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Clerk to Public Accounts Committee
 Legislative Council Complex
 1 Legislative Council Road
 Central
 Hong Kong
 (Attn : Mr Anthony CHU)

27 May 2019

Dear Mr CHU,

Public Accounts Committee

Consideration of Chapter 5 of the Director of Audit's Report No.72
Environment and Conservatoin Fund

In reponse to your request dated 15 May 2019, please find attached the soft copies of our reply on the matters as set out in the Appendix in both English and Chinese for consideration of the Public Accounts Committee.

Yours faithfully,

(Ellen Chan)

for Director of Environmental Protection

Encl.

c.c. Secretary for Financial Services and the Treasury (fax : 2147 5239)
 Director of Audit (fax : 2583 9063)

Public Accounts Committee

Consideration of Chapter 5 of the Director of Audit's Report No. 72 Environment and Conservation Fund

Part 2 : Administration of applications

- 1) According to paragraph 2.3, the Environmental Protection Department ("EPD") is responsible for first processing the Environment and Conservation Fund ("ECF") applications for further vetting and approval. Specifically, EPD will refer the applications to its relevant groups/divisions and/or other government bureaux/departments for comments when necessary, or request the applicants to make clarifications and provide additional information as needed for further assessment. What are the details of the process? Please give examples of the kind of additional information which the Administration would usually request. Please tabulate, with a breakdown by year, the average time taken for the above process and the average number of requests for making clarifications or providing additional information made per application.**

To facilitate the various vetting subcommittees (VSCs) under the Environment and Conservation Fund Committee (ECFC) in considering and assessing all valid applications received before the submission deadline, the EPD (the Secretariat) which provides secretariat support to the ECFC and the VSCs will firstly check an application to ensure that it meets the eligibility criteria and has included the required information and when necessary, arrange to seek comments from relevant groups/divisions in EPD and/or other government bureaux/departments on the applications.

Seeking comments from relevant groups/divisions in EPD and/or other government bureaux/departments

Using an application submitted under the theme of "Biodiversity" as an example to explain the process, comments will be sought from the Agriculture, Fisheries and Conservation Department. If an application is related to "Clean Shorelines" or touches on water quality aspects, then

comments will be sought from subject officers of the Water Policy Division of the EPD. Similarly, applications related to waste reduction and recycling will be passed to the relevant subject officers in the EPD who are responsible for say plastic waste recycling or food waste recycling respectively. The comments or views provided by relevant groups/divisions in EPD and/or other government bureaux/departments on the applications will be consolidated by the Secretariat and put forward to the relevant VSC for consideration by members in meetings arranged to consider and assess all valid applications received in a particular round of invitation for applications. Applications will be considered on a competition basis within the respective funding programme or within a specific theme, if any.

The relevant groups/divisions in EPD and/or other government bureaux/departments will also be requested to provide comments on the feasibility of the proposed projects, whether the projects can contribute to environmental protection and conservation in Hong Kong, to what extent the projects will enhance the environmental awareness of the local community, whether the projects' schedules of implementation are well-planned and practicable, and whether the projects should be more appropriately funded by other sources, etc. In addition, the Secretariat will check with other government bureaux/departments (e.g. Innovation & Technology Commission and Quality Education Fund) on whether the projects are receiving or have applied for funding support from other sources.

In the past five years from 2014-15 to 2018-19, depending on the comments given by the relevant groups/divisions in EPD and/or other government bureaux/departments and responses from applicants, this process takes from one week to three months to complete.

Seeking clarifications and additional information from applicants

At the same time when comments from relevant groups/divisions in EPD and/or other government bureaux/departments are being sought, the Secretariat will request the applicants to make clarifications and provide additional information, as appropriate, before the applications are put up to the VSCs for consideration. As applications are considered on a competition basis, the Secretariat will not be involved in steering applicants to make clarifications and provide additional information for their

applications to the extent of favouring any applicant. Clarifications and additional information required from the applicants are in most cases on factual aspects such as requesting the applicant organisation to produce documentary proof of its non-profit-making status, better define the expected benefits and clarify calculation errors and contradictory information of proposed budget items, etc.

