

CHAPTER 1

**Environment Bureau
Marine Department**

**Collection and removal of marine refuse
by the Marine Department**

**Audit Commission
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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.

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COLLECTION AND REMOVAL OF MARINE REFUSE BY THE MARINE DEPARTMENT

Contents

	Paragraph
EXECUTIVE SUMMARY	
PART 1: INTRODUCTION	1.1 – 1.16
Audit review	1.17 – 1.18
General response from the Government	1.19
Acknowledgement	1.20
PART 2: ADMINISTRATION OF MARINE REFUSE CLEANSING AND DISPOSAL CONTRACTS	2.1
Reporting of the quantity of marine refuse	2.2 – 2.6
Audit recommendations	2.7
Response from the Government	2.8
Reimbursement of disposal charges to the contractor	2.9 – 2.14
Audit recommendations	2.15
Response from the Government	2.16
Sub-contracting arrangement	2.17 – 2.20
Audit recommendations	2.21
Response from the Government	2.22

	Paragraph
Tendering of cleansing and disposal services	2.23 – 2.25
Audit recommendation	2.26
Response from the Government	2.27
PART 3: MONITORING OF MARINE REFUSE CLEANSING AND DISPOSAL SERVICES	3.1
Monitoring of the marine refuse cleansing work	3.2 – 3.18
Audit recommendations	3.19
Response from the Government	3.20
Monitoring of the management of marine refuse collection points	3.21 – 3.27
Audit recommendations	3.28
Response from the Government	3.29
PART 4: OTHER RELATED ISSUES	4.1
Enforcement against marine littering	4.2 – 4.8
Audit recommendations	4.9
Response from the Government	4.10
Dissemination of information on website	4.11 – 4.13
Audit recommendation	4.14
Response from the Government	4.15
New initiatives in tackling marine refuse	4.16 – 4.20
Audit recommendations	4.21
Response from the Government	4.22

Appendices	Page
A : Marine Department: Organisation chart (extract) (31 August 2020)	70
B : List of the 43 priority areas for floating refuse scavenging services	71 – 72
C : Illustration of level of cleanliness for open sea and typhoon shelters	73 – 74
D : Refuse disposal at landfills and refuse transfer stations by Vehicles 1 and 2 analysed by waste type (2012 to 2019)	75 – 76
E : Disposal of municipal solid waste at landfills and refuse transfer stations by the contractor analysed by location (2012 to 2019)	77
F : Acronyms and abbreviations	78

COLLECTION AND REMOVAL OF MARINE REFUSE BY THE MARINE DEPARTMENT

Executive Summary

1. The work of the Marine Department (MD) in tackling marine refuse includes: (a) collecting vessel-generated refuse and scavenging floating refuse in specified areas of Hong Kong waters through contractual services; (b) conducting publicity campaigns to keep the harbour clean; and (c) performing daily patrols in Hong Kong waters to inspect the cleanliness condition of various zones of Hong Kong waters and conducting enforcement against marine littering. In 2020-21, MD's estimated annual recurrent expenditure (excluding MD staff costs) on the work in tackling marine refuse was about \$102 million, of which \$95 million (93%) was related to the outsourcing of marine refuse cleansing and disposal services. The Audit Commission (Audit) has recently conducted a review to examine the collection and removal of marine refuse by MD with a view to identifying areas for improvement.

Administration of marine refuse cleansing and disposal contracts

2. Since July 2005, MD has fully outsourced the marine refuse cleansing and disposal services. MD's existing contract for marine refuse cleansing and disposal services covering the whole of Hong Kong waters is for a term of five years (October 2017 to September 2022) at an estimated contract expenditure of about \$447 million. The core services of the contract include scavenging of floating refuse, collection of domestic refuse from vessels, disposal of refuse collected and foreshore cleansing. In addition to the contract for the whole of Hong Kong waters, in 2018, MD awarded an additional contract for marine refuse cleansing and disposal services in Tai Po District for a term of two years (October 2018 to September 2020) at a sum of about \$9.5 million. Under the contract, the contractor, which was the same contractor of the contract for the whole of Hong Kong waters, deployed a foreshore cleansing team to perform cleansing work mainly, but not limited to the foreshore water areas of Tai Po District. A new contract (October 2020 to September 2022) was awarded to the same contractor at a sum of about \$10 million in late

Executive Summary

September 2020 (paras. 1.11 to 1.14). Audit examination revealed the following areas for improvement:

- (a) ***Need to ensure proper reporting of the quantity of marine refuse collected.***
The quantity of marine refuse collected is an important performance indicator of MD's work in tackling marine refuse as included in MD's Controlling Officer's Reports (CORs). It is also included in tender documents for bidders' reference and is one of the main factors for drawing up the list of priority areas for the floating refuse scavenging services. The statistics of the quantities (in tonnes converted from number of baskets/bags) of floating refuse and domestic refuse collected were provided by the contractor. MD made use of these statistics for reporting in CORs without verifying the accuracy. Audit found that from 2012 to 2019, there were significant discrepancies between the quantities of municipal solid waste disposed of by the contractor as per records of the Environmental Protection Department (EPD) and the quantities of marine refuse collected as reported by MD in CORs. Overall, the former represented only 19.9% (ranging from 16.9% in 2019 to 25% in 2014) of the latter. Moreover, the former might include other municipal solid waste in addition to marine refuse (paras. 2.2 and 2.4);

- (b) ***Need to clearly specify the arrangement for charges incurred in refuse disposal at refuse transfer stations.*** Disposal of marine refuse was free at landfills and subject to disposal charges at refuse transfer stations. Before January 2016, the contractor had transported most of the floating refuse and domestic refuse collected to the South East New Territories Landfill (in Tseung Kwan O) for disposal. In view of the cessation of the South East New Territories Landfill to receive municipal solid waste with effect from 6 January 2016, since 1 January 2016, the contractor had disposed of the bulk of marine refuse collected at refuse transfer stations with disposal charges reimbursed by MD. Audit noted that the reimbursement arrangement continued in the existing contract for the whole of Hong Kong waters. However, the tender documents only stated that the contractor should be responsible for refuse disposal at public landfills or other sites as arranged and provided by the contractor and approved by the Director of Marine, and did not mention that charges incurred in refuse disposal at refuse transfer stations would be borne by the Government. As such, when submitting tenders in May 2017, other potential tenderers might not have a complete picture of the reimbursement arrangement of the charges incurred at refuse transfer stations (paras. 2.10 and 2.11);

Executive Summary

- (c) ***Need to take measures to address the potential overpayment of reimbursement to the contractor.*** According to the provisions of the contract for Tai Po District (October 2018 to September 2020), no reimbursement of disposal charges would be arranged by MD for the contractor's conveyance and disposal of refuse collected. Under the contract for the whole of Hong Kong waters (October 2017 to September 2022) and the contract for Tai Po District (October 2018 to September 2020), the same vehicle (i.e. Vehicle 1) was used by the contractor for the transportation of marine refuse from the marine refuse collection points (MRCPs) to the disposal sites. Based on the transaction record slips (showing the in and out weights of a vehicle before and after waste disposal) issued to the driver of Vehicle 1 by the refuse transfer stations, it was not practicable to distinguish between the quantities of refuse collected under the contract for the whole of Hong Kong waters and the contract for Tai Po District. Therefore, since the commencement of the contract for Tai Po District in October 2018, the reimbursement of disposal charges charged by refuse transfer stations to the contractor had also covered the disposal charges incurred for such contract, which should have been borne by the contractor under the provisions of that contract (paras. 2.5 and 2.13);
- (d) ***Unauthorised sub-contracting arrangements.*** According to the tender documents of the existing contract for the whole of Hong Kong waters (October 2017 to September 2022), if any part of the tenderer's proposal was to be executed by sub-contractors, the tenderer should submit with its tender, among others, the information of proposed sub-contractors. According to the tender documents of the contract for Tai Po District (October 2018 to September 2020), the contractor should not sub-contract all or any part of the services except with the prior written approval of the Government. Without having submitted any sub-contracting proposal to MD for prior written approval, the contractor had not informed MD that the daily transportation of marine refuse under the two contracts had been sub-contracted to the same sub-contractor for the whole contract periods until March 2020 for the contract for the whole of Hong Kong waters (i.e. 29 months after the commencement of the sub-contracting arrangement) and August 2020 for the contract for Tai Po District (i.e. 22 months after the commencement of the sub-contracting arrangement and 2 months before the end of the contract) (paras. 2.17 to 2.19); and

Executive Summary

- (e) ***Need to enhance tender competition.*** The number of tenders received for the recent four tender exercises of the contract for the whole of Hong Kong waters had been on a decreasing trend from 2004 to 2017. On the other hand, there was a notable increase in the contract expenditure. Audit also noted that in August 2017, in approving the award of the marine refuse cleansing and disposal contract for the whole of Hong Kong waters, the Central Tender Board recommended that MD should consider adopting various measures (e.g. shortening the contract period) in future tenders to enhance tender competition (paras. 2.23 to 2.25).

Monitoring of marine refuse cleansing and disposal services

Monitoring of the marine refuse cleansing work

3. Under the contracts for the whole of Hong Kong waters (October 2017 to September 2022) and Tai Po District (October 2018 to September 2020), the contractor is required to, among others, ensure that each part of the service areas is clean and free from refuse, and maintain the cleanliness of the service areas at “Good” level between 8:00 a.m. and 6:00 p.m. For the contract for the whole of Hong Kong waters, if the level of cleanliness of any part of the Hong Kong waters falls below the “Good” level during the service hours, a “Good” level shall be re-established within 30 to 120 minutes, depending on the location of that particular area (paras. 3.3 and 3.5). Audit examination revealed the following areas for improvement:

- (a) ***Need to ensure that the required frequency of daily cleanliness patrols for each patrol area is met.*** According to MD’s guidelines, the whole of Hong Kong waters is divided into 12 patrol areas. There is a specific harbour cleanliness patrol route for each of the 12 patrol areas and each harbour cleanliness patrol route should be covered in MD’s daily cleanliness patrols at least once in a month. In 2019, in three patrol areas, namely Area 4 (Sai Kung), Area 8 (Lantau South) and Area 9 (Lantau West), the required frequency for conducting daily cleanliness patrols of at least once in a month could not be met. The numbers of months recording no daily cleanliness patrols ranged from 1 to 6 (paras. 3.7(a) and 3.8);
- (b) ***Need to take into account service requests received in selecting patrol areas.*** While there were a large number of service requests received from the public each year (ranging from 568 to 691 cases), MD’s guidelines only stated that the number of complaints received from the public should match

Executive Summary

with the frequency of patrol visits, but did not mention that the number of service requests received should also be taken into account in selecting patrol areas for conducting daily cleanliness patrols (paras. 3.10 and 3.11);

- (c) ***Need to step up monitoring of contractor's marine refuse cleansing work.*** Audit conducted four site inspections in June and July 2020, and noted that there was a need to step up the monitoring of contractor's marine refuse cleansing work. For example, the contract provides that if the level of cleanliness of any part of Hong Kong waters falls below the "Good" level during the service hours, a "Good" level shall be re-established within the specified time limit. However, Audit noted instances that the provision could not be met (para. 3.13); and
- (d) ***Pleasure vessels deployed to conduct marine refuse cleansing work.*** Prior to operating a vessel in Hong Kong waters, the owner of the vessel should apply to the Director of Marine for certification and licensing for the appropriate class and type specified in Schedule 1 to the Merchant Shipping (Local Vessels) (Certification and Licensing) Regulation (Cap. 548D). Each class of vessels is subject to a different set of safety standards and more stringent requirements are imposed on Classes I, II and III vessels as compared with Class IV vessels (i.e. pleasure vessels). During Audit's site inspections conducted in June and July 2020, Audit noted that the contractor deployed four Class IV vessels (i.e. pleasure vessels) for marine refuse cleansing work. As Class IV vessels should be used exclusively for pleasure purposes, deploying them for cleansing work may have contravened the legislation (paras. 3.16 and 3.17).

Monitoring of the management of MRCPs

4. ***Need to step up monitoring of the management of MRCPs.*** There are currently four MRCPs in Hong Kong. They are located in Cha Kwo Ling, Ap Lei Chau, Kowloon West and Tuen Mun, and managed by the contractor. Floating refuse and domestic refuse collected from boats and ships are transported to MRCPs for loading into temporary storage containers for subsequent conveyance to and disposal at disposal sites (para. 3.21). Audit's site inspections in July and August 2020 revealed the following areas for improvement:

- (a) there was no daily transportation of marine refuse from the MRCPs in Tuen Mun and Ap Lei Chau to disposal sites;

Executive Summary

- (b) the MRCP in Cha Kwo Ling was not in operation and might have been abandoned, and its lifting appliance for unloading marine refuse from the contractor's vessels was found to be out of order on 1 July 2020 and remained unrepaired up to 14 August 2020; and
- (c) the MRCP in Ap Lei Chau was not manned by any contractor's staff and its lifting appliance had been out of order since October 2017 (paras. 3.24 and 3.26).

Other related issues

Enforcement against marine littering

5. MD is one of the departments responsible for taking enforcement actions against marine littering. From 2015 to 2019, MD on average took enforcement actions on 15 marine littering cases each year (paras. 4.2 and 4.4). Audit examination revealed the following areas for improvement:

- (a) *Need to consider arranging more anti-marine littering operations by officers in plain clothes to take enforcement actions.* At the meetings of the then Inter-departmental Working Group on Clean Shorelines (now the Inter-departmental Working Group on Marine Environmental Management) held in May 2016 and January 2017, the Chairman (i.e. the Permanent Secretary for the Environment) invited MD to consider arranging officers to take enforcement actions in plain clothes in future enforcement operations with a view to increasing the deterrent effect. While the annual statistics on MD's enforcement against marine littering remained steady (ranging from 13 to 17 cases in the period from 2015 to 2019), of the 280 anti-marine littering operations conducted by MD in 2019, 270 (96%) were conducted during the daily cleanliness patrols by MD's officers wearing uniforms (paras. 4.5 and 4.6); and
- (b) *Need to take into consideration the source activities of marine refuse in planning enforcement operations.* According to the Marine Refuse Study commissioned by the Environmental Protection Department in March 2013 and released in April 2015, shoreline and recreational activities and ocean/waterway activities are the two major source activities of marine refuse and contributed about 89% of marine refuse in Hong Kong. In view of the high percentage of marine refuse resulting from shorelines and

Executive Summary

recreational activities, in planning its enforcement operations, MD should take into consideration the source activities of marine refuse (paras. 4.7 and 4.8).

New initiatives in tackling marine refuse

6. ***Need to expedite completion of the trial run of floating booms.*** Floating booms are floating barriers designed to contain and control pollutants, such as debris, trash and plastic rubbish, from spreading in the ocean, rivers and streams. In May 2019, MD informed the Legislative Council that a trial run of floating booms was planned to commence in 2019-20, which would tackle the issue of marine refuse by intercepting floating refuse, in waters causing no obstruction to vessel traffic. However, up to August 2020, MD had not yet commenced the trial run (paras. 4.16 and 4.17).

Audit recommendations

7. **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 Marine should:**

Administration of marine refuse cleansing and disposal contracts

- (a) **investigate the significant discrepancies between the quantities of municipal solid waste disposed of by the contractor as per EPD records and the quantities of marine refuse collected as reported by MD in CORs in the period from 2012 to 2019, and based on the investigation results, take measures to ensure the proper reporting of the quantity of marine refuse collected (para. 2.7);**
- (b) **clearly specify the arrangement for charges incurred in refuse disposal at refuse transfer stations for tender exercises in future and take appropriate follow-up actions with the contractor so that Vehicle 1 will not be used for purposes other than transporting marine refuse (para. 2.15(a) and (c));**

Executive Summary

- (c) **strengthen the control on sub-contracting arrangement and ensure that all sub-contracting arrangements are properly approved in future (para. 2.21);**
- (d) **explore measures to enhance the tender competition of the marine refuse cleansing and disposal services in future, taking into account the comments of the Central Tender Board (para. 2.26);**

Monitoring of marine refuse cleansing and disposal services

- (e) **take measures to ensure that the required frequency of daily cleanliness patrols for each patrol area is met and take into account the number of service requests received in selecting patrol areas for conducting daily cleanliness patrols (para. 3.19(a) and (b));**
- (f) **step up the monitoring of the contractor's marine refuse cleansing work with a view to meeting the performance standards of the contracts (para. 3.19(c));**
- (g) **take measures to ensure that service requests made by the public are responded to in a timely manner and up to service requirements in accordance with the contract provisions (para. 3.19(d));**
- (h) **take appropriate follow-up actions with the contractor on the issue of vessel licensing, and take measures to ensure that only vessels with appropriate licences are deployed for marine refuse cleansing work (para. 3.19(e));**
- (i) **step up the monitoring of the management of the MRCPs with a view to ensuring that the performance of the contractor is up to the standards specified in the contracts (para. 3.28(a));**
- (j) **review the need for the lifting appliances in the MRCPs in Cha Kwo Ling and Ap Lei Chau, and expedite the repair/replacement as appropriate (para. 3.28(b));**

Executive Summary

Other related issues

- (k) **consider arranging more anti-marine littering operations by officers in plain clothes to take enforcement actions and take into consideration the source activities of marine refuse in planning enforcement operations (para. 4.9(a) and (b)); and**
- (l) **expedite completion of the trial run of floating booms to tackle marine refuse as soon as practicable (para. 4.21(a)).**

Response from the Government

8. The Director of Marine 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 Hong Kong has a sea surface area of 1,650 square kilometres and a coastline of 1,189 kilometres. Hundreds of ships pass through Victoria Harbour daily ferrying goods and passengers. Thousands of people, both locals and visitors, visit beaches on hot summer days and walk along waterfront promenades in the cool autumn to enjoy sunshine, sea breeze and scenic views. The coastal waters and shores in Hong Kong are not only home to hundreds of wildlife species, they also provide venues for various recreational activities like swimming, wind-surfing and dragon-boat racing.

1.3 Marine pollution from marine littering and floating refuse (i.e. marine refuse floating on sea surface) is unsightly, and can pose human health risk and danger to ship navigation, and be harmful to ecology and marine life. It is necessary to minimise the impact of marine pollution through effective removal of marine refuse from the sea.

1.4 According to the report of a Marine Refuse Study completed by the Environmental Protection Department (EPD) in 2015, marine refuse refers to any solid waste, discarded or lost material, resulting from human activities, that has entered the marine environment irrespective of the sources. Refuse sunk to the sea bottom may become seabed waste if not decomposed through physical, chemical or biological process. Marine refuse consists of:

- (a) ***Floating refuse.*** Floating refuse comprises a wide range of materials, such as plastic items and foam packaging materials. According to the Government, over 80% of floating refuse comes from the land. There is a noticeable increase in floating refuse in the harbour following heavy rain as water courses and storm water drains carry refuse on land into the sea; and

Introduction

- (b) *Shoreline refuse washed up on the shores.* Floating refuse drifts by wind and tide and consequently scatters over large areas, and tends to accumulate near the coastline as shoreline refuse.

1.5 According to EPD records, from 2010 to 2019, an average of 15,354 tonnes (ranging from 14,862 to 16,488 tonnes) of marine refuse was collected by the Government annually. Among these, about 70% (ranging from 72% to 75%) was floating refuse and collected by the Marine Department (MD). The remaining 30% was shoreline refuse and collected by the Leisure and Cultural Services Department, the Agriculture, Fisheries and Conservation Department (Note 1), and the Food and Environmental Hygiene Department according to the locations of which they are in charge.

1.6 In relation to marine refuse, it is MD's long established practice to estimate the quantities of marine refuse collected in "tonnes". In MD's Controlling Officer's Report (COR), quantities of marine refuse are reported as performance indicators in tonnes. For estimation purpose, MD has assumed that one tonne is equivalent to approximately 55 baskets or 220 bags (Note 2) of marine refuse. According to MD:

- (a) the quantities of marine refuse collected under MD's marine refuse cleansing and disposal contracts were estimated in terms of volume (instead of the actual weight) and converted to tonnes for reporting to MD and subsequent inclusion in COR; and
- (b) the approach of measuring quantity of marine refuse in volume is similar to the approach adopted by the International Maritime Organization (Note 3). According to the Consolidated Guidance for Port Reception

Note 1: *Marine refuse in the waters within the Marine Parks and Marine Reserve is collected by the Agriculture, Fisheries and Conservation Department through contractual services.*

Note 2: *According to MD, since "basket" is no longer used by the contractor for collecting marine refuse, a "basket" is currently defined as a "large garbage bag" with the dimension of approximately 1.0 metre × 0.9 metre, and the dimension of a "bag" is approximately 0.8 metre × 0.5 metre.*

Note 3: *The International Maritime Organization is a specialised agency of the United Nations. It is the global standard-setting authority for the safety, security and environmental performance of international shipping.*

Facility Providers and Users of the International Maritime Organization, the quantities of waste and refuse collected at ports are measured in volume (Note 4), instead of actual weight.

Work of MD in tackling marine refuse

1.7 MD's work in tackling marine refuse includes the following:

- (a) ***Marine refuse cleansing and disposal services.*** MD is responsible for collecting vessel-generated refuse and scavenging floating refuse in specified areas of Hong Kong waters, including foreshore areas and typhoon shelters, through contractual services;
- (b) ***Publicity and public education.*** MD is responsible for conducting publicity campaigns to disseminate the message of "We are one in keeping our harbour clean" for promotional and educational purposes; and
- (c) ***Enforcement against marine littering.*** MD is responsible for performing daily patrols in Hong Kong waters to inspect the cleanliness condition of various zones of Hong Kong waters and conducting enforcement against marine littering. The relevant Ordinances are:
 - (i) the Summary Offences Ordinance (Cap. 228 – Note 5); and
 - (ii) the Fixed Penalty (Public Cleanliness and Obstruction) Ordinance (Cap. 570 – Note 6).

Note 4: *According to the Consolidated Guidance, quantity of waste and refuse is expressed in the measurement unit of cubic metre.*

Note 5: *Section 4D of the Ordinance stipulates penalties for marine littering. An offender is liable to a fine of \$10,000 and imprisonment for six months. If the offence is committed from a vessel or premises, the owner/master/proprietor/occupier of the vessel/premises is liable to a fine of \$50,000 and imprisonment for one year.*

Note 6: *The Ordinance regulates minor public cleanliness offences. An offender is liable to a fixed penalty of \$1,500.*

Introduction

1.8 Table 1 shows the three performance indicators of MD's work in tackling marine refuse reported in CORs for the period from 2010 to 2019.

Table 1
Performance indicators
of MD's work in tackling marine refuse
(2010 to 2019)

Year	Floating refuse collected (Note 1) (a) (Tonnes)	Refuse collected from ships (Note 1) (b) (Tonnes)	Refuse collected from locally-licensed and river trade vessels (Note 2) (c) (Tonnes)	Total (d) = (a) + (b) + (c) (Tonnes)
2010	11,368	2,456	1,964	15,788
2011	11,086	2,465	1,839	15,390
2012	10,996	2,519	1,832	15,347
2013	10,900	2,537	1,811	15,248
2014	11,265	2,494	1,858	15,617
2015	11,484	2,478	1,859	15,821
2016	11,794	2,466	1,938	16,198
2017	11,642	2,445	1,958	16,045
2018	11,534	2,449	2,101	16,084
2019	11,006	2,444	2,128	15,578

Source: Audit analysis of MD records

Note 1: The two performance indicators were reported under the programme area "Port Services" in MD's COR.

Note 2: The performance indicator was reported under the programme area "Local Services" in MD's COR.

Remarks: According to MD, the quantities of marine refuse collected by MD were estimated in terms of volume and converted to tonnes for reporting in COR (see para. 1.6).

1.9 The estimated annual recurrent expenditure on MD's work in tackling marine refuse in 2020-21 (excluding MD staff costs) was about \$102 million (see Table 2).

Table 2

**Recurrent expenditure on MD's work
in tackling marine refuse
(2016-17 to 2020-21)**

Nature	Recurrent expenditure (\$ million)					
	Actual				Estimate	Change between 2016-17 and 2020-21
	2016-17	2017-18	2018-19	2019-20	2020-21	
Outsourcing of marine refuse cleansing and disposal services	39.95	58.40	84.14	90.56	94.98	+55.03 (+138%) (Note 1)
Hire of launches	0.84	1.88	4.97	6.05	6.97	+6.13 (+730%) (Note 2)
Total	40.79	60.28	89.11	96.61	101.95	+61.16 (+150%)

Source: Audit analysis of MD records

Note 1: According to MD, the increase in the recurrent expenditure on the outsourcing of marine refuse cleansing and disposal services was mainly due to: (a) the increase in the contract expenditure of the recurrent five-year contract for the whole of Hong Kong waters commencing from October 2017 (see Note 9 to para. 1.12); and (b) the contract expenditure for the additional two-year contract for Tai Po District commencing from October 2018 (see para. 1.14).

Note 2: According to MD, with a view to stepping up inspection of cleanliness at sea across the territory and monitoring of the work performance of the contractor, the number of launches hired had increased from 2 to 4 since 2017-18.

1.10 The Pollution Control Unit of MD (see Appendix A for an extract of the organisation chart of MD) is responsible for, among others, the work in tackling

Introduction

marine refuse (Note 7). As at 31 March 2020, the Pollution Control Unit had a staff strength of 20 (including 9 frontline officers who were required to perform patrol duties for the Hong Kong waters).

Outsourcing of marine refuse cleansing and disposal services covering the whole of Hong Kong waters

1.11 Since July 2005, MD has fully outsourced the marine refuse cleansing and disposal services and adopted objective-based specifications (see para. 1.16) for monitoring the performance of contractors. In October 2011, MD reformed the outsourcing arrangement by bundling previous two contracts (covering different areas of Hong Kong waters) into one contract to cover the whole of Hong Kong waters.

1.12 MD's existing contract for marine refuse cleansing and disposal services with Contractor A (Note 8) is for a term of five years (October 2017 to September 2022). The estimated contract expenditure was about \$447 million (Note 9). Under the contract, the contractor provides a fleet of about 80 vessels of various types (e.g. 13 marine refuse reception vessels (see Photograph 1 for an example) and 56 workboats (see Photograph 2 for an example)) to perform the marine refuse cleansing and disposal services.

Note 7: *The Pollution Control Unit is also responsible for preventing and cleaning oil discharges into the sea.*

Note 8: *Contractor A has been the sole contractor of MD's marine refuse cleansing and disposal services since July 2005.*

Note 9: *This represented an increase of about \$258 million (136%) in the contract expenditure when compared with the previous five-year contract (which was from October 2011 to September 2016 and subsequently extended for one year to September 2017 due to the cancellation of the following tender exercise). According to MD, under the existing contract, the contractor provides 10 more vessels (an increase of 14% as compared with those provided in the previous contract) which help enhance the efficiency and effectiveness in cleaning up marine refuse.*

Photograph 1

An example of marine refuse reception vessel



Source: Photograph taken by staff of the Audit Commission in July 2020

Photograph 2

An example of workboat



Source: Photograph taken by staff of the Audit Commission in June 2020

Introduction

1.13 The core services of the contract are as follows:

- (a) ***Floating refuse scavenging services.*** The contractor is responsible for deploying workboats to scavenge floating refuse from main fairways and 43 priority areas (Note 10) (see Appendix B) specified by MD in the contract. The daily scavenging work should commence in the morning for completion in the forenoon. The contractor's workboats should patrol the priority areas and typhoon shelters to search for floating refuse and scavenge them from the sea. As and when required by MD, the contractor should also collect and remove floating refuse from any areas within Hong Kong waters;
- (b) ***Collection of domestic refuse services.*** The contractor is responsible for collecting bagged domestic refuse (Note 11) from local vessels, which are moored in the typhoon shelters (Note 12) and sheltered areas (e.g. Chai Wan, Sai Kung and Tai O) within Hong Kong waters, not less than once a day. The contractor also arranges collection of domestic refuse from ocean-going vessels moored within the Victoria Harbour, Junk Bay and Western Anchorages (e.g. the Ma Wan Anchorage and the Tuen Mun Immigration Anchorage) on a daily basis;

Note 10: *According to MD, the list of priority areas covers locations which require particular attention in view of their prevalence of floating refuse. The list was drawn up based on the consolidation and analysis of the statistics of floating refuse collected, navigational safety considerations, as well as the number of complaints and service requests received from District Councils and the public in past years.*

Note 11: *To facilitate the collection of domestic refuse and its subsequent disposal, the contractor is required by the contract to provide and distribute recycled and environmental friendly plastic bags (of at least 0.8 metre × 0.5 metre × 0.6 millimetre with sufficient strength) to the local vessels.*

Note 12: *There are 14 typhoon shelters in Hong Kong, namely the New Yau Ma Tei Typhoon Shelter, the To Kwa Wan Typhoon Shelter, the Kwun Tong Typhoon Shelter, the Sam Ka Tsuen Typhoon Shelter, the Shau Kei Wan Typhoon Shelter, the Causeway Bay Typhoon Shelter, the Aberdeen South Typhoon Shelter, the Aberdeen West Typhoon Shelter, the Tuen Mun Typhoon Shelter, the Rambler Channel Typhoon Shelter, the Cheung Chau Typhoon Shelter, the Hei Ling Chau Typhoon Shelter, the Shuen Wan Typhoon Shelter and the Yim Tin Tsai Typhoon Shelter.*

- (c) ***Refuse disposal services.*** All floating refuse and domestic refuse collected is transported on vessels to the four marine refuse collection points (MRCPs) (Note 13) managed by the contractor. The contractor is responsible for transporting refuse from MRCPs to the landfills for disposal on a daily basis (Note 14); and
- (d) ***Foreshore cleansing services.*** The contractor is responsible for deploying three foreshore cleansing teams, of 12 workers each, to scavenge floating refuse from the waters close inshore and collect refuse along the foreshore in the littoral areas.

Additional outsourcing of marine refuse cleansing and disposal services covering Tai Po District

1.14 In the 2017 Policy Address, the Chief Executive of the Hong Kong Special Administrative Region stated that the Government had implemented a series of improvement measures through co-ordination across relevant departments under the Steering Committee on District Administration (Note 15). These included, in particular, increasing the cleaning frequency: cleaning hygiene blackspots in all districts more frequently, and conducting large-scale clean-up operations regularly at coastal areas and typhoon shelters. In this connection, MD has stepped up efforts in tackling marine refuse. In particular, MD conducted a tender exercise in June 2018 and entered into an additional contract for marine refuse cleansing and disposal services in Tai Po District with Contractor A (which was the only tenderer of the tender exercise and also the same contractor of the contract for the whole of Hong

Note 13: *The four MRCPs are located in Cha Kwo Ling, Ap Lei Chau, Kowloon West and Tuen Mun.*

Note 14: *In March 2020, Contractor A informed MD that the daily transportation of refuse from MRCPs to disposal sites for disposal had been sub-contracted for the whole contract period from October 2017 to September 2022. Under the sub-contract, the sub-contractor was required to submit to the contractor the transaction record slips issued by the landfills and refuse transfer stations on a monthly basis.*

Note 15: *Chaired by the Permanent Secretary for Home Affairs, the Steering Committee on District Administration, comprising representatives from relevant government departments, provides a platform for interdepartmental discussion and consultation to enable the departments to make concerted efforts to address district issues.*

Introduction

Kong waters) for a term of two years (October 2018 to September 2020 — Note 16), involving a contract expenditure of about \$9.5 million. Under the contract, the contractor provided a quick response workboat and a marine refuse reception vessel, and deployed a foreshore cleansing team of 12 workers to perform cleansing work mainly, but not limited to the foreshore water areas of Tai Po District.

Monitoring of the contractor's performance

1.15 Staff of the Pollution Control Unit perform daily patrol duties to monitor the cleanliness condition of the sea and the contractor's work. There are altogether 12 patrol areas covering the whole of Hong Kong waters (see Figure 1). According to MD, the Pollution Control Unit's patrol normally covers four to six patrol areas every day and each patrol area would be covered at least once a month.

Note 16: *In October 2020, MD informed the Audit Commission that a new contract (October 2020 to September 2022) was awarded to Contractor A at a sum of about \$10 million in late September 2020 through a tender exercise conducted in July 2020.*

Figure 1

12 patrol areas



Source: MD records

1.16 Under the two contracts, the contractor shall ensure that each part of the service areas (i.e. the whole of Hong Kong waters and Tai Po District) is clean and free from refuse. Staff of the Pollution Control Unit will inspect and rate the cleanliness condition in “Good”, “Satisfactory”, “Fair”, “Unsatisfactory” and “Poor” levels (see Appendix C for the illustration of level of cleanliness for open sea and typhoon shelters). The contractor shall maintain the waters of Hong Kong at “Good” level during the service hours (i.e. between 8:00 a.m. and 6:00 p.m.).

Audit review

1.17 In 2004, the Audit Commission (Audit) completed a review on the marine scavenging services provided by MD and the results were reported in Chapter 9 of the Director of Audit’s Report No. 43 of October 2004. The review found areas for improvement in the provision of marine scavenging services, including tightening the

Introduction

control of overtime expenditures of in-house staff, and enhancing the cost-effectiveness of in-house and contractors' scavenging services. After the last review, MD's marine refuse cleansing and disposal services have been fully outsourced since July 2005 (see para. 1.11).

1.18 In May 2020, Audit commenced a review to examine the collection and removal of marine refuse by MD (the subject matter of this review) and another review on the Government's efforts in tackling shoreline refuse (see Chapter 2 of the Director of Audit's Report No. 75). This review focuses on the following areas:

- (a) administration of marine refuse cleansing and disposal contracts (PART 2);
- (b) monitoring of marine refuse cleansing and disposal services (PART 3); and
- (c) other related 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

1.19 The Director of Marine agrees with the audit recommendations and expresses her gratitude to Audit for the time and efforts spent in the review.

Acknowledgement

1.20 During the audit review, in light of the outbreak of coronavirus disease (COVID-19), the Government had implemented various special work arrangements and targeted measures for government employees, including working from home. Audit would like to acknowledge with gratitude the full cooperation of the staff of MD and EPD during the course of the audit review amid the COVID-19 epidemic.

PART 2: ADMINISTRATION OF MARINE REFUSE CLEANSING AND DISPOSAL CONTRACTS

2.1 This PART examines the administration of marine refuse cleansing and disposal contracts by MD, focusing on:

- (a) reporting of the quantity of marine refuse (paras. 2.2 to 2.8);
- (b) reimbursement of disposal charges to the contractor (paras. 2.9 to 2.16);
- (c) sub-contracting arrangement (paras. 2.17 to 2.22); and
- (d) tendering of cleansing and disposal services (paras. 2.23 to 2.27).

Reporting of the quantity of marine refuse

2.2 The quantity of marine refuse collected is an important performance indicator of MD's work in tackling marine refuse (see Table 1 in para. 1.8) as included in MD's CORs. It is also used for planning the collection of marine refuse, as follows:

- (a) ***Tender information.*** In the tender documents of the marine refuse cleansing and disposal contract for the whole of Hong Kong waters (October 2017 to September 2022), the monthly quantities of floating refuse and domestic refuse collected from boats and ships in 2015 and 2016 were included for bidders' reference (Note 17); and
- (b) ***Prioritisation of sites for marine refuse cleansing work.*** According to MD, the navigational safety considerations, the number of complaints and service requests received from District Councils and the public, and the quantity of marine refuse collected in the past are three main factors for drawing up the list of priority areas (see Note 10 to para. 1.13(a)).

Note 17: *As stated in the tender documents, one tonne of marine refuse was equivalent to 55 baskets or 220 bags of marine refuse. No other information (e.g. capacity) of the bags and baskets (see Note 2 to para. 1.6) was provided in the tender documents.*

Administration of marine refuse cleansing and disposal contracts

Audit noted that the statistics of the quantities (in tonnes converted from number of baskets/bags) of floating refuse and domestic refuse collected were provided to MD by the contractor, and staff of the Pollution Control Unit (see para. 1.10) of MD had not verified the accuracy of such statistics. In other words, MD made use of the statistics provided by the contractor for reporting in CORs.

Significant discrepancies between the quantities of municipal solid waste disposed of by the contractor as per EPD records and the quantities of marine refuse collected as reported by MD in CORs

2.3 According to the contract provisions of the two contracts for the whole of Hong Kong waters (October 2017 to September 2022) and Tai Po District (October 2018 to September 2020), all floating refuse and domestic refuse collected should be disposed of at disposal sites (i.e. public landfills or other sites as arranged and provided by the contractor and approved by the Director of Marine). Audit noted that:

- (a) for the previous contract for the whole of Hong Kong waters from October 2011 to September 2017 (see Note 9 to para. 1.12), the contractor had stated in its tender that two vehicles (i.e. Vehicles 1 and 2) would be provided for the daily transportation of marine refuse from MRCPs to disposal sites;
- (b) for the existing contract for the whole of Hong Kong waters (October 2017 to September 2022), while the contractor had stated in its tender submissions that Vehicles 1 and 2 would be provided for the daily transportation of marine refuse from MRCPs to disposal sites, under the sub-contracting arrangement (see para. 2.19(a)), only one vehicle (i.e. Vehicle 1) was provided. Vehicle 1 was also the only vehicle provided under the contract for Tai Po District (October 2018 to September 2020) (see para. 2.19(b)); and
- (c) according to requirements of the two contracts, records of the attendance and daily log books proving deployment of the vehicles and their work should be maintained by the contractor throughout the contract period for inspection by Government representatives. However, no such records had been maintained by the contractor.

Administration of marine refuse cleansing and disposal contracts

In September 2020, MD informed Audit that Vehicle 1 was the main vehicle used for transporting marine refuse from 2012 to 2019. From 2012 to 2016, Vehicle 2 served as a backup vehicle and was only used for transporting marine refuse under rare circumstances (not more than two times a month). From 2017 to 2019, Vehicle 2 was not deployed for the collection and transportation of marine refuse.

2.4 Audit examination revealed that:

- (a) from 2012 to 2019, there were significant discrepancies between the quantities of municipal solid waste (Note 18) disposed of by the contractor as per EPD records and the quantities of marine refuse collected as reported by MD in CORs (see Table 3). Overall, the former represented only 19.9% (i.e. $25,113.1 \div 125,938 \times 100\%$), ranging from 16.9% (i.e. $2,627.5 \div 15,578 \times 100\%$) in 2019 to 25% (i.e. $3,906.6 \div 15,617 \times 100\%$) in 2014, of the latter. Moreover, the former might include other municipal solid waste in addition to marine refuse (Note 19) (see Appendix D); and
- (b) while the quantities of marine refuse collected as reported by MD in CORs were about 15,000 to 16,000 tonnes per year from 2012 to 2019 (see para. 1.8), the quantities of municipal solid waste disposed of by the contractor decreased significantly by 32.7% from 3,906.6 tonnes in 2014 to 2,627.5 tonnes in 2019, as follows:
 - (i) in 2014, the quantity of municipal solid waste disposed of was 3,906.6 tonnes (comprising 3,549.3 tonnes at landfills and 357.3 tonnes at refuse transfer stations); and

Note 18: *According to MD: (a) there was no contract requirement that vehicles stated in tender submissions must be exclusively used for performing services under MD's contracts; and (b) the construction waste of 23,313.3 tonnes disposed of by Vehicles 1 and 2 during the period should be excluded from the analysis because the disposal of construction waste was not related to MD's contracts.*

Note 19: *According to EPD, marine refuse falls under the category of domestic waste. In October 2020, MD informed Audit that when the drivers of Vehicles 1 and 2 transporting marine refuse reported the sources of refuse to a landfill/refuse transfer station weighbridge operator, the marine refuse delivered was often categorised as domestic waste, commercial waste or industrial waste (i.e. municipal solid waste) after the operator's review.*

Administration of marine refuse cleansing and disposal contracts

- (ii) in 2019, the quantity of municipal solid waste disposed of was 2,627.5 tonnes (comprising 416.3 tonnes at landfills and 2,211.2 tonnes at refuse transfer stations).

Administration of marine refuse cleansing and disposal contracts

Table 3

**Quantities of municipal solid waste disposed of by the contractor as per EPD records
and quantities of marine refuse collected as reported by MD in CORs
(2012 to 2019)**

Year	Quantity of municipal solid waste disposed of by the contractor as per EPD records (Note 1)			Quantity of marine refuse collected as reported by MD in CORs (Note 2)
	At landfills (a) (Tonnes)	At refuse transfer stations (b) (Tonnes)	Total (c) = (a) + (b) (Tonnes)	(d) (Tonnes)
2012	2,739.4	348.3	3,087.7	15,347
2013	3,101.8	599.9	3,701.7	15,248
2014	3,549.3	357.3	3,906.6	15,617
2015	2,828.3	312.5	3,140.8	15,821
2016	35.4	2,878.9	2,914.3	16,198
2017	9.2	2,923.4	2,932.6	16,045
2018	192.5	2,609.4	2,801.9	16,084
2019	416.3	2,211.2	2,627.5	15,578
Total	12,872.2	12,240.9	25,113.1	125,938

Source: Audit analysis of EPD and MD records

Note 1: See Appendix E for details.

Note 2: According to MD, one tonne is equivalent to approximately 55 baskets or 220 bags of marine refuse (see Note 2 to para. 1.6).

Remarks:

- (a) *Overall, the quantity of municipal solid waste disposed of by the contractor from 2012 to 2019 as per EPD records represented only 19.9% (ranging from 16.9% in 2019 to 25% in 2014) of the quantity of marine refuse collected as reported by MD in CORs.*
- (b) *Municipal solid waste disposed of at landfills and refuse transfer stations by the contractor might include other municipal solid waste in addition to marine refuse (see Appendix D).*
- (c) *According to MD, for the contract for Tai Po District which commenced on 1 October 2018, refuse of 88 tonnes reported by the contractor from October to December 2018 was inadvertently excluded from COR.*

Need to ensure proper reporting of the quantity of marine refuse collected

2.5 **Record keeping.** At the monthly meeting between MD and the contractor held in November 2019, in response to MD's enquiry, the contractor said that records of the quantity of refuse collected from the four MRCs and disposed of at the refuse transfer stations and landfills were kept (see Note 14 to para. 1.13(c)). MD reminded the contractor to keep those records in an organised manner for inspection by MD when necessary. Following up on the significant discrepancies between the quantities of municipal solid waste disposed of by the contractor as per EPD records and the quantities of marine refuse collected as reported by MD in CORs (see para. 2.4(a)), Audit requested records (i.e. transaction record slips issued by landfills and refuse transfer stations — Note 20) for examination. However, up to September 2020, MD could not provide the transaction record slips issued by the landfills since October 2017 (i.e. the commencement of the existing contract for the whole of Hong Kong waters) to Audit for examination. According to MD:

- (a) for the purpose of financial records and reimbursement (see para. 2.10), MD has all along required the contractor to provide the transaction record slips for refuse disposal at the refuse transfer stations; and
- (b) since refuse disposal at landfills is free of charge, MD has not requested the contractor to provide the transaction record slips issued by the landfills. Hence, when MD requested the contractor to submit past transaction record slips, such records were found to be incomplete (e.g. the data printed on the thermal paper transaction record slips had faded).

2.6 **Accuracy of records.** According to contract provisions, the contractor is required to provide the quantities of floating refuse and domestic refuse collected to MD. However, Audit noted that staff of the Pollution Control Unit had not verified the accuracy of such statistics. According to MD:

Note 20: *All vehicles shall be weighed at the in-weighbridge and out-weighbridge before and after waste disposal at a landfill or refuse transfer station. The waste haulers/drivers concerned can obtain a transaction record slip with detailed information (including date, time, in and out weights, etc.) at the out-weighbridge for record purpose.*

Administration of marine refuse cleansing and disposal contracts

- (a) the contracts only require the contractor to provide a specific number of vessels and workers for collecting and transporting marine refuse. It is not MD's intention to assess the contractor's performance based on the quantity of marine refuse collected since the quantity of floating refuse and domestic refuse collected from boats and ships varies every day, especially during inclement weather. Hence, MD does not consider it necessary to verify in detail the quantity of marine refuse collected by the contractor. That said, MD's staff have been discussing the trend of the statistics and the locations of the marine refuse with the contractor during the monthly meetings with a view to identifying black spots of marine refuse for follow-up action;
- (b) regarding the planning of cleansing services, the statistics provided by the contractor is only one of the main factors considered by MD (see para. 2.2(b)). MD's patrol unit will also assess the cleanliness of the sea during daily patrols and report to the unit supervisors; and
- (c) as for the tender process, the contracts required the tenderers to provide a specific number of vessels and workers for collecting marine refuse. The quantity of marine refuse is not used for drawing up the marking scheme/assessment criteria (which are made known to prospective bidders through the tender documents) for tender evaluation. Considerations of the tenders submitted mainly focus on the operating costs of the vessels and the salary of the workers. MD has explicitly stated in the tender documents of the marine refuse cleansing and disposal contract for the whole of Hong Kong waters that the monthly quantities of floating refuse and domestic refuse collected from boats and ships in previous years are included for bidders' reference only and they are not to be used as performance or workload indicators. In response to Audit's enquiry on whether the quantity of marine refuse collected will affect the tender price submissions by bidders, MD said in September and October 2020 that:

Administration of marine refuse cleansing and disposal contracts

- (i) since the quantity of marine refuse collected is not an indicator to assess the contractor's performance, it should not affect bidders' assessment of the bidding price (Note 21); and
- (ii) in fact, no information on the monthly quantities of floating refuse and domestic refuse collected from boats and ships was included in the tender documents of the contract for Tai Po District in the tender exercises conducted in June 2018 and July 2020 (see para. 1.14).

While the quantity of marine refuse collected is only one of the main factors in prioritising sites for marine refuse cleansing work (see para. 2.2(b)), and is not used for assessing contractor's performance and tender evaluation, it remains an important performance indicator for stakeholders to evaluate MD's cost-effectiveness in deploying resources to collect and remove marine refuse, which has been included in MD's CORs. In view of the significant discrepancies between the quantities of municipal solid waste (mainly marine refuse according to MD — see Note 19 to para. 2.4(a)) disposed of by the contractor as per EPD records and the quantities of marine refuse collected as reported by MD in CORs, MD needs to investigate the discrepancies and take measures to ensure the proper reporting of the quantity of marine refuse collected (e.g. requiring the contractor to follow specific procedures in preparing statistics of the quantity of marine refuse collected and verifying the statistics provided by the contractor).

Note 21: *According to MD, the statistics of marine refuse collected did not constitute a relevant factor affecting the tender price. Since MD did not mandate the contractor to collect a specific quantity of marine refuse, the quantity of marine refuse collected shall have no impact on the bidder's assessment of the scale of services and the resources required for performing the contract. The major factors in estimating the scale of services and resources required are as follows: (a) the service area (i.e. the whole of Hong Kong waters) and number of sites required to be regularly kept cleaned (i.e. 43 priority areas); (b) the spatial spread of the sites and time for the cleansing vessels to reach them; (c) the number and different types of vessels required to be provided by the contractor to perform the cleansing services at different sites (i.e. not less than 60 scavenging and supporting vessels for the core service); (d) the cleanliness conditions of the service area to be maintained at "Good" level during the service hours; and (e) the time to re-establish the level of sea surface cleanliness during the service hours (see para. 3.3(c)).*

Audit recommendations

- 2.7 **Audit has *recommended* that the Director of Marine should:**
- (a) **investigate the significant discrepancies between the quantities of municipal solid waste disposed of by the contractor as per EPD records and the quantities of marine refuse collected as reported by MD in CORs in the period from 2012 to 2019; and**
 - (b) **based on the investigation results, take measures to ensure the proper reporting of the quantity of marine refuse collected.**

Response from the Government

2.8 The Director of Marine agrees with the audit recommendations. She has said that:

- (a) the “discrepancies” arise due to the comparison of two sets of figures with different measurement units. MD will include a remarks in COR in future to qualify the measurement unit used in the estimation of marine refuse collected;
- (b) in future, MD will periodically cross-check the quantity of marine refuse disposed of and that reported by the contractor; and
- (c) surprise checks will be conducted to monitor the performance of the contractor.

Reimbursement of disposal charges to the contractor

Disposal of marine refuse at refuse transfer stations

2.9 According to the provisions of the contracts for the whole of Hong Kong waters and Tai Po District, for the floating refuse and domestic refuse collected, the contractor is responsible for its conveyance to and disposal at disposal sites (i.e. public landfills or other sites as arranged and provided by the contractor and approved by

Administration of marine refuse cleansing and disposal contracts

the Director of Marine). There are currently three landfills in Hong Kong, namely the West New Territories Landfill (in Tuen Mun), the South East New Territories Landfill (in Tseung Kwan O) and the North East New Territories Landfill (in Ta Kwu Ling). With effect from 6 January 2016, the South East New Territories Landfill has only received construction waste. Disposal of municipal solid waste (including marine refuse) at the other two landfills is free of charge.

2.10 According to MD:

- (a) before January 2016, the contractor had transported most of the floating refuse and domestic refuse collected to the South East New Territories Landfill (in Tseung Kwan O) for disposal. In view of the cessation of the South East New Territories Landfill to receive municipal solid waste with effect from 6 January 2016, since 1 January 2016, the contractor had disposed of the bulk of marine refuse collected at refuse transfer stations with disposal charges reimbursed by MD;
- (b) in deciding to reimburse the contractor for the disposal charges in December 2015, MD considered that while disposal of marine refuse was free at landfills but subject to disposal charges at refuse transfer stations, transferring marine refuse to the other two landfills would inevitably increase transportation time and costs, and certainly affect the efficiency of the whole refuse transportation process; and
- (c) considering that the contractor was collecting and disposing of the marine refuse on behalf of the Government and that other government departments (i.e. the Food and Environmental Hygiene Department and the Leisure and Cultural Services Department) have been exempted from paying the disposal charges charged by refuse transfer stations, MD considered it reasonable to reimburse the contractor at the material time.

Table 4 shows the reimbursement to the contractor from 2016 to 2019.

Table 4

**Reimbursement to the contractor for disposal charges
charged by the refuse transfer stations
(2016 to 2019)**

Year	Reimbursement
2016	\$75,224
2017	\$87,766
2018	\$77,705
2019	\$69,217
Total	\$309,912

Source: Audit analysis of MD records

Remarks:

- (a) In December 2015, MD estimated that an average of about 1,000 tonnes of refuse would be transported to the refuse transfer stations for disposal every month, and the disposal charges would be about \$35,000 per month (i.e. \$420,000 per annum).
- (b) In October 2020, MD informed Audit that the discrepancies between the actual and the estimated disposal charges arose as the former were levied based on the actual weight of the refuse disposed of by the contractor at refuse transfer stations while the latter were based on the original quantity of the refuse in “tonnes” converted from volume.

***Need to clearly specify the arrangement
for charges incurred in refuse disposal at refuse transfer stations***

2.11 Audit noted that the reimbursement arrangement continued in the existing contract for the whole of Hong Kong waters (October 2017 to September 2022). However, the tender documents only stated that the contractor should be responsible for refuse disposal at public landfills or other sites as arranged and provided by the contractor and approved by the Director of Marine, and did not mention that charges incurred in refuse disposal at refuse transfer stations would be borne by the

Administration of marine refuse cleansing and disposal contracts

Government. As such, when submitting tenders in May 2017, other potential tenderers might not have a complete picture of the reimbursement arrangement of the charges incurred at refuse transfer stations, notwithstanding the fact that the awarded contractor might choose to arrange refuse disposal at landfills, which was free of charge.

2.12 Since the South East New Territories Landfill ceased receiving municipal solid waste in January 2016, before tenders for the existing contract were invited in March 2017, any tender bid (contract price) should have included all collection and disposal costs of marine refuse. Therefore, continuing the practice of reimbursing the contractor for the disposal charges charged by refuse transfer stations needs to have good justifications. In September 2020, MD said that:

- (a) the reimbursement arrangement in 2017 was undesirable. MD had already ceased the reimbursement arrangement in the tender exercise conducted in 2018 for the contract for Tai Po District, and explicitly stated in the relevant tender documents that the contractor was responsible for any charges on disposal of waste at disposal sites (see para. 2.13); and
- (b) MD would adopt the same arrangement for the tender exercise for the contract for the whole of Hong Kong waters in future.

In Audit's view, for tender exercises in future, MD should clearly specify the arrangement for charges incurred in refuse disposal at refuse transfer stations.

Need to take measures to address the potential overpayment of reimbursement to the contractor

2.13 According to the provisions of the contract for Tai Po District (October 2018 to September 2020), for the floating refuse and domestic refuse collected, the contractor was responsible for its conveyance to and disposal at disposal sites at the contractor's expense. In other words, no reimbursement of disposal charges would be arranged by MD. Audit noted that under the contract for the whole of Hong Kong waters (October 2017 to September 2022) and the contract for Tai Po District (October 2018 to September 2020), the same Vehicle 1 (see para. 2.19) was used by the contractor for the transportation of marine refuse from MRCs to the disposal sites. Based on the transaction record slips issued to the driver of Vehicle 1 by the refuse transfer stations, it was not practicable to distinguish between the

quantities of refuse collected under the contract for the whole of Hong Kong waters and the contract for Tai Po District. Therefore, since the commencement of the contract for Tai Po District in October 2018, the reimbursement of disposal charges charged by refuse transfer stations to the contractor had also covered the disposal charges incurred for such contract, which should have been borne by the contractor under the provisions of that contract. Furthermore, Vehicle 1 might have been used for purposes other than the transportation of marine refuse under MD's contracts (see para. 2.4(a)).

2.14 In October 2020, MD informed Audit that:

- (a) MD had already taken recovery actions against the contractor on the overpayment on disposal charges arising from the contract for Tai Po District in September 2020;
- (b) regarding the use of Vehicle 1, the contractor had confirmed that Vehicle 1 only occasionally transported construction waste to landfills and hence there was no issue of reimbursement of disposal charges charged by refuse transfer stations; and
- (c) the conditions in the contracts did not require that the vehicles stated must be exclusively used for transporting marine refuse collected under MD's contracts. Nevertheless, in the light of Audit's findings, MD will discuss with the contractor so that Vehicle 1 should not be used for purposes other than transporting marine refuse.

In Audit's view, with a view to monitoring the use of vehicles provided by the contractor, MD needs to remind the contractor to maintain proper records of the attendance and daily log books proving deployment of the vehicles and their work (see para. 2.3(c)) and review such records periodically. MD also needs to take appropriate follow-up actions with the contractor so that Vehicle 1 will not be used for purposes other than transporting marine refuse.

Audit recommendations

- 2.15 **Audit has *recommended* that the Director of Marine should:**
- (a) **clearly specify the arrangement for charges incurred in refuse disposal at refuse transfer stations for tender exercises in future;**
 - (b) **remind the contractor to maintain proper records of the attendance and daily log books proving deployment of the vehicles and their work, and review such records periodically; and**
 - (c) **take appropriate follow-up actions with the contractor so that Vehicle 1 will not be used for purposes other than transporting marine refuse.**

Response from the Government

- 2.16 The Director of Marine agrees with the audit recommendations.

Sub-contracting arrangement

Unauthorised sub-contracting arrangements

2.17 ***Requirements of the contract for the whole of Hong Kong waters.*** According to the tender documents of the existing contract for the whole of Hong Kong waters (October 2017 to September 2022), if any part of the tenderer's proposal was to be executed by sub-contractors, the tenderer should submit with its tender:

- (a) the information of proposed sub-contractors; and
- (b) undertakings from the proposed sub-contractors to the effect that:
 - (i) they would enter into sub-contracts with the tenderer for the execution of the services in question in accordance with the provisions contained in the tender documents; and

- (ii) they would not further sub-contract any of the services.

Details of the previous experience of the sub-contractors, their roles and responsibilities should also be submitted. Failure to submit the sub-contractors' undertakings would render the sub-contracting proposals invalid.

The tender documents also stated that the contractor should not sub-contract any of its obligations whether in whole or in part without the prior written consent of the Government.

2.18 ***Requirements of the contract for Tai Po District.*** According to the tender documents of the contract for Tai Po District (October 2018 to September 2020), the contractor should not sub-contract all or any part of the services except with the prior written approval of the Government. The contractor shall not be relieved from any of its obligations under the contract by entering into any sub-contract.

2.19 ***Unauthorised sub-contracting arrangements under the two contracts.*** Audit examination revealed the following issues:

- (a) ***Contract for the whole of Hong Kong waters.*** For the contract for the whole of Hong Kong waters, no sub-contracting proposal was included in the contractor's tender submissions and no subsequent written consent for engaging sub-contractors had been given by MD. However, according to MD records, in March 2020 (i.e. 29 months after the commencement of the contract and the sub-contracting arrangement), the contractor informed MD that the daily transportation of marine refuse from MRCPs to disposal sites for disposal had been sub-contracted for the whole contract period from October 2017 to September 2022 (see Note 14 to para. 1.13(c)). Audit also noted that the vehicle (i.e. Vehicle 1 — see para. 2.3(b)) provided by the sub-contractor was the same as one of the two vehicles named in the contractor's tender submissions for the daily transportation of marine refuse; and
- (b) ***Contract for Tai Po District.*** For the contract for Tai Po District, while no written approval for engaging sub-contractors had been given by MD, the same vehicle (i.e. Vehicle 1) of the sub-contractor of the contract for the whole of Hong Kong waters was used to dispose of the additional refuse

Administration of marine refuse cleansing and disposal contracts

collected in Tai Po District. In response to Audit's enquiry, in August 2020, MD informed Audit that a letter was received from the contractor in the same month (i.e. 22 months after the commencement of the contract and the sub-contracting arrangement, and 2 months before the end of the contract) stating that the daily transportation of marine refuse under the contract for Tai Po District had also been sub-contracted for the whole contract period from October 2018 to September 2020, and the sub-contractor was the same one as for the contract for the whole of Hong Kong waters.

2.20 In September 2020, MD informed Audit that:

- (a) to rectify the unauthorised sub-contracting arrangements, MD had approved the sub-contracting arrangements of the contracts for the whole of Hong Kong waters and Tai Po District on 28 July 2020 and 14 August 2020 respectively; and
- (b) MD had reminded the contractor to strictly follow the terms and conditions of the contracts in future.

In Audit's view, engaging a sub-contractor without obtaining prior written approval from MD is in breach of the contracts. MD should strengthen the control on sub-contracting arrangement, and ensure that all sub-contracting arrangements are properly approved in future.

Audit recommendations

2.21 **Audit has *recommended* that the Director of Marine should:**

- (a) **strengthen the control on sub-contracting arrangement; and**
- (b) **ensure that all sub-contracting arrangements are properly approved in future.**

Response from the Government

2.22 The Director of Marine agrees with the audit recommendations. She has said that MD:

- (a) has reminded the contractor to strictly follow the terms and conditions in the contract; and
- (b) will require the contractor to provide documents of sub-contracting for approval before the contract commences in future.

