

香港特別行政區政府

創新及科技局

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INNOVATION AND  
TECHNOLOGY BUREAU

THE GOVERNMENT OF THE HONG KONG  
SPECIAL ADMINISTRATIVE REGION

20/F, West Wing, Central Government Offices,  
2 Tim Mei Avenue, Tamar, Hong Kong

By Email

2 January 2020

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

Dear Mr CHU,

**Public Accounts Committee  
Director of Audit's Reports No. 73**

**Chapter 3: Governance and administrative issues of the Hong Kong  
Productivity Council**

I refer to your letter dated 19 December 2019. As requested by the Committee, information regarding Questions 18 to 20 in the Appendix of your letter is provided as follow -

**Part 2: Corporate governance and performance reporting**

- (18) *Are there any special divisions or manpower in the Innovation and Technology Bureau ("ITB") and ITC to assist CIT in monitoring, assessing or reviewing the work of HKPC? Is the staffing arrangement different before the establishment of ITB (i.e. when ITC was still under the Commerce & Economic Development Bureau)?*

According to paragraphs 5.3 and 5.4 of the "Memorandum of Administrative Arrangements on the Administration of the Subvention for the Hong Kong Productivity Council" (MAA), the Commissioner of Innovation and Technology (CIT) is the designated Controlling Officer (CO) of the subvention granted by the Government to the Hong Kong Productivity Council (HKPC), who will ensure that HKPC's activities accord with its objectives and relevant public policies and priorities; are properly and effectively planned, delivered and evaluated; and its subvention is properly used and disbursed. According to Section 5 of the Hong Kong Productivity Council Ordinance and paragraph 5.1 of the MAA, HKPC is autonomous in the management and control of its activities and resources.

The Innovation and Technology Bureau (ITB) was established in November 2015 to be responsible for formulating policies and promoting the development of innovation and technology as well as information technology. The Innovation and Technology Commission (ITC), originally under the Commerce and Economic Development Bureau (CEDB), was at the same time transferred to ITB, and has since continued its existing duties which include monitoring the operation of the HKPC.

The current Policy Team (1) of ITB comprises one Principal Assistant Secretary, one Senior Administrative Officer, one Administrative Officer and one Executive Officer I. The Team is responsible for various work in formulating I&T policies and promoting I&T development, including promoting research and development, promoting 're-industrialisation', supporting start-ups, nurturing technology talent, etc. The Team is also responsible for overseeing the work of ITC (including its monitoring role on the HKPC).

Prior to the establishment of ITB, CIT had been reporting to the then Permanent Secretary for Commerce and Economic Development (Communications and Technology) for implementing I&T policies and programmes. There was no

dedicated policy team or officer in CEDB that was responsible for monitoring the work of ITC in promoting I&T.

- (19) *According to paragraph 2.23, HKPC failed to meet one or more performance targets every year and some performance targets were not achieved for three years or more from 2014-2015 to 2018-2019. According to paragraph 2.24, if HKPC fails to achieve agreed performance targets, HKPC is required by MAA to provide explanations for such failures to the satisfaction of CIT. However, for the targets on two KPIs on "Number of consultancy projects accepted" and "Income from manufacturing support projects", there was no documentary evidence showing that HKPC had provided explanations to CIT for failing to meet these two performance targets in 2017-2018.*

*According to 2.29(a), HKPC will set up, in consultation with the ITC, a more formal mechanism for submitting the reasons for shortfalls against KPI targets.*

*Why did ITB or ITC not follow up with HKPC on its failure to provide the explanations for meeting these two performance targets in 2017-2018 according to MAA?*

The ITB mainly monitors the work of HKPC at policy level and from macro perspective. For related issues, please refer to the reply of CIT on Question 22.

- (20) *According to paragraph 2.25, 11 KPIs were not disclosed in the Annual Reports and CORs.*

*Does the Government impose any guidelines requiring public funded organizations to disclose which indicators in their annual reports? Has the Financial Secretary, the Financial Services and the Treasury Bureau, or any government department formulated any guidelines on disclosure of performance indicators in the report of Controlling Officers?*

The Financial Circular No. 9/2004: Guidelines on the Management and Control of Government Funding for

Subvented Organisations, issued by the Financial Services and the Treasury Bureau, provides a reference to Directors of Bureaux and COs on how to manage and control government funding for subvented organisations to ensure that public money is used properly and cost-effectively. The Circular advises COs to require the relevant organisations to produce annually a programme of the activities and budget for subvented programmes that they undertake; and to report their achievements in the last (fully audited) year and in the current year, as well as any changes in performance indicators, for comparison.

The then Efficiency Unit also published the second edition of the Guide to Corporate Governance for Subvented Organisations (the Guide) (available at <https://www.effo.gov.hk>) in June 2015 to provide advice on good practices. While the Guide is not a binding document, it suggests that the board of each subvented organisation should establish and report on relevant financial and non-financial performance measures of the organisation, which should include Key Performance Indicators (KPIs) for comparison with its performance in previous years, with its target performance and with that of similar organisations.

There are internal guidelines for COs on preparing the Controlling Officer's Report (CoR). When developing the performance measures for CoR, COs should focus on targets measured preferably in terms of intended outcome. They should avoid an excessively long list of performance indicators and apply the most relevant performance indicators that measure economy, efficiency and cost-effectiveness of the resources deployed. They should also take the recommendations of the Director of Audit/ Public Accounts Committee's reports, where applicable, into account in drawing up their performance measures.

The current HKPC-related KPIs as disclosed in CIT's CoR have been used for more than ten years, and have been slightly

modified during the period as required. For example, in 2018-19, a new indicator “income from integrated solutions” was set up to include the income from consultancy/technical assistance and the income from manufacturing support/process control which were previously reported under separate indicators. In line with market demand for integrated solutions, the revised indicator could better reflect the overall performance.

HKPC will review the KPIs that need to be disclosed in its annual report with a view to disclosing more KPIs and reflecting whether its actual performance meets the targets. CIT will also consider disclosing more of HKPC’s KPIs and actual performance in the CoR.

Yours sincerely,



( Ricky CHONG )

*for* Secretary for Innovation and Technology

c.c. Secretary for Financial Services and the Treasury  
Commissioner for Innovation and Technology  
Chairman, Hong Kong Productivity Council  
Executive Director, Hong Kong Productivity Council  
Director of Audit