In the past five years from 2014-15 to 2018-19, depending on matters to be clarified and information to be provided, this process in general takes about four days to one and a half months.

Number of requests made

While the number of requests made varies with different types of projects, the average rounds of requests made in seeking comments from relevant groups/divisions in EPD and/or other government bureaux/departments and in requesting the applicants to make clarifications and provide additional information are usually not more than three rounds for each application but a number of questions may be raised in each round of request.

Despite the fact that it is stated in the Guides to Application of the various funding programmes that it is the applicant's responsibility to submit the required information and the EPD is not obliged to ask for the required information if such is missing from the application, the current practice of EPD seeking clarifications from an applicant has provided an opportunity for applicants to provide additional information on key factual issues. If the Secretariat were to simply take the applications as they are submitted to the VSCs for consideration without seeking for clarifications from the applicants, then it is likely that many applications will not be supported by the VSCs due to lack of key factual information or clarity on information given. In striking a balance between the role as a facilitator and the role as a monitor of the ECF application process, the EPD has taken the current approach as described above.

In recent years, EPD has initiated a number of measures to shorten the time required for processing applications such as organising briefing and sharing sessions to potential applicants to remind them of the requirements in submitting applications and the need to include all relevant information clearly in the applications. As a result, all applications are approved

largely within six months from the time when the applications are received since 2017-18.

Please see summary table below, with breakdown by year, showing the average time taken in seeking comments or clarifications, average number of requests made per application and the average processing time of applications.

	2014-15	2015-16	2016-17	2017-18	2018-19
Average time taken for seeking comments from relevant groups/divisions in EPD and/or other government bureaux/departments	1 month	1 month	1 month	1.5 months	1.5 months
Average time taken for seeking clarifications and additional information from applicants	3 weeks	3 weeks	2 weeks	1 week	1 week
Average number/round of requests made *	3	3	3	2	2

* A number of questions, up to 20 in some cases, may be raised in each round of request.

- 2) **With reference to Case 1 in paragraph 2.7, why and in what ways were the vetting criteria for minor works changed? Apart from sending two reminders, why did EPD not take other actions to follow up the application concerned? Does EPD agree that it should actively communicate with the applicant and strengthen measures to help complete the processing of the application? What lessons has the Administration learnt from this case?**

A review on the vetting principles and funding guidelines was conducted in March 2011 for the purpose of streamlining the vetting criteria of the environmental education and community action projects, including the previously termed minor works projects (i.e. projects with installations/facilities like Case 1). As a result, a new template of application form was devised and put to use.

Case 1 should be an isolated case as other applications received at the same time were submitted using the correct new application form template without any delay. For this case the applicant was informed by the EPD in June 2011 to resubmit its application using the new application form template. Apart from sending reminders, the Secretariat had also contacted the applicant by phone from time to time to follow up with the progress of the application. However, the applicant only resubmitted its application in November 2012 after the issue of two reminders by the EPD in March 2012 and August 2012 respectively. The application was subsequently processed and approved within six months after the application was received.

The EPD agrees with the need to maintain active communication with applicants during the processing of their applications. While the submission of applications together with all required information remains primarily the responsibilities of the applicants as stated clearly in the Guides to Application, the EPD will 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.

3) With reference to Case 2 in paragraph 2.7:

(a) please explain the reasons for the Qualified Service Provider and the applicant concerned taking such a long time to provide sufficient and correct information to the Administration.

(b) please advise the average time taken for processing similar applications for energy conservation projects.

(c) does the Administration agree that further assistance should be provided to the applicants?