Tendering of cleansing and disposal services

Need to enhance tender competition

2.23 As shown in Table 5, the number of tenders received for the recent four tender exercises of the contract for the whole of Hong Kong waters had been on a decreasing trend from 2004 to 2017.

Table 5

**Number of tenders received
for the recent four tender exercises
of the contract for the whole of Hong Kong waters
(2004 to 2017)**

Year of tender exercise	Contract period	Number of tenders (conforming tenders) received (Note 1)		Contract price of successful bidder (\$ million)	
2004	July 2005 to June 2010 (Note 2)	3 (3)	4 (4)	82.3	72.1
2011	October 2011 to September 2016 (Note 3)	4 (1)		189.9	
2016	October 2016 to September 2021	3 (2)		NA (Note 4)	
2017	October 2017 to September 2022	2 (2)		447.4	

Source: Audit analysis of MD records

Note 1: Since the tender exercise in 2011, MD had bundled the previous two contracts (for the Eastern and Western part of Hong Kong waters respectively) into one contract for the whole of Hong Kong waters.

Note 2: The two contracts were extended to September 2011 to allow sufficient time for preparing the tender exercise in 2011.

Note 3: The contract was extended to September 2017 due to the cancellation of the tender exercise in 2016.

Note 4: The tender exercise was cancelled due to the unexpected surge of tender price (i.e. \$417 million) which had exceeded MD's approved project estimate of \$247 million.

Remarks: Contractor A has been the sole contractor of MD's marine refuse cleansing and disposal services since July 2005.

2.24 In August 2017, in approving the award of the marine refuse cleansing and disposal contract for the whole of Hong Kong waters, the Central Tender Board recommended that MD should consider adopting the following measures in future tenders to enhance tender competition:

- (a) allowing a longer tender period so that there would be more time for potential tenderers to prepare their proposals;
- (b) shortening the contract period to allow more flexibility for relevant operators in deploying their vessels/manpower in different projects, hence increasing the attractiveness of the contract; and
- (c) allowing a longer gearing up period so that there would be more time for successful tenderers to acquire/line up the necessary vessels and manpower after contract award, hence minimising hurdles to new comers.

2.25 As stated in the Stores and Procurement Regulations, competition is a reliable safeguard against bidders overcharging and holding Government to ransom. In view of the decreasing number of tenders received and the notable increase in the contract expenditure, Audit considers that MD should explore measures to enhance the tender competition of the marine refuse cleansing and disposal services in future, taking into account the comments of the Central Tender Board.

Audit recommendation

2.26 **Audit has *recommended* that the Director of Marine should explore measures to enhance the tender competition of the marine refuse cleansing and disposal services in future, taking into account the comments of the Central Tender Board.**

Response from the Government

2.27 The Director of Marine agrees with the audit recommendation. She has said that MD will take follow-up actions accordingly.

PART 3: MONITORING OF MARINE REFUSE CLEANSING AND DISPOSAL SERVICES

3.1 This PART examines the monitoring of the marine refuse cleansing and disposal services by MD, focusing on:

- (a) monitoring of the marine refuse cleansing work (paras. 3.2 to 3.20); and
- (b) monitoring of the management of MRCPs (paras. 3.21 to 3.29).

Monitoring of the marine refuse cleansing work

Requirements of contract for the whole of Hong Kong waters

3.2 ***Core services.*** The core services provided by the contractor include scavenging of floating refuse, collection of domestic refuse from local vessels and ocean-going vessels, disposal of refuse and foreshore cleansing (see para. 1.13).

3.3 ***Service hours and performance standards.*** Under the existing contract (October 2017 to September 2022), the contractor is required to, among others:

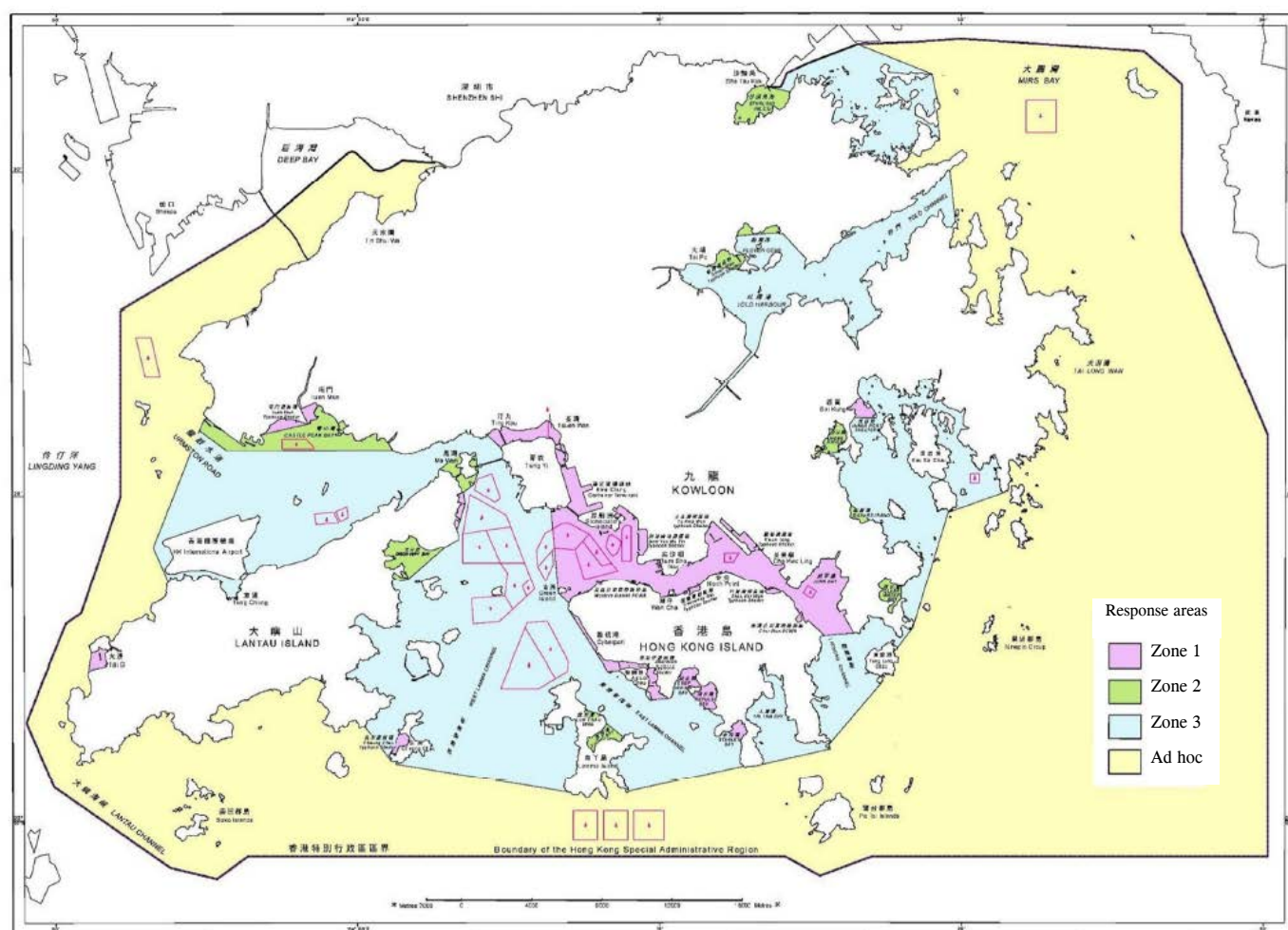
- (a) provide marine refuse cleansing and disposal services during daylight period as defined by the Hong Kong Observatory on each and every day throughout the year including Sundays and General Holidays;
- (b) ensure that each part of the service areas is clean and free from refuse and maintain the cleanliness of the service areas at “Good” level between 8:00 a.m. and 6:00 p.m.;
- (c) if the level of cleanliness of any part of the Hong Kong waters falls below the “Good” level during the service hours, a “Good” level shall be re-established within 30 to 120 minutes, depending on the location of that particular area (see Figure 2), as follows:
 - (i) 30 minutes for areas within Zone 1;

Monitoring of marine refuse cleansing and disposal services

- (ii) 60 minutes for areas within Zone 2; and
- (iii) 120 minutes for areas within Zone 3;

Figure 2

Marine refuse cleansing service areas



Source: MD records

Monitoring of marine refuse cleansing and disposal services

- (d) during the service hours, notwithstanding the cleanliness conditions within the service areas, at least 50% of the contractor's scavenging/collection fleet (Note 22) shall be in operation carrying out the marine refuse cleansing services or patrolling the designated service areas in search for floating refuse; and
- (e) provide foreshore cleansing services every day (except on Sundays and General Holidays) for 9 continuous working hours (including an hour of meal break) within the period between 8:00 a.m. and 7:00 p.m.

Requirements of additional contract for Tai Po District

3.4 ***Core services.*** The core services provided by the contractor include scavenging of floating refuse, collection of domestic refuse from local vessels (when required by MD), disposal of refuse and foreshore cleansing.

3.5 ***Service hours and performance standards.*** Under the contract, the contractor is required to, among others:

- (a) provide marine refuse cleansing and disposal services six days a week including Sundays and General Holidays; and
- (b) ensure that each part of the service areas is clean and free from refuse and maintain the cleanliness of the service areas at "Good" level between 8:00 a.m. and 6:00 p.m.

Monitoring work of MD

3.6 For monitoring the contractor's performance, staff of the Pollution Control Unit are responsible for:

Note 22: *According to the contract, scavenging/collection fleet refers to the total number of vessels to be provided and utilised by the contractor for the purpose of the contract (i.e. 85 vessels provided by the contractor and 3 Government-owned Sea Cleaner class scavenging vessels chartered to the contractor).*

Monitoring of marine refuse cleansing and disposal services

- (a) conducting daily cleanliness patrols on a surprise basis to ensure that cleanliness level is maintained and sufficient resources are deployed by the contractor in accordance with the contract requirements;
- (b) conducting helicopter surveillance regularly to facilitate monitoring of sea surface cleanliness and to respond to any marine refuse found in Hong Kong waters;
- (c) reviewing the various returns and reports submitted by the contractor (e.g. the daily vessel deployment schedules, the monthly work plans for the foreshore cleansing teams and the monthly situation report on “black spots”); and
- (d) conducting monthly meetings with the contractor to follow up on issues relating to the performance of the cleansing contracts.

Need to ensure that the required frequency of daily cleanliness patrols for each patrol area is met

3.7 According to MD’s guidelines:

- (a) the whole of Hong Kong waters is divided into 12 patrol areas (see Figure 1 in para. 1.15). There is a specific harbour cleanliness patrol route for each of the 12 patrol areas and each harbour cleanliness patrol route should be covered in MD’s daily cleanliness patrols at least once in a month;
- (b) the purpose of conducting cleanliness patrols is to inspect and record the cleanliness conditions of the service districts along the selected patrol routes;
- (c) during patrol, the patrol officer is also required to check and record the amount of committed cleansing resources deployed in the cleansing service areas as committed by the contractor in the contracts; and
- (d) for inclusion of a surprise element in the patrol routes, a Marine Inspector I, who is responsible for deciding the patrol routes, should only

Monitoring of marine refuse cleansing and disposal services

inform the patrol officers (at the rank of Marine Inspector II) the evening before conducting the daily cleanliness patrols.

3.8 Audit examined MD's daily cleanliness patrol records of 2019 and noted that in three patrol areas, namely Area 4 (Sai Kung), Area 8 (Lantau South) and Area 9 (Lantau West), the required frequency for conducting daily cleanliness patrols of at least once in a month could not be met. The numbers of months recording no daily cleanliness patrols ranged from 1 to 6. According to MD, besides daily cleanliness patrols, helicopter surveillance was also conducted (see para. 3.6(b)). Taking into account the number of helicopter surveillance conducted in 2019, two areas, namely Area 4 (Sai Kung) and Area 9 (Lantau West) were not inspected by either MD's daily cleanliness patrol or helicopter surveillance at least once in a month. Table 6 shows the numbers of daily cleanliness patrols and helicopter surveillance conducted by MD in 2019.

Monitoring of marine refuse cleansing and disposal services

Table 6

**Numbers of daily cleanliness patrols and
helicopter surveillance conducted in the 12 patrol areas
(January to December 2019)**

Month	Number of daily cleanliness patrols/helicopter surveillance conducted (Note)																										
	Area 1		Area 2		Area 3		Area 4		Area 5		Area 6		Area 7		Area 8		Area 9		Area 10		Area 11		Area 12		Total		
	Harbour		Tolo Harbour		Mirs Bay		Sai Kung		Hong Kong Island East, Tung Lung and Po Toi		Hong Kong Island South and Lamma East		Cheung Chau and Lamma West		Lantau South		Lantau West		Sha Chau and New Territories North		Tuen Mun and Lantau North		Lantau East and Peng Chau				
(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
January	30	2	23	-	20	-	-	-	16	-	24	1	20	1	-	1	1	-	1	-	8	1	3	2	146	8	
February	22	2	27	-	24	-	-	-	1	1	26	1	26	1	-	1	1	-	1	-	13	-	5	1	146	7	
March	28	2	28	1	24	1	3	1	11	1	14	-	7	-	4	-	2	-	8	-	10	-	2	1	141	7	
April	25	2	23	-	14	-	-	-	8	-	14	1	5	1	-	1	-	-	3	-	14	1	4	2	110	8	
May	27	1	27	-	23	-	2	-	19	-	15	-	4	1	-	1	1	-	11	-	2	-	1	1	132	4	
June	29	2	28	1	25	1	2	1	25	1	10	-	9	-	3	-	3	-	8	-	15	-	6	1	163	7	
July	28	2	29	-	25	-	1	-	24	-	18	1	11	1	-	1	2	-	4	-	12	1	4	2	158	8	
August	30	2	27	-	26	-	2	-	21	1	14	1	10	1	1	1	4	-	7	-	19	-	5	1	166	7	
September	26	2	28	1	25	1	3	1	18	1	8	-	7	-	1	-	3	-	2	-	14	-	4	1	139	7	
October	29	1	28	-	24	-	6	-	26	-	14	1	7	1	-	1	2	-	6	-	21	-	3	1	166	5	
November	28	1	29	-	27	-	4	-	27	1	12	1	6	-	2	-	5	-	16	-	9	-	4	-	169	3	
December	28	1	30	-	25	-	4	-	21	1	15	-	5	-	1	-	4	-	2	-	9	-	3	1	147	3	
Total	330	20	327	3	282	3	27	3	217	7	184	7	117	7	12	7	28	-	69	-	146	3	44	14	1,783	74	

Source: Audit analysis of MD records

Note: Columns (a) and (b) show the number of daily cleanliness patrols and the number of helicopter surveillance conducted respectively.

Monitoring of marine refuse cleansing and disposal services

3.9 While MD had conducted helicopter surveillance regularly, Audit considers that helicopter surveillance may not fully serve the purpose of daily cleanliness patrols because:

- (a) during helicopter surveillance, responsible officers were not required to check and record the amount of committed cleansing resources deployed in the cleansing areas as committed by the contractor in the contracts (see para. 3.7(c));
- (b) two patrol areas, namely Area 9 (Lantau West) and Area 10 (Sha Chau and New Territories North), were not covered by any of the six routes of helicopter surveillance; and
- (c) there was no surprise element (see para. 3.7(d)) in helicopter surveillance. In 2019, the routes were determined at least one week (up to one month) before conducting the helicopter surveillance.

In Audit's view, MD needs to take measures to ensure that the required frequency of daily cleanliness patrols for each patrol area is met.

Need to take into account service requests received in selecting patrol areas

3.10 *A large number of service requests received by MD.* MD received complaints and service requests (Note 23) from various channels, including the Government's 24-hour hotline (i.e. 1823) and the departmental hotline. Audit noted that since the introduction of its classification in 2017, a large number of service requests relating to marine refuse had been received by MD (ranging from 568 to 691 cases annually) (see Table 7).

Note 23: *The classification of service request was introduced in 2017. According to MD's guidelines, a service request is defined as a case where the intention of the public is to draw MD's attention on work that is needed to be done so as to keep public order and cleanliness.*

Table 7**Numbers of complaints and service requests
relating to marine refuse received by MD
(2015 to 2019)**

	2015	2016	2017	2018	2019
Number of complaints	708	1,110	11	9	12
Number of service requests (Note)	Not applicable		678	691	568
Total	708	1,110	689	700	580

Source: Audit analysis of MD records

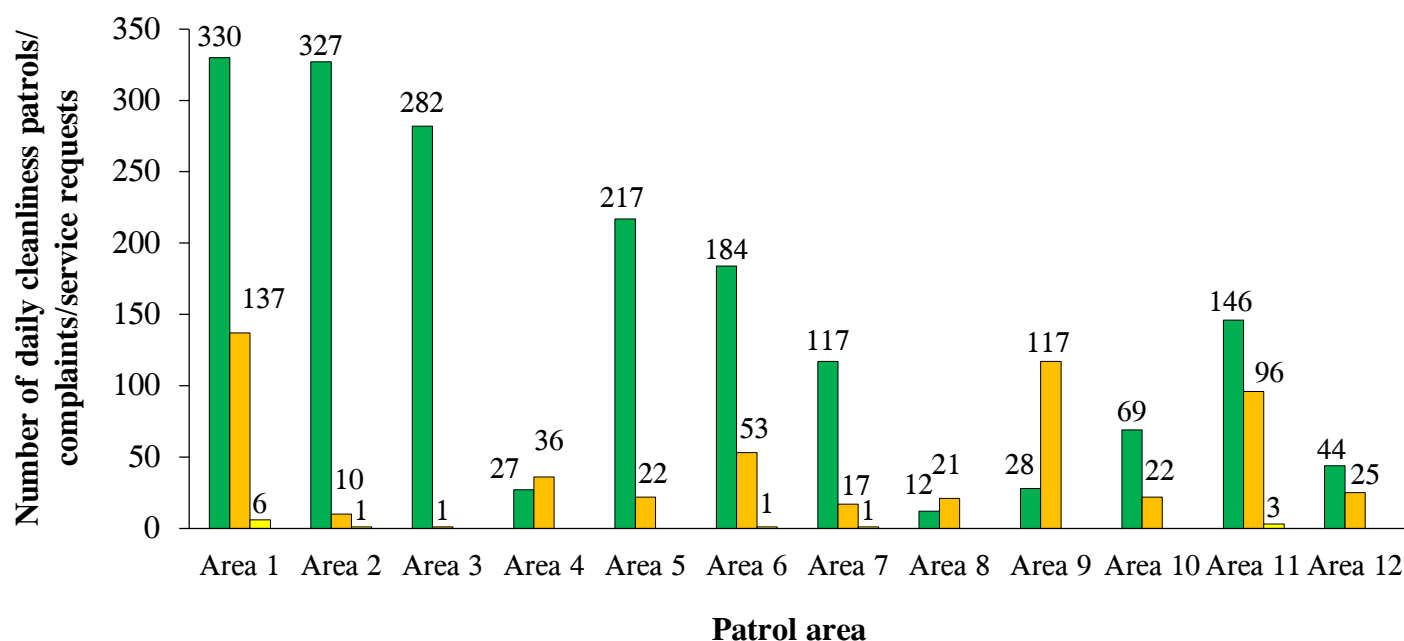
Note: The classification of service request was introduced in 2017.

3.11 ***Number of service requests not taken into account in selecting patrol areas for conducting daily cleanliness patrols.*** Audit noted that while there were a large number of service requests received each year, MD's guidelines only stated that the number of complaints received from the public should match with the frequency of patrol visits, but did not mention that the number of service requests received should also be taken into account in selecting patrol areas for conducting daily cleanliness patrols (Note 24). Audit analysed the numbers of daily cleanliness patrols conducted, complaints and service requests relating to marine refuse received in 2019. As shown in Figure 3, Area 9 (Lantau West) ranked second in the number of service requests received (117) but the number of patrol visits (28) was significantly fewer than most other patrol areas.

Note 24: *According to MD's guidelines, other factors that should be taken into consideration include the recent patrol routes taken, recent comments made by preceding patrol officers, and the possible accumulation of floating refuse hinted by the prevailing weather condition.*

Figure 3

Numbers of daily cleanliness patrols conducted, complaints and service requests received analysed by patrol area (2019)



Legend:
■ Daily cleanliness patrols
■ Service requests
■ Complaints

Source: Audit analysis of MD records

Remarks:

- (a) No complaint was received for Areas 3 to 5, 8 to 10 and 12 in 2019.
- (b) 11 service requests were not included because their locations had not been recorded.

3.12 In response to Audit's enquiry, in September 2020, MD said that for Area 9 (Lantau West):

- (a) of the 117 service requests received in 2019, 79 (68%) were filed by a single pier operator. Due to the need to maintain normal operation of the high-speed craft, the operator might have concern on the sea surface cleanliness. Hence, the operator had filed multiple requests and the contractor had been instructed to clean the area upon each service request received; and

- (b) given that there were multiple requests for cleansing service at the same location, the frequency of patrol visits was less than the number of service requests received.

In Audit's view, the number of service requests received for a patrol area may be an indicator of the cleanliness condition, reflecting the contractor's performance in that particular patrol area. MD needs to take into account the number of service requests received in selecting patrol areas for conducting daily cleanliness patrols.

Need to step up monitoring of contractor's marine refuse cleansing work

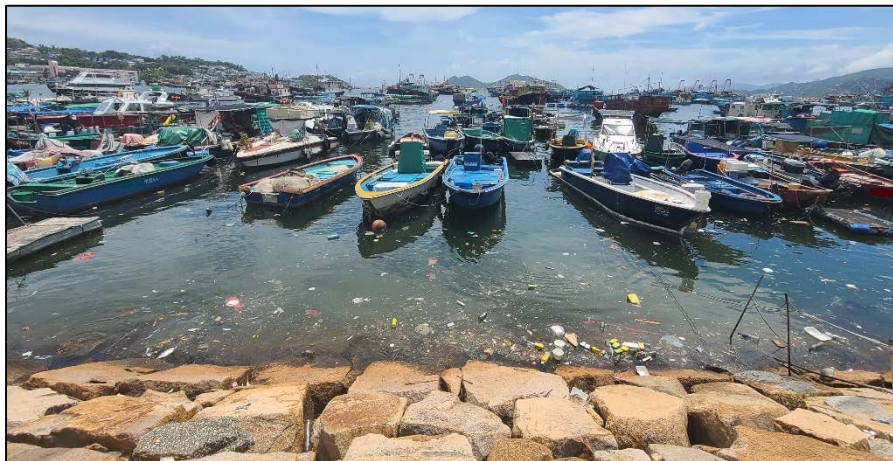
3.13 To assess the performance of the contractor's marine refuse cleansing work, Audit conducted four site inspections in June and July 2020, and noted room for improvement, as follows:

- (a) ***Cheung Chau Typhoon Shelter.*** On Friday, 26 June 2020 (at 10:10 a.m.), Audit noted that there was floating refuse in the Cheung Chau Typhoon Shelter along the Pak She Praya Road and near the Kwok Man Road Refuse Collection Point, and at the same time, the workers of the contractor were conducting marine refuse cleansing work at the Cheung Chau Ferry Pier (about 270 metres from the location where the floating refuse was found). In the afternoon (at 1:50 p.m.), Audit found that the floating refuse along the promenade had not been removed (see Photograph 3) and reported (in the capacity of a member of the public) the location concerned to MD at 2:21 p.m. for arranging marine refuse cleansing work via the 24-hour hotline (i.e. 1823) (Note 25). While the workers of the contractor came to the Typhoon Shelter to conduct marine refuse cleansing work at 3:04 p.m., they did not remove the floating refuse (see Photograph 4) at the reported location and left the Typhoon Shelter at 3:53 p.m. Audit revisited the Cheung Chau Typhoon Shelter on Tuesday, 30 June 2020 (at 3:30 p.m.) and noted that there was still floating refuse (see Photograph 5) at the same location reported to MD on 26 June 2020;

Note 25: *According to MD, the service request was received from the 24-hour hotline at 2:41 p.m. and referred to the contractor for follow-up actions at 3:01 p.m.*

Photograph 3

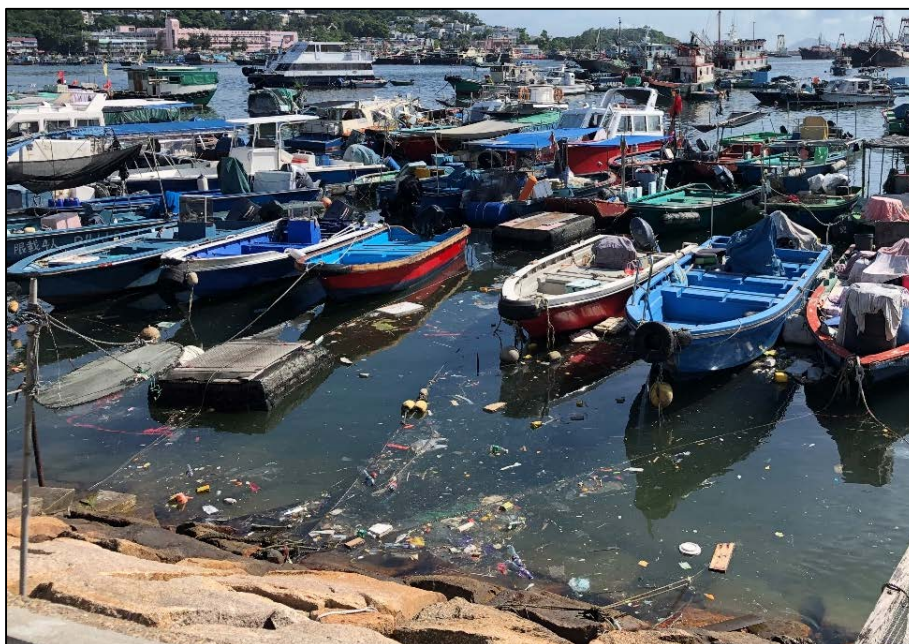
Floating refuse found in Cheung Chau Typhoon Shelter



*Source: Photograph taken by Audit staff on Friday, 26 June 2020
(at 1:50 p.m.)*

Photograph 4

Floating refuse found in Cheung Chau Typhoon Shelter



*Source: Photograph taken by Audit staff on Friday, 26 June 2020
(at 3:53 p.m.)*

Photograph 5

Floating refuse found in Cheung Chau Typhoon Shelter



Source: Photograph taken by Audit staff on Tuesday, 30 June 2020 (at 3:30 p.m.)

- (b) ***Sam Ka Tsuen Typhoon Shelter.*** The Sam Ka Tsuen Typhoon Shelter is one of the 43 priority areas, at which the contractor's workboats should patrol to search for floating refuse and scavenge them from the sea (see para. 1.13(a)). On Friday, 3 July 2020, during Audit's site inspection from 9:00 a.m. to 6:00 p.m., Audit noted that the workers of the contractor had come to the Typhoon Shelter and conducted floating refuse scavenging work, foreshore cleansing work and collection of domestic refuse for about 1 hour and 24 minutes. However, after the workers had left the Typhoon Shelter at 4:00 p.m., the level of cleanliness of the Typhoon Shelter appeared to be not up to the "Good" level (see Photograph 6) as required by the contract (see para. 1.16);

Photograph 6

Sam Ka Tsuen Typhoon Shelter



Source: Photograph taken by Audit staff on Friday, 3 July 2020
(at 5:00 p.m.)

- (c) ***Tuen Mun Typhoon Shelter and Castle Peak Bay Waterfront Promenade.***
The Tuen Mun Typhoon Shelter is next to the Castle Peak Bay Waterfront Promenade. They are located within Zone 2 (see para. 3.3(c)). According to contract provisions, if the level of cleanliness of any part within Zone 2 falls below the “Good” level during the service hours (i.e. between 8:00 a.m. and 6:00 p.m.), a “Good” level shall be re-established within 60 minutes. On Friday, 10 July 2020 (at 9:30 a.m.), Audit noted that there was floating refuse (see Photograph 7) near the Tuen Mun Typhoon Shelter and the Castle Peak Bay Waterfront Promenade, and reported (in the capacity of a member of the public) the location concerned to MD for arranging marine refuse cleansing work via the 24-hour hotline (i.e. 1823) at 10:41 a.m. (Note 26). However, up to 1:00 p.m., no workers of the contractor had come to the Tuen Mun Typhoon Shelter to remove the floating refuse (see Photograph 8) at the reported location. After Audit had

Note 26: According to MD, the service request was received from the 24-hour hotline at 11:34 a.m. and referred to the contractor for follow-up actions at 11:56 a.m.

Monitoring of marine refuse cleansing and disposal services

made another report (in the capacity of a member of the public) via the contractor's hotline at 1:05 p.m., the workers of the contractor came to conduct marine refuse cleansing work at 1:39 p.m. However, they did not remove all the floating refuse (see Photograph 9) at the reported location and left at 2:23 p.m. Until the end of Audit's site inspection at 4:00 p.m., the contractor had not turned up again to remove the refuse; and

Photographs 7 and 8

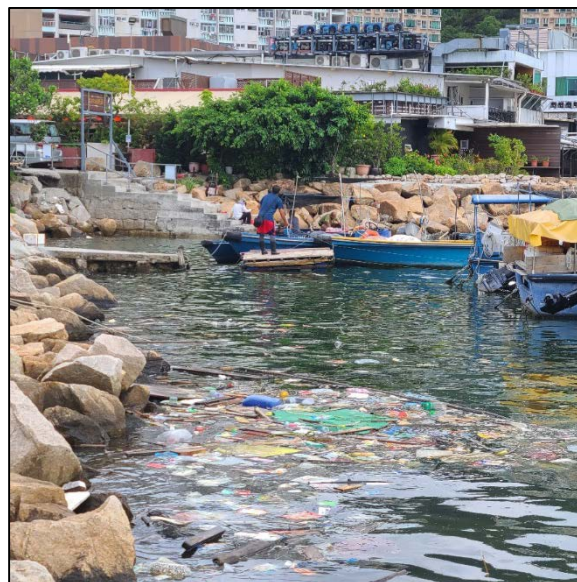
Floating refuse found in Tuen Mun Typhoon Shelter and Castle Peak Bay Waterfront Promenade

Photograph 7



At 9:30 a.m.

Photograph 8



At 1:00 p.m.

Source: Photographs taken by Audit staff on Friday, 10 July 2020

Photograph 9

**Floating refuse found in Tuen Mun Typhoon Shelter
and Castle Peak Bay Waterfront Promenade**



Source: Photograph taken by Audit staff on Friday, 10 July 2020 (at 2:23 p.m.)

- (d) ***Kwun Tong Typhoon Shelter and Kwun Tong Promenade.*** The Kwun Tong Typhoon Shelter, which is one of the 43 priority areas, is next to the Kwun Tong Promenade. They are located within Zone 1. According to contract provisions, if the level of cleanliness of any part within Zone 1 falls below the “Good” level during the service hours, a “Good” level shall be re-established within 30 minutes. On Monday, 13 July 2020 (at 9:00 a.m.), Audit noted that there was floating refuse along the Kwun Tong Promenade in the Kwun Tong Typhoon Shelter. As no workers of the contractor had come to the Typhoon Shelter to conduct marine refuse cleansing work by noon (see Photographs 10 and 11), Audit reported (in the capacity of a member of the public) the location concerned to MD for arranging marine refuse cleansing work via the 24-hour hotline (i.e. 1823) at 1:46 p.m. (Note 27). MD’s patrol launch and the workers of the contractor arrived at the reported location at 2:48 p.m. and 2:52 p.m. (i.e. more than 60 minutes after Audit had reported the case) respectively. While MD’s launch left at 3:26 p.m., the workers of the contractor also left the Typhoon Shelter at 3:35 p.m. after conducting marine refuse

Note 27: *According to MD, the service request was received from the 24-hour hotline at 1:56 p.m. and referred to the contractor for follow-up actions at 2:11 p.m.*

Monitoring of marine refuse cleansing and disposal services

cleansing work at the reported location. However, Audit noted that the floating refuse concerned had not been fully removed and the level of cleanliness appeared to be not up to the “Good” level (see Photograph 12) as required by the contract. Until the end of Audit’s site inspection at 5:00 p.m., the contractor had not turned up again to remove the refuse.

Photographs 10 and 11

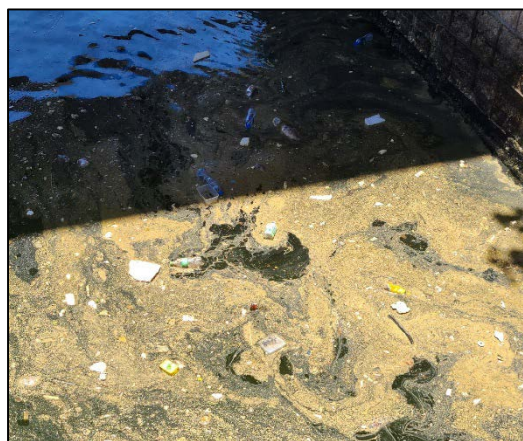
Floating refuse found in Kwun Tong Typhoon Shelter and Kwun Tong Promenade

Photograph 10



At 12:08 p.m.

Photograph 11



At 12:35 p.m.

Source: Photographs taken by Audit staff on Monday, 13 July 2020

Photograph 12

**Floating refuse found in
Kwun Tong Typhoon Shelter and Kwun Tong Promenade**



*Source: Photograph taken by Audit staff on Monday, 13 July 2020
(at 4:18 p.m.)*

3.14 ***Feedback from MD and the contractor.*** In September 2020, MD said that according to MD's records and the reports submitted by the contractor:

- (a) ***Cheung Chau Typhoon Shelter.*** The workers of the contractor had arrived at the area and conducted cleansing work from 3:12 p.m. to 4:00 p.m. on Friday, 26 June 2020. For the floating refuse observed during Audit's site inspection on Tuesday, 30 June 2020, considering the time difference between Audit's two site inspections, there was a possibility that the floating refuse reappeared after the contractor had collected the refuse;
- (b) ***Tuen Mun Typhoon Shelter and Castle Peak Bay Waterfront Promenade.*** The workers of the contractor had arrived at the area at 12:05 p.m. to conduct cleansing work on Friday, 10 July 2020. However, the workboat deployed by the contractor could not reach the foreshore area due to shallow water. The contractor then deployed a foreshore cleansing team to conduct cleansing work at the area from 1:30 p.m. to 2:00 p.m., and MD's officers had inspected the area at 2:15 p.m.; and

- (c) *Kwun Tong Typhoon Shelter and Kwun Tong Promenade.* Prior to receiving the service request (made by Audit in the capacity of a member of the public at 1:56 p.m.) from the 24-hour hotline, MD had received two service requests from an anonymous caller and the Harbour Patrol Section of MD at 1:10 p.m. and 1:30 p.m. respectively. For the service request made by Audit, workers of the contractor arrived at the area to conduct cleansing work from 2:11 p.m. to 2:35 p.m.

3.15 According to MD:

- (a) based on existing practice, upon receiving a request from the 24-hour hotline, MD will notify the contractor of the area concerned and instruct the contractor to restore the cleanliness level to a “Good” level during the service hours;
- (b) the time limit (see para. 3.3(c)) for restoring the area concerned to a “Good” level starts to count when the contractor receives an order from MD; and
- (c) given that time may be lost from communicating the service requests from the 24-hour hotline to MD and then from MD to the contractor, from the perspective of the person filing the service request, it may take longer than expected for the cleanliness level to restore. Nevertheless, MD understands that there is room for improvement on the contractor’s performance in responding to service requests.

In Audit’s view, with a view to meeting the performance standards of the contracts that the cleanliness of each part of Hong Kong waters should be maintained at “Good” level during the service hours (i.e. between 8:00 a.m. and 6:00 p.m.), MD needs to step up the monitoring of the contractor’s marine refuse cleansing work. MD also needs to take measures to ensure that service requests made by the public are responded to in a timely manner and up to service requirements in accordance with the contract provisions.

Pleasure vessels deployed to conduct marine refuse cleansing work

3.16 Prior to operating a vessel in Hong Kong waters, the owner of the vessel should apply to the Director of Marine for certification and licensing for the appropriate class and type specified in Schedule 1 to the Merchant Shipping (Local Vessels) (Certification and Licensing) Regulation (Cap. 548D). Broadly speaking, Classes I to IV refer to vessels with the following functions:

- (a) **Class I.** Class I vessels are passenger vessels (e.g. ferries and launches);
- (b) **Class II.** Class II vessels are cargo vessels (e.g. dry cargo vessels and work boats);
- (c) **Class III.** Class III vessels are fishing vessels (e.g. fish carriers and fishing sampans); and
- (d) **Class IV.** Class IV vessels are pleasure vessels (e.g. cruisers and auxiliary powered yachts).

Each class of vessels is subject to a different set of safety standards. Audit noted that more stringent requirements (such as requirements for statutory survey and crew requirements) are imposed on Classes I, II and III vessels as compared with Class IV vessels (i.e. pleasure vessels).

3.17 During the site inspections conducted in June and July 2020, Audit noted that the contractor deployed four vessels (see Photographs 13 and 14 for examples) which had not been included in the list of vessels (which formed part of the tender) submitted to MD. Based on the licence numbers of the four vessels, Audit noted that they were Class IV vessels (i.e. pleasure vessels). As Class IV vessels should be used exclusively for pleasure purposes, deploying them for marine refuse cleansing work might have contravened the legislation.

Photograph 13

**Class IV vessel (i.e. pleasure vessel) used for
marine refuse cleansing work in Cheung Chau
Typhoon Shelter**



*Source: Photograph taken by Audit staff on Friday,
26 June 2020*

Photograph 14

**Class IV vessel (i.e. pleasure vessel) used for
marine refuse cleansing work in
Sam Ka Tsuen Typhoon Shelter**



*Source: Photograph taken by Audit staff on Friday,
3 July 2020*

Monitoring of marine refuse cleansing and disposal services

3.18 In early September 2020, Audit referred the information relating to the four Class IV vessels (i.e. pleasure vessels) deployed by the contractor to MD for taking follow-up actions. In late September 2020, MD informed Audit that:

- (a) for the use of three of the four Class IV vessels, two default notices had been issued to the contractor. The relevant information had been referred to the enforcement section of MD for necessary follow-up actions; and
- (b) for the remaining case, MD was conducting an investigation.

In order to safeguard the safety of the contractor's workers and comply with the requirements of the pertinent regulation, MD needs to take appropriate follow-up actions with the contractor on the issue of vessel licensing, and take measures to ensure that only vessels with appropriate licences are deployed for marine refuse cleansing work.

Audit recommendations

3.19 **Audit has *recommended* that the Director of Marine should:**

- (a) **take measures to ensure that the required frequency of daily cleanliness patrols for each patrol area is met;**
- (b) **take into account the number of service requests received in selecting patrol areas for conducting daily cleanliness patrols;**
- (c) **step up the monitoring of the contractor's marine refuse cleansing work with a view to meeting the performance standards of the contracts;**
- (d) **take measures to ensure that service requests made by the public are responded to in a timely manner and up to service requirements in accordance with the contract provisions; and**
- (e) **take appropriate follow-up actions with the contractor on the issue of vessel licensing, and take measures to ensure that only vessels with appropriate licences are deployed for marine refuse cleansing work.**

Response from the Government

3.20 The Director of Marine agrees with the audit recommendations. She has said that:

- (a) for the issue on deploying pleasure vessels to conduct marine refuse cleansing work, default notices have already been issued to the contractor; and
- (b) the relevant information had been referred to the enforcement section of MD for necessary follow-up actions. MD will continue to monitor the work of the contractor.

Monitoring of the management of marine refuse collection points

Operation of MRCPs

3.21 There are currently four MRCPs in Hong Kong. They are located in Cha Kwo Ling, Ap Lei Chau, Kowloon West and Tuen Mun, and managed by the contractor. Floating refuse and domestic refuse collected from boats and ships are transported to MRCPs for loading into temporary storage containers for subsequent conveyance to and disposal at disposal sites.

3.22 According to the tender documents of the contracts for the whole of Hong Kong waters (October 2017 to September 2022) and Tai Po District (October 2018 to September 2020), for MRCPs, the contractor is required to, among others:

- (a) supply containers with proper covers for temporary storage of refuse, and secure the containers within the collection points;
- (b) operate the lifting appliances to unload refuse from scavenging/collection vessels;
- (c) empty the containers at the collection points at the end of each working day; and

Monitoring of marine refuse cleansing and disposal services

- (d) maintain the collection points in tidy and clean conditions to the satisfaction of MD's inspecting officers.

3.23 According to the implementation plan (which formed part of the contract) of the contract for the whole of Hong Kong waters (October 2017 to September 2022):

- (a) each of the four MRCs is manned by one operator, who is responsible for:
 - (i) operating the lifting appliance (if applicable — see para. 3.26); and
 - (ii) keeping the hygiene and security condition at good level; and
- (b) service hours of MRCs are from 8:00 a.m. to 7:00 p.m. every day.

Need to step up monitoring of the management of MRCs

3.24 ***Audit's site inspections.*** In July and August 2020, Audit conducted six site inspections on the operations of the four MRCs and noted the following (see Table 8):

- (a) ***No daily transportation of marine refuse from MRCs to disposal sites.*** While Audit noted that there was marine refuse unloaded to the containers in the MRCs in Tuen Mun and Ap Lei Chau on 14 July 2020 (Tuesday) and 15 July 2020 (Wednesday) respectively, the sub-contractor's vehicle (i.e. Vehicle 1) did not visit the two MRCs to collect the marine refuse for disposal during the service hours of MRCs (i.e. 8:00 a.m. to 7:00 p.m.) on those two days;
- (b) ***MRC in Cha Kwo Ling not in operation.*** Audit noted that the MRC in Cha Kwo Ling was not in operation and might have been abandoned, as evidenced by the following:
 - (i) the MRC was not manned by any contractor's staff and its gate was found open on both 1 July 2020 (Wednesday) and 14 August 2020 (Friday);

Monitoring of marine refuse cleansing and disposal services

- (ii) the lifting appliance was found to be out of order on 1 July 2020 and remained unrepaired on 14 August 2020 (see Photograph 15);
 - (iii) a container, which might be used as the contractor's office, was found abandoned on 1 July 2020 (see Photograph 16) and remained the same on 14 August 2020; and
 - (iv) the MRCP was not in a tidy and clean condition on both 1 July 2020 and 14 August 2020 (see Photographs 17 and 18); and
- (c) ***MRCP in Ap Lei Chau not manned by contractor's staff.*** While refuse was unloaded from a contractor's vessel (by the vessel's lifting equipment) to the container in the MRCP in Ap Lei Chau, Audit noted that the MRCP was not manned by any contractor's staff and the gate was locked during Audit's inspections on 15 July 2020 (Wednesday) and 14 August 2020 (Friday). The gate was only opened twice on 15 July 2020 by a driver of the sub-contractor to collect and return to park Vehicle 1 respectively.

Audit further examined the employment contracts of the MRCP operators and noted that they were only required to work six days a week from 8:00 a.m. to 5:30 p.m. (see para. 3.23(b)) (Note 28).

Note 28: *According to MD, the vehicle collecting marine refuse usually arrives at the MRCP during day time. If necessary, the MRCP operators will be required to work overtime from 5:30 p.m. to 7:00 p.m. and there is a relief operator employed by the contractor to maintain the service of the four MRCPs every day.*

Monitoring of marine refuse cleansing and disposal services

Table 8

Results of Audit's site inspections of the operations of the four MRCPs (July and August 2020)

MRCP	Date of inspection	Time of inspection	During Audit's site inspection		
			Presence of contractor's staff	Refuse unloaded from contractor's vessels	Visit by sub-contractor's vehicle to collect refuse
Cha Kwo Ling (Note 1)	1 July 2020	3:00 p.m. to 3:30 p.m.	No	No	No
	14 August 2020	2:00 p.m. to 2:30 p.m.	No	No	No
Tuen Mun	14 July 2020	7:45 a.m. to 7:00 p.m.	Yes	Yes	No
Ap Lei Chau (Note 2)	15 July 2020	7:45 a.m. to 7:00 p.m.	No	Yes	No
	14 August 2020	4:15 p.m. to 7:00 p.m.	No	No	No
Kowloon West (Note 3)	18 July 2020	1:00 p.m. to 5:00 p.m.	Yes	Yes	No

Source: Audit's site inspections in July and August 2020

Note 1: The MRCP in Cha Kwo Ling was not in operation and its gate was found open during Audit's inspections. It might have been abandoned.

Note 2: The MRCP in Ap Lei Chau was locked during Audit's inspections. The gate was only opened twice on 15 July 2020 by a driver of the sub-contractor to collect and return to park Vehicle 1 respectively.

Note 3: On the day of Audit's site inspection, some contractor's staff of the MRCP in Kowloon West closed the gate and left the MRCP at 4:30 p.m. Audit could not ascertain whether there were other contractor's staff present in the MRCP after 4:30 p.m. by observing the MRCP from outside.

Photograph 15

Lifting appliance in MRCP in Cha Kwo Ling out of order



Source: Photograph taken by Audit staff on 14 August 2020

Photograph 16

Abandoned container in MRCP in Cha Kwo Ling



Source: Photograph taken by Audit staff on 1 July 2020

Photograph 17

MRCP in Cha Kwo Ling not in a tidy and clean condition



Source: Photograph taken by Audit staff on 14 August 2020

Photograph 18

MRCP in Cha Kwo Ling not in a tidy and clean condition



Source: Photograph taken by Audit staff on 14 August 2020

3.25 *Operation of MRCP in Cha Kwo Ling.* In September 2020, MD informed Audit that:

- (a) the container (see para. 3.24(b)(iii)), which was used for general storage, was removed from the MRCP in Cha Kwo Ling on 14 September 2020;
- (b) the MRCP in Cha Kwo Ling was still in operation for transferring marine refuse collected from the eastern waters of Hong Kong. However, the contractor advised that trespassing in the site (i.e. for fishing activities) was common and the lock of the gate was found damaged frequently; and
- (c) MD would step up monitoring of the contractor's management of the MRCP in Cha Kwo Ling and post warning notices to warn off trespassers.

3.26 *Lifting appliances in MRCPs.* Except for the MRCP in Tuen Mun, the other three MRCPs are each equipped with a lifting appliance for unloading marine refuse from the contractor's vessels. While the lifting appliance in the MRCP in Cha Kwo Ling remained unrepaired up to 14 August 2020 (see para. 3.24(b)(ii)), Audit noted that the lifting appliance in the MRCP in Ap Lei Chau had been out of order since October 2017 (i.e. the commencement of the contract for the whole of Hong Kong waters) (Note 29) and MD had planned to complete the procurement procedures for its replacement by June 2020. However, according to MD, due to the impact of the COVID-19 outbreak, the relevant procurement procedure has been delayed.

3.27 In Audit's view, MD needs to take appropriate follow-up actions on the issues with the contractor (see paras. 3.24 and 3.25) and step up the monitoring of the management of the MRCPs with a view to ensuring that the performance of the contractor is up to the standards specified in the contracts. Audit considers that MD needs to review the need for the lifting appliances in the MRCPs in Cha Kwo Ling and Ap Lei Chau, and expedite the repair/replacement as appropriate.

Note 29: *According to MD, the contractor had been using the vessels' lifting equipment to unload marine refuse to containers in the MRCP in Ap Lei Chau.*

Audit recommendations

- 3.28 **Audit has *recommended* that the Director of Marine should:**
- (a) **take appropriate follow-up actions on the issues identified in paragraphs 3.24 and 3.25 with the contractor, and step up the monitoring of the management of the MRCs with a view to ensuring that the performance of the contractor is up to the standards specified in the contracts; and**
 - (b) **review the need for the lifting appliances in the MRCs in Cha Kwo Ling and Ap Lei Chau, and expedite the repair/replacement as appropriate.**

Response from the Government

3.29 The Director of Marine agrees with the audit recommendations. She has said that MD will:

- (a) step up the monitoring of the contractor's management of MRCs; and
- (b) liaise with the relevant department to expedite the repair/replacement of the lifting appliances in the MRCs.

PART 4: OTHER RELATED ISSUES

4.1 This PART examines other issues relating to the tackling of marine refuse, focusing on:

- (a) enforcement against marine littering (paras. 4.2 to 4.10);
- (b) dissemination of information on website (paras. 4.11 to 4.15); and
- (c) new initiatives in tackling marine refuse (paras. 4.16 to 4.22).

Enforcement against marine littering

4.2 MD is one of the departments responsible for taking enforcement actions against marine littering (Note 30). The relevant Ordinances are the Fixed Penalty (Public Cleanliness and Obstruction) Ordinance and the Summary Offences Ordinance (see para. 1.7(c)).

4.3 The Pollution Control Unit conducts daily cleanliness patrols in Hong Kong waters to inspect the cleanliness condition of various zones of Hong Kong waters, monitor the contractor's performance, and conduct enforcement actions against marine littering. Special operations at marine littering black spots (e.g. promenades and typhoon shelters) are also conducted regularly.

4.4 Audit noted that from 2015 to 2019, MD on average took enforcement actions on 15 marine littering cases annually (ranging from 13 to 17 per annum) (see Table 9).

Note 30: *Other law enforcement departments relating to marine littering are the Leisure and Cultural Services Department, the Agriculture, Fisheries and Conservation Department, and the Food and Environmental Hygiene Department.*

Table 9

**Statistics on MD's enforcement against marine littering
(2015 to 2019)**

Year	Number of cases			Amount of fines collected (\$)		
	Fixed Penalty Notice (a)	Summons (b)	Total (c) = (a) + (b)	Fixed Penalty Notice (d)	Summons (e)	Total (f) = (d) + (e)
2015	12	1	13	18,000	2,500	20,500
2016	15	—	15	22,500	—	22,500
2017	15	—	15	22,500	—	22,500
2018	15	1	16	22,500	1,500	24,000
2019	17	—	17	25,500	—	25,500

Source: Audit analysis of MD records

Need to consider arranging more anti-marine littering operations by officers in plain clothes to take enforcement actions

4.5 Audit noted that at the meetings of the then Inter-departmental Working Group on Clean Shorelines (Note 31) held in May 2016 and January 2017, the Chairman noted that no littering act had been observed during MD's anti-marine littering operations conducted in early morning targeting seafood hawkers at the Aberdeen promenade since April 2016 and asked whether cooperation from the hawkers was observed instead. MD said that only officers in uniform could take enforcement actions. As officers in uniform might have alerted the hawkers, MD had

Note 31: *Chaired by the Permanent Secretary for the Environment, the Working Group was set up in November 2012 to enhance the collaboration among relevant government departments to address marine refuse problem. In January 2018, the Working Group was revamped and renamed as Inter-departmental Working Group on Marine Environmental Management with two task forces set up under it.*

arranged officers in plain clothes to spot for littering acts in the vicinity and referred to officers in uniform for action. Taking into consideration that the Food and Environmental Hygiene Department had authorised some dedicated officers to take enforcement actions in plain clothes, the Chairman invited MD to consider similar arrangement in future enforcement operations with a view to increasing the deterrent effect.

4.6 In August 2020, MD informed Audit that:

- (a) according to the legal advice obtained from the Department of Justice in May 2017, MD officers could all along take enforcement actions in plain clothes and no separate authorisation was needed; and
- (b) of the 17 marine littering cases in 2019 (see Table 9), enforcement actions of 3 (18%) were taken by officers in plain clothes.

Audit noted that of the 280 anti-marine littering operations conducted by MD in 2019, 270 (96%) were conducted during the daily cleanliness patrols when MD's officers should be in uniform. While the annual statistics on MD's enforcement against marine littering remained steady (ranging from 13 to 17 cases in the period from 2015 to 2019), with a view to increasing the deterrent effect, MD needs to consider arranging more anti-marine littering operations by officers in plain clothes to take enforcement actions.

Need to take into consideration the source activities of marine refuse in planning enforcement operations

4.7 According to the Marine Refuse Study (see para. 1.4) commissioned by EPD in March 2013 and released in April 2015, shoreline and recreational activities and ocean/waterway activities are the two major source activities of marine refuse and contributed about 89% of marine refuse in Hong Kong (see Table 10).

Table 10

**Percentage of marine refuse due to human activities
(April 2013 to March 2014)**

Type of activity	Examples of marine refuse	Percentage of marine refuse		
		Floating refuse (%)	Shoreline refuse (%)	Total (%)
Shoreline and recreational activities	Beverage cans/bottles, food wrappers, cutlery	50.4	22.3	72.7
Ocean/waterway activities	Lube oil bottles, fishing nets, buoys	13.3	2.9	16.2
Smoking-related activities	Cigarette butts, lighters	3.9	0.4	4.3
Dumping activities	Paint tins, rubber tyres, bricks	2.3	1.1	3.4
Medical/personal hygiene uses	Cotton buds, diapers	3.1	0.3	3.4
Total		73.0	27.0	100.0

88.9%

Source: Audit analysis of the Marine Refuse Study Report released in April 2015

4.8 In view of the high percentage of marine refuse resulting from shorelines and recreational activities, Audit considers that in planning its enforcement operations, MD should take into consideration the source activities of marine refuse. Also, as 23 (70%) of the 33 (16+17) marine littering cases (see Table 9 in para. 4.4) with enforcement actions taken by MD in 2018 and 2019 involved the littering of cigarette butts, MD needs to step up publicity campaign to curb illegal littering of cigarette butts into waters and shorelines.

Audit recommendations

- 4.9 **Audit has *recommended* that the Director of Marine should:**
- (a) **consider arranging more anti-marine littering operations by officers in plain clothes to take enforcement actions;**
 - (b) **take into consideration the source activities of marine refuse in planning enforcement operations; and**
 - (c) **step up publicity campaign to curb illegal littering of cigarette butts into waters and shorelines.**

Response from the Government

4.10 The Director of Marine agrees with the audit recommendations. She has said that MD will take follow-up actions accordingly.

Dissemination of information on website

Need to ensure accuracy of information provided on website

4.11 The “Clean Shorelines” website, which is maintained by EPD, is a dedicated platform for interaction with local community and the public for releasing information about the Government’s initiatives and measures in tackling shoreline refuse. Information available on the website includes shorelines clean-up events organised by the Government and other non-governmental organisations, and the clean-up arrangements and promotional measures undertaken by relevant departments.

4.12 Audit noted that the information relating to MD’s marine refuse cleansing work on the website was not entirely accurate. On the website, MD’s illustration of level of cleanliness was included and it was stated that:

- (a) the contractor shall maintain the service areas at or above the “Satisfactory” level between 8:00 a.m. and 6:00 p.m.; and

Other related issues

- (b) if the sea cleanliness falls below the “Satisfactory” level, the “Satisfactory” level shall be re-established within the specified time.

However, according to the performance standards required by MD’s contracts, the contractor should maintain the service areas at “Good” level (i.e. one level higher than the “Satisfactory” level) (see para. 1.16) and take follow-up actions if the sea cleanliness falls below the “Good” level.

4.13 In early September 2020, Audit informed MD and EPD that according to MD’s contracts, the level of cleanliness should be maintained at “Good” level, instead of “Satisfactory” level. In late September 2020, EPD informed Audit that:

- (a) the spotted discrepancy was only a minor one, and had been instantly corrected, while the information of the entire “Clean Shorelines” website remained accurate and up-to-date; and
- (b) there had been continuous efforts made to ensure the accuracy of the website contents.

As the “Clean Shorelines” website is a platform for interaction with local community and the public, it is essential to ensure that the information on the website is accurate. With a view to ensuring that the information relating to MD’s marine refuse cleansing work provided on the website is accurate and up-to-date, Audit considers that MD should regularly review the website information, and inform EPD of any update required.

Audit recommendation

4.14 **Audit has *recommended* that the Director of Marine should regularly review the information provided on the “Clean Shorelines” website with a view to ensuring that the information relating to MD’s marine refuse cleansing work provided on the website is accurate and up-to-date.**

Response from the Government

4.15 The Director of Marine agrees with the audit recommendation. She has said that MD will take follow-up actions accordingly.

New initiatives in tackling marine refuse

Need to expedite completion of the trial run of floating booms

4.16 Floating booms (also known as containment booms) (see Photograph 19 for an example) are floating barriers designed to contain and control pollutants, such as debris, trash and plastic rubbish, from spreading in the ocean, rivers and streams.

Photograph 19

Use of floating booms in combating oil spills



Source: MD records

4.17 Audit noted that in May 2019, MD informed the Legislative Council that a trial run of floating booms was planned to commence in 2019-20, which would tackle

Other related issues

the issue of marine refuse by intercepting floating refuse, in waters causing no obstruction to vessel traffic. However, up to August 2020, Audit noted that MD had not yet commenced the trial run. According to MD:

- (a) two sets of floating booms procured had been delivered in April and May 2020, and a trial on the containment of sudden and massive surge of floating refuse had been conducted in the Government Dockyard in June 2020; and
- (b) it would conduct the trial run by placing the floating booms at spots prone to influx of marine refuse after:
 - (i) obtaining EPD's view on suitable locations which would not affect the navigational safety; and
 - (ii) engaging local stakeholders for the trial placement of floating booms.

4.18 Audit noted that with suitable enhancement, floating booms may be an effective means to tackle marine refuse, including small-sized plastics or microplastics (Note 32) which cannot be easily detected and collected by the contractor's vessels (see para. 4.19(a)). In this connection, Audit considers that MD needs to expedite completion of the trial run of floating booms to tackle marine refuse as soon as practicable.

Need to keep in view the development of innovation and technology in tackling marine refuse

4.19 Audit notes that in recent years, there have been a number of projects adopting innovation and technology in tackling marine refuse. For example:

Note 32: *Microplastics found in the aquatic environment may have different identities and origins. They include microbeads arising from industrial production (e.g. as additives in personal care and cosmetic products) and fragments from degradation of plastic products and waste. While plastics are highly durable, they are difficult to decompose naturally and the process is also lengthy. With the popularisation of plastic materials, how to handle waste plastics to minimise their impact to the environment and ecology has become an important global issue.*

- (a) an overseas non-profit environmental organisation has been conducting a project to scoop plastic debris from ocean by using long floating booms with a skirt hung beneath the booms. According to the organisation, the combination of natural forces (i.e. wind, waves and current) and a sea anchor create a drag, which makes the device move consistently slower than the plastic, while allowing the plastic to be captured. There were media reports that the device was able to capture marine refuse including discarded fishing nets and microplastics; and
- (b) a Hong Kong enterprise has been conducting a project which uses an artificial intelligence-driven robotic system to automatically collect plastic waste in water. The robotic system comprises floating trash baskets with cameras, solar-powered motors, on-board computers and a networking system. According to media reports, the enterprise has been running pilot trials of the system and would launch it on a commercial scale.

4.20 With a view to enhancing effectiveness and efficiency in tackling marine refuse, MD should keep in view the development of innovation and technology.

