the details of government subventions provided to HKAFSL for years 2013-14 to 2017-18.

**Table 2**  
**Government subventions to HKAFSL**  
**(2013-14 to 2017-18)**

<b>Government subventions</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
1. LCSD baseline subvention (\$ million)	17.2	17.2	17.2	17.2	17.2
2. LCSD time-limited/one-off subvention (see para. 1.8(b)) (\$ million)	16.0	16.0	16.0	0	0
3. HAB matching grants (\$ million)	N.A.			23.4 (Note 1)	21.8 (Note 1)
4. HAB project-based subvention (\$ million)	0			11.1 (Note 2)	0
<b>Total (\$ million)</b>	<b>33.2</b>	<b>33.2</b>	<b>33.2</b>	<b>51.7</b>	<b>39.0</b>
Total income of HKAFSL (\$ million)	106.0	116.9	109.2	135.2	127.7
Government subventions as percentage of total income	31 %	28 %	30 %	38 %	31 %

*Source: Audit analysis of HKAFSL records*

*Note 1: HAB matching grants have been provided to arts groups/organisations since 2016 (see Note 5 to para. 1.2(b)(ii)).*

*Note 2: HAB project-based subvention was provided to HKAFSL in 2016-17 (see para. 1.9(b)).*



1.11 ***Funding and service agreements (FSAs).*** LCSD enters into FSAs with HKAFSL on the various government subventions (see Table 2 in para. 1.10). According to the FSAs, HKAFSL is required to observe terms and conditions such as:

- (a) using government subventions solely for the implementation of the activities as agreed with the Government and not for any administration expenses;
- (b) implementing the committed level of activities;
- (c) adopting proper internal controls to ensure that subventions are used in an accountable manner;
- (d) making due efforts to ensure value for money and cost-effectiveness in using subventions; and
- (e) submitting reports (e.g. reports on the implementation of activities) and audited annual accounts to the Government.

1.12 ***Monitoring by LCSD.*** According to LCSD, it oversees the government subventions provided to HKAFSL (see paras. 1.8 and 1.9). In this regard, the LCSD's key responsibilities are:

- (a) reviewing the HKAFSL's budgets and proposals for the LCSD's baseline subvention and time-limited subvention;
- (b) assessing the HKAFSL's applications for the HAB's matching grants and project-based subvention;
- (c) attending meetings of the HKAFSL's Executive Committee (see para. 1.13) as an observer; and
- (d) reviewing reports and audited annual accounts of HKAFSL.

### *Organisation of HKAFSL*

1.13 HKAFSL is governed by an Executive Committee. According to the Memorandum and Articles of Association of HKAFSL, the Executive Committee shall consist of members of independent standing and whose appointments shall be appropriate to the aims and status of the company. The Executive Committee is responsible for the overall management of the affairs, administration and business of HKAFSL, and is the overall governing body. As at 31 December 2018, the Executive Committee had a total of 10 members (Note 15). Three committees (namely the Development Committee, the Finance Committee and the Programme Committee) have been established to support the Executive Committee. These supporting committees consist of some of the members of the Executive Committee, management of HKAFSL and individuals of various backgrounds. The major functions of the supporting committees are as follows:

- (a) ***Development Committee.*** Provides assistance to extend and enlarge HKAFSL's sponsor/donor network and advice on possible specific interests of potential sponsors/donors which aligns with HKAFSL's mission and programmes, and supports social and promotional activities organised from time to time;
- (b) ***Finance Committee.*** Reviews budgets and estimates, draws the Executive Committee's attention to any major financial concerns, and provides strategic advice to HKAFSL's management on long-term financial issues and major administrative matters such as leasing of premises and senior staff movements; and
- (c) ***Programme Committee.*** Provides expert advice on programming proposals and programme strategy, and assists and supports HKAFSL's management in its mission to present a rich selection of works of high quality and interest to audience in Hong Kong.

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**Note 15:** *According to the Memorandum and Articles of Association of HKAFSL, members of the Executive Committee are elected at annual general meetings of HKAFSL. The 10 members were from various backgrounds (e.g. arts specialists, accountants, entrepreneurs and solicitors).*

1.14 Day-to-day operation of HKAFSL is conducted through four departments (i.e. Development Department, Human Resource and Administration/Accounts Department, Marketing Department and Programme Department) under the management of an Executive Director. An extract of the organisation chart of HKAFSL is at Appendix C. As at 31 December 2018, HKAFSL had a total of 58 staff (i.e. the Executive Director plus 57 staff of the four departments).

### Audit review

1.15 In October 2018, Audit commenced a review of HKAFSL (Note 16). The audit review has focused on the following areas:

- (a) programme management (PART 2);
- (b) funding of HKAFSL (PART 3); and
- (c) governance and administrative issues (PART 4).

Audit has found room for improvement in the above areas and has made recommendations to address the issues.

### General response from Hong Kong Arts Festival Society Limited

1.16 The Executive Director, Hong Kong Arts Festival Society Limited has said that:

- (a) HKAFSL would like to thank Audit for all the helpful recommendations and for the patience and understanding during the audit period, which coincided with the run-up to and duration of the 47<sup>th</sup> HKAF in 2019;

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**Note 16:** *According to FSAs (see para. 1.11), the Director of Audit is entitled to carry out value for money scrutiny on the HKAFSL's accounts and records.*

## **Introduction**

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- (b) as a small and mission-driven organisation with limited resources, HKAFSL does not seek to match civil service norms in administrative processes and record keeping; and
- (c) HKAFSL's focus is on producing exceptional returns on the investment made in funding received, with due diligence and regard to governance in its operations.

## **Acknowledgement**

1.17 Audit would like to acknowledge with gratitude the full cooperation of the staff of HKAFSL and LCSD during the course of the audit review.

## PART 2: PROGRAMME MANAGEMENT

2.1 This PART examines HKAFSL's programme management, focusing on the following areas:

- (a) procurement of goods and services (paras. 2.5 to 2.9);
- (b) management of programme crews (paras. 2.10 to 2.19); and
- (c) ticketing matters (paras. 2.20 to 2.34).

### ***Background***

2.2 HKAF presents a range of arts programmes normally between February and March every year. For the 46<sup>th</sup> HKAF in 2018, a total of 42 programmes (hereinafter referred to as the 2018 programmes) with 130 performances (see Appendix A) were staged between 23 February and 24 March 2018.

2.3 ***Programme formulation.*** According to HKAFSL, for programme formulation, the key objective is to present a balanced programme (Note 17) which shows works not frequently seen in Hong Kong. HKAFSL records indicated that, in relation to the formulation of the 2018 programmes and procurement of goods and services for the programmes, the following procedures were carried out:

- (a) before an HKAF, the Programme Department (see Appendix C) worked out a number of programme proposals in consultation with the Executive Director (see para. 1.14);

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**Note 17:** *According to HKAFSL, a balanced programme should include both classical and contemporary work, showcase artistic trends, and contribute to the local arts scene by, among other considerations, presenting works not frequently seen in Hong Kong. Other objectives of programme formulation include staging programmes from around the world and showcasing local talents.*

## Programme management

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- (b) the Programme Department submitted the programme proposals to the Programme Committee (see para. 1.13(c)) for consultation. For proposals with a contract sum above \$4 million, the Finance Committee (see para. 1.13(b)) was also consulted;
- (c) basing on the programme proposals and taking into account the views of the Programme Committee and the Finance Committee (where applicable), the Programme Department formulated a programme plan. The plan specified details of the programmes to be presented, including details of artists/artist groups to be engaged (for simplicity, hereinafter collectively referred to as artists unless otherwise stated) and production details;
- (d) the programme plan was submitted to the Executive Director for approval, and then to the Executive Committee (see para. 1.13) for endorsement (Note 18); and
- (e) in accordance with the programme plan, HKAFSL made arrangements to procure the artist services (i.e. engagement of artists) as well as other goods and services such as hotel accommodation for overseas artists and materials for setting up stages.

2.4 ***Programme evaluation.*** According to HKAFSL records, HKAFSL obtained feedback on programmes for evaluation. For the 2018 programmes, HKAFSL obtained feedback through soliciting input from members of the Executive Committee and the supporting committees who had attended the performances, studying reviews in press media (Note 19), and receiving comments of audience at performance venues.

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**Note 18:** *The procedures in paragraph 2.3(a) to 2.3(d) were repeated for amendments to the programme plan (e.g. replacing a programme in the plan by another programme).*

**Note 19:** *Complimentary tickets were provided to press media for individual programmes.*

## Procurement of goods and services

2.5 HKAFSL procures artist services and other goods and services in accordance with the programme plan (see para. 2.3(e)).

### *Need to improve practices in procuring goods and services*

2.6 HKAFSL procures goods and services for the production of arts programmes. These goods and services include, for example, air tickets, hotel accommodation, materials for setting up stages, printing services and services of programme crews. According to the HKAFSL's procurement guidelines:

- (a) at least 2 quotations should be obtained for expenses between \$5,000 and \$25,000; and
- (b) at least 3 quotations should be obtained for expenses above \$25,000.

2.7 Audit examined 15 cases (Note 20) of procurement of goods and services by HKAFSL in 2017-18 and found that:

- (a) ***Required number of quotations not obtained.*** Of the 15 cases, in 2 cases (with expenses of \$6,144 and \$21,000), the required number of quotations had not been obtained (see Table 3). For these 2 cases, there was no documentation showing the justifications and approval for deviating from the quotation requirement;

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**Note 20:** *The 15 cases were selected on a random basis. The expenses of the 15 cases totalled some \$2.4 million. For individual cases, the expenses ranged from \$6,144 to \$1.1 million (the largest amount of expense (for air tickets) of goods and services in 2017-18).*

**Table 3****Required number of quotations not obtained for 2 cases of procurement  
(2017-18)**

Goods/services	Amount	Number of quotations	
		Required	Obtained
Stage props	\$6,144	2	0 (Note)
Stage tools	\$21,000	2	0 (Note)

*Source: Audit analysis of HKAFSL records*

*Note: No quotations had been obtained and the goods/services were purchased directly from suppliers.*

- (b) ***Need to maintain lists of suppliers.*** In the 15 cases, there were 13 types of goods and services procured (Note 21). Of these 13 types, supplier lists had not been maintained for 3 types of goods and services. To facilitate obtaining the required number of quotations, HKAFSL needs to maintain a supplier list for each individual type of goods and services; and
- (c) ***Need to review procurement practices.*** Table 4 shows the procurement practices of HKAFSL and the Government. The Government's procurement practices aim to achieve best possible value for money and maintain open and fair competition. For example, as shown in the Table, the Government obtains more quotations than HKAFSL does for purchases with an amount of more than \$50,000. HKAFSL needs to make reference to the Government's practices in obtaining more quotations in procuring goods and services involving larger amounts. HKAFSL also needs to keep under review the need for setting a financial limit on procurement, exceeding which tender procedures have to be followed (see Table 4).

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**Note 21:** *The 13 types of goods and services procured were advertising, air tickets, audio equipment, chauffeur services, design services, hotel accommodation, insurance, lighting, photography, printing services, props, tools, and stage set-up.*



Table 4

**Procurement practices of HKAFSL and the Government**

Values of goods and services	HKAFSL	Government
< \$5,000	No quotation required	At least 2 quotations (Note)
\$5,000 to \$25,000	At least 2 quotations	
> \$25,000 to \$50,000	At least 3 quotations	
> \$50,000 to \$1.4 million		At least 5 quotations
> \$1.4 million		Tender

Source: HKAFSL records and Government Stores and Procurement Regulations

Note: According to the Government Stores and Procurement Regulations, public officers may make minor purchases to meet immediate needs for goods/services with value less than \$5,000 (if the authorising officer is satisfied that such purchases are essential and the rates obtained are reasonable, and certifies the purchases on file).

## Audit recommendations

2.8 Audit has *recommended* that the Executive Director, Hong Kong Arts Festival Society Limited should:

- (a) take measures to ensure that the quotation requirements as laid down in the HKAFSL's procurement guidelines are complied with;
- (b) in circumstances where the quotation requirements are not complied with (e.g. due to limited number of suppliers), document the justifications for the non-compliance and ensure that HKAFSL staff obtain the approval of the Executive Director;
- (c) consider maintaining a supplier list for each individual type of goods and services; and
- (d) making reference to the Government's procurement regulations:

## **Programme management**

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- (i) **consider obtaining more quotations in procuring goods and services involving larger amounts; and**
- (ii) **keep under review the need for setting a financial limit on procurement, exceeding which tender procedures have to be followed.**

## **Response from Hong Kong Arts Festival Society Limited**

2.9 The Executive Director, Hong Kong Arts Festival Society Limited agrees with the audit recommendations.

## **Management of programme crews**

2.10 Programme crews are freelancers who provide services in the production of arts programmes (see para. 1.5(a)). According to HKAFSL, programme crews are paid by the hour or session. HKAFSL commissions their services through procurement (i.e. procurement of goods and services — see para. 2.6). For the 2018 programmes, 229 programme crews (e.g. stage crews, dressers and lighting crews) were commissioned.

### ***Room for better control on the use of manpower resources***

2.11 According to HKAFSL, on the use of manpower resources, it takes into consideration various determining factors (i.e. requirements specified in the artist's contract, nature of the production, performance venues, other technical considerations, and the overall project budget).

2.12 Audit examined the number of programme crews commissioned for the 2018 programmes and found that there was significant variation in the use of manpower resources between different programmes. Case 1 shows an example.

**Case 1**

**Commissioning programme crews for two programmes  
(2018 programmes)**

1. Programme A and Programme B were overseas programmes (i.e. performed by overseas artists) presented in the 46<sup>th</sup> HKAF in 2018. According to HKAFSL:

- (a) Programme A was a theatre programme, which had one fixed set with built-in effects. It involved a smaller cast (i.e. 38 artists) in contemporary dress; and
- (b) Programme B was a large-scale dance programme, which had multiple scene changes with different lighting effects. It involved a larger cast (i.e. 130 artists) requiring multiple changes of fantastical costumes.

For the production of the programmes, HKAFSL commissioned different numbers of programme crews, as follows:

	<b>Programme A</b>	<b>Programme B</b>
Programme type	Theatre	Dance
Number of performances	14	7
Number of artists	38	130
Programme crews commissioned by HKAFSL:		
• Number of basic crews	23	59
• Number of chief crews	3	1
Ratio of chief crews to basic crews	1:8	1:59

2. Regarding the large variance in the use of manpower resources (i.e. the number of programme crews and the ratio of “chief crews to basic crews”) between the two programmes, HKAFSL informed Audit in February 2019 that:

- (a) the programmes were different. The crews required for each production was determined by the scale and complexity of the work; and
- (b) HKAFSL staff used their best judgement to deliver the work in an efficient and effective manner within budget provision.

***Audit comments***

3. The manpower resources deployed to the two programmes were very different. While according to HKAFSL, this was the best judgement of the responsible staff (see para. 2(b) above), HKAFSL records did not document that such a judgement had been subjected to supervisory scrutiny. There was a risk that the manpower resources had not been optimally used. There is room for HKAFSL to enhance its documentation on the use of manpower resources (e.g. keeping the use of manpower resources under supervisory scrutiny and documenting such scrutiny).

*Source: Audit analysis of HKAFSL records*

### *Need to enhance documentation on payment of service fees*

2.13 Programme crews are paid by the hour or session (see para. 2.10). According to HKAFSL records, programme crews recorded details of their services (e.g. number of hours worked) in timesheets. For calculation of service fees, HKAFSL maintains a list of standard wage rates (per hour or per session) for different types of programme crews. Service fees paid to programme crews were based on their standard wage rates and the timesheets they submitted.

2.14 Audit examined the service fee payments to 15 programme crews (Note 22) who were commissioned for the 2018 programmes and found the following irregularities:

- (a) ***Payment for work under two different programmes simultaneously.*** According to the timesheets, a programme crew claimed to have worked under two different programmes simultaneously on one day in March 2018. In the event, the programme crew was paid twice for the same period of time;
- (b) ***Payment in excess of hours actually worked.*** According to the timesheets of 6 programme crews, each crew worked 2.5 hours on a day in March 2018. However, each crew was paid 4 hours; and
- (c) ***Non-standard wage rate.*** The service fee paid to a programme crew in March 2018 was calculated based on a wage rate which was higher than the standard rate.

2.15 Upon enquiry, HKAFSL informed Audit in February and March 2019 that:

- (a) regarding paragraph 2.14(a), the programme crew played different roles in the two programmes. For one programme, he was in a planning and supervisory role. Physical presence on the spot was not necessary. For

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**Note 22:** *Audit selected the 15 programme crews on a random basis. The 15 programme crews were technical crews who had participated in the production of theatre programmes, dance programmes and opera programmes.*

the other programme, he was helping out as a “hands-on crew”. It was possible for him to discharge duties under both programmes at the same time;

- (b) regarding paragraph 2.14(b), the 6 programme crews concerned were paid by the session. Hours worked were recorded only for additional control purpose. There was no overpayment; and
- (c) regarding paragraph 2.14(c), as marked on the timesheet, special skill was required as the programme crew had to operate a spotlight within a particularly narrow space in a technically sophisticated show.

2.16 Audit noted that the above information had not been documented in records which supported the payments (para. 2.15(a) and (b) refers) or, whilst documented, the records did not indicate that the information was the “justification” for the payment (para. 2.15(c) refers). In fact, for the case in paragraph 2.15(c), no mention had been made in the records as to how that particular higher rate was set. In Audit’s view, for better accountability and control on the payment of service fees, HKAFSL needs to enhance the documentation on payment of service fees.

2.17 Audit further noted that HKAFSL had not signed any service agreements stipulating the terms of engagement with the 15 programme crews (see para. 2.14). Upon enquiry, HKAFSL informed Audit in December 2018 that it was not the industry practice to do so. In Audit’s view, formally laying down the terms of engagement (e.g. wage rates and calculation of services fees) would protect the interests of both HKAFSL and programme crews, and could help prevent any misunderstandings in reporting service hours and in calculating service fees.

## Audit recommendations

2.18 **Audit has *recommended* that the Executive Director, Hong Kong Arts Festival Society Limited should:**

- (a) **take measures to enhance documentation on the use of manpower resources in the production of arts programmes;**

## **Programme management**

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- (b) **enhance documentation on the payment of service fees to programme crews; and**
- (c) **consider the need for signing service agreements with programme crews, having regard to the need for enhancing accountability and control on payment of service fees.**

## **Response from Hong Kong Arts Festival Society Limited**

2.19 The Executive Director, Hong Kong Arts Festival Society Limited agrees with the audit recommendations. She has said that regarding the use of manpower resources (see para. 2.12):

- (a) several levels of authority are involved, namely, the technical co-ordinator for the production reports to the technical manager, who works with the subject officer; and both report to the head of the Programme Department who has control of the budget; and thence to the Executive Director. The system incorporates professional judgement, accountability, supervision and control; and
- (b) HKAFSL staff derive job satisfaction from delivery of great performances within given constraints. They value respect for their professionalism, and the possibility of making impact and taking effective action. Therefore, management must be vigilant as to the amount of paperwork required so that staff do not opt for the better terms offered in employment in larger or government-related organisations.

## **Ticketing matters**

2.20 In the FSA (see para. 1.11) for 2017-18, the following indicators were set on paid audience and attendance rate:

- (a) the number of paid audience, excluding complimentary tickets, for HKAF was 72,000; and
- (b) the attendance rate for HKAF was 80%.

2.21 In May 2018, HKAFSL reported to LCSD that, for the 46<sup>th</sup> HKAF in 2018:

- (a) the total number of paid audience (i.e. number of ticket sold) was 105,034; and
- (b) the attendance rate was 92%.

Table 5 shows details of the HKAFSL's calculation.

**Table 5**

**Audience and attendance  
(46<sup>th</sup> HKAF in 2018)**

Type of tickets	Available (No.) (a)	Sold (No.) (b)	Percentage (c) = (b) ÷ (a) × 100%
Tickets for HKAF	111,482	102,074	<b>92%</b>
Tickets for "Festival PLUS"	N.A. (Note)	2,960	N.A.
Overall	N.A.	<b>105,034</b>	N.A.

*Source: Audit analysis of HKAFSL records*

*Note: "Festival PLUS" is an HKAF outreach programme (see para. 1.5(b)). According to HKAFSL, information on the total number of seats (involving ticketed and free programmes/events) was not available.*

***Need to improve the reporting of attendance***

2.22 According to HKAFSL, attendance rate is calculated by applying the formula: "number of paid audience" ÷ "number of tickets available for sale" × 100%. Audit noted that there is scope for improving the reporting of attendance of audience by HKAFSL to LCSD as follows:

- (a) ***Complimentary tickets should have been excluded.*** According to the FSAs, the number of paid audience should exclude all complimentary tickets. However, HKAFSL reported the number of paid audience in the

46<sup>th</sup> HKAF in 2018 as 105,034, which included 708 complimentary tickets provided to press media and guests. In Audit's view, the 708 complimentary tickets for press media and guests should be excluded from the number of paid audience:

- (i) the number of paid audience for HKAF should be 104,326 (i.e. 105,034 less 708) instead of 105,034 (the indicator of 72,000 paid audience (see para. 2.20(a)) was still met); and
  - (ii) the attendance rate for the arts programmes should be 91% (i.e.  $(102,074 - 708) \div 111,482 \times 100\%$ ) (see Table 5 in para. 2.21) instead of 92% (the indicator of 80% attendance rate (see para. 2.20(b)) was still met); and
- (b) *Audience attending other programmes were included.* Included in the number of paid audience (i.e. 104,326 — see (a)(i) above) were 2,960 paid audience (see Table 5 in para. 2.21) who were not audience of HKAF arts programmes. These 2,960 people were paid audience of the “Festival PLUS”, which is an HKAF outreach programme (see para. 1.5(b)). FSAs had not specified whether audience of programmes other than HKAF arts programmes should be included in the reporting of the number of paid audience. Inclusion of these 2,960 people might therefore not be proper.

2.23 Audit considers that HKAFSL needs to clarify with LCSD the definition of paid audience and attendance rate, and report accordingly to LCSD. Audit also considers that LCSD needs to specify in FSAs whether programmes other than HKAF arts programmes should be taken into account in calculating the number of paid audience.

### *Need to better account for blocked seats*

2.24 According to HKAFSL, blocked seats refer to seats reserved for specific purposes (e.g. for setting up control panels and for use by HKAFSL staff on duty at performance). For the arts programmes of the 46<sup>th</sup> HKAF in 2018, a total of 21,746 seats were initially blocked (see Table 6).



Table 6

Seat arrangements  
(2018 programmes)

Venue capacity/seats	Number of seats
Capacity of venues (Note 1) (a)	128,722
Planned purposes of blocked seats:	
Temporary	13,744 (63 %)
Technical (e.g. for setting up control panels)	2,198 (10 %)
For YFS members (Note 2)	4,146 (19 %)
For HKAFSL staff on duty	488 (2 %)
For wheelchairs	440 (2 %)
Others (Note 3)	730 (4 %)
(b) Total	21,746 (100 %)
Planned number of tickets available for sale (c) = (a) – (b)	106,976 (Note 4)

Source: Audit analysis of HKAFSL records

Note 1: Venues were those provided by LCSD, the Hong Kong Academy for Performing Arts, the Hong Kong Arts Centre and the Fringe Club.

Note 2: Each member of YFS was entitled to a total of two tickets for HKAF performances/rehearsals/Young Friends Specials (see para. 1.5(c)).

Note 3: The 730 blocked seats were blocked seats reserved in two programmes co-presented by HKAFSL and the Hong Kong Chinese Orchestra/the Hong Kong Sinfonietta, comprising 507 technical blocked seats and 223 blocked seats for complimentary tickets.

Note 4: Because 4,506 blocked seats were subsequently released, the actual number of tickets available for sale increased to 111,482 (see Table 5 in para. 2.21) from the planned number of 106,976.

2.25 Audit examined the blocked seat arrangements for the 2018 programmes. Audit found that in 22 of the 42 programmes, some blocked seats had subsequently been released. Case 2 shows an example.

### Case 2

#### Release of blocked seats in a 2018 programme

1. A 2018 programme comprising 14 performances was staged at a venue of the Hong Kong Academy for Performing Arts. Each performance had 858 tickets available for sale, i.e. maximum venue capacity of 1,179 seats minus 321 blocked seats (Note 1).
2. In March 2018, the 14 performances were conducted and the attendance rate (i.e. the total number of paid audience ÷ the total number of tickets available for sale) of each of the performances was 100%. Audit noted that:
  - (a) for each of all the 14 performances, when the 858 tickets available for sale were sold out, some blocked seats were released for sale; and
  - (b) for the 14 performances, a total of 3,040 blocked seats were released for sale (and all were sold). For each performance, the number of blocked seats released ranged from 151 to 271 (Note 2).

*Source: HKAFSL records*

*Note 1: The 321 blocked seats comprised 286 temporarily blocked seats, 27 technical blocked seats, 4 HKAFSL duty staff seats and 4 wheelchair seats.*

*Note 2: In calculating the attendance rate mentioned in paragraph 2, the released blocked seats sold were included in the number of paid audience and the number of tickets available for sale.*

2.26 The blocked seats of HKAF are a cause for concern as:

- (a) there were many blocked seats (i.e. 21,746 (16.9%) of the 128,722 seats in the 2018 programmes — see Table 6 in para. 2.24); and
- (b) for some blocked seats, the intended purpose was not documented (i.e. the 13,744 temporarily blocked seats — see Table 6). The purpose of blocking the seats was therefore unclear.

2.27 The FSAs did not specify any requirements about the use of blocked seats by HKAFSL. HKAFSL also has no written guidelines on blocked seats (e.g. the number of seats to be blocked, their designated purposes and when they should be released). It was therefore uncertain whether all blocked seats that could be released by HKAFSL had been released, or whether some seats had been blocked unnecessarily. For example, in Case 2 of paragraph 2.25, while 3,040 blocked seats had been released and all were sold, it was uncertain whether measures had been taken to ensure that more of the remaining blocked seats of 1,454 (321 blocked seats × 14 performances – 3,040 seats released) could also have been released.

2.28 In Audit's view, due to blocked seats, some people who wish to attend performances cannot get tickets for the performances. Furthermore, blocked seats represent loss of potential income as the seat tickets are not available for sale. Blocked seats should therefore be kept to a minimum and promptly released as far as possible.

2.29 Audit considers that HKAFSL needs to draw up written guidelines on the use of blocked seats to ensure that the number of blocked seats is kept to a minimum and blocked seats are released as soon as possible and as far as possible. To enhance transparency and accountability, HKAFSL also needs to report to LCSD periodically information on blocked seats (e.g. the number of seats blocked in each HKAF and the number of blocked seats subsequently released).

### ***Need to report the number of tickets collected under YFS***

2.30 YFS is an integrated arts education and audience development programme. In 2017-18, YFS recruited some 6,300 members from secondary schools and tertiary institutions. HKAFSL reserved for the YFS members a number of seats in

performances, rehearsals and arts programmes (see para. 1.5(c)) (including the 4,146 seats in the 2018 programmes — see Table 6 in para. 2.24). Each YFS member who had paid the annual membership fee was entitled to a total of two tickets. YFS members had to apply for the tickets and collect the tickets at performance venues. In May 2018, HKAFSL informed LCSD that, under YFS, about 11,500 people attended performances/rehearsals/arts programmes in 2018. Upon enquiry, HKAFSL informed Audit in January and March 2019 that it only maintained records of number of seats reserved for YFS members and tickets issued for YFS members' collection (i.e. tickets applied for by YFS members under their entitlement). Information on tickets actually collected by YFS members was not kept. The number of tickets issued for YFS members' collection was taken as the number of people attending. To enhance transparency and accountability, HKAFSL needs to report to LCSD the number of tickets collected by YFS members.

## Audit recommendations

**2.31      Audit has *recommended* that the Executive Director, Hong Kong Arts Festival Society Limited should:**

- (a)      clarify with LCSD the definition of paid audience and attendance rate and report accordingly to LCSD;**
- (b)      draw up written guidelines on the use of blocked seats to ensure that the number of blocked seats is kept to a minimum and blocked seats are released as soon as possible and as far as possible;**
- (c)      report to LCSD periodically information on blocked seats, including the number of seats blocked and the number of blocked seats subsequently released; and**
- (d)      report to LCSD the number of tickets collected by YFS members.**

**2.32      Audit has *recommended* that the Director of Leisure and Cultural Services should specify in FSAs whether paid audience of programmes other than HKAF arts programmes should be included in the “number of paid audience”.**

## **Response from Hong Kong Arts Festival Society Limited**

2.33 The Executive Director, Hong Kong Arts Festival Society Limited agrees with the audit recommendations in paragraph 2.31. She has said that:

- (a) specific seats are blocked for various reasons, namely, allocation to YFS members to fulfil their entitlement; provision for staff on duty at each performance; accommodating sound panels, projectors, cameras and other technical requirements; consideration of sightlines and audio coverage as required; and special characteristics of the venue in relation to the type of performance;
- (b) the above considerations are discussed and agreed in inter-departmental management consultations, then based on shared understanding of the needs and the reasons, the blocked seats are marked and signed off by respective staff in the event set-up form;
- (c) subject to the agreement of the artists, where there is strong unfulfilled audience demand, and when the audience accept a compromise in sightlines or other conditions, additional blocked seats may be released; and
- (d) regarding tickets collected under YFS (see para. 2.30), the number of tickets issued for YFS members' collection was taken as the number of people attending because tickets could not be re-issued even if the ticket was not collected.

## **Response from the Government**

2.34 The Director of Leisure and Cultural Services agrees with the audit recommendation in paragraph 2.32. She has said that LCSD will work with HKAFSL on the reporting requirements on attendance and specify the following separate performance indicators in FSAs:

- (a) the number of paid audience for HKAF programmes excluding complimentary tickets and the attendance rate; and
- (b) the number of paid audience for "Festival PLUS".

## **PART 3: FUNDING OF THE HONG KONG ARTS FESTIVAL SOCIETY LIMITED**

3.1 This PART examines the funding of HKAFSL, focusing on:

- (a) income of HKAFSL (paras. 3.2 to 3.12); and
- (b) conditions of subvention (paras. 3.13 to 3.20).

### **Income of the Hong Kong Arts Festival Society Limited**

3.2 The three key sources of income of HKAFSL are sponsorship/donations, government subventions and income from ticket sales. In 2017-18, the proportion of income from the three key sources were 36%, 31% and 30% respectively (see Figure 1 in para. 1.7). The government subventions are provided to HKAFSL through LCSD:

- (a) ***Baseline subvention and time-limited subvention*** (see para. 1.8(a) and (b)). Every year, HKAFSL submits a funding application to LCSD. Considering the achievements of the last HKAF and proposals for the next HKAF, LCSD determines the amount of baseline subvention and, where necessary, the amount of time-limited subvention to be provided to HKAFSL for running the next HKAF;
- (b) ***Matching grants*** (see para. 1.9(a)). Since the launch of the Art Development Matching Grants Scheme in 2016 (see Note 5 to para. 1.2(b)(ii)), HKAFSL has been provided with matching grants under the Scheme. Every year, HKAFSL submits an application to LCSD for matching grants. Basing on factors such as proposed grants usage, the pledged amount of eligible cash sponsorship/donations to be received in the financial year and HKAFSL's last audited accounts, LCSD assesses the amount of sponsorship/donations eligible for matching (i.e. the grant amount) and the maximum amount of matching grants to be provided (subject to HAB's endorsement); and

- (c) **Project-based subvention** (see para. 1.9(b)). The subvention is provided to HKAFSL where necessary. HKAFSL may submit proposals for holding special programmes. In 2016-17, to celebrate the 20<sup>th</sup> anniversary of the establishment of the Hong Kong Special Administrative Region, HKAFSL held three special programmes with a one-off funding of \$11.1 million provided by HAB through LCSD.

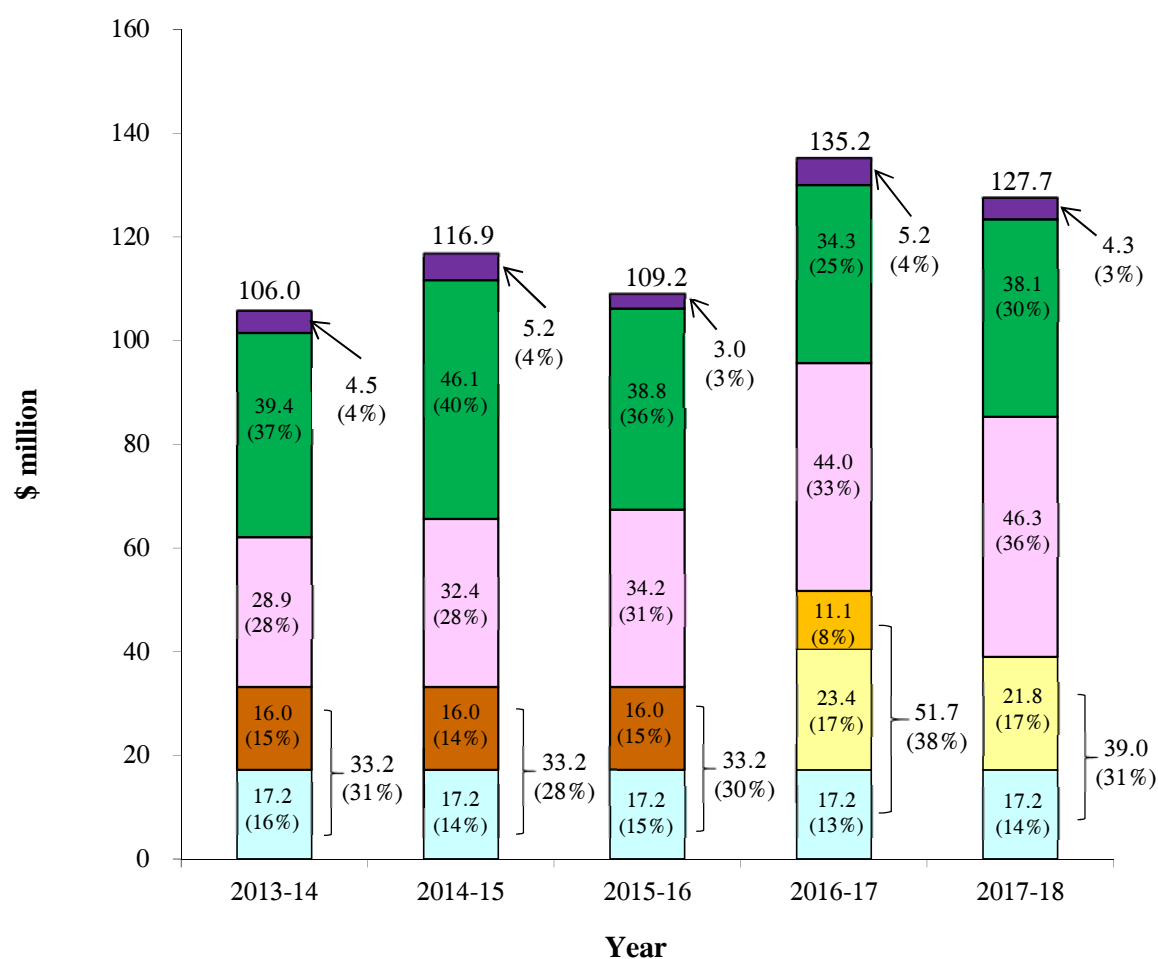
### *Need to monitor the use of subventions by HKAFSL*

3.3 Audit analysed the income (see Figure 3) and expenditure (see Figure 4) of HKAFSL for the years 2013-14 to 2017-18, and found that over the period:

- (a) **Government subventions.** On the whole, government subventions accounted for the same proportion of income (i.e. remained at 31% in 2013-14 and 2017-18). For individual subventions, the amount of baseline subvention remained unchanged over the period, while time-limited/one-off subvention had ceased since 2016-17 and matching grants had since been provided;
- (b) **Sponsorship/donations.** Sponsorship/donations accounted for an increasing proportion of income (i.e. increased from 28% in 2013-14 to 36% in 2017-18); and
- (c) **Income from ticket sales.** Income from ticket sales accounted for a decreasing proportion of income (i.e. decreased from 37% in 2013-14 to 30% in 2017-18).