- (a) The Qualified Service Provider and the applicant concerned had taken a long time to provide sufficient and correct information to the Administration because many enquiries raised were of highly technical nature, e.g. estimation of energy consumption of each individual equipment, calculation of energy saving, estimation of payback period, etc. Many of these technical enquiries require site visits and/or measurements as well as detailed calculations. Moreover, the application involved four sites with different equipment installed and to be replaced and this had further complicated the case.
 - (b) The Electrical and Mechanical Services Trading Fund was engaged by the EPD for processing applications for energy conservation projects which involved some extent of technical complexities or where the amount of funding support sought was substantial. The average time taken for processing such applications was around 13 months for each project.
 - (c) While the respective energy funding programmes for energy conservation projects like Case 2 ended in 2012, the Administration agrees that further assistance may be provided to applicants to clarify the necessary procedures and technical requirements for the applications though such assistance should also be provided on a “same-to-all” basis.
- 4) With reference to paragraphs 2.11(c) and 2.12(c), please provide details of the measures which can encourage and facilitate potential applicants to submit meritorious applications to ECF.**

The EPD will continue to share best-practice or past meritorious projects with potential applicants in briefing/sharing sessions and also showcase some of these projects through various means (e.g. television, newspaper and website). For example, in 2018-19, we have organised the following:

- (a) Environmental Education & Community Action Projects

Two briefing cum sharing sessions were held on 17 April 2018 and 18 September 2018 prior to each round of invitation for applications. In the briefings, representatives of five recipient organisations shared their valuable experiences. Besides, representatives of Civil Engineering and Development Department and the EPD introduced the special

theme “Conservation in South Lantau” and the “Pilot Programme on Provision of Small Food Waste Composters at Schools” respectively.

(b) Community Involvement on Municipal Solid Waste Charging Projects

A briefing was held on 9 January 2019 for potential applicants given the limited experience of organisations in implementing this type of projects.

- 5) With reference to paragraph 2.16, please explain why the discussion papers and summaries of project applications for about half (45%) of the meetings of subcommittees were issued only shortly (one to five calendar days) before the relevant meetings. Was the Administration aware of the above problem before the present audit exercise by the Audit Commission ("Audit")? What measures have been/will be taken to rectify the problem?**

The discussion papers and summaries of project applications contain mainly information on individual application and timely preparation of these documents rely greatly on the number of applications received, the complexity of concerned activities and budgetary details, and timely submission of additional information from the applicants.

For all applications received by the application deadline, the EPD will conduct initial checking of the applications to ensure that they are completed with all necessary supporting documents. In parallel, the EPD will refer the applications to its relevant groups/divisions and/or other government bureaux/departments for comments, when necessary. This process can be time-consuming and only after all such clarifications work has been largely done, the EPD can prepare discussion papers and summaries of project applications with detailed budgetary information. As the number of applications has been greatly increased since 2013 with the injection of \$5 billion to the ECF, the workload of the EPD on this aspect has been significantly increased.

The Administration was aware of this problem before the audit exercise. In the past five years, except for a few occasions, the EPD has managed to issue the discussion papers and summaries of project applications to all VSCs more than 4 days on average before the relevant meetings. At present,

meeting papers and documents for the Research Projects VSC are normally submitted to members one week before the date of the meeting. The EPD has taken steps to ensure that agenda, papers and documents for the Waste Reduction Projects VSC and the Environmental Education and Community Action Projects VSC are also submitted to members one week before the meeting or as early as possible.

- 6) According to paragraph 2.17, only the procedural guidelines for the funding programme of environmental research, technology demonstration and conference projects had stipulated the time frame for issuing discussion papers and summaries. Why was the time frame not stipulated for other ECF funding programmes? What improvement measures will be taken to address the problem?**

The procedural guidelines for individual funding programmes were developed separately at the time when the particular funding programme was launched. While the procedural guidelines for all funding programmes share the same framework and working principles in general, they are essentially not identical and each of them does comprise certain uniqueness. While such uniqueness is required for catering the special procedural requirements of a particular funding programme, the EPD agrees with the need to standardise the procedural guidelines to enhance consistency where necessary and has already initiated an internal review on the procedural guidelines of current funding programmes. Initial recommendations include stipulating a unified time frame for issuing discussion papers and summaries to members of VSCs in all procedural guidelines in use. Subject to consideration and agreement by the VSCs, the procedural guidelines will be suitably revised. It is expected the revised procedural guidelines will be put into effect in Q3 2019.