Audit recommendations

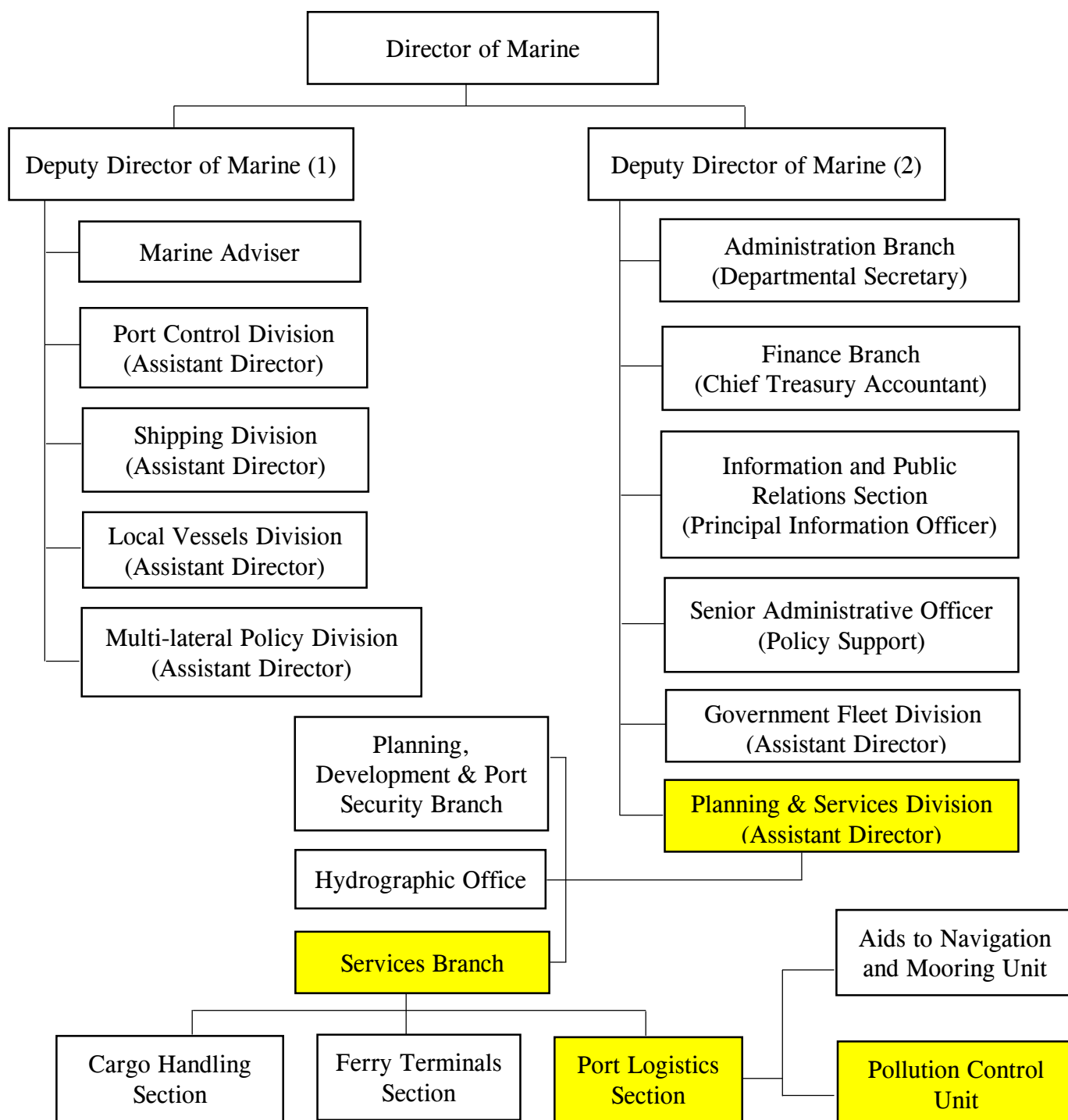
4.21 **Audit has *recommended* that the Director of Marine should:**

- (a) **expedite completion of the trial run of floating booms to tackle marine refuse as soon as practicable; and**
- (b) **keep in view the development of innovation and technology in tackling marine refuse.**

Response from the Government

4.22 The Director of Marine agrees with the audit recommendations. She has said that MD will take follow-up actions accordingly.

**Marine Department:
Organisation chart (extract)
(31 August 2020)**



Legend: Division/Branch/Section/Unit responsible for collection and removal of marine refuse

Source: MD records

List of the 43 priority areas for floating refuse scavenging services

Harbour East	
1	Causeway Bay Typhoon Shelter
2	To Kwa Wan water front and To Kwa Wan Typhoon Shelter
3	Kwun Tong Typhoon Shelter
4	Wan Chai (off Convention Centre)
5	Sam Ka Tsuen Typhoon Shelter
6	Shau Kei Wan Typhoon Shelter
7	Shau Kei Wan to North Point
8	North Point (between Oil Street and Healthy Street East, underneath the Island Eastern Corridor)
9	Chai Wan and Heng Fa Villa
10	Chai Wan Public Cargo Working Area
11	Junk Bay
Sai Kung and Tai Po	
12	Sai Kung Harbour and Hebe Haven
13	Sha Tin Hoi and Pak Shek Kok
14	Shuen Wan Typhoon Shelter
15	Po Toi O and Clear Water Bay
16	Tolo Harbour
17	Starling Inlet (Sha Tau Kok Hoi)
Hong Kong South	
18	Aberdeen Typhoon Shelter
19	Tin Wan
20	Cyberport
21	Stanley Bay
22	Deep Water Bay
23	Repulse Bay

Appendix B
 (Cont'd)
 (para. 1.13(a) refers)

Harbour West	
24	Central (between Wan Chai and Macau Ferry Terminal)
25	Tsim Sha Tsui East water front
26	China Ferry Terminal and Yau Ma Tei
27	New Yau Ma Tei Typhoon Shelter
28	Cheung Sha Wan
Kowloon West	
29	Rambler Channel Typhoon Shelter and Tsuen Wan
30	Ma Wan, Ting Kau, and Sham Tseng
31	Beaches along Castle Peak Road
32	Tuen Mun Immigration Anchorage and Butterfly Beach
33	Tuen Mun River Trade Terminal and its vicinity
34	Tuen Mun Typhoon Shelter
35	Urmston Road
36	Deep Bay
Outlying Islands	
37	Cheung Chau and Peng Chau
38	Sok Kwu Wan
39	Hung Shing Ye Wan and Yung Shu Wan
40	Disneyland Park
41	Discovery Bay
42	North of Chek Lap Kok
43	Tai O

Source: MD records

Illustration of level of cleanliness for open sea and typhoon shelters

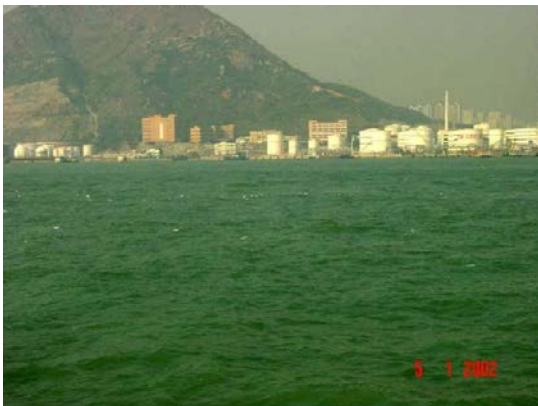
(a) Open sea



Good



Satisfactory



Fair



Unsatisfactory



Poor

Appendix C
(Cont'd)
(para. 1.16 refers)

(b) Typhoon shelters



Good



Satisfactory



Fair



Unsatisfactory



Poor

Source: MD records

Appendix D
(para. 2.4(a), Table 3 in
para. 2.4(a) and
Appendix E refer)

**Refuse disposal at landfills and refuse transfer stations
by Vehicles 1 and 2 analysed by waste type
(2012 to 2019)**

Year	Quantity of refuse disposed of at landfills/refuse transfer stations					
	Municipal solid waste		Construction waste		Total	
	Vehicle 1 (a) (Tonnes)	Vehicle 2 (b) (Tonnes)	Vehicle 1 (c) (Tonnes)	Vehicle 2 (d) (Tonnes)	Vehicle 1 (e) = (a) + (c) (Tonnes)	Vehicle 2 (f) = (b) + (d) (Tonnes)
2012	2,886.5 (100.0%)	201.2 (3.8%)	0.0 (0.0%)	5,070.8 (96.2%)	2,886.5 (100.0%)	5,272.0 (100.0%)
2013	3,113.1 (100.0%)	588.6 (9.4%)	0.0 (0.0%)	5,700.6 (90.6%)	3,113.1 (100.0%)	6,289.2 (100.0%)
2014	3,172.9 (100.0%)	733.7 (10.1%)	0.0 (0.0%)	6,525.9 (89.9%)	3,172.9 (100.0%)	7,259.6 (100.0%)
2015	2,869.6 (100.0%)	271.2 (5.2%)	0.0 (0.0%)	4,969.9 (94.8%)	2,869.6 (100.0%)	5,241.1 (100.0%)
2016	2,909.2 (100.0%)	5.1 (3.0%)	0.0 (0.0%)	165.7 (97.0%)	2,909.2 (100.0%)	170.8 (100.0%)
2017	2,932.6 (92.9%)	0.0 (0.0%)	225.5 (7.1%)	0.0 (0.0%)	3,158.1 (100.0%)	0.0 (0.0%)
2018	2,801.9 (83.6%)	0.0 (0.0%)	550.0 (16.4%)	0.0 (0.0%)	3,351.9 (100.0%)	0.0 (0.0%)
2019	2,627.5 (96.2%)	0.0 (0.0%)	104.9 (3.8%)	0.0 (0.0%)	2,732.4 (100.0%)	0.0 (0.0%)
Overall	23,313.3 (96.4%)	1,799.8 (7.4%)	880.4 (3.6%)	22,432.9 (92.6%)	24,193.7 (100.0%)	24,232.7 (100.0%)
<div> <div>25,113.1</div> <div>23,313.3</div> <div>48,426.4</div> </div>						

Source: Audit analysis of EPD and MD records

Appendix D

(Cont'd)

(para. 2.4(a), Table 3 in
para. 2.4(a) and
Appendix E refer)

Remarks:

- (a) *As reported by the drivers of Vehicles 1 and 2 at the weighbridges before entering landfills and refuse transfer stations, a significant proportion of refuse disposed of at landfills was construction waste and there was no construction waste delivered to refuse transfer stations. From 2012 to 2019, of the 48,426.4 tonnes of refuse disposed of, 23,313.3 tonnes (48.1%) was reported by the drivers as construction waste and 25,113.1 tonnes (51.9%) was reported by the drivers as municipal solid waste (e.g. domestic waste, commercial waste or industrial waste) (see Notes 18 and 19 to para. 2.4(a)).*
- (b) *While only Vehicle 1 was deployed by the contractor for transporting marine refuse to disposal sites since October 2017, Vehicle 2 was mainly used for transporting construction waste from 2012 to 2016, and not deployed for transportation of refuse from 2017 to 2019. According to MD, there was no contract requirement that vehicles stated in tender submissions must be exclusively used for performing services under MD's contracts.*

Appendix E
(Table 3 in
para. 2.4(a) refers)

**Disposal of municipal solid waste at landfills and refuse transfer stations
by the contractor analysed by location
(2012 to 2019)**

Year	Quantity of municipal solid waste disposed of								
	At landfills						At		Total
	South East		North East		West		refuse transfer		
	New Territories		New Territories		New Territories		stations		
	Vehicle 1 (Tonnes)	Vehicle 2 (Tonnes)	Vehicle 1 (Tonnes)	Vehicle 2 (Tonnes)	Vehicle 1 (Tonnes)	Vehicle 2 (Tonnes)	Vehicle 1 (Tonnes)	Vehicle 2 (Tonnes)	(Tonnes)
2012	2,659.6	54.1	—	8.2	17.5	—	209.4	138.9	3,087.7
2013	2,767.1	276.1	—	27.0	31.6	—	314.4	285.5	3,701.7
2014	2,856.9	672.5	—	—	19.9	—	296.1	61.2	3,906.6
2015	2,547.7	265.6	2.3	—	12.7	—	306.9	5.6	3,140.8
2016	35.4	—	—	—	—	—	2,873.8	5.1	2,914.3
2017	—	—	—	—	9.2	—	2,923.4	—	2,932.6
2018	—	—	—	—	192.5	—	2,609.4	—	2,801.9
2019	—	—	58.9	—	357.4	—	2,211.2	—	2,627.5
Total	10,866.7	1,268.3	61.2	35.2	640.8	—	11,744.6	496.3	25,113.1

Source: Audit analysis of EPD and MD records

Remarks:

- (a) According to MD, the disposal of construction waste of 880.4 tonnes and 22,432.9 tonnes by Vehicles 1 and 2 respectively from 2012 to 2019 (see Appendix D) was not related to MD's contracts.
- (b) With effect from 6 January 2016, the South East New Territories Landfill has only received construction waste (see para. 2.9). Prior to 1 January 2016, the contractor had transported most of the floating refuse and domestic refuse collected to the South East New Territories Landfill for disposal (see para. 2.10(a)).
- (c) Since October 2017, the daily transportation of marine refuse had been sub-contracted to the sub-contractor using Vehicle 1 (see para. 2.19).
- (d) According to MD: (i) Vehicle 1 was the main vehicle used for transporting marine refuse from 2012 to 2019; (ii) from 2012 to 2016, Vehicle 2 served as a backup vehicle and was only used for transporting marine refuse under rare circumstances (not more than two times a month), and the quantity of municipal solid waste disposed of during the period might contain marine refuse collected under MD's contract and other refuse collected outside MD's contract. Further breakdown on the figures is not available; and (iii) from 2017 to 2019, Vehicle 2 was not deployed for the collection and transportation of marine refuse.

Acronyms and abbreviations

Audit	Audit Commission
COR	Controlling Officer's Report
EPD	Environmental Protection Department
MD	Marine Department
MRCPs	Marine refuse collection points

CHAPTER 2

**Environment Bureau
Agriculture, Fisheries and
Conservation Department
Environmental Protection Department
Food and Environmental Hygiene Department
Leisure and Cultural Services Department**

**Government's efforts in
tackling shoreline refuse**

**Audit Commission
Hong Kong
28 October 2020**

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. 75 of the Director of Audit contains 10 Chapters which are available on our website at <https://www.aud.gov.hk>

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GOVERNMENT’S EFFORTS IN TACKLING SHORELINE REFUSE

Contents

	Paragraph
EXECUTIVE SUMMARY	
PART 1: INTRODUCTION	1.1 – 1.12
Audit review	1.13
General response from the Government	1.14
Acknowledgement	1.15
PART 2: MONITORING OF SHORELINE CLEANLINESS BY ENVIRONMENTAL PROTECTION DEPARTMENT	2.1 – 2.3
Inspection of coastal sites	2.4 – 2.18
Audit recommendations	2.19
Response from the Government	2.20
Protocol for handling surge of marine refuse	2.21 – 2.25
Audit recommendation	2.26
Response from the Government	2.27
PART 3: CLEAN-UP OPERATIONS BY AGRICULTURE, FISHERIES AND CONSERVATION DEPARTMENT	3.1
Monitoring of clean-up operations	3.2 – 3.7

	Paragraph
Audit recommendations	3.8
Response from the Government	3.9
Audit inspections of the Marine Parks and Marine Reserve	3.10 – 3.21
Audit recommendations	3.22
Response from the Government	3.23
 PART 4: CLEAN-UP OPERATIONS BY LEISURE AND CULTURAL SERVICES DEPARTMENT	 4.1
Collection and removal of shoreline refuse at gazetted beaches	4.2 – 4.15
Audit recommendations	4.16
Response from the Government	4.17
 PART 5: CLEAN-UP OPERATIONS BY FOOD AND ENVIRONMENTAL HYGIENE DEPARTMENT	 5.1
Monitoring of clean-up operations	5.2 – 5.9
Audit recommendations	5.10
Response from the Government	5.11
Audit inspections of priority sites under the purview of Food and Environmental Hygiene Department	5.12 – 5.13
Audit recommendation	5.14
Response from the Government	5.15
Tendering of clean-up service	5.16 – 5.23
Audit recommendations	5.24 – 5.25
Response from the Government	5.26 – 5.27

	Paragraph
PART 6: OTHER RELATED ISSUES	6.1
Publicity and public engagement efforts in promoting shoreline cleanliness	6.2 – 6.10
Audit recommendations	6.11
Response from the Government	6.12
Using 360-degree camera system to monitor remote coastal sites	6.13 – 6.17
Audit recommendations	6.18
Response from the Government	6.19
Enforcement against marine littering	6.20 – 6.22
Audit recommendation	6.23
Response from the Government	6.24
Provision of more water dispensers at gazetted beaches	6.25 – 6.31
Audit recommendations	6.32
Response from the Government	6.33 – 6.35
 Appendices	 Page
A : Legislation and penalty related to marine and nearshore littering	118
B : Errors found in figures reported in monthly analytical reports on Clean Shorelines social media pages (November 2018 to June 2020)	119
C : Acronyms and abbreviations	120

GOVERNMENT'S EFFORTS IN TACKLING SHORELINE REFUSE

Executive Summary

1. According to the report of a Marine Refuse Study completed by the Environmental Protection Department (EPD) in 2015 (the 2015 Study), marine refuse refers to any solid waste, discarded or lost material, resulting from human activities, that has entered the marine environment irrespective of the sources. Floating refuse (i.e. marine refuse floating on sea surface) may be washed ashore and accumulated near the coastline as shoreline refuse. While floating refuse is collected by the Marine Department (MD), shoreline refuse is collected by a number of government departments, namely the Agriculture, Fisheries and Conservation Department (AFCD), the Food and Environmental Hygiene Department (FEHD), and the Leisure and Cultural Services Department (LCSD) according to the locations of which they are in charge. In 2019, 3,856 tonnes of shoreline refuse were collected by AFCD, FEHD and LCSD.

2. The Government set up in 2012 and subsequently revamped in 2018 an Inter-departmental Working Group to coordinate and enhance efforts among the relevant departments in tackling the marine refuse problem. In support of the Working Group, EPD completed the 2015 Study. The relevant departments took specific actions to implement recommendations of the 2015 Study, which included: (a) enhancing cleaning efforts (e.g. increasing cleaning frequencies of 27 priority sites identified by the 2015 Study); (b) providing support and facilities to reduce the amount of refuse entering the sea (e.g. providing waste recycling bins and water dispensers at coastal areas); (c) launching publicity and educational campaigns; and (d) conducting regulatory and enforcement actions. A Clean Shorelines Liaison Platform (which mainly includes a dedicated website and social platforms) has been established after the 2018 Policy Address to engage organisations and volunteers that advocate for keeping the shorelines clean, with a view to leveraging community efforts to protect the marine environment. The Audit Commission (Audit) has recently conducted a review to examine the Government's efforts in tackling shoreline refuse.

Executive Summary

Monitoring of shoreline cleanliness by Environmental Protection Department

3. ***Inspections of coastal sites.*** EPD conducts regular inspections at specific coastal sites which are more prone to marine refuse accumulation, and assesses the cleanliness conditions of these sites using a Shoreline Cleanliness Grading System (with five levels ranging from “Grade 1 — Clean” to “Grade 5 — Poor”) (i.e. shoreline cleanliness monitoring programme). From April 2015 to October 2017, EPD staff inspected each priority site at least once in both wet and dry seasons. With a new list of 29 priority sites updated in November 2017 and up to December 2019, EPD staff conducted inspections to the newly listed priority sites under a new monitoring regime, in which the frequency of re-inspection of a priority site (ranging from within one to six months) was set by reference to the cleanliness level recorded. Since mid-January 2020, EPD has ceased deploying its own staff to conduct routine inspections and engaged a contractor to conduct on-site inspections of the 29 priority sites monthly and 90 other coastal sites quarterly under a site monitoring contract. EPD has also engaged another contractor to deploy unmanned aircraft systems (UAS) for shoreline surveillance since May 2020 under a trial project (paras. 2.4 to 2.7, 2.12 and 2.17(a)).

4. ***Inspections by EPD staff.*** Audit examined records of inspections by EPD staff to the 29 priority sites from November 2017 to December 2019 (26 months) and identified the following issues (para. 2.8):

- (a) ***Some re-inspections not conducted within planned timeframe.*** There were deviations from the planned timeframe in conducting 24 re-inspections involving 13 of the 29 priority sites (up to a delay of 106 days in one case). According to EPD, 9 of the 24 re-inspections were covered by helicopter surveillance flights (arranged with the Government Flying Service). However, the information obtained by helicopter aerial surveillance was different from that by on-site inspections as the angle of photographs taken and the surveillance area varied in each flight and the Shoreline Cleanliness Grading System was not applicable (para. 2.9); and
- (b) ***Inconsistencies in documentation of inspection.*** EPD standardised the format of the inspection report after a review exercise conducted in July 2019. Since then, field staff had been required to include photographs taken at designated points of each coastal site in the inspection report. Supervisory checks were also introduced after the review exercise. Based

Executive Summary

on a sample check of 15 reports on inspections conducted after July 2019, Audit found that: (i) photographs of some designated points were not included in 4 inspection reports and the reasons for omission were not documented; and (ii) supervisory checks were not documented in 6 inspection reports (para. 2.10).

5. ***Need to promulgate cleanliness conditions of coastal sites.*** EPD does not regularly promulgate in the public domain the cleanliness condition of coastal sites. In Audit's view, information on the cleanliness condition of coastal sites is useful for non-governmental organisations (e.g. green groups) in planning their voluntary clean-up events. With the lapse of time and the increased inspection coverage and frequency since 2020, there are merits for EPD to disseminate the information on cleanliness conditions of coastal sites through the dedicated Clean Shorelines website (para. 2.13).

6. ***Need to keep in view coastal sites under shoreline cleanliness monitoring programme.*** Audit found that the cleanliness condition of the priority sites had generally improved from January 2018 to mid-August 2020. For instance, 27 (93%) of 29 priority sites identified in November 2017 were accorded an average cleanliness grading better than "Grade 3 — Fair" from January to mid-August 2020. However, during the same period, some non-priority sites attained worse cleanliness gradings (e.g. the Brothers Marine Park). In Audit's view, EPD should continue to keep in view the need for updating the coastal sites in the shoreline cleanliness monitoring programme taking into account changes in cleanliness and other circumstances of individual sites, and make use of UAS inspections to supplement on-site inspections (paras. 2.16 to 2.18).

7. ***Handling of pork hock incident.*** In May 2017, EPD and the authorities in Guangdong Province launched a regional notification and alert mechanism allowing one side to notify the other of heavy rain or significant environmental incidents. In conjunction with the mechanism, EPD has compiled a protocol for handling surge of marine refuse in Hong Kong (the Protocol), which outlines the established arrangements for action departments (i.e. AFCD, FEHD, LCSD and MD) to handle surge of marine refuse at Hong Kong's waters and coastal areas owing to typhoon, heavy rainfalls, or significant environmental incidents. On 11 July 2020, local media reports revealed that a large quantity of pork hocks had been found on the beaches in Humen, Dongguan, Guangdong Province. From 13 to 16 July 2020, media reports revealed that pork hocks had been found on the beaches in Tuen Mun District and

Executive Summary

Tsuen Wan District. According to EPD, the pork hocks found on the beaches did not meet the broad classification of marine refuse (i.e. plastics, metal, glass, processed timber, paper, porcelain, rubber and cloth) and hence, the incident did not meet the conditions for activating the Protocol. Notwithstanding this, it had taken follow-up actions on the incident in response to a media enquiry on 13 July 2020. Audit considers that there are merits for EPD to draw on the experience in the incident to update the Protocol, where appropriate (paras. 2.21 to 2.25).

Clean-up operations by Agriculture, Fisheries and Conservation Department

8. ***Cleansing contracts.*** AFCD is responsible for the cleanliness of six Marine Parks, one Marine Reserve, and shorelines of 24 country parks and 11 designated special areas outside the country parks in Hong Kong. As at 1 July 2020, the cleansing work of the Marine Parks and Marine Reserve was outsourced to 3 contractors under 5 recurrent contracts. From 2015 to 2019, AFCD collected 1,670 tonnes (averaging 334 tonnes per annum) of marine refuse in its Marine Parks and Marine Reserve (para. 3.2). Audit examination revealed the following areas for improvement:

- (a) ***Need to improve the inspection reporting requirements.*** Monitoring staff of AFCD are required to complete a Daily Site Inspection Form or any of the two other inspection forms after each inspection. Audit noted that some important information was missing in the inspection forms. For example, the inspection form used by AFCD staff in two Marine Parks (Sha Chau and Lung Kwu Chau Marine Park and the Brothers Marine Park) did not record the time of inspection, and all inspection forms did not record the departure time of the contractors' staff (paras. 3.3 and 3.4);
- (b) ***Need to take effective follow-up actions on cases of suspected absence from duty of contractors' staff.*** According to the provisions in AFCD's cleansing contracts, contractors should ensure that the number of cleaners deployed to perform a cleansing operation and the number of working hours are not less than that stipulated in the contracts. Audit examined 772 inspection records (from 1 April 2019 to 31 March 2020) and found that: (i) the inspection forms of 18 site inspections in 3 Marine Parks (Tung Ping Chau, Hoi Ha Wan and Yan Chau Tong Marine Parks) showed that AFCD staff either did not find the contractors' staff on site, or found that contractors' staff had left early. In 12 out of the 18 cases, AFCD staff either did not document any follow-up actions taken (7 cases), gave up

Executive Summary

calling the contractors after several unsuccessful phone calls (3 cases), or the contractor informed AFCD that the duration of cleansing work had to be shortened (2 cases) and yet no information on the dates of replacement work was recorded; and (ii) 99 inspections scheduled for Sha Chau and Lung Kwu Chau Marine Park were cancelled because the AFCD staff concerned were occupied by other tasks. The monitoring procedures of AFCD have not specified a minimum inspection frequency for AFCD staff over a period of time (para. 3.5); and

- (c) ***Need to enhance the monitoring of contractors' work.*** Audit examined the provisions in the 5 recurrent AFCD cleansing contracts (in force as of August 2020) and found that: (i) the internal guideline of AFCD did not provide clear assessment criteria for assessing the level of satisfaction with the services provided by a contractor; (ii) only one cleansing contract specified that the contractor should submit digital images before each service and after completion of the service; and (iii) all 5 contracts had not included provisions requiring the contractors to report the arrival and departure times of their staff (para. 3.7).

9. ***Audit's site visits.*** Audit's site visits to two Marine Parks from June to August 2020 found the following issues:

- (a) ***Long time taken to remove large objects washed ashore.*** Audit's site visit on 18 June 2020 found two red pipe structures along the shoreline of Lung Kwu Chau. According to AFCD records, the two pipe structures were first found in December 2019 and follow-up actions (including identifying the owner of the structures and trying to engage some cleansing service companies for arranging quick removal of the structures) had been taken to remove the structures but not successful. Subsequently, AFCD sought the assistance from MD and the pipe structures were eventually removed by MD's contractor on 29 July 2020 (paras. 3.11, 3.12 and 3.14);
- (b) ***Marine refuse found beyond high water mark of Sha Chau and Lung Kwu Chau Marine Park.*** According to the cleansing contract of the Marine Park, the contractor should clear all refuse at areas near the high water mark and the edge of the sea on beaches, as well as all floating refuse within the Marine Park boundary. Audit's site visits on 18 June, 24 July and 24 August 2020 found a large quantity of refuse at the area beyond high

Executive Summary

water mark and next to the natural vegetation (i.e. back-of-beach area) of Sha Chau and Lung Kwu Chau (paras. 3.15 and 3.16);

- (c) ***Need to improve the cleanliness of back-of-beach area of Lung Kwu Chau.*** AFCD is responsible for clean-up of marine refuse within the boundary of the Marine Park, excluding the back-of-beach area. For the back-of-beach area of Lung Kwu Chau, AFCD agreed to conduct a one-off in-depth clean-up operation with EPD's funding support, albeit falling outside the boundary of the Marine Park. AFCD awarded two ad hoc cleansing contracts (from November 2018 to May 2019 and February to July 2020) covering the back-of-beach area of Lung Kwu Chau. Audit found that the frequency of collection, number of staff to be deployed and working hours per day had not been specified in the two ad hoc contracts and the contractor was not required to submit digital images of the site after each clean-up operation as evidence supporting that the cleansing work was satisfactorily completed. In July and August 2020, Audit paid site visits to Lung Kwu Chau and found that: (i) the refuse had not been fully cleaned up at Lung Kwu Chau in accordance with the contract provisions; and (ii) a large quantity of refuse was accumulated at the back-of-beach area adjacent to a footpath on Lung Kwu Chau (paras. 3.17 and 3.18); and
- (d) ***Need to improve the cleanliness of the Brothers Marine Park.*** The contractor of the cleansing contract of the Brothers Marine Park cleaned West Brother and East Brother each once a month, which was the lowest frequency among the Marine Parks and Marine Reserve. Audit's site visits on 24 July and 24 August 2020 found a large quantity of refuse (barrels, bamboo sticks and foam boxes) accumulated along the shorelines of the Marine Park (paras. 3.19 to 3.21).

Clean-up operations by Leisure and Cultural Services Department

10. ***Collection and removal of shoreline refuse at gazetted beaches.*** LCSD is responsible for the cleanliness of 41 gazetted beaches and the cleansing work is performed by contractors under three cleansing contracts covering different districts. While the cleanliness condition of gazetted beaches was generally more satisfactory than that of the other coastal sites, Audit found the following areas for improvement (paras. 4.2, 4.6 and 4.8):

Executive Summary

- (a) ***Need to ensure accuracy and timely reporting of statistics on special cleansing operations.*** LCSD conducted special cleansing operations at the priority sites during wet seasons and at the remaining gazetted beaches after heavy rainfall, strong monsoon, typhoons or other inclement weather. Audit noted that the statistics of special cleansing operations had not been reported to the Working Group or its Task Force after January 2018. Audit examination of a statistical return on special cleansing operations provided by LCSD revealed that: (i) for the four priority sites, the number of special cleansing operations decreased from around 100 each in 2018 and 2019 to 24 for the first half of 2020. The decrease might reflect a general improvement in the cleanliness condition of the priority sites; and (ii) for the other 37 non-priority sites, the number of special cleansing operations increased significantly from 236 in 2019 to 931 for the first half of 2020. According to LCSD, the provision of one additional cleansing worker per day at each of the six beaches in Sai Kung from February to May 2020 and in some of the Sai Kung beaches in June 2020 was incorrectly reported as 842 special cleansing operations in the statistical return provided to Audit (paras. 4.10 to 4.12);
- (b) ***Need to tighten controls on provision of additional cleansing workers.*** Audit examined the requests made by LCSD for provision of additional cleansing workers by contractors for beaches in different districts from April 2017 to March 2020 and found that: (i) justifications for the requests for additional cleansing workers were not documented; (ii) additional cleansing workers had been deployed before the issue of a written service order to the contractor on some occasions; and (iii) while LCSD requested the contractor to provide four additional cleansing workers to work for eight hours on alternate Fridays each month in Rocky Bay Beach from June 2018 to March 2020, the quantity of refuse collected on the Fridays with additional cleansing workers did not show a significant increase as compared to that on the Fridays without additional cleansing workers (para. 4.14); and
- (c) ***Need to improve accuracy of shoreline refuse data.*** LCSD venue staff records the total number of bags and/or the total weight of shoreline refuse and land refuse on a daily basis. A summary of shoreline refuse data of each gazetted beach is provided to EPD on a monthly basis. Audit noted that LCSD did not have laid-down procedures on how to classify, count and weigh the refuse collected, resulting in the following issues (para. 4.15):

Executive Summary

- (i) ***Refuse collected not consistently classified as shoreline refuse.*** Audit conducted interviews with venue staff of 13 beaches and found that they had different interpretations on how to classify refuse collected as shoreline refuse. For example, venue staff of two beaches in one district said that only refuse collected in the water area would be classified as shoreline refuse. In contrast, venue staff of three beaches in another district said that refuse collected in the water area and on the entire sand area would be classified as shoreline refuse (para. 4.15(a)(i));
- (ii) ***Variation in estimating refuse weight.*** According to the interviews with the venue staff of different beaches, the refuse weight was estimated based on a formula (i.e. multiplying the number of bags/bins of refuse collected by an estimated weight for each bag/bin of refuse). The estimated weight for each bag/bin of refuse in each beach was either 15 kilograms (kg) or 25 kg (for garbage bag) and either 250 kg or 300 kg (for garbage bin). No record was available showing when and how LCSD determined the estimated weight for each bag/bin of refuse and whether LCSD had regularly calibrated the estimated weight (para. 4.15(a)(ii)); and
- (iii) ***Refuse on shark prevention nets not reported.*** In 2019, the maintenance contractor of shark prevention nets reported that refuse with a total weight of 14,847 kg had been removed during its maintenance service. However, LCSD had not included the quantity of refuse reported by the maintenance contractor in compiling the marine refuse data for submission to EPD (para. 4.15(a)(iii)).

Clean-up operations by Food and Environmental Hygiene Department

11. ***Monitoring of clean-up operations.*** FEHD is responsible for the cleanliness of ungazetted beaches and coastal areas in Hong Kong that are not under the purview of other government departments. As of August 2020, of the 306 sites of ungazetted beaches and coastal areas under FEHD's purview, the clean-up work of 287 (94%) sites was outsourced to a contractor and clean-up work of the remaining 19 (6%) sites was undertaken by its in-house staff. From 2015 to 2019, FEHD collected 4,045 tonnes (averaging 809 tonnes per annum) of shoreline refuse in the

Executive Summary

ungazetted beaches and coastal areas under its purview (paras. 5.2 and 5.3). Audit examination revealed the following areas for improvement:

- (a) ***Need to update guidelines for assessing the cleanliness level.*** According to FEHD's Operational Manual for Management of Public Cleansing Contracts (Operational Manual), FEHD staff shall assess the overall performance of the contractor through random checking. The frontline staff will determine whether the cleanliness level achieved is satisfactory based on both the terms and condition of the contract and the work plans proposed by the contractor and approved by FEHD. In Audit's view, FEHD needs to update its guidelines for assessing the cleanliness level achieved by the contractor, making reference to EPD's Shoreline Cleanliness Grading System for the cleanliness level where appropriate (para. 5.5);
- (b) ***Need to comply with the monitoring requirements of the Operational Manual.*** According to the Operational Manual, Senior Foremen should inspect at least 50% of the scheduled work sites on the day the service is provided. Health Inspectors and Senior Health Inspectors should conduct checking on the submissions of Senior Foremen, by making use of the Contract Management System of FEHD, twice and once a week respectively. In June and July 2020, Audit paid visits to FEHD's Islands and Sai Kung District Environmental Hygiene Offices and found cases that the work sites inspected had not been recorded on the concerned Senior Foreman's Daily Inspection Reports. Without information on work sites inspected, Audit could not ascertain whether the 50% target inspection rate for Senior Foremen had been achieved. Audit also noted that the requirement of the Operational Manual to make use of the System to conduct checking on the submissions of the Senior Foreman once/twice a week had not been fully achieved (paras. 5.6 and 5.7);
- (c) ***Audit's field visits.*** From June to mid-September 2020, Audit conducted field visits to three priority sites and found:
 - (i) a large quantity of refuse in two sites (Ting Kok Road near Po Sam Pai Village in Tai Po District and Shui Hau in Islands District) and the refuse had not yet been fully cleaned up by the contractor as of mid-September 2020; and

Executive Summary

- (ii) a plastic bucket and a large bamboo scaffold at the shoreline of Lung Kwu Tan near Lung Tsai in Tuen Mun District (para. 5.12); and
- (d) ***Tendering of clean-up service.*** From 2016 to 2021, FEHD adopted different grouping strategies for the contracts for provision of clean-up (and waste removal) services for the ungazetted beaches and coastal areas and other territorial sites under its purview (para. 5.16). Audit examination revealed the following areas for improvement:
 - (i) ***Need to avoid over-reliance on a single contractor.*** In approving the acceptance of recommended tender for the territory-wide clean-up contract for the period from June 2018 to May 2019, the Central Tender Board in May 2018 commented that the over-reliance on a single contractor was undesirable from the risk management perspective and requested FEHD to take this into account in future. According to the Financial Services and the Treasury Bureau Circular Memorandum No. 4/2019 “Concentration Risk in relation to Cleansing and Security Service Contracts” (issued in April 2019), government departments are encouraged to implement appropriate means to promote competition including restricting the number of contracts to be awarded to the same tenderer. However, FEHD awarded the 2019-21 clean-up service for two Districts Groups in May 2019 to the same contractor without imposing such restriction (paras. 5.16 and 5.19); and
 - (ii) ***Need to make realistic estimation of clean-up service hours for inclusion in future contracts as far as practicable.*** The 2019-21 clean-up contract requires the contractor to perform clean-up service to achieve the cleanliness level to the satisfaction of FEHD (i.e. adopting an outcome basis approach). Audit selected one district each (with the longest estimated hours) from the two Districts Groups of the contract and found that, for the period from June 2019 to May 2020, the actual hours incurred by the contractor were only 38.3% and 53.3% respectively of the estimated hours included in the contract (paras. 5.20 and 5.23).

Executive Summary

Other related issues

12. *Publicity and public engagement efforts in promoting shoreline cleanliness.* Audit examination revealed the following areas for improvement:

- (a) *Clean-up events for remote and difficult-to-access coastal sites.* Audit found that from January 2019 to July 2020, no clean-up events were organised at three priority sites, one of which being the Sha Chau and Lung Kwu Chau Marine Park (see para. 9(b) and (c)). In order to encourage community groups to conduct clean-up events at the coastal sites with genuine marine refuse problems, EPD should consider periodically promulgating their cleanliness conditions (para. 6.5);
- (b) *Need to encourage the use of marine refuse data cards.* EPD encourages community groups to collect coastal refuse data (using marine refuse data card templates uploaded on the Clean Shorelines website) and report them to EPD upon completion of each clean-up operation. Audit noted that of the 1,440 clean-up events organised by community groups from April 2015 to July 2020, EPD only received 20 sets of marine refuse data from the organisers of 58 clean-up events (para. 6.6);
- (c) *Need to remind contractor to report accurate figures in monthly analytical reports of social media pages.* EPD has set up three Clean Shorelines social media pages and the maintenance of two of them is outsourced to a contractor. Audit found that there were a number of errors in the figures reported in the monthly analytical reports submitted by the contractor (paras. 6.7 and 6.8); and
- (d) *Need to gauge public views on shoreline cleanliness.* In 2016, EPD planned to conduct a survey to gauge the public impression on shoreline cleanliness following the implementation of improvement measures by the Working Group since April 2015. The survey was subsequently cancelled due to various reasons. Audit noted that the Working Group had encountered difficulties in gathering feedback through face-to-face public engagement sessions and clean shorelines activities after 2018 due to social unrest in 2019 and the outbreak of the coronavirus disease (COVID-19) in 2020. Audit considers that there are merits for the Working Group to consider appropriate ways to gauge public views on shoreline cleanliness at a future opportune time (paras. 6.9 and 6.10).

Executive Summary

13. ***Using 360-degree camera system to monitor remote coastal sites.*** For close monitoring of shoreline refuse, FEHD launched a trial scheme on hiring camera system services at 5 priority sites from February to July 2018. Digital images were captured in day time and uploaded to a central server automatically. FEHD staff monitored the condition of the coastal sites through a website provided by the contractor. After reviewing the result of the trial, FEHD extended the trial services at 15 priority sites for one year from March 2020 to February 2021 (paras. 6.13 and 6.14). Audit examination revealed the following areas for improvement:

- (a) ***Need to keep proper records on causes of malfunctioning of the camera system and follow-up actions taken.*** There had been six cameras installed in the Islands District. Audit noted that, from 1 March to 31 May 2020 (92 days), there was a total of 301 camera-days without image received. However, no follow-up actions on these malfunctioning cameras had been recorded in the report forms (para. 6.16); and
- (b) ***Need to ascertain whether the contractor has achieved the service contract requirements and consider taking follow-up actions in case of non-compliance.*** Audit noted that no images were received from 10 (67%) of the 15 priority sites for a period from 31 to 91 days, and the objective of monitoring the cleanliness condition of the priority sites was hampered (para. 6.17).

14. ***Need to step up enforcement actions against marine littering.*** MD, AFCD, FEHD and LCSD are empowered to take enforcement action against marine littering or nearshore littering. In the 10-year period from 2010 to 2019, while FEHD took enforcement actions on 5 marine littering cases per annum on average, AFCD only took enforcement actions in 3 of the 10 years and LCSD only gave verbal advice without taking any prosecution action. While pertinent departments were asked to step up inspections and patrols to achieve a deterrent effect and improve compliance according to the Working Group Meeting paper submitted in June 2014, Audit noted that the number of enforcement actions taken against marine littering by AFCD and LCSD had still remained low (paras. 6.20 and 6.22).

15. ***Provision of more water dispensers at gazetted beaches.*** Providing more water dispensers at gazetted beaches, parks, waterfront promenades and other recreational venues was one of the actions under the improvement measure to reduce refuse from entering the marine environment identified by the 2015 Study. In view

Executive Summary

of the high public patronage (e.g. 11 million visitors in 2019-20), water dispensers should be provided at gazetted beaches as far as practicable, to encourage members of the public to bring their own reusable water bottles to avoid purchasing and consuming one-off plastic-bottled beverages. Audit examination however revealed that progress in installing water dispensers was slow. As of June 2020, water dispensers were only provided in 24 (59%) of 41 gazetted beaches (paras. 6.25, 6.27 and 6.28).

Audit recommendations

16. **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 Director of Environmental Protection should:**
 - (i) **consider disseminating the information on cleanliness conditions of coastal sites, and continue to keep in view the need for updating the coastal sites in the shoreline cleanliness monitoring programme, and make use of UAS inspections (currently under trial) to supplement on-site inspections when reviewing the site monitoring contract requirements in future (para. 2.19(b) and (c));**
 - (ii) **draw on the experience in the pork hock incident to update the Protocol, where appropriate (para. 2.26); and**
 - (iii) **arrange for the Working Group to consider appropriate ways to gauge public views on shoreline cleanliness at a future opportune time (para. 6.11(c));**
- (b) **the Director of Agriculture, Fisheries and Conservation should:**
 - (i) **improve the inspection reporting requirements of cleansing services and take effective follow-up actions on cases of suspected absence from duty of contractors' staff and specify a minimum inspection frequency for AFCD staff (para. 3.8(a) and (b));**

Executive Summary

- (ii) **take measures to enhance monitoring of contractors' work, including issuing guidelines on the assessment of the quality of services of the contractors, requiring contractors to provide additional evidence on the work performed and report the arrival and departure times of their staff for each cleansing operation in future contracts (para. 3.8(d));**
 - (iii) **consider improving the salvage operation of large floating objects found in the Marine Parks and Marine Reserve (para. 3.22(a));**
 - (iv) **strengthen the monitoring of contractor's work in cleaning up the back-of-beach area of Lung Kwu Chau and review the effectiveness of the ad hoc cleansing services at back-of-beach area of Lung Kwu Chau (para. 3.22(b) and (c));**
 - (v) **explore effective measures in removing refuse located at the back-of-beach area of Lung Kwu Chau not covered by the existing contract (para. 3.22(d));**
 - (vi) **take prompt actions to improve the cleanliness of the Brothers Marine Park and consider the need for increasing the cleansing frequency (para. 3.22(e)); and**
 - (vii) **step up enforcement actions against marine littering (para. 6.23);**
- (c) **the Director of Leisure and Cultural Services should:**
 - (i) **ensure that the results of special cleansing operations are reported to the Working Group and its Task Force and improve the accuracy of management information on special cleansing operation statistics (para. 4.16(b) and (c));**
 - (ii) **tighten controls on the provision of additional workers for cleansing work of beaches and improve the accuracy of shoreline refuse data (para. 4.16(d) and (e));**
 - (iii) **step up enforcement actions against marine littering (para. 6.23); and**

Executive Summary

- (iv) expedite the installation of water dispensers in gazetted beaches (para. 6.32(a)); and
- (d) **the Director of Food and Environmental Hygiene should:**
 - (i) update the guidelines for assessing the cleanliness level achieved by the contractor and remind FEHD's supervisory staff to comply with the monitoring requirements of FEHD's Operational Manual (para. 5.10(a) and (b));
 - (ii) step up efforts in monitoring the cleanliness of priority sites and strengthen the supervision on the contractor's work (para. 5.14);
 - (iii) in consultation with the Department of Justice as appropriate, consider splitting the territory-wide clean-up service contract into different Districts Groups and imposing a restriction to the effect that the contracts cannot be awarded to a single contractor in future, taking due consideration of the prevailing market condition (para. 5.24(a));
 - (iv) make realistic estimation of clean-up service hours for inclusion in future contracts as far as practicable (para. 5.24(b));
 - (v) keep proper records on causes of malfunctioning of the camera system and follow-up actions taken (para. 6.18(a)); and
 - (vi) ascertain whether the contractor has achieved the service contract requirements and consider taking follow-up actions in case of non-compliance (para. 6.18(b)).

Response from the Government

17. The Director of Environmental Protection, the Director of Agriculture, Fisheries and Conservation, the Director of Leisure and Cultural Services, and the Director of Food and Environmental Hygiene 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 ***Shoreline refuse.*** According to the report of a Marine Refuse Study completed by the Environmental Protection Department (EPD) in 2015 (the 2015 Study), marine refuse refers to any solid waste, discarded or lost material, resulting from human activities, that has entered the marine environment irrespective of the sources (Note 1). Marine refuse comprises a wide range of materials such as plastic items and foam packaging materials. Floating refuse (i.e. marine refuse floating on sea surface) may be washed ashore and accumulated near the coastline as shoreline refuse (Note 2). Shoreline refuse becomes a visual amenity problem and an eyesore generating complaints, and may pose adverse impacts on the marine ecosystems and other sensitive beneficial uses of marine waters.

1.3 ***Collection of shoreline refuse.*** While floating refuse is collected by the Marine Department (MD), shoreline refuse is collected by a number of government departments, namely the Agriculture, Fisheries and Conservation Department (AFCD), the Food and Environmental Hygiene Department (FEHD), and the Leisure and Cultural Services Department (LCSD) according to the locations of which they are in charge. The delineation of responsibility is as follows:

Note 1: *According to the Guidelines on Survey and Monitoring of Marine Litter published by the United Nations Environment Programme and Intergovernmental Oceanographic Commission, marine refuse can be broadly classified into the following materials of man-made origins, including: (a) plastics; (b) metal; (c) glass; (d) processed timber; (e) paper; (f) rubber; and (g) cloth.*

Note 2: *Refuse sunk to the sea bottom may become seabed refuse if not decomposed. Removal of seabed refuse is conducted on a need basis by the Agriculture, Fisheries and Conservation Department, the Civil Engineering and Development Department, and the Marine Department. This audit review did not cover the work in tackling seabed refuse.*

Introduction

- (a) **MD.** The department is responsible for the sea surface cleanliness of Hong Kong waters. Services provided by MD include scavenging floating refuse from sea and foreshore areas, domestic refuse collecting service for local vessels inside typhoon shelters and ocean-going vessels moored within the Victoria Harbour, Junk Bay and Western Anchorages. MD also regularly conducts joint operations with FEHD to clear refuse accumulated at foreshores other than gazetted beaches;
- (b) **AFCD.** The department is responsible for the cleanliness of six Marine Parks, one Marine Reserve (see Figure 1), and shorelines of 24 country parks and 11 designated special areas (created mainly for the purpose of natural reservation) outside the country parks in Hong Kong by performing regular clean-ups and proper disposal of refuse;

Figure 1

Locations of six Marine Parks and one Marine Reserve



Source: AFCD records

- (c) **LCSD.** The department is responsible for the cleanliness of 41 gazetted beaches (see Figure 2). Services provided by LCSD include removal of floating refuse inside the swimming zone of the beaches, and clearance of refuse attached on marker buoys, floating pipes of shark prevention nets and shark prevention nets; and

Figure 2

Locations of 41 gazetted beaches



Source: LCSD records

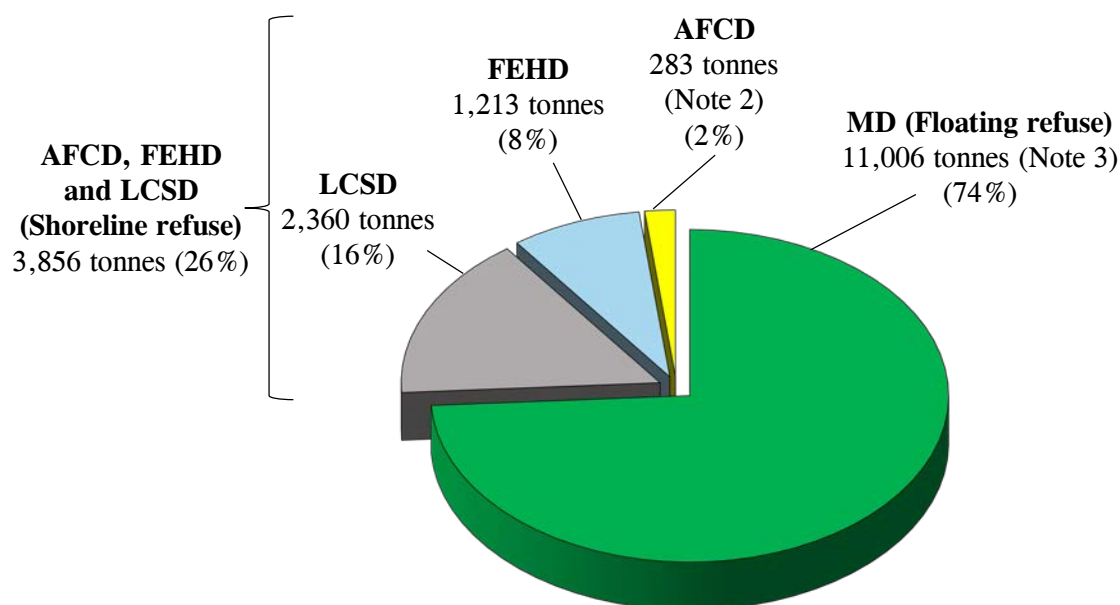
- (d) **FEHD.** The department is responsible for the cleanliness of ungazetted beaches and coastal areas, except those areas under the purview of other government departments. FEHD removes marine refuse washed ashore (shoreline refuse) to areas under its purview, and also conducts joint operations with MD to clear refuse accumulated at foreshores.

Introduction

According to the marine refuse statistics reported by the relevant departments to EPD, in 2019, the total quantity of marine refuse collected was 14,862 tonnes. Among these, 3,856 tonnes were shoreline refuse collected by AFCD, FEHD and LCSD (see Figure 3).

Figure 3

**Quantity of marine refuse (Note 1)
collected as reported by the four departments
(2019)**



Source: EPD's Clean Shorelines website and MD records

Note 1: In EPD's Clean Shorelines website, the collection of marine refuse (which comprises floating refuse and shoreline refuse) is presented holistically in a pie chart:

- (a) floating refuse refers to marine refuse collected by MD in Hong Kong waters including foreshore areas and typhoon shelters. Domestic refuse collected from vessels inside typhoon shelters is excluded (see Note 3); and*
- (b) shoreline refuse refers to marine refuse collected by government departments excluding floating refuse collected by MD. Land refuse collected on the sandy area of gazetted beaches by LCSD is not defined as shoreline refuse.*

Figure 3 (Cont'd)

Note 2: This included the litter collected from trash bins provided in Marine Parks.

Note 3: MD's contractor reported to MD that the total amount of marine refuse collected was 15,578 tonnes, which comprised 11,006 tonnes of floating refuse and 4,572 tonnes of domestic refuse collected from local vessels inside typhoon shelters and ocean-going vessels moored within the Victoria Harbour, Junk Bay and Western Anchorages. However, as noted in a related audit review on the collection and removal of marine refuse by MD (see para. 1.13), there was a significant discrepancy between the quantity of marine refuse reported by MD's contractor (i.e. 15,578 tonnes) and that disposed of by MD's contractor at refuse transfer stations and landfills. According to EPD's records, the quantity of refuse disposed of by MD's contractor at refuse transfer stations and landfills was 2,627 tonnes only.

1.4 Legislative control on marine littering. It is an offence to deposit without lawful authority or cause or permit to be deposited (where the case applies) any litter into the waters of Hong Kong or in public places (including gazetted beach, ungazetted beach, coastal area, watercourse, channel, ditch, marine park, marine reserve, typhoon shelter, etc.) or in any place from which it is likely that the litter will be swept by the tide into the waters of Hong Kong. MD, AFCD, FEHD, LCSD and the Hong Kong Police Force (HKPF — Note 3) are empowered to take enforcement actions against marine littering or nearshore littering under relevant legislation of their respective purviews (Note 4). In 2019, the total number of prosecutions on marine littering by MD, AFCD, FEHD, and LCSD was 24.

Note 3: *HKPF is not a member of the Inter-departmental Working Group (see para. 1.5). This audit review did not cover HKPF's enforcement work in tackling marine refuse.*

Note 4: *The relevant legislation includes: (a) Summary Offences Ordinance (Cap. 228) enforced by MD and HKPF; (b) Fixed Penalty (Public Cleanliness and Obstruction) Ordinance (Cap. 570) enforced by MD, LCSD, FEHD and HKPF; (c) Public Cleansing and Prevention of Nuisances Regulation (Cap. 132BK) enforced by LCSD and FEHD; (d) Bathing Beaches Regulation (Cap. 132E) enforced by LCSD; and (e) Marine Parks and Marine Reserves Regulation (Cap. 476A) enforced by AFCD (see Appendix A for details).*

Inter-departmental Working Group and the 2015 Study

1.5 ***Inter-departmental Working Group.*** In November 2012, in order to coordinate and enhance efforts among the relevant departments in tackling the marine refuse problem, the Government set up an Inter-departmental Working Group on Clean Shorelines. In January 2018, the Inter-departmental Working Group on Clean Shorelines was revamped and renamed as the Inter-departmental Working Group on Marine Environmental Management (the Working Group — Notes 5 and 6) with two task forces set up under it, namely the Task Force on Marine Refuse (TFMR) and the Task Force on Emergency Response to Environmental Incidents.

1.6 ***Findings of the 2015 Study.*** In March 2013, in support of the Working Group, EPD appointed a consultant to commission the 2015 Study. The key objectives of the Study were to collect, collate and analyse up-to-date information on the sources, fates, distribution and movement of marine refuse in Hong Kong waters. The 2015 Study also reviewed existing measures and formulated strategic policies to prevent and reduce marine refuse. In April 2015, the Working Group released the 2015 Study Report. Key findings of the 2015 Study Report included:

- (a) the marine refuse collected, which accounted for less than 0.5% of municipal solid waste, was mainly a result of littering and poor awareness by members of the community;
- (b) more than 80% of marine refuse originated from land-based sources, with shoreline and recreational activities being the predominant activity type contributing to marine refuse;
- (c) more than 70% (excluding natural debris) comprised plastic and foam plastic items while non-local refuse, which could be identified via its

Note 5: *The Working Group is chaired by the Permanent Secretary for the Environment. Its membership, apart from directorate level representatives from the four departments involved in collection of marine refuse (see para. 1.3), includes directorate level representatives from the Environmental Protection Department, the Drainage Services Department, the Fire Services Department, the Home Affairs Department, and the Hong Kong Observatory.*

Note 6: *In this Audit Report, both the Inter-departmental Working Group on Clean Shorelines and the Inter-departmental Working Group on Marine Environmental Management are, for simplicity, referred to as the “Working Group”.*

simplified Chinese character labels, accounted for less than 5% of the marine refuse collected;

- (d) the prevailing wind (i.e. south-westerly in wet season (from April to October) and north-easterly in dry season (from November to March)) had marked effect on refuse accumulated. More refuse was often collected after typhoons and heavy rain; and
- (e) a list of 27 priority sites, which were more prone to refuse accumulation and subject to more complaints, was drawn up.

1.7 ***Three-pronged strategy.*** In light of the findings of the 2015 Study (see para. 1.6), a three-pronged strategy was recommended in addressing marine refuse problem in Hong Kong, which included:

- (a) reducing overall waste generation at source (Note 7);
- (b) reducing the amount of refuse entering the marine environment; and
- (c) removing refuse from the marine environment.

1.8 ***Five key improvement measures.*** Five key improvement measures have been identified to improve the cleanliness of shorelines, as follows:

- (a) conducting publicity campaigns to engage the community to contribute and participate (e.g. encouraging schools and commercial companies to organise clean-ups or joining clean-up events organised by non-governmental organisations (NGOs)/community groups);
- (b) promoting educational messages to target groups, beach users, students and local community (e.g. spreading the anti-littering message with seasonal appeal to the public to help keep public venues clean, especially during festival celebrations and giving greater emphasis to the issue of floating refuse during regular meetings with fisherman organisations);

Note 7: *This audit review focused on the removal of marine refuse and did not cover the reduction of waste at source.*

Introduction

- (c) providing support measures and facilities to reduce refuse from entering the marine environment (e.g. considering providing more water dispensers at more gazetted beaches, parks, waterfront promenades and other recreational venues, and reviewing the location, size and number of rubbish bins and waste separation bins at shores and beaches);
- (d) enhancing efforts to remove refuse from the marine environment (e.g. adjusting cleansing frequency); and
- (e) engaging public participation to report marine littering and refuse problem (e.g. reminding the public about the Government's 1823 hotline for reporting marine littering).

Implementation of improvement measures

1.9 ***Progress in implementing recommendations of 2015 Study.*** In May 2017, EPD submitted a paper to the Legislative Council (LegCo) Panel on Environmental Affairs reporting progress of the Government's efforts in tackling marine refuse. According to the panel paper, key specific actions included:

- (a) ***Enhanced cleaning efforts.*** AFCD, FEHD, LCSD and MD had allocated additional resources to enhance their cleaning efforts, which included strategically increasing the cleaning frequencies at the 27 priority sites (see para. 1.6(e)), and arranging for more frequent clean-up operations during summers as recommended in the 2015 Study Report. EPD conducted 252 site inspections at the 27 priority sites from April 2015 to March 2017 and found that the enhanced cleaning efforts had generally delivered positive results. Apart from increasing the cleaning frequencies, the four departments had also increased their equipment and manpower to improve cleaning capacity;
- (b) ***Providing support and facilities to reduce the amount of refuse entering the sea.*** Waste recycling bins were provided at various coastal areas including piers and promenades to promote waste recycling and raise public awareness of waste separation and recycling. Besides, LCSD had provided 182 water dispensers at locations such as beaches, water sports centres, promenades and waterfront parks to encourage members of the public to bring their own reusable water bottles to avoid purchasing and consuming

one-off plastic-bottled beverages, thereby lowering the chance of waste plastics entering the sea. A number of improvement measures had also been implemented since July 2016 by AFCD and the Fish Marketing Organization (Note 8) to reduce the possibility of foam boxes and other refuse falling into the waters of the Aberdeen Typhoon Shelter due to the operations of the Aberdeen Wholesale Fish Market (e.g. urging fish traders and other market users to fasten their foam boxes properly by ropes or nets, and fitting the railings along the promenade with mesh to prevent refuse from blowing off the sea);

- (c) ***Launching publicity and educational campaigns.*** In addition to co-ordinating cleaning efforts among the departments, EPD also endeavoured to conduct publicity and educational activities to enhance public awareness of keeping the shorelines clean. EPD had worked on, among others, producing announcements in the public interest and organising various campaigns such as shorelines clean-up activities, roving exhibitions and design competitions, etc. with a view to encouraging members of the public to change their habits. EPD organised 17 shorelines clean-up activities in conjunction with NGOs or community groups between April 2015 and March 2017. Other three member departments under the Working Group, namely AFCD, FEHD and LCSD also organised a number of publicity and educational activities on keeping shorelines clean; and
- (d) ***Conducting regulatory and enforcement actions.*** The enforcement departments under the relevant legislation (see para. 1.4) stepped up patrols and conducted special inspections at black spots such as promenades, wholesale fish markets and typhoon shelters to take enforcement actions under which fixed penalty notices were issued.