Figure 3

## Income of HKAFSL (2013-14 to 2017-18)



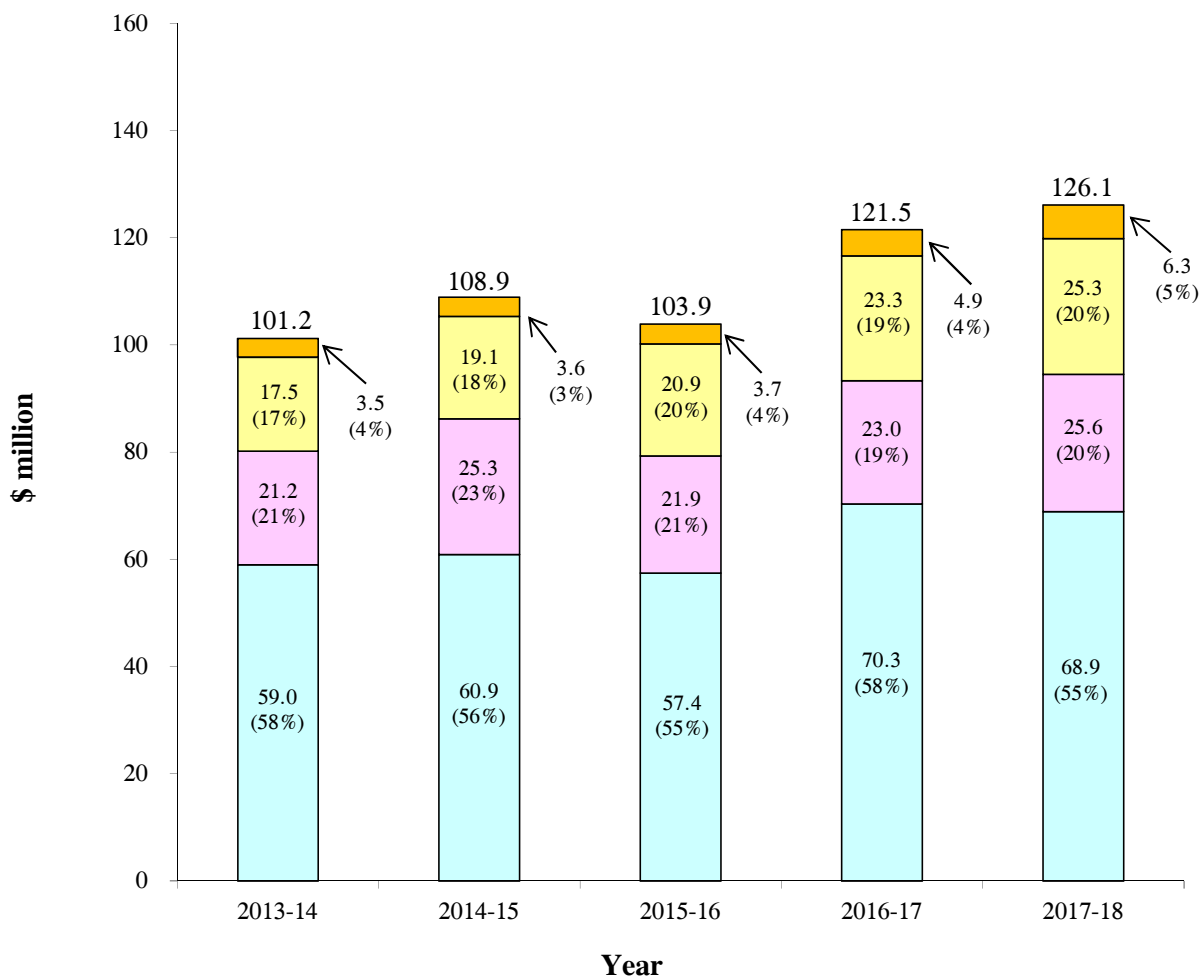
- Legend:
- Government subvention — baseline subvention
  - Government subvention — time-limited/one-off subvention
  - Government subvention — matching grants
  - Government subvention — project-based subvention
  - Sponsorship/donations
  - Income from ticket sales
  - Other income (including advertising income from publications and interest income)

Source: Audit analysis of HKAFSL records



Figure 4

**Expenditure of HKAFSL  
(2013-14 to 2017-18)**



Legend: ■ Programmes  
■ Marketing and development  
■ Personal emoluments  
■ Administration overhead

Source: Audit analysis of HKAFSL records

3.4 According to HKAFSL, it encountered the following difficulties relating to the operation of HKAFSL:

- (a) over the years, HKAFSL had been successful in raising large amounts of money (e.g. \$46.3 million in 2017-18 — see Figure 3 in para. 3.3) from sponsors and donors. However, heavy reliance on sponsorship/donations may put sustainability of HKAFSL at risk as this income stream is dependent on many factors outside HKAFSL's control;
- (b) matching grants are provided to HKAFSL, on a dollar-for-dollar matching basis, for eligible cash sponsorship/donations received by HKAFSL (see para. 1.9(a)). In 2017-18, the matching grants (\$21.8 million) accounted for a significant proportion (17%) of the total income (\$21.8 million ÷ \$127.7 million × 100%) of HKAFSL (see Figure 3 in para. 3.3). Inability of HKAFSL to secure sponsorship/donations would significantly reduce the income of HKAFSL;
- (c) every year, basing on certain assumptions (e.g. amount of sponsorship/donations received), HKAFSL prepared an annual budget for the Executive Committee's endorsement (Note 23). The estimated expenditure would be revised every three months, taking into account any changes in the assumptions, and would then be presented to the Executive Committee. For 2015-16 to 2017-18, there were deficits in the budgets when the budgets were first endorsed. In each of the three financial years, the financial situation improved over time, and it turned out that the revised budgets were balanced or showing surplus. Nevertheless, inadequate budgets in the first place might result in difficulty in engaging desired local and international artists (Note 24);
- (d) with encouragement for more efforts at fundraising in the whole sector, HKAFSL must face increasing competition from organisations which are

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**Note 23:** *According to HKAFSL records, the Executive Director presented the budget to the Finance Committee for review, and then to the Executive Committee for endorsement.*

**Note 24:** *For example, according to the minutes of a meeting of the Programme Committee to consider engagement of artists, "when HKAFSL had a clearer idea of the budget....., HKAFSL could make up the artist engagement decision by that time".*

funded to a much higher level. To such organisations, the funds raised from sponsors are merely incremental income, compared to the situation for HKAFSL where the income is essential for operational needs; and

- (e) HKAFSL's fundraising results are already in excess of both ceiling and cap of the matching grants. In HKAFSL's view, a revision would be congruent with the intention to encourage further efforts. HKAFSL is willing to work with all diligence and dedication, and seeks only a more level playing field in the local context.

3.5 In March 2019, HAB (the policy bureau of LCSD) informed Audit that:

- (a) while the Government provides funding to the arts and culture sector to promote and develop performing arts in Hong Kong, it is not the Government's policy that public funding should be the sole or principal source of income;
- (b) it is the policy of HAB to encourage all arts groups/organisations to solicit more private sponsorship/donations and build up their audience base in order to diversify their income source and to help ensure that their programmes include elements that appeal to the community. To inculcate a donation culture for arts and culture, it was announced in the 2015-16 Budget Speech that a matching grant scheme of \$300 million would be set up to help arts groups/organisations widen the sources of funding. Against this background, the Government launched the Art Development Matching Grants Scheme, of which HKAFSL is one of the beneficiaries. Noting the positive response, a further injection of \$500 million to the Scheme was announced in the 2018-19 Budget Speech. It is hoped that HKAFSL could gather more support from the community and build up supporters through its fundraising efforts. Internationally, many arts festivals are relying on private sponsorship/donations and depending less on government grants; and
- (c) the following funding has been/will be provided to HKAFSL:
  - (i) HKAFSL receives annual recurrent subvention from LCSD;

## **Funding of the Hong Kong Arts Festival Society Limited**

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- (ii) from 2019-20, subject to the passage of the Appropriation Bill 2019 by the Legislative Council, LCSD will increase the recurrent subvention to HKAFSL by 10% to \$18.898 million each year;
- (iii) for the five years from 2018-19, LCSD will provide an additional one-off funding of \$8 million per year (i.e. the time-limited subvention — see para. 3.2(a)) to HKAFSL with the specific policy intent for HKAFSL to groom local artists and to stage performance in the New Territories regions. While HKAF is renowned for presenting performances from overseas, given its large audience base, the HKAF is also a good opportunity to present selected local programmes and also for local artists to work together with foreign artists. LCSD will review the effectiveness of the five-year funding in meeting the specific objectives, and consider in due course if the funding should be extended or regularised; and
- (iv) as said in (b) above, it is the Government's policy to encourage private sponsorship in arts and culture activities. The Art Development Matching Grants Scheme provides matching fund to arts groups, including HKAFSL. Taking into account the operation and funding needs of HKAFSL, a ceiling of \$30 million for the matching fund has been provided for HKAFSL. For the third round of the Scheme launched in 2018, HKAFSL would, on a dollar-for-dollar matching ratio, receive matching fund of about \$27 million from the Government.

3.6 According to the FSAs (see para. 1.11), HKAFSL shall organise an arts festival with targets as follows:

- (a) to present an international arts festival of highest artistic standard;
- (b) to present a balanced festival with programmes which introduce the latest artistic trends and are innovative and catalytic in their influence on the local art scene;
- (c) to present programmes from around the world which sustain HKAF's reputation as a major international arts festival; and

- (d) to present the best of local talents with preference given to new works, productions specially mounted for the festival and programmes highlighting the cultural setting of Hong Kong.

LCSD assesses annually the performance of HKAFSL against performance indicators in FSAs (see para. 3.14(c)). Audit noted the efforts of HAB and LCSD (see para. 3.5(c)) in engaging HKAFSL to organise HKAFs in Hong Kong. Audit considers that LCSD needs to ensure that the review of the effectiveness of the time-limited subvention (see para. 3.5(c)(iii)) to HKAFSL is carried out in a timely manner. The LCSD also needs to continue to monitor the use of government subventions by HKAFSL to ensure that HKAFs are delivered in accordance with FSAs.

### ***Some relevant factors not taken into account when setting ticket prices***

3.7 As shown in Figure 3 in paragraph 3.3, the proportion of income from ticket sales decreased from 37% in 2013-14 to 30% in 2017-18. According to the HKAFSL's practice, in setting ticket prices for HKAFs, it takes into account the following factors:

- (a) buying power/habits of different types of audience;
- (b) audience satisfaction and venue locations;
- (c) popularity of programmes, i.e. setting higher prices for more popular programmes (e.g. those featuring eminent artists);
- (d) popularity of venues, i.e. setting lower prices for programmes presented in less popular venues (e.g. venues in the New Territories);
- (e) audience familiarity with the artist, i.e. setting lower prices for less known artists;
- (f) accessibility to a wider sector of the community, i.e. keeping tickets as affordable as possible and including an inexpensive entry level lowest ticket price; and

- (g) market norms, i.e. what other local presenters are charging for programmes of a similar genre and scale.

3.8 Against the above practice, Audit noted that two relevant factors had not been taken into account in setting ticket prices for HKAFs:

- (a) ***Need to recover a target proportion of costs.*** HKAFSL has not set any target proportion of costs to be recovered through ticket sales. Cost was therefore not a factor for consideration in determining the ticket prices by HKAFSL. Table 7 shows that HKAFSL's expenditure recovered through ticketing income dropped from 39% in 2013-14 to 30% in 2017-18. Setting ticket prices without duly taking costs into account would further increase HKAFSL's reliance on sponsorship/donations; and

**Table 7**

**Ticketing income and total expenditure  
(2013-14 to 2017-18)**

Year	Ticketing income (\$ million) (a)	Total expenditure (\$ million) (b)	Percentage of ticketing income to total expenditure (c) = [(a) ÷ (b)] × 100%
2013-14	39.4	101.2	39%
2014-15	46.1	108.9	42%
2015-16	38.8	103.9	37%
2016-17	34.3	121.5	28%
2017-18	38.1	126.1	30%

*Source: Audit analysis of HKAFSL records*

- (b) *Needs of senior citizens.* While HKAFSL provides discounted tickets (50% discount on original ticket prices) to full-time students and people with disabilities, no similar concessions are available to senior citizens (despite public requests for discounted tickets for senior citizens) (Note 25). On the other hand, concessionary tickets are provided to senior citizens aged 60 or above in most cultural programmes provided by LCSD. In Audit's view, providing concessionary tickets to senior citizens would help promote appreciation of arts among the growing elderly population (Note 26).

Audit considers that both the above two factors are key considerations which should be taken into account when setting ticket prices. There is a need for HKAFSL to strike a balance between the two factors in setting ticket prices.

## **Audit recommendations**

**3.9 Audit has recommended that the Director of Leisure and Cultural Services should:**

- (a) **ensure that the review of the effectiveness of the time-limited subvention (see para. 3.5(c)(iii)) to HKAFSL is carried out in a timely manner; and**
- (b) **continue to monitor the use of government subventions by HKAFSL to ensure that HKAFs are delivered in accordance with FSAs.**

**3.10 Audit has recommended that the Executive Director, Hong Kong Arts Festival Society Limited should, taking into account all relevant factors, review the practices on setting ticket prices for HKAF programmes.**

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**Note 25:** *From time to time, HKAFSL, HAB and LCSD received requests from the public for discounted tickets for senior citizens.*

**Note 26:** *According to the Census and Statistics Department, the percentage of population of people aged 60 or above in Hong Kong would increase from 25% in 2019 to 33% in 2029.*

## **Response from the Government**

3.11 The Director of Leisure and Cultural Services agrees with the audit recommendations in paragraph 3.9. She has said that:

- (a) LCSD will review the effectiveness of the time-limited subvention as appropriate; and
- (b) LCSD will continue to monitor the use of government subventions by HKAFSL to ensure that HKAFs are delivered in accordance with FSAs through scrutinising the reports and accounts submitted by HKAFSL, attending its Executive Committee meetings, exchanging views through meetings and correspondences, etc.

## **Response from Hong Kong Arts Festival Society Limited**

3.12 The Executive Director, Hong Kong Arts Festival Society Limited agrees with the audit recommendation in paragraph 3.10. She has said that:

- (a) HKAFSL takes due note of Audit's recommendation on ticket pricing, and will balance institutional sustainability with making quality performances as affordable to as many people as possible; and
- (b) HKAFSL appreciates Audit's comments on concessionary tickets for senior citizens, and wishes that its financial situation and funding mode could make this possible. HKAFSL has already made an application to the Government for specific support with regard to the senior citizens' discount and looks forward to a positive response.

## **Conditions of subvention**

### ***Need for HKAFSL to better observe conditions of subvention***

3.13 HKAFSL is required to observe the conditions of subvention stipulated in FSAs (see para. 1.11). Audit found that there is scope for improvement in this regard:



- (a) *Need to maintain records of consultation with the Government on selecting the Chairman of the Executive Committee.* According to the conditions of subvention stipulated in the FSAs of LCSD's baseline subvention and time-limited subvention, HKAFSL needs to consult the Government in advance in each and every selection of the Executive Committee's Chairman. From 2010 to 2018, there were changes of Chairman of the Executive Committee in 2012 and 2015. Audit noted that on both occasions, the Chairman was nominated and appointed by members in the meetings of the Executive Committee (with LCSD's representative attending the meeting as an observer — see para. 1.12(c)) and there were no records of advance consultation with the Government. Upon enquiry in February 2019, HKAFSL informed Audit that it had verbally consulted the Government representatives in advance on both occasions prior to the Executive Committee meetings. However, no written records were maintained. Audit considers that HKAFSL needs to maintain records of the consultation regarding the selection of the Chairman of the Executive Committee, pursuant to the requirement stipulated in the conditions of subvention; and

- (b) ***Need to submit reports in a timely manner.*** According to FSAs, HKAFSL was required to submit reports/accounts (for simplicity, hereinafter collectively referred to as reports) to LCSD by specified dates each year. Before 2016-17, 4 reports were required. The number has since been increased to 7 (Note 27). Audit examined, for the years 2013-14 to 2017-18, the submission of reports by HKAFSL and found that there were cases of delay in report submission. Table 8 shows that during the period:
- (i) ***Reports submitted late.*** The number of reports submitted after the deadlines increased from 1 in 2013-14 to 3 in 2017-18; and
- (ii) ***Reporting arrangement being worked on.*** As at 28 February 2019, for 3 reports related to matching grants, LCSD and HKAFSL were working on the reporting arrangements (e.g. what was required in the reports). The 3 reports were yet to be submitted.

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**Note 27:** *According to FSAs:*

- (a) *for baseline and time-limited subvention, HKAFSL is required to submit 4 reports: (i) a report on the implementation of activities; (ii) a self-evaluation and assessment report; (iii) unaudited accounts; and (iv) audited accounts; and*
- (b) *for matching grants, HKAFSL is required to submit 2 reports: (i) a progress report; and (ii) a report on factual findings (the report provides information on the actual amount of sponsorship/donations eligible for matching grants as well as the expenses incurred in obtaining the sponsorship/donations — see also Note 10 to para. 1.9(a)). Under FSAs, HKAFSL is also required to obtain a confirmation from its auditor that the terms and conditions for matching have been complied with for the sponsorship/donations for the financial year, and that the Grant has been used in accordance with the Application Guide and Supplemental Agreement of the matching grants. For this purpose, HKAFSL needs to submit a set of audited accounts for matching grants.*

*Accordingly, the number of required reports totals 7, i.e. 4 reports (see (a) above) plus 2 reports (see (b) above) plus the audited accounts for matching grants.*

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**Table 8**

### Submission of reports under FSAs (2013-14 to 2017-18)

	2013-14	2014-15	2015-16	2016-17	2017-18	Overall
Number of reports required to be submitted	4	4	4	7 (Note 1)	7	26
<b>Reports submitted on time</b>						
Number of reports	1	1	1	0	2	5
<b>Reports submitted after the deadlines</b>						
Number of reports	1	1	3	5	3	13
Delay	104 days	57 days	69 to 368 days	3 to 112 days	5 to 23 days	3 to 368 days
<b>Reporting arrangements being worked on (as at 28 February 2019)</b>						
Number of reports	0	0	0	1 (Note 2)	2 (Note 3)	3
<b>Information unavailable</b>						
Number of reports	2	2	0	1	0	5 (Note 4)
Total number of reports	4	4	4	7	7	26

Source: HKAFSL and LCSD records

Note 1: With effect from 2016-17, under the matching grants, 3 additional reports were required to be submitted (i.e. increasing the total number of reports from 4 to 7).

Note 2: The report was the 2016-17 audited accounts for matching grants. According to HKAFSL, it had been working with LCSD on the reporting arrangements for the report. According to the FSA, the report should be submitted by 31 October 2017.

Note 3: The 2 reports were the 2017-18 audited accounts for matching grants and report on factual findings (see Note 27 to para. 3.13(b)). According to HKAFSL, it had been working with LCSD on the reporting arrangements for the reports. According to the FSA, the reports should be submitted by 30 November 2018.

Note 4: For 4 reports (i.e. the 2013-14 self-evaluation and assessment report, the 2014-15 report on the implementation of activities, and the 2013-14 and 2014-15 unaudited accounts) (see Note 27 to para. 3.13(b)), both LCSD and HKAFSL records did not show whether the reports had been submitted. For the remaining report (i.e. the 2016-17 report on the implementation of activities), while the report had been submitted to LCSD, there was no record of the submission date (see para. 3.14(b) for related audit findings, and paras. 3.17(c) and 3.18(b) for related audit recommendations).

***Need for LCSD to better oversee government subventions to HKAFSL***

3.14 LCSD is responsible for overseeing the government subventions provided to HKAFSL (see para. 1.12). Audit found that there is room for LCSD to enhance its oversight:

- (a) ***Need to better ensure timely submission of reports.*** In 2013-14 to 2017-18, 16 (61.5%) of 26 reports were not submitted on time (i.e. 13 reports submitted after the deadlines, and 3 reports with their reporting arrangements still being worked on (see Table 8 in para. 3.13)). Of the 16 reports:
  - (i) for the 3 reports with their reporting arrangements still being worked on, LCSD had taken action to hold over disbursement of grants until the reports were submitted for LCSD's examination (a total \$4.5 million of grants were suspended) (Note 28 ). According to LCSD, it worked closely with HKAFSL to explain the requested requirement for the matching grants through various meetings and e-mails; and
  - (ii) for the remaining 13 reports that were submitted after the deadlines, follow-up actions were less than adequate:
    - for 4 reports, LCSD had taken follow-up actions. However, 7 to 112 days had elapsed before LCSD's follow-up actions. Eventually, the reports were submitted 20 to 368 days after the deadlines; and
    - for 9 reports, LCSD records did not indicate that LCSD had taken any follow-up actions;
- (b) ***Need to maintain proper records of report submission.*** For LCSD, maintaining proper records are instrumental in monitoring HKAFSL's

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**Note 28:** *Matching grants were disbursed by instalments. The last instalment (involving 10% of grants) would only be disbursed upon LCSD's acceptance of the audited accounts and the report on factual findings.*

submission of reports. However, in 2013-14 to 2017-18, LCSD records were not properly kept in the following instances:

- (i) ***Reports not located or report submission date not recorded.*** For 4 reports, LCSD could not locate the reports for Audit's examination. Both LCSD and HKAFSL records did not show whether the reports had been submitted. For another report, while LCSD could locate it for Audit's examination, LCSD did not record the submission date; and
- (ii) ***Dates of signing accounts taken as dates of submission.*** For three years 2013-14 to 2015-16, LCSD did not record the dates of the HKAFSL's submission of audited accounts for baseline subvention and time-limited subvention. Upon enquiry in January 2019, LCSD informed Audit that the dates of signing the accounts by HKAFSL's auditor were taken as the submission dates. In Audit's view, this practice would render the record on submission dates inaccurate; and
- (c) ***Need to set more appropriate expected levels of performance.*** To measure the performance of HKAFSL, for each performance indicator in FSAs, an expected level of performance was set by LCSD in consultation with HKAFSL. In 2013-14 to 2017-18, the expected levels of performance were not met on 6 occasions (involving 6 indicators — see Table 9). LCSD records indicated that when HKAFSL did not attain an expected level in a year (e.g. 2015-16), the expected level was lowered in the ensuing year (e.g. 2016-17). The lowered expected level would not be raised again, or sometimes would even be further lowered (see Table 9), even though HKAFSL outperformed the expected levels in subsequent years. There was no documentation showing that LCSD had attempted, in consultation with HKAFSL, to reset more challenging, while achievable, expected levels of performance.

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**Table 9**

### Attainment of performance indicators by HKAFSL (2013-14 to 2017-18)

Performance indicator	Attainment	2013-14	2014-15	2015-16	2016-17	2017-18
Number of charged local programmes	Expected level	8	10	15	6	6
	Actual	13	15	14	13	8
Number of charged local performances	Expected level	22	32	23	30	30
	Actual	34	33	24	36	31
Number of charged overseas programmes	Expected level	33	37	35	26	26
	Actual	35	30	35	36	32
Number of charged overseas performances	Expected level	81	98	85	66	66
	Actual	89	92	86	87	95
Number of charged collaborated programmes	Expected level	3	1	1	2	2
	Actual	5	3	1	2	2
Number of charged collaborated performances	Expected level	11	5	7	4	4
	Actual	10	8	7	4	4
Number of workshops, talks, masterclasses, meet-the-artist sessions, forums, showcases and open rehearsals	Expected level	100	160	150	130	180
	Actual	171	197	234	499	323
Number of educational programmes	Expected level	70	70	60	50	50
	Actual	91	63	70	74	91
Number of exhibitions	Expected level	1	1	1	1	1
	Actual	1	2	1	1	4
Number of visitors in exhibitions	Expected level	150,000	150,000	150,000	150,000	150,000
	Actual	150,000	170,000	150,000	150,000	153,000
Number of paid audience excluding complimentary tickets	Expected level	130,000	99,800	85,207	72,000	72,000
	Actual	108,099	106,343	98,411	98,309	105,034
Attendance rate	Expected level	80%	90%	85%	80%	80%
	Actual	94%	95%	93%	93%	92%
Number of audience/participants for free education and community activities	Expected level	27,000	33,000	36,000	31,000	30,000
	Actual	57,545	48,986	43,883	97,420	50,295

Legend:  Expected level of performance indicator not attained  
 Expected level of performance indicator not raised or further lowered

Source: HKAFSL and LCSD records

3.15 In February and March 2019, regarding the expected levels of performance, LCSD and HKAFSL informed Audit that:

***LCSD***

- (a) in analysing funding application from HKAFSL, LCSD reviewed and assessed the performance indicators of the preceding year on an overall basis (e.g. the total number of charged local, overseas and collaborated programmes and performances were assessed together);
- (b) for 2016-17, owing to the expiry of the time-limited/one-off subvention to HKAFSL, and uncertainty of the amount of matching grants to be received by HKAFSL at the beginning of the financial year, lower expected levels of performance were set as agreed with HKAFSL; and

***HKAFSL***

- (c) as agreed with LCSD, the expected levels of performance were adjusted:
  - (i) for 2014-15 because the purchasing power of the funding level established in 2010-11 (i.e. start of the 5-year period for the time-limited subvention) had been reduced given zero increase in funding during that period. Taken in total over the 5 years, HKAF already exceeded the agreed indicators as it produced much more in the first year;
  - (ii) for 2015-16 because of the expected reduction in subvention upon expiry of the time-limited subvention (Note 29);
  - (iii) for 2016-17 because of the uncertainties on the funding amount to be obtained through the Art Development Matching Grants Pilot Scheme (see Note 5 to para. 1.2(b)(ii)); and
  - (iv) for 2017-18 because the application for funding was made before the outcomes of the 45<sup>th</sup> HKAF in 2017 and the results of the

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**Note 29:** *According to HKAFSL, the provision of one-off bridging subvention was confirmed after the indicators were established.*

matching grants pilot scheme could be ascertained. The HKAFSL had made a prudent forecast.

3.16 Audit noted that there were various considerations taken into account in setting the expected performance levels specified in FSAs. However, in Audit's view, actual performance, albeit not the sole factor, should be an important factor that should be taken into account in setting challenging and achievable expected levels of performance. Only by doing so, the expected level of performance can serve its intended purpose of facilitating the monitoring of the actual level of performance. Audit considers that LCSD needs to take into account the actual performance results in setting the expected levels of performance for the indicators in FSAs.

### **Audit recommendations**

3.17 Audit has *recommended* that the Executive Director, Hong Kong Arts Festival Society Limited should:

- (a) **maintain records of the consultation with the Government regarding the selection of the Chairman of the Executive Committee;**
- (b) **step up efforts to ensure that reports are submitted to LCSD in a timely manner in accordance with FSAs; and**
- (c) **maintain proper records on reports submitted to LCSD.**

3.18 Audit has *recommended* that the Director of Leisure and Cultural Services should:

- (a) **take follow-up actions on late submission of reports (e.g. ascertain why the reports are not submitted on time and urge for their timely submission) by HKAFSL;**
- (b) **maintain proper records of reports submitted by HKAFSL, including the date of submission; and**



- (c) in consultation with HKAFSL, consider revising the expected levels of performance for indicators in FSAs, taking into account the actual performance results.

## **Response from Hong Kong Arts Festival Society Limited**

3.19 The Executive Director, Hong Kong Arts Festival Society Limited agrees with the audit recommendations in paragraph 3.17. She has said that:

- (a) before 2017-18, HKAFSL was required to submit unaudited accounts and audited accounts by 30 June and 30 September respectively. It was not possible to comply with the deadlines for unaudited accounts as HKAFSL's financial year ended on 30 June, and the audited accounts could not be submitted before the annual general meeting (AGM) (usually held in October). This schedule was in place until LCSD revised the submission dates for the unaudited accounts and audited accounts to 31 August and 30 November respectively in 2017-18, making compliance and timely delivery of reports feasible;
- (b) HKAFSL has been working diligently and continuously on the reporting arrangements for the 3 reports related to matching grants (see para. 3.13(b)(ii)) in consultation with both LCSD and its auditors; and
- (c) actual performance as measured in the performance indicators is not the sole factor. HKAFSL considers diversity and quality of performances to be of equal importance.

## **Response from the Government**

3.20 The Director of Leisure and Cultural Services agrees with the audit recommendations in paragraph 3.18. She has said that:

- (a) LCSD always urges HKAFSL for timely submission of reports. In particular for the reports on matching grants newly introduced in 2016, LCSD had been working closely with HKAFSL through meetings and e-mails to explain the requirements for compiling reports according to the terms and conditions of the agreement. LCSD will reinforce arrangements

in future by devising a checklist to step up the monitoring on the timely submission of reports and ensuring the documentation of action taken;

- (b) starting from 2017-18, the reports submitted by HKAFSL have been stamped with date chops. LCSD will further enhance the registry of reports submitted by HKAFSL; and
- (c) LCSD will work with HKAFSL to revise the performance indicators taking into account the actual performance results.

## **PART 4: GOVERNANCE AND ADMINISTRATIVE ISSUES**

4.1 This PART examines the governance and administrative issues of HKAFSL. Audit found room for improvement in the following areas:

- (a) governance issues (paras. 4.2 to 4.12); and
- (b) administrative issues (paras. 4.13 to 4.23).

### **Governance issues**

4.2 HKAFSL is a company limited by guarantee (see para. 1.4). The company's Memorandum and Articles of Association specifies, among other matters, practices on corporate governance, such as:

- (a) ***Executive Committee membership.*** The Executive Committee is the overall governing body of HKAFSL. It shall:
  - (i) have not less than 10 but not more than 20 members; and
  - (ii) have members elected at AGMs of HKAFSL with a term of three years (Note 30);
- (b) ***Conduct of meetings.*** At least 21 days' notice is required for convening AGMs. The quorum for Executive Committee meetings is 5 members; and
- (c) ***Committees.*** The Executive Committee may establish advisory and consultative committees, councils and groups as it may determine to be in the best interest of HKAFSL, and may prescribe rules and regulations governing such committees/councils/groups' composition, appointment process, duration, procedures and other matters.

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**Note 30:** *Where vacancies for committee members arise, existing committee members may appoint candidates to fill the vacancies.*

4.3 As at 31 December 2018:

- (a) HKAFSL had 10 Executive Committee members (Note 31); and
- (b) the Development Committee, Finance Committee and Programme Committee (see para. 1.13) had 7, 3 and 8 members respectively.

### *Need to improve practices on declaration of conflicts of interest*

4.4 In May 2010, the Efficiency Office (known as Efficiency Unit prior to April 2018) of the Government issued the “Guide to Corporate Governance for Subvented Organisations”. The Guide sets out best practices on corporate governance, including those on management of conflicts of interest. In October 2010, at HKAFSL’s AGM, the LCSD representative reminded HKAFSL members of the need to observe the required practices on managing conflicts of interest. In February 2011, at an Executive Committee meeting, it was decided that all members of the Executive Committee and its supporting committees should declare any conflicts of interest. Accordingly, the following requirements on declaration of conflicts of interest were set:

- (a) every member should sign an undertaking that, when he/she has a potential conflict of interest in a matter placed before the committees, he/she should make full disclosure of his/her interests; and
- (b) the undertaking should be signed upon joining the committees and, subsequently, after each AGM.

4.5 However, HKAFSL records indicated that in each year from 2014-15 to 2018-19, some members (35% to 54%) of the Executive Committee and its supporting committees did not sign the undertakings on declaration of conflicts of interest (see Table 10).

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**Note 31:** *For meetings of the Executive Committee held in 2017-18, the overall attendance rate of members was 72%.*

**Table 10**

**Members of Executive Committee and supporting committees with and without signing undertakings on declaration of conflicts of interest (2014-15 to 2018-19)**

	2014-15	2015-16	2016-17	2017-18	2018-19
Member	Number and percentage of members				
Signed undertakings	15 (56%)	13 (46%)	20 (65%)	17 (59%)	18 (64%)
Not signed undertakings	12 (44%)	15 (54%)	11 (35%)	12 (41%)	10 (36%)
Total	27 (100%)	28 (100%)	31 (100%)	29 (100%)	28 (100%)

*Source: HKAFSL records*

*Remarks: Each year in the Table refers to the intervening period between two AGMs.*

4.6 Audit further noted that according to the Guide (see para. 4.4), the good practice is for organisations to adopt a two-tier reporting system. Under the system, in addition to reporting conflicts of interest at meetings as and when they arise, organisations' committee members should disclose their general interest on appointment to the committee. According to the Guide, the declaration should be made on a registration form, which should be available for inspection by the public. In this regard, HKAFSL has not adopted such a two-tier reporting system for the declaration of conflicts of interest.

***Need to obtain prior endorsement for salary adjustment***

4.7 HKAFSL staff receive a monthly salary and may receive a year-end bonus:

- (a) ***Monthly salary.*** The monthly salary of individual staff is paid according to a salary scale. The scale is adjusted annually by a percentage having regard to relevant factors, such as market conditions and cost of living (according to HKAFSL, in some cases, salaries are capped and not subject to the annual adjustment); and

## Governance and administrative issues

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- (b) *Year-end bonus.* The bonus may be paid to recognise individual staff's performance.

Each year, the Executive Director makes a proposal on a cost of living adjustment for monthly salary, and on the year-end bonus where appropriate. The proposal is submitted to the Finance Committee for discussion, and then to the Executive Committee for further discussion and endorsement.

4.8 In 2015, there was a review of salary scale. Details are as follows:

- (a) in March 2015, at a Finance Committee meeting, members considered HKAFSL staff remuneration and agreed that it was not as competitive as that of other arts organisations;
- (b) in April 2015, at an Executive Committee meeting, it was agreed that a new salary scale would be established and the appropriate provision would be made in the budget, with details of the new salary scale to be determined;
- (c) in June 2015, in discussing the 2015-16 budget, the Executive Director informed the Finance Committee that a new salary scale was being drawn up referencing the salary scale of LCSD, and proposed that the salaries of all HKAFSL staff would be revised accordingly. Members had no objection;
- (d) in the same month, the Executive Director presented a proposed salary scale to the Chairman of the Executive Committee for consideration and approval. The Chairman gave approval for the salary scale; and
- (e) in July 2015, the Executive Director reported to the Executive Committee that salary adjustments for HKAFSL staff had been made in accordance with a new salary scale, as agreed in the Executive Committee meeting of April 2015 (see (b) above).

4.9 In February and March 2019, HKAFSL informed Audit that office bearers of the Executive Committee, including the Chairman, worked with the Executive Director on the new salary scale as a remuneration task force. The matter was then duly reported back to the Executive Committee (see para. 4.8(e)). Therefore, all

prior discussions and approvals were in place, including the discussion and endorsement of the Finance Committee and the approval of the Executive Committee.

4.10 However, Audit noted that the details of the new salary scale had not been discussed at Executive Committee meetings. Moreover, endorsement of the specific details of the new salary scale had not been obtained from the Executive Committee before the salary scale was implemented. In Audit's view, the above arrangements (see para. 4.8) were not sufficiently comprehensive as the new salary scale had not been presented in full to the entire Executive Committee for discussion and endorsement. To ensure proper accountability, HKAFSL needs to seek the Executive Committee's endorsement of the details of salary revisions in future.

### **Audit recommendations**

4.11 Audit has *recommended* that the Executive Director, Hong Kong Arts Festival Society Limited should:

- (a) **remind members of the Executive Committee and the supporting committees to sign and submit undertakings on declaration of conflicts of interest;**
- (b) **consider adopting a two-tier reporting system for declaration of conflicts of interest; and**
- (c) **seek the Executive Committee's endorsement of the details of salary revisions in future.**

### **Response from Hong Kong Arts Festival Society Limited**

4.12 The Executive Director, Hong Kong Arts Festival Society Limited agrees with the audit recommendations. She has said that:

- (a) regarding the undertakings on declaration of conflicts of interest, the signing of undertakings was progressively done, with priority given to the Executive Committee and the Finance Committee. The other committees will follow;

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- (b) all members of the Executive Committee had submitted the undertakings on declaration of conflicts of interest for 2017-18 and 2018-19; and
- (c) all members of the Finance Committee had submitted the undertakings on declaration of conflicts of interest for 2018-19.

## **Administrative issues**

4.13 As at 31 December 2018, HKAFSL had 58 staff, which comprised 18 (31%) permanent staff and 40 (69%) contract staff.

### ***Need to take measures to address high staff turnover rate***

4.14 Audit analysed changes in the number of HKAFSL staff from 2016 to 2018 (see Table 11) and noted that, in each year:

- (a) 22% to 34% of staff left HKAFSL; and
- (b) 29% to 51% of staff had newly joined HKAFSL for less than one year.



Table 11

**Changes in the number of HKAFSL staff  
(2016 to 2018)**

	2016	2017	2018
<b>Position as at 1 January</b>			
Permanent staff	20	19 (Note)	18 (Note)
Contract staff	24	30	31
Sub-total (a)	44	49	49
<b>Left HKAFSL</b>			
Permanent staff (b)	2	1	2
Contract staff (resigned) (c)	13	10	11
Contract staff (contract ended) (d)	5	3	4
Sub-total (e)	20	14	17
<b>Joined HKAFSL</b>			
Permanent staff	1	1	2
Contract staff	24	13	24
Sub-total (f)	25	14	26
<b>Position as at 31 December</b>			
Permanent staff	19	18 (Note)	18
Contract staff	30	31	40
Total (g) = (a) – (e) + (f)	49	49	58
<b>Staff turnover rate</b> (h) = [(b) + (c)] ÷ (a) × 100%	<b>34%</b>	<b>22%</b>	<b>27%</b>
<b>Proportion of new staff as at 31 December</b> (i) = (f) ÷ (g) × 100%	<b>51%</b>	<b>29%</b>	<b>45%</b>

Source: Audit analysis of HKAFSL records

Note: In 2017, a permanent staff requested changing to work part-time. In response, HKAFSL changed the post from permanent to contract term with effect from 2018.

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4.15 HKAFSL has an established process of conducting exit interviews for staff. HKAFSL records indicated that, of the 51 (20 + 14 + 17) staff who left in 2016 to 2018 (see Table 11 in para. 4.14), 42 provided reasons for leaving. Table 12 shows the reasons provided by the 42 staff.

**Table 12**

**Reasons for leaving provided by 42 staff  
(2016 to 2018)**

Reason	Total (Note)
Personal reason (including further studies)	12
Health problem	11
New job found	11
Work pressure	10
Salary	7
Working condition	5
Supervisor	3
Transportation	2
Other reasons	13

*Source: Audit analysis of HKAFSL records*

*Note: Some staff gave more than one reason for leaving.*

4.16 High staff turnover rate is not conducive to operational efficiency and fulfilling the mission of HKAFSL (see para. 1.4). Although HKAFSL has recruited new staff, newcomers are generally less familiar with HKAFSL operation. Audit noted that in 2015, HKAFSL had taken measures to retain staff (see para. 4.8). Nevertheless, it needs to step up efforts to address the high turnover rate of staff, taking into account the staff's reasons for leaving.

***Need to promptly report details about non-resident entertainers to the Inland Revenue Department***

4.17 Every year, HKAFSL engages local and overseas artists to perform in HKAF. According to the Inland Revenue Ordinance and the Inland Revenue Department (IRD)’s information pamphlet, for a non-resident entertainer (i.e. overseas artist):

- (a) the sums received from performances in Hong Kong are chargeable to Hong Kong Profits Tax;
- (b) the person who paid the sums is the Hong Kong payer; and
- (c) the Hong Kong payer is responsible for:
  - (i) completing the IRD’s form “IR623 — Notification of Arrival in Hong Kong of Non-resident Entertainer(s)/Sportsmen” (the IR623 form) to provide details about the non-resident entertainer and report the gross amount payable to him/her. The Hong Kong payer should complete the IR623 form immediately when the non-resident entertainer arrives in Hong Kong; and
  - (ii) settling the tax due.

4.18 HKAFSL is a Hong Kong payer. Audit examined HKAFSL records of submission of the IR623 forms for the 46<sup>th</sup> HKAF in 2018. Audit noted that as at 31 January 2019, of the 42 performance contracts of overseas artists engaged by HKAFSL:

- (a) for 13 (31 %) performance contracts, the IR623 forms had been submitted to IRD (Note 32); and

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**Note 32:** *HKAFSL records indicated that the estimated total amount of tax payable for the 13 performance contracts of overseas artists was some \$500,000. In 2018, some \$300,000 were due for payment and settled by HKAFSL. According to HKAFSL, payment information for the balance amount was pending from IRD.*

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- (b) for the remaining 29 (69%) performance contracts, the IR623 forms had not been submitted to IRD. As at the end of January 2019, around 10 to 11 months had elapsed since the IR623 forms were due for submission (see para. 4.17(c)(i)).

4.19 Upon enquiry, HKAFSL informed Audit in February 2019 that:

- (a) the delay in submission of the IR623 forms for the 29 performance contracts of overseas artists was mainly due to HKAFSL's staff turnover during the year; and
- (b) it would shortly submit the IR623 forms to IRD.

4.20 Audit considered that for the 29 performance contracts for the 46<sup>th</sup> HKAF in 2018, the submission of outstanding IR623 forms to IRD was a matter of priority. Furthermore, HKAFSL also needed to ascertain whether there were any non-submission of IR623 forms for overseas artists engaged in previous years and take remedial action where necessary.

4.21 In March 2019, HKAFSL informed Audit that:

- (a) the outstanding IR623 forms for the 29 performance contracts (see para. 4.18(b)) were submitted to IRD in February and March 2019; and
- (b) HKAFSL had completed a check on the submission of IR623 forms for previous years. The check showed that all forms had been duly submitted to IRD.

Audit considers that HKAFSL needs to ensure that all IR623 forms are promptly submitted in future.

## Audit recommendations

4.22 **Audit has *recommended* that the Executive Director, Hong Kong Arts Festival Society Limited should:**

- (a) **take effective measures to address the high staff turnover rate, taking into account staff's reasons for leaving HKAFSL; and**
- (b) **ensure that IR623 forms are promptly submitted when non-resident entertainers arrive in Hong Kong.**

## **Response from Hong Kong Arts Festival Society Limited**

4.23 The Executive Director, Hong Kong Arts Festival Society Limited agrees with the audit recommendations. She has said that there is high mobility in the work force in Hong Kong. There has been major recruitment from large arts organisations in the last two years, and this is likely to continue as new venues and new initiatives come on stream. In January 2019, the median length of service for HKAFSL staff was 2.2 years.