- 7) With reference to paragraph 2.18, please explain the reasons for adopting different practices to handle cases which applicants have failed to provide additional information/clarifications/response to the Administration within the specified time period. Was the Administration aware of the difference before Audit raised the matter? If yes, has the Administration considered standardizing the guidelines concerned?**

For funding programmes of waste reduction projects, environmental research, technology demonstration and conference projects, and energy conservation projects, it has been a general practice where an applicant fails to reply satisfactorily to any enquiries from EPD within a specified time period, the application will be considered withdrawn and the processing work for the application will terminate. The applicant will have to submit a fresh application if it subsequently wishes to pursue the application again. However, for the environmental education and community action projects funding programme, where the applicant fails to reply satisfactorily to any enquiries from EPD within a specified time period, the application will still be considered by the VSC on the basis of information previously provided.

The EPD is aware of this difference before Audit raised the matter but the Environmental Education and Community Action Projects VSC is generally satisfied with the existing arrangement and in case necessary would request for clarifications from project proponents after discussing the proposals. This is because environmental education and community action projects are usually of a comparatively simple nature. In most cases the missing of certain information (e.g. details of activities proposed and type of target participants, etc.) is not essential for the Environmental Education and Community Action Projects VSC to determine the validity and merits of the proposal. However, the EPD agrees that it is necessary to further consider the issue of consistent approach and has already initiated an internal review on the procedural guidelines of current funding programmes.

- 8) According to paragraphs 2.21 and 2.22, EPD considered that for the funding programmes of nature conservation management agreement projects, declaration by applicants alone is sufficient for preventing double benefits, given that there were only a few related projects funded by ECF and all of them were large-scale and managed by renowned non-governmental organizations. Has the Administration conducted any review to ascertain whether the above rationale is valid? Is there any mechanism in place to monitor the renowned non-governmental organizations and ensure that there is no double benefit?**

Unlike applicants of other categories of projects funded under ECF, applicants of nature conservation management agreement (MA) projects are encouraged to seek alternative funding sources (including income-generating activities and private sponsorship) for generating 5%

income of the total budget of their MA projects. As stipulated in the Guide to Application, applicants are requested to provide relevant detailed information in their applications if they have also secured funding sources other than ECF. Even if details are not yet available when the applications are submitted, the applicants should still indicate their intention to seek other sponsorships or funds if this is the case.

Noting the public's concern about the use of public money, the Administration will carry out random checking of the self-reported sources of funding, by consulting the secretariats of other Government funding schemes with a view to ascertaining the accuracy of such information. While this will be in line with the practice in vetting of applications that is applicable to other funding schemes under ECF, such arrangement is not meant to tackle the issue about receipt of double benefits which is not a major concern under the MA scheme.

Part 3 : Monitoring of project implementation and accounts finalisation

- 9) With reference to paragraph 3.3 and Table 5, please advise the current progress of the 15 approved environmental education and community action projects which had been approved for more than one year and had not yet commenced as of September 2018. Please explain the reasons for the delay in each case and advise what had been done to expedite the progress.**

It should be noted that all these 15 approved projects were environmental education and community action projects with installations/facilities such as green roofs or solar panels. For many projects which have been approved for more than one year and have not yet commenced, the EPD has in fact issued repeated reminders and made numerous telephone calls to the recipient organisations concerned to follow up on the progress of the projects and/or remind them to submit a withdrawal letter to end their projects, if appropriate, but in vain.

As at May 2019, two out of the 15 approved projects have been withdrawn by the recipient organisations upon EPD's reminder and the EPD has already taken action to close another ten approved projects. The remaining three have still not commenced their projects yet. The reasons for the delay (as provided in the table below) were mainly due to limited

experience of the recipient organisations in implementing the projects which contain many technical works elements.