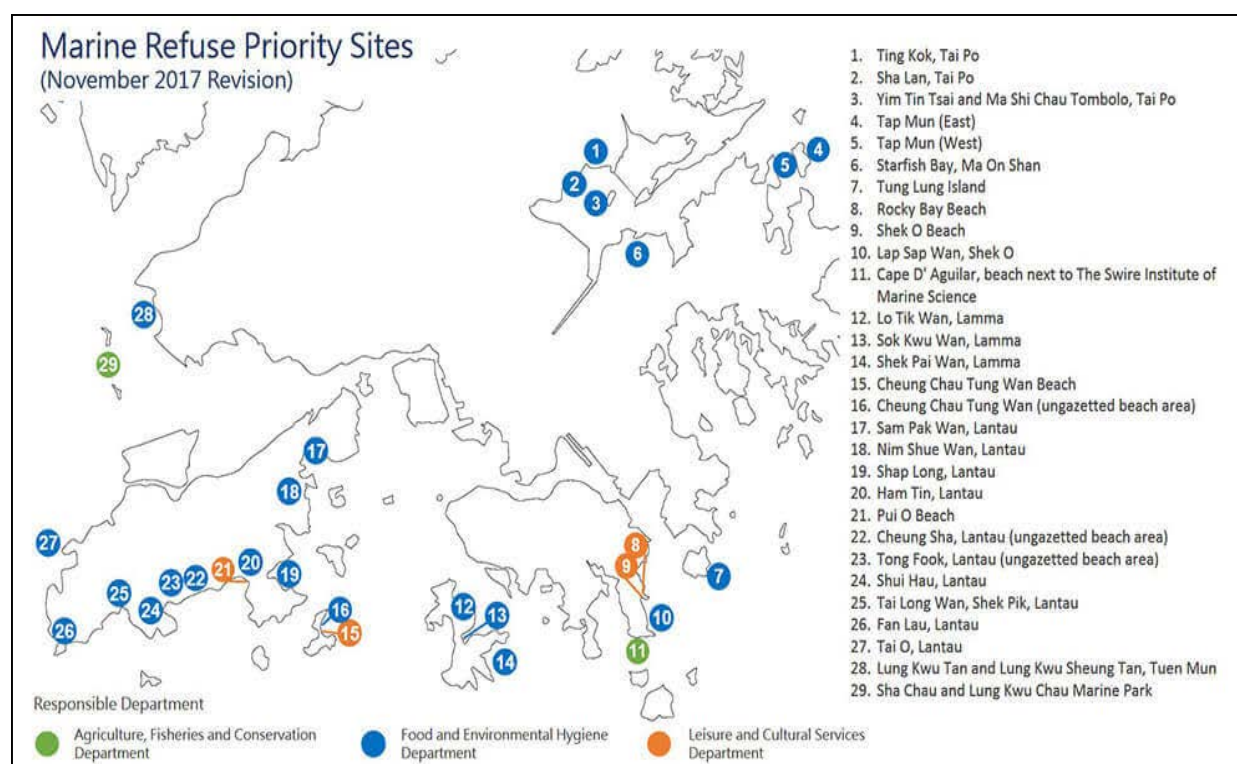
1.10 ***Review of priority sites.*** According to the LegCo Panel on Environmental Affairs paper issued in May 2017 (see para. 1.9), EPD had since April 2017 commenced a review and analysis on the past two-year data on various coastal areas

Note 8: *The Fish Marketing Organization is a self-financing non-profit-making organisation formed to promote the development and continuous improvement of the fisheries industry, and to provide facilities and services for the orderly marketing of fresh marine fishes. The Organization operates seven wholesale fish markets and is headed by the Director of Marketing, a position currently held by the Director of Agriculture, Fisheries and Conservation.*

Introduction

with a view to conducting a comprehensive assessment of the marine refuse sites in various districts and their priorities. After an overall evaluation, the list of priority sites was updated in November 2017 to better redeploy resources for improvement of shoreline cleanliness. The new list comprises 29 sites, covering 15 existing and 14 newly added locations (see Figure 4).

Figure 4
Locations of 29 marine refuse priority sites
(November 2017)



Source: EPD records

1.11 **Clean Shorelines Liaison Platform.** In October 2018, the Chief Executive of the Hong Kong Special Administrative Region announced in the Policy Address that the Government would step up actions to strengthen clean-up of the shorelines across the territory and regional co-operation in protecting the marine environment, and would establish a Clean Shorelines Liaison Platform to engage organisations and volunteers that advocate for keeping the shorelines clean, with a view to leveraging community efforts to protect the marine environment. The Clean Shorelines Liaison

Platform, which includes the “Clean Shorelines” social platforms, dedicated website, designated hotline and e-mail address, is used for coordinating and promoting shoreline clean-up actions, providing appropriate support and assistance to related activities and sharing the clean-up results.

1.12 *Use of technology.* In the 2017 Policy Address, the Chief Executive highlighted the use of automation to enhance efficiency, particularly the “exploring the introduction of automated cleaning machines or technology for trial use at suitable venues or after large-scale events”. From February to July 2018, FEHD conducted a pilot scheme on the trial use of cameras to monitor the refuse accumulation in five coastal sites. In February 2019, FEHD informed the LegCo Panel on Food Safety and Environmental Hygiene that there was a plan to extend the installation of 360-degree cameras (Note 9) at 15 priority sites. In October 2019, the Environment Bureau informed the LegCo Panel on Environmental Affairs that application of advanced and smart technologies would be explored for comprehensive monitoring of the shoreline conditions, so as to achieve more effective utilisation of resources in expanding the coverage of clean-up operations.

Audit review

1.13 In May 2020, the Audit Commission (Audit) commenced two reviews to examine the collection and removal of marine refuse by MD (see Chapter 1 of the Director of Audit’s Report No. 75) and the Government’s efforts in tackling shoreline refuse (the subject matter of this review). This review focuses on the following areas:

- (a) monitoring of shoreline cleanliness by EPD (PART 2);
- (b) clean-up operations by AFCD (PART 3);
- (c) clean-up operations by LCSD (PART 4);
- (d) clean-up operations by FEHD (PART 5); and

Note 9: *Images of 360-degree landscape are captured every 30 minutes in day time and uploaded to a central server automatically via 4G data transmission for review. The system is powered by rechargeable batteries making use of solar energy through solar panels.*

Introduction

- (e) other related issues (PART 6).

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 Director of Environmental Protection, the Director of Agriculture, Fisheries and Conservation, the Director of Leisure and Cultural Services, and the Director of Food and Environmental Hygiene agree with the audit recommendations.

Acknowledgement

1.15 During the audit review, in light of the outbreak of coronavirus disease (COVID-19), the Government had implemented various special work arrangements and targeted measures for government employees, including working from home. Audit would like to acknowledge with gratitude the full cooperation of the staff of EPD, AFCD, LCSD, FEHD and MD during the course of the audit review amid the COVID-19 epidemic.

PART 2: MONITORING OF SHORELINE CLEANLINESS BY ENVIRONMENTAL PROTECTION DEPARTMENT

2.1 This PART examines EPD's work in monitoring the cleanliness of coastal sites, focusing on:

- (a) inspection of coastal sites (paras. 2.4 to 2.20); and
- (b) protocol for handling surge of marine refuse (paras. 2.21 to 2.27).

EPD's role in monitoring of shoreline cleanliness

2.2 ***EPD's role.*** As the secretariat of the Working Group, EPD plays a vital role in coordinating and strengthening member departments' efforts to address marine refuse problems in Hong Kong, which includes conducting thematic studies, formulating responding strategies based on the study findings, reviewing the effectiveness of these strategies and exploring various measures with a view to continuously improving the cleanliness of shorelines. Apart from co-ordinating the efforts of relevant departments, EPD also carries out community education and public engagement to enhance the public awareness of keeping the shorelines clean. The publicity and public engagement work of EPD is elaborated in PART 6.

2.3 ***Monitoring work.*** EPD has been monitoring the cleanliness condition of priority sites (see para. 1.9(a)) since April 2015. It conducts regular inspections to monitor the improvement made at the priority sites, and to evaluate the effectiveness of the enhanced clean-up. According to EPD, for the purpose of regular monitoring and review of priority sites, the daily refuse amount is needed for effective analysis of the accumulation and distribution patterns of marine refuse, so as to promptly alert departments to take preventive measures and actions in time if any anomaly is observed. Since April 2017, departments responsible for cleaning up marine refuse (i.e. AFCD, FEHD, LCSD and MD) have been providing monthly returns on the daily refuse amount collected from sites under their jurisdictions and complaint data to EPD for consolidation and monitoring.

Inspection of coastal sites

2.4 *Shoreline Cleanliness Grading System.* EPD conducts regular inspections at specific coastal sites which are more prone to marine refuse accumulation, and assesses the cleanliness conditions of these sites using a Shoreline Cleanliness Grading System (see Figure 5). According to EPD, if more than one inspection was conducted to the same site during a reporting period, the cleanliness grading would be calculated by taking the average of all the gradings taken. The inspection arrangements (e.g. inspection frequency, number of coastal sites covered and mode of service delivery (i.e. in-house staff versus outsourcing)), which have been evolving since the commencement of inspections in April 2015, are elaborated in paragraphs 2.5 to 2.7.

Figure 5

Shoreline Cleanliness Grading System

Clean (Grade 1)



Satisfactory (Grade 2)



Fair (Grade 3)



Unsatisfactory (Grade 4)



Poor (Grade 5)



Source: EPD records

Monitoring of shoreline cleanliness by Environmental Protection Department

2.5 *Inspections from April 2015 to October 2017.* EPD had put in place an arrangement to monitor the improvements made at the 27 priority sites recommended in the 2015 Study (see para. 1.9(a)). According to the arrangement, EPD staff would inspect each priority site at least once in both wet and dry seasons to assess the cleanliness condition. If a site was graded as “Grade 4 — Unsatisfactory” or “Grade 5 — Poor”, relevant departments would be requested to take follow-up actions. From April 2015 to October 2017 (i.e. before the finalisation of the revised priority site list in November 2017 — see para. 1.10), EPD conducted 339 inspections to the 27 priority sites and reported the results to the Working Group in May 2016, January 2017 and January 2018 respectively.

2.6 *Inspections from November 2017 to December 2019.* Since November 2017 when the new list of 29 priority sites (see para. 1.10) was finalised, EPD had arranged its staff to conduct inspections to the newly listed priority sites and adopted a new monitoring regime (see Table 1) to assess and rate the cleanliness conditions of these sites, as agreed with the departments concerned. The new monitoring regime, which was modelled on the Shoreline Cleanliness Grading System with five levels, helped responsible departments prioritise their regular or special clean-up actions. If any priority site was graded as “Grade 3 — Fair” or worse, EPD would immediately notify the relevant departments to follow up and arrange clean-up as soon as possible. From November 2017 to December 2019, EPD staff conducted 691 inspections to the 29 priority sites.

**Monitoring of shoreline cleanliness
by Environmental Protection Department**

Table 1

**Monitoring regime for priority sites
(November 2017 to December 2019)**

Grade	Description	Inspection frequency	Follow up action
1: Clean	No refuse or scattered refuse is seen over the whole coastal area, including the intertidal region and the edge of vegetation	Re-inspect within 6 months	<ul style="list-style-type: none"> • No specific follow-up action is required
2: Satisfactory	A few pieces of refuse are seen along the high tide mark and low tide mark; and scattered refuse is seen over the intertidal region and other parts of the coastal area	Re-inspect within 4 months	<ul style="list-style-type: none"> • Regular clean-up is appropriate and should be continued
3: Fair	Marked deposition of refuse in the intertidal region and along the edge of vegetation	Re-inspect within 3 months	<ul style="list-style-type: none"> • Carry out clean-up operation as soon as possible after the referral
4: Unsatisfactory	Marked deposition of refuse over the whole coastal area and it is hard to avoid stepping on refuse when walking	Re-inspect within 2 months	<ul style="list-style-type: none"> • Carry out clean-up operation as soon as possible after the referral • Consider enhancing regular cleansing frequency
5: Poor	The whole coastal area is badly covered with refuse and one has to trudge through the refuse when walking	Re-inspect within 1 month	<ul style="list-style-type: none"> • Carry out clean-up operation as soon as possible after the referral • Consider enhancing regular cleansing frequency • Consider special joint departmental clean-up operation, where appropriate

Source: EPD records

Monitoring of shoreline cleanliness by Environmental Protection Department

2.7 *Inspections since mid-January 2020.* In the 2018 Policy Address, the Government pledged to put in more efforts in enhancing the shoreline surveillance and clean-up programme to a territorial scale (see para. 1.11). To cope with this enlarged scale of monitoring, EPD engaged a contractor to: (a) inspect and assess the cleanliness condition of 119 coastal sites (comprising 29 priority sites monthly and 90 non-priority sites quarterly — Note 10); and (b) collect and collate information on the cleanliness conditions of these sites in terms of marine refuse. In December 2019, a site monitoring contract was awarded in the sum of \$0.9 million covering a period of 14 months from mid-January 2020 to March 2021. From mid-January to mid-August 2020, EPD contractor conducted 508 inspections to the 119 coastal sites (including 234 inspections to the 29 priority sites). Apart from engaging a contractor to conduct on-site inspections of coastal sites, EPD also commenced a trial project to deploy unmanned aircraft systems (UAS) for shoreline surveillance on a regular and ad hoc basis. The project comprises two phases. In the first phase, 64 coastal sites are targeted for quarterly and emergency inspections with 33 coastal sites covered by both on-site and UAS inspections for comparison and evaluation of the two inspection methods. In the second phase, the number of coastal sites monitored by UAS will be tentatively increased to 94, subject to review. The UAS service of the first phase was procured by quotation in November 2019. The contract was awarded in March 2020 with a total contract sum of about \$1 million for a period of 14 months from March 2020 to May 2021. UAS inspections commenced in May 2020.

Audit findings on inspections of coastal sites by EPD staff

2.8 *Inspections by EPD staff.* As EPD adopted a new monitoring regime for the inspection of priority sites in November 2017 (see para. 2.6), Audit examination focused on the inspections in the 26-month period from November 2017 to December 2019. Audit examined the inspection records (which mainly comprised a database of inspection details (e.g. date and time of inspection, coastal site inspected, and cleanliness grading given in each inspection) and selected inspection reports) and the findings are summarised in paragraphs 2.9 to 2.11.

Note 10: *The contractor may also be required to carry out ad hoc inspections of these 119 sites or other specific sites, upon instruction from EPD, and such service charge shall be determined in accordance with the unit rate specified in the contract.*

2.9 *Some re-inspections not conducted within the planned timeframe.*

According to the monitoring regime, it was planned that priority sites would be re-inspected within one to six months based on the cleanliness grading in the previous inspection. Audit analysis of the 691 inspections found that 24 re-inspections, involving 13 of the 29 priority sites, were conducted with deviations from the planned timeframe (up to a delay of 106 days in one case). In response to Audit's enquiry, in September and October 2020, EPD said that:

- (a) short-term rescheduling within one week due to sudden change of weather conditions or logistics arrangement, reprioritisation of work duty and resources in response to ad hoc urgent tasks, marine emergency incidents or marine refuse surge after inclement weather was considered acceptable. According to EPD's records, 8 of the 24 re-inspections fell within the one-week variation;
- (b) it had also arranged with the Government Flying Service to conduct helicopter surveillance to regularly monitor the cleanliness condition at the 29 priority sites and other coastal areas. 9 re-inspections were covered by helicopter surveillance flights, including the case with a delay of 106 days; and
- (c) regarding the inspections conducted using helicopter surveillance flights, inspection reports and records of cleanliness gradings had not been prepared and documented because: (i) the information obtained by helicopter aerial surveillance was different from that by on-site inspections as the angle of photographs taken and the surveillance area varied in each flight; and (ii) the Shoreline Cleanliness Grading System was not applicable, and the inspection results of individual sites were recorded in the format of photographs.

Audit noted that EPD would assess the cleanliness conditions of sites based on the photographs after completion of surveillance and make referrals to the relevant departments to follow up if the cleanliness condition of a site was found unsatisfactory.

2.10 *Inconsistencies in documentation of inspection.* Audit examined the inspection reports prepared by EPD staff and found the following inconsistencies:

Monitoring of shoreline cleanliness by Environmental Protection Department

- (a) ***Coverage of inspection locations.*** During an inspection, EPD staff would normally take photographs in different locations for assessing the overall cleanliness condition of a priority site. According to EPD:
- (i) EPD on-site inspection staff were trained and fully aware that they were required to inspect the whole site and take representative photographs as far as practicable along the inspection route. The photographs taken and the markings made on the location map in an inspection report were indicative only and did not necessarily match with the entire inspection route and the coverage of the inspection; and
 - (ii) to improve clarity and consistency in presentation, EPD standardised the reporting format of the inspection report after a review exercise conducted in July 2019. Since then, field staff had been required to include photographs taken at designated points of each site in the inspection report.

Audit examination of 15 inspection reports (for inspections conducted after July 2019) however found that in 4 inspection reports, photographs of some designated points were not included. This might affect the comparability of the inspection results (i.e. the improvement or deterioration of cleanliness condition of the priority sites over time). According to EPD, among 2 of the 4 occasions, some designated points had not been inspected because those points were inaccessible at the material time of the inspection due to high tide and threat of dog attack respectively. As for the other two occasions which involved the same priority site, only 1 or 2 out of 8 designated points had been skipped due to limited inspection time but the impact on the overall inspection results was minimal. However, Audit noted that the reasons for omission were not documented in the inspection reports; and

- (b) ***Supervisory checks of inspection reports.*** According to EPD, supervisory checks were introduced after the review exercise in July 2019. At least two staff would be required for each inspection while the rank of staff is contingent on staff availability. After an inspection, the field staff would prepare and submit a draft inspection report to a senior staff for checking and vetting. Based on a sample check of the 15 reports on inspections conducted after July 2019 (see (a) above), Audit found that there were inconsistencies in the documentation of supervisory checks. Specifically in

6 cases, the supervisory checks were not documented in the inspection reports. There were only e-mail records showing that the inspection reports had been submitted to the supervisors. In response to Audit's enquiry, in October 2020, EPD said that after the introduction of supervisory checks in July 2019, the method of recording the checking had not been fully aligned among the supervisors, with the format of the inspection report including the documentation of supervisory checks still evolving in the subsequent few months until it was further enhanced in January 2020 for use by both the contractor and in-house staff.

2.11 *Inspection results not reported to Working Group and TFMR.* To keep the Working Group informed of the cleanliness condition of the priority sites, EPD reported the monitoring records and statistics of priority sites from April 2015 to October 2017 during the meetings of the Working Group held in May 2016, January 2017 and January 2018 (see para. 2.5). However, Audit noted that after the revamp of the Working Group in January 2018 (see para. 1.5), EPD had ceased reporting the monitoring records and statistics of priority sites from November 2017 to December 2019 in the subsequent meetings of the Working Group and TFMR (Note 11). In the meeting of TFMR held in July 2020, EPD reported the results of the contractor's inspections for the first half of 2020. In response to Audit's enquiry, in September 2020, EPD said that:

- (a) since the revamp of the Working Group in January 2018 with its terms of reference expanded to cover response to marine environmental incidents, the meeting agenda had been strategically focused on salient issues of planning for emergency response and resolving special refuse accumulation problems at some specific locations;
- (b) there was no need to spend time in its meetings to report and discuss the monitoring records and statistics of the priority sites which could be readily conveyed to member departments any time with the most updated information; and
- (c) as the shoreline cleanliness monitoring programme had been scaled up to cover 90 non-priority sites since January 2020, EPD took the initiative to

Note 11: *The terms of reference of TFMR includes keeping track of the cleanliness condition of Hong Kong waters and coastal areas to evaluate the need for further improvement.*

Monitoring of shoreline cleanliness by Environmental Protection Department

report the initial monitoring results at the TFMR meeting in July 2020 and would also do so in the coming Working Group meeting.

2.12 *In-house inspections not pursued in future.* EPD has ceased deploying its own staff to conduct routine inspections of coastal sites and engaged a contractor to conduct routine inspections since mid-January 2020. In response to Audit's enquiry on the audit findings in paragraphs 2.9 to 2.11, in September 2020, EPD said that resuming the deployment of its own staff to conduct shoreline inspections in future was not considered cost-effective and would not be pursued. In Audit's view, EPD needs to draw on the experience of the in-house inspections in monitoring contractors' inspections of coastal sites and reporting of inspection results.

Need to promulgate cleanliness conditions of coastal sites

2.13 *Cleanliness conditions of coastal sites not disseminated.* During the period from the commencement of inspections of coastal sites in April 2015 to August 2020, EPD did not regularly promulgate in the public domain the cleanliness condition of coastal sites. In the Working Group meeting held in May 2016, the Chairman mentioned that it would be worthwhile to announce the monitoring results and relevant data to showcase the Working Group's efforts and suggested posting the relevant information on the Clean Shorelines website for public consumption. However, no records were available showing that actions had been taken to take forward the Chairman's remarks. Moreover, during a public engagement session held with community groups in September 2018, an NGO commented that there was a lack of transparency in priority site inspections. In response, EPD said that the monitoring only started in April 2015 and the monitoring data collected was not yet ready for public access. In Audit's view, information on the cleanliness condition of coastal sites is useful for NGOs (e.g. green groups) in planning their voluntary clean-up events. With the lapse of time and the increased inspection coverage and frequency since mid-January 2020, there are merits for EPD to disseminate the information on cleanliness conditions of coastal sites through the Clean Shorelines website.

Need to keep in view coastal sites under shoreline cleanliness monitoring programme

2.14 *Priority sites identified in 2015 Study.* As an initiative under enhancing efforts to remove refuse from the marine environment, the 2015 Study identified 27 priority sites which were more prone to refuse accumulation and subject to more

Monitoring of shoreline cleanliness by Environmental Protection Department

complaints (see para. 1.6(e)). The sites were selected by making reference to the complaints/concerns expressed by the general public and government departments, refuse collection statistics, refuse dispersion modelling results, and findings/information provided by NGOs. To improve the cleanliness of these priority sites, the Government has implemented various improvement measures including enhancement of the cleaning arrangements and frequencies since April 2015.

2.15 **2017 review of priority sites.** According to EPD, since the implementation of the improvement measures, almost half of the priority sites showed sustained improvements in the cleanliness condition, achieving better average cleanliness gradings after two-years' efforts in implementing the improvement measures. This showed that the improvement measures and the enhanced cleaning efforts had generally delivered positive results. In April 2017, EPD commenced a review of the priority sites based on the monitoring data collected in the first two years of implementation of improvement measures to explore room for better resource redeployment, focusing the cleaning efforts on other sites requiring attention. The list of priority sites was updated in November 2017 (see para. 1.10).

2.16 **Improvement in cleanliness gradings of priority sites.** As shown in Table 2, the cleanliness condition of the existing priority sites generally improved from January 2018 to mid-August 2020.

Table 2

**Average cleanliness gradings of 29 existing priority sites
(January 2018 to mid-August 2020)**

Average cleanliness grading	Number of priority sites		
	2018	2019	2020
1 to <2	12	10	13
2 to <3	15	15	14
3 to <4	–	4	2
4 to <5	2	–	–
Total	29	29	29

Source: Audit analysis of EPD records

Monitoring of shoreline cleanliness by Environmental Protection Department

2.17 *Reasons for not conducting another review of priority sites.* Since the list of priority sites was updated in November 2017, EPD has not conducted another review of the priority sites. As shown in Table 2 in paragraph 2.16, 27 (93%) of 29 priority sites identified in November 2017 were accorded an average cleanliness grading better than 3 from January to mid-August 2020. However, during the same period, some non-priority sites attained worse cleanliness gradings as compared with the priority sites. A notable example is the Brothers Marine Park, which was accorded an average cleanliness grading of 3.67. Audit considers that there are merits for EPD to consider conducting a review of the priority sites so that cleansing resources could be deployed more effectively. In response to Audit's enquiry, in September 2020, EPD said that:

- (a) the in-house shoreline cleanliness monitoring programme (i.e. the inspections of priority sites by EPD staff from November 2017 to December 2019), in which the frequency of re-inspection of a priority site was set by reference to the cleanliness level recorded, had been replaced by contract services with specified requirements on site coverage and inspection frequency; and
- (b) as and when the site monitoring contract was due for renewal, an overall review of the said requirements should be conducted holistically with due regard to changes in cleanliness and other circumstances of individual sites regardless of whether they were current or former priority sites. There was no need to duplicate efforts to review the priority sites as conducted in 2017.

2.18 *Need to keep in view the need for updating the coastal sites in the shoreline cleanliness monitoring programme.* Audit notes that EPD has ceased the practice of reviewing priority sites (see para. 2.17(a)) and will review the site monitoring contract requirements on coastal sites in the shoreline cleanliness monitoring programme to take stock of the conditions of coastal sites (both priority sites and non-priority sites) when the contract is due for renewal in March 2021. In Audit's view, EPD should continue to keep in view the need for updating the coastal sites in the shoreline cleanliness monitoring programme taking into account changes in cleanliness (see para. 2.16) and other circumstances of individual sites, and make use of UAS inspections to supplement on-site inspections, taking into account the results of the UAS trial project (see para. 2.7).

Audit recommendations

2.19 Audit has *recommended* that the Director of Environmental Protection should:

- (a) draw on the experience of the in-house inspections in monitoring contractors' inspections of coastal sites and reporting of inspection results;**
- (b) consider disseminating the information on cleanliness conditions of coastal sites through the dedicated Clean Shorelines website; and**
- (c) continue to keep in view the need for updating the coastal sites in the shoreline cleanliness monitoring programme and make use of UAS inspections (currently under trial) to supplement on-site inspections when reviewing the site monitoring contract requirements in future.**

Response from the Government

2.20 The Director of Environmental Protection agrees with the audit recommendations.

Protocol for handling surge of marine refuse

2.21 *Protocol for handling surge of marine refuse.* In May 2017, EPD and the authorities in Guangdong Province launched a regional notification and alert mechanism allowing one side to notify the other of heavy rain or significant environmental incidents. In conjunction with the mechanism, EPD has compiled a protocol for handling surge of marine refuse in Hong Kong (the Protocol), which outlines the established arrangements for action departments (i.e. AFCD, FEHD, LCSD and MD) to handle surge of marine refuse at Hong Kong's waters and coastal areas owing to typhoon, heavy rainfalls, or significant environmental incidents. According to EPD, provision of early advice to the departments concerned of potential surge of marine refuse will help them better mobilise resources for timely clean-up. The conditions for activation of the Protocol include:

- (a) tropical cyclone signal number 8 or above;**

Monitoring of shoreline cleanliness by Environmental Protection Department

- (b) heavy rainfall affecting Hong Kong (red or black rainstorm warning signal);
- (c) heavy rainfall in the Guangdong cities;
- (d) marine refuse pollution report from the Mainland (i.e. when EPD receives such reports from the Mainland authorities via the established mechanism under the Hong Kong-Guangdong Marine Environmental Management Special Panel or media reports about the Mainland situation); and
- (e) marine refuse pollution report in Hong Kong (i.e. when EPD receives such report from the public, media, other government departments which might involve serious pollution, illegal dumping, impact to the marine environment, or have wide media interest, political or policy implications about pollution in Hong Kong).

In conditions (a) and (b), the Protocol will be activated automatically, without EPD's notification, after the issuance of signals by the Hong Kong Observatory. As regards conditions (c), (d) and (e), EPD will notify the action departments of the activation of the Protocol and potentially affected water bodies and coastal locations. For instance, EPD will determine whether to activate the Protocol based on the available information when a marine refuse incident notification is received from the Mainland or reported in Hong Kong (e.g. by media). EPD will form an action team to coordinate follow-up actions and inform the relevant action departments of the potentially affected areas and request them to report on actions taken (e.g. amount of refuse collected and actions taken with photographs) at locations affected on a daily basis. EPD action team will also monitor the progress of clean-up actions and refuse accumulation, and keep its senior management informed of the progress. From May 2017 to mid-July 2020, EPD issued 48 notifications to the relevant departments under the Protocol.

Handling of pork hock incident

2.22 ***Pork hock Incident.*** On 11 July 2020, local media reports revealed that a large quantity of pork hocks had been found on the beaches in Humen, Dongguan, Guangdong Province. From 13 to 16 July 2020, media reports revealed that pork hocks had been found on the beaches in Tuen Mun District and Tsuen Wan District. Audit's site visit to Lung Kwu Tan in Tuen Mun on 14 July 2020 also found a number of pork hocks (see Photographs 1(a) and (b)).

Photographs 1(a) and (b)

Pork hocks found during Audit's site visit to Lung Kwu Tan



Source: Photographs taken by Audit staff on 14 July 2020

2.23 ***Follow-up actions taken by EPD.*** Upon Audit's enquiry on whether EPD had activated the Protocol in light of the pork hock incident, in August 2020, EPD said that:

- (a) for the purpose of the Protocol, "marine refuse" referred to solid waste resulting from human activities, with unidentifiable owner(s) in general, that had entered the marine environment. Marine refuse under consideration largely resembled municipal solid waste and could be broadly classified into materials including plastics, metal, glass, processed timber, paper, porcelain, rubber and cloth; and
- (b) the pork hock incident arising at some beaches in Tuen Mun did not meet the classification and conditions for activation of the Protocol. Notwithstanding this, upon receiving a media enquiry of the incident on 13 July 2020, EPD had:
 - (i) promptly notified and liaised with relevant departments to arrange clean-up operations as soon as possible;
 - (ii) approached the Mainland authority immediately to gather and verify relevant information as speculated in media reports; and

Monitoring of shoreline cleanliness by Environmental Protection Department

- (iii) stepped up shoreline monitoring of Tuen Mun and Tsuen Wan beaches and conducted surveillance visits to confirm that other areas in Lantau and Southern districts had not been affected.

2.24 Under the framework of the Hong Kong-Guangdong Joint Working Group on Sustainable Development and Environmental Protection, Hong Kong and Guangdong aim to continue to enhance exchange and communication on various regional marine environmental matters. According to EPD, while the pork hocks found on the beaches did not meet the broad classification of marine refuse and hence the incident did not meet the conditions for activating the Protocol (see para. 2.23(a) and (b)), it had taken follow-up actions on the pork hock incident in response to a media enquiry. In light of the public concerns about such incidents and that in the pork hock incident EPD started taking actions only after receiving a media enquiry (see para. 2.23(b)), in mid-September 2020, Audit made an enquiry with EPD on whether lessons could be drawn from the incident for a timely and effective response (e.g. issuing earlier notifications to relevant departments for taking follow-up actions) in similar incidents in future (e.g. when a large quantity of refuse not falling into the broad classification of marine refuse is found on the beaches in Guangdong Province), such as:

- (a) taking follow-up actions (e.g. alerting relevant departments) upon receipt of media reports on similar incidents not only in Hong Kong, but also in Guangdong Province (e.g. the local media reports about the pork hock incident in Dongguan on 11 July 2020), which might lead to surge of marine refuse in Hong Kong; and
- (b) exploring with the Mainland authority on the feasibility of alerting EPD of similar incidents in future.

2.25 In late September 2020, in response to Audit's enquiry, EPD said that:

- (a) EPD had been staying vigilant on media reports of environmental incidents in Guangdong Province, and was aware of the media reports on 11 July 2020. The suggested measures in paragraph 2.24(a) and (b) had already been in place and did not constitute any lesson to learn; and
- (b) EPD had set up a dedicated communication channel with the Mainland authority for fast and timely notifications and feedback of information. The

crux of the issue was that the pork hock incident was indeed an unprecedented one and its occurrence was unpredictable. In the material time, no vessel incident, or incident of fallen cargo or enforcement action taken in the vicinity of Humen was reported. The source and quantity of the pork hocks remained unknown. Unlike floating refuse, pork hocks usually sank in water and were unlikely to be carried over a long distance by tides and waves. Therefore, it could not be anticipated that such material could travel over a long distance in the marine environment. As such, it could only be hindsight that the Mainland authority could have anticipated on 11 July 2020 the subsequent landing of the pork hocks on the beaches in Hong Kong and issued a notification to EPD, or that EPD could have anticipated the same from reading the news on 11 July 2020 and triggered an earlier alert to prepare for clean-up.

While noting that EPD had taken actions in handling the incident in collaboration with relevant departments even though it considered the incident beyond the scope of the Protocol, Audit considers that there are merits for EPD to draw on the experience in the incident to update the Protocol, where appropriate, to facilitate a more structured response in future (see para. 2.24).

Audit recommendation

2.26 Audit has *recommended* that the Director of Environmental Protection should draw on the experience in the pork hock incident to update the Protocol, where appropriate.

Response from the Government

2.27 The Director of Environmental Protection agrees with the audit recommendation.

PART 3: CLEAN-UP OPERATIONS BY AGRICULTURE, FISHERIES AND CONSERVATION DEPARTMENT

3.1 This PART examines the clean-up operations of Marine Parks and Marine Reserve (Note 12) by AFCD, focusing on:

- (a) monitoring of clean-up operations (paras. 3.2 to 3.9); and
- (b) audit inspections of the Marine Parks and Marine Reserve (paras. 3.10 to 3.23).

Monitoring of clean-up operations

3.2 AFCD is responsible for the cleanliness of six Marine Parks, one Marine Reserve (see Figure 1 in para. 1.3(b)), and shorelines of 24 country parks and 11 designated special areas outside the country parks in Hong Kong. The cleansing work of the areas concerned is mainly outsourced to contractors. The Country and Marine Parks Branch of AFCD is responsible for monitoring the work carried out by its contractors. As shown in Table 3, as at 1 July 2020, the cleansing work of the Marine Parks and Marine Reserve was outsourced to 3 contractors under 5 recurrent contracts. From 2015 to 2019, AFCD collected 1,670 tonnes (averaging 334 tonnes per annum) of marine refuse in its Marine Parks and Marine Reserve (Note 13).

Note 12: *A marine park is a large area of sea which can be set aside for conservation and recreation purposes such as swimming, scuba diving, canoeing, sailing and underwater photography. By comparison, a marine reserve is a smaller area of sea but with high conservation value which is reserved for conservation, scientific and educational study. Control will be more stringent in marine reserves. Actually, most of the activities will be prohibited in marine reserves and only prior authorised scientific studies and educational activities will be allowed. The Marine Parks Ordinance (Cap. 476) provides for the designation, control and management of marine parks and marine reserves for the purpose of marine conservation, and stipulates the Director of Agriculture, Fisheries and Conservation as the Country and Marine Parks Authority. The total sea area of the Marine Parks and Marine Reserve was some 4,050 hectares as of July 2020.*

Note 13: *According to AFCD, the marine refuse quantity included the litter collected from land-based trash bins in the Hoi Ha Wan and the Tung Ping Chau Marine Parks, and from the barbeque sites of country park on Tung Ping Chau.*

Table 3

**Details of AFCD recurrent cleansing contracts
(1 July 2020)**

Item	Marine Park/ Marine Reserve	Contractor (Period)	Number of designated location	Frequency of cleansing per location	Awarded contract price (\$)
1	Cape D'Aguilar	Contractor A (1.4.2020 to 31.3.2022)	1	4 days per month	660,000
2	Hoi Ha Wan and Yan Chau Tong	Contractor A (3.4.2020 to 2.4.2021)	3	2 to 6 days per week	1,201,800
3	Sha Chau and Lung Kwu Chau	Contractor A (11.5.2020 to 10.5.2022)	2	2 days per week	1,066,880
4	The Brothers	Contractor B (25.11.2019 to 24.11.2021)	2	Once every month	560,000
5	Tung Ping Chau	Contractor C (14.2.2020 to 13.2.2021)	3	Daily to 3.5 days per week	1,325,400

Source: AFCD records

Remarks: As an interim arrangement up to May 2021, the clean-up service of marine refuse at Southwest Lantau Marine Park, which was designated as a marine park in April 2020, was provided by the contractor of FEHD.

3.3 Cleansing contracts. The objectives of providing cleansing services through outsourcing are to ensure that: (a) the beaches and coastal areas (i.e. any area near the high water mark and the edge of seawater) at the Marine Parks and Marine Reserve are kept clean; (b) the refuse washed up and remained on the beaches is removed; and (c) the waters within the Marine Parks are kept clean. According to the contract provisions, contractors are required to carry out cleansing services according to the schedules and particulars as laid down in the contracts, such as frequency of cleansing services, number of cleaners to be deployed, and working hours of each cleaner for each operation. Monitoring staff of AFCD monitor the contractors' operations and are required to complete a Daily Site Inspection Form or any of the two other inspection forms (Types I and II — see Table 4 in para. 3.4)

Clean-up operations by Agriculture, Fisheries and Conservation Department

after each inspection. Audit examination found scope of improvements in monitoring of cleansing operations as elaborated in paragraphs 3.4 to 3.7.

Need to improve the inspection reporting requirements

3.4 As shown in Table 4, the Daily Site Inspection Form was used by AFCD staff in 3 Marine Parks (Note 14) while two other types of inspection forms were used in the remaining 2 Marine Parks and the Marine Reserve. Audit noted that some important information was missing in the inspection forms. For example, the inspection forms used in Hoi Ha Wan, Yan Chau Tong and Tung Ping Chau Marine Parks and the Cape D'Aguilar Marine Reserve recorded the time of inspection by AFCD staff, but not the arrival time of the contractors' staff. On the other hand, for the remaining two Marine Parks, the inspection form used did not record the time of inspection by AFCD staff but recorded the arrival time of the contractors' staff. Besides, all inspection forms did not record the departure time of the contractors' staff. As a good practice to facilitate the monitoring work of AFCD staff and to ensure the quality of each inspection, Audit considers that AFCD should improve the inspection reporting requirements of cleansing services.

Note 14: *Clean-up service provided in the Southwest Lantau Marine Park, which was designated in April 2020, was covered by the clean-up contract of FEHD. As such, FEHD staff carried out the monitoring roles.*

Table 4

**Inconsistencies found in the inspection forms used by
AFCD monitoring staff
(April 2019 to March 2020)**

Item	Marine Park/ Marine Reserve	Inspection form used	Recording inspection time of AFCD staff	Recording arrival time of contractors' staff
1	Cape D'Aguilar	Other inspection form (Type I)	✓	✗
2a	Hoi Ha Wan (Note)	Daily Site Inspection Form	✓	✗
2b	Yan Chau Tong (Note)	Daily Site Inspection Form	✓	✗
3	Sha Chau and Lung Kwu Chau	Other inspection form (Type II)	✗	✓
4	The Brothers	Other inspection form (Type II)	✗	✓
5	Tung Ping Chau	Daily Site Inspection Form	✓	✗

Source: Audit analysis of AFCD records

Note: The Hoi Ha Wan and Yan Chau Tong Marine Parks were under the same cleansing contract.

Need to take effective follow-up actions on cases of suspected absence from duty of contractors' staff

3.5 According to the provisions in AFCD's cleansing contracts, contractors should ensure that the number of cleaners deployed to perform a cleansing operation and the number of working hours are not less than that stipulated in the contracts. For any absence of cleaners from duty, the contractor should provide prompt replacement, and failure to comply with the requirement may result in reasonable sums being deducted from the monthly payments payable to the contractor. Audit

**Clean-up operations by
Agriculture, Fisheries and Conservation Department**

examined AFCD's 772 of 781 inspection records (Note 15) of 4 Marine Parks from 1 April 2019 to 31 March 2020 (see Table 5) and revealed the following issues:

Table 5
Number of inspections carried out by AFCD in 4 Marine Parks
(1 April 2019 to 31 March 2020)

Marine Park	Number of inspections carried out	No. of cases where AFCD did not find contractors' staff on site/contractors' staff left early
Tung Ping Chau	207	13 (6%)
Hoi Ha Wan	362	1 (1%)
Yan Chau Tong	116	4 (3%)
Sha Chau and Lung Kwu Chau	87	— (—)
Overall	772	18 (2%)

Source: Audit analysis of AFCD records

(a) ***Tung Ping Chau, Hoi Ha Wan and Yan Chau Tong Marine Parks:***

- (i) in 18 (3%) site inspections in the 3 Marine Parks carried out by AFCD staff, as shown in the inspection forms, they either did not find the contractors' staff on site, or found that contractors' staff left early:
 - in 6 of the 18 cases, AFCD staff successfully contacted the contractors and required the latter to provide the services on another day. In 1 of the 6 cases, the contractor reported in the monthly attendance record that its staff had provided services on the date where AFCD did not find its staff present on site; and

Note 15: *In the remaining nine cases, the patrol vessels of AFCD could not reach the sites due to reasons such as bad weather.*

- for the remaining 12 cases, AFCD staff either did not document any follow-up actions taken (7 cases), gave up calling the contractors after several unsuccessful phone calls (3 cases), or the contractor informed AFCD that the duration of cleansing work had to be shortened (2 cases) because of bad weather, and yet no information on the dates of replacement work was recorded. Moreover, in all 12 cases, the contractors reported in the monthly attendance records that their staff had provided services on the dates where AFCD did not find contractors' staff present on site or found that the contractors' staff left early as recorded in the inspection forms.

As the monthly attendance records are used by the contractors to claim payments from AFCD, Audit considers that AFCD has to ascertain whether payments have been made for cases of suspected absence from duty of contractors' staff; and

- (ii) Audit also found that in 5 out of 17 cases where the scheduled dates of services were swapped, AFCD did not record in the inspection forms whether any inspections had been carried out on alternative dates. However, in 3 out of the 5 cases, AFCD had recorded the presence of contractors' vessels on sites in other records (such as patrol log books); and

- (b) ***Sha Chau and Lung Kwu Chau Marine Park.*** Of the 87 inspections carried out by AFCD staff in Sha Chau and Lung Kwu Chau Marine Park from 1 April 2019 to 31 March 2020, the contractor's staff were found in the pertinent sites in all cases. Audit also noted that there were other 99 inspections cancelled over the period because the AFCD staff concerned were occupied by other tasks. The monitoring procedures of AFCD have not specified a minimum inspection frequency for AFCD staff over a period of time.

Audit considers that AFCD should take effective follow-up actions on cases of suspected absence from duty of contractors' staff and specify a minimum inspection frequency for AFCD staff with reference to FEHD monitoring requirements (see para. 5.6).

Need to verify the quantity of marine refuse collected

3.6 Audit examination of 5 recurrent AFCD cleansing contracts (in force as of August 2020) revealed that only 2 contracts specifically required the contractors to count the marine refuse collected. In practice, AFCD required all contractors to report the quantity of marine refuse collected. The monitoring procedures of AFCD did not require its staff to count the refuse. As such, AFCD could not ascertain whether the statistics reported by the contractors were accurate. Audit notes that the refuse statistics are reported to LegCo from time to time. In Audit's view, AFCD should consider the merit of requiring its staff to verify the quantity of marine refuse reported by the contractors, such as test counting the refuse.

Need to enhance the monitoring of contractors' work

3.7 Audit examined the provisions in the 5 recurrent cleansing contracts of the Marine Parks and Marine Reserve (in force as of August 2020) and found room for improvement in the following areas:

- (a) ***Assessment of cleanliness level.*** All the cleansing contracts of AFCD's Marine Parks and Marine Reserve specified that the contractors should carry out service to the satisfaction of the government representative. A monitoring staff of AFCD is required to signify his acceptance (e.g. put a tick) of the work performed on the inspection form (Note 16). In this connection, internal guideline of AFCD does not provide clear assessment criteria for assessing the level of satisfaction with the services provided by a contractor. Audit considers that AFCD should issue guidelines on the assessment of the quality of services of the contractors. For example, AFCD can make reference to EPD's Shoreline Cleanliness Grading System for the cleanliness level (see para. 2.4);
- (b) ***Evidence of work performed by contractors.*** The cleansing contract of Tung Ping Chau Marine Park specified that the contractor should keep and submit record showing in detail the service performed each time, such as digital images before each service and after completion of the service

Note 16: *Audit's interview of AFCD staff responsible for monitoring contractors' performance in the Sha Chau and Lung Kwu Chau revealed that when completing the inspection records, based on their experience, monitoring staff put a tick on the inspection form to signify their acceptance of the cleansing work performed.*

whereas other contracts do not require the contractors to submit such images. Audit considers that AFCD should require contractors to provide additional evidence on the work performed by the contractors' staff, e.g. digital images and video clips before and after completion of the cleansing service; and

- (c) ***Attendance of contractors' staff.*** The contract provisions of the cleansing contracts of the 5 Marine Parks and the Marine Reserve did not require the contractors to report the arrival and departure times of their staff. In practice, the contractors of the Sha Chau and Lung Kwu Chau Marine Park and the Brothers Marine Park informed AFCD their arrival times. In Audit's view, AFCD should consider requiring contractors to report the arrival and departure times of their staff for each cleansing operation in future contracts.

Audit recommendations

3.8 Audit has *recommended* that the Director of Agriculture, Fisheries and Conservation should:

- (a) **improve the inspection reporting requirements of cleansing services;**
- (b) **take effective follow-up actions on cases of suspected absence from duty of contractors' staff and specify a minimum inspection frequency for AFCD staff;**
- (c) **consider the merit of requiring AFCD staff to verify the quantity of marine refuse reported by the contractors, such as test counting the refuse; and**
- (d) **take measures to enhance monitoring of contractors' work, including:**
 - (i) **issuing guidelines on the assessment of the quality of services of the contractors;**
 - (ii) **requiring contractors to provide additional evidence on the work performed by the contractors' staff, e.g. digital images and**

video clips before and after completion of the cleansing service;
and

- (iii) requiring contractors to report the arrival and departure times of their staff for each cleansing operation in future contracts.

Response from the Government

3.9 The Director of Agriculture, Fisheries and Conservation agrees with the audit recommendations. He has said that AFCD will take follow-up actions to implement the recommendations.

Audit inspections of the Marine Parks and Marine Reserve

3.10 With the assistance of AFCD and MD, Audit conducted 8 inspections, from June to August 2020, of the Marine Parks and Marine Reserve. Audit inspections have identified the following areas for improvement:

- (a) removal of large pipe structures found at Sha Chau and Lung Kwu Chau Marine Park (paras. 3.11 to 3.14);
- (b) removal of marine refuse found beyond high water mark of Sha Chau and Lung Kwu Chau Marine Park (paras. 3.15 to 3.18); and
- (c) cleanliness of the Brothers Marine Park (paras. 3.19 to 3.21).

Removal of large pipe structures found at Sha Chau and Lung Kwu Chau Marine Park

3.11 ***Joint site visit with AFCD.*** On 18 June 2020, AFCD arranged a joint site visit with Audit to the Sha Chau and Lung Kwu Chau Marine Park. Two red pipe structures were found lying on the shoreline of Lung Kwu Chau (see Photographs 2(a) and (b)). Audit examination revealed that:

**Clean-up operations by
Agriculture, Fisheries and Conservation Department**

- (a) AFCD had found the two pipe structures in December 2019 lying on a beach of Lung Kwu Chau (as revealed in a picture taken on 3 December 2019); and
- (b) EPD also noted the pipe structures during an inspection on 18 December 2019 and required AFCD to inform it of the follow-up actions taken.

Photographs 2(a) and (b)

Pipe structures found in Lung Kwu Chau during the joint site visit

(a) Pipe structure 1



(b) Pipe structure 2



Source: Photographs taken by Audit staff on 18 June 2020 (11:55 a.m.)

3.12 ***Follow-up actions taken by AFCD.*** In response to Audit's enquiry, in late July 2020, AFCD said that:

- (a) the incident was an unprecedented one (Note 17). The pipe structures involved two components each with dimension of about 3 metres in width and 10 metres in length. They were not treated as normal marine refuse and were defined as unknown “construction structures”, and the existing cleansing contract did not cover the removal of large scale structures;
- (b) Lung Kwu Chau was remote and isolated with few visitors. The pipe structures were first found to be washed ashore in Lung Kwu Chau in December 2019. Initially, AFCD tried to identify the owner of the structures in December 2019 and January 2020 by verbally asking nearby marine users, but was not successful. AFCD then tried to engage some cleansing service companies for arranging quick removal of the structures by means of service order. However, follow-up actions were hindered by the outbreak of COVID-19 and associated work-from-home arrangements with provision of mainly basic and urgent public services since February 2020; and
- (c) until June 2020, a few potential cleansing service companies were able to arrange site visits for checking but it was found that normal cleansing service was not applicable because the structures could not be removed from the site and disposed of without using heavy machinery and specific techniques in view of their huge size and heavy weight. As AFCD did not have the experience or expertise to handle such huge abandoned structures washed ashore, it sought the assistance from MD on 13 July 2020 to provide the technical assistance for removing the structures from the Marine Park. The incident had also been reported by EPD in a TFMR meeting (see para. 1.5) in early July 2020.

3.13 ***Audit’s site visit in July 2020.*** With the assistance of MD, Audit conducted another site visit on 24 July 2020 which covered the Sha Chau and Lung Kwu Chau Marine Park and the Brothers Marine Park. Audit could not find pipe structures 1 and 2 (see Photographs 2(a) and (b) in para. 3.11) at the original location of 18 June 2020. Similar structures were however found in the vicinity (see Photographs 3 and 4). The distance between Sha Chau and Lung Kwu Chau is some 3.6 kilometres.

Note 17: *Audit noted that MD assisted AFCD in removing a stranded vessel and also a sunken vessel on 11 December 2019 near west coast of Lung Kwu Chau (i.e. inside Sha Chau and Lung Kwu Chau Marine Park).*

Photograph 3

Two pipe structures at Lung Kwu Chau



Source: Photograph taken by Audit staff on 24 July 2020 (11:52 a.m.)

Photograph 4

A pipe structure at the Sha Chau Pier



Source: Photograph taken by Audit staff on 24 July 2020 (12:56 p.m.)

3.14 *Long time taken to remove large objects washed ashore.* In response to Audit's enquiry in July 2020, MD informed Audit that the pipe structures at the Sha Chau and Lung Kwu Chau Marine Park were first reported to TFMR at its meeting on 9 July 2020 (Note 18). On 10 July 2020, EPD requested MD to render assistance to AFCD to remove the pipe structures. On 13 July 2020, MD received the request from AFCD to assist in removing the pipe structures at Lung Kwu Chau. The incident posed risk to navigation safety and attracted public attention, as follows:

- (a) *Pipe structure 1.* A pilot of an ocean-going vessel informed MD on 3 July 2020 that there was a structure afloat at the fairway east of the Urmston Road Anchorage (Note 19). On that day, MD arrived on scene and located the floating structure which was a pair of pipes. The pipes were then towed to Tuen Mun Typhoon Shelter and secured there on the same day; and
- (b) *Pipe structure 2.* A member of the public informed MD on 19 July 2020 that a floating structure was found drifting off Sha Chau which might endanger the navigational safety of vessels. MD conducted a search immediately and located the pipe structure on the same day. It was towed and secured to the closest pier at Sha Chau (Note 20).

Eventually, on 29 July 2020, the pipe structures were removed by MD's contractor (see Photographs 5(a) and (b)). According to MD, pipe structures afloat in the sea might endanger the navigational safety of vessels. In Audit's view, the long time taken to address the problem (7 months from December 2019 to July 2020) is less than satisfactory in view of the potential navigation risk posed to vessels. Audit considers that AFCD should in consultation with MD, consider improving the salvage operation of large floating objects found in the Marine Parks and Marine Reserve.

Note 18: *From the agenda of the meeting, Audit found an aerial photograph taken by EPD on 29 May 2020 showing pipe structure 2 lying on the coastline of Lung Kwu Chau.*

Note 19: *Urmston Road is a broad body of water between Lantau Island and Tuen Mun.*

Note 20: *According to MD, the pipe structure was in large dimension and very heavy, and it could not be safely towed for a long distance.*

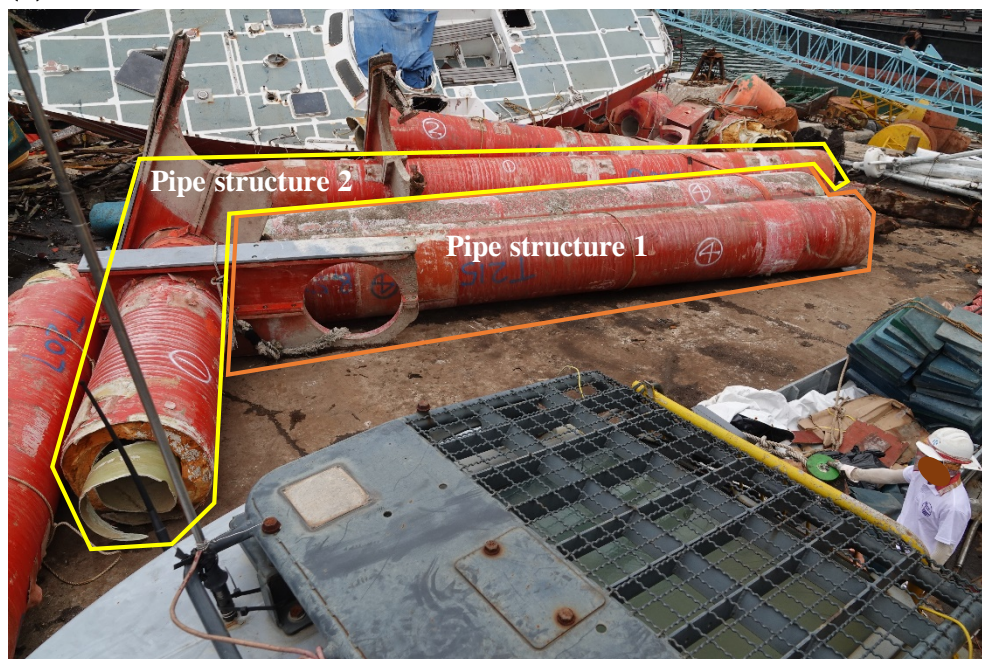
Photographs 5(a) and (b)

Pipe structures 1 and 2 salvaged by MD contractor
on 29 July 2020

(a)



(b)



Source: Photographs taken by Audit staff on 13 August 2020 (10:42 a.m.)

***Removal of marine refuse found beyond high water mark
of Sha Chau and Lung Kwu Chau Marine Park***

3.15 ***Cleansing contract of the Sha Chau and Lung Kwu Chau Marine Park.*** Sha Chau and Lung Kwu Chau are islands situated in the western side of Hong Kong. The rich fisheries resources in this area are also a feeding ground for Chinese White Dolphin. In view of the ecological value, the area was designated as the Sha Chau and Lung Kwu Chau Marine Park in November 1996. The landward boundary of the Sha Chau and Lung Kwu Chau Marine Park generally follows the high water mark along the coastline. According to the cleansing contract of the Marine Park, the contractor should clear all refuse at areas near the high water mark and the edge of the sea on beaches at Sha Chau and Lung Kwu Chau as delineated in the maps attached to the contract, as well as all floating refuse within the Sha Chau and Lung Kwu Chau Marine Park boundary. The contractor clears refuse at each island twice a week, and performs daily ad hoc cleansing services for a maximum number of 10 days in the 24-month contract period.

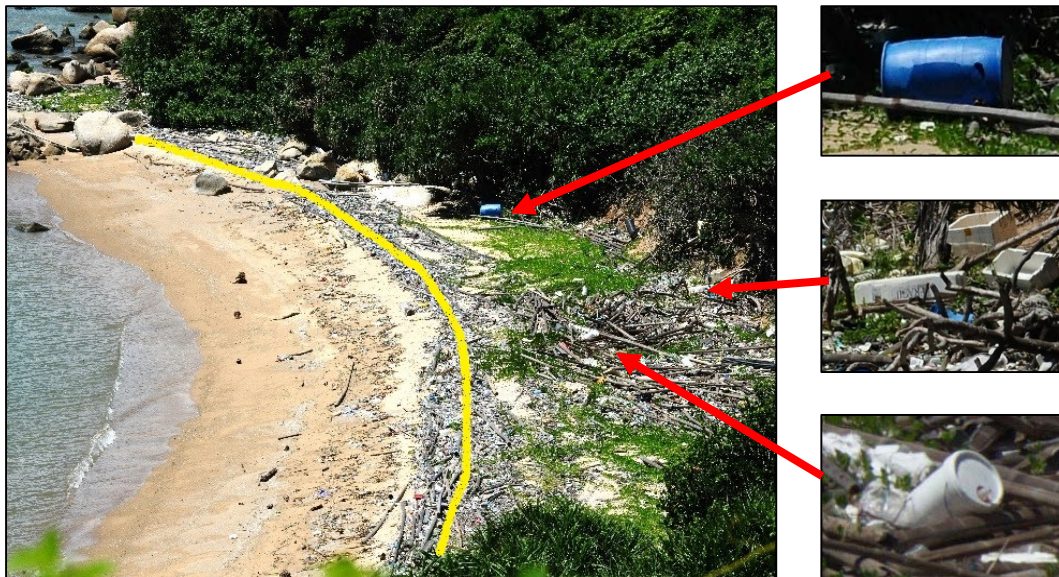
3.16 ***Marine refuse found beyond high water mark of Sha Chau and Lung Kwu Chau.*** During the Audit's site visit on 18 June 2020, Audit found a large quantity of refuse on a beach at the eastern side of Sha Chau, particularly at the area beyond high water mark and next to the natural vegetation (i.e. back-of-beach area — see Photograph 6(a)). The refuse included barrels, bamboo sticks, bottles and foam boxes. The area beyond high water mark of a beach at the northern side of Sha Chau had also accumulated lots of marine refuse (see Photograph 7(a)). Two subsequent Audit inspections on 24 July and 24 August 2020 found that refuse accumulated in the two locations had not been completely removed (see Photographs 6(b) and (c) and Photographs 7(b) and (c)). A large quantity of marine refuse was also found in the back-of-beach area in a beach at the south-east side of Lung Kwu Chau during Audit's site visits on 24 July and 24 August 2020 (see Photographs 8(a) and (b)).