**Appendix A**  
(paras. 1.5(a)(iii)  
and 2.2 refer)

### Hong Kong Arts Festival arts programmes (2018)

Programme	Genre	Programme name	Number of performances
1	Dance	American Ballet Theatre — <i>Whipped Cream</i>	7
2	Dance	Asia Pacific Dance Platform X — <i>Dance, if you want to enter my country!</i>	2
3	Dance	Asia Pacific Dance Platform X — <i>Gravitas/ Between Tiny Cities</i>	2
4	Dance	Asia Pacific Dance Platform X — <i>if it's all in my veins</i>	2
5	Dance	Ballett Zurich — <i>Anna Karenina</i>	4
6	Dance	Israel Galvan — <i>FLA.CO.MEN</i>	2
7	Dance	PPS Danse — <i>Playing Hooky</i>	3
8	Dance	Saburo Teshigawara   KARAS — <i>Tristan and Isolde</i>	4
9	Dance	Svetlana Zakharova & Vadim Repin — <i>Pas de deux for Toes and Fingers</i>	2
10	Dance	The Hong Kong Jockey Club Contemporary Dance Series — <i>Dance Exchange</i>	2
11	Dance	The Hong Kong Jockey Club Contemporary Dance Series — <i>Dance Off</i>	6
12	Dance	The Hong Kong Jockey Club Contemporary Dance Series — <i>The Battle Zone   Vortex</i>	2
13	Music	Al Ayre Espanol — <i>Spanish Treasures in the Americas</i>	1
14	Music	<i>Beyond Impressionism</i> — Piano Concert and Film Screening	1
15	Music	B'Rock Orchestra — <i>Sounding Stories</i>	1
16	Music	Cecile McLorin Salvant and the Aaron Diehl Trio	2
17	Music	Chris Botti	2
18	Music	Danish National Symphony Orchestra	1
19	Music	Estonian National Symphony Orchestra and Estonian National Male Choir	2
20	Music	Hong Kong Chinese Orchestra — <i>Liu Bang, Xiang Yu and the Terra Cotta Warriors</i>	1

**Appendix A**  
(Cont'd)  
(paras. 1.5(a)(iii)  
and 2.2 refer)

Programme	Genre	Programme name	Number of performances
21	Music	Jean-Claude Pennetier Piano Recital	1
22	Music	Maxim Rysanov & Hong Kong Sinfonietta	1
23	Music	Nouveau Jazz Weekend — Vila Navio/ <i>Fortuna Plays Szymborska</i> /Maciej Fortuna Special Quartet	4
24	Music	<i>O is for OPERA!</i> Family Concert by Welsh National Opera	1
25	Music	State Academic Symphony Orchestra of Russia “Evgeny Svetlanov”	3
26	Music	Trio Pennetier Pasquier Pidoux	1
27	Music	Verbier Festival Chamber Orchestra	1
28	Music	Vox Clamantis	2
29	Music	World Music Weekend — Anna Maria Jopek and Kroke/Songhee Pansori LAB/Namgar	4
30	Opera	Cantonese Opera — <i>Farewell My Concubine</i>	3
31	Opera	Cantonese Opera — <i>Pavilion of a Hundred Flowers</i>	3
32	Opera	China National Peking Opera Company	4
33	Opera	Welsh National Opera — Debussy’s <i>Pelleas et Melisande</i>	2
34	Theatre	Actors Touring Company and Royal Lyceum Theatre Edinburgh — <i>The Suppliant Women</i>	5
35	Theatre	Claude Redy — <i>Dream and Derangement</i>	4
36	Theatre	<i>Doctrine of Happiness</i>	8
37	Theatre	Isango Ensemble — <i>A Man of Good Hope</i>	4
38	Theatre	Les 7 Doigts de la Main & Theatre Republique — <i>Bosch Dreams</i>	3
39	Theatre	National Theatre of Great Britain — <i>The Curious Incident of the Dog in the Night-Time</i>	14
40	Theatre	Nature Theater of Oklahoma & EnKnapGroup — <i>Pursuit of Happiness</i>	3
41	Theatre	<i>The Great Learning</i>	8
42	Theatre	Theatre of Nations, Moscow — <i>Shukshin’s Stories</i>	2
Total			130

Source: HKAFSL records

## International artists and ensembles presented in Hong Kong Arts Festivals

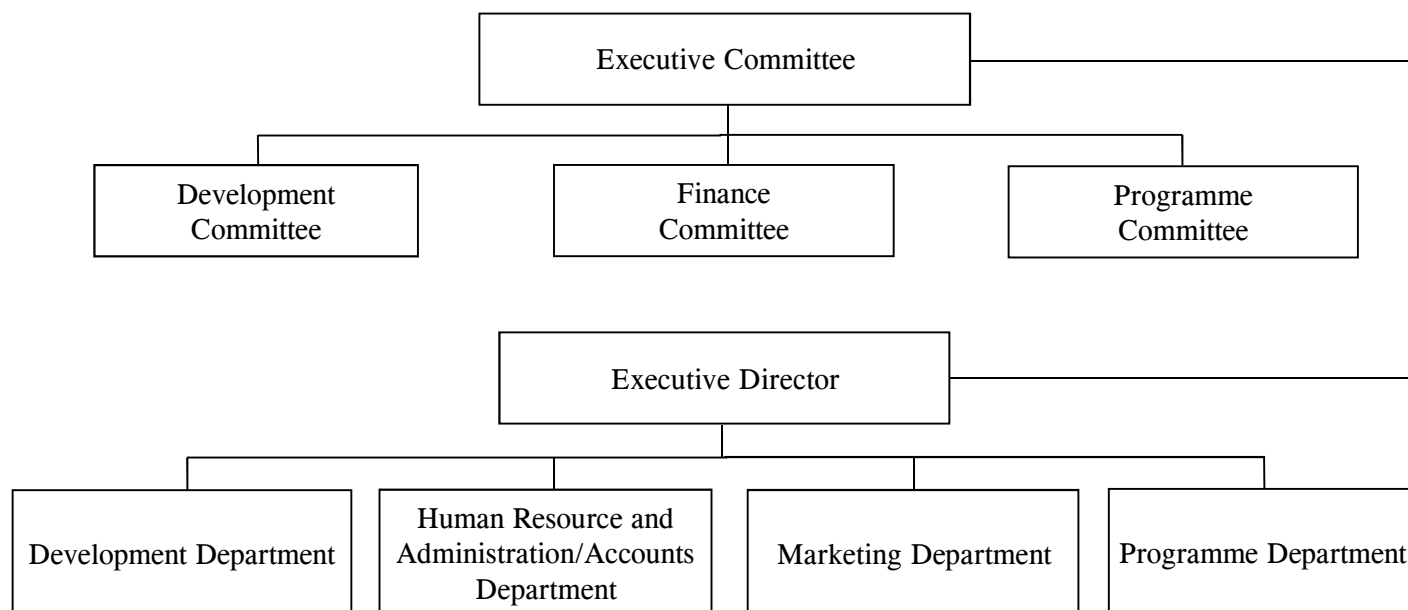
According to HKAFSL, it has over the years presented in HKAFs top international artists and ensembles across multiple genres, such as:

- (a) ***Western opera:*** Bavarian State Opera, Oper Leipzig, The Bolshoi Theatre, and The Mariinsky Theatre;
- (b) ***Chinese opera:*** China National Peking Opera Company, Hebei Clapper Opera Troupe, Shanghai Zhang Jun Kunqu Art Center, Suzhou Kunqu Opera Company of Jiangsu, and Zhejiang Xiaobaihua Yue Opera Troupe;
- (c) ***Classical music:*** Cecilia Bartoli, Riccardo Chailly, Seong-Jin Cho, Gustavo Dudamel, Philip Glass, Yo-Yo Ma, Denis Matsuev, Anna Netrebko, Gianandrea Noseda, Seiji Ozawa, Gennady Rozhdestvensky, Christian Thielemann, London Symphony Orchestra, NHK Symphony Orchestra, Royal Concertgebouw Orchestra, Rundfunkchor Berlin, Thomanerchor Leipzig, and Vienna Philharmonic Orchestra;
- (d) ***Jazz and world music:*** Bobby McFerrin, Youssou N'Dour, Esperanza Spalding, Orquesta Buena Vista Social Club, and Pink Martini;
- (e) ***Dance:*** Mikhail Baryshnikov, Sylvie Guillem, Akram Khan, American Ballet Theatre, Cloud Gate Dance Theatre, The Hamburg Ballet — John Neumeier, New York City Ballet, Paris Opera Ballet, and Tanztheater Wuppertal Pina Bausch; and
- (f) ***Theatre:*** Peter Brook, Yukio Ninagawa, Robert Wilson, Berliner Ensemble, National Theatre of China, and Royal Shakespeare Company.

Source: HKAFSL records



**Hong Kong Arts Festival Society Limited:**  
**Organisation chart (extract)**  
**(31 December 2018)**



*Source: HKAFSL records*

**Acronyms and abbreviations**

AGM	Annual general meeting
Audit	Audit Commission
FSA	Funding and service agreement
HAB	Home Affairs Bureau
HKAF	Hong Kong Arts Festival
HKAFSL	Hong Kong Arts Festival Society Limited
IRD	Inland Revenue Department
LCSD	Leisure and Cultural Services Department
YFS	Young Friends Scheme

## **CHAPTER 7**

**Education Bureau  
Vocational Training Council**

**Hospitality training provided by  
the Hotel and Tourism Institute,  
the Chinese Culinary Institute and  
the International Culinary Institute**

**Audit Commission  
Hong Kong  
1 April 2019**

*This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.*

Report No. 72 of the Director of Audit contains 8 Chapters which are available on our website at <https://www.aud.gov.hk>

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# **HOSPITALITY TRAINING PROVIDED BY THE HOTEL AND TOURISM INSTITUTE, THE CHINESE CULINARY INSTITUTE AND THE INTERNATIONAL CULINARY INSTITUTE**

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# **HOSPITALITY TRAINING PROVIDED BY THE HOTEL AND TOURISM INSTITUTE, THE CHINESE CULINARY INSTITUTE AND THE INTERNATIONAL CULINARY INSTITUTE**

## **Executive Summary**

1. The Vocational Training Council (VTC) provides vocational and professional education and training for students from post-Secondary 3 to post-Secondary 6 levels and also a diverse range of professional development programmes for people in employment. VTC provides vocational and professional education services mainly through its 13 member institutions. Three of them specialise in offering programmes on hospitality, namely: (a) the Hotel and Tourism Institute (HTI); (b) the Chinese Culinary Institute (CCI); and (c) the International Culinary Institute (ICI). HTI, CCI and ICI are managed by the same management team and VTC monitors their income and expenditure collectively as a single accounting unit (hereinafter, HTI, CCI and ICI are referred to collectively as the Institutes). The Institutes offer programmes at four campuses, which are located in the VTC Pokfulam Complex, the ICI Building (adjacent to the VTC Pokfulam Complex), the VTC Kowloon Bay Complex and the VTC Tin Shui Wai Building respectively. To provide integral vocational training beyond classroom, the Institutes have established a training hotel (The T Hotel), including The T Hotel Lounge, two Western training restaurants and a Chinese training restaurant. In academic year 2017/18 (unless stated otherwise, all years mentioned hereinafter refer to academic years), the Institutes offered 34 full-time programmes and 43 part-time programmes. The numbers of full-time students and part-time students enrolled were 3,000 and 4,416 respectively. The Audit Commission (Audit) has recently conducted a review of the hospitality training provided by the Institutes.

## **Management of programmes**

2. *Need to enhance the development of new programmes.* In the period from 2017/18 to 2018/19, the Institutes planned to offer seven new full-time pre-employment programmes, comprising four Higher Diploma programmes, one Diploma programme and two Certificate programmes. Of the seven

## Executive Summary

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new programmes, the launch of three were postponed and one was cancelled (paras. 2.2 and 2.3).

3. *Need to step up efforts to enhance the performance of programmes.* According to the VTC Quality Assurance System, the Institutes are required to conduct annual analysis on the performance of programmes for the purpose of making continuous improvement. In 2016/17, the Institutes reviewed 22 full-time programmes and 6 part-time programmes. Audit found that: (a) the enrolment rates of some HTI and CCI programmes could not meet the target enrolment rate of 100%. The enrolment rates of 7 (32%) of the 22 full-time programmes were below 100%, ranging from 0% to 77%. The enrolment rate of one (17%) of the six part-time programmes was 44%; (b) some programmes offered by ICI were over-enrolled. The enrolment rates of 12 (55%) of the 22 full-time programmes were over 100%, ranging from 106% to 207%. The enrolment rates of three (50%) of the six part-time programmes were over 100%, ranging from 107% to 120%. Over-enrolment of students may adversely affect the teaching quality; (c) the retention rates of HTI's full-time Certificate programmes, CCI's full-time Certificate programmes and ICI's full-time Diploma programmes were 81%, 78% and 83% respectively and were below the target retention rate of 85%; and (d) no target pass rate was set for the Institutes' programmes. The pass rates of HTI's full-time Certificate programmes, CCI's full-time Certificate programmes and part-time Diploma programmes, and ICI's part-time Certificate programmes were below 80% (ranging from 72% to 77%) (paras. 2.9 and 2.11).

4. *Need to cover more graduates in the Survey of Employers' Views.* For graduates who fulfil the following criteria, their employers will be invited to participate in the Survey of Employers' Views: (a) graduates who engage in full-time employment terms relevant to their study; (b) graduates who are employed in the same company for at least three months prior to the survey period; and (c) graduates who give consent that their employers could be contacted for the Survey. For the Survey on students graduated in 2015/16, of the 323 graduates who fulfilled the first two criteria, only 138 (43%) gave consent that their employers could be contacted for the Survey. Questionnaires were sent to the employers of the 84 valid samples and 69 were returned from them. The 69 questionnaires returned from the employers represented only 15% of the 470 employed graduates of 2015/16 (paras. 2.13 and 2.15).

## Executive Summary

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5. ***Deviations from the General Academic Regulations need to be properly approved.*** According to the VTC's General Academic Regulations (GARs), industrial attachment is a mandatory part of the curriculum of the Higher Diploma programmes offered by VTC. All students are required to complete industrial attachment for graduation. Audit found that there was no industrial attachment module for one Higher Diploma programme offered in 2018/19 and another to be offered in 2019/20 by the Institutes. There was no documentary evidence showing the justifications and approval for the deviation from GARs (paras. 2.19 and 2.21 to 2.23).

### Management of The T Hotel and training restaurants

6. ***Management of The T Hotel.*** The aim of The T Hotel is to enhance the training facilities for students by providing them with a real-life workplace environment (para. 3.2). Audit identified the following areas for improvement:

- (a) ***Need to improve hotel occupancy rate.*** The Institutes used the occupancy rate of 70% to estimate the room revenue of The T Hotel. At a meeting of the Yield Management Committee held in 2014, the Chairperson said that The T Hotel should maintain the optimal training activities at a level of 20 to 21 occupied rooms (i.e. an occupancy rate of 69% to 72%) daily. In the five-year period from financial year 2013-14 to 2017-18, the hotel monthly occupancy rates ranged from 28.3% to 81.5%, averaging 54.9%. The monthly occupancy rates in 53 (88%) of the 60 months were lower than 70% (paras. 3.4 to 3.6);
- (b) ***Need to better utilise the agency booking channel.*** Hotel guests can book rooms of The T Hotel either through online booking platforms provided by a travel agency (agency booking channel) or direct reservation by telephone or e-mail (direct booking channel). However, in the period from 2016 (May to December) to 2018: (i) the annual selling rates (i.e. the percentage of allocated room nights sold) of the agency booking channel (ranging from 96.9% to 99.7%) was significantly higher than the annual selling rates of the direct booking channel (ranging from 54.5% to 58.5%); and (ii) less than 20% of room nights were allocated to the agency booking channel (paras. 3.8 and 3.9);

## Executive Summary

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- (c) ***Need to improve the utilisation of training spa.*** The T Hotel has a training spa equipped with Jacuzzi, sauna, steam bath and treatment rooms. The utilisation of the training spa in the period from 2016 to 2018 was on the low side: (i) the number of guests using the training spa each year ranged from 356 to 565; and (ii) while there was improvement, the percentage of days in 2018 during which no guests used the training spa was still high (25%) (paras. 3.10 and 3.11);
  - (d) ***Need to improve the response rate of guest satisfaction survey.*** The T Hotel collected feedback from guests through guest comment cards. In the period from financial year 2013-14 to 2017-18, the annual response rate of the guest satisfaction survey decreased from 21% in financial year 2013-14 to 13% in financial year 2017-18 (paras. 3.13 and 3.14); and
  - (e) ***Need to ensure that recommendations made by the Internal Audit Unit are implemented in a timely manner.*** In December 2013, the Internal Audit Unit (IAU) of VTC completed an audit on the operation of The T Hotel and made 64 recommendations. In October 2015, actions to implement 38 (59%) of the 64 recommendations were not completed. As at 30 November 2018, of the 38 recommendations, two had not been followed through (paras. 3.16 and 3.17).
7. ***Management of training restaurants and hotel lounge.*** The Institutes operate three training restaurants and The T Hotel Lounge to provide an enhanced and enriching training environment to students (para. 3.20). Audit identified the following areas for improvement:
- (a) ***Need to consider extending the microbiological tests to cover the Western training restaurant at the VTC Kowloon Bay Complex.*** The Institutes conducted microbiological tests as one of the measures to ensure food safety. While microbiological tests were conducted at the Chinese training restaurant, the Western training restaurant and The T Hotel Lounge at the VTC Pokfulam Complex, it was not carried out at the Western training restaurant at the VTC Kowloon Bay Complex (paras. 3.22 and 3.23);

## Executive Summary

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- (b) *Need to collect customer feedback on trainees' Putonghua standard (in addition to English standard).* The Chinese training restaurant, the two Western training restaurants and The T Hotel Lounge were operated under The Dining Society (TDS). One of the objectives of TDS is to promote the use of English and Putonghua between members and students of the Institutes. Every table of customers of the training restaurants and The T Hotel Lounge is invited to complete a satisfaction survey questionnaire. However, the questionnaire only covered trainees' English standard but not the trainees' Putonghua standard (paras. 3.28, 3.29, 3.32 and 3.33);
- (c) *Need to explore other food waste treatment methods at the VTC Kowloon Bay Complex and the VTC Tin Shui Wai Building.* One of VTC's environmental policies is to work towards the achievement of sustainable development. Audit noted that food waste at the VTC Kowloon Bay Complex and the VTC Tin Shui Wai Building was not treated but disposed of as general waste due to absence of food waste decomposers (para. 3.30); and
- (d) *Need to put the surplus fund of TDS into gainful use.* In the five-year period from financial year 2013-14 to 2017-18, the amount of surplus fund of TDS increased by 60% from \$3.8 million to \$6.1 million, representing nine times of the operating expenses of TDS in financial year 2017-18 (\$671,742). As a considerable amount of surplus fund has been accumulated, there is a need to devise a plan to put the surplus fund into gainful use (paras. 3.34 and 3.35).

## Administrative issues

8. *Need to improve campus environmental performance.* Campuses of member institutes are required to meet the environmental targets to reduce waste and consumption of resources. Audit found that: (a) for the VTC Pokfulam Complex, the reduction in electricity consumption in 2015/16 and 2017/18 and the percentage of recycled paper consumed in 2017/18 did not meet the targets; and (b) campus environmental targets were only set for alternate years. In the years when environmental targets were not set, students and staff might become less committed to reducing waste and consumption of resources (paras. 4.2, 4.6 and 4.8).

## Executive Summary

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9. ***Need to endeavour to improve campus safety.*** In the period from 2013/14 to 2017/18, 97 accidents occurred in the campuses of the Institutes. The number of accidents increased from 16 in 2013/14 to 29 in 2016/17 and 20 in 2017/18. Of the 97 accidents, 65 (67%) accidents involved cut or fall (para. 4.10).

10. ***Need to improve timeliness of accident handling.*** The objective of the accident investigation is to determine the causes of the accident and take corrective measures to prevent the recurrence of similar accidents. The VTC Safety Management Manual stipulates that the accident report for every accident should be completed and submitted to the Institute Secretariat within 48 hours after the accident. In 19 (95%) of the 20 accidents occurred in 2017/18, the accident reports were not submitted to the Institute Secretariat within 48 hours (paras. 4.13 and 4.14).

11. ***Need to take measures to reduce vacant posts and staff turnover.*** At the end of each academic year from 2015/16 to 2017/18, the number of vacant posts of the Institutes ranged from 39.5 to 46.5, representing 10.8% to 12.3% of the number of staff establishment. During the same period, the staff turnover rate increased by 3 percentage points from 14.2% in 2015/16 to 17.2% in 2017/18. Considerable number of vacant posts and significant level of staff turnover rate would increase the workloads of other staff and might adversely affect the teaching quality and the operations of the Institutes (paras. 4.20, 4.22 and 4.24).

12. ***Need to encourage staff to attain more Continuous Professional Development hours.*** The Continuous Professional Development (CPD) Scheme aims to encourage staff to upgrade and update their professional knowledge and skills through different forms of professional training and development activities. The Scheme operates on a non-mandatory basis and each of the staff covered by the Scheme is encouraged to attain not less than 40 CPD hours within a CPD cycle of two consecutive years. Audit found that: (a) for the first CPD cycle from 1 October 2013 to 30 September 2015, of the 154 staff covered by the Scheme, 91 (59%) did not attain 40 or more CPD hours; and (b) for the second CPD cycle from 1 October 2015 to 30 September 2017, of the 170 staff covered by the Scheme, 39 (23%) did not attain 40 or more CPD hours (paras. 4.25 and 4.26).

## Executive Summary

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13. ***Missing inventory items.*** According to the Stores Manual of VTC, the Head of the Institutes appoints officers to inspect and verify stocks at an interval of no less than once in every two years. Audit examined the stocktaking exercise results for financial year 2017-18 and noted that of the 618 items inspected, 96 (15.5%) were found missing (their original value amounted to \$236,288) (para. 4.30).

### **Audit recommendations**

14. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Executive Director, VTC should:**

#### ***Management of programmes***

- (a) **identify lessons to be learnt from the postponement/cancellation of planned programmes with a view to enhancing the programme development of the Institutes in future (para. 2.7);**
- (b) **step up efforts to enhance the performance of programmes offered by the Institutes, in particular, the enrolment rates, the retention rates and the pass rates (para. 2.17(a));**
- (c) **ensure as far as possible that the number of students enrolled should not exceed the plan by a significant margin and, in cases where over-enrolment cannot be avoided, take effective measures to mitigate the possible adverse impacts of over-enrolment on the programmes (para. 2.17(b));**
- (d) **take measures to encourage more graduates to give consent for VTC to contact their employers in the Survey of Employers' Views (para. 2.17(c));**
- (e) **review the criteria for covering employers in the Survey of Employers' Views so that more graduates' employers can be covered in the Survey (para. 2.17(d));**
- (f) **take measures to ensure that deviations from GARs are properly approved if considered justifiable (para. 2.25(b));**

## **Executive Summary**

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### ***Management of The T Hotel and training restaurants***

- (g) **take measures to improve the occupancy rate of The T Hotel to achieve the optimal occupancy rate (para. 3.18(a));**
- (h) **consider allocating more room nights of The T Hotel to the agency booking channel (para. 3.18(b));**
- (i) **take measures to improve the utilisation of the training spa in The T Hotel (para. 3.18(c));**
- (j) **take measures to improve the response rate of the guest satisfaction survey of The T Hotel (para. 3.18(d));**
- (k) **expedite the follow-up actions on the two outstanding recommendations made by IAU in 2013 on the operation of The T Hotel (para. 3.18(e));**
- (l) **consider extending the microbiological tests to cover the Western training restaurant at the VTC Kowloon Bay Complex (para. 3.36(a));**
- (m) **collect feedback from the customers of the training restaurants and The T Hotel Lounge on the trainees' Putonghua standard (in addition to English standard) (para. 3.36(c));**
- (n) **explore other food waste treatment methods at the VTC Kowloon Bay Complex and the VTC Tin Shui Wai Building (para. 3.36(d));**
- (o) **in collaboration with TDS, devise a plan to put the surplus fund of TDS into gainful use (para. 3.36(e));**

### ***Administrative issues***

- (p) **endeavour to improve the environmental performance of the Institutes (para. 4.17(a));**



## **Executive Summary**

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- (q) **consider setting campus environmental targets for every year (instead of alternate years) or, alternatively, extending the environmental targets to cover two years (para. 4.17(b));**
- (r) **conduct an analysis of the accidents in past years and endeavour to take effective measures with a view to reducing the occurrence of accidents (para. 4.17(c));**
- (s) **take measures to ensure that accidents are handled in a timely manner according to the procedures stipulated in the VTC Safety Management Manual (para. 4.17(d));**
- (t) **take remedial measures to reduce the number of vacant posts and staff turnover and monitor the effectiveness of the measures (para. 4.28(a));**
- (u) **step up efforts in encouraging staff who did not attain 40 or more CPD hours within two consecutive years to actively participate in CPD activities (para. 4.28(b));**
- (v) **in view of the fact that 15.5% of items selected for inspection were found missing in the stocktaking exercise for financial year 2017-18, increase the sample size in the next stocktaking exercise (para. 4.35(b)); and**
- (w) **complete the review of the inventory control system as soon as possible and, in light of the results of the review, implement measures to address the issues identified in the review in a timely manner (para. 4.35(c) and (d)).**

## **Response from VTC**

15. The Executive Director, VTC agrees with the audit recommendations.



## PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

### *Background*

1.2 The Vocational Training Council (VTC) was established in 1982 under the VTC Ordinance (Cap. 1130). It provides vocational and professional education and training at degree, higher diploma, diploma and certificate levels for students from post-Secondary 3 to post-Secondary 6 levels. It also provides a diverse range of professional development programmes for people in employment.

1.3 VTC provides vocational and professional education services mainly through its 13 member institutions. Three of them specialise in offering programmes on hospitality, as follows:

- (a) ***Hotel and Tourism Institute.*** The Hotel and Tourism Institute (HTI), formerly known as the Hospitality Industry Training and Development Centre, was established in 1985. HTI offers full-time and part-time diploma and certificate programmes targeting young people at Secondary 3 level or above as well as in-service personnel. HTI students receive practical training including hotel operations, food and beverage service, catering and event management, tour service, travel agency operations and body/beauty therapies;
- (b) ***Chinese Culinary Institute.*** The Chinese Culinary Institute (CCI), formerly known as the Chinese Cuisine Training Institute, was established in 2000. CCI offers full-time and part-time higher diploma, diploma and certificate programmes in Chinese culinary arts. CCI aims to provide systematic training in Chinese cuisine from elementary to master chef levels, and to provide training in the area of catering management; and

## Introduction

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- (c) *International Culinary Institute.* Established in 2014, the International Culinary Institute (ICI) aims to develop quality manpower in culinary arts, wine and event management. Training programmes from ICI lead to qualification awards at higher diploma, diploma and certificate levels. The programmes focus on international cuisines, covering European, Mediterranean, American, Middle Eastern and Asian cuisines.

1.4 To enhance students' employability and international exposure, HTI, CCI and ICI have partnered with many local and international training and culinary organisations for student and staff exchanges as well as programme articulation. The partnership network covers 18 countries and regions. Moreover, students of ICI and CCI participate in various international competitions for knowledge exchange and networking. Since 2014, students of CCI and ICI have won over 80 awards in international competitions.

1.5 HTI, CCI and ICI are managed by the same management team (see para. 1.12). VTC also monitors their income and expenditure collectively as a single accounting unit (hereinafter, HTI, CCI and ICI are referred to collectively as the Institutes). For the financial year 2017-18, the Institutes received income of \$47 million from various sources such as programme fees and hire of accommodation. The expenditure incurred was \$198 million, comprising staff expenditure of \$142 million and operating expenditure of \$56 million.

### *Training facilities*

1.6 The Institutes offer programmes at four campuses, which are located in the VTC Pokfulam Complex, the ICI Building (see para. 1.7), the VTC Kowloon Bay Complex and the VTC Tin Shui Wai Building (see Photographs 1 to 4).

**Photograph 1**

**VTC Pokfulam Complex**



*Source: The Institutes' records*

**Photograph 2**

**ICI Building adjacent to the VTC Pokfulam Complex**



*Source: The Institutes' records*

**Photograph 3**

**VTC Kowloon Bay Complex**



*Source: The Institutes' records*

**Photograph 4**

**VTC Tin Shui Wai Building**



*Source: The Institutes' records*

## Introduction

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1.7 In July 2013, the Finance Committee of the Legislative Council approved the construction of a new ICI building located adjacent to the VTC Pokfulam Complex (see Photograph 2). The estimated project cost of the building was \$657.5 million, comprising the following two main construction works:

- (a) the construction of a new ICI Building; and
- (b) the construction of an underground tunnel linking the existing VTC Pokfulam Complex to the new ICI Building.

In February 2018, the Occupation Permit of the new ICI Building was obtained by VTC. The new ICI Building was put into use in September 2018. As at February 2019, the construction of the underground tunnel was still in progress. The latest cost estimate for the completion of the project was \$808.3 million (Note 1).

1.8 Apart from classrooms, the Institutes feature a number of purpose-built facilities, such as training kitchens, a food science laboratory, housekeeping laundry workshops and a housekeeping cleaning studies room. To provide integral vocational training beyond classroom, the Institutes have established a training hotel (The T Hotel), including The T Hotel Lounge, at the VTC Pokfulam Complex, two Western training restaurants (one at the VTC Pokfulam Complex and one at the VTC Kowloon Bay Complex) and a Chinese training restaurant at the VTC Pokfulam Complex (see Table 1).

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**Note 1:** *The estimated additional project cost of \$150.8 million (i.e. \$808.3 million — \$657.5 million) is funded by VTC.*



**Table 1**  
**Training hotel and training restaurants at the Institutes**  
**(2017/18)**

	<b>VTC Pokfulam Complex</b>	<b>VTC Kowloon Bay Complex</b>
Training hotel (including hotel lounge)	1 (The T Hotel and The T Hotel Lounge)	—
Chinese training restaurant	1	—
Western training restaurant	1	1

*Source:* Audit analysis of the Institutes' records

*Remarks:* The VTC Tin Shui Wai Building did not have training hotel or training restaurant.

### ***Training programmes***

1.9 The Institutes provide two types of programmes:

- (a) ***Pre-employment programmes.*** Pre-employment programmes are designed to equip the students with the necessary skills and knowledge to secure a gainful employment; and
- (b) ***Upgrading programmes.*** Upgrading programmes are designed to upgrade the skills of in-service personnel.

All programmes offered by the Institutes were subvented. Most of the resources of the Institutes were deployed for the provision of the full-time pre-employment programmes. In academic year 2017/18 (Note 2), full-time pre-employment programmes accounted for 1.78 million (97%) of the 1.84 million training hours whereas upgrading programmes accounted for the remaining 60,000 (3%) training hours. Table 2 shows the number of programmes and students enrolled in 2017/18.

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**Note 2:** Unless otherwise stated, all years mentioned hereinafter refer to academic years, which start on 1 September of a year and end on 31 August of the following year.

**Table 2**  
**Number of programmes and students enrolled**  
**(2017/18)**

	Institute			Total
	HTI	CCI	ICI	
Full-time pre-employment programmes				
No. of programmes	12	5.5 (Note)	10.5 (Note)	28
No. of students enrolled	779	324	835	1,938
Full-time upgrading programmes				
No. of programmes	1	5	0	6
No. of students enrolled	991	71	0	1,062
Part-time upgrading programmes				
No. of programmes	16	16	11	43
No. of students enrolled	2,430	927	1,059	4,416

*Source: Audit analysis of the Institutes' records*

*Note: One of the full-time pre-employment programmes, entitled "Higher Diploma of Culinary Arts", was jointly provided by CCI and ICI. Therefore, 0.5 was added to the number of programmes of CCI and ICI respectively.*

### ***Governance and management***

1.10 The Institutes are under the supervision of a Deputy Executive Director. The Deputy Executive Director is supported by the HTI/CCI/ICI Management Committee. The terms of reference of the Management Committee are as follows:

- (a) to report to the Vocational Education and Training Management Committee (VETMC) (Note 3) on matters related to the development and operations of the Institutes;
- (b) to formulate strategies, policies and plans pertaining to the operations and development of the Institutes;
- (c) to monitor and review all matters pertaining to operations, policies and procedures, quality assurance issues, resources and facilities, training and trainee issues including recruitment and placement, performance indicators, finance and action plan of the Institutes;
- (d) to determine the allocation of resources in the Institutes and monitor their utilisation;
- (e) to submit progress reports and strategic development plan to VETMC; and
- (f) to undertake any tasks referred to it by VETMC.

1.11 The following boards and committees are established to steer, support and monitor the delivery of vocational and professional education and training of the Institutes (see Appendix A):

- (a) ***Vocational Education and Training Academic Board.*** The Vocational Education and Training Academic Board (VETAB) is the highest academic body of VTC. It is responsible for setting standards, and approving and overseeing all aspects of academic activities within VTC;

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**Note 3:** *VETMC is responsible for matters for the effective operation of programmes at sub-degree or equivalent levels, including the strategic development, allocation of resources, and formulation of administrative policies and guidelines.*

- (b) ***Hotel, Catering and Tourism Training Board and Chinese Culinary Institute Training Board.*** The Hotel, Catering and Tourism Training Board and the Chinese Culinary Institute Training Board are established to advise VTC on the manpower demand and training needs of the industries. They are advisory boards comprising representatives from the industrial and commercial sectors which give discipline-specific advice on the overall direction of manpower development training and the strategy for the provision of vocational education and training to meet the projected demand of the industries;
- (c) ***HTI/CCI/ICI Academic Committee.*** The HTI/CCI/ICI Academic Committee reports to VETAB. It is responsible for looking after the academic management and quality assurance of programmes offered by the Institutes;
- (d) ***HTI/CCI/ICI Quality Assurance Committee.*** The duties of the HTI/CCI/ICI Quality Assurance Committee include overseeing the implementation of the Quality Assurance System and ensuring that the programmes fulfil the requirements of accreditation authorities (such as the Hong Kong Council for Accreditation of Academic and Vocational Qualifications) and align with the standards of the Qualifications Framework; and
- (e) ***Programme Boards and Module Board.*** Under the HTI/CCI/ICI Academic Committee, there are three Programme Boards and one Module Board. The Programme Boards and Module Board are responsible for setting academic standards and maintaining the academic quality of the programmes and modules, and maintaining regular review and evaluation of programmes and modules. The three Programme Boards are the Hotel and Tourism Programme Board, the Food and Beverage and Event Programme Board, and the Culinary Arts Programme Board. The Module Board is the Generic Skills Module Board.

1.12 The day-to-day operations of the Institutes are managed by the HTI/CCI/ICI management team. For 2018, the Institutes had an establishment of 380.5 staff, comprising 1 Principal, 1 Vice Principal, 170.5 teaching staff (Note 4), 86 academic support staff and 122 administrative staff. An extract of organisation chart of the Institutes as at 31 December 2018 is shown at Appendix B.

## Audit review

1.13 In October 2018, the Audit Commission (Audit) commenced a review of the hospitality training provided by the Institutes. The audit has focused on the following areas:

- (a) management of programmes (PART 2);
- (b) management of The T Hotel and training restaurants (PART 3); and
- (c) administrative issues (PART 4).

Audit has found room for improvement in the above areas and has made a number of recommendations to address the issues.

## General response from VTC

1.14 The Executive Director, VTC agrees with all the audit recommendations. She has said that VTC greatly appreciates the strenuous efforts of the audit team in investigating, identifying and suggesting areas of improvement in management of programmes, management of The T Hotel and training restaurants as well as administration of the Institutes.

## Acknowledgement

1.15 Audit would like to acknowledge with gratitude the full cooperation of the staff of the Institutes during the course of the audit review.

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**Note 4:** *The Institutes' staff establishment is on full-year basis. The establishment of 170.5 teaching staff included one staff on a six-month contract (i.e. 0.5 staff).*

## **PART 2: MANAGEMENT OF PROGRAMMES**

2.1 This PART examines the Institutes' management of programmes, focusing on the following areas:

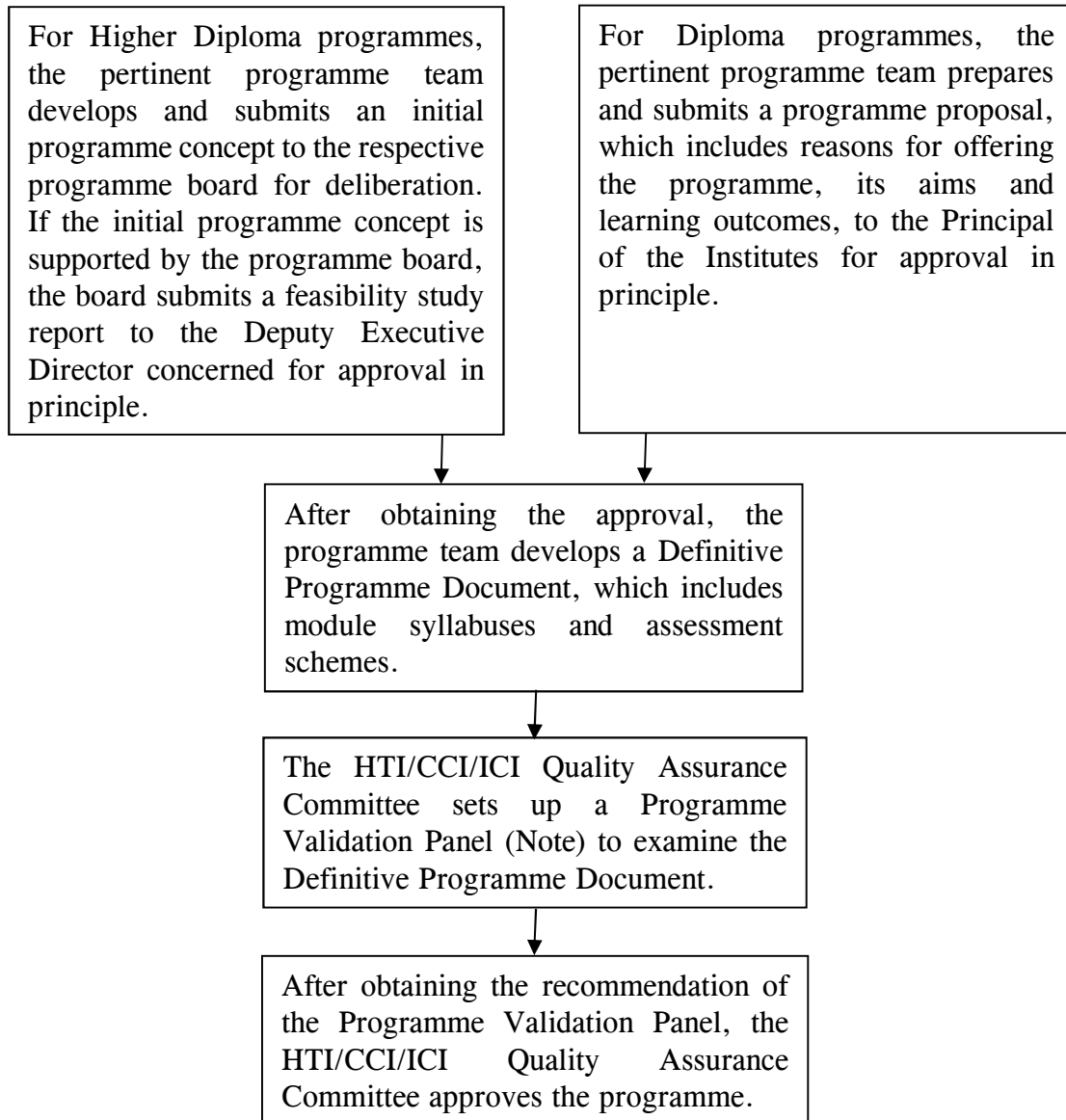
- (a) programme planning (paras. 2.2 to 2.8);
- (b) evaluation of programme performance (paras. 2.9 to 2.18); and
- (c) industrial attachment (paras. 2.19 to 2.26).