	Reason(s) for the Delay
Project withdrawn/Case closed	
Applications 1-2	Recipient organisations finally decided to withdraw the applications and submitted the withdrawal letters in December 2018 and February 2019 respectively.
Applications 3-8	Recipient organisations have difficulties in quotation exercises and have not responded to the EPD for a long time and/or have not submitted the withdrawal letters. The EPD has already taken action to close the cases.
Application 9 (Case 3 in the Audit Report)	Recipient organisation has taken a long time in handling administrative and financial transition work for transformation to a direct subsidy school, in re-tendering the works contract and was unable to provide complete records of building plans. Recipient organisation finally informed EPD in January 2019 of its intention to withdraw this project and the EPD has taken action to close this case.
Applications 10-11	Recipient organisations have taken a long time to repair the waterproof layer on the roof/perform re-roofing works and decided to withdraw the applications but have not submitted the withdrawal letters. The EPD has already taken action to close the cases.
Application 12	Recipient organisation failed to return the signed agreement and there was a change in the project's head officer. The EPD has already taken action to close the case.
Projects to be commenced	
Application 13	Recipient organisation is still unable to obtain approval from Education Bureau in its submission of the feasibility report in the absence of support from Buildings Department on an issue related to barrier free access.

	Reason(s) for the Delay
Application 14	Recipient organisation has indicated their wish to revise the project scope but has not yet submitted a revised application.
Application 15	Recipient organisation has limited capability in completing the project in a quicker pace.

To deal with idle projects with no action by the recipient organisation, the Environmental Education and Community Action Projects VSC made a decision at its meeting in March 2019 for the Secretariat to arrange termination of projects which have not commenced one year after approval to avoid similar cases from happening in future. The VSC has also decided that the Secretariat will no longer need to request a recipient organisation to submit a letter to withdraw from the project as response was not forthcoming in most cases. Instead, a confirmation letter with the opt-out option will be sent to those recipient organisations who have expressed their willingness to withdraw from the project or have not responded to the EPD at all.

The Secretariat will continue to organise training sessions to recipient organisations about the procedures in dealing with the project management of installing facilities and give advice on tackling difficulties such as how to carry out the quotation exercises and how to deal with the contractual issues with the appointed contractors, etc.

- 10) With reference to Case 3 in paragraph 3.4, does EPD agree that written communication alone is not sufficient to monitor the progress, in particular that EPD did not follow up the case after receiving no response from the grantee (no response from the grantee from December 2013 to December 2018)? How will EPD ensure that no similar case will happen again in future? Does EPD agree that the Environmental Education and Community Action Projects Vetting Subcommittee should have considered the feasibility of projects when vetting the applications?**

For Case 3, the recipient organisation has encountered problems in commencing the implementation of the project including manpower constraints in handling administrative and financial transition work for

transformation to a direct subsidy school, the need to re-tender the works contract for the project and inability to provide complete records of building plans, etc. These problems were not really related directly to the feasibility of the project as such. Although there were continual communications between the EPD and the recipient organisation from 2012 to January 2019, the recipient organisation sometimes did not respond. The recipient organisation finally informed the EPD in January 2019 of its intention to withdraw this project and the EPD has taken action to close this case in May 2019. While this may be an isolated case, the EPD agrees that there is room for improvement.

At present, all applications with installation elements received will be analysed and assessed by the Environmental Education and Community Action Projects VSC based on the submitted documents. The feasibility of the projects is considered based on the track-record of past application(s), if any, and whether the documents as submitted along with the application form conform to all the criteria stipulated in the Guide to Application. The majority of projects with installation elements do take a longer time to commence because of the need to conduct feasibility studies, obtain approval from relevant authorities, issue tender for procurement, etc. These projects also need a longer time of four to six years to be completed due to various technical requirements such as submission of construction plans and installation reports.