**Clean-up operations by
Agriculture, Fisheries and Conservation Department**

Photographs 6(a), (b) and (c)

**Refuse found in the back-of-beach area
at the eastern side of Sha Chau**

(a) Site visit on 18 June 2020 (10:53 a.m.)




(b) Site visit on 24 July 2020 (1:12 p.m.)



Photographs 6(a), (b) and (c) (Cont'd)

(c) Site visit on 24 August 2020 (11:57 a.m.)



Legend:  High water mark identified by AFCD

Source: *Photographs taken by Audit staff*

Remarks: *21 clean-up operations were conducted between 15 June and 24 August 2020 for the beach area (i.e. area below the high water mark). According to AFCD, the back-of-beach area is not included in the existing contract.*

**Clean-up operations by
Agriculture, Fisheries and Conservation Department**

Photographs 7(a), (b) and (c)

**Refuse found in the back-of-beach area
at the northern side of Sha Chau**

(a) Site visit on 18 June 2020 (11:02 a.m.)



(b) Site visit on 24 July 2020 (1:17 p.m.)



Photographs 7(a), (b) and (c) (Cont'd)

(c) Site visit on 24 August 2020 (12:03 p.m.)



Legend: High water mark identified by AFCD

Source: *Photographs taken by Audit staff*

Remarks: *21 clean-up operations were conducted between 15 June and 24 August 2020 for the beach area (i.e. area below the high water mark). According to AFCD, the back-of-beach area is not included in the existing contract.*

**Clean-up operations by
Agriculture, Fisheries and Conservation Department**

Photographs 8(a) and (b)

**Refuse found in the back-of-beach area
at the south-east side of Lung Kwu Chau**

(a) Site visit on 24 July 2020 (11:42 a.m.)



(b) Site visit on 24 August 2020 (12:26 p.m.)



Source: Photographs taken by Audit staff

3.17 *Need to improve the cleanliness of back-of-beach area of Lung Kwu Chau.* The back-of-beach area of Lung Kwu Chau and Sha Chau was identified by the Government in 2018 as one of the top 5 priority sites for one-off in-depth clean-up operation. According to AFCD, it was responsible for clean-up of marine refuse within the boundary of the Marine Park. Given the special circumstances of the back-of-beach area, AFCD agreed to conduct a one-off in-depth clean-up operation covering the back-of-beach area of Sha Chau and Lung Kwu Chau with EPD's funding support, albeit falling outside the boundary of the Marine Park. In 2018, AFCD awarded an ad hoc six-month (November 2018 to May 2019) cleansing contract for the back-of-beach area of Lung Kwu Chau by a quotation exercise (Note 21). It was reported in TFMR meeting held in July 2019 that AFCD had completed a one-off intensive clean-up operation at Lung Kwu Chau in April 2019. In January 2020, AFCD awarded another six-month (February to July 2020) ad hoc contract for Lung Kwu Chau also by quotation. In both contracts, the contractor was required to clean up all refuse in the back-of-beach area within 6 months from the commencement of the contract. Audit examination of the ad hoc cleansing contracts (see Table 6) revealed that:

- (a) the frequency of collection, number of staff to be deployed and working hours per day had not been specified; and
- (b) the contractor was not required to submit digital images of the site after each clean-up operation as evidence supporting that the cleansing work was satisfactorily completed.

Note 21: *For the back-of-beach area of Sha Chau, upon receipt of EPD's notification in December 2019, AFCD tried to identify potential cleansing service companies to provide the services. According to AFCD, since February 2020, the procurement process had been hindered by the outbreak of COVID-19 and associated work-from-home arrangements with provision of mainly basic and urgent public services. In August 2020, AFCD awarded a six-month contract, effective from 1 September 2020, for the removal of all refuse at the back-of-beach area of Sha Chau at a contract sum of \$1.29 million.*

**Clean-up operations by
Agriculture, Fisheries and Conservation Department**

Table 6

**Lung Kwu Chau “back-of-beach” cleansing contracts
(November 2018 to July 2020)**

Contract	Ad hoc Contract A	Ad hoc Contract B
Contract period	29 November 2018 to 28 May 2019	1 February to 31 July 2020
Contract sum (\$)	850,000	770,000
Contract duration (months)	6	6
Location	Back-of-beach area on Lung Kwu Chau	Back-of-beach area on Lung Kwu Chau
No. of general cleaners per day of each cleansing duty	Not specified	Not specified
No. of working hours per general cleaner per day of cleansing duty	Not specified	Not specified
No. of days of cleansing duty per week	Not specified	Not specified

Source: Audit analysis of AFCD records

Audit’s site inspection on 24 August 2020 revealed that the refuse had not been fully cleaned up as required under Contract B (see Photographs 8(a) and (b) in para. 3.16). According to AFCD, the cleansing operation under Contract B was postponed and it would work closely with the contractor to complete the service requirements under the Contract. Audit considers that AFCD needs to strengthen the monitoring of contractor’s work in cleaning up the back-of-beach area of Lung Kwu Chau and improve contract provisions on the frequency of shoreline refuse collection and documentation of evidence (e.g. taking photographs and/or video clips) after completion of each clean-up work in similar cleansing contracts in future. AFCD should review the effectiveness of the ad hoc cleansing services at back-of-beach area of Lung Kwu Chau and report to the Working Group.

3.18 *Refuse located at a back-of-beach area adjacent to a footpath on Lung Kwu Chau.* Audit inspections on 24 July and 24 August 2020 also found that a large quantity of refuse was accumulated at the back-of-beach area adjacent to a footpath on Lung Kwu Chau (see Photographs 9(a) and (b)). According to AFCD:

- (a) the refuse found was not within the Sha Chau and Lung Kwu Chau Marine Park and was not covered by Contract B (see Table 6 in para. 3.17). AFCD did not have the expertise and could not identify suitable contractor to handle such refuse at dangerous and steep locations; and
- (b) the case should be considered at the forum of the Working Group meeting, possibly with collaborated efforts of other government departments.

Audit considers that AFCD should explore effective measures in removing refuse located at the back-of-beach area of Lung Kwu Chau not covered by the existing contract and seek the steer of the Working Group where appropriate.

**Clean-up operations by
Agriculture, Fisheries and Conservation Department**

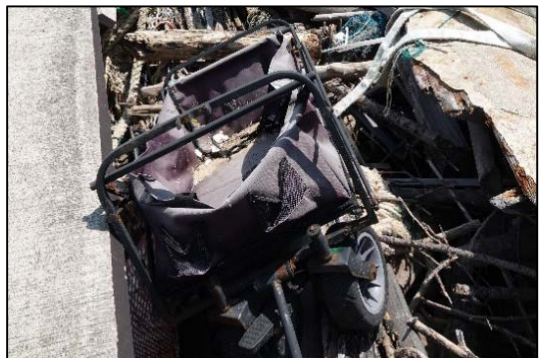
Photographs 9(a) and (b)

**Refuse located at a back-of-beach area adjacent to a footpath
on Lung Kwu Chau**

**(a) Site visit on 24 July 2020
(11:51 a.m. to 12:06 p.m.)**



**(b) Site visit on 24 August 2020
(12:59 p.m. to 1:03 p.m.)**



Source: Photographs taken by Audit staff

Remarks: According to AFCD, the refuse found was not within the boundary of Sha Chau and Lung Kwu Chau Marine Park.

Cleanliness of the Brothers Marine Park

3.19 ***Cleansing contract of the Brothers Marine Park.*** The Brothers are a group of islands (including West Brother (also known as Tai Mo To), East Brother (also known as Siu Mo To) and Tsz Kan Chau) located at the north of Lantau Island. To compensate for the loss of Chinese White Dolphin habitat arising from the reclamation and marine works under the Hong Kong-Zhuhai-Macao Bridge Hong Kong Boundary Crossing Facilities project, the Brothers was designated as the Brothers Marine Park on 30 December 2016. The landward boundary of the Brothers Marine Park includes coastal area below the high water mark. According to the cleansing contract of the Brothers Marine Park, the contractor should clear all refuse at areas near the high water mark and the edge of the sea on beaches at West Brother and East Brother as delineated in the map attached to the contract, as well as all floating refuse within the boundary of the Brothers Marine Park. The contractor should clear refuse every other Tuesday, and perform daily ad hoc cleansing services for a maximum number of 10 days in the 24-month contract period. In practice, the contractor cleared refuse on West Brother and East Brother alternatively (each Island was cleaned once a month).

3.20 ***Audit's site visits in July and August 2020.*** Audit's site visit on 24 July 2020 (see para. 3.13) found a large quantity of refuse (barrels, bamboo sticks and foam boxes) accumulated along the shorelines of West Brother and East Brother (see Photograph 10(a) and Photograph 11(a)). Audit's follow-up visit on 24 August 2020 found that the refuse accumulated along the shorelines of West Brother and East Brother (see Photograph 10(b) and Photograph 11(b)) had not been removed.

**Clean-up operations by
Agriculture, Fisheries and Conservation Department**

Photographs 10(a) and (b)

**Shoreline refuse found along the shoreline of West Brother
(24 July and 24 August 2020)**

(a) Site visit on 24 July 2020 (10:56 a.m.)



(b) Site visit on 24 August 2020 (10:52 a.m.)



Source: Photographs taken by Audit staff

Remarks: Clean-up operations were conducted on 2 June, 24 July and 10 August 2020.

Photographs 11(a) and (b)

**Shoreline refuse found along the shoreline of East Brother
(24 July and 24 August 2020)**

(a) Site visit on 24 July 2020 (10:19 a.m.)



(b) Site visit on 24 August 2020 (10:38 a.m.)



Source: Photographs taken by Audit staff

Remarks: Clean-up operations were conducted on 16 June, 28 July and 11 August 2020.

3.21 ***Need to improve the cleanliness of the Brothers Marine Park.*** Audit compared the frequency of cleansing services of 5 recurrent contracts for the Marine Parks and Marine Reserve as at 1 July 2020 (see Table 3 in para. 3.2), and noted that the cleansing frequency for the Brothers Marine Park was the lowest among the Marine Parks and Marine Reserve. Audit considers that AFCD should take prompt actions to improve the cleanliness of the Brothers Marine Park and consider the need for increasing the cleansing frequency.

Audit recommendations

3.22 Audit has *recommended* that the Director of Agriculture, Fisheries and Conservation should:

- (a) in consultation with MD, consider improving the salvage operation of large floating objects found in the Marine Parks and Marine Reserve;
- (b) strengthen the monitoring of contractor's work in cleaning up the back-of-beach area of Lung Kwu Chau and improve contract provisions on the frequency of shoreline refuse collection and documentation of evidence (e.g. taking photographs and/or video clips) after completion of each clean-up work in similar cleansing contracts in future;
- (c) review the effectiveness of the ad hoc cleansing services at back-of-beach area of Lung Kwu Chau and report to the Working Group;
- (d) explore effective measures in removing refuse located at the back-of-beach area of Lung Kwu Chau not covered by the existing contract and seek the steer of the Working Group where appropriate; and
- (e) take prompt actions to improve the cleanliness of the Brothers Marine Park and consider the need for increasing the cleansing frequency.

Response from the Government

3.23 The Director of Agriculture, Fisheries and Conservation agrees with the audit recommendations. He has said that AFCD will take follow-up actions to implement the recommendations.

PART 4: CLEAN-UP OPERATIONS BY LEISURE AND CULTURAL SERVICES DEPARTMENT

4.1 This PART examines the clean-up operations by LCSD to collect and remove shoreline refuse at gazetted beaches.

Collection and removal of shoreline refuse at gazetted beaches

Cleaning arrangements

4.2 *Cleansing contracts.* LCSD is responsible for the cleanliness of 41 gazetted beaches located in five districts, namely Southern, Sai Kung, Islands, Tsuen Wan and Tuen Mun. The cleansing work is performed by contractors under three 36-month contracts on provision of cleansing and supporting services to leisure venues (Note 22) covering different districts (see Table 7).

Table 7

Cleansing contracts for gazetted beaches

District	No. of beaches	Contract period	Estimated contract value for beach cleansing services (\$ million)
Southern	12	Apr 2020 to Mar 2023	67.4
Sai Kung	6	Mar 2019 to Feb 2022	25.4
Islands, Tsuen Wan, and Tuen Mun	23	May 2020 to Apr 2023	77.1

Source: LCSD records

Note 22: Leisure venues covered in the cleansing contracts include parks and playgrounds, sports centres and tennis and squash centres, swimming pools, sports grounds and recreation grounds.

Clean-up operations by Leisure and Cultural Services Department

4.3 ***Contractual requirements.*** The cleansing contracts require the contractors to:

- (a) have the whole beach cleansed three times daily in accordance with a schedule as specified in the contract or as directed by the government representative (i.e. LCSD venue staff);
- (b) provide the required number of full-time on-site workers at each venue to perform the services as stipulated in the cleansing schedule, which, among others, include:
 - (i) ***Water area.*** Collecting refuse/junks and cleaning the coast lines of the beach including rocky areas, jetty and landing platform twice a day, and picking up pebbles, rocks and sharp articles underneath the water at the depth of 0.5 metre as directed by the government representative; and
 - (ii) ***Sand area.*** Excavating refuses, junks and sharp articles which buried underground the sand at the depth of 0.5 metre once a day, and collecting refuses, junks, sea weeds, jelly fishes and dead bodies of marines as directed by the government representative; and
- (c) supply labour and transportation for collected refuses for dumping to the approved dumping sites on the same day.

The contractor provides the above regular cleansing service for each beach at a monthly rate as specified in the contract. Upon the request of the government representative, the contractor shall provide additional workers to perform cleansing work at a unit rate as specified in the contract.

4.4 ***Removal of sea-borne refuse found on shark prevention nets.*** Apart from the cleansing contracts, LCSD has engaged a contractor to provide maintenance services of the shark prevention nets installed in 38 bathing beaches (Note 23). The maintenance services include removal of sea-borne refuse found on the shark

Note 23: *Of the 41 gazetted beaches, 3 (Rocky Bay Beach, Hairpin Beach and Gemini Beaches) are not open for swimming and not provided with shark prevention nets.*

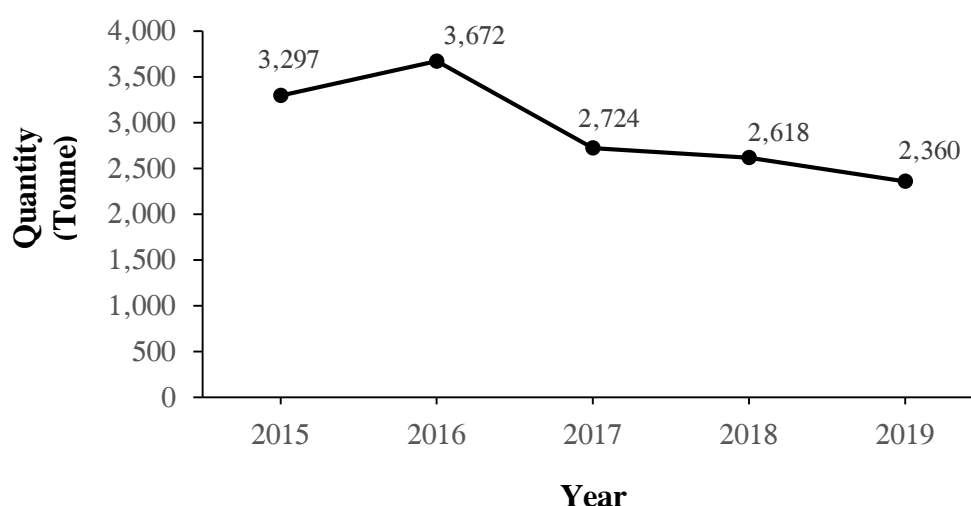
prevention nets. The maintenance contract has a duration of three years commencing from 1 December 2018 with an estimated contract value of \$78.5 million.

Cleanliness condition of gazetted beaches

4.5 ***Quantity of refuse collected.*** According to LCSD statistics from 2015 to 2019, the quantity of shoreline refuse collected decreased by 36% from 3,672 tonnes in 2016 to 2,360 tonnes in 2019 (see Figure 6).

Figure 6

**Quantity of shoreline refuse collected at gazetted beaches
(2015 to 2019)**



Source: Audit analysis of LCSD records

4.6 ***EPD inspection results.*** Since 2020, EPD has engaged a contractor to conduct inspections to monitor the cleanliness condition of 29 priority sites and 90 other coastal sites (see para. 2.7), which include all 41 gazetted beaches. Audit analysed the cleanliness grading accorded at each of the 508 inspections conducted by EPD contractor from mid-January to mid-August 2020 and found that the cleanliness condition of gazetted beaches was generally more satisfactory than that of the other coastal sites. Specifically, “Grade 1 — Clean” was accorded by the contractor in 74% of the inspections of gazetted beaches, as compared to only 32% for the inspections of other coastal sites (see Table 8).

Table 8

**Comparison of cleanliness grading of gazetted beaches and other coastal sites
based on 508 inspections conducted by EPD contractor
(Mid-January to mid-August 2020)**

Cleanliness grading	Number of inspections	
	41 gazetted beaches	78 other coastal sites
“Grade 1 — Clean”	114 (74%)	115 (32%)
“Grade 2 — Satisfactory”	39 (25%)	196 (55%)
“Grade 3 — Fair” or worse	1 (1%)	43 (13%)
Total	154 (100%)	354 (100%)

Source: Audit analysis of EPD records

4.7 ***Audit’s site visits.*** Audit conducted site visits to four gazetted beaches in July 2020 and found that the cleanliness condition of gazetted beaches was satisfactory in general (see Photographs 12(a) to (d)).

Photographs 12(a) to (d)

Cleanliness condition of gazetted beaches during Audit's site visits

(a) Silver Mine Bay Beach



(b) Tong Fuk Beach



(c) Golden Beach



(d) Ting Kau Beach



Source: Photographs taken by Audit staff in July 2020

4.8 ***Areas for improvement.*** The satisfactory cleanliness condition of the gazetted beaches might be attributable to the provision of daily cleansing service (see para. 4.3) and the supervision of LCSD venue staff, while coastal sites under the management of other departments (i.e. AFCD and FEHD) are subject to a lower cleansing frequency (e.g. weekly or monthly). Despite the more satisfactory cleanliness condition of the gazetted beaches as compared with other coastal sites, Audit examination has found a number of areas for improvement, which are elaborated in paragraphs 4.9 to 4.15.

***Need to develop performance standards
on cleanliness condition of beaches***

4.9 ***Lack of performance standards on cleanliness of beaches.*** According to the cleansing contracts, the contractor is required to carry out the cleansing services in accordance with a set of standard of cleanliness, which covers different locations such as floor surfaces, glass doors and windows, carpeted areas, and fixed installations and furniture. Taking floor surfaces as an example:

- (a) acceptable standard means “dry and free from surface dirt, litter, waste materials and grease. Marble, tile and rubber-stud floor of lobby, main thoroughfare and lift should be waxed after cleaning”;
- (b) marginally acceptable standard means “reasonably dry and predominantly free from surface dirt, litter, waste materials and grease”; and
- (c) unacceptable standard means “wet, greasy and widespread distribution or minor accumulation of surface dirt, litter and waste materials”.

Photographs illustrating an acceptable standard of cleanliness for different locations are also included in the contracts. Audit examination of the cleansing contracts however found that the standard of cleanliness did not cover beaches (e.g. water area and sand area of a beach). In the absence of a standard of cleanliness for beaches, it is difficult to assess objectively the performance of the contractor in providing cleansing services for the beaches. In Audit’s view, the Shoreline Cleanliness Grading System adopted in EPD’s inspections (see para. 2.4) can be a useful reference for LCSD in developing a set of standard of cleanliness for the beaches in the cleansing contracts. For example, acceptable, marginally acceptable and unacceptable standards could be respectively defined as “Grade 1 — Clean”, “Grade 2 — Satisfactory” and “Grade 3 — Fair” or worse based on EPD inspection standards.

***Need to ensure accuracy and timely reporting of statistics on special
cleansing operations***

4.10 ***Special cleansing operations prior to 2018.*** As an initiative of enhancing efforts to remove refuse from the marine environment under the 2015 Study, LCSD conducted additional ad hoc clean-ups (hereinafter referred to as special cleansing operations) at the priority sites during wet seasons and at the remaining gazetted beaches after heavy rainfall, strong monsoon, typhoons or other inclement weather.

**Clean-up operations by
Leisure and Cultural Services Department**

The statistics of special cleansing operations from 2015 to 2017 were reported to the Working Group in January 2017 and January 2018, as follows:

- (a) from April 2015 to March 2016, LCSD conducted 123 special cleansing operations at three gazetted beaches (priority sites) and marine refuse weighing over 675,250 kilogram (kg) was collected in these operations; and
- (b) from December 2016 to November 2017, LCSD conducted:
 - (i) 138 special cleansing operations at the three priority sites and marine refuse weighing over 226,000 kg was collected in these operations;
 - (ii) 281 special cleansing operations at the remaining 38 gazetted beaches on top of its daily routine cleaning efforts; and
 - (iii) 4 special cleansing operations for clearing marine refuse on water area of beaches after inclement weather during the wet season.

4.11 *Special cleansing operations since 2018.* Audit noted that neither the Working Group nor TFMR had been informed of the statistics of special cleansing operations after January 2018. Upon request, LCSD provided Audit with a statistical return on the special cleansing operations conducted in the 41 gazetted beaches from January 2018 to June 2020 (see Table 9).

Table 9

Number of special cleansing operations
(January 2018 to June 2020)

Year	Number of special cleansing operations		
	4 gazetted beaches (priority sites)	37 gazetted beaches (non-priority sites)	Total
2018	99	363	462
2019	100	236	336
2020 (up to June)	24	931	955

Source: Audit analysis of LCSD records

4.12 **Audit observations.** Audit analysis of the number of special cleansing operations revealed the following issues:

- (a) **Priority sites.** The number of special cleansing operations conducted in the four priority sites (i.e. Pui O Beach and Cheung Chau Tung Wan Beach in Islands District, and Shek O Beach and Rocky Bay Beach in Southern District) significantly decreased from around 100 each in 2018 and 2019 to 24 for the first half of 2020. Among the four priority sites, no special cleansing operation was conducted in Shek O Beach from January 2018 to June 2020. The decrease in the number of special cleansing operations conducted might reflect a general improvement in the cleanliness condition of the priority sites. In this connection, there is a need for EPD to continue keeping in view the need for updating the coastal sites in the shoreline cleanliness monitoring programme (see para. 2.18). In October 2020, LCSD informed Audit that: (i) LCSD would review the priority site list with EPD; and (ii) in view that the cleanliness condition of the four priority sites had improved, LCSD would propose to EPD to remove these sites from the list; and
- (b) **Non-priority sites.** The number of special cleansing operations increased significantly from 236 in 2019 to 931 for the first half of 2020. Of the 931 special cleansing operations, 849 (91%) were conducted in the six beaches in Sai Kung District. As a comparison, LCSD only conducted 31 special cleansing operations in the first half of 2019. Despite the

significant increase in the number of special cleansing operations in the six beaches in Sai Kung District, the total quantity of refuse collected was about 420 tonnes in both the first half of 2019 and that of 2020. In response to Audit's enquiry on the significant discrepancy, in September 2020, LCSD said that:

- (i) due to the outbreak of COVID-19, it engaged one more cleansing worker per day at each of the six beaches in Sai Kung from February to May 2020 and in some of the Sai Kung beaches in June 2020 to supplement the existing cleansing staff with a view to stepping up hygiene and other epidemic preventive measures. It was reasonable that the amount of refuse collected at the six beaches had not increased; and
- (ii) the statistical return of additional cleansing operations provided to Audit was unnecessarily exaggerated. The provision of one additional cleansing worker mentioned in (i) was incorrectly reported as 842 special cleansing operations in the statistical return. Taking the month of February 2020 as an example, the provision of one additional cleansing worker was incorrectly counted as 174 special cleansing operations (i.e. 29 days \times 6 beaches \times 1 worker).

In Audit's view, there is a need to improve the accuracy of management information on special cleansing operation statistics for reporting to the Working Group and TFMR.

Need to tighten controls on provision of additional cleansing workers

4.13 ***Manpower requirements in cleansing contracts.*** Detailed manpower requirements for each beach are laid down in the cleansing contracts taking into account the fluctuations in workload. For example, a small number of cleansing workers is required during October to April (i.e. non-swimming season) and a large number of cleansing workers is required on Saturdays or general holidays from June to August.

4.14 ***Inadequacies in provision of additional cleansing workers.*** While manpower requirements in the cleansing contracts should be commensurate with the

Clean-up operations by Leisure and Cultural Services Department

fluctuations in workload, there may be ad hoc needs for additional cleansing workers for special or emergency occasions (e.g. festive event or sudden surge of marine refuse after passage of a typhoon). Audit examination of the requests made by LCSD for provision of additional cleansing workers by contractors for beaches in different districts from April 2017 to March 2020 revealed the following inadequacies:

- (a) ***LCSD's guidelines on provision of additional cleansing workers not always followed.*** According to the cleansing contract, a written service order should be served to the contractor five days in advance for requests of additional cleansing workers. According to LCSD's Contract Management Manual which provides guidelines on managing requests of additional cleansing workers, any request for additional/ad hoc service should be justified and certified by an appropriate staff in respect of the need and acceptance of the service, and approved by an appropriate authority. Audit examined LCSD's records and found that: (i) justifications for the requests for additional cleansing workers were not documented; and (ii) additional cleansing workers had been deployed before the issue of a written service order on some occasions. For example, on 29 March 2019, a venue staff in Big Wave Bay Beach submitted a request to the beach manager for additional service (2 hours each of 2 workers) on every Saturday, Sunday and Monday from May to September 2019. On 3 June 2019, the venue staff informed the beach manager that the contractor had not yet received the relevant service order, though additional service was already deployed in May 2019. On 18 June 2019, the beach manager issued a service order to the contractor for the additional service from May to September 2019; and

- (b) ***Deployment of additional workers not resulting in increase in quantity of refuse collected.*** From June 2018 to March 2020, LCSD requested the contractor to provide four additional cleansing workers to work for eight hours on alternate Fridays each month in Rocky Bay Beach. Audit examination of the daily refuse statistics however revealed that the quantity of refuse collected on the Fridays with additional cleansing workers did not show a significant increase as compared to the quantity of refuse collected on the Fridays without additional cleansing workers. In response to Audit's enquiry, LCSD in September 2020 said that: (i) the quantity of refuse collected at beaches should not be the only indicator to evaluate the cleansing work force requirement; and (ii) the additional workers had various duties which included upkeeping the cleansing and hygiene conditions of the toilets, changing rooms and barbeque sites, etc.

While noting LCSD's explanations, Audit has some reservations on the need for deploying additional cleansing workers in Rocky Bay Beach because it is not open to the public for swimming and does not have any related facilities (i.e. toilets, changing rooms and barbeque sites).

Need to improve accuracy of shoreline refuse data

4.15 ***Collection of shoreline refuse data by LCSD.*** Apart from shoreline refuse (see para. 1.2), LCSD also collects land refuse (Note 24). Venue staff records the total number of bags and/or the total weight of each type of refuse (i.e. shoreline refuse and land refuse) in kg (Note 25) for each gazetted beach on a daily basis. LCSD provides a summary of the shoreline refuse data of each gazetted beach to EPD on a monthly basis (see para. 2.3). Audit's examination on the collection of shoreline refuse data revealed the following inadequacies:

- (a) ***Lack of guidelines on requirement of refuse data collection.*** LCSD venue staff collect and report data for both shoreline refuse and land refuse. However, LCSD's Guidelines on Management of Public Beaches do not have laid-down procedures on how to classify, count and weigh the bags/bins of refuse collected, which has led to the following issues:
 - (i) ***Refuse collected not consistently classified as shoreline refuse.*** Audit conducted interviews with venue staff of 13 beaches in four districts (i.e. Islands, Southern, Tuen Mun and Tsuen Wan) from July to September 2020 and found that venue staff in different beaches had different interpretations on how to classify refuse collected as shoreline refuse or land refuse, as follows:
 - ***Interpretation 1.*** For 2 beaches in Tsuen Wan District, only refuse collected in the water area would be classified as shoreline refuse and those collected in other areas would be classified as land refuse;

Note 24: *According to the 2015 Study Report, land refuse refers to any solid waste, discarded or lost material, resulting from human activities that has not yet entered the marine environment and found on land.*

Note 25: *According to the 2015 Study Report, LCSD workers assumed a bag of refuse carried a weight of 25 kg.*

- **Interpretation 2.** For 3 beaches in Southern District and 5 beaches in Islands District, refuse collected from water area up to the high tide mark of the sand area would be classified as shoreline refuse and those collected beyond the high tide mark would be classified as land refuse; and
- **Interpretation 3.** For 3 beaches in Tuen Mun District, refuse collected in the water area and on the entire sand area would be classified as shoreline refuse, and only those collected beyond the sand area (e.g. footpaths and barbeque facilities) and from trash bins would be classified as land refuse.

Photograph 13 below illustrates the different interpretations on the beach area in which refuse collected was classified as shoreline refuse. As the inconsistent classification would affect the accuracy of shoreline refuse data reported, there is a need to lay down guidelines to standardise the classification of shoreline refuse;

Photograph 13

An illustration of shoreline refuse location



Interpretation 1

Interpretation 2

Interpretation 3

Legend: — Low tide mark
— High tide mark

Source: Photograph taken by Audit staff in July 2020

- (ii) ***Variation in estimating refuse weight.*** According to the interviews with the venue staff of different beaches in the four districts (see (i) above), the refuse weight was estimated based on a formula (i.e. multiplying the number of bags/bins of refuse collected by an estimated weight for each bag/bin of refuse). The estimated weight for each bag/bin of refuse in each beach was either 15 kg or 25 kg (for garbage bag) and either 250 kg or 300 kg (for garbage bin). No record was available showing when and how LCSD determined the estimated weight for each bag/bin of refuse and whether LCSD had regularly calibrated the estimated weight. To assess the reasonableness of the estimated weight for each bag of refuse, Audit conducted a sample check to measure the weight of 28 bags of refuse collected in three beaches in Southern District and two beaches in Tsuen Wan District during Audit's site visits in August and September 2020. Against the estimated weight of 15 kg, Audit's sample check found that the weight for each bag of refuse ranged from 1.16 kg to 15.89 kg (9.57 kg on average); and
 - (iii) ***Refuse on shark prevention nets not reported.*** The maintenance contractor of shark prevention nets is required to report to LCSD the quantity of refuse removed during its maintenance service (see para. 4.4) on a regular basis. In 2019, the contractor reported that refuse with a total weight of 14,847 kg had been removed. Audit however found that LCSD had not included the quantity of refuse reported by the maintenance contractor in compiling the marine refuse data for submission to EPD; and
- (b) ***Need to monitor and investigate abnormal fluctuations in shoreline refuse data reported.*** While LCSD has put in place a mechanism to collect marine refuse data on a daily basis and to consolidate on a monthly basis for submission to EPD, no record was available showing that LCSD had monitored the fluctuations in shoreline refuse data collected and investigated any abnormal fluctuations, which might be due to errors or omissions in reporting. Audit analysis of the shoreline refuse data reported by LCSD found the following two instances of abnormal fluctuation:
- (i) the quantity of shoreline refuse collected in South Bay Beach was reported as zero in the 12-month period from July 2019 to June 2020, while the reported figure was 20,465 kg from July 2018 to June 2019; and

- (ii) the quantity of shoreline refuse collected in Deep Water Bay Beach decreased by 99% from 6,000 kg in the 7-month period from October 2018 to April 2019 to 60 kg from October 2019 to April 2020.

Audit recommendations

4.16 Audit has *recommended* that the Director of Leisure and Cultural Services should:

- (a) consider incorporating into the cleansing contracts performance standards on cleanliness condition of beaches;
- (b) ensure that the results of special cleansing operations are reported to the Working Group and TFMR;
- (c) improve the accuracy of management information on special cleansing operation statistics for reporting to the Working Group and TFMR;
- (d) tighten controls on the provision of additional workers for cleansing work of beaches; and
- (e) improve the accuracy of shoreline refuse data by:
 - (i) laying down guidelines on classifying, counting and weighing the bags/bins of refuse collected; and
 - (ii) monitoring and investigating any abnormal fluctuations in the shoreline refuse data reported.

Response from the Government

4.17 The Director of Leisure and Cultural Services agrees with the audit recommendations. He has said that:

- (a) regarding the audit recommendation in paragraph 4.16(a), LCSD will incorporate the performance standards on cleanliness condition of beaches in the future tender with reference to EPD's Shoreline Cleanliness Grading System;
- (b) regarding the audit recommendation in paragraph 4.16(c), LCSD will review the method of counting on the number of special cleansing operations with a view to providing clear information; and
- (c) regarding the audit recommendation in paragraph 4.16(e), LCSD will:
 - (i) review and standardise the classification of shoreline refuse in bathing beaches;
 - (ii) review the method of estimating refuse weight;
 - (iii) report the sea refuse collected by the contractor of shark prevention nets to EPD; and
 - (iv) pay attention to checking the shoreline refuse data accuracy.

PART 5: CLEAN-UP OPERATIONS BY FOOD AND ENVIRONMENTAL HYGIENE DEPARTMENT

5.1 This PART examines the clean-up operations by FEHD, focusing on:

- (a) monitoring of clean-up operations (paras. 5.2 to 5.11);
- (b) audit inspections of priority sites under the purview of FEHD (paras. 5.12 to 5.15); and
- (c) tendering of clean-up service (paras. 5.16 to 5.27).

Monitoring of clean-up operations

5.2 *Clean-up contract.* FEHD is responsible for the cleanliness of ungazetted beaches and coastal areas in Hong Kong that are not under the purview of other government departments. According to FEHD:

- (a) it conducts clean-up operations on a regular basis ranging from daily to half yearly subject to the ground situation and will carry out additional clean-up operations as and when required, e.g. the surge of marine refuse washed ashore due to spillage incidents or in the aftermath of typhoons. Most of ungazetted beaches and coastal areas are located at the remote or undeveloped areas which are not easily accessible by vehicles; and
- (b) Hong Kong has a long coastline. Some locations, especially outlying islands, can only be accessed by vessels. Furthermore, facing unforeseeable circumstances, including weather condition and tidal movement (such as heavy wind and rough seas at winter season and typhoon at summer season), it can only conduct clean-up operations at the pertinent locations as circumstances permit. Given the scale and the complexity, the clean-up operations are by no means easy.

5.3 As of August 2020, of the 306 sites of ungazetted beaches and coastal areas under FEHD's purview, the clean-up work of 287 (94%) sites was outsourced to a contractor and clean-up work of the remaining 19 (6%) sites was undertaken by FEHD

in-house staff (Note 26). The current 24-month clean-up contract (from June 2019 to May 2021) at a contract sum of \$89.2 million includes 287 sites of ungazetted beaches and coastal areas and another 782 territorial sites. The Environmental Hygiene Branch of FEHD is responsible for monitoring the work carried out by its contractor. From 2015 to 2019, FEHD collected 4,045 tonnes (averaging 809 tonnes per annum) of shoreline refuse in the ungazetted beaches and coastal areas under its purview.

5.4 *Contractual and operational requirements.* The clean-up contract requires the contractor to provide clean-up service to the satisfaction of the government representative (i.e. FEHD staff). The contractor is required to:

- (a) provide a minimum number and post of contractor personnel, type of vehicle and vessel for each site in each Districts Group (see Contract E in Table 10 in para. 5.16) and submit in advance the work schedules (per month in practice) for the approval of FEHD; and
- (b) upon completion of clean-up service, submit to FEHD:
 - (i) at the end of each day, digital images showing the conditions of sites/areas, taken on close and wide shots before, during and after providing the clean-up service; and
 - (ii) within two days, a return with photographs to FEHD.

Need to update guidelines for assessing the cleanliness level

5.5 According to FEHD's Operational Manual for Management of Public Cleansing Contracts (Operational Manual — Note 27), FEHD staff shall assess the overall performance of the contractor through random checking (e.g. field inspections

Note 26: *As a significant part of the clean-up work is carried out by an outside contractor, this audit review focused on the clean-up operations performed by the FEHD contractor and monitoring work carried out by FEHD.*

Note 27: *In July 2020, FEHD informed Audit that the Operational Manual was applicable to FEHD's cleansing service contract for special sites/areas, ungazetted beaches and coastal areas, and other cleansing contracts, e.g. street cleansing contracts.*

Clean-up operations by Food and Environmental Hygiene Department

on contractor's service and the service records submitted by the contractor). According to FEHD:

- (a) it monitors the contractor's performance according to the performance requirements laid down in the contract and requires the contractor to follow the Execution Plan (submitted by the contractor), among others, which sets out the performance level for fulfilling the service requirements with FEHD's approval; and
- (b) at pre-contract meetings held with the awarded contractor, the representatives of District Environmental Hygiene Offices (District Offices) have highlighted the scope of service required and the level of cleanliness to be attained, and briefed the contractor on the special features and essential requirements in the execution of the contract.

The frontline staff will determine whether the cleanliness level achieved is satisfactory based on both the terms and condition of the contract and the work plans (including the Execution Plan) proposed by the contractor and approved by FEHD. In Audit's view, FEHD needs to update the guidelines for assessing the cleanliness level achieved by the contractor, making reference to EPD's Shoreline Cleanliness Grading System for the cleanliness level where appropriate (see para. 2.4).

Need to comply with the monitoring requirements of the Operational Manual

5.6 According to FEHD's Operational Manual:

- (a) Senior Foremen should inspect at least 50% of the scheduled work sites on the day the service is provided. The inspection is preferred to be carried out immediately after the service is completed. For work sites in remote areas, a Senior Health Inspector can exercise discretion to determine the most suitable minimum inspection frequency. The Senior Foreman has to upload his Daily Inspection Report to FEHD's Contract Management System (Note 28); and

Note 28: *In 2002, the Contract Management System was implemented for managing the performance of public cleansing contracts. The System contains a database of inspection records and default notices issued to contractors.*

- (b) the Health Inspector/Senior Health Inspector should log into the System to review the Daily Inspection Reports submitted by the Senior Foreman. The Health Inspector should conduct checking on the submissions of the Senior Foreman, by making use of the System, at least twice a week. A Senior Health Inspector should conduct random checks on the submissions at least once a week. The “Daily Inspections Log Report” generated by the System shows whether the Health Inspector or the Senior Health Inspector has reviewed the submissions made by the Senior Foreman.

5.7 In June and July 2020, Audit paid visits to FEHD’s Islands and Sai Kung District Offices, and found that:

- (a) according to three samples provided by Islands District Office, the work sites inspected had not been recorded on the Senior Foreman’s Daily Inspection Reports. Without information on work sites inspected, Audit was unable to conduct analysis on the inspection records and could not ascertain whether the 50% target inspection rate for Senior Foremen had been achieved (see para. 5.6(a)); and
- (b) the Daily Inspections Log Reports of the two District Offices from June 2019 to May 2020 showed that:
 - (i) ***Islands District Office comprising one Health Inspector and one Senior Health Inspector responsible for the clean-up contract.*** The Health Inspector had logged into the Contract Management System for three days, while the Senior Health Inspector had not logged into the System; and
 - (ii) ***Sai Kung District Office comprising one Health Inspector and one Senior Health Inspector responsible for the clean-up contract.*** Both the Health Inspector and the Senior Health Inspector had not logged into the System.

The requirement of the Operational Manual to make use of the Contract Management System to conduct checking on the submissions of the Senior Foreman once/twice a week had not been fully achieved (see para. 5.6(b)).

Clean-up operations by Food and Environmental Hygiene Department

5.8 Regarding the findings of Audit's site visits in paragraph 5.7, FEHD said that:

- (a) the Senior Foreman provided entries of the inspection results at the Daily Inspection Reports of the Contract Management System but had not clearly stated the location name of the inspected sites in the Daily Inspection Reports. However, the images of the site inspected had been uploaded to the System. As such, the required information could not be easily retrieved from the System by just searching the location name of the inspected site (see para. 5.7(a)); and
- (b) in order to assess the contractor's performance and the supervision work of Senior Foreman, the Health Inspectors and Senior Health Inspectors (supervising officers) of Islands and Sai Kung District Offices had vetted paper records, i.e. daily work programmes, daily attendance records and daily returns with photographs submitted by the contractor to report the completion of clean-up work as required (see para. 5.4(b)). The supervising officers of the two District Offices had logged into the System to check for the Daily Inspection Reports submitted by the Senior Foremen in their District Offices since June and September 2020 respectively (see para. 5.7(b)).

In Audit's view, FEHD needs to record the work sites inspected in Senior Foremen's submissions and make use of the Contract Management System to conduct checking to ensure its supervisory staff have complied with the monitoring requirements as stated in FEHD's Operational Manual.

Need to lay down procedures for estimating the quantity of shoreline refuse collected

5.9 In 2019, FEHD collected about 1,213 tonnes of shoreline refuse. According to the contract provisions, the contractor should keep a detailed record of the amount of waste in kg. At the end of each month, the contractor should submit a copy of such record to FEHD staff. According to FEHD, the shoreline refuse collected varied, ranging from small litters (e.g. glass bottles and foam boxes) to bulky and heavy articles (e.g. refrigerator and planks). Audit noted that, similar to LCSD (see para. 4.15(a)), FEHD did not lay down procedures in the contract on how to estimate the quantity of shoreline refuse collected. Audit considers that FEHD needs to lay down procedures for estimating the quantity of shoreline refuse collected.

Audit recommendations

5.10 **Audit has *recommended* that the Director of Food and Environmental Hygiene should:**

- (a) **update the guidelines for assessing the cleanliness level achieved by the contractor;**
- (b) **remind FEHD's supervisory staff to comply with the monitoring requirements of FEHD's Operational Manual; and**
- (c) **lay down procedures for estimating the quantity of shoreline refuse collected.**

Response from the Government

5.11 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that:

- (a) FEHD has established guidelines for monitoring the performance of the contractor. To facilitate the assessment of whether the cleanliness level achieved is satisfactory, FEHD will update the guidelines to set out a benchmark on the level of cleanliness by illustrating with photographs and descriptions at the contract requirements for the contractor to attain and achieve in the next contract upon renewal in June 2021;
- (b) FEHD will further remind FEHD's supervisory staff from time to time to comply with the monitoring requirements of FEHD's Operational Manual; and
- (c) since the outcome basis approach (see para. 5.20) is adopted in the current service contract, the contractor is required to provide clean-up operations to the satisfaction of FEHD at a fixed service charge regardless of the amount of refuse collected. According to the contract provisions, the contractor is required to provide a detailed record of the amount of shoreline refuse collected. FEHD will consider laying down procedures in the service contract for the contractor to provide a more accurate assessment of the

Clean-up operations by Food and Environmental Hygiene Department

quantity of the shoreline refuse collected as far as practicable in the next contract upon renewal in June 2021.

Audit inspections of priority sites under the purview of Food and Environmental Hygiene Department

Need to strengthen the supervision on the contractor's work

5.12 From June to mid-September 2020, Audit conducted field visits to three priority sites:

- (a) ***Ting Kok Road near Po Sam Pai Village in Tai Po District.*** Audit inspections on 21 June and 9 August 2020 found a large quantity of refuse along the shoreline of Ting Kok Road near Po Sam Pai Village (see Photographs 14(a) and (b)). According to FEHD records, the contractor cleaned up the site on 5 June and 10 July 2020. Up to 13 September 2020, the refuse had not yet been removed by the contractor (see Photograph 14(c));
- (b) ***Lung Kwu Tan near Lung Tsai in Tuen Mun District.*** Audit inspections on 14 and 29 July and 25 August 2020 found a plastic bucket and a large bamboo scaffold at the shoreline of Lung Kwu Tan near Lung Tsai (see Photographs 15(a) to (c)). According to FEHD records, the contractor cleaned up the site on 13 and 27 July and 24 August 2020. Up to 9 September 2020, the refuse had not yet been removed by the contractor (see Photograph 15(d)); and
- (c) ***Shui Hau in Islands District.*** Audit inspections on 7 and 25 August 2020 found a large quantity of refuse along the shoreline of Shui Hau (see Photographs 16(a) and (b)). According to FEHD records, the contractor cleaned up the site on 1 and 22 August 2020. Up to 15 September 2020, the refuse had not been fully cleaned up by the contractor (see Photograph 16(c)).

Photographs 14(a) to (c)

Refuse found in Ting Kok Road near Po Sam Pai Village, Tai Po District

(a) Site visit on 21 June 2020 (5:06 p.m.)



(b) Site visit on 9 August 2020 (2:57 p.m.)



(c) Site visit on 13 September 2020 (2:02 p.m.)



Source: Photographs taken by Audit staff

**Clean-up operations by
Food and Environmental Hygiene Department**

Photographs 15(a) to (d)

Refuse found in Lung Kwu Tan near Lung Tsai, Tuen Mun District

(a) Site visit on 14 July 2020 (10:54 a.m.)



(b) Site visit on 29 July 2020 (3:47 p.m.)



(c) Site visit on 25 August 2020 (2:02 p.m.)



(d) Site visit on 9 September 2020 (11:47 a.m.)



Source: Photographs taken by Audit staff

Photographs 16(a) to (c)

Refuse found in Shui Hau, Islands District

(a) Site visit on 7 August 2020 (10:18 a.m.)



(b) Site visit on 25 August 2020 (10:39 a.m.)



(c) Site visit on 15 September 2020 (2:24 p.m.)



Source: Photographs taken by Audit staff

5.13 Regarding the findings of Audit's site visits in paragraph 5.12, in late September 2020, FEHD informed Audit of the following:

Clean-up operations by Food and Environmental Hygiene Department

- (a) **Regarding paragraph 5.12(a).** Certain quantity of refuse trapped in the vegetation had not yet been removed by the contractor. The location in question was situated inside a mangrove at Ting Kok, namely “Site of Special Scientific Interest”. The refuse was trapped in vegetation which was not readily accessible. The contractor could only conduct clean-up operations by hand picking refuse deposited at the periphery of the mangrove as far as practicable to avoid causing damage to the vegetation. Tai Po District Office of FEHD had sought the assistance of AFCD in providing expertise advice and conducting a joint clean-up operation;
- (b) **Regarding paragraph 5.12(b).** The articles (suspected construction articles), which were private properties, did not obstruct the clean-up operations. Tuen Mun District Office of FEHD provided the information to the Lands Department on 18 September 2020 for any actions deemed necessary. Site visit by FEHD on 21 September 2020 found that the articles were removed (Note 29); and
- (c) **Regarding paragraph 5.12(c).** Due to the geographical location, marine refuse washed ashore would accumulate again after conducting clean-up operations. FEHD reviews the clean-up frequency from time to time and also mounts additional clean-up operations if there is a surge of shoreline refuse.

In Audit’s view, FEHD needs to step up its efforts in monitoring the cleanliness of priority sites and strengthen the supervision on the contractor’s work.

Audit recommendation

5.14 **Audit has *recommended* that the Director of Food and Environmental Hygiene should step up efforts in monitoring the cleanliness of priority sites and strengthen the supervision on the contractor’s work.**

Note 29: *On 8 October 2020, FEHD informed the Lands Department that the articles were not detected in its latest inspection. Hence, no further action by the Lands Department was deemed necessary.*

Response from the Government

5.15 The Director of Food and Environmental Hygiene agrees with the Audit recommendation. She has said that:

- (a) the clean-up services provided by FEHD are usually at very remote locations, requiring long travelling time or are not readily accessible, especially those locations on outlying islands which can only be accessed by vessels. Furthermore, facing unforeseeable circumstances including weather condition and tidal movement (such as heavy wind and rough seas at winter season and typhoon at summer season), FEHD staff can only conduct inspections at the pertinent locations as circumstances permit. In order to better monitor the cleanliness of the priority sites, FEHD has proactively implemented a trial scheme to install 360-degree cameras (see paras. 6.13 and 6.14) at 15 priority sites in remote areas since March 2020 to closely monitor the accumulation of shorelines refuse and to mount clean-up operations according to the actual situation; and
- (b) FEHD has established guidelines for monitoring the performance of the contractor. To facilitate the assessment of whether the cleanliness level achieved is satisfactory, FEHD will update the guidelines to set out a benchmark on the level of cleanliness by illustrating with photographs and descriptions at the contract requirements for the contractor to attain and achieve in the next contract upon renewal in June 2021. This will help step up monitoring the cleanliness of priority sites and strengthen the supervision on the contractor's work.

Tendering of clean-up service

5.16 From 2016 to 2021, FEHD adopted different grouping strategies for the contracts for provision of clean-up (and waste removal) services for the ungazetted beaches and coastal areas and other territorial sites under its purview (see Table 10).

**Clean-up operations by
Food and Environmental Hygiene Department**

Table 10

**Contracts for provision of clean-up (and waste removal) services
for the ungazetted beaches and coastal areas and other territorial sites
under FEHD's purview
(March 2016 to May 2021)**

Contract period	Contract particulars	Awarded contract price for whole contract (Note 5) (\$ million)	Estimated contract price for shoreline clean-up (Note 6) (\$ million)
1.3.2016 – 28.2.2018 (Note 1)	Contract A		
	Hong Kong and Islands Districts Group	5.0	2.5
	Contract B		
	Kowloon Districts Group	1.5	0.5
	New Territories Districts Group	4.8	2.4
1.3.2017 – 28.2.2018 (Notes 1 and 2)	Contract C		
	Hong Kong and Islands and Kowloon Districts Group	7.4	6.5
	New Territories Districts Group	6.8	5.8
1.6.2018 – 31.5.2019	Contract D		
	All districts	64.9	38.0
1.6.2019 – 31.5.2021	Contract E		
	Districts Group I (Note 3)	57.3	37.0
	Districts Group II (Note 4)	31.9	14.8

Source: Audit analysis of FEHD records

Note 1: These three contracts were extended for three months to 31 May 2018 to allow more time to prepare for the tender exercise in 2018 (i.e. Contract D).

Note 2: Contract C included additional sites not covered by Contracts A and B.

Note 3: Districts Group I included Districts on Hong Kong Island, Islands District, Kwai Tsing District and Tsuen Wan District.

Table 10 (Cont'd)

- Note 4: Districts Group II included Districts in Kowloon, Tuen Mun District, Yuen Long District, North District, Tai Po District, Sha Tin District and Sai Kung District.*
- Note 5: The awarded contract price for the service locations included special sites/areas (e.g. unallocated Government lands, slopes and soft landscape areas, nullahs, channels and watercourses), ungazetted beaches and coastal areas.*
- Note 6: The estimated contract price for the service locations included ungazetted beaches and coastal areas only.*
- Remarks: According to FEHD, the contract prices were affected by factors such as duration of a contract, manpower and service requirements (e.g. frequency of clean-up service), and pricing strategies of the tenderers.*

5.17 Audit examination on tendering of FEHD's contracts revealed the following areas for improvement:

- (a) suspected false declaration on conviction records by a contractor in a tender (para. 5.18);
- (b) over-reliance on a single contractor (para. 5.19); and
- (c) significant variances between actual hours and estimated hours for completing clean-up service (paras. 5.20 to 5.23).

***Suspected false declaration on conviction records
by a contractor in a tender***

5.18 According to the then Financial Circular (FC) No. 4/2006 "Tightened Measures on the Management of Service Contractors" (Note 30), for service contracts that relied heavily on the deployment of non-skilled workers (Note 31), Controlling

Note 30: *FC No. 3/2019 "Protection of Non-skilled Workers Engaged by Government Service Contractors" (issued on 12 March 2019) sets out the expanded scope of the debarment mechanism and the demerit point system of FC No. 4/2006, and applies to non-skilled worker contracts for which tenders/quotations are invited on or after 1 April 2019.*

Note 31: *Non-skilled workers referred to those performing the functions comparable to the duties of Government Model Scale 1 Grade Staff (e.g. workmen).*

Clean-up operations by Food and Environmental Hygiene Department

Officers should include a mandatory requirement for assessment of tenderers' past performance in terms of convictions under relevant ordinances, which included the offence to be an employer of a person who was not lawfully employable under the Immigration Ordinance (Cap. 115) (Note 32). Conviction under appeal or review should still be counted for the purpose of tender evaluation until it was quashed by the Court. For the purpose of tender evaluation, Controlling Officers should require tenderers to submit a statement of conviction under the relevant ordinances in respect of the performance of a government service contract or private business contract. The reference period for counting of tenderers' conviction record should be the five-year period immediately preceding the tender closing date. The Government would not consider a tender further or would terminate the contract if the concerned tenderer or contractor was subsequently found to have made a false declaration at the tendering stage. Audit noted a case of suspected false declaration in tender submission (see Case 1).

Note 32: *Other relevant ordinances included the Mandatory Provident Fund Schemes Ordinance (Cap. 485), the Employment Ordinance (Cap. 57) and the Employees' Compensation Ordinance (Cap. 282).*

Case 1

Suspected false declaration in tender submission

1. Contractor X submitted a tender in March 2018 (for Contract D in Table 10 in para. 5.16) and declared that it had not committed any of the offences (including no record of conviction under the Immigration Ordinance). In the same month, in reply to FEHD's request for checking of conviction records, Immigration Department (ImmD) said that there was no relevant conviction record of Contractor X. Since the Contractor declared no record of conviction and ImmD also confirmed the same upon FEHD's verification, FEHD awarded Contract D to Contractor X on 30 May 2018.

2. FEHD only noticed that Contractor X had a conviction record in October 2019 when ImmD informed FEHD that Contractor X was convicted in April 2017 for employing a person who was not lawfully employable under the Immigration Ordinance, in relation to a direct procurement by quotation. According to FEHD:

- (a) the information provided by ImmD showed that on 15 May 2018, Contractor X's conviction was upheld by the Court of First Instance and it applied for leave to appeal to the Court of Final Appeal but the Court refused to grant leave in April 2019; and
- (b) since Contract D had expired in May 2019, no follow-up action could be taken by FEHD (Note).

3. In this connection, ImmD informed Audit in mid-October 2020 that it had conducted an internal review in December 2019 and the checking procedures had been strengthened.

Audit comments

4. Audit noted that ImmD had inaccurately informed FEHD during the appeal period that Contractor X had no conviction under the Immigration Ordinance, contrary to the requirement of FC No. 4/2006 (the scope of the debarment mechanism and the demerit point system were expanded and incorporated in FC No. 3/2019 — see Note 30 to para. 5.18) that conviction under appeal should still be counted until it is quashed by the Court. In Audit's view, ImmD needs to continue to strengthen the checking procedures on conviction records against the Immigration Ordinance and remind the checking staff of the requirements of the relevant FC that conviction under appeal should still be counted until it is quashed by the Court.

Source: Audit analysis of FEHD records

Clean-up operations by Food and Environmental Hygiene Department

Case 1 (Cont'd)

Note: According to FEHD:

- (a) other than Contract D, Contractor X was also awarded 10 FEHD contracts from April 2017 to October 2019. Contractor X declared that it had no conviction under relevant ordinances for all its tender submissions, and ImmD advised in its replies to FEHD's requests for checking of conviction records in respect of each tender submission from Contractor X that there was no relevant conviction record of Contractor X; and*
- (b) among those 10 contracts:*
 - (i) 3 had already expired by the time of notification from ImmD in October 2019 and hence no follow-up action could be taken by FEHD;*
 - (ii) 3 other contracts were due to expire by end of April and June 2020. Having regard to the lead time of around 7 months for a tender exercise (open tender to appoint a new contractor), they were allowed to continue until expiry; and*
 - (iii) for the remaining 4 contracts, they had been terminated before their expiry.*

Over-reliance on a single contractor

5.19 Under Contract D (see Table 10 in para. 5.16), FEHD bundled the previous three regional contracts (see Contracts A to C in Table 10) into one contract (i.e. to cover the whole territory) to enhance its flexibility in mobilising adequate contractor's staff within a short period to cope with the sudden surge of refuse in any district due to unforeseeable circumstances. In approving the acceptance of recommended tender for Contract D in May 2018, the Central Tender Board commented that the over-reliance on a single contractor was undesirable from the risk management perspective and requested FEHD to take this into account in future. In response, FEHD divided the clean-up service in tender of the succeeding contract (Contract E) into two Districts Groups (see Table 10). In May 2019, Contractor Y was awarded the contracts of both Districts Groups. According to the Financial Services and the Treasury Bureau Circular Memorandum No. 4/2019 "Concentration Risk in relation to Cleansing and Security Service Contracts" issued in April 2019, in order to promote competition, government departments are encouraged:

- (a) to split large contracts into smaller ones to facilitate small and medium-sized enterprises' participation in government tenders; and*

- (b) to restrict the number of contracts to be awarded to the same tenderer if a tender involves more than one contract.

However, FEHD had not imposed any restriction on awarding the clean-up service for Districts Groups I and II to the same contractor. In order to strike a balance between competition and efficiency, FEHD might wish to, in consultation with the Department of Justice as appropriate, consider splitting the territory-wide clean-up service contract into different Districts Groups and imposing a restriction to the effect that the contracts cannot be awarded to a single contractor in future, taking due consideration of the prevailing market condition.

***Significant variances between actual hours
and estimated hours for completing clean-up service***

5.20 According to FEHD, the estimated clean-up frequency and period of the existing contract are worked out based on experience of previous contracts with forecasting adjustments made by pertinent District Offices to account for the weather conditions, local and regional rainfall, water current/tidal movement, spillage incidents, flooding incidents in neighbouring waters and prevailing wind direction for the two-year contract period. The estimated clean-up frequency and hours for completing clean-up service (i.e. estimated hours) of individual sites in all districts are included in the clean-up contracts (see Contracts D and E in Table 10 in para. 5.16). The contractors planned their work in the work schedules. While the previous contract (Contract D) required the contractor to ensure full attendance of its personnel during the working hours specified in the work schedules (i.e. fixed-manpower approach or input basis approach), the current contract (Contract E) requires the contractor to perform clean-up service to achieve the cleanliness level to the satisfaction of FEHD (i.e. job basis approach or outcome basis approach).

5.21 According to the contract provisions of the current contract:

- (a) before 10:00 a.m. of a working day, the contractor shall submit attendance records to FEHD showing the name, post and hours of attendance of the contractor personnel who are on duty; and
- (b) the contractor will be paid based on the hourly rates (proposed by the contractor during the tendering process and accepted by FEHD) and the

Clean-up operations by Food and Environmental Hygiene Department

estimated hours for individual sites (inserted by FEHD in the contract) (Note 33).

5.22 In September 2020, FEHD informed Audit that:

- (a) it adopted an outcome basis approach in monitoring the clean-up service provided by the contractor. The estimated hours of each site stated in the contract specifications by FEHD provided a reference for the contractor to estimate the contract price for clean-up service of each site; and
- (b) the actual time for clean-up service at each site may vary, subject to the quantity of shoreline refuse to be collected. The contractor must complete the clean-up service at a standard to the satisfaction of FEHD. If the completion time exceeded the estimated hours of the site, the contractor would not be paid for the excess hours.