### **Programme planning**

2.2 Audit reviewed the Institutes' planning process of programmes in the period from 2017/18 to 2018/19. In the period, the Institutes planned to offer seven new full-time pre-employment programmes, comprising four Higher Diploma programmes, one Diploma programme and two Certificate programmes with fewer than 36 credits. Figures 1 and 2 show respectively the programme development procedures of Higher Diploma programmes and Diploma programmes, and Certificate programmes with fewer than 36 credits.

Figure 1

**Programme development procedures of  
Higher Diploma programmes and Diploma programmes**

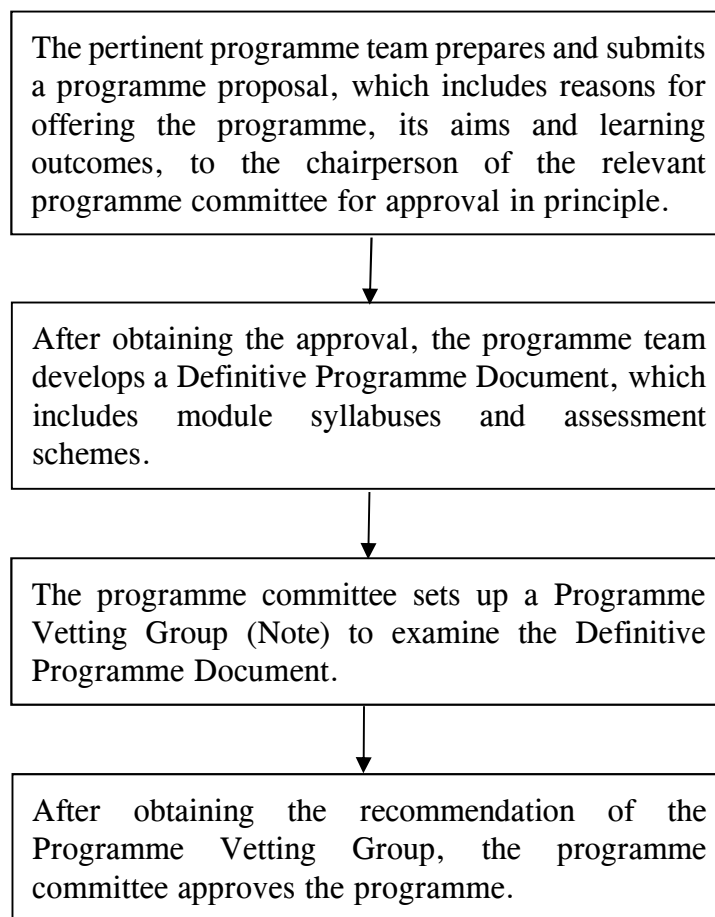


*Source: Audit analysis of the Institutes' records*

*Note: The Programme Validation Panel for Higher Diploma programmes comprises at least five members including at least two external members. The Panel for Diploma programmes comprises at least four members including at least one external member.*

**Figure 2**

**Programme development procedures of  
Certificate programmes with fewer than 36 credits**



*Source: Audit analysis of the Institutes' records*

*Note: The Programme Vetting Group comprises at least two members including staff from another programme committee.*



*Need to enhance the development of new programmes*

2.3 Of the seven new full-time pre-employment programmes planned to be launched in the period from 2017/18 to 2018/19, three were postponed and one was cancelled (see Table 3).

**Table 3**  
**Planned new full-time pre-employment programmes**  
**(2017/18 to 2018/19)**

<b>Programme</b>	<b>Planned year to launch the programme</b>	<b>Remarks</b>
Higher Diploma in International Theme Park and Event Management	2017/18	Launched as planned
Certificate in Hong Kong Local Chinese Desserts	2017/18	Launched as planned
Certificate in Hong Kong Local Specialty Savoury Snacks	2017/18	Postponed: launched in 2018/19
Higher Diploma in Baking and Pastry Arts	2018/19	Launched as planned
Higher Diploma in Wine and Beverage Business Management	2018/19	Postponed: to be launched in 2019/20
Diploma in International Culinary Arts	2018/19	Postponed: to be launched in 2019/20
Higher Diploma in Culinary Science	2018/19	Cancelled

*Source: Audit analysis of the Institutes' records*

## Management of programmes

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2.4 In February 2019, in response to Audit's enquiry about the reasons for postponement or cancellation of the launch of the programmes, the Institutes informed Audit that:

- (a) ***Certificate in Hong Kong Local Specialty Savoury Snacks.*** There was a lot of discussion on the programme design. The whole programme development process was therefore longer than expected. After programme approval, there was limited time for promoting and marketing the programme and as a result, in 2017/18, there were only 4 applications against the planned intake of 15 places. It was decided to launch the programme in 2018/19;
- (b) ***Higher Diploma in Wine and Beverage Business Management.*** For 2018/19, the number of applicants who had chosen this programme as their first choice was 34 against the planned intake of 30 places, yet only 9 of these applicants accepted the conditional offers. As the Institutes considered that there might be more applicants if there were stronger marketing and promotion efforts, it was decided that the programme would be launched in 2019/20;
- (c) ***Diploma in International Culinary Arts.*** The programme was developed to replace two existing culinary related diploma programmes. There was a lot of discussion on the programme structure during the programme development stage which delayed its launch from 2018/19 to 2019/20; and
- (d) ***Higher Diploma in Culinary Science.*** For 2018/19, the number of applicants who had chosen this programme as their first choice was only 13 against the planned intake of 60 places. Therefore, it was decided by the Principal and the Academic Director of the Institutes that the programme would not be launched.

2.5 According to the Institutes' programme development procedures, before a programme is launched:

- (a) various levels of approvals were required. For example, for Higher Diploma programmes and Diploma programmes, the approval from the HTI/CCI/ICI Quality Assurance Committee and senior officials of VTC (e.g. the Deputy Executive Director and the Principal of the Institutes) were required; and

- (b) for Higher Diploma programmes, feasibility studies were required to be carried out to assess the popularity of the planned programme. For example, a survey covering 150 secondary schools was conducted to ascertain the student demand of the Higher Diploma in Culinary Science (see Case 1).

### Case 1

#### The cancellation of the Higher Diploma in Culinary Science programme

1. Audit reviewed the programme planning documents of the Higher Diploma in Culinary Science programme. According to the feasibility study report, a survey was conducted in January 2017 to ascertain the student demand for the programme. Questionnaires were sent to the principals and career masters of 150 secondary schools in Hong Kong. Findings of the survey were as follows:

- (a) all respondents reported that attaining knowledge from such Higher Diploma programme would provide students with an advantage for the employability in food industry;
- (b) over 95% of the respondents considered culinary science as one of the preferable careers in the near future;
- (c) more than 50% of the respondents agreed or strongly agreed that culinary science would be one of the fast expanding sectors in Hong Kong in the coming decade;
- (d) 75% of the respondents believed that there would be a high demand for pre-employment training programme in culinary science or related profession; and
- (e) more than 80% of the respondents would recommend the culinary science training programme to their students.

### Case 1 (Cont'd)

2. Based on the responses collected in the survey, the Institutes considered that it was likely that such programme would be able to achieve its planned intakes.

3. Though the survey showed that the demand for the programme should be good, only 13 applicants had chosen the programme as their first choice.

#### *Audit comments*

4. The Institutes need to revisit the planning process of the programme with a view to identifying lessons to be learnt.

*Source: Audit analysis of the Institutes' records*

2.6 In view of VTC's mission to provide valued supports to industries for their manpower development, Audit considers that the Institutes need to identify lessons to be learnt from the postponement/cancellation of the four planned programmes with a view to enhancing the programme development of the Institutes in future.

### Audit recommendation

2.7 Audit has *recommended* that the Executive Director, VTC should identify lessons to be learnt from the postponement/cancellation of planned programmes with a view to enhancing the programme development of the Institutes in future.

### Response from VTC

2.8 The Executive Director, VTC agrees with the audit recommendation. She has said that the Institutes will identify lessons learnt as recommended and enhance the programme development process as appropriate.

## **Evaluation of programme performance**

2.9 According to the VTC Quality Assurance System, the Institutes are required to conduct annual analysis on the performance of programmes for the purpose of making continuous improvement. Under the System, the Institutes review the Higher Diploma programmes, the Diploma programmes and the Certificate programmes under the Qualifications Framework and submit the Consolidated Programme Quality Analysis Report to the VTC Headquarters.

2.10 The Institutes measure the performance of the programmes using the following seven indicators:

- (a) ***Enrolment rate.*** The enrolment rate is the number of students enrolled as at the end of admission period as a percentage of the number of planned places;
- (b) ***Retention rate.*** For Higher Diploma programmes, the retention rate is the weighted average of the retention rates of the individual modules of the programmes. The retention rate of a module is the number of students assessed as a percentage of the number of students enrolled. For Diploma and Certificate programmes, the retention rate is the number of students enrolled at the end of academic year as a percentage of the number of students enrolled as at the end of admission period;
- (c) ***Pass rate.*** For Higher Diploma programmes, the pass rate is the weighted average of the pass rates of the individual modules of the programmes. The pass rate of a module is the number of students passed as a percentage of the number of students assessed. For Diploma and Certificate programmes, the pass rate is the number of students fulfilling assessment as a percentage of the number of students enrolled as at the end of academic year;
- (d) ***Employment rate.*** The employment rate is the number of graduates in employment as a percentage of the number of employed graduates and graduates seeking employment;

- (e) ***Further study rate.*** The further study rate is the number of graduates pursuing full-time study as a percentage of the number of graduates;
- (f) ***Student satisfaction.*** The student satisfaction of a programme is expressed as a score obtained from analysing the results of the student feedback questionnaires; and
- (g) ***Employer satisfaction.*** The employer satisfaction is expressed as a score obtained from analysing the results of the Survey of Employers' Views.

### ***Need to step up efforts to enhance the performance of programmes***

2.11 In the 2016/17 Consolidated Programme Quality Analysis Report, the Institutes reviewed 22 full-time programmes (comprising 1 Higher Diploma programme, 9 Diploma programmes and 12 Certificate programmes) and 6 part-time programmes (comprising 2 Diploma programmes and 4 Certificate programmes), and reported the overall performance of the programmes by mode and by level (e.g. full-time Diploma programmes, part-time Certificate programmes, etc.). According to the Report, Audit noted the following:

- (a) ***Target enrolment rates of some programmes of HTI and CCI not met.*** The Institutes set a target enrolment rate of 100% for their programmes. Audit noted that in 2016/17, some enrolment rates of HTI and CCI programmes could not meet the target (see Table 4). The enrolment rates of 7 (32%) of the 22 full-time programmes were below 100%, ranging from 0% to 77%. The enrolment rate of one (17%) of the six part-time programmes was below 100% (i.e. 44%);

Table 4

**Enrolment rates of HTI and CCI  
(2014/15 to 2016/17)**

Mode and level	Enrolment rate		
	2014/15	2015/16	2016/17
<b>HTI</b>			
Full-time Diploma programmes	121 %	<b>70%</b>	<b>91%</b>
Full-time Certificate programmes	158 %	<b>69%</b>	<b>60%</b>
<b>CCI</b>			
Full-time Diploma programmes	145 %	108 %	<b>94%</b>
Full-time Certificate programmes	<b>23%</b> (Note 1)	<b>62%</b>	<b>79%</b>
Part-time Diploma programmes	Not applicable (Note 2)	<b>93%</b>	<b>44%</b>

*Source: Audit analysis of the Institutes' records*

*Note 1: The enrolment rates of full-time Certificate programmes of CCI were below target in 2014/15. Resources originally planned for these programmes were directed to offer additional places for full-time Diploma programmes.*

*Note 2: Before 2015/16, part-time programmes were not included in the annual analysis on the performance of programmes.*

## Management of programmes

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- (b) ***Over-enrolment of the programmes offered by ICI.*** Over-enrolment of students may adversely affect the teaching quality. Audit noted that in 2016/17, the enrolment rates of the full-time Higher Diploma programmes, full-time Diploma programmes, full-time Certificate programmes and part-time Certificate programmes offered by ICI were 143 %, 107 %, 164 % and 111 % respectively (see Table 5). The enrolment rates of 12 (55 %) of the 22 full-time programmes were over 100 %, ranging from 106 % to 207 %. The enrolment rates of three (50 %) of the six part-time programmes were over 100 %, ranging from 107 % to 120 %;

**Table 5**

**Enrolment rate of ICI  
(2014/15 to 2016/17)**

Mode and level	Enrolment rate		
	2014/15	2015/16	2016/17
Full-time Higher Diploma programmes	<b>147%</b>	93 %	<b>143%</b>
Full-time Diploma programmes	99 %	<b>124%</b>	<b>107%</b>
Full-time Certificate programmes	91 %	<b>154%</b>	<b>164%</b>
Part-time Certificate programmes	Not applicable (Note)	<b>103%</b>	<b>111%</b>

*Source:* Audit analysis of the Institutes' records

*Note:* Before 2015/16, part-time programmes were not included in the annual analysis on the performance of programmes.



- (c) ***Some programmes not meeting target retention rates.*** The Institutes set a target retention rate of 95 % for the full-time Higher Diploma programmes, and 85 % for the full-time Diploma and Certificate programmes. Audit noted that in 2016/17, the following full-time Diploma and Certificate programmes could not meet the target:
- (i) ***HTI.*** The retention rate of the full-time Certificate programmes was 81 %;
  - (ii) ***CCI.*** The retention rate of the full-time Certificate programmes was 78 %; and
  - (iii) ***ICI.*** The retention rate of the full-time Diploma programmes was 83 %.

In particular, the retention rates of 6 (29 %) of the 21 full-time Diploma programmes and Certificate programmes were below the target of 85 %, ranging from 76 % to 81 %; and

- (d) ***Decreasing pass rates.*** No target pass rate was set for the Institutes' programmes. Audit noted that some of their pass rates were below 80 % in 2016/17 and were on a decreasing trend (see Table 6).

**Table 6**
**Pass rates of programmes  
(2014/15 to 2016/17)**

<b>Mode and level</b>	<b>Pass rate</b>		
	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
<b><i>HTI</i></b>			
Full-time Diploma programmes	92 %	96 %	94 %
Full-time Certificate programmes	93 %	86 %	<b>77%</b>
Part-time Diploma programmes	Not applicable (Note)	94 %	97 %
<b><i>CCI</i></b>			
Full-time Diploma programmes	86 %	91 %	88 %
Full-time Certificate programmes	98 %	83 %	<b>72%</b>
Part-time Diploma programmes	Not applicable (Note)	100 %	<b>75%</b>
<b><i>ICI</i></b>			
Full-time Higher Diploma programmes	80 %	93 %	92 %
Full-time Diploma programmes	89 %	93 %	89 %
Full-time Certificate programmes	98 %	96 %	95 %
Part-time Certificate programmes	Not applicable (Note)	100 %	<b>73%</b>

*Source:* Audit analysis of the Institutes' records

*Note:* Before 2015/16, part-time programmes were not included in the annual analysis on the performance of programmes.

### *Need to cover more graduates in the Survey of Employers' Views*

2.12 To evaluate and monitor the quality of the full-time pre-employment programmes of the Institutes, a Survey of Employers' Views has been commissioned by VTC on an annual basis.

2.13 Under the Survey of Employers' Views, for those graduates who fulfil the following criteria, their employers will be invited to participate in the Survey:

- (a) graduates who engage in full-time employment terms relevant to their studies;
- (b) graduates who are employed in the same company for at least three months prior to the survey period; and
- (c) graduates who give consent that their employers could be contacted for the Survey.

2.14 The Survey of Employers' Views measures the employers' satisfaction of the performance of the graduates of the pre-employment programmes. The employers' satisfaction is rated on a scale of 1 (very poor) to 10 (excellent). According to the results of the Survey on students graduated in 2015/16 submitted by the consultant in October 2018, the overall employers' satisfaction was 7.3.

2.15 For the Survey on students graduated in 2015/16, Audit noted that:

- (a) ***Less than half of the graduates gave consent for the Survey.*** Of the 323 graduates who fulfilled the first two criteria mentioned in paragraph 2.13, only 138 (43%) gave consent that their employers could be contacted for the Survey; and
- (b) ***Employers of only 15% of the Institutes' employed graduates were covered in the Survey.*** Questionnaires were sent to the employers of the 84 valid

## Management of programmes

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samples (Note 5) and 69 were returned from them. The 69 questionnaires returned from the employers represented only 15% of the 470 employed graduates of 2015/16 (Note 6).

2.16 As employer satisfaction is one of the performance indicators (see para. 2.10(g)) in the Quality Assurance System, the representativeness of the data collected from the Survey is important. Audit considers that the Institutes need to take measures to encourage more graduates to give consent for VTC to contact their employers, and review the criteria for covering employers in the Survey of Employers' Views so that more graduates' employers can be covered in the Survey.

## Audit recommendations

2.17 **Audit has *recommended* that the Executive Director, VTC should:**

- (a) **step up efforts to enhance the performance of programmes offered by the Institutes, in particular, the enrolment rates, the retention rates and the pass rates;**
- (b) **ensure as far as possible that the number of students enrolled should not exceed the plan by a significant margin and, in cases where over-enrolment cannot be avoided, take effective measures to mitigate the possible adverse impacts of over-enrolment on the programmes;**
- (c) **take measures to encourage more graduates to give consent for VTC to contact their employers in the Survey of Employers' Views; and**
- (d) **review the criteria for covering employers in the Survey of Employers' Views so that more graduates' employers can be covered in the Survey.**

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**Note 5:** *Examples of invalid samples include graduates who had left the employers' companies or graduates who were part-time staff.*

**Note 6:** *The number of employed graduates refers to those who replied that they had a job and had been working for a pay or profit in the 2015/16 Employment Survey of Graduates.*

## Response from VTC

2.18 The Executive Director, VTC agrees with the audit recommendations. She has said that:

- (a) the Institutes will continue to make efforts to enhance the performance of programmes which is affected by a number of factors such as demographic changes and employment opportunities;
- (b) measures have been and will continually be taken to ensure more effective deployment of existing and additional resources where necessary to maintain the standard of teaching and learning; and
- (c) the Institutes will continue to explore approaches to encourage graduates to give their consent to contact their employers, and will regularly review the selecting criteria of employers when conducting the Survey of Employers' Views.

## Industrial attachment

2.19 According to the VTC's General Academic Regulations (GARs), industrial attachment is a mandatory part of the curriculum of the Higher Diploma programmes offered by VTC. All students are required to complete industrial attachment for graduation.

2.20 Industrial attachment module aims to provide students with an opportunity to relate student's learnt subject knowledge and skills in an authentic workplace so that students can familiarise themselves with the working environment and the norms and practices of the industry concerned. It helps students develop their career readiness and explore their career interests/future career path in the industry.

2.21 In 2018/19, CCI and ICI have offered three Higher Diploma programmes, namely the Higher Diploma in Culinary Arts, the Higher Diploma in International Theme Park and Event Management and the Higher Diploma in Baking and Pastry Arts. ICI will offer a new Higher Diploma programme in 2019/20, namely the Higher Diploma in Wine and Beverage Business Management.

### *Deviations from GARs need to be properly approved*

2.22 Audit noted that for the four Higher Diploma programmes offered or to be offered by CCI and ICI, there was no industrial attachment module for two programmes, namely the Higher Diploma in Baking and Pastry Arts and the Higher Diploma in Culinary Arts. Instead, work-integrated learning module was included in these two programmes.

2.23 According to GARs, in order to meet the registration, licensing or other requirements of specific trades, industrial attachment may be replaced by field work, practicum or work-integrated learning, etc. subject to the approval of the relevant Academic Committee of the programme concerned. Audit examination of the records pertinent to the programme development and approval process of the two Higher Diploma programmes revealed that there was no documentary evidence showing:

- (a) discussions on the requirement under GARs to include industrial attachment in the two Higher Diploma programmes and the justifications for deviating from GARs; and
- (b) the approval for the deviation from GARs.

2.24 In response to Audit's enquiry, VTC informed Audit in February 2019 that VTC was considering the need to review GARs with a view to allowing more flexibility on the adoption of industrial attachment module.

## **Audit recommendations**

2.25 **Audit has recommended that the Executive Director, VTC should:**

- (a) **where necessary, review GARs and make timely revisions with a view to facilitating programme development; and**
- (b) **take measures to ensure that deviations from GARs are properly approved if considered justifiable.**

## **Response from VTC**

2.26 The Executive Director, VTC agrees with the audit recommendations.

## **PART 3: MANAGEMENT OF THE T HOTEL AND TRAINING RESTAURANTS**

3.1 This PART examines the management of The T Hotel and the training restaurants. Audit found room for improvement in the following areas:

- (a) management of The T Hotel (paras. 3.2 to 3.19); and
- (b) management of training restaurants and hotel lounge (paras. 3.20 to 3.37).

### **Management of The T Hotel**

3.2 In June 2006, the VTC Council approved setting up The T Hotel on the sixth floor of the VTC Pokfulam Complex. The aim of The T Hotel is to enhance the training facilities for students by providing them with a real-life workplace environment. Within an authentic workplace setting, students can engage in interaction with genuine hotel guests to sharpen their customer-servicing, communication and problem-solving skills. The construction cost of The T Hotel was \$54 million.

3.3 In March 2011, The T Hotel commenced operation. The T Hotel has 30 guest rooms (including 3 suites) (see Photograph 5). It is operated by trainees under the supervision and guidance of a team of hospitality trainers. In financial year 2017-18, The T Hotel received income of \$7.9 million and incurred expenditure of \$4.2 million (excluding staff cost).



### Photograph 5

#### A suite at The T Hotel



*Source: The Institutes' records*

### *Need to improve hotel occupancy rate*

3.4 Audit noted that the Institutes used the occupancy rate of 70% to estimate the room revenue. On several occasions the occupancy rate of The T Hotel was discussed between the Institutes and VTC:

- (a) in 2006, the Institutes informed the VTC Council that the estimated room revenue in the first year of operation of The T Hotel was based on an assumption of a projected occupancy rate of 70% (Note 7); and
- (b) in January 2013, the Institutes informed VTC's Finance Committee that the financial model of calculating room revenue was based on an assumption of an overall occupancy rate of 70%.

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**Note 7:** *According to the results of the Hong Kong Tourism Board Monthly Hotel Room Occupancy Survey, the average occupancy rate of all hotels in Hong Kong in 2006 was 87%.*

3.5 In July 2014, at a meeting of the Yield Management Committee (Note 8), the Chairperson said that The T Hotel should maintain the optimal training activities at a level of 20 to 21 occupied rooms daily (Note 9). In response to Audit's enquiry, the Institutes informed Audit in February 2019 that instead of maximising occupancy, optimising the occupancy is the goal of The T Hotel. In addition to market factors, the management of the hotel occupancy is also driven by factors such as students' capability, training needs and capacity, student intake, and duration of the integrated learning experience (Note 10) in different programmes.

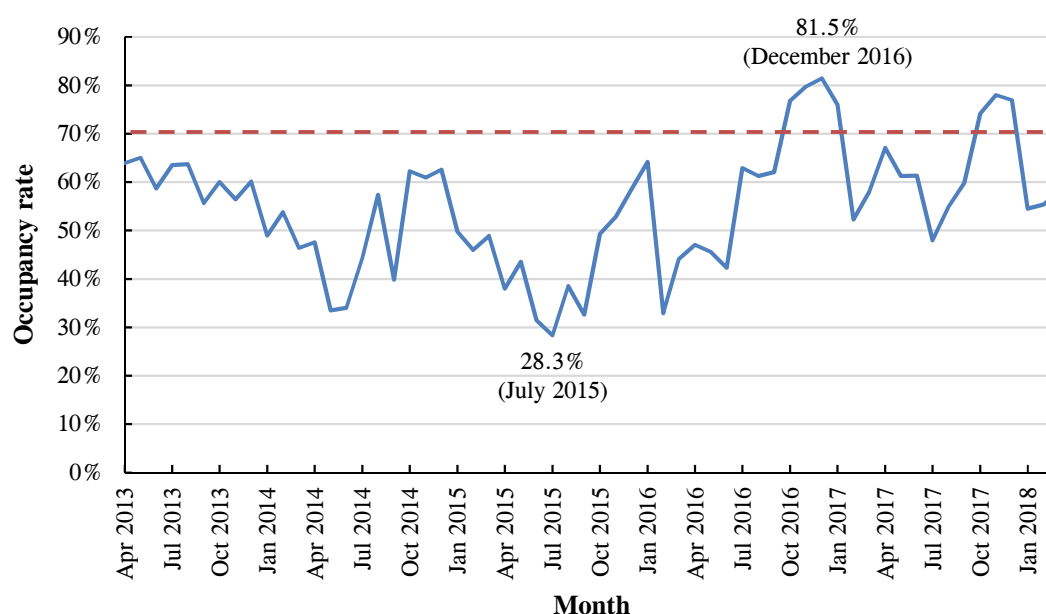
3.6 Audit analysed the occupancy rate of The T Hotel in the five-year period from financial year 2013-14 to 2017-18. Audit noted that the monthly occupancy rates ranged from 28.3% in July 2015 to 81.5% in December 2016, averaging 54.9% (see Figure 3). The monthly occupancy rates in 53 (88%) of the 60 months were lower than 70%.

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**Note 8:** *The Yield Management Committee was established by the Institutes. The terms of reference of the Committee are: (a) to follow the industry practice to determine, review and adjust the room rates of The T Hotel in response to market demands, seasonal fluctuation, industrial trends, etc. in order to maximise both occupancy and room rate and achieve the revenue target; and (b) to determine, review and adjust the fees and charges of the miscellaneous services offered by The T Hotel and training spa in consideration of the needs for provision of quality service and cost recovery etc. in line with the pertaining VTC policies and industry practices.*

**Note 9:** *Among the 30 guest rooms, one suite was reserved for mock-up training purpose, such as conducting food and beverage training and housekeeping training. A level of 20 to 21 occupied rooms was equivalent to an occupancy rate of about 70% ( $20 \div 29 = 69\%$ ,  $21 \div 29 = 72\%$ ).*

**Note 10:** *To allow students to integrate theoretical knowledge and practical skills in an authentic work environment and reflect on their learning through practising, the Institutes have included an integrated learning experience module in most of the full-time training programmes. Students are usually assigned to attend the integrated learning experience module on a shift basis for a number of consecutive days in order to prepare them for the norms and disciplines of the industry.*

**Figure 3****Monthly occupancy rate of The T Hotel  
(financial year 2013-14 to 2017-18)**

*Source: Audit analysis of the Institutes' records*

3.7 Audit considers that the Institutes need to take measures to improve the occupancy rate with a view to achieving the aim of The T Hotel of enhancing the training facilities for students by providing them with a real-life workplace environment.

***Need to better utilise the agency booking channel***

3.8 Hotel guests can book rooms of The T Hotel via two channels:

- (a) online booking platforms provided by a travel agency (agency booking channel – Note 11); or
- (b) direct reservation by telephone or e-mail (direct booking channel).

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**Note 11:** *Since May 2016, the Institutes have entered into a contract with a travel agency which enabled travellers to book the standard rooms of The T Hotel through the online booking platforms owned by the travel agency.*

## **Management of The T Hotel and training restaurants**

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3.9 Audit examined the effectiveness of the two booking channels by analysing the number of room nights allocated to and sold through the agency booking channel and the direct booking channel in the period from 2016 (May to December) to 2018 (see Table 7). Audit noted that:

- (a) the annual selling rates (i.e. the percentage of allocated room nights sold) of the agency booking channel (ranging from 96.9% to 99.7%) were significantly higher than the annual selling rates of the direct booking channel (ranging from 54.5% to 58.5%);
- (b) less than 20% of room nights were allocated to the agency booking channel; and
- (c) documentary evidence was not available showing the factors taken into account by the Institutes in determining the allocation of room nights between the agency booking channel and the direct booking channel.

**Table 7**

**Analysis of room nights allocated and sold through  
the agency booking channel and the direct booking channel  
(2016 (May to December) to 2018)**

	<b>May to December 2016 (Note 1)</b>	<b>2017</b>	<b>2018</b>
<b>Agency booking channel</b>			
No. of room nights allocated (a)	1,053 (15.3 %)	2,011 (19.3 %)	1,659 (19.5 %)
No. of room nights sold (b)	1,020	2,005	1,647
Selling rate (c) = (b) ÷ (a) × 100 %	96.9 %	99.7 %	99.3 %
<b>Direct booking channel</b>			
No. of room nights allocated (d)	5,826 (84.7 %)	8,413 (80.7 %)	6,844 (80.5 %)
No. of room nights sold (e)	3,410	4,675	3,730
Selling rate (f) = (e) ÷ (d) × 100 %	58.5 %	55.6 %	54.5 %
<b>Overall</b>			
No. of room nights allocated (g) = (a) + (d)	6,879 (100 %)	10,424 (100 %) (Note 2)	8,503 (100 %) (Note 2)
No. of room nights sold (h) = (b) + (e)	4,430	6,680	5,377
Selling rate (i) = (h) ÷ (g) × 100 %	64.4 %	64.1 %	63.2 %

*Source: Audit analysis of the Institutes' records*

*Note 1: The T Hotel's contract with the travel agency commenced in May 2016.*

*Note 2: The number of room nights available for sale decreased from 10,424 in 2017 to 8,503 in 2018 because The T Hotel was under a major renovation and closed for 58 days in 2018.*

*Remarks: The percentage in bracket represents the percentage of room nights allocated to the booking channel.*

## Management of The T Hotel and training restaurants

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Audit considers that the Institutes need to consider allocating more room nights to the agency booking channel with a view to improving the overall occupancy rate of The T Hotel.

### *Need to improve the utilisation of training spa*

3.10 The T Hotel has a 6,000 square-feet training spa equipped with Jacuzzi, sauna, steam bath and treatment rooms (see Photograph 6). Hotel guests can use the Jacuzzi, sauna and steam bath facilities for free. Hotel guests and members of The Dining Society (TDS – see para. 3.32) can also receive massage treatments offered in the treatment rooms at a charge.

**Photograph 6**

**A treatment room in the training spa**



*Source: Photograph taken by Audit on 10 January 2019*

3.11 Audit examined the utilisation of the training spa in the period from 2016 to 2018 and noted that the utilisation of the training spa was on the low side:

- (a) the number of guests using the training spa each year ranged from 356 to 565; and

- (b) while there was improvement, the percentage of days in 2018 during which no guests used the training spa was still high (25%) (see Table 8).

**Table 8**

**Analysis of the utilisation of the training spa  
(2016 to 2018)**

Number of guests	2016	2017	2018
	Number of days (percentage)		
0	121 (39%)	102 (28%)	78 (25%)
1	88 (28%)	94 (26%)	84 (28%)
2	59 (19%)	81 (22%)	78 (25%)
3	27 (9%)	54 (15%)	39 (13%)
4 or more	15 (5%)	32 (9%)	28 (9%)
Total	310 (100%)	363 (100%)	307 (100%)

*Source: Audit analysis of the Institutes' records*

*Remarks: Prior to 1 June 2016, the training spa opened five days a week (Monday to Friday) except public holidays. Since 1 June 2016, it has opened seven days a week including public holidays. In 2016, the spa closed for 56 days due to Saturdays, Sundays, public holidays, maintenance or renovation works. In 2017 and 2018, the spa closed for 2 and 58 days respectively due to maintenance or renovation works.*

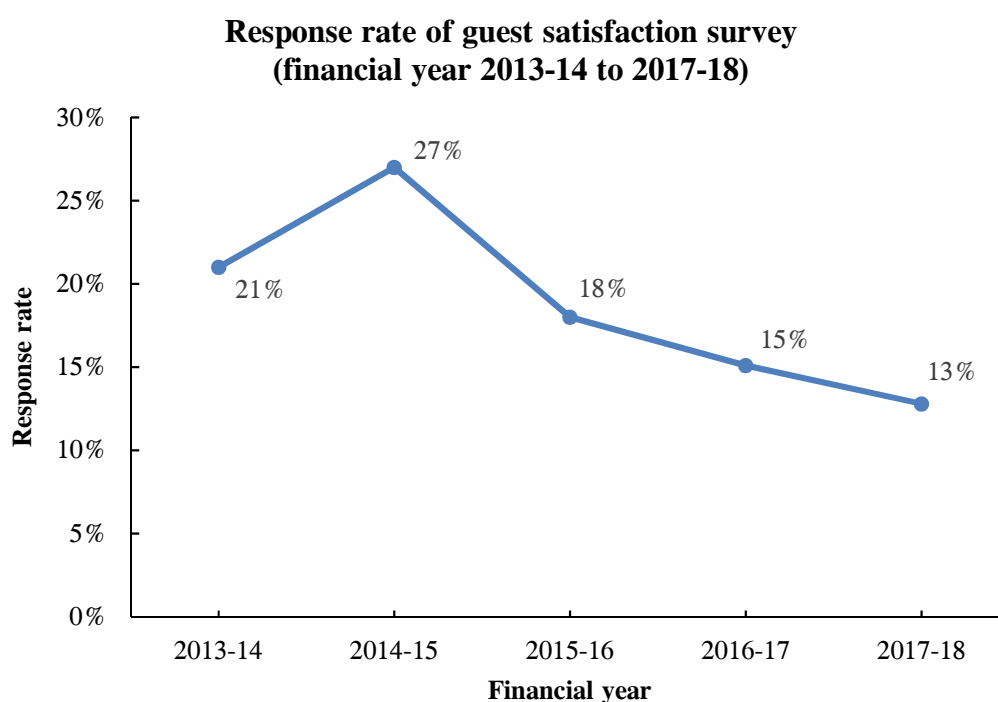
3.12 According to the Institutes, the training spa offers training opportunities to students of spa programmes and those attending the integrated learning experience module in the spa function. It also increases the attractiveness of The T Hotel to potential guests. Audit considers that the Institutes need to take measures to further promote the utilisation of the training spa.

### *Need to improve the response rate of guest satisfaction survey*

3.13 The T Hotel collects feedback from guests through guest comment cards. Guest comment cards are placed at the writing desk in the guest rooms. Students inform the guests where the guest comment cards are when introducing the guest room facilities upon check-in.

3.14 Audit examined the number of guest comment cards received for the period from financial year 2013-14 to 2017-18 and noted that the annual response rate of the guest satisfaction survey decreased from 21 % in financial year 2013-14 to 13 % in financial year 2017-18 (see Figure 4).

**Figure 4**



*Source: Audit analysis of the Institutes' records*

3.15 The aim of The T Hotel is to enhance the training facilities for students by providing them with a real-life workplace environment and students can engage in interaction with genuine hotel guests to sharpen their customer-servicing, communication and problem-solving skills (see para. 3.2). The comments on the guest comment cards can provide useful feedback and advice to students to improve



their performance and to the Institutes to enhance their training for students. Audit considers that the Institutes need to take measures to improve the response rate of guest satisfaction survey (e.g. by offering souvenirs to guests who fill in the guest comment cards).

### ***Need to ensure that recommendations made by the Internal Audit Unit are implemented in a timely manner***

3.16 In 2011, the Institutes requested the Internal Audit Unit (IAU) of the VTC to conduct an internal audit on the operation of The T Hotel. In December 2013, IAU completed an operational and compliance audit on the operation of The T Hotel and made 64 recommendations. Audit noted that:

- (a) in October 2015, IAU completed a follow-up review on the progress of the implementation of the 64 recommendations. IAU found that actions to implement 38 (59%) of the 64 recommendations were not completed (Note 12); and
- (b) in April 2016, at a meeting of the VTC Audit Committee, members expressed concern on the large number of deficiency items identified and the slow progress of improvements.

3.17 In response to Audit's enquiry, the Institutes informed Audit in December 2018 that as at 30 November 2018, of the 38 recommendations, all but two (Note 13) had been followed through. Audit considers that the progress of the implementation of IAU's recommendations by the Institutes was slow. The Institutes need to expedite actions to complete the implementation of the two outstanding recommendations as soon as possible.

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**Note 12:** *Of the 38 outstanding recommendations, 6 were related to legal compliance, health and safety, 10 related to hotel income and waiver of charges, 12 related to provision of hospitality services and revenue collection, and 10 related to procurement and stores management.*

**Note 13:** *The two outstanding improvement actions were related to documentation for quotations of food and beverage items, and maintenance of local suppliers list for non-food-and-beverage items.*

### Audit recommendations

- 3.18      **Audit has *recommended* that the Executive Director, VTC should:**
- (a)      **take measures to improve the occupancy rate of The T Hotel to achieve the optimal occupancy rate;**
  - (b)      **consider allocating more room nights of The T Hotel to the agency booking channel;**
  - (c)      **take measures to improve the utilisation of the training spa in The T Hotel;**
  - (d)      **take measures to improve the response rate of the guest satisfaction survey of The T Hotel; and**
  - (e)      **expedite the follow-up actions on the two outstanding recommendations made by IAU in 2013 on the operation of The T Hotel.**

### Response from VTC

- 3.19      The Executive Director, VTC agrees with the audit recommendations.

### Management of training restaurants and hotel lounge

- 3.20      The Institutes operate three training restaurants and The T Hotel Lounge to provide an enhanced and enriching training environment to students:
- (a)      one Western training restaurant at the VTC Kowloon Bay Complex (see Photograph 7);
  - (b)      The T Hotel Lounge at The T Hotel, VTC Pokfulam Complex (see Photograph 8);

## **Management of The T Hotel and training restaurants**

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- (c) one Western training restaurant at the VTC Pokfulam Complex (see Photograph 9); and
- (d) one Chinese training restaurant at the VTC Pokfulam Complex (see Photograph 10).

### **Photograph 7**

#### **Western training restaurant at VTC Kowloon Bay Complex**



*Source: The Institutes' records*

**Photograph 8**

**The T Hotel Lounge at The T Hotel,  
VTC Pokfulam Complex**



*Source: The Institutes' records*

**Photograph 9**

**Western training restaurant at VTC Pokfulam Complex**



*Source: The Institutes' records*

**Photograph 10**

**Chinese training restaurant at VTC Pokfulam Complex**



*Source: The Institutes' records*

3.21 The three training restaurants and The T Hotel Lounge are operated under TDS (see para. 3.32). The HTI/CCI/ICI Management Committee has established the Food Safety Management Committee (FSMC). The terms of reference of FSMC are as follows:

- (a) to maintain high hygiene and quality standards of food prepared in the training kitchens and restaurants;
- (b) to enhance TDS members' confidence;
- (c) to minimise the possibility of food poisoning and foreign object complaint from TDS members;
- (d) to ensure the legal compliance of food law in Hong Kong;
- (e) to provide training for trainees to understand importance of food safety, and let them learn hygienic practices in a simulated environment; and
- (f) to drive continuous improvement of food safety management system on a regular basis.