While sufficient allowance may be given for the recipient organisations to complete certain time-consuming steps such as tendering and searching for old records, the EPD will take steps to ensure that more frequent and proactive communications with the recipient organisations will be maintained. To deal with idle projects with no action by the recipient organisation, the Environmental Education and Community Action Projects VSC made a decision at its meeting in March 2019 for the Secretariat to arrange termination of projects which have not commenced one year after approval to avoid similar cases from happening in future.

- 11) According to paragraph 3.7, EPD had not followed up with the grantee in Case 4 for a total of 6.4 years regarding the progress of Project D despite significant project slippage (5.5 years behind the scheduled completion date of July 2013) as of January 2019. Why did this happen? Does the Administration consider this unsatisfactory?**

What is the updated progress? Is there any mechanism in place to handle idle grantees? What lessons has the Administration learnt from this case, and what improvement measures will be taken to avoid recurrence of similar problem in future?

With reference to paragraph 3.8(d), please advise the outcome of the discussion on the deficiency in implementing ECF-funded projects with facilities/installations at schools and the measures to address the problem.

The EPD agrees that there is room for improvement in the handling of Case 4. The Secretariat should have communicated with the recipient organisation more frequently with proper documentation, so as to keep track of what difficulties the recipient organisation was facing and tried to offer suggestions to them in tackling the problems. The Secretariat should have also reminded the recipient organisation of the consequences of terminating the project and poor project implementation performance given there was no response from the recipient organisation for a long time.

The recipient organisation of Case 4 informed EPD in May 2019 that they could not raise enough funds for building the metal fencing to turn the roof into an accessible one. Thus, the recipient organisation would like to seek approval from Environmental Education and Community Action Projects VSC members to proceed with the green roof project on the inaccessible roof. It should be noted that the VSC had ruled at its meeting in September 2016 that installation of greenery on inaccessible roofs would not be approved as students could not have access to the roofs for education purpose.

For improvement, the EPD will maintain frequent contacts with recipient organisations and send out reminders to them more frequently about documents submission and updates of the project progress. Also, the EPD will also send follow-up emails to the recipient organisations for pursuit of outstanding actions and documents as appropriate.

To deal with idle projects with no action by the recipient organisation, the Environmental Education and Community Action Projects VSC made a decision at its meeting in March 2019 for the Secretariat to arrange termination of projects which have not commenced one year after approval to avoid similar cases from happening in future.

With reference to paragraph 3.8(d), the “Solar Harvest” programme was launched by the Environment Bureau and the Electrical and Mechanical Services Department (EMSD) in March 2019. This programme subsidises and provides one-stop service to eligible schools and welfare non-governmental organisations to install small-scale solar panels at their premises. EMSD will follow through the entire process of solar panel system installation and facilitate the participation of eligible schools and welfare non-governmental organisations in the Feed-in-tariff Scheme. The successful applicants need not handle the technical issues and deal with relevant authorities or parties on their own. Hence this programme is considered more attractive and effective for interested and eligible parties in installing solar panels at their premises.

- 12) With reference to paragraph 3.12(d), please advise what measures have been/will be taken to ensure that adequate site inspection is conducted in the course of each project and provide the action plan and tentative timetable. What is the target number of site inspection per project per year?**

To facilitate the monitoring of project progress, at least one site inspection is currently conducted during the course of each project. For projects with duration exceeding two years, a second inspection will be conducted. Subject officers overseeing the implementation of projects are required to draw up a schedule of regular inspections which sets out the specific time for each inspection to be carried out by a team of two staff. Inspection reports should be prepared with site photographs within one week from the inspection date for submission to the subject team leader for perusal and record.

- 13) With reference to paragraph 3.14, please explain why the accounts of the 303 completed ECF-funded projects had not been finalized long after project completion. What is the latest progress regarding the finalization of these project accounts?**

For various reasons, some project accounts of completed ECF-funded projects require longer time to be finalised than usual. In most of these cases, the recipient organisations have not submitted progress and/or

completion reports on time and/or have not provided complete and clear documentary proofs in support of their expenditures and satisfactory implementation of the projects. It is not uncommon for such reports and/or documents to remain outstanding for several years after project completion despite continuous reminders by the EPD. Some recipient organisations experience a high turnover of project officers and this makes matters worse if there is no clear handover of instructions between their incoming and outgoing project officers.