5.23 Audit selected one district each (with the longest estimated hours) from Districts Groups I and II of the current contract for comparing the estimated and actual hours for clean-up service from June 2019 to May 2020. As shown in Table 11, the actual hours incurred by the contractor were significantly less than the estimated hours included in the contract (38.3% of the estimated hours for Islands District and 53.3% for Sai Kung District respectively).

Note 33: *This was different from the previous contract in which the contractor was paid at a lump sum of monthly rate upon providing clean-up service according to the contract requirements (i.e. ensuring full attendance of its personnel during the working hours specified in the work schedules).*

Table 11

**Comparison of estimated and actual hours for
clean-up service in Islands and Sai Kung Districts
(June 2019 to May 2020)**

Particulars	Islands District (hours)	Sai Kung District (hours)
Estimated hours (as stated in work schedules — Note 1) (a)	26,744	8,200
Revised estimated hours (as stated in monthly invoices — Note 2) (b)	26,152	8,016
Actual hours (as stated in attendance records) (c)	10,016	4,272
Percentage of actual hours as compared with revised estimated hours [(c) ÷ (b)] × 100%	38.3%	53.3%

Source: Audit analysis of FEHD records

Note 1: This referred to the estimated hours required to complete the clean-up service in the contract.

Note 2: FEHD may amend the work schedules to suit operational needs and weather condition, and revise the estimated hours.

Remarks: In May 2020, FEHD requested the contractor to increase the clean-up frequency for Tung Lung Island in Sai Kung District from June 2020 to May 2021. The additional services costs will be counted against the amount of additional services of Districts Group II.

In view of the significant variances between actual hours and estimated hours for carrying out clean-up service, Audit considers that FEHD needs to make realistic estimation of clean-up service hours for inclusion in future contracts as far as practicable.

Audit recommendations

5.24 Audit has recommended that the Director of Food and Environmental Hygiene should:

Clean-up operations by Food and Environmental Hygiene Department

- (a) **in consultation with the Department of Justice as appropriate, consider splitting the territory-wide clean-up service contract into different Districts Groups and imposing a restriction to the effect that the contracts cannot be awarded to a single contractor in future, taking due consideration of the prevailing market condition; and**
- (b) **make realistic estimation of clean-up service hours for inclusion in future contracts as far as practicable.**

5.25 Audit has *recommended* that the Director of Immigration should continue to strengthen the checking procedures on conviction records against the Immigration Ordinance and remind the checking staff of the requirements of the relevant FC (e.g. FC No. 3/2019) that conviction under appeal should still be counted until it is quashed by the Court.

Response from the Government

5.26 The Director of Food and Environmental Hygiene agrees with the audit recommendations in paragraph 5.24 in general. She has said that:

- (a) **the current contract has split the territory-wide clean-up service contract into two Districts Groups. FEHD will consider splitting the territory-wide clean-up service contract into different Districts Groups as far as practicable. That said, the availability of market players for the clean-up service and the implications on the overall standard of the service need have to be carefully considered if a restriction is to be imposed to the effect that the contracts could not be awarded to a single contractor in future;**
- (b) **FEHD experienced unforeseen incidents that required pooling up resources of districts in same group to conduct massive/urgent/contingent clean-up operations in the affected individual district such as after the passage of super typhoons, e.g. Hato in 2017 and Mangkhut in 2018, massive spillage incidents and some areas were prone to accumulating shoreline refuse e.g. Shui Hau. The most recent incident was media reports of pork hocks being washed ashore from the Mainland on 11 July 2020 (see para. 2.22). As informed by EPD, rotten pork hocks were found in the shoreline in Tuen Mun District and Tsuen Wan District which posed environmental hygiene problem. It is the public expectation that the Government would**

expeditiously restore the affected area to normal cleaning condition. Therefore, a reasonably-sized contract of districts groups and suitable grouping of districts to perform such function is necessary. In Contract E, the strategic grouping of districts into two was introduced so that the manpower within the districts group could be flexibly deployed. For illustration, contract staff in Districts Group I (see Note 3 to Table 10 in para. 5.16) would be mobilised from Kwai Tsing District and Tsuen Wan District to Lantau Island e.g. Shui Hau through the road networks in case of surge of refuse. In the past few years, FEHD put on trial different models/approaches with a view to providing effective clean-up services. FEHD will keep under review and adjust district grouping where necessary based on experience and operational needs; and

- (c) the estimated clean-up service hours were worked out based on past contract estimation and a number of factors including weather conditions, local and regional rainfall, water current/tidal movement, spillage incidents, flooding incidents in neighbouring waters, and prevailing wind direction for the current contract. Given the scale and complexity, the clean-up operations are by no means easy. The amount of refuse collected fluctuates and is affected by many unforeseeable circumstances. FEHD will suitably make use of the actual hours performed by the contractor for completing the clean-up service in the current contract to provide more realistic estimation in the next contract.

5.27 The Director of Immigration agrees with the audit recommendation in paragraph 5.25 and said that ImmD has taken follow-up actions following an internal review conducted in December 2019 immediately after the incident came to ImmD's notice.

PART 6: OTHER RELATED ISSUES

6.1 This PART examines other related issues in tackling shoreline refuse, focusing on:

- (a) publicity and public engagement efforts in promoting shoreline cleanliness (paras. 6.2 to 6.12);
- (b) using 360-degree camera system to monitor remote coastal sites (paras. 6.13 to 6.19);
- (c) enforcement against marine littering (paras. 6.20 to 6.24); and
- (d) provision of more water dispensers at gazetted beaches (paras. 6.25 to 6.35).

Publicity and public engagement efforts in promoting shoreline cleanliness

6.2 **2015 Study.** After the setting up of the Working Group in 2012, various promotional activities were initiated in 2013 and 2014, such as the Clean Shorelines Campaign, Clean Shorelines Days, a slogan competition, a comics competition and a video filming competition to promote clean shorelines messages. A thematic website was also set up to serve as a platform for public education and engagement, information sharing, promoting participation in clean-up events, and reporting on marine refuse pollution. The 2015 Study Report identified conducting publicity campaigns to engage the community to contribute and participate as one of the improvement measures. Specific actions under the improvement measure included:

- (a) maintaining and improving a dedicated website as a platform for interaction with local community and the public; and
- (b) conducting monthly clean-up events coordinated by EPD in partnership with community groups.

6.3 ***Clean Shorelines Liaison Platform.*** In October 2018, the Chief Executive announced in the 2018 Policy Address that the Government would establish a Clean Shorelines Liaison Platform to leverage community efforts to protect the marine environment. The Clean Shorelines Liaison Platform, which includes the “Clean Shorelines” social platforms, dedicated website, designated hotline and e-mail address, is used for coordinating and promoting shorelines clean-up actions, providing appropriate support and assistance to related activities, and sharing the clean-up results.

6.4 ***Shorelines clean-up events.*** According to EPD statistics, the number of shoreline clean-up events organised was on an increasing trend from 2015 to 2019 (see Table 12).

Table 12

**Shoreline clean-up events organised
(April 2015 to July 2020)**

Year	Number of shoreline clean-up events
2015 (from April)	126
2016	211
2017	213
2018	425
2019	442
2020 (up to July)	101
Total	1,518

Source: Audit analysis of EPD records

Remarks: Of the 1,518 clean-up events, 78 were organised by EPD (i.e. Shorelines Clean-up Days) and the remaining 1,440 were organised by different community groups (e.g. green groups, schools and other NGOs).

Clean-up events for remote and difficult-to-access coastal sites

6.5 *No clean-up events organised at three priority sites.* Audit analysed the 543 clean-up events organised from January 2019 to July 2020 and found that no clean-up events were organised at three priority sites, namely: (i) Cape D' Aguilar, beach next to the Swire Institute of Marine Science; (ii) Sha Chau and Lung Kwu Chau Marine Park; and (iii) Lo Tik Wan in Lamma Island. Audit also noted that EPD had not included the former two sites as clean-up locations on the Clean Shorelines website (Note 34). Given the unsatisfactory cleanliness condition of the back-of-beach area of Sha Chau and Lung Kwu Chau Marine Park (see para. 3.16), Audit considered that there are merits for EPD to explore with AFCD on mobilising community efforts in organising clean-up events in the Marine Park. It is relevant to note that four clean-up events had previously been held in the Marine Park in 2012 and 2013. In response to Audit's enquiry, in September 2020, EPD said that:

- (a) the three priority sites were naturally unpopular choices for organising clean-up events. For Sha Chau and Lung Kwu Chau Marine Park in particular, the organisers of the clean-up events in 2012 and 2013 were experienced in conducting clean-up events and had their own agenda in selecting the clean-up venue (e.g. the events in 2012 were Chinese White Dolphin watching tours); and
- (b) apart from the ecological sensitivity of the Marine Park, the locations were very remote, difficult to access (i.e. no public transportation) and without provision of ancillary facilities such as public toilets nearby, and might not be suitable for general community groups (e.g. no retreat route in case of inclement weather). As such, the locations were not favoured by clean-up event organisers. It was foreseeable that it might not be effective to mobilise organisers to conduct clean-up events at the locations.

Notwithstanding the above, in order to encourage experienced and enthusiastic community groups to conduct clean-up events at the above coastal sites with genuine marine refuse problems, EPD should consider periodically promulgating their cleanliness conditions on the Clean Shorelines website (see para. 2.13).

Note 34: *EPD has listed 78 clean-up locations with transportation method on the Clean Shorelines website for easy reference by community groups and members of the public.*

Need to encourage the use of marine refuse data cards during clean-up events

6.6 *Use of marine refuse data cards on the low side.* EPD encourages community groups to collect coastal refuse data and report them to EPD upon completion of each clean-up operation. EPD has uploaded onto the Clean Shorelines website two data card templates, one format is more comprehensive while another format is relatively simpler, serving the needs of different organisers or the objectives of different clean-up events. The organisers are encouraged to complete the data cards and submit to EPD. Such marine refuse data can serve as reference for assessing the marine refuse problem in Hong Kong. According to EPD:

- (a) the data collection exercise is for educational purposes only, with a view to letting the participants gain hands-on experience on marine refuse classification, thereby instilling habitual changes to reduce waste at source in our city at large; and
- (b) the data collected are for general reference only and not meant, by design, for carrying robust analysis with adequate statistical significance.

Audit noted that of the 1,440 clean-up events organised by community groups (Note 35) from April 2015 to July 2020 (see Remarks to Table 12 in para. 6.4), EPD only received 20 sets of marine refuse data from the organisers of 58 clean-up events. In Audit's view, EPD should continue to encourage the use of marine refuse data cards during clean-up events.

Need to remind contractor to report accurate figures in monthly analytical reports of social media pages

6.7 *Clean Shorelines social media pages.* EPD set up three Clean Shorelines social media pages (hereinafter referred to as Pages A, B and C) in July 2018, December 2019 and January 2020 for enhancing communication and interaction with the public through social media as well as drawing more attention to protection and appreciation of the marine environment. The numbers of followers/subscribers of

Note 35: *For the clean-up events organised by EPD, since November 2018, EPD had required its event management contractor to report either the marine refuse data or the total amount of marine refuse collected for each event.*

Pages A, B and C were 4,104, 1,010 and 17 respectively as at 30 September 2020. The maintenance of Pages A and B is outsourced to a contractor.

6.8 ***Errors in monthly analytical reports.*** The contractor of Pages A and B is required to submit monthly analytical reports which summarise figures of the pages (Note 36). Audit examination of 23 monthly analytical reports from November 2018 to mid-June 2020 revealed that there were a number of errors in the figures reported in the reports. For example, a decrease by 43% in the figure “total interaction” for Page A in August 2019 was mistakenly shown as an increase by 43% (see Appendix B for a full list of the errors found in the monthly analytical reports). In response to Audit’s enquiry, in September 2020, EPD said that the figures were not performance indicators of the social media platforms (Note 37) and were for record and potential long-term reference purposes only. In light of the record and future reference value of the figures reported, EPD needs to remind its contractor to report accurate figures in the monthly analytical reports.

Need to gauge public views on shoreline cleanliness

6.9 ***Planned survey not conducted.*** According to the Working Group meeting in May 2016, EPD planned to conduct a survey to gauge the public impression on shoreline cleanliness. The objectives of the survey were to collect public views on shoreline cleanliness following the implementation of improvement measures by the Working Group since April 2015 and to identify areas for improvement. The

Note 36: *The figures include: (a) fans number; (b) reach (i.e. the total number of people who read the posts at least once); (c) number of engaged users (i.e. the number of people who have reacted to posts, shared the posts, commented or clicked on the posts); (d) engagement rate (i.e. a percentage calculated by dividing the number of engaged users by the reach); (e) total interaction (i.e. the total number of reactions, shares and comments on the posts); (f) number of new contents uploaded; and (g) post engagement (i.e. the total number of reactions, shares, comments and clicks on the posts).*

Note 37: *According to EPD, the effectiveness of the various media and channels of the Clean Shorelines Liaison Platform is gauged in conjunction from: (a) the expansion of network with volunteer groups and individuals; (b) notice and promotion of their events through the channels; (c) assistance and support provided by EPD; (d) spreading of the environmental messages and safety guidelines; (e) sharing and reflection of the posts and the finished events; (f) understanding and recognition of the clean shorelines work and efforts; and (g) overall improvement in shoreline cleanliness.*

proposed survey consisted of two parts, namely a telephone interview to be conducted in July and August 2016 to collect views from the public, and a feedback collection exercise for participants of the clean-up events held during the period from July 2016 to January 2017. However, Audit noted that the survey was cancelled in August 2016. Regarding the reasons for cancellation, EPD informed Audit in August 2020 that:

- (a) beaches and coastal areas in the southern part of Hong Kong were hit by a sudden surge in marine refuse in July 2016, when the quantity collected increased by six to ten times above the norm;
- (b) it was believed that the floods occurring in the Mainland in mid-June 2016 might have washed an unusual amount of refuse to the sea, where the refuse was carried to Hong Kong by the southwest monsoon wind and sea currents;
- (c) it was considered that this unprecedented incident could have distorted the survey results; and
- (d) EPD had all along been committed to closely interact with the public and gauge their views on shoreline cleanliness by various media and channels including face-to-face public engagement sessions and activities organised through the Clean Shorelines Liaison Platform as well as participation in events of community groups and NGOs.

6.10 *Need to gauge public views on shoreline cleanliness.* According to EPD, since the release of the 2015 Study Report, the Working Group has been taking various measures to improve shoreline cleanliness, as well as to enhance the public awareness of keeping the shorelines clean, and it has been gathering feedback on these measures through face-to-face public engagement sessions and clean shorelines activities. Audit noted that the Working Group had encountered difficulties in conducting face-to-face engagement sessions and organising clean shorelines activities after 2018 due to various reasons (e.g. social unrest in 2019 and the outbreak of COVID-19 in 2020). In Audit's view, there are merits for the Working Group to consider appropriate ways to gauge public views on shoreline cleanliness at a future opportune time, e.g. reaching out to the community with partners and stakeholders through the Clean Shorelines Liaison Platform.

Audit recommendations

6.11 **Audit has *recommended* that the Director of Environmental Protection should:**

- (a) **continue to encourage the use of marine refuse data cards during clean-up events;**
- (b) **remind the contractor of social media pages to report accurate figures in the monthly analytical reports; and**
- (c) **arrange for the Working Group to consider appropriate ways to gauge public views on shoreline cleanliness at a future opportune time.**

Response from the Government

6.12 The Director of Environmental Protection agrees with the audit recommendations.

Using 360-degree camera system to monitor remote coastal sites

6.13 *Trial scheme on hiring camera system services.* To address the environmental hygiene problem caused by accumulation of shoreline refuse washed ashore, FEHD launched a trial scheme on hiring camera system services (see Photograph 17 for an example of the camera) at five priority sites (Note 38) for close monitoring of shoreline refuse so that more effective refuse clean-up operations could be arranged. Digital images were captured in day time and uploaded to a central server automatically. FEHD staff monitored the condition of the coastal sites through a website provided by the contractor. The period of the trial scheme covered six months from February to July 2018.

Note 38: *The five priority sites were ungazetted beaches at Shui Hau, Pui O, and Nim Shue Wan of Islands District, and Sha Lan and Yim Tin Tsai of Tai Po District. Shui Hau, Pui O and Yim Tin Tsai had put on trial the use of 360-degree cameras whereas the remaining two locations had been installed with normal cameras.*

Photograph 17

**A 360-degree camera installed at a shoreline
at Kung Pui Wan of Tap Mun (East), Tai Po District**



*Source: Photograph taken by Audit staff on
21 July 2020*

6.14 ***Operation of the 360-degree camera system.*** After reviewing the result of the trial, FEHD decided to extend the trial services at 15 priority sites (Note 39) for one year from March 2020 to February 2021. The services were procured through open tender and the contract was awarded to Contractor D in December 2019 with an estimated contract price of \$1.4 million. The contract provisions require the solar-powered 360-degree camera system to capture clear and readable images (Note 40) once every 30 minutes from 6 a.m. to 6 p.m. daily and send captured images to a server via 4G network for subsequent viewing and downloading by the contractor/government representatives in the contractor's website.

Note 39: *The 15 priority sites comprised: (a) one site each in Southern District, Tuen Mun District, Sha Tin District and Sai Kung District; (b) five sites in Tai Po District; and (c) six sites in Islands District.*

Note 40: *In May 2019, FEHD conducted a Privacy Impact Assessment on the advice of the Privacy Commissioner for Personal Data and incorporated measures in the tender document to protect privacy of the public, such as: (a) requiring the system to blur the face of any individuals in images captured to an unrecognisable level; and (b) deleting all saved images in the system securely after one month from the date of recording.*

Other related issues

6.15 *Audit examination.* Audit analysed relevant data from 1 March to 31 May 2020 of the 15 priority sites where the camera system was installed (see Table 13), and found that no images were received from:

- (a) six (40%) sites for 31 to 60 days (averaging 42 days);
- (b) three (20%) sites for 61 to 90 days (averaging 73 days); and
- (c) one (7%) site for 91 days.

According to the provisions of the contract, the contractor needs to: (i) provide repair and maintenance services for the camera system within 24 hours of being notified by the government representative; and (ii) replace the damaged and malfunctioned camera system and relevant equipment at its own expenses within 48 hours upon failure of the camera system and relevant equipment.

Table 13

**Number of days with no images received from
360-degree camera system at 15 priority sites
(1 March to 31 May 2020)**

Number of days	Number of sites	
(Day)	(Number)	(%)
1 – 10	2	13 %
11 – 20	2	13 %
21 – 30	1	7 %
31 – 60	6	40 %
61 – 90	3	20 %
91	1	7 %
Total	15	100 %

Source: Audit analysis of FEHD records

6.16 ***Need to keep proper records on causes of malfunctioning of the camera system and follow-up actions taken.*** As shown in the “Report Form on Monitoring of Marine Refuse Washed Ashore”, six cameras had been installed in Islands District for the close monitoring of shoreline refuse at the priority sites. Audit examination revealed that, from 1 March to 31 May 2020 (92 days), there was a total of 301 camera-days without image received. However, no follow-up actions on these malfunctioning cameras had been recorded in the report forms (marked NA). Without documentation of follow-up actions on the malfunctioning cameras, Audit could not ascertain whether the contractor had complied with the contract requirement of 24-hour response time (see para. 6.15). In September 2020, FEHD informed Audit that:

- (a) from June to August 2020, repair and maintenance services on the six malfunctioning cameras were performed;
- (b) District Offices of FEHD conducted daily checking of the latest site condition through the 360-degree camera system and reported the findings in the prescribed inspection forms; and
- (c) it had promulgated a daily monitoring procedure on the camera system. With adoption of the procedure, FEHD staff were conversant with the camera system and would inform the contractor immediately if malfunctioning of the system was detected.

Audit considers that FEHD should keep proper records on causes of malfunctioning of the camera system and follow-up actions taken.

6.17 ***Need to ascertain whether the contractor has achieved the service contract requirements and consider taking follow-up actions in case of non-compliance.*** According to the service contract, the contractor shall perform the services in accordance with the terms and conditions of the contract to the satisfaction of the Government, and the Government shall pay the contractor on a monthly basis. As shown in Table 13 in paragraph 6.15, no images were received from 10 (67%) of the 15 priority sites for a period from 31 to 91 days, and the objective of monitoring the cleanliness condition of the priority sites was hampered. According to FEHD, the monthly charges could be deducted on a pro-rata basis with reference to the locations with no services provided. Audit considers that FEHD should ascertain whether the contractor has achieved the service contract requirements and consider taking follow-up actions in case of non-compliance.

Audit recommendations

6.18 Audit has *recommended* that the Director of Food and Environmental Hygiene should:

- (a) keep proper records on causes of malfunctioning of the camera system and follow-up actions taken; and
- (b) ascertain whether the contractor has achieved the service contract requirements and consider taking follow-up actions in case of non-compliance.

Response from the Government

6.19 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that FEHD:

- (a) will continue to adopt the established daily monitoring procedure on the camera system. FEHD will further remind staff to keep proper record on the causes of malfunctioning of the camera system and the follow-up actions taken; and
- (b) envisages that successful data transmission of the captured photographs from 360-degree camera system in remote coastal areas is one of the challenges. Therefore, FEHD hired the contractor to extend the trial scheme on further evaluation of its application with effect from March 2020. The contractor conducted investigations which revealed that the malfunctioning of the camera system was generally caused by the technical problems on the on-line data transmission. The contractor has taken remedial actions to solve the connectivity problems. Moreover, if data transmission failure happens, the contractor has been requested to submit the photograph files to respective district offices by an email within 3 days so that districts would have the information of the ground situation of the sites to work out clean-up plans. To further enhance the contractual monitoring system, besides the deduction of services charge, FEHD will consider stipulating contract service requirements over the issuance of performance-related default notices for taking follow-up actions on non-compliance of the service contract requirements in the next contract upon renewal in March 2021. During the trial period, these sites will be

regularly visited by FEHD staff. In addition, FEHD has established guidelines and daily monitoring procedure to closely monitor whether the contractor has achieved the service contract requirements especially the provision of daily images of the installation locations.

Enforcement against marine littering

6.20 As mentioned in paragraph 1.4, MD, AFCD, FEHD and LCSD are empowered to take enforcement actions against marine littering or nearshore littering. MD's enforcement actions were covered in the audit review on the collection and removal of marine refuse by MD (see PART 4 of Chapter 1 of the Director of Audit's Report No. 75). As shown in Table 14, while FEHD took enforcement actions in the 10-year period from 2010 to 2019 on 5 marine littering cases per annum on average (ranging from 2 to 7), AFCD only took enforcement actions in 3 of the 10 years (2010, 2011 and 2014) and LCSD only gave verbal advice without taking any prosecution action.

Table 14

**Statistics on AFCD, LCSD and FEHD enforcement against marine littering
(2010 to 2019)**

Year	Number of cases			Amount of fines collected (\$)		
	AFCD (Summons)	LCSD (Summons/ fixed penalty notice) (Note 1)	FEHD (Fixed penalty notice)	AFCD	LCSD	FEHD
2010	4	–	7	6,000	–	12,300 (Note 2)
2011	3	–	6	4,500	–	9,300 (Notes 2 and 3)
2012	–	–	4	–	–	7,800 (Note 2)
2013	–	–	7	–	–	10,500
2014	1	–	6	2,000	–	7,500 (Note 3)
2015	–	–	2	–	–	3,000
2016	–	–	3	–	–	6,300 (Note 2)
2017	–	–	3	–	–	3,000 Note 3)
2018	–	–	6	–	–	9,000
2019	–	–	7	–	–	12,300 (Note 2)

Source: Audit analysis of AFCD, LCSD and FEHD records

Note 1: Verbal advice was given to littering beach goers.

Note 2: Additional fines of \$1,500 and \$300 court fees were imposed on late payments of fines in 2010 to 2012, 2016 and 2019.

Note 3: Fines of three fixed penalty notices (\$1,500 each) issued in 2011, 2014 and 2017 could not be collected.

6.21 Audit notes that while the Government has put in efforts in promoting shoreline cleanliness, enforcement action is required to deter littering. At the Working Group Meeting held in February and April 2013, June 2014, and January 2018, the issue of enforcement against marine littering was discussed:

- (a) at the meeting held in February 2013, the Chairman asked AFCD, LCSD, FEHD and MD to provide information on enforcement and said that the prosecution figures would help remind the public and the Government should step up enforcement where necessary. At the meeting held in April 2013, the Chairman commented that the number of prosecution was not particularly high;
- (b) according to a paper submitted to the Working Group Meeting in June 2014:
 - (i) enforcement against marine littering was important to prevent solid waste from entering the stormwater system and ultimately the sea. The relatively low enforcement figures from 2010 to 2013 (see Table 14 in para. 6.20) reflected a need to consider applying policing strategies; and
 - (ii) while enforcement against littering at sea, particularly in open waters and at remote/inaccessible coastal areas (e.g. rocky shores and rural ungazetted beaches), was difficult, inspections and patrol at bathing beaches, waterfront promenades, etc., needed to be stepped up to achieve a deterrent effect and thus improve compliance. Departments could increase patrols and take enforcement as necessary to those locations which attracted more visitors, particularly before and during festive events; and
- (c) according to a paper submitted to the Working Group Meeting in January 2018:
 - (i) AFCD had conducted eight joint patrols with MD targeting on marine littering at Aberdeen Wholesale Fish Market since August 2016 (with five of them taken place in 2017);
 - (ii) LCSD had deployed additional manpower during the Dragon Boat Festival and the Mid-Autumn Festival at the popular venues, such

Other related issues

as Shek O Beach, Stanley Main Beach and Repulse Bay Beach to enhance the cleanliness conditions;

- (iii) FEHD regarded enforcement against littering in public places as a day-to-day and on-going enforcement duty. It would continue to conduct patrols and take enforcement as necessary at locations including coastal sites under its purview where littering acts of public and visitors were serious, particularly during festive events; and
- (iv) MD had stepped up enforcement actions by conducting anti-marine littering operations at various strategic locations, such as typhoon shelters, promenades, etc. A total of 146 anti-marine littering operations (including five joint operations with AFCD) were conducted from January to November 2017.

6.22 In order to strengthen enforcement actions, FEHD had shared experience in arranging officers in plain clothes to take enforcement actions in the Working Group Meeting (see PART 4 of Chapter 1 of Director of Audit's Report No. 75). While departments were asked to step up inspections and patrols to achieve a deterrent effect and improve compliance according to the Working Group Meeting paper submitted in June 2014 (see para. 6.21(b)(ii)), Audit noted that the number of enforcement actions taken against marine littering by AFCD and LCSD had still remained low.

Audit recommendation

6.23 **Audit has *recommended* that the Director of Agriculture, Fisheries and Conservation and the Director of Leisure and Cultural Services should step up enforcement actions against marine littering.**

Response from the Government

6.24 The Director of Agriculture, Fisheries and Conservation and the Director of Leisure and Cultural Services agree with the audit recommendation.

Provision of more water dispensers at gazetted beaches

6.25 **2015 Study.** One of the improvement measures identified by the 2015 Study was to provide support measures and facilities to reduce refuse from entering the marine environment. Providing more water dispensers at gazetted beaches, parks, waterfront promenades, and other recreational venues was one of the actions under this improvement measure (see paras. 1.7(b) and 1.9(b)). According to the 2015 Study Report, LCSD had planned to install water dispensers at four beaches in Sai Kung District and a promenade in Kowloon City District. LCSD would explore the viability of installing more water dispensers along the shorelines and suitable locations. In May 2017, EPD reported to LegCo Panel on Environmental Affairs that LCSD had provided 182 water dispensers at locations such as beaches, water sports centres, promenades and waterfront parks to encourage members of the public to bring their own reusable water bottles to avoid purchasing and consuming one-off plastic-bottled beverages, thereby lowering the chance of waste plastics entering the sea.

6.26 **2018 Policy Address.** In the 2018 Policy Address, the Chief Executive announced that the Government would install more water dispensers/filling stations in government venues to inculcate a “bring your own bottle” culture. The Government is progressively installing 500 more water dispensers in government venues and the target is to increase the total number of water dispensers serving the public in government venues to 3,200 units by 2022.

Need to step up efforts in providing water dispensers at more gazetted beaches

6.27 ***Water dispensers not provided at some gazetted beaches.*** As compared with other coastal sites with regular cleaning of shoreline refuse, gazetted beaches are characterised by high public patronage. In 2019-20, around 11 million visitors attended the gazetted beaches. As of June 2020, water dispensers were provided in 24 (59%) of 41 gazetted beaches (see Table 15).

Table 15

Gazetted beaches with water dispensers
(June 2020)

District	Number of gazetted beaches in the district	Gazetted beaches with water dispensers	
		(Number)	(%)
Islands	9	2	22
Sai Kung	6	3	50
Southern	12	11	92
Tsuen Wan	8	2	25
Tuen Mun	6	6	100
Overall	41	24	59

Source: Audit analysis of LCSD records

In view of the high public patronage of gazetted beaches, Audit considers that water dispensers should be provided at gazetted beaches as far as practicable, to encourage members of the public to bring their own reusable water bottles to avoid purchasing and consuming one-off plastic-bottled beverages.

6.28 *Slow progress in installing water dispensers.* The installation of water dispensers in a government venue involved the collaboration of the department which managed the venue (i.e. LCSD in the case of gazetted beaches), and relevant works departments, namely the Architectural Services Department (ArchSD), the Electrical and Mechanical Services Department (EMSD), and the Water Supplies Department (WSD) (Note 41). As shown in Table 15 in paragraph 6.27, water dispensers were only installed in 2 (22%) of 9 gazetted beaches in the Islands District as of June 2020.

Note 41: *Their respective responsibilities are as follows:*

- (a) **ArchSD.** *Carrying out associated building and building services works for the water dispensers, including plumbing and drainage works, provision of power supply, etc. within the boundary of gazetted beaches;*
- (b) **EMSD.** *Installation of water dispensers and examination of water; and*
- (c) **WSD.** *Approving applications for the supply of water and relevant replumbing works.*

Audit selected the remaining 7 gazetted beaches (5 in Lantau Island and 2 in Cheung Chau) for examining the progress of installation of water dispensers. In June and July 2016 respectively, LCSD sought assistance from ArchSD in studying the feasibility of installing water dispensers in the gazetted beaches, and from EMSD in advising the estimated cost and period of works. However, up to July 2020, after a lapse of nearly four years, water dispensers were not yet installed in the 7 gazetted beaches. Audit examination revealed instances of delays in the installation works and inadequate follow-up actions (see Case 2 for an example).

Case 2

Installation of water dispensers in Tong Fuk Beach

1. In July 2016, LCSD sought assistance from EMSD in installing water dispensers at seven beaches in Lantau Island and Cheung Chau. In February 2017, after a lapse of six months, EMSD informed LCSD about the proposed water dispenser types and associated fittings.
2. After consolidating all user requirements (such as the locations and the technical details of the water dispensers) from LCSD and EMSD, ArchSD commenced technical feasibility study (including assessment of implications to existing plumbing, drainage and electrical systems, estimation of adequacy of existing water pressure, exploration of design alternatives to cope with site constraints in remote area, etc.) and preliminary design. In March 2018 (i.e. 13 months later), ArchSD submitted plumbing drawings to WSD to support LCSD's application for fresh water supply for the water dispensers in Tong Fuk Beach. In April 2018, WSD rejected the application due to missing information and non-compliance with technical requirements on plumbing proposals prescribed by WSD. ArchSD subsequently made a re-submission in May 2018 and WSD informed LCSD and ArchSD in July 2018 that it had no objection to the proposed installation, confirmed the fresh water supply and reminded LCSD and ArchSD to seek its permission on the works commencement.
3. In January 2019, WSD reminded LCSD again to seek its permission on the works commencement. In June 2019, ArchSD informed LCSD that works could not commence yet due to the need to revise the approved plumbing drawings by incorporating the changes and updates of LCSD's requirements on the details of the water dispensers received by ArchSD from May 2018 to May 2019. The revised drawings were submitted to WSD in June 2019. In

Case 2 (Cont'd)

July 2019, WSD approved the revised drawings and issued a final reminder to LCSD, with a copy to ArchSD, on the outstanding application for works commencement permission. In August 2019, WSD informed LCSD that the application for fresh water supply had been cancelled due to the non-submission of the works commencement permission application. In September 2019, ArchSD submitted the same set of revised drawings to WSD to support LCSD's application for fresh water supply again. With the approved plumbing design, and upon the availability of funding for the engagement of plumbing contractor, LCSD eventually applied for works commencement permission in February 2020.

4. In April 2020, WSD permitted the works commencement and ArchSD commenced the plumbing works. In June 2020, ArchSD completed the plumbing works and reported the completion to LCSD for subsequent installation of water dispensers by EMSD. According to EMSD: (a) the funding was confirmed in July 2020 by LCSD; and (b) the installation works are in progress and planned to be completed in January 2021.

Audit comments

5. The long time taken to install water dispensers in Tong Fuk Beach is less than satisfactory. There were delays in taking due follow-up actions. There is a need to improve the coordination between LCSD and the relevant works departments to expedite the progress in installing water dispensers in gazetted beaches.

Source: Audit analysis of ArchSD and LCSD records

Need to improve the design of water dispensers to cultivate the culture of "bring your own bottle"

6.29 ***Fountain type water dispensers installed in gazetted beaches.*** Audit found that as of June 2020, 97% of the water dispensers installed in the gazetted beaches were fountain type.

6.30 ***Installation of water filling stations in country parks.*** In July 2020, in response to the requests of the Members of LegCo Panel on Environmental Affairs, EPD reported that AFCD had installed 17 water filling stations (see Photograph 18) in country parks and had plans to install 10 more in 2021. In addition, with a view to encouraging the public to bring their own bottles, the existing water dispensers in country parks would be gradually replaced with water filling stations.

Photograph 18

Water filling station in a country park



Source: AFCD records

6.31 ***Need to improve the design of water dispensers in gazetted beaches.*** In general, water filling stations appear to be more hygienic than water dispensers. A notable example is that in view of the outbreak of COVID-19, while AFCD and LCSD have suspended the service of fountain type water dispensers in country parks and gazetted beaches respectively, the water filling stations in country parks are still

Other related issues

available for public use. In planning the installation of new or replacement of existing water dispensers in gazetted beaches and other venues, LCSD should consider adopting water filling stations or non-fountain type (i.e. bottle filling type) water dispensers.

Audit recommendations

6.32 Audit has *recommended* that the Director of Leisure and Cultural Services should:

- (a) in collaboration with the Director of Architectural Services and the Director of Electrical and Mechanical Services, expedite the installation of water dispensers in gazetted beaches; and
- (b) in planning the installation of new or replacement of existing water dispensers in gazetted beaches and other venues, consider adopting water filling stations or non-fountain type (i.e. bottle filling type) water dispensers.

Response from the Government

6.33 The Director of Leisure and Cultural Services agrees with the audit recommendations. He has said that:

- (a) regarding the audit recommendation in paragraph 6.32(a), the progress of installing water dispensers in the seven beaches in the Islands District is as follows:
 - (i) the installation of drinking fountains at Pui O Beach, Upper Cheung Sha Beach, Lower Cheung Sha Beach and Tong Fuk Beach is targeted to complete by December 2020;
 - (ii) the request for installation of drinking fountains at Silver Mine Bay Beach was handled by ArchSD separately from the other four beaches on Lantau Island as the beach was handed over back to LCSD in June 2018 upon the completion of a major improvement works project by the Home Affairs Department and the Defect

Liability Period expired in June 2019. LCSD would closely liaise with ArchSD to kick off the works as soon as possible; and

- (iii) regarding Cheung Chau Tung Wan Beach and Kwun Yam Beach, drinking fountains cannot be installed in these two beaches after examination by ArchSD on grounds that there is not sufficient space in the former for installation of a water pump to meet the water pressure as required by the provision and there is no sewage system in the latter for installation of the provision; and
- (b) regarding the audit recommendation in paragraph 6.32(b), LCSD has a standing guideline requiring newly installed drinking fountains to be equipped with parts for filling of water in bottles or cups as far as possible.

6.34 The Director of Architectural Services agrees with the audit recommendation in paragraph 6.32(a). She has said that ArchSD will continue to provide technical support to LCSD and will closely liaise with relevant departments in expediting actions in the installation of water dispensers as far as practicable.

6.35 The Director of Electrical and Mechanical Services has said that all active projects for the installation of water dispensers in the Islands District, in which the funding was confirmed in July 2020, are on track and in progress. He has also said that:

- (a) a period of six months for EMSD's project preparation (i.e. from LCSD's initiation on 28 July 2016 to EMSD's finalisation of the technical proposal on 20 February 2017) was practically necessary for extensive communications with the client department and other works departments to formulate the project requirements, market surveys to source suppliers and site surveys to finalise the technical proposal; and
- (b) in general practice, the taking up by EMSD on the installation of water dispenser projects could only be facilitated prior to the completion of prerequisite tasks such as feasibility study including provisions of suitable water supply and power supply.

Appendix A
(Note 4 to
para. 1.4 refers)

Legislation and penalty related to marine and nearshore littering

Legislation	Responsible area	Enforcement department	Maximum penalty
(a) Section 4D of Summary Offences Ordinance (Cap. 228)	Coastal waters/open waters/typhoon shelters	MD and HKPF	Fine of \$10,000 and imprisonment for 6 months or \$50,000 and imprisonment for 1 year (Note)
	Gazetted/ungazetted beaches, Marine Parks/Marine Reserve	HKPF	
(b) Section 3(1) of Fixed Penalty (Public Cleanliness and Obstruction) Ordinance (Cap. 570)	Coastal waters/open waters/typhoon shelters	MD and HKPF	Fine of \$1,500
	Gazetted beaches	LCSD and HKPF	
	Ungazetted beaches and coastal areas	FEHD and HKPF	
	Marine Parks/Marine Reserve	HKPF	
(c) Section 4(1) of Public Cleansing and Prevention of Nuisances Regulation (Cap. 132BK)	Gazetted beaches	LCSD	Fine of \$25,000 and imprisonment for 6 months
	Ungazetted beaches and coastal areas	FEHD	
(d) Section 5 and 15 of Bathing Beaches Regulation (Cap. 132E)	Gazetted beaches	LCSD	Fine of \$2,000 and imprisonment for 14 days
(e) Section 9(1)(C) of Marine Parks and Marine Reserves Regulation (Cap. 476A)	Marine Parks/Marine Reserve	AFCD	Fine of \$25,000 and imprisonment for 1 year

Source: EPD records

Note: The offender is liable to a fine of \$10,000 and imprisonment for 6 months according to Section 4D(1) of the Summary Offences Ordinance. If the offence is committed from a vessel or premises, the owner/master/proprietor/occupier of the vessel/premises is liable to a fine of \$50,000 and imprisonment for 1 year according to Section 4D(2) of the Summary Offences Ordinance.

**Errors found in figures reported
in monthly analytical reports on Clean Shorelines social media pages
(November 2018 to June 2020)**

- (a) The number of clicks was omitted in the calculation for the figure “post engagement” for Page A in January and February 2020, and for Page B in February 2020, understating the results by 1,387 (45 %), 121 (6 %) and 8 (2 %) respectively;
- (b) A decrease by 43 % in the figure “total interaction” for Page A in August 2019 was mistakenly shown as an increase by 43 %;
- (c) An increase by 37 % in the figure “number of engaged users” for Page A in April 2019 was mistakenly shown as an increase by 28 %;
- (d) Errors in the computation of the figure “engagement rate” for Page A were found in July (i.e. 9.4 % mistakenly shown as 7.5 %) and September 2019 (i.e. 9.4 % mistakenly shown as 11.3 %);
- (e) Increases in the percentage of the figure “fans number” for Page A in February, April and June 2019 were understated by 5 % to 14 %; and
- (f) In the May 2019 monthly analytical report, the figure “fans number” for Page A in April 2019 as a comparative figure was different from that originally stated in the April 2019 monthly analytical report.

Source: Audit analysis of EPD records

Acronyms and abbreviations

AFCD	Agriculture, Fisheries and Conservation Department
ArchSD	Architectural Services Department
Audit	Audit Commission
EMSD	Electrical and Mechanical Services Department
EPD	Environmental Protection Department
FC	Financial Circular
FEHD	Food and Environmental Hygiene Department
HKPF	Hong Kong Police Force
ImmD	Immigration Department
kg	Kilograms
LCSD	Leisure and Cultural Services Department
LegCo	Legislative Council
MD	Marine Department
NGOs	Non-governmental organisations
TFMR	Task Force on Marine Refuse
UAS	Unmanned aircraft systems
WSD	Water Supplies Department

CHAPTER 3

**Home Affairs Bureau
Leisure and Cultural Services Department**

**Acquisition and management of
collection items in public museums**

**Audit Commission
Hong Kong
28 October 2020**

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. 75 of the Director of Audit contains 10 Chapters which are available on our website at <https://www.aud.gov.hk>

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ACQUISITION AND MANAGEMENT OF COLLECTION ITEMS IN PUBLIC MUSEUMS

Contents

	Paragraph
EXECUTIVE SUMMARY	
PART 1: INTRODUCTION	1.1 – 1.12
Audit review	1.13 – 1.14
Acknowledgement	1.15
PART 2: ACQUISITION AND ACCESSION OF MUSEUM COLLECTION ITEMS	2.1
Acquisition of museum collection items	2.2 – 2.11
Audit recommendations	2.12
Response from the Government	2.13
Accession of museum collection items	2.14 – 2.27
Audit recommendations	2.28
Response from the Government	2.29
PART 3: STOCKTAKING AND STORAGE OF MUSEUM COLLECTION ITEMS	3.1
Stocktaking of museum collection items	3.2 – 3.13
Audit recommendations	3.14
Response from the Government	3.15

	Paragraph
Storage of museum collection items	3.16 – 3.32
Audit recommendations	3.33
Response from the Government	3.34 – 3.35
PART 4: OTHER RELATED ISSUES	4.1
Enhancement of museum permanent exhibitions	4.2 – 4.12
Audit recommendations	4.13
Response from the Government	4.14
Maintenance of museum exhibits and facilities	4.15 – 4.22
Audit recommendations	4.23
Response from the Government	4.24
Publication of information on museum collection items	4.25 – 4.28
Audit recommendations	4.29
Response from the Government	4.30
Appendices	Page
A : Leisure and Cultural Services Department: Organisation chart (extract) (31 March 2020)	73
B : Collection policies of the Leisure and Cultural Services Department museums	74
C : Details of 49 permanent exhibitions in the Leisure and Cultural Services Department museums (September 2020)	75 – 78
D : Acronyms and abbreviations	79

ACQUISITION AND MANAGEMENT OF COLLECTION ITEMS IN PUBLIC MUSEUMS

Executive Summary

1. Museums collect, conserve, and exhibit their collections for the purpose of education and providing enjoyable and inspiring experiences. Through museum collections, the public could discover a composite picture of cultural, historical and natural heritage. The Leisure and Cultural Services Department (LCSD) is responsible for providing, developing and managing public museums and related services to collect historic, art and science objects, preserve local cultural heritage and promote public appreciation for it. As of September 2020, LCSD managed 14 museums, a film archive and 2 visual arts centres. The 14 museums and the film archive have been designated under section 105G of the Public Health and Municipal Services Ordinance (Cap. 132) as museums (unless stated otherwise, the 14 museums and the film archive are hereinafter referred to as LCSD museums).

2. The collection scope of LCSD museums includes Hong Kong art, Hong Kong history and culture, Chinese art and history, science and technology, and Hong Kong film heritage. As at 31 December 2019, LCSD museums had 1,595,615 collection items. LCSD museums acquire art, cultural and scientific items mainly through donations or purchases. From 2015-16 to 2019-20, LCSD acquired 143,557 collection items, of which 140,279 (97.7%) and 3,278 (2.3%) were acquired by donations and purchases respectively. The Audit Commission (Audit) has recently conducted a review of the acquisition and management of collection items in public museums managed by LCSD.

Acquisition and accession of museum collection items

3. *Acquisition of museum collection items.* The acquisition, care and use of collection items of each LCSD museum are governed by its collection policy. LCSD has devised guidelines setting out the procedures and assessment criteria for the acquisition of museum collection items. According to LCSD acquisition guidelines of April 2020, when an object is proposed for acquisition, the proposal will be

Executive Summary

considered by the Programme Committee of the museum proposing the acquisition. At least two or three Museum Expert Advisers (MEAs) with relevant expertise will be invited to assess the object proposed for acquisition in all cases of acquisition by purchase, and in cases of acquisition by donation with query from the Programme Committee or the approving authority. With the support of the Programme Committee and unanimous support of all MEAs consulted, the proposal will be submitted to the approving authority for endorsement. LCSD will then sign a sale agreement with the seller or a deed of donation with the donor, and proceed with the payment and collect the object (paras. 2.2 to 2.4). Audit noted the following issues:

- (a) ***Need to duly appoint MEAs before soliciting their advice.*** LCSD appoints MEAs from different areas of expertise for a two-year term to provide expert advice to LCSD museums. MEAs are grouped in panels of specific knowledge. New MEA term commences on 1 April. For the 2018-19 to 2019-20 term and the 2020-21 to 2021-22 term, 180 and 174 MEAs were appointed respectively in 27 panels of each term (paras. 2.5 and 2.6). Audit noted that:
 - (i) LCSD did not have guidelines nor set a timetable for the appointment of MEAs;
 - (ii) invitation letters to MEAs for appointment were only sent in late March of 2018 and 2020 respectively (i.e. a few days before term commencement date of 1 April);
 - (iii) MEAs confirmed acceptance of appointment between 4 April and 24 August 2018 for the 2018-19 to 2019-20 term, and between 27 March and 9 May 2020 for the 2020-21 to 2021-22 term; and
 - (iv) three MEAs provided advice on an acquisition proposal (total estimated value of the items was \$100,000) for the Hong Kong Museum of History in April 2018 before accepting the MEA appointments for the 2018-19 to 2019-20 term in April, May and June 2018 respectively (para. 2.6);
- (b) ***Need to maintain at least five MEAs in each panel.*** In February 2014, a review on the appointment/re-appointment of MEAs conducted by LCSD suggested that the desirable size of each MEA panel is at least five MEAs. Audit examined the lists of MEAs for the 2018-19 to 2019-20 term and the

Executive Summary

2020-21 to 2021-22 term, and found that of the 27 MEA panels of each term, there were respectively five and six panels each comprising only three to four MEAs (para. 2.7); and

- (c) ***Room for improvement in acquisition of donated items.*** From 2015-16 to 2019-20, over 90% of collection items acquired were from donations each year. Audit examined the acquisition of donated items in the Hong Kong Museum of History and noted that in one case (involving the donation of two wooden boats), while endorsement was obtained for accepting the donation in January 2015, it was not until 2020 (after more than five years) that a suitable location was available for storing and carrying out the fumigation work. In the event, the donor subsequently informed LCSD that he decided to donate only one of the two boats. In July 2020, LCSD collected the boat and stored it in the Law Uk Folk Museum for fumigation and conservation treatment (para. 2.9).

4. ***Accession of museum collection items.*** Accession is the process of registering and cataloguing museum collection items. Audit examined the accession of collection items in the Hong Kong Museum of History, the Hong Kong Heritage Museum and the Hong Kong Film Archive (para. 2.14). Audit found room for improvement as follows:

- (a) ***Need to ensure timely completion of accession of collection items in the Hong Kong Museum of History.*** As at 31 December 2019, there were 13,346 items pending accession in the Hong Kong Museum of History. Of these, 3,622 (27%) items were acquired at least five years ago (para. 2.16);
- (b) ***Need to expedite accession of items with unknown source acquired in the 1980s in the Hong Kong Museum of History.*** In December 2005, LCSD identified an unknown number of collection items in the Hong Kong Museum of History. In October 2009, LCSD checked and recorded that the unknown items comprised some 10,000 items with untraceable source. According to LCSD, these items were acquired in the 1980s and kept in the museum temporary stores afterwards. Audit examined the accession records of these 10,000 items and noted that, as at 31 December 2019, accession of 1,851 items had not yet been completed. Of the 1,851 items, 1,714 items were under the registration process and accession of 137 items had not yet been commenced (paras. 2.18 and 2.19);

Executive Summary

- (c) ***Need to ensure completion of accession before presenting the collection items.*** As at 31 December 2019, there were 414 items pending final checking and recording in the Hong Kong Museum of History. Although accession of these 414 items was not completed, LCSD has been presenting them in the “Hong Kong Story” permanent exhibition in the Hong Kong Museum of History since 2001. In early 2020, LCSD has resumed the accession processes for these 414 items starting from registration. According to LCSD, the purpose of resuming the accession processes was to rectify the old records to ensure that the items concerned would not be mixed up with other stage decoration materials when they were dismantled during enhancement of the permanent exhibition (paras. 2.20 to 2.22); and
- (d) ***Need to critically review the accession processes and monitor the progress of accession of collection items in the Hong Kong Heritage Museum and the Hong Kong Film Archive.*** In late August and September 2020, LCSD informed Audit that as at 30 April 2020, 24,314 and 693,819 items were pending accession in the Hong Kong Heritage Museum and the Hong Kong Film Archive respectively. Of the 24,314 items pending accession in the Hong Kong Heritage Museum, 1,104 (5%) items were acquired at least 10 years ago, and of the 693,819 items pending accession in the Hong Kong Film Archive, 456,666 (66%) items were acquired at least 10 years ago (paras. 2.24 to 2.26).

Stocktaking and storage of museum collection items

5. ***Stocktaking of museum collection items.*** According to the operation manuals of the museums, LCSD will conduct stocktaking for all collection items on a cyclical basis (i.e. regular stocktaking) and surprise checking for selected collection items. Audit examined the regular stocktaking and surprise checking records in the Hong Kong Museum of History and the Hong Kong Film Archive (para. 3.2). Audit noted the following issues:

- (a) ***Need to ensure completion of regular stocktaking within the required timeframe.*** According to the operation manual of the Hong Kong Museum of History, for collection items with accession completed (other than those presented in permanent exhibitions, of special heritage value or stored in special storerooms), regular stocktaking will be conducted in a 10-year cycle (i.e. each item will undergo the stocktaking process once in 10 years). The 10-year stocktaking cycle for 112,429 items under this category last

Executive Summary

commenced in April 2011 and had been scheduled for completion in March 2021. However, as at 30 April 2020, only 28,395 (25%) of the 112,429 items had the regular stocktaking process completed (paras. 3.3 and 3.4);

- (b) ***Room for improving efficiency in regular stocktaking exercises.*** Collection items in the Hong Kong Film Archive are categorised into film items, film-related items and film-related reference items. As at 31 December 2019, there were 1,305,368 collection items in the Hong Kong Film Archive. According to LCSD, the 1,305,368 items comprised 611,566 items with accession completed and 693,802 items pending accession. Audit examined the regular stocktaking records on collection items with accession completed in the Hong Kong Film Archive (paras. 3.6 and 3.7). Audit noted that:
- (i) for film items, the last stocktaking cycle completed in November 2013 and the first interim stocktaking report was issued in December 2013. However, it took 45 months (from December 2013 to September 2017) to rectify all irregularities and find all missing items. In July 2020, a new stocktaking cycle commenced (i.e. no stocktaking had been conducted in the 34-month period between September 2017 and June 2020); and
 - (ii) for film-related items, only 25,120 (5.5%) of the 455,801 items had stocktaking completed as at 31 December 2019, more than 11 years since the cycle commenced. Moreover, stocktaking had been suspended on two occasions (totalled 25 months) during the 11 years (paras. 3.7 and 3.8);
- (c) ***Need to improve comprehensiveness of requirements on regular stocktaking.*** There was no stocktaking requirement on film-related reference items in the operation manual of the Hong Kong Film Archive. As at 31 December 2019, of the 1,305,368 collection items in the Hong Kong Film Archive, 149,551 (11%) items were film-related reference items (para. 3.9);
- (d) ***Need to conduct adequate surprise checking on collection items.*** The objective of surprise checking of collection items is to provide an independent counter-checking on the collection items by persons not

Executive Summary

directly involved in routine collection management. However, Audit noted that the Hong Kong Film Archive had counted items handled during daily operation, deeming them as samples that had already been subjected to surprise checking (para. 3.11); and

- (e) ***Need to increase frequency of stocktaking for valuable items.*** LCSD museums conduct stocktaking of their collection items on a cyclical basis. Depending on monetary values, historical values and location of the collection items, some LCSD museums will conduct stocktaking on some of their collection items more frequently. Audit noted that for the Hong Kong Film Archive, regular stocktaking will only be conducted in 2.5-year cycle and 18-year cycle for film items and film-related items respectively. The practice of conducting more frequent regular stocktaking on collection items with higher monetary or historical value was not adopted (paras. 3.12 and 3.13).

6. ***Storage of museum collection items.*** As of September 2020, LCSD museums maintained a total storage space of 16,090 square metres (m²) for storing collection items, including 6,100 m² (38%) in storerooms inside museums and 9,990 m² (62%) in off-site stores. Audit examined the storage of collection items in the Hong Kong Museum of History and the Hong Kong Film Archive (para. 3.16). Audit noted the following issues:

- (a) ***Need to keep temperature and relative humidity of off-site stores within appropriate ranges.*** As of September 2020, of the four off-site stores (not purpose-built for storage of museum collection items) maintained by the Hong Kong Museum of History, two were not provided with 24-hour temperature and humidity control (Store A and Store B). Audit noted that the temperature and relative humidity in the two storerooms of Store A in the period between 1 January 2020 and 26 August 2020 ranged from 16 °C to 34 °C, and 45% to 90% respectively. According to LCSD, collection items kept in stores not purpose-built for storage are carefully selected according to the material nature. In addition, LCSD will deploy other effective means such as creation of microclimate to keep collection items in good condition if it is deemed necessary. However, Audit noted that LCSD had not laid down guidelines on collection items stored in stores not purpose-built (paras. 3.19 to 3.21);

Executive Summary

- (b) ***Need to expedite relocation of collection items from an off-site store.*** One of the stores (Store C) maintained by the Hong Kong Museum of History was located in an aged building. Audit noted that the conditions of the aged building used as Store C were causing concerns. In March 2017, ArchSD advised LCSD that using the aged building as Store C was not recommended. Since 2017, LCSD had been looking for suitable storage space to relocate the collection items stored in Store C. In September 2020, LCSD informed Audit that a space was identified to relocate part of the collection items stored in Store C and relocation was scheduled to commence in the first quarter of 2021. Furthermore, LCSD would continue to identify additional space to relocate the remaining collection items stored in Store C (paras. 3.22 and 3.24);
- (c) ***Need to ensure appropriate temperature and relative humidity in storerooms inside museums.*** There are six storerooms with a total area of 1,228 m² in the Hong Kong Film Archive building for storage of collection items. According to LCSD, three (Storerooms A, B and C) of the six storerooms were purpose-built for storage and the remaining three (Storerooms D, E and F) were not purpose-built for storage but subsequently changed to be used as temporary storage. LCSD has laid down reference ranges of temperature and relative humidity of the storerooms for storing the collection items. Audit examined the temperature and relative humidity records of the six storerooms between 1 January 2019 and 1 June 2020 (totalled 75 weeks) and found that the temperature and relative humidity of the storerooms were out of the reference ranges in 69% and 68% of the time respectively (para. 3.26); and
- (d) ***Need to expedite development of the Heritage Conservation and Resource Centre.*** In March 2005, LCSD identified a site in Tuen Mun for the development of the Central Museum Collection Repository (later renamed Heritage Conservation and Resource Centre — HCRC) to alleviate the shortage of museum storage space. In March 2009, LCSD found that the proposed site in Tuen Mun was not suitable for HCRC development due to technical constraints and its remote location. Alternatively, another site in Tin Shui Wai was identified. In April 2009, the Yuen Long District Council proposed to incorporate more public space and facilities accessible by the public in the project. Since then, LCSD has been liaising with the relevant government bureaux and departments and stakeholders on the inclusion of public facilities. In June 2018, the Finance Committee of the Legislative Council approved a funding of \$89 million for the

Executive Summary

pre-construction consultancy services and site investigation works for the construction of HCRC. In October 2020, LCSD informed Audit that it would submit the revised HCRC proposal to the Yuen Long District Council in the first half of 2021 (paras. 3.28 to 3.31).

Other related issues

7. ***Enhancement of museum permanent exhibitions.*** Permanent exhibitions of individual museums contain collection items or exhibits of the subject matter of the museum which are essential and remain relevant during the entire time they are open to the public. As of September 2020, there were a total of 49 permanent exhibitions in the LCSD museums. LCSD enhances permanent exhibitions in the museums at intervals to sustain the appeal to the public, cultivate a wider audience base and enhance the educational elements in their services (paras. 4.2 and 4.3). Audit noted the following issues:

- (a) ***Need for timely enhancement of permanent exhibitions.*** According to LCSD, in line with professional practice of museums worldwide, permanent exhibitions are often designed to last for 10 to 15 years for science-related museums (i.e. the Hong Kong Science Museum and the Hong Kong Space Museum) and 15 to 20 years for other museums (para. 4.5). Audit noted that:
 - (i) 10 (59%) of the 17 permanent exhibitions in the 2 science-related museums had been operating for more than 15 years (more than 15 to 29 years). While enhancement for 1 of the 10 exhibitions was in progress, those for the remaining 9 exhibitions were under planning; and
 - (ii) 7 (22%) of the 32 permanent exhibitions in 2 of the 13 other museums had been operating for more than 20 years (more than 20 to 33 years) and enhancement of the exhibitions was in progress (para. 4.6); and
- (b) ***Need to better monitor progress of enhancement for permanent exhibitions.*** Audit examined the enhancement for 17 permanent exhibitions completed between 2015-16 and 2019-20 and found that the enhancement of 4 exhibitions was completed with delay of some 1 to 6 years. Audit

Executive Summary

selected the two exhibitions with 6-year delay (i.e. Project A in the Hong Kong Space Museum) for further examination. Audit noted that Project A was delayed for 76 months and the permanent exhibitions were closed for 30 months for the enhancement. According to LCSD, the delay was due to time taken for deciding the themes of enhanced exhibitions, preparing the specification for detailed design, rectifying building defects, and fabricating and installing new exhibits. In April 2014, LCSD established a steering committee to monitor the progress of enhancement of permanent exhibitions (including Project A) (paras. 4.8 to 4.12).