3.22 The following three measures have been taken by FSMC to ensure food safety:

- (a) ***Pre-requisite Program Inspection.*** The Pre-requisite Program Inspection is a surprise inspection conducted monthly by the Institutes' staff. The Inspection covers areas in personal hygiene, food hygiene and environmental hygiene. The purpose is to assess if there are hazards that could lead to potential food contamination;
- (b) ***Food Safety Certification Audit.*** On an annual basis, the training kitchens and restaurants undertake the Food Safety Certification Audits in order to obtain the International Organisation for Standardisation (ISO) 22000 Certificate on Food Safety Management System. ISO 22000 sets out the requirements that an organisation needs to meet to demonstrate its ability to control food safety hazards and ensure that food is safe. FSMC considered that obtaining the ISO 22000 Certificate could enrich students' learning experience and knowledge of food safety; and
- (c) ***Microbiological test.*** The Institutes perform microbiological tests to ascertain the hygiene conditions of four test categories, namely students' hands, food contact surfaces, water and ice, and food and beverage items. According to the Institutes:
  - (i) the two test categories of water and ice, and food and beverage items are covered in the tests in order to evaluate the effectiveness of food quality control throughout the food supply chain and preparation; and
  - (ii) in order to help students develop good hygiene habits, awareness and mindset, the tests cover two additional test categories, namely students' hands and food contact surfaces. This will teach students quantitative methods to evaluate the effectiveness of hygiene practices in the training kitchens and provide a training platform to familiarise students with different types of hygiene outcomes in real catering situations.

***Food Safety Certification Audits and microbiological tests not conducted at the Western training restaurant at VTC Kowloon Bay Complex***

3.23      Audit examined the records of the Institutes in the period from 2014/15 to 2017/18 and noted that:

- (a)      Pre-requisite Program Inspections were carried out at all the three training restaurants and The T Hotel Lounge;
- (b)      the Food Safety Certification Audits and microbiological tests were conducted at the Chinese training restaurant, the Western training restaurant and The T Hotel Lounge at the VTC Pokfulam Complex; and
- (c)      no Food Safety Certification Audits or microbiological tests were carried out at the Western training restaurant at the VTC Kowloon Bay Complex. The restaurant did not obtain the ISO 22000 Certificate.

3.24      In February 2019, in response to Audit's enquiry, the Institutes informed Audit that:

- (a)      students from the VTC Kowloon Bay Complex could experience the ISO 22000 and the microbiological testing practices first hand during the integrated learning experience module at the training restaurants and The T Hotel Lounge at the VTC Pokfulam Complex;
- (b)      although the Western training restaurant at the VTC Kowloon Bay Complex did not have the ISO 22000 Certificate, the restaurant also adopted the ISO system. It was not considered cost effective to put in extra resources to obtain the ISO 22000 Certificate for the training restaurant; and
- (c)      microbiological test was not carried out at the Western training restaurant at the VTC Kowloon Bay Complex because the Complex did not have testing facilities.

One of the terms of reference of FSMC is to maintain high hygiene and quality standards of food prepared in the training kitchens and restaurants and one of the purposes of conducting microbiological test is to evaluate the effectiveness of food

quality control (see paras. 3.21(a) and 3.22(c)(i)). Audit considers that to ensure hygiene and food safety, the Institutes need to consider extending the microbiological tests to cover the Western training restaurant at the VTC Kowloon Bay Complex. To overcome the difficulty of the lack of testing facilities at the VTC Kowloon Bay Complex, the Institutes may consider sending test samples to the laboratory at the VTC Pokfulam Complex or outsourcing the test to an external commercial laboratory.

### *Results of microbiological tests*

3.25 The following hygiene standards were adopted in assessing the results of microbiological tests:

- (a) for the two test categories of water and ice, and food and beverage items, the Institutes adopted the hygiene standards in accordance with the Microbiological Guidelines for Food issued by the Centre for Food Safety of the Government; and
- (b) for the two test categories of students' hands and food contact surfaces, as there were no official guidelines in Hong Kong to stipulate the hygiene standards, the Institutes set its own standards.

3.26 Audit examined the microbiological test results conducted in the period from 2014/15 to 2017/18. Audit found that for the two test categories of water and ice and food and beverage items, all but one sample of the food and beverage items passed the hygiene standards (Note 14). The test results of the two categories of students' hands and food contact surfaces showed that there was room for improvement. The percentage of samples passing the hygiene standards for the students' hands test category and the food contact surfaces test category ranged from 85.7% to 93.8% and from 57.9% to 81.1% respectively (see Table 9).

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**Note 14:** *In 2014/15, one out of twenty samples of the food and beverage items did not pass the microbiological tests.*



**Table 9**

**Results of microbiological tests  
(2014/15 to 2017/18)**

Year	Students' hands		Food contact surfaces	
	No. of tests conducted	Pass rate	No. of tests conducted	Pass rate
<b>(a) Western training restaurant/The T Hotel Lounge (sixth floor of the VTC Pokfulam Complex) (Note)</b>				
2014/15	10	90%	17	52.9%
2015/16	12	100%	20	50%
2016/17	16	93.8%	18	83.3%
2017/18	16	93.8%	18	83.3%
<b>(b) Chinese training restaurant (eighth floor of the VTC Pokfulam Complex)</b>				
2014/15	11	81.8%	12	75%
2015/16	14	78.6%	18	66.7%
2016/17	16	93.8%	19	78.9%
2017/18	14	85.7%	15	73.3%
<b>Overall (c) = (a) + (b)</b>				
2014/15	21	85.7%	29	62.1%
2015/16	26	88.5%	38	57.9%
2016/17	32	93.8%	37	81.1%
2017/18	30	90%	33	78.8%

*Source: Audit analysis of the Institutes' records*

*Note: The Western training restaurant and The T Hotel Lounge are located adjacent to each other at the sixth floor of the VTC Pokfulam Complex and share a single kitchen.*

3.27 According to the Institutes, the aims to cover students' hands and food contact surfaces test categories in the microbiological tests are to help students develop good hygiene habits, awareness and mindset for training purposes (see para. 3.22(c)(ii)). If the test results were below the hygiene standards set by the Institutes, food handlers would be re-trained. After training, further testing would be

conducted to verify that improvement had been achieved. Audit noted that while there were improvements in the hygiene levels of students' hands and food contact surfaces in the period from 2014/15 to 2016/17 as shown in Table 9, there was a slight drop in the results in 2017/18. Audit considers that there was still room for improvement, in particular for the test category of food contact surfaces. The Institutes need to continue to monitor the results of microbiological tests and improve the hygiene conditions of students' hands and food contact surfaces.

### ***Need to collect customer feedback on trainees' Putonghua standard (in addition to English standard)***

3.28 Every table of customers of the training restaurants and The T Hotel Lounge is invited to complete a satisfaction survey questionnaire. The questionnaire covers four aspects:

- (a) services provided by trainees;
- (b) trainees' English standard;
- (c) quality of food; and
- (d) quality of beverage.

Under each aspect, customers can state their satisfaction level on a four-scale rating (i.e. "excellent", "good", "average" and "could be improved").

3.29 Of the 4,870 satisfaction survey questionnaires collected in 2017/18, the percentages of customers rating their satisfaction level "excellent" or "good" in each of the four aspects ranged from 84.8% to 96.9%. However, Audit noted that the questionnaire only covered trainees' English standard but not the trainees' Putonghua standard. As one of the objectives of TDS is to promote the use of English and Putonghua between members and students of the Institutes (see para. 3.32(d)), Audit considers that the Institutes need to collect customer feedback on the trainees' Putonghua standard (in addition to English standard).

### *Food wastage handling*

3.30 One of VTC's environmental policies is to work towards the achievement of sustainable development. To reduce solid food waste, the Institutes have installed food waste decomposers at the VTC Pokfulam Complex and the ICI Building to convert food waste into fertiliser. However, no food waste decomposers were installed at the VTC Kowloon Bay Complex and the VTC Tin Shui Wai Building. According to the Institutes, given the small amount of food waste at the two campuses, food waste was not treated but disposed of as general waste.

3.31 In financial year 2017-18, the amount of food waste generated by the VTC Kowloon Bay Complex was 3,403 kilograms (Note 15). Audit noted that apart from in-house food waste decomposers, there were other means to recycle food waste. For example, the Environmental Protection Department has built a network of Organic Resources Recovery Centres to facilitate delivery of food waste to the Centres for turning food waste into useful resources (Note 16) and thereby reducing the nuisance arising from food waste (Note 17). Audit considers that, with the absence of in-house food waste decomposers, the Institutes need to explore other food waste treatment methods at the VTC Kowloon Bay Complex and the VTC Tin Shui Wai Building.

### *Need to put the surplus fund of TDS into gainful use*

3.32 In 1989, to facilitate the operation of the training restaurants, VTC established TDS. The objectives of TDS are:

- (a) to provide international and Chinese style food and beverage to members;

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**Note 15:** *The Institutes have not monitored the amount of food waste generated by the VTC Tin Shui Wai Building.*

**Note 16:** *The Organic Resources Recovery Centres adopt biological technologies including composting and anaerobic digestion to turn organic waste into useful compost products and biogas for energy recovery, thereby minimising requirement for landfill disposal.*

**Note 17:** *As of December 2018, 144 commercial and industrial sector organisations, including 37 hotels and 21 restaurants, had expressed interest in delivering food waste to the Organic Resources Recovery Centres.*

## Management of The T Hotel and training restaurants

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- (b) to assist the Institutes in preparing and training their students for a career in the hospitality industry in general and in food and beverage services in particular;
- (c) to provide the Institutes' students with exposure to English and Putonghua speaking clientele;
- (d) to promote the use of English and Putonghua between members and students of the Institutes; and
- (e) to purchase, take on lease or in exchange, hire or otherwise acquire and hold for any interest, rights, privileges, concessions, patents, patent rights, licences, secret processes, machinery, plant, stock-in-trade, and any real or personal property of any kind necessary or convenient for the purpose of or in connection with the Society's business or activities, and to do all such lawful things as are incidental or conducive to the above objects or any of them.

3.33 The Chinese training restaurant, the two Western training restaurants and The T Hotel Lounge were operated under TDS. Guests must join TDS as members before their patronage at the restaurants (Note 18). Food and drinks consumed at the training restaurants are generally charged on a cost basis. Members are required to communicate with students in English or Putonghua. As at 31 August 2018, TDS had 1,654 members.

3.34 TDS's operation is supported by membership fees and donations from its members. In the five-year period from financial year 2013-14 to 2017-18, the amount of surplus fund of TDS increased by 60% from \$3.8 million to \$6.1 million (see Table 10), representing nine times of the operating expenses of TDS in financial year 2017-18 (\$671,742) (Note 19).

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**Note 18:** *Guests of The T Hotel are admitted as temporary members of TDS during their stay and are allowed to use the training restaurants.*

**Note 19:** *The revenue from sales of food and beverage and expenditure on food cost are included in the accounts of the Institutes. The operating expenses of TDS include renewal fee of the club licence, printing, stationery expenses, etc.*

**Table 10**

**Operating expenses and surplus fund of TDS  
(financial year 2013-14 to 2017-18)**

<b>Financial year</b>	<b>Operating expenses for the year (\$)</b>	<b>Surplus fund at year end</b>	
		<b>Amount (\$)</b>	<b>Percentage change</b>
2013 – 14	657,111	3,831,004	Not applicable
2014 – 15	615,809	4,276,774	+ 12 %
2015 – 16	910,013	4,585,929	+ 7 %
2016 – 17	784,716	5,170,862	+ 13 %
2017 – 18	671,742	6,111,026	+ 18 %

*Source: Audit analysis of the Institutes' records*

3.35 According to the Constitution of TDS, funds of the Society are deposited into an account care of VTC to support or defray the expenses incurred in the operation of the Society, make donations to VTC, and be used for generating funds for the betterment of the training restaurants, the Institutes, students and alumni. As a considerable amount of surplus fund has been accumulated, the Institutes need to, in collaboration with TDS, devise a plan to put the surplus fund into gainful use.

## **Audit recommendations**

3.36 **Audit has recommended that the Executive Director, VTC should:**

- (a) **consider extending the microbiological tests to cover the Western training restaurant at the VTC Kowloon Bay Complex;**

## **Management of The T Hotel and training restaurants**

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- (b) **continue to monitor the results of microbiological tests and improve the hygiene conditions of students' hands and food contact surfaces;**
- (c) **collect feedback from the customers of the training restaurants and The T Hotel Lounge on the trainees' Putonghua standard (in addition to English standard);**
- (d) **explore other food waste treatment methods at the VTC Kowloon Bay Complex and the VTC Tin Shui Wai Building; and**
- (e) **in collaboration with TDS, devise a plan to put the surplus fund of TDS into gainful use.**

## **Response from VTC**

3.37 The Executive Director, VTC agrees with the audit recommendations.

## **PART 4: ADMINISTRATIVE ISSUES**

4.1 This PART examines the administrative issues of the Institutes. Audit found room for improvement in the following areas:

- (a) campus management (paras. 4.2 to 4.18);
- (b) staff management (paras. 4.19 to 4.29); and
- (c) inventory management (paras. 4.30 to 4.36).

### **Campus management**

#### ***Campus environmental performance***

4.2 Campuses of member institutes are required to meet the environmental targets set by VETMC (see Note 3 to para. 1.10(a)) to reduce waste and consumption of resources. Environmental targets are set for alternate years. In the period from 2014/15 to 2017/18, environmental targets were set for 2015/16 and 2017/18, but not 2014/15 and 2016/17. When setting targets for a year, reference was made to the year before the last year. For instance, the target on water consumption for 2017/18 was 3% reduction from the actual water consumption of 2015/16.

4.3 ***Environmental targets for 2015/16.*** In June 2014, VETMC set the environmental targets for the consumption of resources in 2015/16. The targets were:

- (a) using 2013/14 as the reference year, each campus should achieve a 5% saving on the per-student consumption of water, electricity and paper respectively; and
- (b) recycled paper should account for at least 20% of the paper consumption.

4.4 *Environmental targets for 2017/18.* In April 2016, the VETMC set the environmental targets for the consumption of resources in 2017/18. The targets were:

- (a) using 2015/16 as the reference year, each campus should achieve a 3% saving on the consumption of water, electricity and paper respectively; and
- (b) recycled paper should account for at least 20% of the paper consumption.

### *Campus environmental targets not met*

4.5 Before the ICI Building commenced operation in September 2018, the campuses of the Institutes were located in three premises, i.e. the VTC Pokfulam Complex, the VTC Kowloon Bay Complex and the VTC Tin Shui Wai Building. The three premises are used by the Institutes together with other VTC units. For the VTC Pokfulam Complex, the Institutes are the main users in terms of the area occupied (Note 20). The Safety, Health and Environmental Local Committee of the VTC Pokfulam Complex is responsible for monitoring the resource consumption at the VTC Pokfulam Complex and devise measures for meeting the environmental targets.

4.6 Audit examined the environmental performance of the VTC Pokfulam Complex in 2015/16 and 2017/18 and noted that some environmental targets were not met (see Table 11):

- (a) the reduction in electricity consumption in 2015/16 and 2017/18 did not meet the saving targets; and
- (b) the percentage of recycled paper consumed in 2017/18 did not meet the target.

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**Note 20:** *Other than the Institutes, the VTC Pokfulam Complex also houses two other member institutes. The Institutes occupy about 42% of the gross floor area of the VTC Pokfulam Complex.*



Table 11

**Performance of VTC Pokfulam Complex  
on achieving environmental targets  
(2015/16 and 2017/18)**

	2015/16	2017/18
<b>Water consumption</b>		
Consumption	49,194 litres per student	53,212 cubic metres
Reference year consumption	53,758 litres per student	111,972 cubic metres
Percentage decrease	–8.5%	–52.5% (Note 1)
Target met	✓	✓
<b>Electricity consumption</b>		
Consumption	4,308 kilowatt hours per student	9,726,996 kilowatt hours
Reference year consumption	4,386 kilowatt hours per student	9,806,103 kilowatt hours
Percentage decrease	–1.8%	–0.8% (Note 2)
Target met	✗	✗
<b>Paper consumption</b>		
Consumption	1,226 sheets per student	4,309 reams
Reference year consumption	1,541 sheets per student	5,579 reams
Percentage decrease	–20.4%	–22.8%
Target met	✓	✓
<b>Recycled paper consumption</b>		
Recycled paper consumption	1,521 reams	700 reams
Paper consumption	5,579 reams	4,309 reams
Percentage of recycled paper consumption	27.3%	16.2%
Target (i.e. 20%) met	✓	✗

*Source: Audit analysis of the Institutes' records*

*Note 1: The large reduction in the usage of water was due to the change from using tap water to sea water for toilet flush since 2016/17.*

*Note 2: According to the Institutes, student training hours of the other two member institutes housed in the VTC Pokfulam Complex increased by about 17% in 2017/18 as compared with 2015/16. This contributed to the higher electricity consumption in 2017/18.*

4.7 In December 2018, in response to Audit's enquiry, the Institutes informed Audit that:

- (a) ***Reduction in electricity consumption.*** Since 2015/16, the following actions have been taken to reduce electricity consumption:
  - (i) installation of additional motion sensors for lighting control;
  - (ii) replacement of fluorescent tubes with light-emitting diode tubes;
  - (iii) replacement of halogen lamp by light-emitting diode lamp by phases;
  - (iv) shortening the operating hours of air-conditioning system during winter time; and
  - (v) issuing reminders to staff to urge them to save electricity consumption, and disseminate to them tips and good practices in reducing electricity consumption; and
- (b) ***Use of recycled paper.*** The following actions have been taken to encourage staff to use more recycled paper:
  - (i) effective from September 2018, recycled paper has made up 20% of the quantity of paper purchased; and
  - (ii) in December 2018, an e-mail was sent to all staff to solicit their support in meeting the recycled paper consumption target.

Notwithstanding the measures that have been taken to reduce electricity consumption since 2015/16, the target for electricity consumption was not met. Audit considers that the Institutes need to endeavour to improve the environmental performance of the Institutes.

***Campus environmental targets not set for every year***

4.8 As mentioned in paragraph 4.2, campus environmental targets were only set for alternate years. In Audit's view, this practice was not conducive to encouraging the Institutes to build an environmental friendly environment. In the years when environmental targets are not set, students and staff may become less committed to reducing waste and consumption of resources. Audit considers that the VTC needs to consider setting environmental targets for every year (instead of alternate years) or, alternatively, extending the environmental targets to cover two years.

***Campus safety management***

4.9 According to the Health and Safety Policy Statement in the VTC Safety Management Manual, member institutes (including the Institutes) give high priority to safety consideration in its operations and promote the advancement of health and safety practices within the Council. To this end, the Safety, Health and Environmental Local Committee (HTI/CCI/ICI) was established to monitor the campus safety of the Institutes. The Local Committee reports to the HTI/CCI/ICI Management Committee. The terms of reference of the Local Committee are as follows:

- (a) to monitor that the occupational safety policy is properly implemented;
- (b) to analyse the accident rate and suggest preventive and corrective action plans;
- (c) to conduct occupational safety site walk through inspection;
- (d) to assist in maintaining legal compliance with occupational ordinance in Hong Kong;
- (e) to monitor the effectiveness of safety and hygiene training provided to trainees;
- (f) to promote safety and environmental activities; and

## Administrative issues

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- (g) to deliver updated safety and hygiene information from the Labour Department to trainees and staff.

### *Need to endeavour to improve campus safety*

4.10 In the period from 2013/14 to 2017/18, 97 accidents occurred in the campuses of the Institutes. The number of accidents occurred each year ranged from 15 to 29. The number of accidents increased from 16 in 2013/14 to 29 in 2016/17 and 20 in 2017/18. Of the 97 accidents, 65 (67%) accidents involved cut or fall (see Table 12).

**Table 12**

**Number of accidents occurred in the campuses of the Institutes  
(2013/14 to 2017/18)**

<b>Year</b>	<b>Cut (a)</b>	<b>Fall (b)</b>	<b>Cut or fall (c) = (a) + (b)</b>	<b>Others (Note) (d)</b>	<b>Total (e) = (c) + (d)</b>
2013/14	9 (56%)	4 (25%)	13 (81%)	3 (19%)	16 (100%)
2014/15	8 (53%)	6 (40%)	14 (93%)	1 (7%)	15 (100%)
2015/16	3 (18%)	5 (29%)	8 (47%)	9 (53%)	17 (100%)
2016/17	10 (35%)	5 (17%)	15 (52%)	14 (48%)	29 (100%)
2017/18	8 (40%)	7 (35%)	15 (75%)	5 (25%)	20 (100%)
Overall	38 (39%)	27 (28%)	65 (67%)	32 (33%)	97 (100%)

*Source:* Audit analysis of the Institutes' records

*Note:* Other accidents included injury due to knock, burnt and manual handling of heavy objects.

4.11 In January 2019, in response to Audit's enquiry, the Institutes informed Audit that the following preventive measures had been taken to mitigate the number of accidents:

- (a) posters on safe use of knives and prevention of slip and fall have been displayed in kitchens and public areas;
- (b) topics of safety and health in kitchen and prevention of fall are covered in the daily morning briefings to students by their instructors;
- (c) floor dryers are placed in high-risk areas (such as toilets) during humid weather;
- (d) warning signs are placed in wet areas; and
- (e) anti-slip nosings have been installed on stair treads.

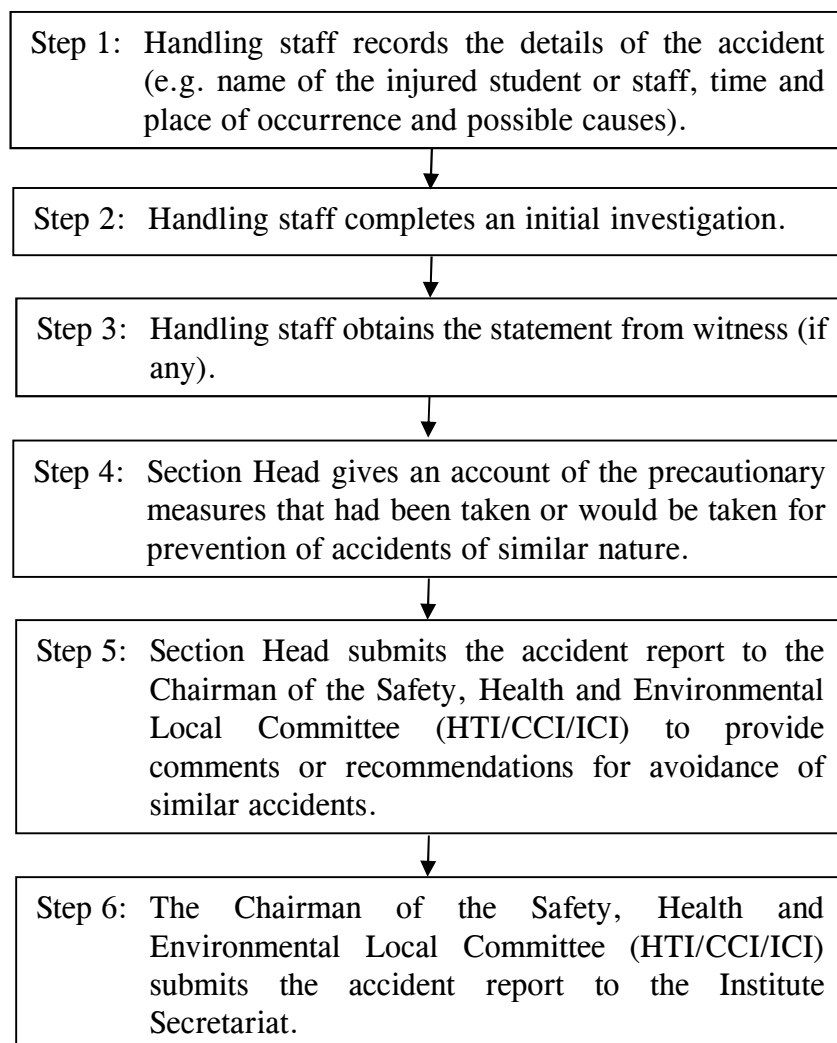
4.12 As even one accident is too many, Audit considers that the Institutes need to conduct an analysis of the accidents which occurred in past years (for example, whether there were any accident black spots) and endeavour to take effective measures with a view to reducing the occurrence of accidents.

***Need to improve timeliness of accident handling***

4.13 It was stipulated in the VTC Safety Management Manual that each accident should be investigated regardless of its seriousness. The objective of the accident investigation is to determine the causes of the accident and take corrective measures to prevent the recurrence of similar accidents. Figure 5 shows the accident handling procedures stipulated in the Manual.

Figure 5

**Accident handling procedures**



*Source: Audit analysis of the Institutes' records*

4.14 The VTC Safety Management Manual stipulates that the accident report for every accident should be completed and submitted to the Institute Secretariat within 48 hours after the accident. Upon receipt of the accident report, the Institute Secretariat will proceed with the administrative work, such as filling in the insurance claim form and sending a copy of the report to the VTC Headquarters if required. Audit examined the timeliness of the submissions of the accident reports for the 20 accidents which occurred in 2017/18. Audit found that in 19 (95%) of the 20 accidents, the accident reports were not submitted to the Institute Secretariat within 48 hours (see Table 13).

**Table 13**

**Time taken for the submission of  
accident reports to Institute Secretariat  
(2017/18)**

<b>Time taken (Note 1) (days)</b>	<b>No. of accidents</b>	<b>Percentage</b>
0 to 2	1	5%
> 2 to 5	4	20%
> 5 to 10	6	30%
> 10 to 15	6	30%
> 15	3	15%
	(Note 2)	
<b>Total</b>	<b>20</b>	<b>100%</b>

*Source: Audit analysis of the Institutes' records*

*Note 1: As only the dates of submission were recorded but not the time of submission, Audit was unable to analyse the number of hours taken for the submissions.*

*Note 2: The time taken for the submission of accident reports to the Institute Secretariat for the three cases were 16, 18 and 24 days respectively.*

*Remarks: Of the 20 accidents, 7 were staff injury cases. VTC had notified the Labour Department within the time limit of 14 days as required under the Employees' Compensation Ordinance (Cap. 282).*

4.15 In February 2019, in response to Audit's enquiry, the Institutes informed Audit that:

- (a) the procedures as stipulated in the VTC Safety Management Manual were formulated many years ago. In practice, the handling staff notified the Institute Secretariat direct verbally, by e-mail or by mobile message. Submission of the written accident reports followed afterwards;

## Administrative issues

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- (b) of the 20 accidents which occurred in 2017/18:
  - (i) in 16 (80%) cases, the handling staff informed the Institute Secretariat of the accidents within two days; and
  - (ii) in 11 (55%) cases, the Section Head reported within two days the precautionary measures that had been taken or would be taken for prevention of accidents of similar nature; and
- (c) the accident handling procedures would be updated. In the updated procedures, the within-48-hour requirement would apply to the notification of the Institute Secretariat instead of the submission of the written accident report.

4.16 Audit considers that the Institutes need to take measures to ensure that accidents are handled in a timely manner according to the procedures stipulated in the VTC Safety Management Manual. In the revised accident handling procedures, the Institutes also need to consider setting a reasonable time limit for the submission of accident reports to the Institute Secretariat to ensure the timeliness of the submission.

## Audit recommendations

4.17 Audit has *recommended* that the Executive Director, VTC should:

- (a) **endeavour to improve the environmental performance of the Institutes;**
- (b) **consider setting campus environmental targets for every year (instead of alternate years) or, alternatively, extending the environmental targets to cover two years;**
- (c) **conduct an analysis of the accidents in past years and endeavour to take effective measures with a view to reducing the occurrence of accidents;**
- (d) **take measures to ensure that accidents are handled in a timely manner according to the procedures stipulated in the VTC Safety Management Manual; and**



- (e) **in the revised accident handling procedures, consider setting a reasonable time limit for the submission of accident reports to the Institute Secretariat to ensure the timeliness of the submission.**

## **Response from VTC**

4.18 The Executive Director, VTC agrees with the audit recommendations. She has said that:

- (a) VTC has commissioned a consultant since 2017 for a Carbon Footprint Reduction Plan. The study area includes devising longer term carbon reduction targets, roadmap and implementation plans for VTC campuses. The Plan is expected to be available by 2020. The recommendation of Audit for VTC to consider setting campus environmental targets for every year instead of alternate years, or alternatively, extending the environmental targets to cover two years, will be considered in the consultancy study; and
- (b) the Institutes will make clear in the procedures that the Institute Secretariat should be notified of any accident within 48 hours which should be followed by an investigation report and any recommended actions normally within 14 working days after the accident.

## **Staff management**

4.19 The Institute Secretariat is responsible for handling the human resources matters, including the implementation of human resources strategies, policies and guidelines set by the VTC Headquarters, and the planning and monitoring of the manpower requirements.

### ***Need to take measures to reduce vacant posts and staff turnover***

4.20 Audit examined the staff strength and establishment for the period from 2015/16 to 2017/18 and noted that the number of vacant posts at the end of each academic year ranged from 39.5 to 46.5, representing 10.8% to 12.3% of the number of staff establishment (see Table 14).

**Table 14**

**Analysis of the vacant posts  
(2015/16 to 2017/18)**

Staff	No. of vacant posts (as at 31 August)		
	2015/16	2016/17	2017/18
Teaching staff	20.5	14.5	21.5
Academic support staff	13	18	12
Administrative staff	6	9	13
Total (a)	39.5	41.5	46.5
Total no. of establishment (b)	364.5	358.5	378.5
Percentage of unfilled posts to establishment (c)=(a)÷(b)×100 %	10.8%	11.6%	12.3%

*Source: Audit analysis of the Institutes' records*

4.21 In response to Audit's enquiry, the Institute informed Audit that:

- (a) due to the declining student population and the uncertainty of student enrolment, the Institutes put on hold four, six and ten vacancies in 2015/16, 2016/17 and 2017/18 respectively. These vacancies were not planned to be filled by permanent staff;
- (b) of the established posts from 2015/16 to 2017/18, 26 posts were under graduate/trainee schemes and they were only filled on a need basis. As at end of 2015/16, 2016/17 and 2017/18, the numbers of unfilled vacancies of these posts were six, eight and ten respectively; and
- (c) if the vacancies that were put on hold were excluded from the analysis, the numbers of unfilled posts were 35.5, 35.5 and 36.5 and the percentages of unfilled posts were 9.7%, 9.9% and 9.6% for 2015/16, 2016/17 and 2017/18 respectively.

4.22 Audit analysed the staff turnover of the Institutes for the three-year period from 2015/16 to 2017/18 and noted that (see Table 15):

- (a) the staff turnover rate increased by 3 percentage points from 14.2% in 2015/16 to 17.2% in 2017/18; and
- (b) staff resignation accounted for 50% or more of the total staff turnover.

**Table 15**

**Analysis of staff turnover  
(2015/16 to 2017/18)**

Year	Average no. of staff strength (Note 1) (a)	Cause of staff terminating services (no.)			Turnover rate  (c) = (b) ÷ (a) × 100%
		Resignation	Other reasons (Note 2)	Total  (b)	
2015/16	303	28 (65%)	15 (35%)	43 (100%)	14.2%
2016/17	301.5	32 (71%)	13 (29%)	45 (100%)	14.9%
2017/18	308.5	31 (58%)	22 (42%)	53 (100%)	17.2%

*Source: Audit analysis of the Institutes' records*

*Note 1: The average number of staff strength is calculated by averaging the number of staff strength at the beginning (1 September) and end (31 August) of an academic year.*

*Note 2: Other reasons include retirement and completion of contracts.*

*Remarks: The staff establishment of the Institutes includes the posts of Graduate Trainee. These posts are on a fixed one-year short-term contracts. Graduate Trainee staff will leave employment after completing the contract and that will result in normal turnover every year. These posts were excluded from the analysis.*

## Administrative issues

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4.23 In January 2019, in response to Audit's enquiry, the Institutes informed Audit that to tackle the staff shortage and staff turnover:

- (a) staff recruitment matters were reported and discussed in the HTI/CCI/ICI Management Committee;
- (b) internal discussions were made about specific ranks with recruitment difficulties and turnover;
- (c) the following remedial measures had been taken:
  - (i) engagement of employment agencies to assist in recruitment for posts that were not readily available;
  - (ii) adjustment of salaries and upgrading of some ranks to increase the attractiveness of some posts; and
  - (iii) taking up of some vacant posts temporarily by term staff (Note 21) and lower rank staff. As at 31 August 2018, of the 46.5 vacant posts, 10 were temporarily taken up; and
- (d) an overall review of staff remuneration package is conducted by VTC every five years.

4.24 Audit considers that the considerable number of vacant posts and significant level of staff turnover rate of the Institutes are matters of concern. They would increase the workloads of other staff and may adversely affect the teaching quality and the operations of the Institutes. The Institutes need to take remedial measures to reduce the number of vacant posts and staff turnovers, and monitor the effectiveness of the measures.

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**Note 21:** *Term staff are contract staff with an employment term of one year or less.*

***Need to encourage staff to attain more Continuous Professional Development hours***

4.25 Since 2010/11, VTC has launched the Continuous Professional Development (CPD) Scheme. The Scheme aims to encourage staff to upgrade and update their professional knowledge and skills through different forms of professional training and development activities. The Scheme operates on a non-mandatory basis and the staff covered by the Scheme include teaching staff and some designated non-teaching staff (Note 22). Each of the staff is encouraged to attain not less than 40 CPD hours within a CPD cycle of two consecutive years.

4.26 Audit examined the attainment of CPD hours by the Institutes' staff covered by the CPD Scheme in the two CPD cycles from 1 October 2013 to 30 September 2015 and from 1 October 2015 to 30 September 2017 and noted that:

- (a) for the first CPD cycle, the Institutes had 154 staff covered by the Scheme. Of the 154 staff, 91 (59%) did not attain 40 or more CPD hours; and
- (b) for the second CPD cycle, the Institutes had 170 staff covered by the Scheme. Of the 170 staff, 39 (23%) did not attain 40 or more CPD hours.

4.27 Audit analysed the attainment of CPD hours for the 39 staff covered by the CPD Scheme who did not attain 40 or more CPD hours in the second CPD cycle from 1 October 2015 to 30 September 2017 and found that of the 39 staff:

- (a) 22 also did not attain 40 or more CPD hours in the first CPD cycle from 1 October 2013 to 30 September 2015; and
- (b) 18 attained less than 20 CPD hours, i.e. less than half of the minimum 40 CPD hours. They represented 11% of the total number of 170 staff covered by the Scheme (see Table 16).

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**Note 22:** *Examples of designated non-teaching staff include Student Affairs Officer, Education Development Officer and Technician.*

Table 16

**CPD hours attained by staff covered by the CPD Scheme  
(1 October 2015 to 30 September 2017)**

CPD hours	No. of staff	Percentage
0	3	2%
>0 to < 10	6	4%
10 to < 20	9	5%
20 to < 30	13	7%
30 to < 40	8	5%
≥ 40	131	77%
Total	170	100%

Source: Audit analysis of the Institutes' records

Audit considers that the Institutes need to step up efforts in encouraging staff who did not attain 40 or more CPD hours within two consecutive years to actively participate in CPD activities, in particular those staff who did not attain the minimum 40 CPD hours consistently and those who attained less than half of the minimum hours.

## Audit recommendations

4.28 Audit has *recommended* that the Executive Director, VTC should:

- (a) take remedial measures to reduce the number of vacant posts and staff turnover and monitor the effectiveness of the measures; and
- (b) step up efforts in encouraging staff who did not attain 40 or more CPD hours within two consecutive years to actively participate in CPD activities, in particular those staff who did not attain the minimum 40 CPD hours consistently and those who attained less than half of the minimum hours.

## Response from VTC

4.29 The Executive Director, VTC agrees with the audit recommendations.

## Inventory management

### *Missing inventory items*

4.30 According to the Stores Manual of VTC, the Head of the Institutes (i.e. the Principal) appoints officers to inspect and verify stocks at an interval of no less than once in every two years. In practice, stocktaking exercise is carried out on an annual basis. Audit examined the stocktaking exercise results for financial year 2017-18 and noted that of the 618 items inspected (Note 23), 96 (15.5%) were found missing. The original value of the 96 missing items was \$236,288.

4.31 In September 2018, subsequent to the 2017-18 stocktaking exercise, an e-mail was sent to the Section Heads of the Institutes asking them to:

- (a) take the following measures to strengthen the inventory control:
  - (i) to stick labels issued by the Supplies Unit on inventories properly;
  - (ii) to keep valuable items such as notebook computers and cameras in a safe place;
  - (iii) to appoint a staff as the officer-in-charge for inventory control;
  - (iv) to record properly the inventory items that are needed to be transferred or disposed of; and
  - (v) to strengthen the inventory control during relocation of offices; and

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**Note 23:** *Stocktaking was conducted at the VTC Pokfulam Complex (463 items inspected), the VTC Kowloon Bay Complex (72 items inspected), and the VTC Tin Shui Wai Building (83 items inspected).*

## **Administrative issues**

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- (b) review the inventory control system and carry out improvement actions.

4.32 Audit considers that the Institutes need to:

- (a) closely monitor the effectiveness of the measures taken to improve inventory control;
- (b) in view of the fact that 15.5% of items selected for inspection were found missing in the stocktaking exercise for financial year 2017-18, increase the sample size in the next stocktaking exercise;
- (c) complete the review of the inventory control system as soon as possible; and
- (d) in light of the results of the review of the inventory control system, implement measures to address the issues identified in the review in a timely manner.

### ***Need to conduct surprise stock and security checks***

4.33 According to the Stores Manual, surprise stock and security checks should be carried out at irregular intervals at least once every year. Findings of the checks should be recorded in the Surprise Inspection Book. Audit examined the records of the Institutes from financial year 2015-16 to 2017-18 and noted that the Institutes did not conduct any surprise stock and security checks, contrary to the Stores Manual requirement.

4.34 In January 2019, in response to Audit's enquiry, the Institutes informed Audit that in view of the heavy workload, no surprise stock and security checks were performed. The Institutes have planned to carry out the surprise stock and security checks once a year from 2019 onward. Audit considers that the Institutes need to ensure that the surprise stock and security checks are conducted as stipulated in the Stores Manual.