Recipient organisations often submit voluminous invoices and receipts to support their claims for payment. On average, over 300 pages of such documents per project for waste reduction projects and environmental education and community action projects are submitted to the Secretariat for scrutiny. Many of these documents are incomplete or provide only unclear information on the transactions. The Secretariat needs to check, among others, whether the incomes and expenditures as provided in the submitted documents have complied with the projects' approved budgets, whether the expenditures are supported with relevant invoices/receipts, and whether the ceiling of individual budgeted item has been exceeded, etc. It usually takes the Secretariat several rounds of correspondences to clarify with the recipient organisations to ensure the information required is complete before recommending payments. Backlog of accounts finalisation and payment releases to the recipient organisations has therefore accumulated since around 2013-14 as the number of applications has increased significantly since the injection of \$5 billion to the ECF in 2013.

While late submission of required documents by recipient organisations may reflect more on the applicants' experiences and capability in implementing projects, the EPD will strengthen measures in assisting recipient organisations to submit the required documents in a timely manner. For example, the EPD has taken steps to provide coaching to assist the recipient organisations in submitting the required documents through training sessions arranged for successful applicants and sharing of good practices and examples to help them avoid delay in submission.

Out of the 303 completed ECF-funded projects with project accounts not yet finalised (as at September 2018), the EPD has taken actions to finalise 128 (i.e. about 42%) of the accounts (as at May 2019). In addition, the EPD 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 recipient organisations and expedite project accounts finalisation for future projects.

14) With reference to paragraph 3.19(c), please advise the short, medium and long term proposals to expedite the disbursement and reimbursement of funds. What is the implementation timetable for these proposals? What improvement measures for new projects have been put in place?

The EPD has appointed a financial consultant in June 2017 to perform a study to review and enhance the funds arrangement of ECF-funded projects before the Audit Commission conducted the audit review. To date, the EPD has already implemented or in the process of implementing all short and most medium term proposals recommended by the consultant which include:

- (a) providing guidance/training to applicants and recipient organisations for documents submission and remind them of the requirements (implemented);
- (b) including punctuality of documents submission as an eligibility criterion for application vetting (implemented);
- (c) simplifying approved expenditure items (implemented);
- (d) updating Guides to Application and internal procedural guidelines (in progress); and
- (e) strengthening manpower support (an additional Accounting Officer 1 would be created).

In addition, the EPD will try out the key long term proposal recommended by the consultant in using an enhanced certified auditor's report with assurance that the expenditures stated under a project have complied with the requirements of the said project instead of the current measure of having to check all expenditure receipts submitted by the recipient organisations which incurs considerable time.

Other measures such as delegating the endorsement of completion reports and project variations from VSCs to the Secretariat if the expenses claimed do not deviate from or exceed the approved budget; streamlining the level of checking of reports, financial statements and supporting documents from three tiers to two tiers; and establishing performance pledge for final payment upon receipt of all necessary documents/clarifications are all being carefully considered.

Part 4 : Governance and administrative issues

15) With reference to paragraph 4.16, please explain the reasons for amending the terms of reference of the Waste Reduction Projects Vetting Subcommittee and the Research Projects Vetting Subcommittee. Have the terms of reference of all vetting subcommittees been standardized?

The terms of reference of the Waste Reduction Projects VSC and Research Projects VSC were amended during the 2013 injection of \$5 billion to the ECF with the removal of the roles of “to monitor progress of funded projects” and “to review completed projects to see if they have achieved the project objectives set out in the proposal” for simplicity. As the Environmental Education and Community Action Projects VSC is under the purview of the Environmental Campaign Committee (ECC) and not the ECFC, no corresponding amendment was particularly made to remove these two clauses for this scheme at that time. While this does not affect the function of the VSCs in overseeing the project implementations, the EPD sees merits in standardising all the terms of reference for consistency and will work on this in due course.

