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來函檔號 Your Ref.: CB4/PAC/R73

2 January 2020

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

Dear Mr CHU,

Public Accounts Committee
Consideration of Chapter 3 of the Director of Audit's Report No. 73
“Governance and administrative issues of
the Hong Kong Productivity Council”

Thank you for your letter of 19 December 2019 on the captioned subject.

Question

- 24) The Director of Audit's Report No. 53 ("Report No. 53"), which was published in October 2009, conducted reviews on the governance and services of the Hong Kong Productivity Council ("HKPC") with multiple problems found and recommendations made to HKPC. However, similar problems found in 2009 also appeared in the Director of Audit's Report No. 73 ("Report No. 73"), such as the usage records of company vehicles, recruitment procedures, and utilization of venues. While Report No. 53 recommended that HKPC improving strategy and financial situation of the two subsidiaries in the Mainland China as soon as possible, HKPC only decided to suspend the operation of the subsidiary in Guangzhou in 2017.
- (a) Has the Audit Commission ("Audit") followed up on whether the recommendations in Report No. 53 have been fully and properly implemented? Apart from company's vehicle usage records, recruitment procedures, and venue utilization rates, are there any other particularly serious outstanding issues raised in Report No. 53?
- (b) Has the Audit enquired with the HKPC, in general, why the issues raised in Report No. 53 have not yet been resolved? Are the irregularities due to any system wise, legal or other restrictions?

- (c) Has the Audit enquired whether the Commissioner for Innovation and Technology ("CIT") and other government representatives in the Council have proposed measures based on the recommendations in Report No. 53?

Audit Commission's response

Our response to your questions (a) to (c) raised in the letter is set out below.

Chapter 7 of Report No. 53 of October 2009 on "Hong Kong Productivity Council: Corporate governance and administrative issues" was selected for investigation by the Public Accounts Committee (PAC) and dealt with in Chapter 3 of Part 8 of PAC Report No. 53 of February 2010. In accordance with the established mechanism (vide the paper presented to the Provisional Legislative Council by the Chairman of PAC at the meeting on 11 February 1998 on scope of Government audit in the Hong Kong Special Administrative Region – 'value for money audits'), the follow-up actions taken on the subject included the following:

- (a) in May 2010, in a Government Minute laid on the table of the Legislative Council, the Government explained the actions taken or proposed to take in respect of the subject;
- (b) in October 2010, the Government provided an account of the progress made on matters outstanding for the subject;
- (c) in February 2011, in paragraphs 37 and 38 of Part 4 of its Report No. 55, PAC expressed the wish to be kept informed of further development on the subject;
- (d) in May 2011, in a Government Minute laid on the table of the Legislative Council, the Government commented on the matters outstanding and indicated that HKPC had completed the follow-up actions on the subject; and
- (e) in its Report No. 57 of February 2012, PAC made no further reference to this subject.

Following the established PAC report clearance procedures, Audit reviewed the relevant Government Minutes and Annual Progress Reports on matters outstanding in the Government Minutes to see whether the Government had taken follow-up actions on the subject to address all the recommendations of PAC and Audit. A meeting was held between PAC and Audit to discuss the subject before making the decision not to include it in PAC Report No. 57. In the process, Audit did not directly enquire whether CIT and other government representatives in the Council of HKPC had proposed measures based on the recommendations in Report No. 53.

Question (a)

As mentioned in paragraph 1.19 of Chapter 3 of Report No. 73 of October 2019 on "Governance and administrative issues of the Hong Kong Productivity Council", Audit commenced a review of HKPC in March 2019. Audit reviewed all relevant issues, including the improvement measures taken in response to recommendations in Report No. 53. For some areas, such as the usage of company vehicles, recruitment procedures and utilisation of venues, room for improvement was reported in both Report No. 53 and Report No. 73. However, the audit findings reported in Report No. 73 relating to the usage of company vehicles and recruitment procedures were new observations.

Regarding the utilisation of venues, although HKPC had taken follow-up actions on our recommendations made in Report No. 53 to improve the utilisation of training venues, in the recent review, Audit found that the utilisation rates of training venues were still low. Therefore, in Report No. 73, Audit recommended that HKPC should step up efforts to promote the hiring of the venues by outside organisations, take effective measures to improve the utilisation of the venues, and improve the booking system for the venues. Apart from those issues raised in Report No. 73, the recent audit review did not reveal other serious outstanding issues raised in Report No. 53 relating to HKPC.

Question (b)

As mentioned above, Audit recently reviewed the governance and administrative issues of HKPC, including the improvement measures taken in response to recommendations in Report No. 53. Following our normal procedures, we consulted HKPC to seek its response to the issues found. HKPC's response was incorporated in Report No. 73. We are not aware of any system, legal or other restrictions that have given rise to the issues.

Question (c)

As mentioned above, the established PAC report clearance procedures relating to recommendations in Report No. 53 on HKPC had been completed in February 2012. Audit did not further make enquiry with CIT or other government representatives in the Council of HKPC specifically on the recommendations of Report No. 53.

Yours sincerely,



(PANG Kwok-sing)
for Director of Audit

c.c. Secretary for Innovation and Technology (fax no.: 2530 0736)
Commissioner for Innovation and Technology (fax no.: 2317 6915)
Executive Director, Hong Kong Productivity Council (fax no.: 2788 5900)
Secretary for Financial Services and the Treasury (fax no.: 2147 5239)