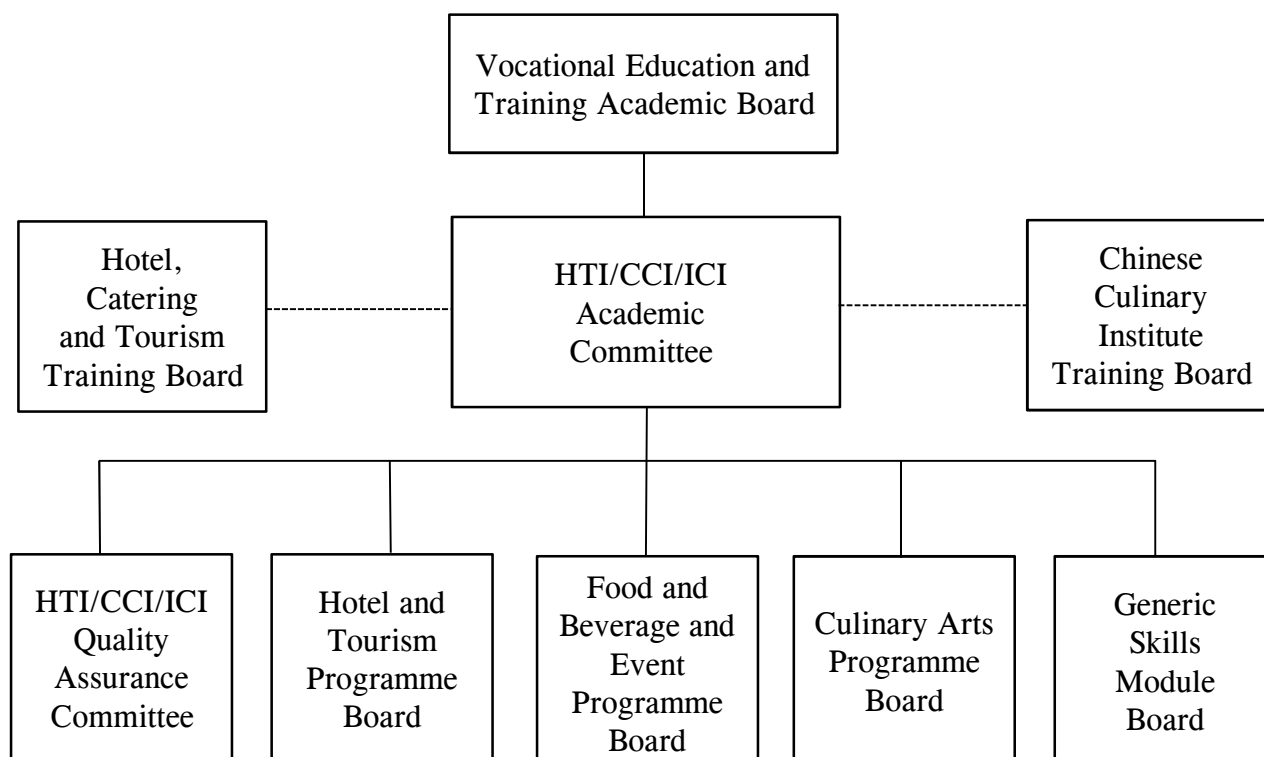
## **Audit recommendations**

- 4.35      **Audit has *recommended* that the Executive Director, VTC should:**
- (a)      **closely monitor the effectiveness of the measures taken to improve inventory control;**
  - (b)      **in view of the fact that 15.5% of items selected for inspection were found missing in the stocktaking exercise for financial year 2017-18, increase the sample size in the next stocktaking exercise;**
  - (c)      **complete the review of the inventory control system as soon as possible;**
  - (d)      **in light of the results of the review of the inventory control system, implement measures to address the issues identified in the review in a timely manner; and**
  - (e)      **ensure that the surprise stock and security checks are conducted as stipulated in the Stores Manual.**

## **Response from VTC**

- 4.36      **The Executive Director, VTC agrees with the audit recommendations.**

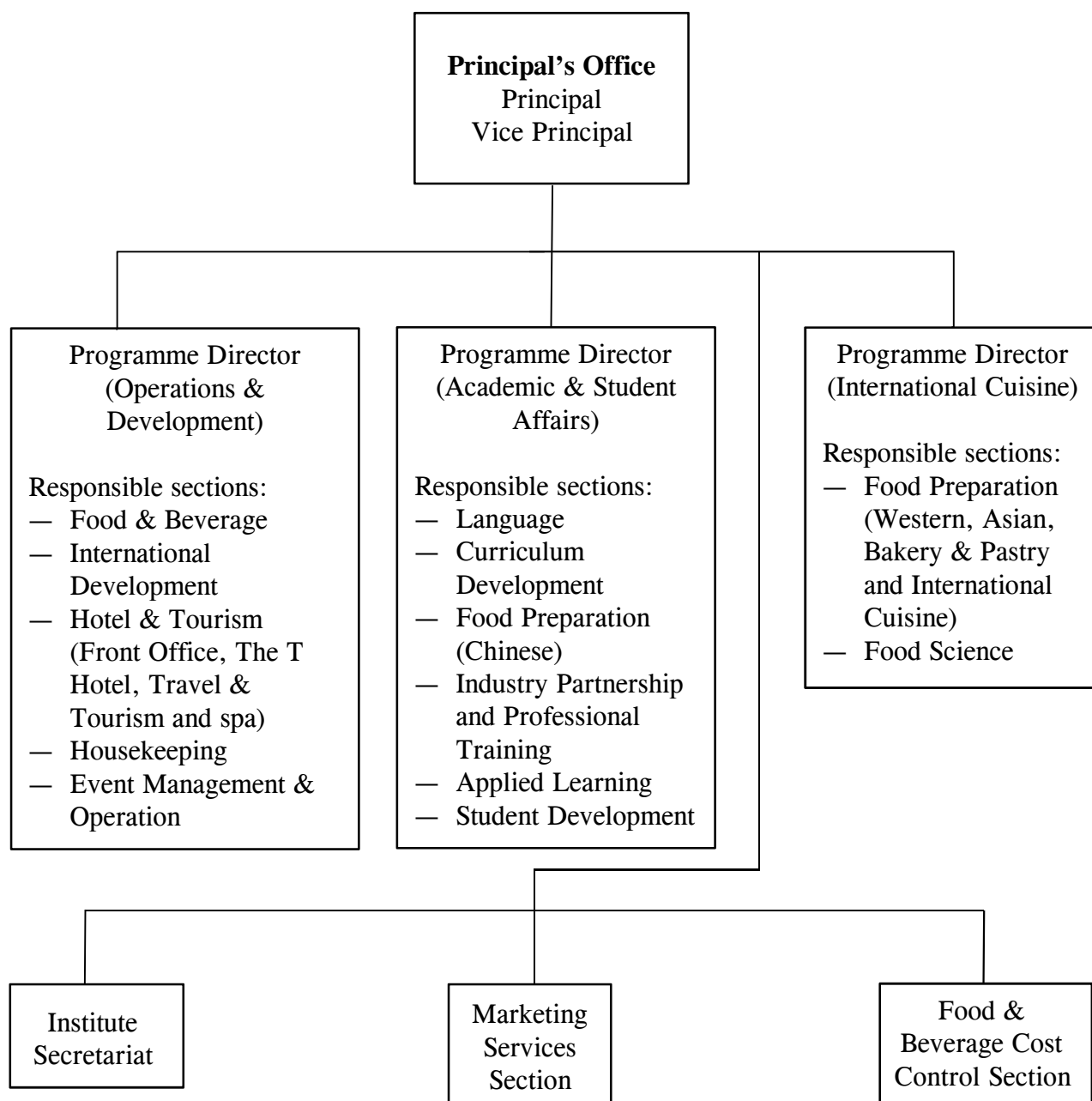
**Boards and Committees on academic matters of the Institutes  
(2017/18)**



*Legend:*    - - - - - Close liaison with each other, but no formal reporting relationship  
               ——— Reporting line

*Source:*    The Institutes' records

**The Institutes: Organisation chart (extract)**  
**(31 December 2018)**



*Source: The Institutes' records*

## Acronyms and abbreviations

Audit	Audit Commission
CCI	Chinese Culinary Institute
CPD	Continuous Professional Development
FSMC	Food Safety Management Committee
GARs	General Academic Regulations
HTI	Hotel and Tourism Institute
IAU	Internal Audit Unit
ICI	International Culinary Institute
ISO	International Organisation for Standardisation
TDS	The Dining Society
VETAB	Vocational Education and Training Academic Board
VETMC	Vocational Education and Training Management Committee
VTC	Vocational Training Council

## **CHAPTER 8**

**Food and Health Bureau  
Agriculture, Fisheries and  
Conservation Department**

**Sustainable Fisheries Development Fund and  
Sustainable Agricultural Development Fund**

**Audit Commission  
Hong Kong  
1 April 2019**

*This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.*

Report No. 72 of the Director of Audit contains 8 Chapters which are available on our website at <https://www.aud.gov.hk>

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# **SUSTAINABLE FISHERIES DEVELOPMENT FUND AND SUSTAINABLE AGRICULTURAL DEVELOPMENT FUND**

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# **Sustainable Fisheries Development Fund and Sustainable Agricultural Development Fund**

## **Executive Summary**

1. According to the Government, the agriculture and fisheries industries have been facing various challenges, for example, many local farmers have had limited application of modern agro-technology in production and local fishermen have been facing declining fisheries resources. To put the development of the agriculture and fisheries industries on a sustainable path, two funds namely the Sustainable Fisheries Development Fund (SFDF) and the Sustainable Agricultural Development Fund (SADF) were established in 2014 and 2016 respectively. Each fund had a commitment of \$500 million. To facilitate farmers, fishermen and fish farmers to acquire equipment and related materials to improve productivity and enhance sustainability, two subsidiary funding programmes, namely the Farm Improvement Scheme (FIS) and the Equipment Improvement Project (EIP) were set up under the SADF in December 2016 and under the SFDF in December 2017 respectively.

2. The Agriculture, Fisheries and Conservation Department (AFCD) is the department responsible for administering SFDF (including EIP) and SADF (including FIS). Two advisory committees, i.e. the SFDF Advisory Committee and the SADF Advisory Committee, have been set up to advise the Director of Agriculture, Fisheries and Conservation on the administration of SFDF and SADF. Members of the advisory committees are appointed by the Secretary for Food and Health. Day-to-day operations of SFDF and SADF (as well as EIP and FIS) are administered through various sections of AFCD, i.e. the SFDF Secretariat and the SADF Secretariat which carry out duties specific to the operation of SFDF and SADF, and the Funding Schemes Section which handles financial matters. For 2017-18, the expenditures of the two secretariats and the Funding Schemes Section totalled \$6.16 million. As at 28 February 2019:

- (a) 11 SFDF and 7 SADF projects had been approved with an approved funding of \$59 million and \$82 million respectively; and
- (b) 238 FIS projects and 3 EIP projects had been approved with an approved funding of \$6.9 million and \$18.4 million respectively.

## Executive Summary

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The Audit Commission (Audit) has recently conducted a review of SFDF and SADF.

### Application processing and project monitoring

3. ***Processing of fund applications.*** The SFDF/SADF Secretariat conducts preliminary screening of SFDF/SADF applications and forwards the applications to the relevant units of AFCD for assessment. The relevant advisory committee considers the applications and makes recommendations to the Director of Agriculture, Fisheries and Conservation (para. 2.2):

- (a) ***Long application processing time.*** From 2014 to 2018, the SFDF Secretariat processed 23 SFDF applications. From 2016 to 2018, the SADF Secretariat processed 11 applications. Audit analysed the application processing time (i.e. from the date of submission of an application to the date of approval/rejection) and found that the longest time taken for SFDF applications was 35 months and that for SADF applications was 15 months. In February 2019, AFCD informed Audit that in the last quarter of 2018, it conducted a review of SFDF and SADF (i.e. AFCD review) and made recommendations to improve the administration of SFDF and SADF (including addressing the problem of the long processing time — e.g. through enhancing the supervision of processing applications). AFCD needs to promptly implement the recommendations, and closely monitor the application processing time and take further measures to shorten the processing time where warranted (paras. 2.3, 2.5 and 2.7 to 2.9);
- (b) ***Need to review the EIP application arrangements.*** The EIP provides grants to applicants (i.e. legal entities connected with fisheries industry) for acquiring mechanised fishery equipment and/or materials on behalf of beneficiaries (i.e. individual fishermen and fish farmers). As at 31 December 2018, one EIP project had been approved. Audit found that in the project, individual fishermen had waited 7 months for the approval of the application. If counting from the dates when individual fishermen submitted their applications to the EIP applicant to the date of signing the funding agreement between the EIP applicant and the Government, individual fishermen had waited at least 12 months for the acquisition of the equipment. For FIS (under which applicants may apply directly to AFCD), the waiting time was much shorter. As at 31 December 2018, for the 225 approved FIS applications, individual applicants had waited, on average, less than 60 days for the approval of their applications.

## Executive Summary

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Furthermore, unlike the EIP applicants, FIS applicants are not required to enter into a funding agreement with the Government (paras. 1.7, 2.10 and 2.11); and

- (c) ***Need to review the administrative charges of EIP projects.*** According to the relevant Financial Circular of the Government, a Controlling Officer has to ensure that administrative charges for a funded government project are reasonable and proportionate to the purpose, scale, nature and circumstances of the particular fund or project. The approved grant for the approved EIP project (see (b) above) was \$7.2 million, which included the EIP applicant's administrative charges of \$1.5 million. The administrative charges amounted to 21% of the approved grant. AFCD needs to keep under review the level of administrative charges imposed by EIP applicants (paras. 2.14 to 2.16).

4. ***Project monitoring.*** SFDF and SADF grantees are required to submit various reports (e.g. progress reports) and financial statements to the secretariats (see para. 2). AFCD staff also conduct inspections on projects (para. 2.19):

- (a) ***Delays in submission of reports and financial statements.*** Audit found that:
  - (i) as at 15 January 2019, in 7 of the 10 SFDF approved projects, there were delays in submission of reports and financial statements, averaging 84 days and 107 days respectively (para. 2.21); and
  - (ii) in the 3 SFDF projects further examined by Audit, of the 13 reports submitted by the grantees, 9 (69%) were resubmitted at least once. As at 14 February 2019, for some of the 13 reports, long time (i.e. the number of days between the date of acceptance of a report for assessment purpose by the SFDF Secretariat and the date of provision of the report by the SFDF Secretariat (after its assessment) to a working group of the SFDF Advisory Committee for review) had been taken for processing the reports. The time taken ranged from 49 to 311 days (para. 2.22); and
- (b) ***Inadequacies in inspections.*** AFCD staff will complete inspection reports after conducting inspections. Audit examined the inspection records of the

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3 SFDF projects (see (a)(ii) above) and found that some recommendations made by AFCD had not been implemented despite that the same recommendations were made to the grantees in previous inspections. There were no records indicating that AFCD had taken measures to ensure satisfactory implementation of the recommendations by the grantees (paras. 2.25 and 2.26).

5. ***Use of funds by grantees.*** According to the funding agreements, grantees have to observe the requirements for the use of grants (para. 2.32):

- (a) ***Need to purchase the mandatory insurances.*** Audit examined the 3 SFDF projects (see para. 4(a)(ii)) and found that in a project, up to 31 January 2019 (34 months after the project commencement date), none of the mandatory insurances (i.e. employees' compensation insurance, public liability insurance and insurance for collateral) had been purchased by the grantee for the project (paras. 2.34 and 2.35); and
- (b) ***Need to observe the procurement requirements.*** In examining the 3 SFDF projects, Audit found that for 6 project items each with a value over \$50,000 but not exceeding \$1.4 million, the requirement of obtaining at least 5 written quotations had not been observed by the grantees (para. 2.37).

## Achievement of fund objectives

6. ***Disbursement of funds to worthwhile projects.*** In seeking approval to set up SFDF and SADF, the Government informed the Finance Committee of the Legislative Council that for planning and budgetary purpose, the estimated cash outflows (i.e. disbursement) of SFDF was \$50 million annually from 2014-15 to 2023-24. For SADF, the planned annual disbursement was \$100 million for 2017-18 and 2018-19, and \$50 million from 2019-20 to 2024-25 (para. 3.4):

- (a) ***Slow pace of fund disbursement.*** Audit found that the actual disbursement of funds amounted to only a small portion of the planned disbursement. For SFDF, in 2014-15 to 2018-19 (up to 31 December 2018), the portion ranged from 0% to 22.6%. For SADF, in 2017-18 and 2018-19 (up to 31 December 2018), the portions were 2.7% and 6.7% respectively (para. 3.6);

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- (b) ***Decreasing number of fund applications.*** Audit noted that the number of fund applications submitted to AFCD had generally decreased over the years: (i) the number of SFDF applications decreased from 15 in 2014 to 3 in 2018; (ii) the number of SADF applications decreased from 20 in 2017 to 13 in 2018; and (iii) the number of applications for FIS decreased from 172 in 2017 to 66 in 2018 (para. 3.9);
  - (c) ***Many fund applications rejected.*** Fund applications were assessed against a set of eligibility criteria, and were considered by the SFDF/SADF Advisory Committee. Audit noted that as at 31 December 2018, 41% of SFDF applications and 12% of SADF applications had been rejected for various reasons (e.g. failure in meeting the fund objectives). The high rejection rates indicated that many proposed projects did not meet the assessment criteria, and that they were not considered to be worthwhile projects. AFCD needs to better help the agricultural/fisheries sectors to devise good proposals of projects worthy of funding support (paras. 3.12, 3.13 and 3.15); and
  - (d) ***Need to take effective measures to increase the number of fund applications.*** In the AFCD review (see para. 3(a)), AFCD concluded that there was a need for improvement in the publicity of funds and in fund applications. Upon enquiry, AFCD informed Audit in February 2019 that specific measures for improving publicity and fund applications had been endorsed by the SFDF Advisory Committee and the SADF Advisory Committee (paras. 3.16 and 3.17).
7. ***Evaluation of project achievements.*** As at 31 December 2018, 2 projects had been completed under SFDF. It was AFCD's requirement that a grantee should submit a final report within 4 months after the completion of a project. Audit noted that, while the 2 projects were completed in January and April 2018 respectively, AFCD had not completed the review of the final reports of the 2 projects as at 31 December 2018. Audit also noted that AFCD records did not indicate that AFCD had any plans for reviewing the overall achievements of SFDF, SADF and their subsidiary programmes (i.e. EIP and FIS) vis-à-vis the overall objective of putting the development of the agriculture and fisheries industries on a sustainable path (paras. 3.20 and 3.22).

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### Governance issues

8. *Members' attendance at meetings.* Two advisory committees and two working groups have been established for administering SFDF and SADF (para. 4.2). Audit noted that:

- (a) *Decreased attendance at committee meetings.* For the SFDF Advisory Committee, the proportion of members attending committee meetings (i.e. the attendance rate) decreased from 79% in 2014 to 63% in 2018. For the SADF Advisory Committee, the attendance rate decreased from 82% in 2016 to 75% in 2018 (para. 4.4); and
- (b) *Need to improve attendance of individual members.* In each of the years between 2014 and 2018, some members (ranging from 1 to 5 members) attended less than half of the meetings of their responsible committees. Of these members, two were re-appointed in 2017 upon completion of their three-year term (i.e. for 2014 to 2017) (paras. 4.6 and 4.10).

9. *Management of potential conflicts of interest.* AFCD adopts a two-tier declaration system for managing committee members' potential conflicts of interest. In the first-tier declaration, the chairman and members shall register in writing their personal interests when they first join the committee, and annually thereafter, to the secretary of the committee (i.e. the SFDF/SADF Secretariat — see para. 2) on standard forms. In the second-tier declaration, members are required to report any conflicts of interest as and when they arise (para. 4.16):

- (a) *Scope for improving first-tier declarations.* Audit reviewed the first-tier declaration forms submitted by committee members from 2014 to 2018 and found that (para. 4.18):
  - (i) *First-tier declarations not made.* Every year, the secretariats of the two funds distributed first-tier declaration forms to committee members for completion. However, the SFDF Secretariat had not done so for 2016. In the event, none of the members of the SFDF Advisory Committee made any first-tier declaration for the year (para. 4.18(a));

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- (ii) ***Outstanding declarations not followed up.*** In 2018, two members of the SFDF Advisory Committee did not complete and return the first-tier declaration forms. However, the SFDF Secretariat did not follow up the non-submission (para. 4.18(b)); and
  - (iii) ***Declarations might not be entirely complete.*** In two cases, committee members might not have provided complete information about their interests in making first-tier declarations, i.e. about the fact that they were chairpersons or director of fisheries organisations (para. 4.18(c)); and
- (b) ***Need to make rulings on interests declared and record in minutes of meetings.*** Under the AFCD's declaration system, the chairman is required to make rulings on conflicts of interest declared by members in meetings, i.e. the chairman needs to decide whether a member disclosing an interest may speak or vote on the matter, may remain in the meeting as an observer, or should withdraw from the meeting. Audit noted that, in respect of the 23 SFDF Advisory Committee/working group meetings held from 2014 to 2018, there was room for improvement in the documentation of the rulings on interests declared in the minutes of meetings (paras. 4.21 and 4.22), as follows:
- (i) in 7 (30% of 23) meetings, the minutes of meetings did not indicate that the chairmen had made rulings after members making declarations of conflicts of interest (para. 4.22(a)); and
  - (ii) in 3 (13% of 23) meetings, the minutes of meetings indicated that several members had declared conflicts of interest. The chairmen requested members in the meetings to take note of the interests declared by these several members. Nevertheless, the minutes did not indicate that the chairmen had made rulings on the interests declared. The fact that the chairmen only requested members to take note of the interests declared might not be fully in compliance with the requirement of AFCD's declaration system (para. 4.22(b)).
10. ***Other areas for improvement on procedures for meetings.*** In January 2017, the Treasury issued a Fund Management Guide. According to the Guide, members of governing boards/committees should be provided with the agenda and discussion papers of a meeting in good time (normally not less than five working

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days before the meeting), and after each meeting, the minutes should be promptly prepared and circulated for members' comments and agreement (para. 4.25):

- (a) *Need to regularise distribution of papers relating to meetings.* For the 28 meetings of committees and working groups held from 2014 to 2018, Audit found that the agendas (accompanied by discussion papers — hereinafter agendas include discussion papers) and draft minutes were not always distributed in a timely manner. For example, for 3 of the 28 meetings, the agendas were only distributed less than five days before the meetings. In one extreme case, the draft minutes of a working group meeting were distributed 102 days after the meeting. Audit noted that AFCD had not laid down any guidelines on the distribution of agendas and minutes of meetings (paras. 4.26 and 4.27); and
- (b) *Need to record more clearly the results of voting in minutes of meetings.* Audit reviewed the minutes of the 28 meetings and found that, in one committee meeting held in March 2015, the total number of members who voted/abstained from voting in the meeting was less than the number of members who attended the meeting (para. 4.29).

## Audit recommendations

11. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Director of Agriculture, Fisheries and Conservation should:**

### *Application processing and project monitoring*

- (a) **promptly implement the recommendations of the AFCD review (paras. 2.17(a) and (d) and 2.38(a) and (c));**
- (b) **closely monitor the application processing time for SFDF and SADF and take further measures to shorten the processing time (para. 2.17(b));**
- (c) **keep under review the need to take further measures to improve the EIP application arrangements (para. 2.17(c));**



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- (d) **consider setting guidelines on administrative charges imposed by EIP project applicants, and keep under review the level of administrative charges (para. 2.17(e) and (f));**
- (e) **closely monitor the timeliness of submission of reports and financial statements by SFDF grantees (para. 2.38(b));**
- (f) **ensure that applicable recommendations for the monitoring of SFDF projects are also implemented for SADF projects (para. 2.38(d));**
- (g) **take immediate measures to rectify the anomalous case in which the grantee has not purchased any of the insurances required by the funding agreement, and ensure that there is no recurrence of such cases in future (para. 2.38(f) and (g));**
- (h) **take measures to ensure that procurements made by grantees comply with the requirements of the funding agreements, and that in circumstances where written quotations cannot be obtained, prior approval from the Director of Agriculture, Fisheries and Conservation for adopting other procurement practices are obtained by grantees (para. 2.38(j));**

### ***Achievement of fund objectives***

- (i) **make better effort to encourage and facilitate the agriculture and fisheries industries to make good use of SADF and SFDF in implementing projects which contribute towards the sustainable development of the industries (para. 3.18(a));**
- (j) **ensure that effective measures are promptly implemented to enhance the publicity of SFDF and SADF, and to facilitate applicants to apply for funding under SFDF and SADF (para. 3.18(b));**
- (k) **expedite the review of the two completed SFDF projects (para. 3.23(a));**
- (l) **consider the need to evaluate the overall achievements of SFDF, SADF and their subsidiary programmes vis-à-vis the overall objective of**

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putting the development of the agriculture and fisheries industries on a sustainable path (para. 3.23(b));

### *Governance issues*

- (m) closely monitor the trend of attendance rates of committee members and take remedial measures as appropriate (para. 4.12);
  - (n) ensure that first-tier declaration forms are always sent to committee members for their completion every year, and take measures to follow up with the members concerned if they have not submitted their first-tier declaration forms (para. 4.23(a) and (b));
  - (o) take measures to facilitate committee members to fully declare their interests (para. 4.23(c));
  - (p) regularly remind the committee chairmen of the need to make rulings on interests declared by members at the meetings, and document the rulings made in the minutes of the meetings so as to enhance transparency and accountability (para. 4.23(d));
  - (q) consider laying down guidelines on the distribution of agendas (and discussion papers) and draft minutes of meetings (para. 4.31(a)); and
  - (r) ensure that proceedings of meetings are accurately and completely recorded in minutes of meetings (para. 4.31(b)).
12. Audit has *recommended* that the Secretary for Food and Health should, in re-appointing members to serve on committees of SFDF and SADF, give due consideration to members' past attendance at meetings, and for members who had difficulties in attending meetings and whose re-appointments are essential, take measures to encourage them to attend meetings in future (para. 4.13).

## Response from the Government

13. The Secretary for Food and Health and the Director of Agriculture, Fisheries and Conservation generally accept the audit recommendations.

## PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objective and scope.

### *Background*

1.2 According to Hong Kong Yearbook 2017, in 2017, the agriculture and fisheries industries employed a total of some 18,000 people. In 2017, the percentages of all foods consumed in Hong Kong provided by local agriculture and fisheries industries were:

- (a) ***Agriculture industry.*** Local farms provided about 99% of live poultry, 7% of live pigs and 2% of vegetables; and
- (b) ***Fisheries industry.*** The industry, comprising capture fisheries and aquaculture fisheries, provided about 20% of seafood and 4% of freshwater fish.

1.3 According to the Government, the agriculture and fisheries industries have been facing various challenges including:

- (a) many local farmers have been cultivating their crops in a traditional manner as their forefathers did, with limited application of modern agro-technology and mechanisation in production, and sub-optimal efficiency; and
- (b) local fishermen have been facing declining fisheries resources, rising operating costs (e.g. fuel prices) and increasing competition from non-local fishing vessels.

Nevertheless, the Government considers that local agriculture and fisheries industries can achieve more, provided they move towards high-tech, diversified and sustainable development.

### *Establishment of sustainable agricultural and fisheries development funds*

1.4 Against the above background and to put the development of the agriculture and fisheries industries on a sustainable path, two funds, namely the Sustainable Fisheries Development Fund (SFDF) and the Sustainable Agricultural Development Fund (SADF), were established in 2014 and 2016 respectively:

- (a) **SFDF.** In the 2013 Policy Address, the Chief Executive of the Hong Kong Special Administrative Region announced that a \$500 million SFDF was to be set up. In January 2014, with the support of the Food and Health Bureau (FHB), the Agriculture, Fisheries and Conservation Department (AFCD) obtained the approval of the Finance Committee of the Legislative Council (LegCo) for creating the \$500 million commitment for SFDF. In July 2014, SFDF was established; and
- (b) **SADF.** In the 2016 Policy Address, the Chief Executive announced that a \$500 million SADF was to be set up. In April 2016, with the support of the FHB, AFCD obtained the approval of the Finance Committee of LegCo for creating the \$500 million commitment for SADF. In December 2016, SADF was established.

1.5 AFCD is the department responsible for administering SFDF and SADF (Note 1). The salient features of the two funds are shown in Table 1.

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**Note 1:** *According to AFCD, it provides services to secure orderly and efficient production and marketing of agricultural and fishery produce; enforce regulations on plants, pesticides and animal controls; and conserve natural environment and safeguard the ecological integrity. In addition, it also administers SFDF and SADF.*

Table 1

## SFDF and SADF

	SFDF	SADF
<b>Objective</b>	Supports sustainable development and improves competitiveness of the local fisheries industry	Provides financial support to facilitate the development of modern and sustainable agriculture in Hong Kong
<b>Projects to be supported (general principles)</b>	<ul style="list-style-type: none"> <li>• Projects should contribute in a direct and practical way towards the sustainable development of the local agriculture and fisheries industries</li> <li>• Research or theoretical studies without a demonstrated relevance to the local agriculture and fisheries industries will not be considered</li> </ul>	
<b>Projects to be supported (specific)</b>	<p>Projects which assist the local fisheries community to rise to the challenges on the horizon, with a view to enabling the fisheries industry to develop or switch to a sustainable or high value-added mode of operation, as well as enhancing the overall competitiveness of the fisheries industry. Such projects may include those that:</p> <ul style="list-style-type: none"> <li>• explore new opportunities in the South China Sea; and</li> <li>• develop sustainable practices for fishing operations in Hong Kong waters.</li> </ul>	<p>Projects which assist the local agricultural community to rise to the challenges on the horizon, with a view to enabling the agriculture industry to enhance their productivity and output or switch to a sustainable or high value-added mode of operation, as well as facilitating the modernisation and enhancing the overall competitiveness of the agriculture industry. Such projects may include:</p> <ul style="list-style-type: none"> <li>• direct grants to farmers for mechanising and modernising their farming equipment and materials; and</li> <li>• other one-off projects consistent with the objective of SADF (e.g. projects for strengthening marketing and branding of local agricultural produce, and those for facilitating transfer of knowledge).</li> </ul>

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**Table 1 (Cont'd)**

	<b>SFDF</b>	<b>SADF</b>
<b>Eligible applicants</b>	<ul style="list-style-type: none"> <li>• Legal entities (Note) that have demonstrated a close connection with the fisheries (for SFDF)/agriculture (for SADF) industry in Hong Kong (e.g. non-profit-making fisheries/agricultural organisations and non-governmental organisations (NGOs))</li> <li>• Academic and research institutions in Hong Kong</li> </ul>	
<b>Project funding limit</b>	No project funding limit	
<b>Authority for approving funds</b>	<ul style="list-style-type: none"> <li>• For a grant not exceeding \$15 million: the Director of Agriculture, Fisheries and Conservation (for simplicity, hereinafter refer to as the Director unless otherwise stated) based on the recommendations of the SFDF Advisory Committee (see para. 1.9) or the SADF Advisory Committee (see para. 1.10)</li> <li>• For a grant exceeding \$15 million: the Finance Committee of LegCo based on the recommendations of the SFDF Advisory Committee or the SADF Advisory Committee</li> </ul>	
<b>Project duration</b>	No specified duration (see also Table 3 in para. 1.15(a))	
<b>Contractual obligations</b>	Successful applicants are required to enter into funding agreements with the Government, which lay down detailed conditions for the grants (including the need for meeting reporting requirements such as the submission of progress reports, final reports and audited financial statements)	

*Source: AFCD records*

*Note: The legal entity should be a company incorporated in Hong Kong under the Companies Ordinance (Cap. 622) and has substantial connection to Hong Kong or a body corporate incorporated in Hong Kong under other ordinances of the Hong Kong Special Administrative Region.*

### *Subsidiary funding programmes set up under SFDF and SADF*

1.6 In addition to SFDF and SADF, AFCD has also set up two subsidiary funding programmes to facilitate farmers, fishermen and fish farmers to acquire equipment and related materials to improve productivity and enhance sustainability:

- (a) ***Farm Improvement Scheme (FIS)***. FIS was set up under SADF in December 2016; and
- (b) ***Equipment Improvement Project (EIP)***. EIP was set up under SFDF in December 2017.

1.7 The salient features of FIS and EIP are shown in Table 2.

Table 2

FIS and EIP

	FIS	EIP
<b>Objective</b>	Provide direct grants to applicants for acquiring mechanised farming (for SADF)/fishery (for SFDF) equipment and/or materials (e.g. pest exclusion net and pump), which would promote the sustainable development and modernisation of the sectors	
<b>Eligible applicants</b>	<ul style="list-style-type: none"> <li>Hong Kong residents or companies/organisations registered in Hong Kong, and are operating a crop farm engaged in commercial production of not less than 1 “dau chung” (i.e. 7,260 square feet)</li> <li>Licensed livestock farms in Hong Kong</li> </ul>	<ul style="list-style-type: none"> <li>Legal entities (see Note to Table 1 in para. 1.5) that have demonstrated a close connection with the fisheries industry in Hong Kong (e.g. non-profit-making fisheries organisations and NGOs)</li> </ul>
<b>Beneficiaries</b>	The applicant is also the beneficiary of the grant	An applicant (a legal entity connected with the fisheries industry) may apply for grants on behalf of a number of beneficiaries (i.e. individual fishermen and fish farmers) (Note 1)
	An applicant can only apply once for funding	A beneficiary is eligible once for the grant
<b>Funding limit</b>	<ul style="list-style-type: none"> <li>Up to 80% of the cost of each piece of eligible equipment and/or materials purchased (up to a maximum grant of \$30,000 for each applicant)</li> </ul>	<ul style="list-style-type: none"> <li>Up to 80% of the cost of each piece of eligible equipment and/or materials purchased (up to a maximum grant of \$30,000 for each beneficiary)</li> </ul>



Table 2 (Cont'd)

	FIS	EIP
<b>Funding limit</b> (cont'd)		<ul style="list-style-type: none"> <li>• Maximum funding for an application:               <ul style="list-style-type: none"> <li>— \$6 million (i.e. maximum of 200 beneficiaries with \$30,000 per beneficiary) for the grant</li> <li>— \$1.5 million for administrative charges (charged by the applicant)</li> </ul> </li> </ul>
<b>Authority for approving funds</b>	The Assistant Director (Agriculture) of AFCD	The Director upon advice of the SFDF Advisory Committee (Note 2)
<b>Contractual obligations</b>	Not applicable	Successful applicants are required to enter into funding agreements with the Government, which lay down detailed conditions for the grants (e.g. provision of quotations for the purchase of the equipment to AFCD)

Source: AFCD records

Note 1: Individual fishermen and fish farmers are not eligible for applying for EIP grants as they are not legal entities.

Note 2: As the applicant applies for the EIP grant on behalf of a number of beneficiaries, the application is submitted for the endorsement of the SFDF Advisory Committee and the applicant is required to enter into a funding agreement with the Government.

### *Administration of SFDF and SADF*

1.8 In administering SFDF (including EIP) and SADF (including FIS), two advisory committees, i.e. the SFDF Advisory Committee and the SADF Advisory Committee, have been set up to advise the Director.

1.9 The SFDF Advisory Committee has 16 members (including the chairman), comprising 14 non-official members (e.g. representatives of the trade, academics, conservationists and professionals) and 2 official members (i.e. the Secretary for Food and Health and the Director, or their representatives).

1.10 The SADF Advisory Committee has 17 members (including the chairman), comprising 15 non-official members (e.g. representatives of the trade, academics and professionals) and 2 official members (i.e. the Secretary for Food and Health and the Director, or their representatives).

1.11 Members of the SFDF Advisory Committee and the SADF Advisory Committee are appointed by the Secretary for Food and Health on a term of three years and are eligible for re-appointment.

1.12 The terms of reference of the SFDF Advisory Committee and the SADF Advisory Committee are:

- (a) to advise the Director on the overall strategy for funding projects and the relative priorities of applications for funding support;
- (b) to make recommendations to the Director on matters relating to applications for funding support (e.g. procedures for assessing applications and follow-up actions in respect of any non-compliance of a funded project); and

- (c) to consider applications, establish vetting committees (Note 2) for vetting applications (if necessary) and advise on other matters as referred to by the Director.

1.13 Day-to-day operations of SFDF and SADF (and the subsidiary programmes, i.e. EIP and FIS) are administered through various sections of AFCD:

- (a) ***Fund secretariats.*** An SFDF Secretariat and an SADF Secretariat have been set up within the Fisheries Supporting Services Division of AFCD's Fisheries Branch and the Extension and Funds Division of AFCD's Agriculture Branch respectively (see Appendix A) to carry out duties specific to the operation of SFDF and SADF, such as:
  - (i) initial screening of fund applications;
  - (ii) communicating with applicants;
  - (iii) coordinating assessments of applications and compiling summaries of assessment results for consideration by the relevant advisory committees (i.e. the SFDF Advisory Committee or the SADF Advisory Committee); and
  - (iv) coordinating the review of progress reports, annual reports and final reports of funded projects and compiling summaries for consideration by the SFDF Advisory Committee or the SADF Advisory Committee.

As at 28 February 2019, the SFDF Secretariat had 5 staff (i.e. 1 Fisheries Officer, 1 Executive Officer II, 1 Fisheries Supervisor II and 2 contract Field Inspectors) and the SADF Secretariat had 8 staff (i.e. 1 contract Agricultural Management Officer, 1 Executive Officer II, 1 contract Field Supervisor, 1 Field Officer I, 1 Field Officer II and 3 contract Field Officers); and

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**Note 2:** *Two vetting committees, known as working groups, have been established under the SFDF Advisory Committee. Members of the SFDF Advisory Committee who are interested in the work of the working groups may volunteer to join the groups.*

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(b) ***Funding Schemes Section.*** A Funding Schemes Section has been set up within AFCD's Accounts and Supplies Division (see Appendix A) to handle specifically financial matters of SFDF and SADF, such as:

- (i) vetting project budgets submitted by applicants;
- (ii) reviewing audited accounts of projects; and
- (iii) disbursing project funds.

As at 28 February 2019, the Funding Schemes Section had 4 staff, comprising 1 Treasury Accountant, 1 contract Accounting Manager, 1 Accounting Officer and 1 Assistant Clerical Officer.

1.14 For 2017-18, the expenditures of the two secretariats and the Funding Schemes Section totalled \$6.16 million.

### ***Approved projects of SFDF and SADF***

1.15 As at 28 February 2019:

- (a) 11 SFDF and 7 SADF projects had been approved (see Table 3). Photograph 1 shows a project funded by SFDF; and

Table 3

**Approved projects of SFDF and SADP  
(28 February 2019)**

	<b>SFDF</b>	<b>SADP</b>
Date of establishment	July 2014	December 2016
Number of applications received	33	34
Number of projects approved	11 (see Appendix B for a list of approved projects)	7 (see Appendix C for a list of approved projects)
Total amount of approved funding	\$59 million	\$82 million
Approved funding per project	\$2.3 million to \$10.5 million	\$2.8 million to \$15 million
Duration of approved projects (months)	24 to 87	24 to 48
Types of approved projects	<ul style="list-style-type: none"> <li>• Aquaculture</li> <li>• Recreational fishing/training</li> <li>• Oyster culture</li> <li>• Accreditation and marketing of organic fish products</li> <li>• Aquatic animal veterinary services</li> <li>• Aquaculture (advertisement and promotion)</li> </ul>	<ul style="list-style-type: none"> <li>• Research and development of new agricultural products (e.g. sustainable organic fertilisers for output maximisation)</li> <li>• Certification of local organic farms</li> <li>• Promotion of local organic agriculture</li> <li>• Support for the local crop industry</li> <li>• Development of the local pig and poultry farming industry</li> <li>• Technology demonstration project</li> </ul>
Payment of grants	Paid in accordance with the payment schedules set out in the funding agreements, on condition that the projects had met the prescribed milestones and AFCD was satisfied with their progress	
Number of projects completed	2	Nil

*Source: Audit analysis of AFCD records*

**Photograph 1**

**An aquaculture project funded by SFDF**



*Source: AFCD records*

- (b) 238 FIS and 3 EIP projects had been approved (see Table 4). Photographs 2 and 3 show examples of the equipment approved under FIS and EIP respectively.