8. ***Maintenance of museum exhibits and facilities.*** Permanent exhibitions present museum collections and exhibits, and are fitted with facilities to support the presentation of the collection items and exhibits. Proper and timely maintenance of museum exhibits and facilities is essential for the smooth operation of a museum for the enjoyment of the public. Audit examined the maintenance of museum exhibits and facilities in the Hong Kong Science Museum and the Hong Kong Space Museum (para. 4.15). Audit noted the following issues:

- (a) ***Scope for improvement in monitoring and conducting maintenance works.*** LCSD has adopted a computer system, namely the Exhibition Maintenance Portal (EMP), to record and facilitate maintenance of exhibits and facilities in the Hong Kong Science Museum and the Hong Kong Space Museum. According to EMP records, in 2019-20, 8,277 repair orders were completed, of which 72 (1%) orders had each taken more than 90 days to complete. Audit noted that apart from EMP records (with the dates of placing and completion of the repair order), there were no other records showing the progress of 64 of the 72 repair orders. For the remaining 8 (72 minus 64) repair orders, relating procurement records showed that procurements (e.g. replacement parts) were only conducted three to eight months after the placing of the repair orders (paras. 4.16 to 4.18); and
- (b) ***Need to improve accuracy in calculating availability of interactive exhibits in the Hong Kong Space Museum.*** LCSD pledges to maintain at least 90 % of the hands-on (i.e. interactive) exhibits in use at all times in the Hong Kong Science Museum and the Hong Kong Space Museum. EMP was used in the Hong Kong Science Museum to monitor the availability of interactive exhibits. However, the related EMP functions were not applicable in the Hong Kong Space Museum. To assess the availability of interactive

Executive Summary

exhibits, the Hong Kong Space Museum has been using the total number of repair orders placed (for interactive and non-interactive exhibits) and half of the total number of exhibits in the calculation (based on the assumption that the number of interactive exhibits was approximately half of the total number of exhibits). In July 2020, LCSD informed Audit that LCSD was planning to enhance EMP. Upon completion of the enhancement, the availability of interactive exhibits could be monitored through the system (paras. 4.21 and 4.22).

9. ***Need to adopt a consistent approach in reporting number of museum collection items.*** According to LCSD's Controlling Officer's Report, as at 31 December 2019, there were 1,595,627 museum collection items (stated as number of objects in museums collections in the Controlling Officer's Report as a performance indicator). Of the 1,595,627 museum collection items, 1,595,615 items were in the LCSD museums and 12 items were in the Art Promotion Office. Audit noted that the number of museum collection items reported in the Controlling Officer's Report included collection items pending accession in the Hong Kong Heritage Museum and its two branch museums, and the Hong Kong Film Archive. However, for the remaining 11 museums, only the number of collection items with accession completed were reported (para. 4.25).

10. ***Need to improve public access of museum collection items on the museum websites.*** Since 2002, LCSD museums have been uploading information (e.g. photographs and descriptions) of selected collection items on individual museum websites to enhance public accessibility of museum collections. According to LCSD, as at 31 December 2019, 431,304 (27%) of the 1,595,615 collection items were accessible on the museum websites. Audit noted that nearly all collection items in the Hong Kong Museum of Art, the Hong Kong Science Museum and the Hong Kong Space Museum were accessible on the museum websites. However, only 5%, 14% and 30% of collection items in the Hong Kong Heritage Museum, the Hong Kong Museum of History and the Hong Kong Film Archive respectively were accessible on the museum websites. According to the five-year Corporate Business Plan of LCSD museums for 2017-22, LCSD would make use of the museum websites, along with other online platforms, to make the collection items more accessible to the public (paras. 4.27 and 4.28).

Executive Summary

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 Leisure and Cultural Services should:

- (a) take measures to ensure that MEAs are timely appointed for each term and consider laying down guidelines and setting a timetable for the MEA appointment process (para. 2.12(a));
- (b) explore effective means to increase the number of MEAs to ensure that at least five MEAs are maintained in each panel as far as practicable (para. 2.12(b));
- (c) make greater efforts to identify storage spaces for donated items promptly in future as far as practicable (para. 2.12(c));
- (d) for accession of museum collection items in the Hong Kong Museum of History:
 - (i) continue to make efforts to ensure timely completion of accession of collection items (para. 2.28(a)(i));
 - (ii) complete accession of items with unknown source acquired in the 1980s as soon as practicable (para. 2.28(a)(ii)); and
 - (iii) for the items pending final checking and recording but being presented in permanent exhibitions, take measures to ensure that they are suitably recorded before dismantling so that they would not be mixed up with other decoration materials, and complete accession of them as soon as practicable after the items are dismantled (para. 2.28(a)(iii));
- (e) for the Hong Kong Heritage Museum and the Hong Kong Film Archive, critically review the accession processes and closely monitor the progress of each process with a view to completing the accession of collection items in a timely manner (para. 2.28(b));

Executive Summary

- (f) **review the progress of regular stocktaking of collection items in the Hong Kong Museum of History to ascertain whether it is practicable to complete the stocktaking within the 10-year cycle ending in March 2021, and draw up a backup plan if necessary (para. 3.14(a));**
- (g) **for stocktaking in the Hong Kong Film Archive:**
 - (i) **closely monitor the progress of regular stocktaking of film items and film-related items, and take measures to ensure that stocktaking is completed within the timeframe as stated in the operation manual in future (para. 3.14(b)(i));**
 - (ii) **for film-related items, review the progress of regular stocktaking of the current cycle and draw up a timetable with a view to completing the stocktaking process within the cycle (para. 3.14(b)(ii));**
 - (iii) **consider conducting regular stocktaking on film-related reference items (para. 3.14(b)(iii));**
 - (iv) **revise the operation manual to specify adequate number of collection items to be checked in surprise checking (para. 3.14(b)(iv)); and**
 - (v) **review the frequency of regular stocktaking for collection items with higher monetary or historical value (para. 3.14(b)(v));**
- (h) **review the practices of regular stocktaking and surprise checking in other LCSD museums (i.e. other than the Hong Kong Museum of History and the Hong Kong Film Archive), look into any similar irregularities as identified in this audit review, and take remedial measures as necessary (para. 3.14(c));**
- (i) **for the off-site stores of the Hong Kong Museum of History, lay down guidelines on suitable storage of collection items (para. 3.33(a));**
- (j) **relocate the collection items of the Hong Kong Museum of History stored in the aged building as soon as practicable (para. 3.33(b)(i));**

Executive Summary

- (k) in collaboration with the Director of Architectural Services, continue to closely monitor the structural condition of the aged building, and take prompt actions to strengthen the structure if the building would continue to be used as stores and repair any defects identified (para. 3.33(b)(ii));
- (l) take measures to maintain the temperature and relative humidity in the storerooms of the Hong Kong Film Archive within the reference ranges (para. 3.33(c));
- (m) review the conditions of storerooms inside museums and off-site stores of other LCSD museums (i.e. other than the Hong Kong Museum of History and the Hong Kong Film Archive), look into any similar irregularities as identified in this audit review, and take remedial measures as necessary (para. 3.33(d));
- (n) step up efforts to expedite the development of HCRC (para. 3.33(e));
- (o) timely enhance the permanent exhibitions in the science-related museums and other museums (para. 4.13(a));
- (p) better monitor the progress of enhancement for permanent exhibitions in future and take prompt actions to ensure timely completion (para. 4.13(b));
- (q) improve documentation for repair orders in the Hong Kong Science Museum and the Hong Kong Space Museum (para. 4.23(a));
- (r) review the documentation and time taken for conducting maintenance works of museum exhibits and facilities in other LCSD museums (i.e. other than the Hong Kong Science Museum and the Hong Kong Space Museum), look into any similar irregularities as identified in this audit review, and take remedial measures as necessary (para. 4.23(b));
- (s) closely monitor the progress of the EMP enhancement project to improve accuracy in calculating the availability of interactive exhibits in the Hong Kong Space Museum (para. 4.23(c));

Executive Summary

- (t) **review and adopt a consistent approach in reporting the number of museum collection items in the Controlling Officer's Report in future (para. 4.29(a)); and**
- (u) **step up efforts to increase the number of museum collection items accessible on the museum websites, in particular the websites of the Hong Kong Heritage Museum, the Hong Kong Museum of History and the Hong Kong Film Archive (para. 4.29(b)).**

Response from the Government

12. The Director of Leisure and Cultural Services 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 is committed to promoting the development of arts and culture in Hong Kong. From the cultural policy perspective, museums serve as a platform for the community to gain access to and appreciate arts and culture. Museums collect, conserve, and exhibit their collections for the purpose of education and providing enjoyable and inspiring experiences. Through museum collections, the public could discover a composite picture of cultural, historical and natural heritage. The preservation of museum collections represents a long-term commitment to existing and future generations.

1.3 The Leisure and Cultural Services Department (LCSD) is responsible for providing, developing and managing public museums and related services to collect historic, art and science objects, preserve local cultural heritage and promote public appreciation for it. Through provision of public museum services, LCSD aims to inspire everyone with enjoyable experience in art, history and science. According to LCSD, the roles of public museums are to:

- (a) present and sponsor exhibitions on the visual arts, history, culture, and science and technology for the enjoyment of the public;
- (b) promote an interest in and better understanding of the visual arts, science technology, and the history and culture of Hong Kong through a balanced range of museum educational activities and sharing of experience with local artists, scholars and experts in the fields;
- (c) support and promote contemporary Hong Kong art, and encourage artistic creativity;
- (d) support research on local heritage, history and the visual arts;

Introduction

- (e) provide and operate venues for hire for the presentation of exhibitions, lectures and film shows, and studio facilities for artistic creation; and
- (f) acquire and conserve local films and related materials, and provide facilities for film research and educational activities for film appreciation.

Public museums managed by LCSD

1.4 As of September 2020, LCSD managed 14 museums, a film archive and 2 visual arts centres. The 14 museums and the film archive have been designated under section 105G of the Public Health and Municipal Services Ordinance (Cap. 132 — Note 1) as museums (unless stated otherwise, the 14 museums and the film archive are hereinafter referred to as LCSD museums — Note 2). Table 1 shows a list of LCSD museums (as of September 2020).

Note 1: *Under the Public Health and Municipal Services Ordinance, 18 premises were designated as museums, including:*

- (a) *16 premises managed by LCSD, including 14 public museums, 1 film archive and 1 premises currently used as museum storage; and*
- (b) *2 premises managed by the Antiquities and Monuments Office (AMO) of the Commissioner for Heritage's Office (CHO) under the Development Bureau (AMO was previously under the administration of LCSD. On 1 April 2019, it was amalgamated with CHO under the Development Bureau).*

The management and control of museums designated under the Ordinance shall be vested in the Director of Leisure and Cultural Services. According to LCSD, LCSD and CHO have devised an administrative mechanism for the management of the 2 premises in (b) above.

Note 2: *Only LCSD museums designated under the Public Health and Municipal Services Ordinance are covered in this audit review.*

Table 1

**LCSD museums
(September 2020)**

14 Museums
<i>Hong Kong Museum of Art and one branch museum</i>
Hong Kong Museum of Art
Flagstaff House Museum of Tea Ware
<i>Hong Kong Heritage Museum and two branch museums</i>
Hong Kong Heritage Museum
Hong Kong Railway Museum
Sheung Yiu Folk Museum
<i>Hong Kong Museum of History and five branch museums</i>
Hong Kong Museum of History
Dr Sun Yat-sen Museum
Fireboat Alexander Grantham Exhibition Gallery
Hong Kong Museum of Coastal Defence
Lei Cheng Uk Han Tomb Museum
Law Uk Folk Museum
<i>Hong Kong Science Museum</i>
<i>Hong Kong Space Museum</i>
<i>Sam Tung Uk Museum</i>
Hong Kong Film Archive

Source: LCSD records

Introduction

1.5 LCSD museums have different characteristics and objectives. They present a variety of exhibitions and programmes to enrich the museum experience of visitors, including:

- (a) ***Permanent exhibitions.*** Permanent exhibitions contain collection items or core materials (exhibits) of the subject matter of the museum which are essential and remain relevant during the entire time they are open to the public. According to LCSD, permanent exhibitions are often designed to last for 10 to 15 years for science-related museums (i.e. the Hong Kong Science Museum and the Hong Kong Space Museum) and 15 to 20 years for other museums. Photograph 1 shows an example of permanent exhibition in the Hong Kong Heritage Museum;

Photograph 1

**An example of permanent exhibition
in the Hong Kong Heritage Museum
(the Cantonese Opera Heritage Hall)**



Source: Photograph taken by Audit Commission in June 2020

- (b) ***Special exhibitions.*** Special exhibitions provide various programmes of diverse topics of interest with the aim to encourage repeat visits and widen the range of the museum's audience. Apart from presenting local art, history and culture, LCSD museums also collaborate with world-renowned

museums and cultural organisations to stage blockbuster exhibitions. According to LCSD, special exhibitions usually last for only a few months. For example, in the period November 2019 to February 2020, the Hong Kong Museum of History collaborated with the National Museum of Afghanistan to present the “Glistening Treasures in the Dust — Ancient Artefacts of Afghanistan” which brought some 231 items/sets of rare artefacts from the National Museum of Afghanistan (see Photograph 2); and

Photograph 2

**“Glistening Treasures in the Dust — Ancient Artefacts of Afghanistan”
special exhibition in the Hong Kong Museum of History
(November 2019 to February 2020)**



Source: LCSD records

- (c) ***Other programmes and activities.*** Apart from exhibitions, LCSD museums also organise other programmes and activities, including:
- (i) education programmes to support school curriculum and promote lifelong learning, creativity and research among the wider community;
 - (ii) audience building programmes to capture wider audience and to cater for the needs of different audience groups and generations;

Introduction

- (iii) capacity building programmes to nurture young people's interest in curatorial and museum work; and
- (iv) community engagement programmes to strengthen community engagement in heritage and museum activities.

Collections of LCSD museums

1.6 ***Museum collections.*** Museums have an important mission to acquire, preserve, exhibit and promote their collections to safeguard the natural, cultural and scientific heritage. The collection scope of LCSD museums includes Hong Kong art, Hong Kong history and culture, Chinese art and history, science and technology, and Hong Kong film heritage. As at 31 December 2019, LCSD museums had 1,595,615 collection items (see Table 2).

Table 2

**Number of collection items in LCSD museums
(31 December 2019)**

Museum	Number of collection items
Hong Kong Film Archive	1,305,368 (Note 1)
Hong Kong Museum of History and five branch museums (see Table 1 in para. 1.4 and Note 2)	146,067
Hong Kong Heritage Museum and two branch museums (see Table 1 in para. 1.4 and Note 2)	126,655
Hong Kong Museum of Art and one branch museum (see Table 1 in para. 1.4 and Note 2)	17,405
Hong Kong Science Museum	103
Hong Kong Space Museum	17
Sam Tung Uk Museum	— (Note 3)
Total	1,595,615

Source: LCSD records

Note 1: According to LCSD, the Hong Kong Film Archive has the largest number of collection items as its primary function is to maintain comprehensive records relating to Hong Kong film history and heritage. Although the nature and function of the Hong Kong Film Archive are different from those of a museum, given that it is designated as a museum under the Public Health and Municipal Services Ordinance, its archival collection which is mostly for research reference purpose is also regarded as museum collection.

Note 2: The main museums are responsible for the acquisition and management of collection items in their branch museums.

Note 3: The Sam Tung Uk Museum is a display and resource centre for intangible cultural heritage (e.g. Cantonese Opera, Cheung Chau Jiao Festival and herbal tea). It does not keep any collection item.

Introduction

1.7 **Acquisition of museum collections.** LCSD museums acquire art, cultural and scientific items to enrich their collections for the enjoyment of the public mainly through donations or purchases (Note 3). Items acquired will become museum collections and will be selected for presenting in the exhibitions at the museums or off-site venues (Note 4) upon completion of accession (Note 5 — unless stated otherwise, collection items hereinafter include both items with accession completed and items pending accession). Table 3 shows the number of collection items acquired by LCSD museums during the period 2015-16 to 2019-20 (Note 6).

Table 3
Number of collection items acquired by LCSD museums
(2015-16 to 2019-20)

Year	Collection items acquired			
	By donations (No.)	By purchases		Total (No.)
		(No.)	(\$ million)	
2015-16	37,798 (99.6%)	151 (0.4%)	9.55	37,949 (100%)
2016-17	33,028 (98.1%)	631 (1.9%)	41.81	33,659 (100%)
2017-18	8,368 (91.8%)	749 (8.2%)	7.51	9,117 (100%)
2018-19	14,081 (91.4%)	1,331 (8.6%)	14.15	15,412 (100%)
2019-20	47,004 (99.1%)	416 (0.9%)	4.68	47,420 (100%)
Overall	140,279 (97.7%)	3,278 (2.3%)	77.70	143,557 (100%)

Source: LCSD records

Note 3: LCSD museums also, from time to time, receive items of historical and cultural value from other government departments. In the period 2015-16 to 2019-20, 569 items were received and added to the museum collections.

Note 4: According to LCSD, collection items may also be presented in off-site venues such as civic centres and outbound exhibitions presented outside Hong Kong as appropriate.

Note 5: Accession is the process of registering and cataloguing museum collection items (see para. 2.14).

Note 6: In June 2013, the Finance Committee of the Legislative Council approved a funding of \$50 million for LCSD to acquire and commission artworks by local artists. In December 2018, it approved an additional funding of \$500 million for LCSD to acquire museum collections and commission art and cultural projects.

1.8 ***Storage of museum collections.*** While some collection items are presented in exhibitions in LCSD museums, the remaining collection items are kept in stores. In LCSD museums, collection items are stored in specific storerooms. Due to limited space in individual museums, collection items are also stored in off-site stores temporarily. As of September 2020, LCSD museums maintained a total storage space of 16,090 square metres (m²), including 6,100 m² (38%) in storerooms inside museums and 9,990 m² (62%) in off-site stores.

1.9 ***Collection management systems.*** LCSD museums register their collection items in the collection management systems. Currently, there are four collection management systems providing inventory control of the collection items of LCSD museums (Note 7). The systems record details of collection items, such as description, location, measurement and image. A unique identification number is assigned to each item, which will be marked/affixed on the item.

Note 7: *The four systems include:*

- (a) *a centralised collection management system launched in January 2020 managing the collections of the Hong Kong Heritage Museum, the Hong Kong Museum of History and the Hong Kong Film Archive; and*
- (b) *three other systems managing the collections of the Hong Kong Museum of Art, the Hong Kong Science Museum and the Hong Kong Space Museum respectively. LCSD has plans to merge these systems into the centralised collection management system (see (a) above) by phases.*

Advisory structure for management of public museums and acquisition of collection items

1.10 *Museum Advisory Committee (MAC).* To enhance community participation in public museum services, the Government established MAC (Note 8) in October 2016 to advise LCSD on the strategies for development, promotion and management of the public museums (Note 9). MAC is supported by three standing sub-committees on art, history and science (Note 10). While MAC provides advice on overarching matters and issues commonly faced by all LCSD museums, the three sub-committees facilitate focused discussions on stream-specific issues for addressing concerns unique to different streams of museums. The terms of appointment for members of MAC and its sub-committees are two years.

Note 8: *As of September 2020, MAC comprised 25 non-official members appointed by the Secretary for Home Affairs. Its terms of reference are to advise the Director of Leisure and Cultural Services on matters concerning public museums and related offices, including:*

- (a) positioning, image-building and branding;*
- (b) business development strategies;*
- (c) marketing and publicity strategies;*
- (d) development of community engagement strategies;*
- (e) measures to strengthen operational efficiency and accountability of public museums; and*
- (f) other matters as proposed by LCSD.*

Note 9: *Between October 2010 and October 2016, three Museum Advisory Panels (Art, History and Science) had been set up to advise LCSD on the strategies for development, promotion and management of the respective public museums. After reviewing the advisory structure of public museums, in October 2016, the Government established MAC succeeding the three Museum Advisory Panels to continue to provide advice on LCSD museums.*

Note 10: *As of September 2020, the Art Sub-committee, the History Sub-committee, and the Science Sub-committee of MAC comprised 14, 14 and 15 non-official members respectively appointed by the Secretary for Home Affairs. The terms of reference are to advise the Director of Leisure and Cultural Services on policies and matters related to the respective stream of museums and related offices, and perform any other functions in relation to the respective stream of museums and related offices as delegated or assigned by MAC.*

1.11 ***Museum Expert Advisers (MEAs).*** To enhance standard of professional judgement, and uphold government procurement principle of maintaining an open, fair and transparent system, since 2000, LCSD has been appointing MEAs (in two-year term) to provide individual expert advice to LCSD museums on matters pertaining to acquisition of collection items. MEAs will also advise on the promotion of art, history, science and film on a need basis. LCSD maintains lists of MEAs according to their areas of expertise and the specific knowledge required in a particular field (i.e. MEA panels/sub-panels — unless stated otherwise, MEA panels/sub-panels are hereinafter referred to as MEA panels for simplicity). When advice from MEAs is required, LCSD will invite MEAs in the specific panel on a rotation basis to provide independent advice.

Responsible division of LCSD

1.12 LCSD museum services (including the acquisition and management of museum collection items) are provided through the Heritage and Museums Division of LCSD. The Division is headed by an Assistant Director and supported by 637 staff to oversee and provide support to the operation and management of LCSD museums (Note 11). An extract of the organisation chart of LCSD (as at 31 March 2020) is at Appendix A. In 2019-20, the expenditure incurred by LCSD in provision of museum services amounted to \$480.7 million.

Audit review

1.13 In 2006, the Audit Commission (Audit) completed a review of the provision of public museum services (the 2006 Audit Review). The review found that there was room for improvement in a number of areas, including the acquisition and management of collection items (e.g. large backlog of collection items pending accession). The review results were reported in Chapter 5 of the Director of Audit's Report No. 46 of March 2006.

Note 11: *Apart from providing museum services, the Heritage and Museums Division is also responsible for art promotion. The Art Promotion Office under the Division manages two other cultural spaces (i.e. the Hong Kong Visual Arts Centre and the Oil Street Art Space) for providing professional facilities for art creation and platforms where artists can display their creativity and exchange ideas.*

Introduction

1.14 Since the 2006 Audit Review, the number of collection items in LCSD museums has increased by 540,159 (51%), from 1,055,456 items in December 2007 to 1,595,615 items in December 2019. In May 2020, Audit commenced a review to examine the acquisition and management of collection items in public museums managed by LCSD. The audit review has focused on the following areas:

- (a) acquisition and accession of museum collection items (PART 2);
- (b) stocktaking and storage of museum collection items (PART 3); and
- (c) other related issues (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 During the audit review, in light of the outbreak of coronavirus disease (COVID-19), the Government had implemented various special work arrangements and targeted measures for government employees, including working from home. Audit would like to acknowledge with gratitude the full cooperation of the staff of LCSD during the course of the audit review amid the COVID-19 epidemic.

PART 2: ACQUISITION AND ACCESSION OF MUSEUM COLLECTION ITEMS

2.1 This PART examines the acquisition and accession of museum collection items by LCSD, focusing on the following areas:

- (a) acquisition of museum collection items (paras. 2.2 to 2.13); and
- (b) accession of museum collection items (paras. 2.14 to 2.29).

Acquisition of museum collection items

2.2 ***Collection policy.*** The acquisition, care and use of collection items of each LCSD museum are governed by its collection policy (see Appendix B — Note 12). The collection policy also clarifies the position of any material that will not be catalogued, conserved or exhibited (e.g. items loan-in from other organisations).

2.3 ***LCSD acquisition guidelines.*** LCSD museums acquire collection items mainly through purchases or donations (see para. 1.7). According to LCSD, due to the special and unique nature of the acquisitions involved, the paramount importance of assessing quality in addition to price consideration, and the limited availability of suitable objects in the market, it is impracticable to procure the objects through normal procurement procedures in accordance with the provisions of the Stores and

Note 12: *In the 2006 Audit Review (see para. 1.13), Audit found that other than the Hong Kong Film Archive, the Hong Kong Heritage Museum and the Hong Kong Museum of Art, there was no collection policy for other public museums, and recommended that each museum should have a collection policy for the acquisition and management of collection items. LCSD has consequently formulated collection policy for every museum.*

Acquisition and accession of museum collection items

Procurement Regulations (SPRs — Note 13). LCSD has obtained the Secretary for Financial Services and the Treasury's approval for exemption from applying SPRs and has devised guidelines setting out the procedures and assessment criteria for the acquisition of museum collection items (Note 14).

2.4 Collection items may be purchased or donated from various sources, including artists, collectors, individuals, public or private organisations, commercial galleries and shops, as well as auction houses. According to LCSD acquisition guidelines of April 2020:

- (a) when an object is proposed for acquisition, the proposal will be considered by the Programme Committee (Note 15) of the museum proposing the acquisition;

Note 13: *SPRs are made by the Financial Secretary/Secretary for Financial Services and the Treasury under the Public Finance Ordinance (Cap. 2). Apart from procurement of objects (i.e. artefacts and cultural relics) to be added to the museum collections, the exemption also applies to procurement of services for organisation of public programmes by the Heritage and Museums Division of LCSD (see para. 1.12). The exemption does not apply to the procurement of logistical and supporting services, which needs to comply with procurement procedures set out in SPRs.*

Note 14: *In the 2006 Audit Review (see para. 1.13), Audit noted that up to the end of December 2005, LCSD had not yet finalised the procurement procedures for the acquisition of collection items, and recommended that LCSD should expedite action to finalise the procurement procedures. In April 2006, the procurement procedures were approved by the Secretary for Financial Services and the Treasury.*

Note 15: *Programme Committees are set up in the sections/offices under the Heritage and Museums Division (see Appendix A) to vet proposed acquisitions or programme proposals at regular intervals or on a need basis. Each Programme Committee is chaired by the Head of Museum (i.e. Chief Curator or Chief Manager) and comprises museum professional staff.*

Acquisition and accession of museum collection items

- (b) at least two or three MEAs (Note 16) with relevant expertise will be invited to assess the object proposed for acquisition (Note 17):
 - (i) in all cases of acquisition by purchase; and
 - (ii) in cases of acquisition by donation with query from members of the Programme Committee (or the approving authority — see (c) below).

Acquisition will not be proceeded unless there is unanimous support of all MEAs consulted;

- (c) with the support of the Programme Committee and MEAs, the proposal for acquisition will be submitted to the approving authority (Note 18) for endorsement; and
- (d) LCSD will sign a sale agreement with the seller (in case of purchase) or a deed of donation with the donor (in case of donation), and proceed with the payment where appropriate and collect the object accordingly.

Room for improvement in the appointment of MEAs

2.5 LCSD appoints MEAs from different areas of expertise for a two-year term to provide expert advice to LCSD museums. MEAs are grouped in panels (see para. 1.11) of specific knowledge such as Hong Kong art, historical pictures,

Note 16: *At least two MEAs will be engaged for a proposed acquisition with estimated value up to \$50,000 and at least three MEAs will be engaged for a proposed acquisition with estimated value over \$50,000.*

Note 17: *An MEA's assessment is based on criteria including the artistic merit/historical value/scientific and technological significance, relevance to collection, authenticity, physical condition, price, durability, display value, education value, as well as reputation of the artist or maker.*

Note 18: *The approving authorities are the Head of Museum, the Assistant Director (Heritage and Museums) of LCSD, the Deputy Director (Culture) of LCSD, and the Director of Leisure and Cultural Services respectively for acquisition of items with value up to \$0.28 million, over \$0.28 million and up to \$0.7 million, over \$0.7 million and up to \$1.4 million, and over \$1.4 million.*

Acquisition and accession of museum collection items

archaeology, pop culture, science and technology, and film. When advice is required, LCSD will invite MEAs in the specific panel on a rotation basis to provide independent advice (Note 19). For the 2018-19 to 2019-20 term and the 2020-21 to 2021-22 term, 180 and 174 MEAs were appointed respectively in 27 panels of each term (Note 20).

2.6 *Need to duly appoint MEAs before soliciting their advice.* Nomination and appointment of MEA are conducted every two years. New MEA term commences on 1 April. Audit noted that LCSD did not have guidelines nor set a timetable for the appointment of MEAs. In examining the MEAs appointment records for the 2018-19 to 2019-20 term and the 2020-21 to 2021-22 term, Audit found that:

- (a) the MEA nomination lists were approved by the Director of Leisure and Cultural Services in January 2018 and January 2020 respectively for the two terms. However, invitation letters to MEAs for appointment were only sent in late March of 2018 and 2020 respectively (i.e. a few days before term commencement date of 1 April);
- (b) MEAs confirmed acceptance of appointments:
 - (i) between 4 April and 24 August 2018 for the 2018-19 to 2019-20 term; and
 - (ii) between 27 March and 9 May 2020 for the 2020-21 to 2021-22 term; and
- (c) three MEAs provided advice on an acquisition proposal (total estimated value of the items was \$100,000) for the Hong Kong Museum of History in April 2018 before accepting the MEA appointments for the 2018-19 to 2019-20 term. The three MEAs subsequently accepted the MEA appointment in April, May and June 2018 respectively.

Note 19: *MEAs receive no remuneration for providing advice and are required to declare conflict of interests in providing advice for each proposed acquisition.*

Note 20: *Some MEAs have multiple memberships in the 27 panels.*

Candidates nominated for MEA appointments were not duly appointed until they accepted the appointments. It was not satisfactory that advice was sought from the three nominated candidates before their appointments were completed. To facilitate soliciting MEAs' advice as soon as a term starts, LCSD needs to take measures to ensure that MEAs are timely appointed for each term and consider laying down guidelines and setting a timetable for the MEA appointment process.

2.7 *Need to maintain at least five MEAs in each panel.* In February 2014, a review on the appointment/re-appointment of MEAs conducted by LCSD suggested that the desirable size of each MEA panel is at least five MEAs. Audit examined the lists of MEAs for the 2018-19 to 2019-20 term and the 2020-21 to 2021-22 term, and found that of the 27 MEA panels of each term, there were respectively five and six panels each comprising only three to four MEAs. Audit also noted that according to LCSD acquisition guidelines, at least two or three MEAs shall be engaged for each proposed acquisition (see para. 2.4(b)).

2.8 According to LCSD, five is a desirable size for MEA panels but may not be achievable for some very specialised areas (e.g. archaeology, numismatics and philately, military history, and other decorative arts, product and jewellery) as there is a very limited number of local experts. In Audit's view, maintaining the desirable size for MEA panels facilitates the effective acquisition of museum collection items. Audit considers that LCSD needs to explore effective means to increase the number of MEAs to ensure that at least five MEAs are maintained in each panel as far as practicable.

Room for improvement in acquisition of donated items

2.9 From 2015-16 to 2019-20, over 90% of collection items acquired were from donations each year (see Table 3 in para. 1.7). According to LCSD acquisition guidelines, in case of donation, with the support of the Programme Committee (and support from MEAs if applicable) and endorsement of the approving authority, LCSD will sign a deed of donation with the donor and collect the donated item from the donor as appropriate (see para. 2.4). Audit examined the acquisition of donated items in the Hong Kong Museum of History and noted that in one case, due to long time taken in identifying space for storage and conservation treatment for two donated items, the deed of donation was signed and only one donated item was collected more than five years after endorsement was obtained for accepting the donation (see Case 1).

Case 1

Long time taken in identifying space for storage and conservation treatment for two donated items (December 2014 to July 2020)

1. In December 2014, the Programme Committee of the Hong Kong Museum of History supported the acquisition proposal of two wooden boats (Boat A and Boat B) from a donor (Note 1). In January 2015, the proposal was endorsed by the Head of the Hong Kong Museum of History (Note 2) since the two boats were closely related to the history of Hong Kong.
2. Since January 2015, LCSD had considered various options to accommodate the two boats (e.g. outdoor storage with specially designed storage tanks, and indoor/sheltered storage). However, due to the size of the boats (Note 3) and conservation treatment requirement, no suitable location could be identified.
3. More than five years after the endorsement of the acquisition proposal, in April 2020, LCSD made available a suitable space in the Law Uk Folk Museum and decided to store the boats there. In May 2020, LCSD commenced the preparation work for receiving the boats (e.g. fabrication of tailor-made wooden racks to house the boats for fumigation and conservation treatment). In June 2020, LCSD informed the donor that it had identified a suitable storage place for the boats and would arrange collection. However, the donor subsequently informed LCSD that he decided to donate only one of the two boats (Boat A — see Photograph 3). In July 2020, LCSD collected Boat A and stored it in the Law Uk Folk Museum for fumigation and conservation treatment.

Photograph 3

Boat A (December 2014)



Source: LCSD records

Case 1 (Cont'd)

Audit comments

4. According to LCSD acquisition guidelines, LCSD will sign a deed of donation and collect the donated items after obtaining support from the Programme Committee and endorsement of the approving authority (see para. 2.4). However, the guidelines do not specify a timeframe for collection of donated items. In September 2020, LCSD informed Audit that given the unusual size of the two boats (see Note 3), it took time to identify a suitable location to house them for fumigation before they could be collected. It was not until 2020 that a suitable location was available for storing and carrying out the fumigation work. The boat was then collected and the deed of donation signed at the time of collection.

5. According to LCSD, donations were hard to come by, in particular for historical/heritage items. Normally people might wish to donate such items when they moved houses, emigrated or when companies closed down, and donors wanted to hand over the items as soon as possible. Audit considers that taking a long time in identifying storage space is undesirable from the point of view of securing a donated item. LCSD needs to make greater efforts to identify storage spaces for donated items, sign deeds of donation and collect donated items from donors promptly in future as far as practicable.

Source: Audit analysis of LCSD records

Note 1: As no query from members of the Programme Committee was raised, MEA's advice was not sought (see para. 2.4(b)(ii)).

Note 2: The estimated value of the two boats was \$10,000. According to LCSD acquisition guidelines, endorsement from the Head of Museum was sought (see Note 18 to para. 2.4(c)).

Note 3: The dimensions of Boat A were 4 metres (length) × 1.6 metres (height) × 1.1 metres (width). The dimensions of Boat B were 3.5 metres (length) × 1.6 metres (height) × 1 metre (width).

Need to review the performance target on acquisition

2.10 To preserve Hong Kong's art and heritage, LCSD sets an annual target on the acquisition of museum collection items. The achievement of the target has been published and updated on LCSD website and in annual reports. Table 4 shows the annual target and achievement on acquisition of museum collection items for the period 2015-16 to 2019-20.

Acquisition and accession of museum collection items

Table 4

**Annual target and achievement on
acquisition of museum collection items
(2015-16 to 2019-20)**

Year	2015-16	2016-17	2017-18	2018-19	2019-20
(a) Number of collection items (as at 31 March) (Note 1)	1,491,542	1,524,779	1,533,544	1,548,524	1,595,653
(b) Number of collection items acquired in the year	38,096 (Note 2)	33,237	8,765	14,980	47,129
(c) Target and achievement	An annual increase of about 2% of the collections		An incremental increase of about 2% of new acquisition		
	$(c) = \frac{(b)}{(a) \text{ of previous year}} \times 100\%$		$(c) = \frac{(b) - (b) \text{ of previous year}}{(b) \text{ of previous year}} \times 100\%$		
	2.62%	2.23%	(74%) (Note 3)	71%	215%

Source: Audit analysis of LCSD records

Note 1: Number of collection items included items acquired and kept by the Art Promotion Office of LCSD (see Note 11 to para. 1.12).

Note 2: Number of collection items as at 31 March 2015 was 1,453,446.

Note 3: Negative value in achievement of the target in 2017-18 means fewer items were acquired in 2017-18 (8,765 items) than in 2016-17 (33,237 items).

2.11 It can be seen from Table 4 that:

- (a) in 2016-17, despite a decrease in the number of collection items acquired compared with the previous year (2015-16), the actual achievement of 2.23% still exceeded the target percentage of 2%;

- (b) in 2017-18, with the change in the definition of target increase in acquisition from “an annual increase of about 2 % of the collections” to “an incremental increase of about 2 % of new acquisition”, a decrease in the number of collection items acquired compared with the previous year (2016-17) resulted in a significant under-achievement of target (actual achievement of -74 % versus the target percentage of 2 %); and
- (c) in 2018-19 and 2019-20, the actual achievement of 71 % and 215 % respectively far exceeded the target percentage of 2 %.

Since the majority of LCSD’s collection items were acquired by donations (see Table 3 in para. 1.7), the number of collection items acquired could fluctuate significantly from year to year. Setting the performance target at 2 % of the new acquisition in the previous year may not always be an effective performance measure for helping enhance performance, transparency and accountability. For example, if the new acquisition in the previous year was exceptionally low, the target for the current year would be too easy to achieve, as in the case of 2018-19 (new acquisition in 2017-18 of 8,765 items was exceptionally low). In Audit’s view, LCSD should review whether the performance target of an incremental increase of about 2 % of new acquisition is an appropriate performance measure.

Audit recommendations

2.12 Audit has *recommended* that the Director of Leisure and Cultural Services should:

- (a) **take measures to ensure that MEAs are timely appointed for each term and consider laying down guidelines and setting a timetable for the MEA appointment process;**
- (b) **explore effective means to increase the number of MEAs to ensure that at least five MEAs are maintained in each panel as far as practicable;**
- (c) **make greater efforts to identify storage spaces for donated items, sign deeds of donation and collect donated items from donors promptly in future as far as practicable; and**

- (d) **review whether the performance target of an incremental increase of about 2% of new acquisition is an appropriate performance measure.**

Response from the Government

2.13 The Director of Leisure and Cultural Services agrees with the audit recommendations. He has said that:

- (a) LCSD is now preparing for a review in 2021 to ensure timely appointment of MEAs;
- (b) LCSD will prepare guidelines and set a timetable to enhance the MEA appointment process starting from the next term. Planned measures include:
 - (i) issuing invitation letters to nominated MEAs at least four weeks before the end of a term; and
 - (ii) updating the list of newly appointed MEAs and notifying all sections before the start of a new term;
- (c) there is difficulty in recruiting five experts for some very specialised areas due to the very limited supply of such experts. LCSD considers it not practical to adopt a one-size-fits-all approach. Nonetheless, LCSD has already been making and will continue to make effort in achieving a desirable size of at least five MEAs in each MEA panel if experts in the specialised areas are available;
- (d) LCSD has always tried to collect items from donors in a timely manner. Case 1 in paragraph 2.9 was an unusual case and not a general situation. LCSD museums have always been making and will continue to make effort in identifying storage spaces and will enhance checking of the progress of all donation offers on a monthly basis. Donation deeds will be sent to donors for signature within one month after working out the necessary logistical arrangement; and

- (e) LCSD conducted a review of the performance target in the acquisition of museum collection items in 2017-18 as museum collection continued to grow and the percentage set before 2017-18 for an increasing accumulated total was not deemed to be an effective target. The current approach has been adopted since then. LCSD is now preparing to conduct a review again in 2021-22.

Accession of museum collection items

2.14 Accession is the process of registering and cataloguing museum collection items. A proper accession system can facilitate a museum to:

- (a) analyse and manage its data on collection items;
- (b) retrieve information on collection items efficiently for checking purpose in deciding the acquisition of new collection items, carrying out researches, organising exhibitions, considering the loan of exhibits, and conducting surprise inspections; and
- (c) exercise control over the storage and movement of collection items so as to help prevent loss of collection items.

Audit examined the accession of collection items in the Hong Kong Museum of History, the Hong Kong Heritage Museum and the Hong Kong Film Archive and found room for improvement (see paras. 2.15 to 2.27).

Need to ensure timely completion of accession of collection items in the Hong Kong Museum of History

2.15 *Accession processes in the Hong Kong Museum of History.* Accession of collection items in the Hong Kong Museum of History involves the following key processes:

- (a) **Registration.** When items are collected from the sellers or donors, the acquiring unit will register the items in the collection management system (see para. 1.9) with basic information (such as the type, name, description,

Acquisition and accession of museum collection items

purchasing price, location and current photographs). Each item will be given an acquisition number for identification purpose (Note 21);

- (b) ***Handover.*** After registration, the acquiring unit will make a request for handover of the items to the collection management unit of the museum. The collection management unit will check if the required information is inputted correctly in the collection management system, check the relevant documents (such as deed of donation/sale agreement, legal title of the items and MEA assessment record) and check the physical conditions of the items (Note 22). If everything is in order, the collection management unit will take over the items from the acquiring unit; and
- (c) ***Final checking and recording.*** After taking over the items, the collection management unit will input the updated details (e.g. dimensions, photographs and locations) of the items in the collection management system. An identification number will be generated through the system for each item, which will then be marked or attached to each item and on the relevant documents.

Upon completion of the accession processes, the collection items could be presented to the public at the museum or in off-site venues (see Note 4 to para. 1.7).

2.16 As at 31 December 2019, there were 13,346 items (291 lots — Note 23) pending accession in the Hong Kong Museum of History. Of these, 3,622 (27%) items were acquired at least five years ago. Table 5 shows the ageing

Note 21: *During the process of registration, the items are kept in boxes sealed with markings. These boxes are stored in storerooms inside the museum for secured safekeeping. The acquiring unit of the museum is responsible for keeping the items free of insect or mould infestation. Conservation treatment will be arranged as and when necessary.*

Note 22: *The collection management unit and the acquiring unit will agree on the exact number of items involved during the handover process. For example, a teapot set considered as one item in the registration process may be revised to several items such as teapot, teapot cover, cups and plates.*

Note 23: *According to LCSD, over 90% of collection items have been acquired in lots or batches with variable number of items (ranging from a few to thousands) and one item might contain different numbers of components, and therefore the processing work was time-consuming.*

Acquisition and accession of museum collection items

analysis of items pending accession in the Hong Kong Museum of History as at 31 December 2019.

Table 5

**Ageing analysis of items pending accession
in the Hong Kong Museum of History
(31 December 2019)**

Years elapsed since acquisition	Stage of accession processes			Total (No.)
	Registration (No.)	Handover (No.)	Final checking and recording (No.)	
Less than 5 years	7,876	1,848	—	9,724 (73 %)
5 to less than 10 years	1,353	141	—	1,494 (11 %)
10 years or more	1,714 (Note 1)	—	414 (Note 2)	2,128 (16 %)
Total (see Note 23 to para. 2.16)	10,943 (82 %) (207 lots)	1,989 (15 %) (83 lots)	414 (3 %) (1 lot)	13,346 (100 %) (291 lots)

3,622
(27%)

Source: Audit analysis of LCSD records

Note 1: These 1,714 collection items were acquired in the 1980s and kept in the museum temporary stores afterwards (see paras. 2.18 and 2.19). They had not been included in the items pending accession reported in the 2006 Audit Review (see para. 2.17).

Note 2: These 414 collection items were acquired in 1980 and presented to the public since 1991 (see paras. 2.20 to 2.23). They had not been included in the items pending accession reported in the 2006 Audit Review (see para. 2.17).

2.17 Timely accession of museum collection items is essential to the effective management of the collection items. Taking a long time in accession will delay public enjoyment of the collection items acquired. In the 2006 Audit Review (see para. 1.13), Audit found that as of November 2005, there were 257,780 collection items pending accession in the Hong Kong Museum of History, and recommended LCSD to draw up an action plan to clear the backlog of items pending accession. According to LCSD, the Hong Kong Museum of History has completed the accession

of the items in 2010 (Note 24). As at 31 December 2019, the number of collection items pending accession was 13,346. In Audit's view, there is a need for the Hong Kong Museum of History to continue to make efforts to ensure timely completion of accession of collection items.

Need to expedite accession of items with unknown source acquired in the 1980s in the Hong Kong Museum of History

2.18 In December 2005, LCSD identified an unknown number of collection items in the Hong Kong Museum of History (Note 25). In October 2009, LCSD checked and recorded that the unknown items comprised some 10,000 items (mostly manuscripts, commercial documents, handbills, packaging materials, postcards and photographs) kept in 22 boxes with untraceable source (Note 26). According to LCSD, these items were acquired (either through donations or purchases) in the 1980s and kept in the museum temporary stores afterwards. LCSD planned to complete accession of these items by 2010.

2.19 Audit examined the accession records of these 10,000 items and noted that, as at 31 December 2019:

- (a) accession of 9,814 items was completed; and
- (b) accession of the remaining items had not been completed yet, comprising:
 - (i) 1,714 items under the registration process (see Table 5 in para. 2.16); and

Note 24: *According to LCSD, of the 257,780 items pending accession, about 200,000 items were on loan from other organisation and would not be accessioned.*

Note 25: *These unknown items were mentioned in Note 18 to paragraph 4.14 of Chapter 5 of the Director of Audit's Report No. 46 of March 2006 (see para. 1.13).*

Note 26: *LCSD could not find the source of the items and decided that if there was practical difficulty to trace the source of a collection item due to lapse of time, the source of item would be marked as "untraceable due to the lapse of time" in the collection management system.*

- (ii) an estimate of 137 items with the accession processes not yet commenced.

In Audit's view, it was less than satisfactory that with the lapse of 10 years since 2009, accession of 1,851 (1,714 + 137) of the 10,000 items had not yet been completed. Audit considers that LCSD needs to complete the accession of these items as soon as practicable.

Need to ensure completion of accession before presenting the collection items

2.20 As at 31 December 2019, there were 414 items pending final checking and recording in the Hong Kong Museum of History (see Table 5 in para. 2.16). Although accession of these items was not completed, LCSD has been presenting them in the "Hong Kong Story" permanent exhibition in the Hong Kong Museum of History (Note 27).

2.21 According to LCSD:

- (a) the 414 items, comprising old furniture, and fixtures and fittings relating to a typical Chinese herb shop, were purchased in 1980;
- (b) the 414 items had been presented in the former museum premises in the Kowloon Park since 1991 until the relocation of the museum to its present location in Tsim Sha Tsui in 1998. Since 2001, the items have been presented in the "Hong Kong Story" permanent exhibition; and
- (c) accession of the items was not completed because the items had to be retained in the exhibition. The final checking and recording process could

Note 27: *The "Hong Kong Story" permanent exhibition in the Hong Kong Museum of History was opened in 2001. The exhibition is divided into eight galleries of different themes with a total area of 7,000 m². It presents more than 4,000 collection items/exhibits, 750 graphic panels and 53 audiovisual programmes.*

Acquisition and accession of museum collection items

only proceed if the items are dismantled when the exhibition is closed for enhancement later (Note 28).

2.22 In early 2020, LCSD has resumed the accession processes for these 414 items starting from registration. As of June 2020, the number of items have been revised to 773 items as agreed between the collection management unit and the acquiring unit (see Note 22 to para. 2.15(b)). In August 2020, LCSD informed Audit that the purpose of resuming the accession processes was to rectify the old records to ensure that the items concerned would not be mixed up with other stage decoration materials when they were dismantled during enhancement of the permanent exhibition.

2.23 In Audit's view, presenting collection items before completion of accession does not constitute a good practice of collection management. LCSD needs to take measures to ensure that the items concerned are suitably recorded before dismantling so that they would not be mixed up with other stage decoration materials. After the items are dismantled, LCSD needs to complete accession of them as soon as practicable.

Need to critically review the accession processes and monitor the progress of accession of collection items in the Hong Kong Heritage Museum and the Hong Kong Film Archive

2.24 In late August and September 2020, LCSD informed Audit that as at 30 April 2020, 24,314 items (177 lots) and 693,819 items (1,038 lots) were pending accession in the Hong Kong Heritage Museum and the Hong Kong Film Archive respectively.

2.25 ***Collection items pending accession in the Hong Kong Heritage Museum.*** For the Hong Kong Heritage Museum, the accession processes are similar to those of the Hong Kong Museum of History (see para. 2.15). As at 30 April 2020, of the 24,314 items pending accession:

- (a) 22,717 (93%) items were in the registration process (see para. 2.15(a));

Note 28: According to LCSD, the exhibition was closed for enhancement in October 2020.

Acquisition and accession of museum collection items

- (b) 1,151 (5%) items were in the handover process (see para. 2.15(b)); and
- (c) 446 (2%) items were in the final checking and recording process (see para. 2.15(c)).

Table 6 shows the ageing analysis of items pending accession in the Hong Kong Heritage Museum as at 30 April 2020.

Table 6

**Ageing analysis of items pending accession
in the Hong Kong Heritage Museum
(30 April 2020)**

Years elapsed since acquisition	Stage of accession processes			Total (No.)
	Registration (No.)	Handover (No.)	Final checking and recording (No.)	
Less than 5 years	1,188	1,076	446	2,710 (11%)
5 to less than 10 years	20,490	10	—	20,500 (84%)
10 years or more	1,039	65	—	1,104 (5%) (Note)
Total (see Note 23 to para. 2.16)	22,717 (93%) (118 lots)	1,151 (5%) (42 lots)	446 (2%) (17 lots)	24,314 (100%) (177 lots)

Source: Audit analysis of LCSD records

Note: These 1,104 items were acquired 10 to 14 years ago (i.e. between 2006 and 2010). They had not been included in the items pending accession reported in the 2006 Audit Review (see para. 2.27).

2.26 Collection items pending accession in the Hong Kong Film Archive.
Accession of collection items in the Hong Kong Film Archive involves the following key processes:

Acquisition and accession of museum collection items

- (a) ***Registration and research.*** When collection items are collected from the seller or donor, the acquiring unit will count, sort and repack the items, conduct basic cleaning or fumigation when necessary, and verify the item details and acquisition documents. The items will be registered in the collection management system and each of them will be given an acquisition number for identification purpose; and
- (b) ***Conservation and cataloguing.*** After registration, the items will be handed over for undergoing a conservation process (e.g. film condition inspection) and cataloguing. Upon completion of conservation, the item records (e.g. number of items, description and locations) will be updated in the collection management system. An identification number will be generated through the system for each item, which will then be marked or attached to each item and marked on the relevant documents.

As at 30 April 2020, of the 693,819 items pending accession, 529,550 (76%) items were under the registration and research process, and 164,269 (24%) items were under the conservation and cataloguing process. Table 7 shows the ageing analysis of items pending accession in the Hong Kong Film Archive as at 30 April 2020.

Table 7

**Ageing analysis of items pending accession
in the Hong Kong Film Archive
(30 April 2020)**

Years elapsed since acquisition	Stage of accession processes		Total (No.)
	Registration and research (No.)	Conservation and cataloguing (No.)	
Less than 5 years	93,911	279	94,190 (13 %)
5 to less than 10 years	140,995	1,968	142,963 (21 %)
10 years or more	294,644	162,022	456,666 (66 %) (Note 1)
Total (see Note 23 to para. 2.16)	529,550 (76 %) (948 lots)	164,269 (24 %) (90 lots)	693,819 (100 %) (1,038 lots) (Note 2)

Source: Audit analysis of LCSD records

Note 1: According to LCSD, 233,593 of these 456,666 items were acquired 10 to 14 years ago (i.e. between 2006 and 2010). They had not been included in the items pending accession reported in the 2006 Audit Review (see para. 2.27). The remaining 223,073 items were acquired before 2006, which had been included in the 436,200 backlog items pending accession reported in the 2006 Audit Review (see para. 2.27). The Hong Kong Film Archive had completed registration, basic research and verification of these items in July 2010. However, as at 30 April 2020, detailed research and verification, and conservation and cataloguing of these items have yet to be completed.

Note 2: According to LCSD, in view of the time-consuming, complicated process in accession of film and film-related materials, and the large amount of collection items, the priority in accession is not entirely hinged on the timing of acquisition. Items which are in good conditions and of low programme and research needs may be given lower priority for accession whereas earlier processing of items may take place if there are requests from donors for confirmation of acceptance of donations, or if the collection items pending accession are deteriorating or becoming structurally unstable.

2.27 In the 2006 Audit Review (see para. 1.13), Audit found that as of November 2005, 19,598 and 436,200 items were pending accession in the Hong Kong

Acquisition and accession of museum collection items

Heritage Museum and the Hong Kong Film Archive respectively, and recommended LCSD to draw up action plan to clear the backlog of collection items pending accession. According to LCSD, the Hong Kong Heritage Museum had cleared all backlog items in May 2011 and the Hong Kong Film Archive had cleared all backlog items (i.e. completed registration, basic research and verification — see Note 1 to Table 7 in para. 2.26) in July 2010. However, due to the unexpected growth of museum collection with large number of donated items and the complicated and time-consuming registration process in accession (see Note 23 to para. 2.16), there were 24,314 and 693,819 collection items pending accession in the Hong Kong Heritage Museum and the Hong Kong Film Archive respectively as at 30 April 2020. Audit considers that LCSD needs to critically review the accession processes (see paras. 2.25 and 2.26) in the Hong Kong Heritage Museum and the Hong Kong Film Archive and closely monitor the progress of each process with a view to completing the accession of collection items in a timely manner.

Audit recommendations

2.28 Audit has *recommended* that the Director of Leisure and Cultural Services should:

- (a) for the Hong Kong Museum of History:**
 - (i) continue to make efforts to ensure timely completion of accession of collection items;**
 - (ii) complete accession of items with unknown source acquired in the 1980s as soon as practicable; and**
 - (iii) for the items pending final checking and recording but being presented in permanent exhibitions, take measures to ensure that they are suitably recorded before dismantling so that they would not be mixed up with other decoration materials, and complete accession of them as soon as practicable after the items are dismantled; and**
- (b) for the Hong Kong Heritage Museum and the Hong Kong Film Archive, critically review the accession processes and closely monitor the**

progress of each process with a view to completing the accession of collection items in a timely manner.

Response from the Government

2.29 The Director of Leisure and Cultural Services agrees with the audit recommendations. He has said that:

- (a) the Hong Kong Museum of History has been devoting great efforts to accession and will continue to step up by further reviewing the accessioning procedure and enhance mechanism to streamline and expedite the process. Planned measures include:
 - (i) accessioning new acquisitions from 2020-21 onwards in 1 to 2 years;
 - (ii) completing accession of collections acquired before 2020-21 by 2023;
 - (iii) reporting accession progress on a monthly basis;
 - (iv) setting reminder (e-notification) in the centralised collection management system (see Note 7 to para. 1.9) to enhance monitoring of outstanding items; and
 - (v) seeking approval from Head of Museum for the extension of the set accessioning period with justifications if necessary;
- (b) the Hong Kong Museum of History has kept a record of the items with unknown source acquired in the 1980s. The museum will streamline and expedite the process to complete accession of items with unknown source by 2021;
- (c) the Hong Kong Museum of History has kept clear record of the items on display in the permanent exhibitions and has already planned to accord top priority to complete the accessioning process of the items after they are dismounted from the permanent exhibition closed in October 2020;

Acquisition and accession of museum collection items

- (d) the Hong Kong Heritage Museum will review the accessioning procedure to enhance the mechanism to streamline and expedite the process. Planned measures include those mentioned in (a)(i), (iii), (iv) and (v) above; and
- (e) the Hong Kong Film Archive will critically review the existing accessioning procedure and workflow to further streamline and improve the mechanism and explore different means to expedite the process. Planned measures include:
 - (i) reviewing criteria and prioritise accessioning of collection items to achieve better efficiency;
 - (ii) deriving a reference timeframe according to the nature of the collection type to facilitate planning of work;
 - (iii) producing a work schedule for completion of the outstanding items with a target to complete items acquired before 2010 first, followed by those acquired between 2010 and 2020;
 - (iv) according higher priority to less complicated items and items which have been acquired for more than 10 years;
 - (v) securing temporary additional manpower to expedite the process for clearance of outstanding items and to shorten the period required, especially in case of sudden influx of large number of donated items;
 - (vi) reporting the progress on a monthly basis;
 - (vii) setting reminder (e-notification) in the centralised collection management system to enhance monitoring of outstanding items; and
 - (viii) seeking approval from section head for the extension of the set accessioning period with justifications if necessary.

PART 3: STOCKTAKING AND STORAGE OF MUSEUM COLLECTION ITEMS

3.1 This PART examines stocktaking and storage of museum collection items by LCSD, focusing on the following issues:

- (a) stocktaking of museum collection items (paras. 3.2 to 3.15); and
- (b) storage of museum collection items (paras. 3.16 to 3.35).

Stocktaking of museum collection items

3.2 According to the operation manuals of the museums, LCSD will conduct stocktaking for all collection items on a cyclical basis (i.e. regular stocktaking) and surprise checking for selected collection items. The procedures and requirements of regular stocktaking and surprise checking are stated in the operation manuals of individual museums (Note 29). Audit examined the regular stocktaking and surprise checking records in the Hong Kong Museum of History and the Hong Kong Film Archive and found room for improvement (see paras. 3.3 to 3.13).

Need to ensure completion of regular stocktaking within the required timeframe

3.3 According to the operation manual of the Hong Kong Museum of History:

Note 29: *In the 2006 Audit Review (see para. 1.13), Audit found that there were no written procedures on stocktaking and surprise checking in LCSD museums and the annual stocktaking did not cover collection items pending accession, and recommended that each LCSD museum should have proper stocktaking and surprise checking procedures for collection items and items pending accession. In response to the audit recommendation, LCSD has included procedures and requirements on regular stocktaking and surprise checking for collection items and items pending accession in the operation manuals of individual museums.*

Stocktaking and storage of museum collection items

- (a) for collection items presented in permanent exhibitions, items of special heritage value (Note 30) and items pending accession, regular stocktaking will be conducted annually;
- (b) for collection items stored in special storerooms (Note 31), regular stocktaking will be conducted biennially (i.e. each item will undergo the stocktaking process once in 2 years); and
- (c) for other collection items with accession completed, regular stocktaking will be conducted in a 10-year cycle (i.e. each item will undergo the stocktaking process once in 10 years).

3.4 Audit examined the regular stocktaking records on collection items stored in special storerooms (see para. 3.3(b)) and other items with accession completed (see para. 3.3(c)) and noted that:

- (a) for 16,010 items stored in special storerooms, the 2-year stocktaking cycle last commenced in July 2018 and had been scheduled for completion in June 2020. According to LCSD, the stocktaking of these items was completed in September 2020, slightly behind the scheduled completion date because of the outbreak of COVID-19; and
- (b) for 112,429 other items with accession completed, the 10-year stocktaking cycle last commenced in April 2011 and had been scheduled for completion in March 2021. However, as at 30 April 2020, only 28,395 (25 %) of the 112,429 items had the regular stocktaking process completed (Note 32).

Note 30: *Collection items of special heritage value include items that the community intends to preserve because of their cultural or historic importance.*

Note 31: *Collection items stored in special storerooms include numismatics, philatelic items, silverwares and memorabilia.*

Note 32: *Between April 2011 and May 2016, the 10-year stocktaking cycle for other items with accession completed covered collection items stored in special storerooms. Since June 2016, the stocktaking cycle for items stored in special storerooms has been revised from 10 to 2 years.*

3.5 As at 30 April 2020, 112,429 collection items in the Hong Kong Museum of History were subject to the 10-year stocktaking cycle. However, only 28,395 (25%) of the items had the regular stocktaking process completed. As the 10-year stocktaking cycle will end shortly in March 2021 and the regular stocktaking process of 84,034 (75%) collection items has yet to be completed, Audit considers that LCSD needs to review the progress of stocktaking of these items to ascertain whether it is practicable to complete the stocktaking within the 10-year cycle ending in March 2021, and draw up a backup plan if necessary.