16) With reference to paragraph 4.18, was the Administration aware of the inconsistency in the code of conduct of the Environment and Conservation Fund Committee and the three vetting subcommittees before Audit raised the matter? If yes, what measures have been taken to address the issue? With reference to paragraph 4.19, when will the Administration review and standardize the terms of reference and code of conduct of the Environment and Conservation Fund Committee and the three vetting subcommittees?

The codes of conduct of the ECFC and the three VSCs are all similar which serve the same purpose of setting out guidelines on the responsibilities and proper practices of committing to the principle of honesty, integrity and fair play in conducting meetings for members. The Administration has not considered the need to have same wordings for the codes of conduct for different committees as the code of conduct of an individual committee might bear some uniqueness to allow for flexibilities to be exercised in using the guidelines. However, with reference to the Audit's recommendation, the EPD will start to review in 2019 the terms of reference and codes of conduct of the ECFC and the three VSCs with a view to defining more clearly the requirements and standardising the documents for consistency.

- 17) According to paragraph 4.20, as of January 2019, the minutes for 20 meetings held in the past three completed terms of membership had not been endorsed by members in subsequent meetings. Please explain why this happened and advise what measures have been/will be taken to avoid recurrence of the problem in future.**

The EPD agrees that there is room for improvement in ensuring that meeting minutes are confirmed as a standing meeting practice. The issue concerned was probably due to work priority setting and inadequate secretarial experience with the responsible officers at that time. The EPD agrees that as a good practice, all meeting minutes should be properly endorsed and has already reminded the Secretariat to set aside reasonable time in drafting the minutes and to circulate the draft minutes to members promptly after each meeting and have the minutes endorsed by circulation or in the following meeting. The Secretariat will also closely monitor this practice to ensure that it is being implemented. To date, all relevant meeting minutes have been endorsed by members and uploaded to the ECF website on time.

- 18) With reference to paragraph 4.25, please advise what follow-up actions have been taken on the late submission/outstanding declaration forms for registering members' interests. What measures have been/will be taken to ensure that declaration forms are submitted by members in a timely manner in future**

The ECFC and the VSCs adopt a two-tier declaration system. However,

prior to term three of the ECFC before October 2018, it was not a mandatory requirement for the ECFC members to submit separate declaration forms upon their joining of the VSCs and for ex-officio members to provide declaration forms. While late submission of declaration forms from members is not desirable, as a second tier requirement, members are all required to declare their interests at meetings for avoidance of conflict of interests. Hence fair deliberations of the issues involved in the meetings have not been hampered.

Nonetheless, we agree that the two-tier declaration system should be better implemented. The Secretariat is directed to remind members to submit the declaration forms in a timely manner. In addition, with the commencement of the new term for the ECFC, the VSCs and the ECC in October 2018 and January 2019 respectively, all members, including ex-officio members, are required to submit separate declaration forms for the Committees and VSCs that they have joined. This process has been satisfactorily completed in January 2019 and March 2019 after the first meetings of the new term of the committees.

19) According to paragraph 4.39, 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. Please advise the timetable and progress of the review, and provide the review results (if any).

The current ECF database which was developed in-house by an officer of the Secretariat in 2011 has many limitations. As a result, this ECF database is not being updated regularly by supporting teams who do not find it very user-friendly. However, supporting teams have maintained their own databases for daily handling of applications and project cases under their purview.

The EPD has considered the need to redesign and revamp the ECF database by engaging information technology professionals to enhance the provision of management information and has initiated in April 2019 the procurement of a contractor to redesign and revamp the ECF database with enhanced functions such as generating emails to officers concerned prompting them to issue reminders to recipient organisations in a more structured and consistent manner. The revamped ECF database will also be compatible

for electronic submission of application forms in the longer run. It is expected that an invitation for quotations for this service will be issued in June 2019 and the new ECF database can be put into use within 2020 after completion of essential tasks such as system design, data analysis and migration, security risk assessment, user acceptance test, etc.

Environmental Protection Department
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