Table 4

**Approved projects of FIS and EIP  
(28 February 2019)**

	<b>FIS</b>	<b>EIP</b>
Date of establishment	December 2016	December 2017
Number of applications received	247	7
Number of projects approved	238	3
Number of beneficiaries under the approved projects	238	523
Total amount of approved funding	\$6.9 million	\$18.4 million
Approved funding per project	\$5,600 to \$30,000	\$4 million to \$7.2 million
Payment of grants	Paid to the applicant, who was also the beneficiary (i.e. the farmer)	Paid to the applicant, who distributes the equipment to beneficiaries (i.e. individual fishermen or fish farmers)
Number of projects completed	158	Nil

*Source: Audit analysis of AFCD records*

**Photograph 2**

**Agricultural equipment approved under FIS  
(A tiller for loosening the soils before cultivation)**



*Source: Photograph taken by Audit staff in December 2018*

**Photograph 3**

**Fisheries equipment approved under EIP  
(A bird netting for keeping birds  
away from fish ponds)**



*Source: AFCD records*



### Audit review

1.16 In October 2018, the Audit Commission (Audit) commenced a review of SFDF and SADF. The audit review (Note 3) has focused on the following areas:

- (a) application processing and project monitoring (PART 2);
- (b) achievement of fund objectives (PART 3); and
- (c) governance issues (PART 4).

Audit has found room for improvement in the above areas and has made recommendations to address the issues.

### Acknowledgement

1.17 Audit would like to acknowledge with gratitude the full cooperation of the staff of AFCD during the course of the audit review.

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**Note 3:** *In this audit review, in addition to analytical reviews, Audit examined: (a) 10 SFDF applications (3 approved applications, 3 rejected applications, 1 withdrawn application (i.e. withdrawn by the applicant) and 3 applications under processing); (b) 10 SADF applications (3 approved applications, 3 rejected applications, 1 withdrawn application and 3 applications under processing); (c) 2 EIP applications (1 approved application and 1 application under processing); and (d) 30 FIS applications (25 approved applications, 3 rejected applications and 2 withdrawn applications).*

## **PART 2: APPLICATION PROCESSING AND PROJECT MONITORING**

2.1 This PART examines application processing and project monitoring, focusing on the following issues:

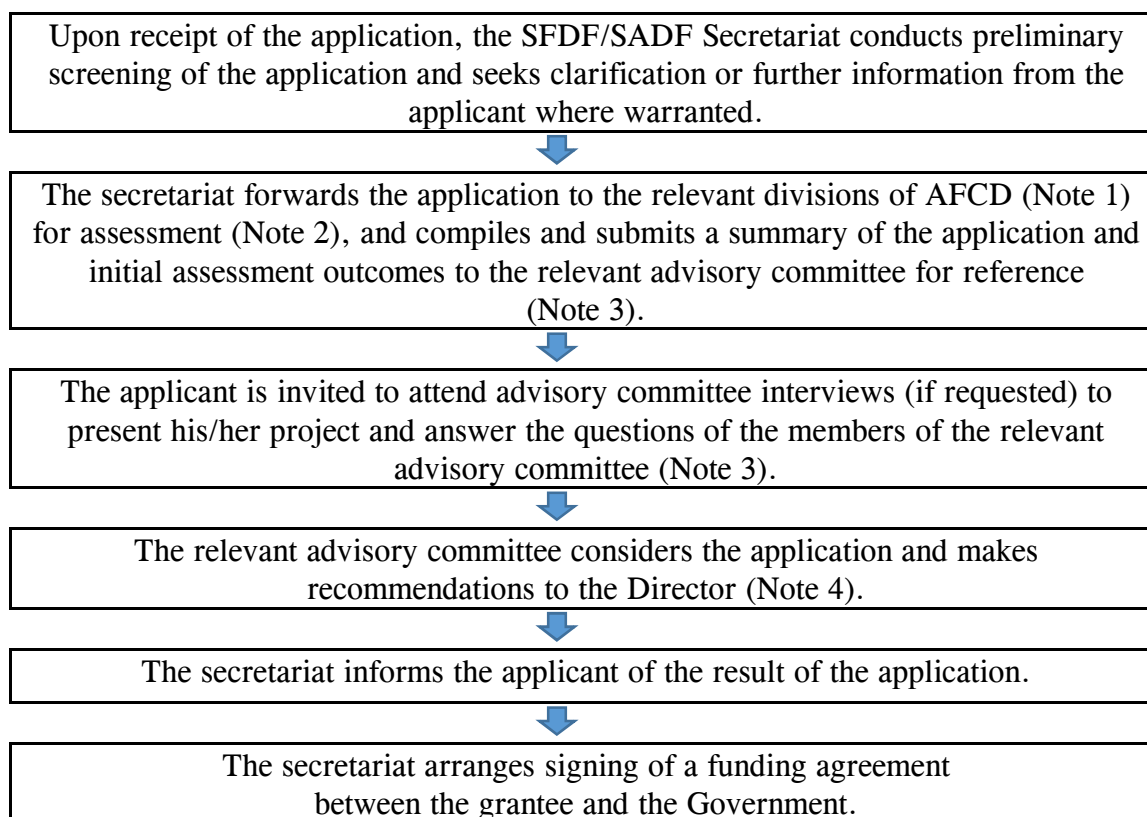
- (a) processing of fund applications (paras. 2.2 to 2.18); and
- (b) project monitoring (paras. 2.19 to 2.40).

### **Processing of fund applications**

2.2 The procedures for processing an SFDF/SADF application are shown in Figure 1.

Figure 1

### Procedures for processing an SFDF/SADF application



Source: Audit analysis of AFCD records

*Note 1: The Funding Schemes Section under AFCD's Accounts and Supplies Division (see para. 1.13(b)) conducts financial assessment of the application while AFCD's technical divisions conduct technical assessments. The technical divisions comprise: (a) for SFDF, the Aquaculture Fisheries Division, the Fisheries Management Division and the Fisheries Supporting Services Division under the Fisheries Branch; and (b) for SADF, the Crop Development Division and the Farm Development Division under the Agriculture Branch, and the Animal Health Division under the Inspection and Quarantine Branch (see Appendix A).*

*Note 2: The assessment criteria include: (a) project needs (e.g. whether the project is innovative); (b) project feasibility (e.g. whether the project has attainable targets); and (c) expected project outcomes (e.g. whether the project has the potential for self-sufficiency).*

*Note 3: Two working groups (see Note 2 to para. 1.12(c)) have been established under the SFDF Advisory Committee. SFDF applications are first handled by one of the working groups. The working group that handles the application vets the applications, interviews the applicants (if necessary), and puts forward recommendations on the project proposals for consideration by the SFDF Advisory Committee.*

*Note 4: The approving authorities for a grant not exceeding \$15 million and a grant exceeding \$15 million are the Director and the Finance Committee of LegCo respectively.*

## Application processing and project monitoring

### *Long application processing time*

2.3 From July 2014 (commencement of SFDF) to December 2018, the SFDF Secretariat processed 23 SFDF applications. From December 2016 (commencement of SADF) to December 2018, the SADF Secretariat processed 11 applications. Audit analysed the application processing time and found that the time taken for processing some applications was long (e.g. over 30 months — see Table 5).

**Table 5**  
**Time taken for processing applications**  
**(July 2014 to December 2018)**

	Number of projects				
	5 to 10 months (a)	Over 10 to 20 months (b)	Over 20 to 30 months (c)	Over 30 months (d)	Total (e) = (a) + (b) + (c) + (d)
<b><i>SFDF (from July 2014 to December 2018)</i></b>					
Approved projects	5	3	1	1 (Note 1)	10
Rejected projects	3	5	3	2	13
Total	8	8	4	3	23
<b><i>SADF (from December 2016 to December 2018)</i></b>					
Approved projects	0	7 (Note 2)	N.A. (SADF was established in 2016)		7
Rejected projects	0	4			4
Total	0	11			11

*Source:* Audit analysis of AFCD records

*Note 1:* The longest time taken was 35 months.

*Note 2:* The longest time taken was 15 months.

*Remarks:* “Time taken” in processing the application of an approved/rejected project refers to the period of time from the date of submission of the application to the date of approval/rejection.

2.4 Long application processing time is not conducive to early commencement of projects. The earlier a project could be started, the earlier the benefits of the project could be reaped.

2.5 In February 2019, AFCD informed Audit that in the last quarter of 2018, AFCD conducted a review of SFDF and SADF (hereinafter collectively referred to as the AFCD review) and made recommendations to improve the administration of SFDF and SADF. In late January 2019, the recommendations had been submitted to the SFDF Advisory Committee and the SADF Advisory Committee for their deliberations.

2.6 In the AFCD review, AFCD noted that the processing time for SFDF applications was long. According to AFCD, the major reasons for the long processing time were:

- (a) it might take a longer period of time to prepare assessment summaries for some applications due to the more complex technical or accounting arrangements of the applications, resulting in the need to conduct careful analysis of the applications or to require the applicants to provide more technical information and invite experts to make third-party project assessments;
- (b) a long time was taken to prepare the assessment summaries due to engagements in other tasks requiring urgent attention; and
- (c) the information provided by applicants in their applications was very often inadequate for vetting purpose. In addition, during the course of assessments, members of the SFDF Advisory Committee would often raise questions concerning the applications, necessitating extra time for submission of supplementary information from applicants.

2.7 To address the problem of the long processing time for SFDF applications, AFCD made the following recommendations:

## **Application processing and project monitoring**

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- (a) strictly adhering to the work flow (Note 4) for processing applications;
- (b) enhancing the supervision of processing applications, and specifying guidelines for processing late submission of supplementary information by applicants;
- (c) arranging interviews with applicants to explain the required supplementary information if the information required is complicated or a large volume of information is required;
- (d) taking measures to enhance the quality of applications submitted by applicants so as to reduce processing time, such as enhancing the promotion and support to applicants and simplifying the application form;
- (e) fully communicating with applicants and informing them the progress of approving those applications, which require a longer period of time for financial and technical assessments; and
- (f) requesting applicants to provide specific and clear information upon submission of applications, and attempting to limit the number of requests for supplementary information within two times.

2.8 In respect of SADF applications, AFCD recommended that prior to the SADF Advisory Committee meetings, the SADF Secretariat would continue to circulate initial assessment results to committee members for comments, and request the members to write down any further questions for applicants. Furthermore, AFCD would hold briefing sessions for applicants and the members, so that applicants could directly respond to the members' queries.

2.9 In March 2019, AFCD informed Audit that:

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**Note 4:** *The work flow was introduced by AFCD after an internal review conducted in 2017 with a view to streamlining the procedures and shortening the time for processing applications.*

- (a) the SFDF Advisory Committee and the SADF Advisory Committee had endorsed all the recommendations; and
- (b) the SFDF Secretariat and the SADF Secretariat had already started implementing the recommendations by stages.

Audit considers that AFCD needs to promptly implement the recommendations endorsed by the SFDF Advisory Committee and the SADF Advisory Committee. It also needs to closely monitor the application processing time for SFDF and SADF and take further measures to shorten the processing time where warranted.

### ***Issues relating to application for EIP funds***

2.10 The EIP provides direct grants to EIP applicants for acquiring mechanised fishery equipment and/or materials on behalf of beneficiaries (see Table 2 in para. 1.7).

2.11 *Need to review the EIP application arrangements.* As at 31 December 2018 (the time of audit fieldwork), only one EIP project was approved. Audit examined the EIP project and found that there is scope for improving the application arrangements (see Case 1).

### Case 1

#### **An approved EIP project (as at 31 December 2018)**

1. The timeline relating to the EIP project application (with an approved grant of \$7.2 million) was as follows:

Date	Event
8 January to 25 January 2018	The EIP applicant received 200 applications from individual fishermen (i.e. the beneficiaries).
3 April 2018	The EIP applicant submitted the application to AFCD.
May to September 2018	AFCD made requests to the EIP applicant for supplementary information (e.g. information on different quotations obtained by the fishermen on the same equipment, and the basis for the estimated expenses shown in the budget).
26 October 2018	The SFDF Advisory Committee recommended the project for the approval of the Director.
1 November 2018	The Director approved the project.
16 November 2018	AFCD issued the letter of approval to the EIP applicant.
4 February 2019	The funding agreement between the EIP applicant and the Government was signed.

#### ***Audit comments***

2. It was undesirable that for this EIP project application, which was an application of simple nature (i.e. for procurement of equipment for individual fishermen), individual fishermen had waited 7 months (from the date of submission of the application in April 2018 to the date of approval of the application in November 2018) for the approval of the application. If counting from the dates when individual fishermen submitted their applications to the EIP applicant (in January 2018) to the date of signing the funding agreement between the EIP applicant and the Government (in February 2019), individual fishermen had waited at least 12 months for the procurement.



### Case 1 (Cont'd)

3. Audit noted that, in fact, there were concerns about the application arrangements for EIP projects:

- (a) in September 2017, in consulting the Department of Justice (DoJ) on the drafting of funding agreements for EIP projects, DoJ suggested AFCD to make reference to the FIS (see Table 2 in para. 1.7) in which the funding arrangements were more straightforward as farmers or co-operative societies could directly submit applications to AFCD (Note 1). DoJ considered AFCD could adopt a standardised administration or monitoring over individual beneficiaries;
- (b) at an SFDF Advisory Committee meeting held in October 2018, a committee member stated that the complicated EIP application arrangements had affected EIP applicants' intention to apply for EIP funds; and
- (c) in January 2019, a fisherman telephoned the government hotline 1823 (Note 2) saying that he had provided the information required to an EIP applicant in May 2018. Nevertheless, up to January 2019, he had not heard from the EIP applicant.

*Source: Audit analysis of AFCD records*

*Note 1: For EIP projects, beneficiaries (i.e. individual fishermen and fish farmers) need to submit individual applications to an EIP applicant (a legal entity connected with the fisheries industry) who then submits a consolidated application to AFCD. As at 31 December 2018, for the 225 approved FIS applications, which were for procurement of equipment for applicants such as farmers (see Table 2 in para. 1.7), individual applicants had waited, on average, less than 60 days (from the date of submission of an application to the date of approval of the application) for the approval of their applications. Furthermore, unlike the EIP applicants, FIS applicants are not required to enter into a funding agreement with the Government.*

*Note 2: 1823 hotline provides a round-the-clock one-stop service to answer public enquiries for 22 government departments and to receive complaints about any areas of government services.*

## **Application processing and project monitoring**

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2.12 In March 2019, AFCD informed Audit that:

- (a) a recommendation had been made in October 2018 to shorten the processing time of EIP applications by enabling the SFDF Advisory Committee to vet the applications through circulation of application information instead of discussing the information at meetings. The recommendation had been endorsed by the Committee and implemented; and
- (b) in the paper submitted to the Finance Committee of LegCo seeking approval for the establishment of the SFDF (see para. 1.4(a)), it was stated that SFDF applicants must be legal entities. As such, applicants of the EIP (which was established under the SFDF) must also be legal entities (see Table 2 in para. 1.7). Individual fishermen and fish farmers therefore could not apply under EIP themselves.

2.13 To benefit fishermen and fish farmers in a more efficient manner, Audit considers that AFCD needs to keep under review the need to take further measures to improve the EIP application arrangements including, for example, reviewing whether the existing arrangements could be simplified taking into account the fact that FIS, which has the same nature as EIP, allows farmers to submit applications directly to AFCD (see also Note 1 to para. 3(a) in Case 1 in para. 2.11).

2.14 *Need to review the administrative charges of EIP projects.* According to the relevant Financial Circular of the Government, a Controlling Officer has to ensure that administrative charges for a funded government project are reasonable and proportionate to the purpose, scale, nature and circumstances of the particular fund or project.

2.15 Under EIP, the maximum funding for each EIP application is \$7.5 million, including \$6 million funding for a maximum of 200 beneficiaries (i.e. a maximum of \$30,000 per beneficiary) as well as \$1.5 million for administrative charges. The approved grant for the approved EIP project (mentioned in Case 1 in para. 2.11) was \$7.2 million, which included the applicant's administrative charges of \$1.5 million. The administrative charges amounted to 21 % of the approved grant.

2.16 Audit noted that, in the AFCD review (see para. 2.5), recommendation (which had been endorsed by the SFDF Advisory Committee — see para. 2.9(a)) had been made to increase the maximum number of beneficiaries in each EIP application so as to reduce the overall administrative charges of an EIP application. Audit considers that AFCD needs to keep under review the level of administrative charges imposed by EIP applicants and take further measures to contain the administrative charges so as to ensure their reasonableness.

### **Audit recommendations**

2.17 Audit has *recommended* that the Director of Agriculture, Fisheries and Conservation should:

- (a) promptly implement the recommendations of the AFCD review relating to processing of SFDF and SADF applications (see paras. 2.7 and 2.8);
- (b) closely monitor the application processing time for SFDF and SADF and take further measures to shorten the processing time;
- (c) keep under review the need to take further measures to improve the EIP application arrangements;
- (d) promptly implement the recommendation in the AFCD review relating to the imposition of administrative charges for EIP projects (see para. 2.16);
- (e) consider setting guidelines on administrative charges imposed by EIP project applicants; and
- (f) keep under review the level of administrative charges imposed by EIP applicants and devise further measures to contain the administrative charges so as to ensure their reasonableness where necessary.

### **Response from the Government**

2.18 The Director of Agriculture, Fisheries and Conservation generally accepts the audit recommendations. He has said that:

- (a) AFCD has already started implementing, by stages, the recommendations of the AFCD review and this Audit Report; and
- (b) the \$1.5 million mentioned in paragraph 2.15 is a ceiling of administrative charges for an EIP project. AFCD would only approve the administrative charges proposed if the applicant provides sufficient justifications. In a recently approved EIP project, AFCD has asked the applicant to reduce the administrative charges and only approved the amount justified.

### **Project monitoring**

2.19 For project monitoring purpose, SFDF and SADF grantees are required to submit progress reports, annual reports, final reports and financial statements to the SFDF Secretariat and the SADF Secretariat respectively. The AFCD staff also conduct inspections on SFDF/SADF projects.

#### ***Delays in submission of reports and financial statements***

2.20 According to the SFDF/SADF application guidelines, for project monitoring purpose, an SFDF/SADF grantee is required to submit after project commencement:

- (a) within two months following the end of each 6-month period, a progress report which includes a timetable for planned activities and a financial statement;
- (b) within two months following the end of each 12-month period, an annual report and an audited financial statement with original receipts. The grantee's auditor is required to provide opinions on whether the grantee has complied with AFCD's requirements, including the terms and conditions contained in the funding agreement, and instructions issued by AFCD from time to time in respect of the project; and

- (c) within four months following the agreed project completion date, a final report and an audited financial statement of the project.

2.21 As at 31 December 2018, 10 SFDF projects had been approved. Of these 10 projects, 2 projects had been completed and 8 projects were in progress. In respect of the submission of progress reports, annual reports, final reports (hereinafter collectively referred to as reports unless otherwise stated) and financial statements of these 10 SFDF approved projects (Note 5), Audit found that as at 15 January 2019:

- (a) in 7 projects, there were delays in submission of the reports. The delays ranged from 1 day to 258 days (averaging 84 days); and
- (b) in 7 projects, there were delays in submission of the financial statements. The delays ranged from 1 day to 258 days (averaging 107 days).

2.22 Audit further examined 3 SFDF projects (Note 6) and found that:

- (a) the grantees concerned were sometimes required to resubmit the reports. Of the 13 reports submitted by the grantees, 9 (69%) were resubmitted at least once (see Table 6); and

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**Note 5:** *As at 31 December 2018, 7 SADF projects had been approved but not yet commenced. Therefore, Audit only examined the project monitoring of SFDF projects.*

**Note 6:** *The 3 SFDF projects examined by Audit comprised 2 completed projects (one commenced in February 2016 and completed in January 2018, and the other commenced in April 2016 and completed in April 2018) and 1 project in progress.*

**Table 6**

**Resubmission of reports in 3 SFDF projects  
(31 December 2018)**

Resubmission	No. of progress reports	No. of annual reports	No. of final reports	Total	
				No.	Percentage
None	2	2	0	4	31 %
Once	3	1	1	5	69 %
Twice	1	1	0	2	
Thrice	1	0	1	2	
Total	7	4	2	13	100 %

*Source: Audit analysis of AFCD records*

- (b) for some of the 13 reports, the time taken for processing the reports was long (see Table 7).

**Table 7**

**Time taken in processing reports for 3 SFDF projects  
received before 31 December 2018**

Processing time	Progress reports	Annual reports	Final reports
No. of days	62 to 275	60 to 311	49 to 259
Average no. of days	164	124	154

*Source: Audit analysis of AFCD records*

*Remarks: Time taken refers to the number of days between the date of acceptance of a report for assessment purpose by the SFDF Secretariat and the date of provision of the report by the SFDF Secretariat (after its assessment) to a working group of the SFDF Advisory Committee for review. As at 14 February 2019, some of the reports were still being processed by the SFDF Secretariat. For these reports, the number of days were counted up to 14 February 2019.*

2.23 In the AFCD review (see para. 2.5), AFCD noted that there were delays in submission of reports and financial statements by SFDF grantees. According to AFCD, the delays were mainly caused by the fact that there was no limit on the number of grantees' requests for extension of submission of reports or financial statements. On the other hand, the long processing time of some cases was mainly caused by the need to request the grantees to provide supplementary information after they had submitted reports. AFCD considered that as a result of the delays, it could not monitor the progress of projects on a timely basis. Accordingly, AFCD recommended that:

- (a) grantees would be reminded to submit reports and financial statements in a timely manner;
- (b) an advisory/warning mechanism would be put in place to handle cases in which the grantees failed to submit reports/financial statements or supplementary information on time. The grants may be suspended (Note 7) or terminated under the terms and conditions of funding agreements if necessary;
- (c) grantees would be reminded of the report requirements clearly;
- (d) samples of the reports would be provided to grantees; and
- (e) meetings will be arranged with grantees to explain the report requirements and other information/documents requested if necessary.

In March 2019, AFCD informed Audit that the recommendations had been endorsed by the SFDF Advisory Committee.

2.24 Audit considers that AFCD needs to promptly implement the recommendations. It also needs to closely monitor the timeliness of submission of reports and financial statements by grantees, and to instigate further improvement measures where necessary.

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**Note 7:** *SFDF/SADF grant is payable to a grantee upon AFCD's acceptance of reports and financial statements submitted by the grantee at different stages of a project period.*

### ***Inadequacies in inspections***

2.25 According to AFCD, for the monitoring of SFDF projects, AFCD staff (including staff of the SFDF Secretariat and technical staff of the Fisheries Branch) (see Appendix A) conduct inspections on the progress of SFDF projects at least every six months. They will complete inspection reports after conducting the inspections. The technical staff of the Fisheries Branch also pay visits to grantees for the purpose of providing technical support to the grantees.

2.26 Audit examined the inspection records of the 3 SFDF projects (see para. 2.22) and found that some recommendations (e.g. the need to maintain the daily feed usage records and raft patrolling records) made by AFCD had not been implemented despite that the same recommendations were made to the grantees in previous inspections. There were no records indicating that AFCD had taken measures to ensure satisfactory implementation of the recommendations by the grantees.

2.27 In the AFCD review (see para. 2.5), AFCD noted that the major recommendations or comments had not been conveyed to the grantees after every inspection. Accordingly, the AFCD recommended that the SFDF Secretariat should establish a clear set of inspection procedures and guidelines. Furthermore, after each inspection, the SFDF Secretariat should convey the major observations and opinions to the grantee, maintain proper records and establish a log of review work to record project progress and follow-up work.

2.28 Audit considers that AFCD needs to promptly implement the recommendations. It also needs to closely monitor the implementation of the recommendations and instigate further improvement measures where necessary.

### ***Need to update funding agreements***

2.29 In all the 3 SFDF projects examined by Audit (see para. 2.22), there were delays in project commencement. Audit noted that in all the 3 projects, as a result of the delays, the dates of achieving project milestones had been revised by the SFDF Secretariat. However, in the signed funding agreements, the revised dates of achieving project milestones had not been updated.



2.30 In March 2019, AFCD informed Audit that:

- (a) a standard clause stipulating that “the Grantee shall forthwith notify and seek the prior written consent of the Government if there is any material change to any information provided in the Proposal or any matters in relation to this Agreement.” had been included in the signed funding agreements. This clause would have taken care of any changes in the dates of achieving the project milestones; and
- (b) the project proposals, which included the project milestones, formed parts of the signed funding agreements. The grantees and the Government had shared the view that the dates of achieving milestones would be changed based on the updated project commencement dates and completion dates. Nevertheless, to avoid ambiguity, AFCD would require successful applicants to update all the dates of achieving project milestones and the dates of commencement and completion of projects in future.

2.31 To ensure that the interests of both grantees and the Government are properly protected, Audit considers that in cases where the dates of achieving project milestones have been revised, AFCD needs to update the funding agreements to reflect the revisions prior to the signing of the agreements.

### ***Use of funds by grantees***

2.32 According to the funding agreements, SFDF (see Note 5 to para. 2.21) grantees have to observe the requirements for the use of grants.

2.33 ***Need to purchase the mandatory insurances.*** As specified in the funding agreements, grantees shall purchase insurances including:

- (a) ***Employees’ compensation insurance.*** In accordance with the Employees’ Compensation Ordinance (Cap. 282), no employer shall employ any employees in any employment unless there is in force a policy of insurance to cover the employer’s liabilities under the laws, including the common law, for work injuries sustained or prescribed occupational diseases contracted by the employees;

## Application processing and project monitoring

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- (b) ***Public liability insurance.*** A grantee shall effect and keep in force during the project period a public liability insurance policy exclusively for the project in the joint names of the Government and the grantee with an insurance company authorised under the Insurance Ordinance (Cap. 41); and
- (c) ***Insurance for collateral.*** For commercial projects (i.e. income-generating projects), the titles of assets (including all capital items, equipment, minor works and supporting facilities) procured with the grant will remain with the grantee. However, to ensure the proper use of public funds, the grantee needs to register a floating charge as collateral for the grant and any related monies owned to the Government with the Companies Registry within one month after entering into a funding agreement with the Government. The grantee should also obtain his own insurance for the collateral of the project. Should there be no relevant insurance service, the Director may, subject to the satisfactory justifications put forward by the grantee and comments by the SFDF Advisory Committee, consider granting an exemption.

2.34 Audit examined the 3 SFDF approved projects (see para. 2.22) and found that in a project (which was still in progress as at 31 January 2019):

- (a) ***Employees' compensation insurance.*** For the project, the grantee hired 6 employees, comprising 1 project manager and 5 project assistants. In the period April 2017 to July 2018, AFCD repeatedly reminded the grantee to purchase an employees' compensation insurance. In a paper reporting the progress of projects sent to the working group of the SFDF Advisory Committee in June 2017, a member stated that it was unacceptable that the insurance had still not been purchased up to that moment. Up to 31 January 2019, the insurance had still not been purchased;
- (b) ***Public liability insurance.*** Up to 31 January 2019, there was no documentation indicating that a public liability insurance had been purchased for the project during the project period; and
- (c) ***Insurance for collateral.*** The charge (i.e. collateral) was made by the grantee in March 2016 in favour of the Government. The grantee attempted to obtain quotations from three insurance companies. All the insurance companies refused to provide quotation (due to, for example, the delicacy

of the fish raft which was tailor-made). In the period from April 2017 to July 2018, AFCD repeatedly recommended the grantee to apply for exemption to purchase the insurance for collateral. In late October 2018, the grantee wrote to the SFDF Secretariat seeking approval for exempting from purchasing the insurance. Up to 31 January 2019, the exemption was not yet granted.

2.35 Audit noted that the project was expected to be completed in March 2019. However, up to 31 January 2019 (34 months after the project commencement date of March 2016), none of the aforesaid insurances had been purchased by the grantee. AFCD needs to immediately take measures to rectify this anomaly.

2.36 *Need to observe the procurement requirements.* According to the application guidelines which form part of the requirements of the funding agreements, procurement of goods and services must be conducted in an open and fair manner. Furthermore, for procurement with a value:

- (a) exceeding \$1.4 million, a competitive tendering exercise should be conducted;
- (b) over \$50,000 but not exceeding \$1.4 million, at least five written quotations should be obtained;
- (c) over \$2,000 but not exceeding \$50,000, more than one quotation should be obtained; and
- (d) of \$2,000 or below, no quotation is required.

Prior approval of the Director is required for adopting any other procurement practices.

2.37 In examining the 3 SFDF approved projects (see para. 2.22), Audit found that in 2 projects, the grantees failed to observe the procurement requirements of the funding agreements, as follows:

## **Application processing and project monitoring**

- (a) for 2 project items each with a value exceeding \$1.4 million (\$2.92 million for fish fry and \$1.87 million for fish feed), instead of conducting tendering exercises, only quotations were obtained. The grantee informed AFCD that it did not know how to conduct tendering; and
- (b) for 6 project items each with a value over \$50,000 but not exceeding \$1.4 million:
  - (i) for 1 project item (\$480,000 for vessel renting), only 2 (instead of 5 as required) written quotations were obtained by the grantee. Furthermore, in this procurement, one supplier quoted \$4,000 per voyage while another supplier quoted \$3,500 per voyage. The grantee used the services of both suppliers and paid both of them \$4,000 per voyage;
  - (ii) for 4 project items, AFCD informed Audit in March 2019 that the required number of 5 quotations had been obtained by the grantee. Audit, however, noted that many of the quotations obtained were verbal quotations instead of written quotations (see Table 8); and

**Table 8**

**Procurement of project items  
(31 January 2019)**

	<b>Project item</b>	<b>Project item cost (\$)</b>	<b>No. of written quotations obtained</b>	<b>No. of verbal quotations obtained</b>
1	Diesel fuel	1,080,000	0	5
	Engine fuel		0	5
2	Rental of a fiberglass transportation vessel	583,200	1	4
3	Fish raft	562,500	2	3
4	Net cages	400,000	1	4

*Source: AFCD records*

- (iii) for 1 project item (\$1.18 million for rental of a wooden fish carrying vessel), only 1 of the required 5 written quotations was obtained by the grantee. Furthermore, in examining the progress report submitted by the grantee, AFCD noted that the date of quotation submitted by the supplier was in early February 2016. AFCD further noted that the expenditure on vessel rental had been incurred since October 2015. AFCD thus considered that this quotation was incongruous as the date of quotation was later than the date of commencement of the rental service. There was, however, no documentation indicating that AFCD had taken any follow-up action.

### **Audit recommendations**

**2.38      Audit has *recommended* that the Director of Agriculture, Fisheries and Conservation should:**

- (a) **promptly implement the recommendations of the AFCD review relating to the submission of SFDF projects' reports and financial statements by grantees (see para. 2.23);**
- (b) **closely monitor the timeliness of submission of reports and financial statements by SFDF grantees, and instigate further improvement measures where necessary;**
- (c) **promptly implement the recommendations of the AFCD review relating to inspections of progress of SFDF projects (see para. 2.27), and instigate further improvement measures where necessary;**
- (d) **ensure that applicable recommendations for the monitoring of SFDF projects are also implemented for SADF projects;**
- (e) **in cases where the dates of achieving project milestones have been revised, update the funding agreements to reflect the revisions prior to the signing of the agreements;**

## **Application processing and project monitoring**

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- (f) take immediate measures to rectify the anomalous case (see para. 2.34) in which the grantee has not purchased any of the insurances required by the funding agreement;**
- (g) ensure that there is no recurrence of cases similar to the anomalous case (see (f) above) in future;**
- (h) provide assistance to grantees to help them conduct tendering exercises;**
- (i) keep in view the need to modify the existing procurement practices, taking into consideration the industry practices; and**
- (j) take measures to ensure that procurements made by grantees comply with the requirements of the funding agreements, including:**
  - (i) the required number of quotations are always obtained by grantees;**
  - (ii) in circumstances where the required number of quotations cannot be obtained (e.g. sole supplier of the procured goods or services), justifications for deviations from the requirement are provided by grantees;**
  - (iii) more favourable quotations are always accepted by grantees;**
  - (iv) in circumstances where less favourable quotations are accepted, justifications for accepting such quotations are provided by grantees;**
  - (v) written quotations, instead of verbal quotations, are always obtained by grantees;**
  - (vi) in circumstances where written quotations cannot be obtained, prior approval from the Director for adopting other procurement practices are obtained by grantees; and**

- (vii) **follow-up action is taken on any incongruous quotations obtained by grantees.**

## **Response from the Government**

2.39 The Director of Agriculture, Fisheries and Conservation generally accepts the audit recommendations. He has said that:

- (a) AFCD has already started implementing, by stages, the recommendations of the AFCD review and this Audit Report; and
- (b) regarding the project mentioned in paragraph 2.34, on 7 March 2019, AFCD granted an exemption for the procurement of insurance for the collateral and informed the grantee accordingly. On 19 March 2019, AFCD also issued a warning letter to require the grantee to purchase the employees' compensation insurance immediately or otherwise AFCD would terminate the project. In the warning letter, AFCD has also urged the grantee to provide appropriate public liability insurance whenever they organise project-sharing sessions or arrange visits on their fish farms.

2.40 The Commissioner for Labour has said that the Labour Department attaches great importance to enforcing the employees' compensation insurance requirement under the Employees' Compensation Ordinance. Labour inspectors conduct inspections to establishments of various trades to check employers' compliance with this statutory requirement and follow up on complaints against non-compliance. Government bureaux/departments may make referrals of suspected non-compliance cases to the Labour Department for follow-up action.

## **PART 3: ACHIEVEMENT OF FUND OBJECTIVES**

3.1 This PART examines the achievement of fund objectives, focusing on:

- (a) disbursement of funds to worthwhile projects (paras. 3.4 to 3.19); and
- (b) evaluation of project achievements (paras. 3.20 to 3.24).

### **Objectives of the sustainable fisheries and agricultural development funds**

3.2 It has been the Government's intention to put the development of the agriculture and fisheries industries on a sustainable path. To this end, the Government has set up SFDF and SADF (see para. 1.4). At the meetings of LegCo's Finance Committee held in January 2014 and April 2016, approval for setting up SFDF and SADF was sought respectively (see para. 1.4(a) and (b)). At the meetings, the Finance Committee was informed that the objectives of the two funds were:

- (a) **SFDF.** The objective was to help the fisheries sector achieve more viable and sustainable development by widening the scope of fisheries operations; and
- (b) **SADF.** The objective was to facilitate modernisation, mechanisation and sustainable development of the agriculture industry.

3.3 In pursuit of these objectives, disbursements (in the form of grants) are made under SFDF and SADF (including their subsidiary programmes, i.e. EIP and FIS). The disbursements support projects which contribute in a direct and practical way towards the sustainable development of the local agriculture and fisheries industries (see Table 1 in para. 1.5).

### **Disbursement of funds to worthwhile projects**

3.4 According to the Government, disbursement of funds under SFDF and SADF is dependent on the number of fund applications received and approved. In



seeking approval to set up SFDF and SADF, the Government informed the Finance Committee of LegCo that for planning and budgetary purpose, the estimated cash outflows (i.e. disbursement) of the two funds were:

- (a) **SFDF.** An annual disbursement of \$50 million for 10 years from 2014-15 to 2023-24. The total disbursement would be \$500 million (i.e. \$50 million  $\times$  10 years); and
- (b) **SADF.** An annual disbursement of:
  - (i) \$100 million for each of the years 2017-18 and 2018-19 (i.e. \$200 million in total); and
  - (ii) \$50 million for each of the ensuing 6 years from 2019-20 to 2024-25 (i.e. \$300 million in total).

The total disbursement would be \$500 million (i.e. \$200 million + \$300 million).

The Government also informed the Finance Committee that the actual cash flow would depend on the number of applications received and approved.

3.5 To help fishermen, farmers and related organisations understand the two funds and submit fund applications, AFCD has publicised the funds through various channels such as briefing sessions, liaison meetings, publicity materials (e.g. pamphlets) and consultation meetings with potential applicants.

### ***Slow pace of fund disbursement***

3.6 Audit compared the planned disbursement of funds (see para. 3.4) with the actual disbursement, and found that the actual disbursement amounted to only a small portion of the planned disbursement. Table 9 shows that:

- (a) **SFDF.** In 2014-15 to 2018-19 (up to 31 December 2018), the portion ranged from 0% to 22.6% of the planned disbursement; and

## Achievement of fund objectives

- (b) **SADF.** In 2017-18 and 2018-19 (up to 31 December 2018), the portions were 2.7% and 6.7% of the planned disbursement respectively.

**Table 9**

**Planned and actual disbursements of funds  
(31 December 2018)**

Year	SFDF		SADF	
	Planned disbursement	Actual disbursement	Planned disbursement	Actual disbursement
	(\$ million)			
2014-15	50	<b>0 (0%)</b>	N.A.	
2015-16	50	2.2 (4.4%)		
2016-17	50	<b>11.3 (22.6%)</b>		
2017-18	50	8.9 (17.8%)	100	<b>2.7 (2.7%)</b>
2018-19	50	7.5 (15.0%) (Up to 31.12.2018)	100	<b>6.7 (6.7%)</b> (Up to 31.12.2018)
Overall	250	29.9 (12.0%)	200	9.4 (4.7%)

*Source: Audit analysis of AFCD records*

*Remarks: For SADF, figures in the Table include disbursements made under the subsidiary programme of the fund (i.e. FIS). For SFDF, no disbursement had been made under its subsidiary programme (i.e. EIP) as at 31 December 2018.*

3.7 In March 2019, AFCD informed Audit that:

- (a) the planned amounts of disbursement were budgetary indicators when seeking the Finance Committee's approval (see para. 3.4);
- (b) for the SADF, it was anticipated that by the end of 2018-19, the actual fund disbursement in the year would be \$38.8 million (i.e. 39% of the planned disbursement of \$100 million), and that the total amount of funds approved

in the year would be \$84 million. This \$84 million of approved funds was close to the planned disbursement for the year;

- (c) the discrepancy between the budgetary indicators (i.e. the planned disbursement of funds) and the actual disbursement was due to a number of factors:
  - (i) as mentioned in the relevant Finance Committee papers, the actual cashflow would depend on the number of applications received and approved (see para. 3.4). It took time for applicants to prepare and submit project proposals and for AFCD and the SFDF/SADF Advisory Committee to vet the applications;
  - (ii) for SFDF, as at 28 February 2019, AFCD had received 33 applications which sought funding support of some \$232 million, accounting for about 46% of the approved commitment of \$500 million of SFDF. For SADF, as at 1 March 2019, AFCD had received 34 applications which involved some \$240 million, accounting for about 48% of the approved commitment of \$500 million of SADF. However, not all the applications were recommended by the SFDF/SADF Advisory Committee to the Director; and
  - (iii) projects varied in duration, and grants to projects with a long duration would be disbursed by instalments according to the actual progress of the projects over the periods; and
- (d) as at 28 February 2019:
  - (i) for SFDF, the actual disbursement for 2018-19 was \$8 million, which accounted for 16% of the planned disbursement for 2018-19. For the period 2014-15 to 2018-19, the actual disbursement was \$30.4 million, which was 12.2% of the planned disbursement for the period; and
  - (ii) for SADF, the actual disbursement for 2018-19 was \$30 million, which accounted for 30% of the planned disbursement for 2018-19. For the period 2017-18 and 2018-19, the actual disbursement was

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\$32.7 million, which was 16.4% of the planned disbursement for the period.

3.8 Projects funded under SFDF and SADF are those which could contribute towards the sustainable development of the agriculture and fisheries industries (see para. 3.3). In Audit's view, for SFDF and SADF to have an impact on sustainable development, sufficient funding needs to be provided to bring about improvements in the industries through an adequate number of projects. While factors (see para. 3.7(c)) affecting the actual disbursement of funds might not be entirely within the control of the Government, the fact that only a small portion of funds had been disbursed (see Table 9 in para. 3.6) was not conducive to achieving the objectives of the two funds.

### ***Decreasing number of fund applications***

3.9 Audit analysed the number of fund applications submitted to AFCD in 2014 to 2018, and noted that the number (including applications submitted under EIP and FIS) had generally decreased over the years. Table 10 shows that:

- (a) **SFDF.** The number of SFDF applications decreased from 15 in 2014 to 3 in 2018; and
- (b) **SADF.** The number of SADF applications decreased from 20 in 2017 to 13 in 2018. The number of applications for FIS decreased from 172 in 2017 to 66 in 2018.

**Table 10**

**Number of applications for SFDF and SADF  
(2014 to 2018)**

	No. of applications				
	2014	2015	2016	2017	2018
SFDF	15	8	5	1	3
EIP (Note 1)	N.A.				7
SADF (Note 2)	N.A.		0	20	13
FIS (Note 2)	N.A.		1	172	66

*Source: AFCD records*

*Note 1: EIP was set up in December 2017.*

*Note 2: Both SADF and FIS were established in December 2016.*

3.10 In March 2019, AFCD informed Audit that:

- (a) the adverse weather in 2018 might be a factor for the small number of FIS applications received for the year. Some farmers had written to AFCD requesting the deferment of purchase of farm equipment/materials already approved-in-principle under FIS due to the super typhoon and rainstorm in the year; and
- (b) while the number of applications received were demand driven, AFCD had taken actions to boost promotion of SFDF and SADF (including FIS and EIP) through various means, for example, organising briefing sessions and liaison meetings, distribution of promotion leaflets and/or invitation letters to parties such as local fishermen, fish farmers, farmers and related organisations, and the conduct of one-to-one consultation meetings with potential applicants of SFDF and SADF to facilitate their applications.

## Achievement of fund objectives

3.11 In Audit's view, given the decreasing number of applications over the years, there is a need for AFCD to enhance its efforts in boosting promotion of SFDF and SADF (including FIS and EIP).

### *Many fund applications rejected*

3.12 According to AFCD records, fund applications were assessed against a set of eligibility criteria, and were considered by the SFDF/SADF Advisory Committee. Audit analysed the results of fund applications as at 31 December 2018 and noted that 41% of SFDF applications and 12% of SADF applications had been rejected (see Table 11).

**Table 11**  
**Results of fund applications**  
**(31 December 2018)**

Result of application	No. of applications			
	SFDF	EIP	SADF	FIS
Approved	10 (31%)	1 (14%)	7 (21%)	225 (94%)
Rejected	<b>13 (41%)</b>	0 (0%)	<b>4 (12%)</b>	3 (1%)
Ineligible cases (i.e. ineligible applicants)	0 (0%)	0 (0%)	3 (9%)	0 (0%)
Withdrawn	6 (19%)	0 (0%)	4 (12%)	3 (1%)
Under processing	3 (9%)	6 (86%)	15 (46%)	8 (4%)
Total	32 (100%)	7 (100%)	33 (100%)	239 (100%)

Source: Audit analysis of AFCD records

3.13 It was AFCD's practice to inform unsuccessful applicants of the reasons for rejecting their applications. Table 12 shows the reasons why the 17 applications (i.e. 13 SFDF and 4 SADF applications — see Table 11 in para. 3.12) had been rejected.

Table 12

**Reasons for rejecting 17 fund applications  
(31 December 2018)**

Reason for rejection	No. of applications
Failure in providing documentation (e.g. for supporting project feasibility) and justification (e.g. for expenditure items in the budget)	13
Failure in meeting the fund objective (e.g. improving the sustainable development of local agriculture or fisheries industry)	12
Uncertain economic effectiveness of the project	10
Project technically infeasible or having safety concern	4
Project objective and expected outcome too general and unrealistic	2
Applicant not financially stable	2
Relevant technology already existed in the market	1
Inexperienced applicant	1
Project previously financed by other funds	1
Failure in promoting the competitiveness of local agriculture or fisheries industry	1

*Source: Audit analysis of AFCD records*

*Remarks: Some projects were rejected for more than one reason.*

3.14 In March 2019, AFCD informed Audit that:

- (a) to safeguard the use of public money and ensure that the two funds could meet the intended objectives as approved by the Finance Committee, fund applications had to be examined against a set of criteria. The success rate depended on whether the applications met the criteria; and
- (b) AFCD endeavoured to ensure that applications would not be discouraged due to procedural considerations. It had been assisting applicants in submitting applications with a view to improving the quality of applications

## Achievement of fund objectives

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through various initiatives, such as providing one-to-one consultation with interested parties before the submission of applications and offering technical advice to applicants whenever necessary.

3.15 While noting AFCD's efforts (see para. 3.14), the high rejection rates indicated that many proposed projects did not meet the assessment criteria, and that they were not considered to be worthwhile projects. In Audit's view, in order to achieve the objectives of the funds, it is important to provide funding support to more worthwhile projects. Audit considers that AFCD needs to better help the agricultural/fisheries sectors to devise good proposals of projects worthy of funding support. This would call for additional publicity and more assistance to be provided to the sectors.

### *Need to take effective measures to increase the number of fund applications*

3.16 Audit noted that in the AFCD review (see para. 2.5), AFCD concluded that there was a need for improvement in the following areas in order to increase the number of fund applications:

- (a) **Publicity of funds.** Key areas for improvement for SFDF and SADF included:
  - (i) improving liaison with agricultural and fisheries organisations, tertiary institutions and NGOs, and inviting them to submit fund applications;
  - (ii) arranging for an outreaching team to visit farms, and inviting farmers to submit applications under FIS;
  - (iii) updating the list of recommended projects for reference of intended applicants; and
  - (iv) producing publicity leaflets and/or video; and
- (b) **Fund applications.** Key areas for improvement for SFDF included:



- (i) improving application guidelines to make them more concise and easier to understand;
- (ii) simplifying application forms;
- (iii) publishing a sample of completed application forms; and
- (iv) strengthening communication with applicants.

3.17 Upon enquiry, AFCD informed Audit in February 2019 that specific measures for improving publicity and fund applications had been endorsed by the SFDF Advisory Committee and the SADF Advisory Committee.

### Audit recommendations

3.18 **Audit has *recommended* that the Director of Agriculture, Fisheries and Conservation should:**

- (a) **make better effort to encourage and facilitate the agriculture and fisheries industries to make good use of SADF and SFDF in implementing projects which contribute towards the sustainable development of the industries; and**
- (b) **ensure that effective measures are promptly implemented to enhance the publicity of SFDF and SADF, and to facilitate applicants to apply for funding under SFDF and SADF.**

### Response from the Government

3.19 The Director of Agriculture, Fisheries and Conservation generally accepts the audit recommendations. He has said that AFCD has already started implementing, by stages, the recommendations of the AFCD review and this Audit Report.

### Evaluation of project achievements

#### *Room for enhancing post-project evaluation*

3.20 As at 31 December 2018, 2 projects had been completed under SFDF (Note 8). It was AFCD's requirement that a grantee should submit a final report within 4 months after the completion of a project. The final report should include an end-of-project evaluation for measuring the efficacy of the project against the indicators stated in the fund application. Audit noted that up to 31 December 2018, AFCD had not completed the review of the final reports of the 2 projects (see Table 13).

**Table 13**

**Chronology of post-project evaluation for 2 SFDF projects  
(31 December 2018)**

Key event	Date	
	Project A	Project B
Completion of project	January 2018	April 2018
Submission of a final report to AFCD (Note)	April 2018	June 2018
Liaison between AFCD and the grantee to follow up the final report (e.g. clarification of facts and providing further information to AFCD)	April 2018 to December 2018	June 2018 to December 2018
Formal submission of an updated final report to AFCD	December 2018	December 2018
Review of the final report	Under review as at 31 December 2018	

*Source: Audit analysis of AFCD records*

*Note: According to AFCD, the "final reports" submitted by the grantees were drafts, which needed to be finalised.*

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**Note 8:** *As at 31 December 2018, no SADF projects had been completed.*

3.21 To identify lessons to be learned from the two completed SFDF projects, which could impact on the execution of future projects (both SFDF and SADF projects), Audit considers that AFCD needs to expedite the review of the two completed SFDF projects.

3.22 Audit also noted that AFCD records did not indicate that AFCD had any plans for reviewing the overall achievements of SFDF, SADF and their subsidiary programmes (i.e. EIP and FIS) vis-à-vis the overall objective of putting the development of the agriculture and fisheries industries on a sustainable path.

### Audit recommendations

3.23 **Audit has *recommended* that the Director of Agriculture, Fisheries and Conservation should:**

- (a) **expedite the review of the two completed SFDF projects; and**
- (b) **consider the need to evaluate the overall achievements of SFDF, SADF and their subsidiary programmes vis-à-vis the overall objective of putting the development of the agriculture and fisheries industries on a sustainable path.**

### Response from the Government

3.24 The Director of Agriculture, Fisheries and Conservation generally accepts the audit recommendations. He has said that:

- (a) AFCD completed the review of the final reports of the two completed SFDF projects in March 2019; and
- (b) AFCD has already completed a review (see para. 2.5) to improve the application procedures with a view to encouraging more applications. It would conduct a review on overall achievements of SFDF/SADF and subsidiary programmes when more approved projects are completed.

## PART 4: GOVERNANCE ISSUES

4.1 This PART examines the governance issues of committees and working groups of SFDF and SADF, focusing on:

- (a) members' attendance at meetings (paras. 4.2 to 4.15);
- (b) management of potential conflicts of interest (paras. 4.16 to 4.24); and
- (c) other areas for improvement on procedures for meetings (paras. 4.25 to 4.32).

### Members' attendance at meetings

4.2 Two advisory committees and two working groups have been established for administering SFDF and SADF:

- (a) **Advisory committees.** The SFDF Advisory Committee and the SADF Advisory Committee advise the Director on funding matters, and make recommendations on matters relating to applications for funding support (see para. 1.12(a) and (b)); and
- (b) **Working groups.** According to their terms of reference, the two advisory committees (see (a) above) could establish vetting committees for vetting funding applications (see para. 1.12(c)). In January 2015, the SFDF Advisory Committee set up two vetting committees, referred to as working groups. The two working groups conduct vetting and recommend suitable projects for consideration by the SFDF Advisory Committee.

4.3 Each of the two advisory committees comprises non-official members appointed by the Secretary for Food and Health and official members (i.e. the Secretary for Food and Health and the Director). Members of the SFDF Advisory Committee who are interested in the work of the working groups may volunteer to join the groups.

***Decreased attendance at committee meetings***

4.4 In 2014 to 2018, 28 meetings of committees and working groups were held. Audit noted that at each of these meetings, more than half of the members of the committee/working group were in attendance. However:

- (a) for the SFDF Advisory Committee, the proportion of members attending (i.e. the attendance rate) decreased from 79 % in 2014 to 63 % in 2018; and
- (b) for the SADF Advisory Committee, the attendance rate decreased from 82 % in 2016 to 75 % in 2018.

Table 14 shows the attendance rates of committee and working group meetings for 2014 to 2018.

**Table 14**

**Attendance rates of  
committee and working group meetings  
(2014 to 2018)**

Committee/ working group	No. of members	No. of meetings held in a year	Attendance rate				
			2014	2015	2016	2017	2018
SFDF Advisory Committee	15 or 16	1 to 4	79%	73%	88%	77%	63%
SADF Advisory Committee	17	1 to 3	N.A. (Note 1)		82%	94%	75%
Working Group I (under SFDF Advisory Committee)	14	1 to 4	N.A. (Note 2)	77%	79%	93%	79%
Working Group II (under SFDF Advisory Committee)	13 to 15	0 to 3	N.A. (Note 2)	74%	N.A. (Note 3)	100%	N.A. (Note 3)

*Source: Audit analysis of AFCD records*

*Note 1: The SADF Advisory Committee was established in December 2016.*

*Note 2: The working groups were established in January 2015.*

*Note 3: No meeting was held in the year. Meetings were held on a need basis.*

4.5 In Audit's view, committee/working group meetings are an important forum where members can exchange ideas and discuss issues in an interactive manner. The decreased attendance at committee meetings is a cause for concern.

***Need to improve attendance of individual members***

4.6 Audit examined individual members' attendance at meetings of the two committees held in 2014 to 2018 (i.e. 12 meetings of the SFDF Advisory Committee and 5 meetings of the SADF Advisory Committee). Audit noted that in

each of the years between 2014 and 2018, some members attended less than half of the meetings of their responsible committees (see Table 15).

**Table 15**  
**Members' attendance at committee meetings**  
**(2014 to 2018)**

Year	SFDF Advisory Committee			SADF Advisory Committee		
	No. of meetings	No. of members who attended		No. of meetings	No. of members who attended	
		Less than half of the meetings	Half or more of the meetings		Less than half of the meetings	Half or more of the meetings
2014	3	<b>3 (19%)</b>	13 (81 %)	N.A. (Note)	N.A. (Note)	
2015	4	<b>2 (13%)</b>	14 (87 %)			
2016	1	<b>2 (13%)</b>	14 (87 %)	1	<b>3 (18%)</b>	14 (82 %)
2017	2	<b>2 (13%)</b>	14 (87 %)	1	<b>1 (6%)</b>	16 (94 %)
2018	2	<b>3 (19%)</b>	13 (81 %)	3	<b>5 (29%)</b>	12 (71 %)
Total	12			5		

Source: Audit analysis of AFCD records

Note: The SADF Advisory Committee was established in December 2016.

4.7 AFCD records did not indicate that AFCD had identified reasons for individual members attending less than half of the meetings, nor did records indicate that AFCD had taken measures to encourage members' attendance at meetings.

4.8 In March 2019, AFCD informed Audit that:

- (a) the secretariats gave telephone calls to remind members of meetings and sought their confirmation on attendance; and

- (b) despite not being able to attend the meetings, some members provided their comments on fund applications in writing.

4.9 In Audit's view, there is room for AFCD to step up its efforts in encouraging members' attendance of meetings. Further measures may include, for example, reminding members of the importance of attending meetings and ascertaining whether members have difficulties (e.g. clash with other meetings) in attending meetings and providing assistance to them where possible.

4.10 Audit further noted that of those committee members who had attended less than half of the meetings in 2014 to 2018 (see Table 15 in para. 4.6), two were re-appointed in 2017 upon completion of their three-year term (i.e. for 2014 to 2017) (see para. 1.11). AFCD records indicated that during their terms in 2014 to 2017:

- (a) for one member, he attended less than half of the meetings each year; and
- (b) for the other member, he attended less than half of the meetings in each of the years from 2015 to 2017. In 2014, he attended more than half (i.e. 67%) of the meetings.

4.11 Audit considers that in future, for members who had difficulties in attending meetings and whose re-appointment is essential (e.g. he/she is very experienced in his/her professional field and AFCD believes that he/she could contribute greatly to the operation of SFDF/SADF), measures would need to be taken to encourage the members to attend meetings. Such measures may include, for example, emphasising to the members the importance of attending meetings, and fixing meeting dates/time which are convenient to the members.

## Audit recommendations

4.12 **Audit has *recommended* that the Director of Agriculture, Fisheries and Conservation should closely monitor the trend of attendance rates of committee members and take remedial measures as appropriate.**



4.13      **Audit has *recommended* that the Secretary for Food and Health should, in re-appointing members to serve on committees of SFDF and SADF:**

- (a)      **give due consideration to members' past attendance at meetings; and**
- (b)      **for members who had difficulties in attending meetings and whose re-appointments are essential, take measures to encourage them to attend meetings in future.**

## **Response from the Government**

4.14      The Director of Agriculture, Fisheries and Conservation generally accepts the audit recommendation in paragraph 4.12.

4.15      The Secretary for Food and Health has said that:

- (a)      when considering re-appointments of members, FHB will consider past performance and merits of the members concerned, taking into account, among others, members' past attendance at meetings; and
- (b)      it is AFCD's general practice to schedule a meeting for a date and time that is convenient to most members.

## **Management of potential conflicts of interest**

4.16      AFCD adopts a two-tier declaration system for managing committee members' potential conflicts of interest:

- (a)      ***First-tier declaration.*** The chairman and members shall register in writing their personal interests, direct or indirect, pecuniary or otherwise, when they first join the committee, and annually thereafter, to the secretary of the committee (i.e. the SFDF/SADF Secretariat) on standard forms. AFCD keeps a register of declared pecuniary interest for public inspection upon request; and

- (b) ***Second-tier declaration.*** Committee members are required to report any conflicts of interest as and when they arise and, upon the chairman's decisions, abstain from taking part in discussions and making decisions on the issues in question:
  - (i) if a member (including the chairman) has any direct personal or pecuniary interest in any matter under consideration by the committee, he/she must, as soon as practicable after he/she has become aware of it, disclose to the chairman (or the committee) prior to the discussion of the item; and
  - (ii) the chairman (or committee) shall decide whether a member disclosing an interest may speak or vote on the matter, may remain in the meeting as an observer, or should withdraw from the meeting.

4.17 Apart from first-tier and second-tier declarations, AFCD requires that the following procedures should also be observed:

- (a) when a known direct pecuniary interest exists, the secretary of the committee may withhold circulation of relevant papers to the member concerned;
- (b) where a member receives a paper for discussion and he/she knows that the paper presents a direct conflict of interest, he/she should immediately inform the secretary and return the paper; and
- (c) all cases of declaration of interests shall be recorded in the minutes of the meeting.

### ***Scope for improving first-tier declarations***

4.18 Audit reviewed the first-tier declaration forms submitted by committee members from 2014 to 2018 and found that:

- (a) ***First-tier declarations not made.*** Every year, the secretariats of the two funds distributed first-tier declaration forms to committee members for completion. However, the SFDF Secretariat had not done so for 2016. In

the event, contrary to AFCD's requirement, none of the members of the SFDF Advisory Committee made any first-tier declaration for the year;

- (b) ***Outstanding declarations not followed up.*** In 2018, two of the 16 members of the SFDF Advisory Committee did not complete and return the first-tier declaration forms. However, the SFDF Secretariat did not follow up the non-submission; and
- (c) ***Declarations might not be entirely complete.*** Committee members might not have provided complete information about their interests in making first-tier declarations, as shown in the following cases:
  - (i) ***Case 1.*** In 2014 and 2015, two members of the SFDF Advisory Committee indicated in their first-tier declaration forms that they were chairpersons of two fisheries organisations respectively. In 2017 and 2018, the two members submitted "nil" returns for their first-tier declaration forms (for 2016, no declarations were made — see (a) above). However, according to AFCD records, in February 2019, the two members were still chairpersons of the respective organisations. There is a need to include complete information about the two members' interests (direct or indirect, pecuniary or otherwise) in the 2017 and 2018 declaration forms (see para. 4.16(a)); and
  - (ii) ***Case 2.*** In 2017 and 2018, a member of the SFDF Advisory Committee submitted returns on his interests. The returns did not mention that he had affiliation with Fisheries Organisations A and B. However, according to the minutes of the committee meeting held in September 2017, the member stated that he was the director of Fisheries Organisations A and B. It was unclear whether his returns had been properly made.

AFCD records did not indicate that the SFDF Secretariat had followed up the two cases.

4.19 In March 2019, AFCD informed Audit that, regarding the incomplete declarations (see para. 4.18(c)):

- (a) the two-tier declaration of interest system already provided a mechanism for members of the two Advisory Committees to declare their potential conflicts of interest. AFCD re-circulated annually the guidelines of the declaration system to remind members of the importance of making declarations and the fundamental principles for declaring interests, including the disclosure of the relevant organisations that they had joined; and
- (b) members were also reminded by the respective chairman at each meeting to make declarations before discussion of each fund application.

4.20 In Audit's view, despite AFCD's efforts (see para. 4.19), some members were still not entirely proficient in making declarations of interests (see para. 4.18(c)). There is a need to facilitate members to fully declare their interests. For example, in addition to reminding members of the fundamental principles for declaring interests (see para. 4.19(a)), AFCD may also provide them with examples of common interests that need to be declared.

### ***Need to make rulings on interests declared and record in minutes of meetings***

4.21 Under the AFCD's declaration system, the chairman is required to make rulings on conflicts of interest declared by members in meetings, i.e. the chairman needs to decide whether a member disclosing an interest may speak or vote on the matter, may remain in the meeting as an observer, or should withdraw from the meeting (see para. 4.16(b)(ii)).

4.22 Audit examined the 28 meetings held from 2014 to 2018 (see para. 4.4), which comprised 23 meetings of the SFDF Advisory Committee/working groups and 5 meetings of the SADF Advisory Committee. Audit noted that in 13 of the 23 meetings of the SFDF Advisory Committee/working groups and in all the 5 meetings of the SADF Advisory Committee, the minutes of meetings indicated that no members had declared conflicts of interest, or after declaring interests by members, the chairmen had made rulings on the interests declared (see para. 4.21). However, there was room for improvement in the documentation of the rulings on interests declared in the minutes of the remaining 10 (43%) of the 23 meetings of the SFDF Advisory Committee/working groups:

- (a) in 7 (30% of 23) meetings, the minutes of meetings did not indicate that the chairmen had made rulings after members making declarations of conflicts of interest (see Case 2 for an example); and

**Case 2**

**Rulings not made on interests declared  
(July 2016)**

1. In July 2016, the SFDF Advisory Committee held a meeting to discuss the funding of a project (costing \$8.5 million). A total of 14 members were present (i.e. 12 non-official members and 2 official members).

2. At the meeting, a member mentioned that the applicant of the project had, on a past occasion, obtained funding from another source for an environmental project. The member declared that he was the assessor of the fund provider at that time.

3. After declaring interest, the member continued to participate in the deliberation and voting of the project proposal. The project proposal was endorsed at the meeting.

***Audit comments***

4. The minutes of the meeting did not indicate that the chairman had made a ruling on the interests declared by the member.

*Source: Audit analysis of AFCD records*

- (b) in 3 (13% of 23) meetings, the minutes of meetings indicated that several members had declared conflicts of interest. The chairmen requested members present in the meetings to take note of the interests declared by these several members. Nevertheless, while the interests declared had been recorded in the minutes (see para. 4.17(c)), the minutes did not indicate that the chairmen had made rulings on the interests declared (see paras. 4.16(b)(ii) and 4.17(c)). The fact that the chairmen only requested members to take note of the interests declared might not be fully in compliance with the requirement of the declaration system (see para. 4.21).

## **Audit recommendations**

**4.23      Audit has *recommended* that the Director of Agriculture, Fisheries and Conservation should:**

- (a)      ensure that first-tier declaration forms are always sent to committee members for their completion every year;**
- (b)      take measure to follow up with the committee members concerned if they have not submitted their first-tier declaration forms;**
- (c)      take measures to facilitate committee members to fully declare their interests, including providing examples of common interests that need to be declared; and**
- (d)      regularly remind the committee chairmen of the need to make rulings on interests declared by members at the meetings, and document the rulings made in the minutes of the meetings so as to enhance transparency and accountability.**

## **Response from the Government**

**4.24      The Director of Agriculture, Fisheries and Conservation generally accepts the audit recommendations. He has said that:**

- (a)      for the SADF Advisory Committee, the committee members have already completed and returned the first-tier declaration forms for 2019. For the SFDF Advisory Committee, the declaration forms for 2019 have already been sent to the committee members; and**
- (b)      the two members of the SFDF Advisory Committee (see para. 4.18(b)) returned their completed declaration forms in March 2019.**

## Other areas for improvement on procedures for meetings

4.25 In January 2017, the Treasury issued a Fund Management Guide. The Guide provides reference for government bureaux and departments in discharging their duties and responsibilities of fund management. According to the Guide:

- (a) members of governing boards/committees should be provided with the agenda and discussion papers of a meeting in good time, normally not less than five working days before the meeting; and
- (b) after each meeting, the minutes should be promptly prepared and circulated for members' comments and agreement.

### *Need to regularise distribution of papers relating to meetings*

4.26 For the 28 meetings held in 2014 to 2018 (see para. 4.4), Audit analysed the time taken for distributing the agendas (accompanied by discussion papers — hereinafter agendas include discussion papers) before the meetings and the time taken for distributing the draft minutes after the meetings (Note 9). Audit found that the agendas and draft minutes were not always distributed in a timely manner, as follows:

- (a) ***Distribution of agendas.*** For committee meetings, the time taken for distributing agendas ranged from 2 to 21 days (averaging 11 days) before the meetings. For working group meetings, the time taken ranged from 7 to 14 days (averaging 9 days). Audit considers that there was room for distributing the agendas earlier in some cases. For example, for 3 of the 28 meetings, the agendas were only distributed less than five days before the meetings (see Table 16); and

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**Note 9:** *The “time taken” refers to the number of days from the date the agenda were distributed to the date of meeting, or the number of days from the date of meeting to the date the draft minutes were distributed.*

Table 16

**Time taken for distributing agendas  
(2014 to 2018)**

<b>Timeliness (No. of days before the meeting)</b>	<b>No. of agendas</b>	
	<b>Advisory Committee meeting</b>	<b>Working group meeting</b>
Less than 5	3	0
5 to 10	6	8
11 to 15	4	3
16 to 20	3	0
21	1	0
Total	17	11

*Source: Audit analysis of AFCD records*

*Remarks: Agendas for advisory committee meetings and working group meetings were distributed 2 to 21 days and 7 to 14 days respectively before the meetings.*

- (b) ***Distribution of draft minutes.*** For committee meetings, the time taken for distributing draft minutes ranged from 26 to 98 days (averaging 73 days) after the meetings. For working group meetings, the time taken ranged from 18 to 102 days (averaging 61 days). Audit considers that there was room for expediting the distribution of draft minutes in some cases. For example, improvement in distribution could be made in one extreme case in which the draft minutes of the working group were distributed 102 days after the meeting (see Table 17).



Table 17

**Time taken for distributing draft minutes  
(2014 to 2018)**

Timeliness (No. of days after the meeting)	No. of draft minutes	
	Advisory Committee meeting	Working group meeting
Less than 20	0	1
21 to 40	1	0
41 to 60	2	5
61 to 80	7	2
81 or more	7	3
Total	17	11

*Source: Audit analysis of AFCD records*

*Remarks: The draft minutes for advisory committee meetings and working group meetings were distributed 26 to 98 days and 18 to 102 days respectively after the meetings.*

4.27 Audit noted that AFCD had not laid down any guidelines on the distribution of agendas and minutes of meetings. In this connection, Audit noted that at a meeting of the SFDF Advisory Committee in February 2015, a member stated that the SFDF Secretariat should give more time for members to review the discussion papers (attached to the agenda) before the meeting.

4.28 In Audit's view, distributing agendas only shortly before a meeting might not facilitate members to prepare for the meeting. Besides, distributing draft minutes a long time after a meeting might not facilitate members to recall details of the meeting in order to comment on the draft minutes.

***Need to record more clearly the results of voting in minutes of meetings***

4.29 Audit reviewed the minutes of the 28 committee meetings held in 2014 to 2018 (see para. 4.4) and found that, in one meeting held in March 2015, the total number of members who voted or abstained from voting was less than the number of members who attended the meeting. Table 18 shows the discrepancies.

**Table 18**

**Number of members voted/abstained from voting at a committee meeting and number of members attending the meeting (March 2015)**

Project discussed at the meeting	No. of members voted/abstained from voting				No. of members attending the meeting (b)	Difference (c) = (b) – (a)
	Voted for the project	Voted against the project	Abstained from voting	Total (a)		
Project A	7	0	1	8	10	2
Project B	8	0	0	8		2

*Source: Audit analysis of AFCD records*

4.30 Upon enquiry in February 2019, AFCD informed Audit that at the committee meeting held in March 2015 (see Table 18), there were 2 members who did not express their views on the projects. Audit, however, noted that this fact had not been recorded in the minutes of the meeting. Audit considers that for better accountability, members who did not express their views should also be recorded as “abstained from voting” in the minutes of the meeting.

## **Audit recommendations**

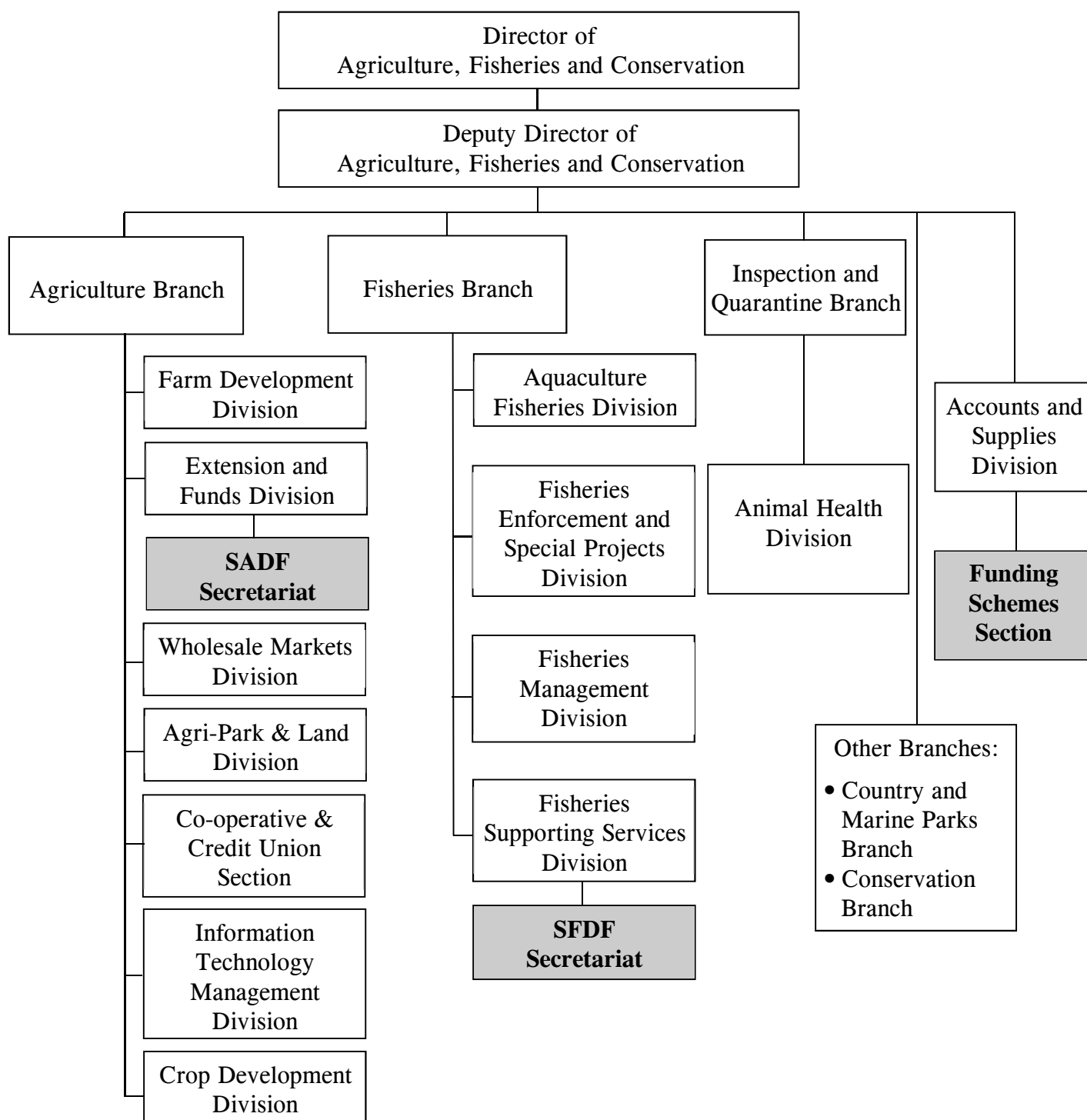
4.31      **Audit has *recommended* that the Director of Agriculture, Fisheries and Conservation should:**

- (a)      **consider laying down guidelines on the distribution of agendas (and discussion papers) and draft minutes of meetings; and**
- (b)      **ensure that proceedings of meetings are accurately and completely recorded in minutes of meetings.**

## **Response from the Government**

4.32      The Director of Agriculture, Fisheries and Conservation generally accepts the audit recommendations.

**Agriculture, Fisheries and Conservation Department:  
Organisation chart (extract)  
(28 February 2019)**



Source: AFCD records

**Appendix B**  
(Table 3 in para. 1.15(a) refers)

**List of Sustainable Fisheries Development Fund approved projects  
(28 February 2019)**

	<b>Organisation</b>	<b>Project title</b>	<b>Brief description of project</b>	<b>Amount of grant approved (\$)</b>	<b>Commencement date of project</b>	<b>Expected/actual completion date of project</b>
1	A	Fisheries-related Ecotour Guide Training Programme for Fishermen (Northeastern Waters)	The project seeks to help the fishermen develop or switch to fisheries-related ecotourism business by equipping them with the necessary knowledge and skills as well as practical experience of operating eco-tours.	2,349,600	1 February 2016	31 January 2018 (Completed)
2	A	Fishery & Eco, Conservation Program (Cheung Chau Waters)	The project helps fishermen switch to recreational fisheries by equipping them with the necessary knowledge and skills as well as practical experience of operating eco-tours. It also involves planning and design of new eco-tour routes for the development of new recreational fisheries in the waters of Cheung Chau.	2,331,500	1 April 2016	30 April 2018 (Completed)
3	B	Mariculture Using Enclosure Net Cages	The project involves using large enclosure net cages for culturing white flower croaker (mainly for its swim bladder to produce fish maw), giant grouper and pompano. Both the culture system and the culture of white flower croaker are new to Hong Kong.	6,358,986	21 March 2016	20 March 2019

**Appendix B**  
(Cont'd)  
(Table 3 in para. 1.15(a) refers)

	Organisation	Project title	Brief description of project	Amount of grant approved (\$)	Commencement date of project	Expected/actual completion date of project
4	C	Promotion and Support Scheme on Organic Certification for the Organic Aquaculture in Hong Kong	The project provides assistance to the fish farmers in obtaining organic accreditation and organises activities to enhance public understanding of organic aquaculture and to promote the market for organic aquaculture products.	10,461,740	23 November 2016	22 November 2021
5	D	Safe and Quality Fish Production: Development of High Grade Pellets Using Food Waste for Three Popular Marine Fish Species	The project makes use of local food waste to produce pellet feed for the local mariculture industry.	8,454,590	30 December 2016	29 December 2019
6	E	Establishment and Demonstration of Recirculation Aquaculture System for Fry Culture on Rafts	The project aims to develop grouper fry culture techniques with the use of a seawater recirculating system on fish rafts and to promote such culture techniques to local fish farmers.	3,778,880	1 April 2017	31 March 2020
7	F	Depurated Oyster Project Proposal	The project makes use of a depuration process and a monitoring programme to enhance the safety and quality of local oysters.	3,000,000	1 August 2017	31 July 2020
8	G	Lai Chi Wo Hatchery Development for Sustainable Fishery in Hong Kong Waters	The project introduces fish hatching and larval rearing techniques in brackish water ponds to supply marine fish fry to the local aquaculture industry.	4,417,362	20 October 2017	19 October 2020

**Appendix B**  
(Cont'd)  
(Table 3 in para. 1.15(a) refers)

	Organisation	Project title	Brief description of project	Amount of grant approved (\$)	Commencement date of project	Expected/actual completion date of project
9	E	Improving Fish Health and Production in Hong Kong	The project aims to improve the sustainability of local aquaculture industry through effective fish disease control and prevention.	4,940,069	1 September 2018	31 August 2020
10	H	Hong Kong Pearl Farm Centre	The project aims to assist fish farmers in switching to the high value-added pearl cultivation industry and recreational fishing, and to enhance the competitiveness of the industry by demonstrating pearl cultivation in local fish raft and its pearl selling, and organising pearl eco tours to promote recreational fishing.	5,312,108	1 November 2018	31 January 2026
11	I	BEC × AFFS — Awareness and opportunities	This project aims to use the branding of “food safety, local produce and environmental friendliness” of Accredited Fish Farm Scheme (AFFS) to create a platform for providing business opportunities on AFFS fishery produce for fish farmers, and the food and beverage and hotel industry with a view to broadening the markets of AFFS fishery produce.	7,500,200	To be confirmed	

Source: AFCD records

**Appendix C**  
(Table 3 in para. 1.15(a) refers)

**List of Sustainable Agricultural Development Fund approved projects  
(28 February 2019)**

	<b>Organisation</b>	<b>Project title</b>	<b>Brief description of project</b>	<b>Amount of grant approved (\$)</b>	<b>Expected/actual commencement date of project</b>	<b>Expected completion date of project</b>
1	J	Technology Demonstration Project on Application of Advanced Sewage Treatment Technologies for Local Pig Farms	The project aims to devise and construct an advanced and automated sewage treatment demonstration system in order to enhance sewage treatment technologies for local pig farms. The system provides remote monitoring of operation with energy recovery function.	4,950,000	1 January 2019	31 December 2020
2	E	Development of sustainable organic fertilisers for output maximisation of outdoor and indoor plant factories	The project aims to develop a water-soluble, odourless, stable and all-natural organic nutrient solution with an identifiable formula.	2,803,696	1 January 2019	30 June 2021
3	E	Improving Pig Health and Production in Hong Kong	The project aims to identify the major constraints on pig health and production in Hong Kong and to develop interventions that will result in improved productivity, pig welfare, food safety and monitoring for early warning of new and emerging zoonotic diseases etc.	14,997,913	1 March 2019	28 February 2021
4	E	Improving Poultry Health and Production in Hong Kong	The project aims to identify the major constraints on poultry health and production in Hong Kong and to develop interventions that will result in improved productivity, poultry welfare, food safety and monitoring for early warning of new and emerging zoonotic diseases etc.	14,961,146	1 March 2019	28 February 2021



**Appendix C**  
(Cont'd)  
(Table 3 in para. 1.15(a) refers)

	Organisation	Project title	Brief description of project	Amount of grant approved (\$)	Expected/actual commencement date of project	Expected completion date of project
5	C	Management and operation of the Organic Certification System and its support initiatives	The project aims to implement and maintain the operation of the only internationally recognised third-party independent organic certification system in Hong Kong. The project will provide farmers with support and simplified application procedures for organic certification in order to encourage them to take part in organic certification, as well as to promote the organic certification programme.	14,999,120	1 April 2019	31 March 2023
6	K	Promotion of local organic agriculture and image-building of professional organic certification	The project aims to deepen the public's understanding in local organic agriculture and organic certification service, assist organic farmers in establishing local organic agriculture brands to capture market niches, enhance the support for organic farmers and boost consumers' confidence in purchasing local agricultural produce.	14,911,428	1 April 2019	31 March 2022
7	L	Comprehensive support and promotion scheme for agriculture	The project aims to provide farmers with agricultural resources, support for agricultural operations and organic certification support services as well as quality organic seedlings and seeds.	14,145,672	1 April 2019	31 March 2022

Source: AFCD records

**Acronyms and abbreviations**

AFCD	Agriculture, Fisheries and Conservation Department
AFFS	Accredited Fish Farm Scheme
Audit	Audit Commission
DoJ	Department of Justice
EIP	Equipment Improvement Project
FHB	Food and Health Bureau
FIS	Farm Improvement Scheme
LegCo	Legislative Council
NGO	Non-governmental organisation
SADF	Sustainable Agricultural Development Fund
SFDF	Sustainable Fisheries Development Fund