Room for improving efficiency in regular stocktaking exercises

3.6 Collection items in the Hong Kong Film Archive are categorised into film items (Note 33), film-related items (Note 34) and film-related reference items (Note 35). As at 31 December 2019, there were 1,305,368 collection items in the Hong Kong Film Archive (see Table 2 in para. 1.6). According to LCSD, the 1,305,368 items comprised 611,566 items with accession completed and 693,802 items pending accession. Table 8 shows the regular stocktaking requirements for these items as stated in the Hong Kong Film Archive operation manual.

Note 33: *A film item refers to a film title. According to LCSD, one film title comprises different numbers of film elements and film reels. Each film title is considered as a collection item.*

Note 34: *A film-related item refers to an item relating to the film industry and film culture other than film reel. Examples of film-related items are posters, photographs, scripts, film festival catalogues, newspaper cuttings, biographies, books and periodicals.*

Note 35: *Film-related reference item refers to reference material relating to the film industry and film culture. They may not be directly relating to a particular film title. Examples of film-related reference items are books, periodicals, graphics, videos, and production of the Hong Kong Film Archive including videos of oral history interviews and seminars.*

Table 8

**Regular stocktaking requirements for collection items
in the Hong Kong Film Archive
(December 2019)**

Collection item		Regular stocktaking cycle	Number of items as at 31 December 2019	
Accession completed	Film items	All items checked in 2.5 years	6,214	611,566
	Film-related items	All items checked in 18 years	455,801	
	Film-related reference items	N.A. (Note)	149,551	
Pending accession	Film items	All items checked annually	7,902	693,802
	Film-related items	All items checked annually	685,900	
	Film-related reference items	N.A. (Note)	—	
Total			1,305,368	

Source: Audit analysis of LCSD records

Note: No regular stocktaking requirement on film-related reference items is stated in the operation manual (see para. 3.9).

3.7 Audit examined the regular stocktaking records on collection items with accession completed in the Hong Kong Film Archive and found that:

- (a) for film items:
 - (i) the last stocktaking cycle commenced in November 2011 (Note 36). Stocktaking of all film items was completed in November 2013;
 - (ii) according to the first interim stocktaking report issued in December 2013, 741 film reels had been identified with irregularities (Note 37) and 63 film reels had been missing. Eight interim stocktaking reports were then issued between December 2013 and November 2016 to update the progress of rectification. As of September 2017, all irregularities had been rectified and all missing items had been found; and
 - (iii) according to LCSD, the stocktaking cycle is considered completed when all irregularities identified are rectified and the missing items are found. In July 2020, a new stocktaking cycle commenced (Note 38); and
- (b) for film-related items:
 - (i) the current stocktaking cycle commenced in April 2008 for completion in March 2026. Up to 31 December 2019, of the 455,801 film-related items (see Table 8 in para. 3.6), 25,120 (5.5%) had stocktaking completed; and
 - (ii) stocktaking had been suspended between June 2014 and November 2015 due to massive relocation of collection items to a new off-site store, and between October 2016 and June 2017 due to staff redeployment.

Note 36: *The stocktaking cycle for film items was 11 years. The last stocktaking cycle commenced in 2011 and was scheduled for completion in 2022. Since 2019, the stocktaking cycle for film items has been revised from 11 to 2.5 years.*

Note 37: *Examples of irregularities identified were typographical errors in item identification numbers, incorrect locations of items and outdated records.*

Note 38: *According to LCSD, the work plan for the new stocktaking cycle was affected by the outbreak of COVID-19.*

Stocktaking and storage of museum collection items

3.8 In Audit's view, it was less than satisfactory that:

- (a) for film items:
 - (i) after the issue of the first interim stocktaking report in December 2013, it took 45 months (from December 2013 to September 2017) to rectify all irregularities and find all missing items (see para. 3.7(a)(i) and (ii)); and
 - (ii) in the 34-month period between September 2017 and June 2020, no stocktaking had been conducted (see para. 3.7(a)(iii)); and
- (b) for film-related items, only 25,120 (5.5%) of the 455,801 items had stocktaking completed as at 31 December 2019, more than 11 years since the cycle commenced in April 2008. Moreover, stocktaking had been suspended on two occasions (totalled 25 months) during the 11 years (see para. 3.7(b)).

To ensure the completeness of records and the physical existence of collection items, Audit considers that LCSD needs to closely monitor the progress of regular stocktaking of film items and film-related items and take measures to ensure that stocktaking is completed within the timeframe as stated in the operation manual in future. In particular, for film-related items, LCSD needs to review the progress of regular stocktaking of the current cycle and draw up a timetable with a view to completing the stocktaking process within the cycle.

Need to improve comprehensiveness of requirements on regular stocktaking

3.9 As shown in Table 8 in paragraph 3.6, there was no stocktaking requirement on film-related reference items in the operation manual of the Hong Kong Film Archive. As at 31 December 2019, of the 1,305,368 collection items in the Hong Kong Film Archive, 149,551 (11%) items were film-related reference items. In the absence of regular stocktaking of these items, there is a risk about the physical existence of the items and completeness of the collection records. LCSD needs to consider conducting regular stocktaking on these items.

Need to conduct adequate surprise checking on collection items

- 3.10 According to the operation manual of the Hong Kong Film Archive:
- (a) surprise checking shall be conducted monthly on a total of 152 film items (i.e. 1,063 film elements and film reels — see Note 33 to para. 3.6) and 1,067 film-related items in a year (i.e. approximately 89 film elements and film reels and 89 film-related items per month) (Note 39);
 - (b) 504 film elements and film reels and 144 film-related items shall be inspected by inspection officers in a year;
 - (c) 8,250 film elements and film reels and 15,246 film-related items would be handled in daily operation in a year; and
 - (d) counting the items checked by inspection officers (see (b) above) and the items handled during daily operation (see (c) above), a total of 8,754 (8,250 + 504) film elements and film reels and 15,390 (15,246 + 144) film-related items shall be checked annually. The total number of items to be checked would exceed the required number as stated in (a) above.

3.11 In Audit's view, the objective of surprise checking of collection items is to provide an independent counter-checking on the collection items by persons not directly involved in routine collection management. Counting items handled during daily operation, deeming them as samples that had already been subjected to surprise checking (see para. 3.10(d)) is not in line with the surprise-checking objective. Audit considers that LCSD needs to revise the operation manual of the Hong Kong Film Archive to specify adequate number of collection items to be checked in surprise checking.

Note 39: *The number of collection items for surprise checking is calculated by a statistical formula stated in the operation manual based on the number of collection items as of September 2019.*

Need to increase frequency of stocktaking for valuable items

3.12 LCSD museums conduct stocktaking of their collection items on a cyclical basis (see para. 3.2). Depending on monetary values, historical values and location of the collection items, some LCSD museums will conduct stocktaking on some of their collection items more frequently, for example:

- (a) for the Hong Kong Museum of History, regular stocktaking will be conducted annually for collection items presented in permanent exhibitions, items of special heritage value and items pending accession (see para. 3.3(a)), and biennially for collection items stored in special storerooms (see para. 3.3(b)); and
- (b) for the Hong Kong Heritage Museum and the Hong Kong Museum of Art, regular stocktaking will be conducted annually for collection items with value of \$100,000 or above.

3.13 Audit noted that for the Hong Kong Film Archive, regular stocktaking will only be conducted in 2.5-year cycle and 18-year cycle for film items and film-related items respectively (see Table 8 in para. 3.6). The practice of conducting more frequent regular stocktaking on collection items with higher monetary or historical value was not adopted as in the case of the Hong Kong Museum of History, the Hong Kong Heritage Museum and the Hong Kong Museum of Art (see para. 3.12(a) and (b)). To ensure the safe custody of collection items with higher monetary or historical value in the Hong Kong Film Archive, Audit considers that LCSD needs to review the frequency of stocktaking for these items.

Audit recommendations

3.14 **Audit has *recommended* that the Director of Leisure and Cultural Services should:**

- (a) **review the progress of regular stocktaking of collection items in the Hong Kong Museum of History to ascertain whether it is practicable to complete the stocktaking within the 10-year cycle ending in March 2021, and draw up a backup plan if necessary;**

- (b) **for the Hong Kong Film Archive:**
 - (i) **closely monitor the progress of regular stocktaking of film items and film-related items, and take measures to ensure that stocktaking is completed within the timeframe as stated in the operation manual in future;**
 - (ii) **for film-related items, review the progress of regular stocktaking of the current cycle and draw up a timetable with a view to completing the stocktaking process within the cycle;**
 - (iii) **consider conducting regular stocktaking on film-related reference items;**
 - (iv) **revise the operation manual to specify adequate number of collection items to be checked in surprise checking; and**
 - (v) **review the frequency of regular stocktaking for collection items with higher monetary or historical value; and**
- (c) **review the practices of regular stocktaking and surprise checking in other LCSD museums (i.e. other than the Hong Kong Museum of History and the Hong Kong Film Archive), look into any similar irregularities as identified in paragraphs 3.3 to 3.13, and take remedial measures as necessary.**

Response from the Government

3.15 The Director of Leisure and Cultural Services agrees with the audit recommendations. He has said that:

- (a) the Hong Kong Museum of History has reviewed the progress of stocktaking of collection items and has found that the work progress was affected by unforeseeable factors and the epidemic. The museum will expedite the stocktaking process. Planned measures include:
 - (i) reviewing and streamlining the process to improve efficiency;

Stocktaking and storage of museum collection items

- (ii) allocating temporary additional manpower to expedite the stocktaking exercises;
 - (iii) closely monitoring the stocktaking exercises by reporting the progress to Head of Museum on a monthly basis; and
 - (iv) drawing up a backup plan where necessary;
- (b) the Hong Kong Film Archive will put in place enhanced measures to closely monitor the progress of the stocktaking exercises for film items and film-related items to ensure that stocktaking will be completed within the timeframe as stated in the operation manual. Planned measures include:
 - (i) reviewing and streamlining the process to improve efficiency; and
 - (ii) submitting regular stocktaking and irregularities reports on a monthly basis;
- (c) the Hong Kong Film Archive has reviewed the progress of stocktaking for film-related items and has planned to draw up a timetable and put in place enhanced measures with a view to completing the current stocktaking exercise in 2026 in accordance with the 18-year cycle. Planned measures include:
 - (i) securing temporary additional manpower to expedite the stocktaking exercises and to shorten the duration required;
 - (ii) exploring other possibilities of expediting like outsourcing the stocktaking exercises to audit firms or other service providers where appropriate and practicable; and
 - (iii) closely monitoring the stocktaking exercises by submitting stocktaking and irregularities reports to the section head on a monthly basis;
- (d) the Hong Kong Film Archive has planned to:

- (i) conduct regular stocktaking exercises on film-related reference items starting from 2021;
 - (ii) revise the operation manual to specify adequate number of collection items to be included in the surprise checking starting from 2021; and
 - (iii) review the frequency of stocktaking to include collection items of higher monetary and historical values making reference to the practice of museums if applicable starting from 2021; and
- (e) LCSD has planned to review the practices of regular stocktaking and surprise checking for all museums starting from 2021, and take remedial measures where necessary.

Storage of museum collection items

3.16 As of September 2020, LCSD museums maintained a total storage space of 16,090 m² for storing collection items, including 6,100 m² (38%) in storerooms inside museums and 9,990 m² (62%) in off-site stores (see para. 1.8). Storage of collection items under appropriate condition is essential to maintain the items in a stable condition, and avoid damage and deterioration. Audit examined the storage of collection items in the Hong Kong Museum of History and the Hong Kong Film Archive and found room for improvement (see paras. 3.17 to 3.32).

Need to keep temperature and relative humidity of off-site stores within appropriate ranges

3.17 Collection items of the Hong Kong Museum of History are stored in storerooms inside the museum or in off-site stores. According to LCSD, it was not necessary to store all museum collection items in purpose-built storerooms for the following reasons:

- (a) some collection items were not affected by temperature and humidity and could be stored in off-site stores; and

Stocktaking and storage of museum collection items

- (b) special precautionary measures such as creation of microclimate would be provided for those items in off-site storerooms if necessary.

3.18 LCSD has formulated general environment requirements for purpose-built storerooms (with 24-hour temperature and humidity control) to keep all kinds of collection items under appropriate conditions as follows:

- (a) for storage of general collection items, temperature shall be maintained at 20 degree Celsius (°C) to 25 °C and relative humidity at 50% to 60%;
- (b) for storage of metallic items, relative humidity shall be maintained at 30% to 40%; and
- (c) for storage of items sensitive to temperature and humidity, special attention is required (e.g. historical photographs will be packed with acid-free or low alkaline paper before putting inside archival boxes).

3.19 For off-site stores, which were not purpose-built for storing collection items, due to limitations in provision of equipment and utilities, it may not be feasible to provide 24-hour temperature and humidity control. As of September 2020, of the four off-site stores maintained by the Hong Kong Museum of History, two were not provided with 24-hour temperature and humidity control (Store A and Store B). Audit noted that the building chiller system of Store A could not support 24-hour air-conditioning. On 10 July 2020, Audit conducted a site visit to Store A and further noted that:

- (a) there were two storerooms in Store A. Collection items stored in the storerooms included furniture, models, appliances for household use and industrial products;
- (b) two portable dehumidifiers were placed in each room and LCSD would switch on the dehumidifiers as and when necessary; and
- (c) the room temperature and relative humidity inside the two storerooms measured by Audit were 31.2 °C and 66%, and 31.3 °C and 75% respectively. Outdoor temperature and relative humidity were 31.2 °C and 72%.

3.20 LCSD provided to Audit the temperature and relative humidity records of the two storerooms of Store A between 1 January 2020 and 26 August 2020. Table 9 shows the monthly maximum and minimum temperature and relative humidity in the two storerooms for the period.

Table 9

**Monthly maximum and minimum temperature and relative humidity
recorded in the two storerooms of Store A
(1 January 2020 to 26 August 2020)**

Month	Temperature		Relative humidity	
	Minimum	Maximum	Minimum	Maximum
January 2020 (Note)	16 °C	22 °C	51 %	74 %
February 2020	17 °C	26 °C	45 %	90 %
March 2020	20 °C	26 °C	61 %	88 %
April 2020	20 °C	27 °C	45 %	80 %
May 2020	25 °C	30 °C	67 %	85 %
June 2020	22 °C	32 °C	61 %	81 %
July 2020	23 °C	34 °C	59 %	78 %
August 2020 (up to 26 August)	27 °C	33 °C	63 %	77 %

Source: Audit analysis of LCSD records

Note: According to LCSD, for January 2020, data on temperature and relative humidity were retrieved for one storeroom only.

Remarks: LCSD has monitored the temperature and relative humidity in the two storerooms of Store A since February 2018 by two data loggers (one in each room) and retrieved the data to monitor the climatic conditions of the storerooms.

3.21 According to LCSD, collection items kept in stores not purpose-built for storage are carefully selected according to the material nature. They are generally items that are robust and not sensitive to temperature and relative humidity fluctuations. In addition, LCSD will deploy other effective means such as creation of microclimate to keep collection items in good condition if it is deemed necessary.

Stocktaking and storage of museum collection items

However, Audit noted that LCSD had not laid down guidelines on collection items stored in stores not purpose-built. In Audit's view, storage of collection items under appropriate condition is essential to maintain the items in a stable condition, and avoid damage and deterioration (see para. 3.16). Audit considers that, for off-site stores of the Hong Kong Museum of History, LCSD needs to lay down guidelines on suitable storage of collection items.

Need to expedite relocation of collection items from an off-site store

3.22 One of the stores (Store C) maintained by the Hong Kong Museum of History was located in an aged building. Audit noted that the conditions of the aged building used as Store C were causing concerns as summarised below:

- (a) since 2011, LCSD had been seeking assistance and advice from the Architectural Services Department (ArchSD) in monitoring the structural condition of the building to facilitate LCSD's plan in relocation of collection items;
- (b) in September 2011, after conducting site inspections, ArchSD advised LCSD that there should not be any increase in imposed loading due to the lack of structural drawings of the building and it was necessary to reduce the existing imposed floor loading for areas with large floor deflections. Subsequent surveys and inspections had indicated that the condition of the building was fair with no significant defects identified;
- (c) in March 2017, after a joint site visit, ArchSD informed LCSD that using the building as Store C was not recommended and reiterated that additional imposed loading, if any, should be removed despite that there was no imminent danger;
- (d) in June 2017, ArchSD advised LCSD that expert advice might be required on the structural assessment methodology and standard in order to ascertain the loading capacity of Store C. According to ArchSD, the process in formulating structural appraisal proposal, carrying out actual site tests/laboratory tests and drafting of appraisal reports for such an aged building would take considerable time; and

- (e) in March 2019, ArchSD recommended LCSD to consider strengthening the timber floor of the building as the long-term solution instead of merely ascertaining the loading capacity if the building would continue to be used as stores. According to ArchSD, the floor strengthening works might also take some time as a detailed structural survey to review the existing conditions and a feasibility study of the strengthening works were required.

3.23 On 3 July 2020, Audit conducted a site visit to Store C and noted that:

- (a) apart from one vacant room on the first floor, all other rooms were used as storage; and
- (b) defects were noted in various locations in the building (see an example in Photograph 4).

Audit also noted that, up to September 2020, no floor-strengthening works for Store C (see para. 3.22(e)) had been conducted.

Photograph 4

Damaged floor on ground floor of Store C (July 2020)



Source: Photograph taken by Audit on 3 July 2020

Stocktaking and storage of museum collection items

3.24 ArchSD advised LCSD in March 2017 that using the aged building as Store C was not recommended (see para. 3.22(c)). Audit noted that since 2017, LCSD had been looking for suitable storage space to relocate the collection items stored in Store C. In September 2020, LCSD informed Audit that a space was identified to relocate part of the collection items stored in Store C and relocation was scheduled to commence in the first quarter of 2021. Furthermore, LCSD would continue to identify additional space to relocate the remaining collection items stored in Store C.

3.25 Audit considers that LCSD needs to relocate the collection items stored in Store C as soon as practicable and, in collaboration with ArchSD, continue to closely monitor the structural condition of the aged building and take prompt actions to strengthen the structure if the building would continue to be used as stores and repair any defects identified.

Need to ensure appropriate temperature and relative humidity in storerooms inside museums

3.26 There are six storerooms with a total area of 1,228 m² in the Hong Kong Film Archive building for storage of collection items. According to LCSD, three (Storerooms A, B and C) of the six storerooms were purpose-built for storage and the remaining three (Storerooms D, E and F) were not purpose-built for storage but subsequently changed to be used as temporary storage. LCSD has laid down reference ranges of temperature and relative humidity of the storerooms for storing the collection items. It maintains records of the temperature and relative humidity of the six storerooms by wireless environmental monitoring sensors and retrieves the data on a continuous basis to monitor the climatic conditions of the storerooms. Audit examined the temperature and relative humidity records of the six storerooms between 1 January 2019 and 1 June 2020 (totalled 75 weeks) and found that the temperature and relative humidity of the storerooms were out of the reference ranges in 69% and 68% of the time respectively (see Table 10).

Table 10

**Temperature and relative humidity recorded
in the storerooms of the Hong Kong Film Archive
(75 weeks between 1 January 2019 and 1 June 2020)**

Storeroom	Temperature			Relative humidity		
	Reference range	Number of weeks where temperature was out of the reference range		Reference range	Number of weeks where relative humidity was out of the reference range	
		(No.)	(%)		(No.)	(%)
A	3 °C to 5 °C	75	100%	30% to 35%	33	44%
B		75	100%		63	84%
C		75	100%		64	85%
D	20 °C to 24 °C	21	28%	50% to 60%	62	83%
E		24	32%		41	55%
F		40	53%		43	57%
Overall		310	69%	Overall	306	68%

Source: Audit analysis of LCSD records

3.27 Audit noted that in the 75-week period, for Storerooms A, B and C, the recorded temperature and relative humidity ranged from 7 °C to 16 °C and 19% to 54%, and for Storerooms D, E and F, the recorded temperature and relative humidity ranged from 18 °C to 23 °C and 29% to 74%. Audit considers that LCSD needs to take measures to maintain the temperature and relative humidity in the storerooms of the Hong Kong Film Archive within the reference ranges.

Need to expedite development of the Heritage Conservation and Resource Centre

3.28 In March 2005, LCSD identified a site in Tuen Mun for the development of the Central Museum Collection Repository (later renamed Heritage Conservation and Resource Centre — HCRC) to alleviate the shortage of museum storage space. In the 2006 Audit Review (see para. 1.13), Audit recommended LCSD to expedite action to develop HCRC. According to LCSD:

- (a) there was a genuine need to construct HCRC, not only to address the current serious shortfall, but to find a solution to the anticipated growth of collections in future;
- (b) the proposed HCRC would involve the construction of an eight-storey purpose-equipped building in Tuen Mun; and
- (c) subject to resource allocation, LCSD planned to have HCRC completed by 2010.

3.29 In March 2009, LCSD found that the proposed site in Tuen Mun was not suitable for HCRC development due to technical constraints (e.g. limitation on building height) and its remote location (i.e. not easily accessible by public transport). Alternatively, another site in Tin Shui Wai was identified to develop HCRC. In April 2009, LCSD consulted the Yuen Long District Council on the HCRC proposal. The Yuen Long District Council proposed to incorporate more public space and facilities accessible by the public in the project.

3.30 Since April 2009, LCSD has been liaising with the relevant government bureaux and departments and stakeholders on the inclusion of public facilities in the project. In January 2013, the District Facilities Management Committee of the Yuen Long District Council supported the HCRC proposal in principle. From 2014 to 2016, LCSD had worked with relevant government bureaux and departments in defining the scope of the project, studying its technical feasibility, as well as seeking the necessary resources under the relevant internal resource allocation exercises for implementing the proposed works project. In June 2018, the Finance Committee of the Legislative Council (LegCo) approved a funding of \$89 million for the pre-construction consultancy services and site investigation works for the construction

of HCRC (Note 40), which was scheduled to complete in the second quarter of 2021 (Note 41).

3.31 In September 2019, the HCRC proposal was vetoed by the District Facilities Management Committee of the Yuen Long District Council. In October 2020, LCSD informed Audit that it would revise the HCRC proposal and submit the revised proposal to the Yuen Long District Council again in the first half of 2021.

3.32 It was less than satisfactory that development of HCRC had spent some 15 years (from 2005 to 2020) and was still in the pre-construction stage. According to LCSD, scattered storage of museum collection items at different off-site stores has created preservation and management problems, which pose risks of damage to the collection items. In fact, since the 2006 Audit Review, the number of collection items in LCSD museums has increased by 51%, from 1,055,456 items in December 2007 to 1,595,615 items in December 2019 (see para. 1.14). Given the areas for improvement identified in this audit review about off-site stores (see paras. 3.17 to 3.25), effective measures are needed to alleviate the shortcomings of off-site storage. In this regard, HCRC would be a potential long-term solution. Audit considers that LCSD needs to step up efforts to expedite the development of HCRC with a view to resolving the storage shortage problem as soon as practicable.

Audit recommendations

3.33 **Audit has recommended that the Director of Leisure and Cultural Services should:**

Note 40: *According to the funding paper submitted to LegCo in April 2018, the proposed HCRC will be a dedicated storage and conservation facility for preserving the collections pertaining to LCSD museums and the Art Promotion Office (see Note 11 to para. 1.12) and will also provide facilities for education, exhibition and scholarly activities.*

Note 41: *In April 2019, an agreement for architectural, structural, building services and landscape consultancy services was awarded (at a lump sum fee of \$47.2 million). In May 2020, another agreement for quantity surveying consultancy services was awarded (at a lump sum fee of \$9.2 million).*

Stocktaking and storage of museum collection items

- (a) **for the off-site stores of the Hong Kong Museum of History, lay down guidelines on suitable storage of collection items;**
- (b) **for the store located in the aged building:**
 - (i) **relocate the collection items stored in the aged building as soon as practicable; and**
 - (ii) **in collaboration with the Director of Architectural Services, continue to closely monitor the structural condition of the aged building, and take prompt actions to strengthen the structure if the building would continue to be used as stores and repair any defects identified;**
- (c) **take measures to maintain the temperature and relative humidity in the storerooms of the Hong Kong Film Archive within the reference ranges;**
- (d) **review the conditions of storerooms inside museums and off-site stores of other LCSD museums (i.e. other than the Hong Kong Museum of History and the Hong Kong Film Archive), look into any similar irregularities as identified in paragraphs 3.17 to 3.27, and take remedial measures as necessary; and**
- (e) **step up efforts to expedite the development of HCRC.**

Response from the Government

3.34 The Director of Leisure and Cultural Services agrees with the audit recommendations. He has said that:

- (a) LCSD has planned to enhance the existing practice of selecting suitable items to be stored at temporary off-site storerooms by laying down the selection criteria in the form of a guideline by late 2021;
- (b) LCSD has been soliciting and will continue to solicit the Government Property Agency's assistance in identifying additional space to relocate the remaining collection items stored in the aged building. Another site in Tuen

Mun was identified in mid-September 2020. Once the site is confirmed suitable, LCSD will follow up closely with the Government Property Agency and ArchSD on the leasing and fitting-out arrangements with a target to have the site ready for the relocation of the remaining collection items by around early 2022;

- (c) LCSD has been following up and will continue to follow up closely with ArchSD and the related government bureaux and departments to expedite the structural enhancement works of the aged building;
- (d) the Hong Kong Film Archive has planned to overhaul the air-conditioning and dehumidification system by phases to maintain the temperature and relative humidity in the storerooms within the reference ranges. The first phase will be conducted in 2021. The Hong Kong Film Archive has also planned to conduct more frequent inspections to enhance monitoring and to rectify the situation where the conditions are not met as far as practicable;
- (e) LCSD has planned to review the conditions of purpose-built storerooms and temporary off-site stores starting from 2021, and take remedial measures where necessary; and
- (f) LCSD has been coordinating and will continue to coordinate with the different government bureaux and departments involved to secure support from the local district and to ensure the timely development of HCRC, taking into account the changes and additional facilities required by the local district that have to be incorporated into the project and to go through the necessary procedures required in modifying the nature and expanding the scope of the facility accordingly.

3.35 The Director of Architectural Services agrees with the audit recommendation in paragraph 3.33(b)(ii). She has said that ArchSD will continue to provide assistance and technical advice to LCSD in implementing this recommendation.

PART 4: OTHER RELATED ISSUES

4.1 This PART examines other issues relating to the management of museum collection items, focusing on the following areas:

- (a) enhancement of museum permanent exhibitions (paras. 4.2 to 4.14);
- (b) maintenance of museum exhibits and facilities (paras. 4.15 to 4.24); and
- (c) publication of information on museum collection items (paras. 4.25 to 4.30).

Enhancement of museum permanent exhibitions

4.2 Permanent exhibitions of individual museums contain collection items or exhibits of the subject matter of the museum which are essential and remain relevant during the entire time they are open to the public (see para. 1.5(a)). The exhibitions are usually fitted with facilities to support the presentation of the collection items and exhibits. These facilities include tailor-made showcases, specialised lighting and displaying equipment, and necessary flooring and electrical work. As of September 2020, there were a total of 49 permanent exhibitions in the LCSD museums (Note 42). Table 11 shows the number of permanent exhibitions in the LCSD museums. Appendix C shows the details of the 49 permanent exhibitions.

Note 42: *According to LCSD, as of September 2020, enhancement of 4 of the 49 permanent exhibitions were in progress and not open to public (including 2 in the Hong Kong Science Museum, 1 in the Hong Kong Heritage Museum and 1 in the Hong Kong Museum of Coastal Defence). Furthermore, LCSD has been conducting enhancement for the 6 permanent exhibitions in the Sam Tung Uk Museum in phases for completion in 2021.*

Table 11

**Number of permanent exhibitions in LCSD museums
(September 2020)**

Museum	Number of permanent exhibitions
Hong Kong Museum of Art	7
Flagstaff House Museum of Tea Ware	3
Hong Kong Heritage Museum	6
Hong Kong Railway Museum	1
Sheung Yiu Folk Museum	1
Hong Kong Museum of History	1
Dr Sun Yat-sen Museum	2
Fireboat Alexander Grantham Exhibition Gallery	1
Hong Kong Museum of Coastal Defence	1
Lei Cheng Uk Han Tomb Museum	1
Law Uk Folk Museum	1
Hong Kong Science Museum	15
Hong Kong Space Museum	2
Sam Tung Uk Museum	6
Hong Kong Film Archive	1
Total	49

Source: LCSD records

4.3 LCSD enhances permanent exhibitions in the museums at intervals to sustain the appeal to the public, cultivate a wider audience base and enhance the educational elements in their services. The enhancement includes expanding exhibition space, upgrading facilities, replacing outdated exhibits, updating and enhancing the contents in the light of new information or archival information surfaced through new researches, extending the scope of exhibitions and deploying latest technologies to enhance visitors' experience.

Other related issues

4.4 Collection items are presented in permanent exhibitions for appreciation by the public. It is therefore important that the enhancement of permanent exhibitions should be properly planned and executed to sustain their attractiveness.

Need for timely enhancement of permanent exhibitions

4.5 According to LCSD, in line with professional practice of museums worldwide, permanent exhibitions are often designed to last for 10 to 15 years for science-related museums (i.e. the Hong Kong Science Museum and the Hong Kong Space Museum) and 15 to 20 years for other museums. Table 12 summarises the number of years elapsed since the last enhancement for the 49 permanent exhibitions as of September 2020 (see details at Appendix C).

Table 12

**Number of years elapsed since the last enhancement
for 49 permanent exhibitions
(September 2020)**

Permanent exhibitions	Number of years elapsed since last enhancement	Number of permanent exhibitions	
2 science-related museums	15 years or less	7 (Note 1)	17
	More than 15 years	10	
13 other museums	20 years or less	25 (Note 2)	32
	More than 20 years	7	
Total		49	

Source: Audit analysis of LCSD records

Note 1: According to LCSD, the enhancement for 4 of the 7 permanent exhibitions was completed between 2016 and 2018.

Note 2: According to LCSD, the enhancement for 14 of the 25 permanent exhibitions was completed between 2016 and 2020 (up to September 2020).

4.6 Audit noted that as of September 2020:

- (a) 10 (59%) of the 17 permanent exhibitions in the 2 science-related museums had been operating for more than 15 years (more than 15 to 29 years). While enhancement for 1 of the 10 exhibitions was in progress, those for the remaining 9 exhibitions were under planning (see Appendix C). According to LCSD, it has replaced and upgraded the exhibits at intervals in these 9 permanent exhibitions; and
- (b) 7 (22%) of the 32 permanent exhibitions in 2 of the 13 other museums had been operating for more than 20 years (more than 20 to 33 years) and enhancement of the exhibitions was in progress (see Appendix C).

4.7 From time to time, there were public concerns on the attractiveness of permanent exhibitions and outdated exhibits and facilities (Note 43). In Audit's view, timely enhancement will sustain the appeal of the permanent exhibitions to the public and attract the public to visit the museums. Audit considers that LCSD needs to timely enhance the permanent exhibitions in the science-related museums and other museums.

***Need to better monitor progress of enhancement
for permanent exhibitions***

4.8 Audit examined the enhancement for 17 permanent exhibitions completed between 2015-16 and 2019-20 and found that the enhancement of 4 exhibitions was completed with delay of some 1 to 6 years (the enhancement of two exhibitions was delayed by 6 years and two was delayed by 1 year).

4.9 Audit selected the two permanent exhibitions with 6-year delay (Project A) for further examination. Project A involved the enhancement for two permanent exhibitions in the Hong Kong Space Museum (Photographs 5 and 6 show examples of the permanent exhibitions before and after enhancement respectively).

Note 43: *For example, in July 2013, a member of the Museum Advisory Panel (Science) (see Note 9 to para. 1.10) expressed concerns on the outdated exhibits in the Hong Kong Science Museum. In December 2018, in a meeting of the LegCo Panel on Home Affairs, some Members also expressed concerns on the outdated exhibits in the Hong Kong Science Museum.*

Photograph 5

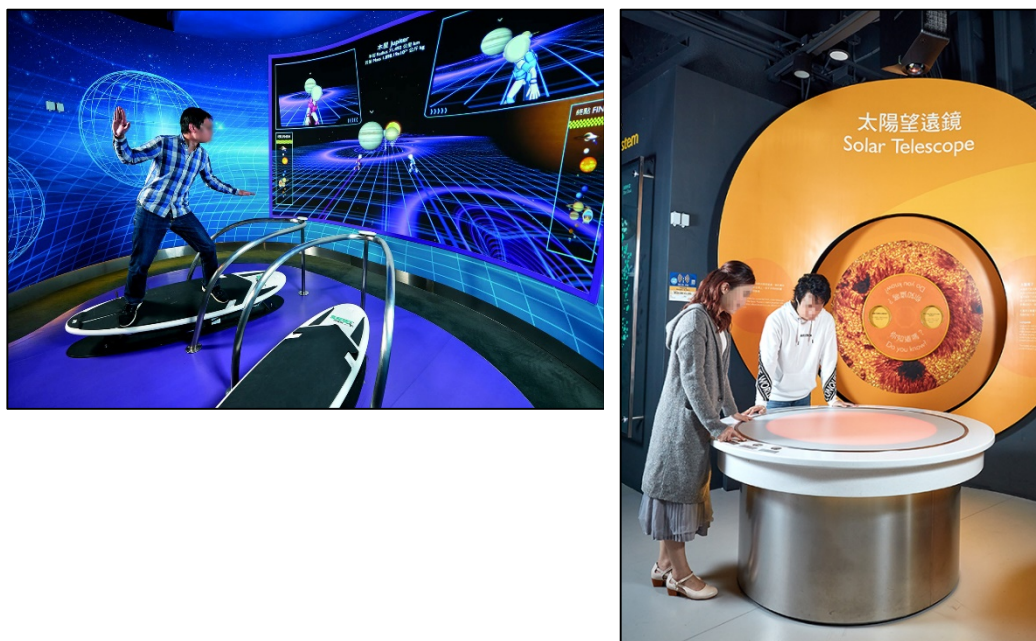
The permanent exhibitions in
the Hong Kong Space Museum before enhancement



Source: LCSD records

Photograph 6

The permanent exhibitions in
the Hong Kong Space Museum after enhancement



Source: LCSD records

4.10 In June 2008, the Finance Committee of LegCo approved \$32 million for the project which was scheduled for completion in December 2011. However, Project A was not completed until April 2018 (i.e. overall delay of 76 months) and the actual expenditure was \$31.9 million. Table 13 shows the target completion dates for various stages of Project A as stated in the funding paper submitted to LegCo in May 2008 and the actual completion dates.

Table 13

**Target and actual completion dates of Project A
(September 2008 to April 2018)**

Item	Description	Target completion date	Actual completion date
1.	Research on topics and exhibits	September 2008	June 2010
2.	Tendering for design	June 2009	August 2012
3.	Conceptual design and exhibit prototyping (Note 1)	March 2010	March 2014
4.	Detailed design (Note 1)		
5.	Tendering for exhibit fabrication	December 2010	July 2015
6.	Exhibits fabrication (Note 2)	June 2011	April 2018
7.	Dismantling of outdated exhibits and installation of exhibits (Note 2)	December 2011	
Overall delay (December 2011 to April 2018)			76 months (Note 3)

Source: Audit analysis of LCSD records

Note 1: In August 2012, LCSD engaged a contractor for exhibit design services including conceptual design, exhibit prototyping, exhibit detailed design, and project management for exhibits fabrications under a contract. The contract was completed in April 2018 and the total contract expenditure was \$4.8 million.

Note 2: In July 2015, LCSD engaged another contractor for exhibits fabrication, dismantling of outdated exhibits and installation of exhibits under another contract. The contract was completed in April 2018 and the total contract expenditure was \$15 million.

Note 3: The exhibitions were closed for the enhancement from October 2015 to April 2018 (30 months).

4.11 Upon enquiry, LCSD informed Audit in August and September 2020 that Project A was delayed due to the following reasons:

- (a) ***Decision on themes of enhanced exhibitions.*** The last major enhancement of the Hong Kong Space Museum was completed in 1991. Since then, astronomy and space science had witnessed astounding progress. A significant amount of time was required to conduct research on themes and topics that were most up-to-date and appealing to the public for inclusion in the scope of enhancement. Some of these themes such as gravitational waves and Mars exploration were at the frontier of cutting-edge astronomical research and required careful study to explore their feasibility of presentation in the new exhibitions;
- (b) ***Preparation of specification for detailed design.*** Additional work was required to prepare the specification for detailed design for the tender document due to complexity of the project, including adoption of new interactive and displaying technology to present complicated science concepts, consideration of professional museum standards on safety, durability and maintenance requirement, and the design of new exhibits to fit in the ovoid-shaped exhibition galleries;
- (c) ***Rectification of building defects.*** After dismantling the outdated exhibits (which were fabricated some 30 years ago), LCSD found a large number of unforeseeable building defects in the galleries. The defects included cracks and bulges on wall surface, loosening wall finishing and exposing structural steel structures. To ensure building safety, structural repair and maintenance works had been conducted immediately. LCSD had also taken the opportunity to refurbish the fire services system and other building services facilities to meet the layout of the new exhibits; and
- (d) ***Fabrication and installation of new exhibits.*** Many exhibits in the enhanced exhibitions were tailor-made to achieve specific objectives and effects. The fabrication and installation of these exhibits required technical skills such as precise engineering controls, slick interactive interfaces and highly accurate mechanical systems. LCSD had encountered challenges in production, such as to develop suitable technologies to fabricate and install the new exhibits, and to check and test the exhibits to ensure that they were safe and function properly for public use.

4.12 In view of the fact that a number of enhancement projects had been planned for various LCSD museums, in April 2014, LCSD established a steering committee chaired by a Deputy Director of LCSD to monitor the progress of enhancement of permanent exhibitions (including Project A). However, when the steering committee was established, Project A had already been delayed for 28 months. In Audit's view, it was less than satisfactory that Project A was delayed for a long time (more than 6 years). The delay in completion of enhancement deprived the public from enjoying museum services with updated technology and exhibits for a long period (the permanent exhibitions were closed for 30 months for the enhancement). Audit considers that LCSD needs to better monitor the progress of enhancement for permanent exhibitions in future and take prompt actions to ensure timely completion.

Audit recommendations

4.13 **Audit has *recommended* that the Director of Leisure and Cultural Services should:**

- (a) **timely enhance the permanent exhibitions in the science-related museums and other museums; and**
- (b) **better monitor the progress of enhancement for permanent exhibitions in future and take prompt actions to ensure timely completion.**

Response from the Government

4.14 The Director of Leisure and Cultural Services agrees with the audit recommendations. He has said that:

- (a) LCSD has been devoting and will continue to devote great efforts to enhance the permanent exhibitions in its museums. LCSD has planned to renew the permanent exhibitions and related exhibits according to their different nature which is in line with general practices of museums internationally, as follows:
 - (i) for large-scale permanent gallery revamping, LCSD will conduct it by phases. Revamping of all permanent galleries at the Hong Kong Museum of Art were recently completed in 2019. Plans in the

Other related issues

coming years include the Hong Kong Science Museum, Hong Kong Museum of History, and Hong Kong Museum of Coastal Defence;

- (ii) for permanent exhibitions at small museums which are mostly folk museums with small exhibition areas in historic houses, display will be enhanced every now and then. For example, enhancement of the permanent exhibition of the Hong Kong Railway Museum and the Sheung Yiu Folk Museum was completed in 2019 and 2020 respectively; and that of the Sam Tung Uk Museum is in production, to be ready in 2021; and
 - (iii) other than large-scale renewal, LCSD will continue to change exhibits, refresh presentation or organise small-scale thematic displays in permanent exhibitions from time to time to update exhibition content and deploy new presentation strategies to provide new experience to visitors; and
- (b) LCSD has been stepping up and will continue to step up monitoring of the progress of enhancement for permanent exhibitions. For projects studied and mentioned in this audit review, additional time was required for unforeseeable structural enhancement of galleries for safety reasons. In future, LCSD will continue to closely monitor the progress of large-scale enhancement for permanent exhibitions. LCSD has already put in place a coordination meeting on capital works and renewal projects to review the progress and interface of all large-scale renewal projects. Additional measures will include:
- (i) drawing up a master work plan with check points and milestones for each project to facilitate monitoring of progress;
 - (ii) conducting quarterly meetings to identify potential problems and solutions related to the building structures and facilities of the galleries;
 - (iii) drawing up plans or innovative strategies to improve efficiency of enhancement works to shorten and stagger gallery closure period where possible;

- (iv) conducting quarterly reviews to identify risks that might potentially delay the project and be prepared for alternative solutions; and
- (v) coordinating necessary meetings with other government bureaux and departments to expedite problem-solving for unforeseeable problems encountered.

In addition, LCSD will continue to organise public programmes during the planning and works period to maintain public service and minimise impact to the public.

Maintenance of museum exhibits and facilities

4.15 Permanent exhibitions present museum collections and exhibits, and are fitted with facilities to support the presentation of the collection items and exhibits (see para. 4.2). Proper and timely maintenance of museum exhibits and facilities is essential for the smooth operation of a museum for the enjoyment of the public. On the other hand, improper maintenance of exhibits and facilities may affect attractiveness and safety of collection items being presented. Audit examined the maintenance of museum exhibits and facilities in the Hong Kong Science Museum and the Hong Kong Space Museum and found room for improvement (see paras. 4.16 to 4.22).

Scope for improvement in monitoring and conducting maintenance works

4.16 As at 30 June 2020, the Hong Kong Science Museum and the Hong Kong Space Museum had 524 exhibits and 134 exhibits respectively. LCSD has adopted a computer system, namely the Exhibition Maintenance Portal (EMP), to record and facilitate maintenance of exhibits and facilities in the two museums. According to the practice of the two museums:

- (a) LCSD museum staff conducts inspections on the exhibits and facilities in the museums every day. If repair/refurbishment of any exhibit and facility is required, the staff will place a repair order in EMP; and

Other related issues

- (b) the maintenance staff will arrange the repair/refurbishment. The repair order will be marked completed in EMP if LCSD museum staff considers the repair/refurbishment satisfactory after checking.

4.17 According to EMP records, in 2019-20, 8,277 repair orders were completed. Table 14 shows the time taken to complete a repair order (from placement to completion of the order).

Table 14

**Time taken to complete repair order
(2019-20)**

Time taken to complete repair order	Number of repair order		
	The Hong Kong Science Museum	The Hong Kong Space Museum	Total
7 days or less	6,821	1,139	7,960 (96%)
8 to 30 days	140	20	160 (2%)
31 to 60 days	46	7	53 (0.6%)
61 to 90 days	30	2	32 (0.4%)
More than 90 days	68	4	72 (1%) (Note)
Total	7,105	1,172	8,277 (100%)

Source: Audit analysis of LCSD records

Note: 91 to 655 days had been taken to complete these 72 repair orders.

4.18 Audit attempted to ascertain the reasons for taking more than 90 days to complete each of the 72 repair orders and noted the following:

- (a) apart from EMP records (with the dates of placing and completion of the repair order), there were no other records showing the progress of 64 of the 72 repair orders; and

- (b) for the remaining 8 (72 minus 64) repair orders, there were records showing the procurements of related goods/services (e.g. replacement parts). Such procurements were only conducted three to eight months after the placing of the repair orders.

4.19 Upon Audit enquiry, in July and September 2020, LCSD informed Audit that for the 72 repair orders which took more than 90 days to complete:

- (a) 40 (55%) orders were related to minor defects of exhibits, such as missing of small units, scratches of wooden parts and detachment of painting on exhibit surface. The defects did not affect the operation of the exhibits. Maintenance works for them were arranged in batches for cost-effectiveness, and therefore longer time had been taken (i.e. 91 to 571 days);
- (b) 15 (21%) orders required replacement of missing parts of the exhibits. A longer time (i.e. 115 to 655 days) had been taken to order the replacement parts, which in some cases needed to be tailor-made. Nevertheless, operation of the exhibits had not been affected and the exhibits were open to the public during the period; and
- (c) 17 (24%) orders were related to the replacement of lighting facilities and stanchion. The defects did not affect the operation of the museum. Maintenance works for them were arranged in batches, and therefore longer time had been taken (i.e. 91 to 436 days).

4.20 Proper and timely maintenance of museum exhibits and facilities is essential for the smooth operation of a museum for the enjoyment of the public (see para. 4.15). Although LCSD completed most of the repair orders within 90 days in 2019-20, inadequate documentation on progress of repair orders was not conducive to effective monitoring of their progress. Audit considers that, in order to better monitor the progress, LCSD needs to improve documentation for repair orders in the Hong Kong Science Museum and the Hong Kong Space Museum.

Need to improve accuracy in calculating availability of interactive exhibits in the Hong Kong Space Museum

4.21 LCSD pledges to maintain at least 90% of the hands-on (i.e. interactive) exhibits in use at all times in the Hong Kong Science Museum and the Hong Kong Space Museum (Note 44). According to LCSD, EMP has been developed and used in the Hong Kong Science Museum since March 2017. The system was adopted in the Hong Kong Space Museum in mid-2018.

4.22 In addition to using EMP to record and facilitate maintenance of exhibits and facilities (see para. 4.16), EMP was also used in the Hong Kong Science Museum to monitor the availability of interactive exhibits. However, the related EMP functions were not applicable in the Hong Kong Space Museum. To assess the availability of interactive exhibits, the Hong Kong Space Museum has been using the total number of repair orders placed (for interactive and non-interactive exhibits) and half of the total number of exhibits in the calculation (based on the assumption that the number of interactive exhibits was approximately half of the total number of exhibits). Audit noted that as of June 2020, 76 (57%) of the 134 exhibits in the Hong Kong Space Museum (see para. 4.16) were interactive exhibits. However, the number of repair orders placed might not reflect the actual number of interactive exhibits available. Upon enquiry, in July 2020, LCSD informed Audit that LCSD was planning to enhance EMP and preparing the technical specification for the enhancement, which was scheduled for completion in September 2021. Upon completion of the enhancement, the availability of interactive exhibits could be monitored through the system. Audit considers that LCSD should closely monitor the progress of the EMP enhancement project to improve accuracy in calculating the availability of interactive exhibits in the Hong Kong Space Museum.

Audit recommendations

4.23 **Audit has recommended that the Director of Leisure and Cultural Services should:**

- (a) **improve documentation for repair orders in the Hong Kong Science Museum and the Hong Kong Space Museum;**

Note 44: *According to LCSD, for the 5-year period from 2015-16 to 2019-20, the pledge had been 100% achieved.*

- (b) review the documentation and time taken for conducting maintenance works of museum exhibits and facilities in other LCSD museums (i.e. other than the Hong Kong Science Museum and the Hong Kong Space Museum), look into any similar irregularities as identified in paragraphs 4.16 to 4.20, and take remedial measures as necessary; and
- (c) closely monitor the progress of the EMP enhancement project to improve accuracy in calculating the availability of interactive exhibits in the Hong Kong Space Museum.

Response from the Government

4.24 The Director of Leisure and Cultural Services agrees with the audit recommendations. He has said that:

- (a) LCSD has been closely monitoring and will continue to review the practices for conducting maintenance works of museum exhibits and facilities in all museums and take remedial measures where necessary; and
- (b) LCSD has already scheduled to upgrade EMP to improve accuracy of calculating the availability of interactive exhibits in 2021. The Hong Kong Space Museum will review the function of EMP more regularly on an annual basis and enhance its efficiency. Modification of the system will be carried out if discrepancies are identified. Monitoring of progress will be reviewed by the Exhibit Maintenance Task Force to be set up at the museum which is to meet on a quarterly basis.

Publication of information on museum collection items

Need to adopt a consistent approach in reporting number of museum collection items

4.25 According to LCSD's Controlling Officer's Report, as at 31 December 2019, there were 1,595,627 museum collection items (stated as number of objects in museums collections in the Controlling Officer's Report as a performance indicator). Of the 1,595,627 museum collection items, 1,595,615 items were in the LCSD museums and 12 items were in the Art Promotion Office (see Note 11 to

para. 1.12). Audit noted that the number of museum collection items reported in the Controlling Officer's Report included collection items pending accession in the Hong Kong Heritage Museum (including the two branch museums — see Table 2 in para. 1.6) and the Hong Kong Film Archive (Note 45). However, for the remaining 11 museums, only the number of collection items with accession completed were reported.

4.26 In Audit's view, the figures reported in the Controlling Officer's Report shall be in a clear and consistent manner. LCSD needs to review and adopt a consistent approach in reporting the number of museum collection items in the Controlling Officer's Report in future.

Need to improve public access of museum collection items on the museum websites

4.27 Since 2002, LCSD museums have been uploading information (e.g. photographs and descriptions) of selected collection items (Note 46) on individual museum websites to enhance public accessibility of museum collections. According to LCSD, as at 31 December 2019, 431,304 (27%) of the 1,595,615 collection items were accessible on the museum websites (see Table 15).

Note 45: *As at 31 December 2019, the numbers of collection items pending accession in the Hong Kong Heritage Museum and the Hong Kong Film Archive were 24,417 items and 693,802 items respectively.*

Note 46: *According to LCSD, due to various reasons (e.g. copyright and agreement between the artists/donors and LCSD), not all collection items are available for public access on the museum websites. Apart from museum websites, the public could access the collection items through the public computers in the resource centres of respective museums.*

Table 15

**Number of collection items accessible on museum websites
(31 December 2019)**

Museum	Total collection items (No.)	Collection items accessible on museum websites	
		(No.)	(%)
Hong Kong Film Archive	1,305,368	387,072	30%
Hong Kong Museum of History (see Table 2 in para. 1.6)	146,067	20,350	14%
Hong Kong Heritage Museum (see Table 2 in para. 1.6)	126,655	6,441	5%
Hong Kong Museum of Art (see Table 2 in para. 1.6)	17,405	17,321	99.5%
Hong Kong Science Museum	103	103	100%
Hong Kong Space Museum	17	17	100%
Overall	1,595,615	431,304	27%

Source: Audit analysis of LCSD records

4.28 According to the five-year Corporate Business Plan of LCSD museums for 2017-22, LCSD would make use of the museum websites, along with other online platforms, to make the collection items more accessible to the public. In this connection, Audit considers that LCSD needs to step up efforts to increase the number of museum collection items accessible on the museum websites, in particular the websites of the Hong Kong Heritage Museum, the Hong Kong Museum of History and the Hong Kong Film Archive.

Audit recommendations

4.29 Audit has *recommended* that the Director of Leisure and Cultural Services should:

Other related issues

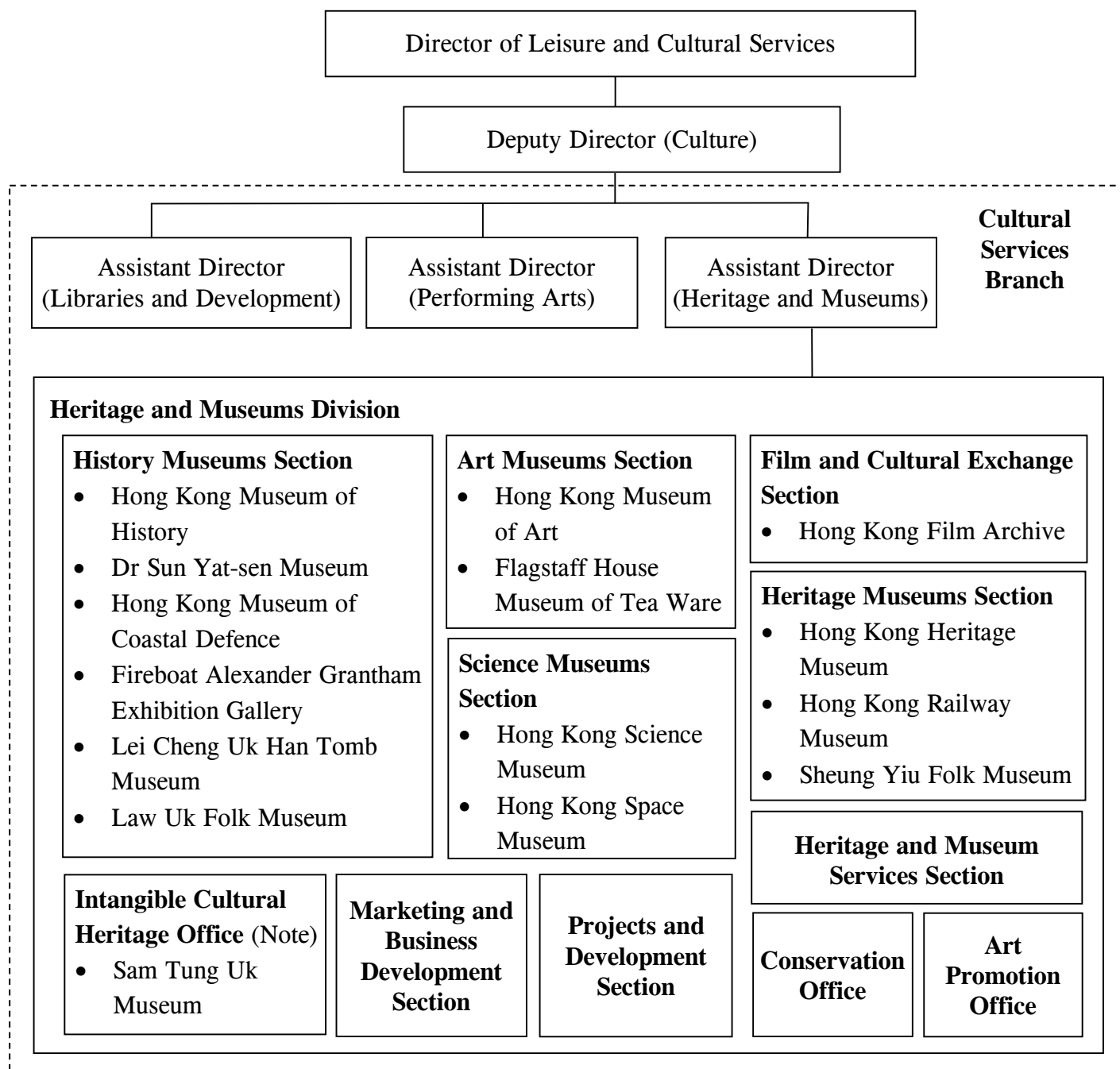
- (a) review and adopt a consistent approach in reporting the number of museum collection items in the Controlling Officer's Report in future; and
- (b) step up efforts to increase the number of museum collection items accessible on the museum websites, in particular the websites of the Hong Kong Heritage Museum, the Hong Kong Museum of History and the Hong Kong Film Archive.

Response from the Government

4.30 The Director of Leisure and Cultural Services generally agrees with the audit recommendations. He has said that:

- (a) LCSD will align and adopt a consistent approach for all museums in reporting the number of objects in museum collections in the Controlling Officer's Report with effect from the next reporting cycle in 2021. The Hong Kong Film Archive will continue to follow its existing practice given its nature as an archive; and
- (b) LCSD has attached great importance to enabling greater virtual access to the museums' collections. For the Hong Kong Heritage Museum and the Hong Kong Film Archive with many collection items related to design and popular culture, the clearance of copyright and intellectual right issues are particularly complicated. LCSD museums will:
 - (i) continue to make effort in uploading collection items without copyright or intellectual property right issue onto their websites as far as practicable;
 - (ii) continue to encourage donors to grant the right for them to reproduce and upload the collection items onto their websites for public access where possible; and
 - (iii) increase number of collections available for digital viewing at the museums' resource centres as an alternative means of public access. For instance, 43% of the Hong Kong Heritage Museum's collection items are available for digital viewing at its resource centre.

**Leisure and Cultural Services Department:
Organisation chart (extract)
(31 March 2020)**



Source: LCSD records

Note: Apart from management of the Sam Tung Uk Museum, the Intangible Cultural Heritage Office is also responsible for the identification, documentation, research, preservation, promotion and transmission of intangible cultural heritage.

Collection policies of the Leisure and Cultural Services Department museums

1. The Hong Kong Museum of Art and one branch museum

The museum emphasises on the acquisition of Hong Kong art through donations and purchases with a view to building up its Hong Kong art collection to reflect the development and cultural identity of local artists as well as their accomplishments. Other collections which the Museum wishes to develop include Historical Pictures, Chinese Antiquities, Chinese Fine Art, Paintings and Calligraphies, with a focus on objects related to Guangdong and South China.

2. Hong Kong Museum of History and five branch museums

The museum aims to collect cultural objects which are closely related to the history of Hong Kong and the South China area, and has made strenuous effort in building up the collection through donations and purchases. Its collection is classified into five major categories: natural history, local history, ethnography, coastal defence and military history, as well as Dr Sun Yat-sen and modern Chinese history, comprising a wide range of items from historical photographs, philatelic objects to farming implements and military objects.

3. Hong Kong Heritage Museum and two branch museums

The museum is dedicated to preserving and interpreting Hong Kong's diverse cultures through the collection of a wide range of artefacts and works of art reflecting the essence of Hong Kong's unique culture originated from the territory and neighbouring regions. Its collections include Local History, Performing Art, Folk Art, Popular Culture, Contemporary Art, Design and Chinese Fine Art.

4. The Hong Kong Science Museum and the Hong Kong Space Museum

The museum's collection aims to reflect the local and worldwide achievements in science, technology, medical science, transportation, astronomy and other science disciplines. It also has plans to develop its natural history collections which are representative of the geological evolution and wide-reaching biodiversity throughout the Earth's history.

5. The Hong Kong Film Archive

The Archive is dedicated to collecting and preserving Hong Kong films as well as the film-related materials that can illustrate the development of local film culture and facilitate research on local cinema history. In addition to film elements, the archive also collects audiovisual materials in different formats, two and three dimensional objects including posters, stills, props and costumes.

Source: LCSD records

Appendix C
(paras. 4.2, 4.5 and
4.6 refer)

**Details of 49 permanent exhibitions in
the Leisure and Cultural Services Department museums
(September 2020)**

Museum	Number of permanent exhibitions	Name of permanent exhibitions	Last enhancement conducted within last 15 or 20 years (Note 1)	Last enhancement conducted more than 15 or 20 years ago (Note 1)
<i>Science-related museums</i>				
Hong Kong Science Museum	1	World of Mirrors	✓	
	1	Jockey Club Environmental Conservation Gallery	✓	
	1	Biodiversity Gallery	✓ (Note 2)	
	1	Children's Gallery	✓ (Note 2)	
	1	Earth Science Gallery	✓ (Note 3)	
	1	Palaeontology Gallery		✓ (Note 3)
	1	Electricity and Magnetism Gallery		✓
	1	Telecommunications Gallery		✓
	1	Light		✓
	1	Motion		✓
	1	Sound		✓
	1	Mathematics		✓
	1	Transportation		✓
	1	Home Technology		✓
	1	Food Science		✓
Hong Kong Space Museum	1	Hall of the Cosmos	✓ (Note 2)	
	1	Hall of Space Exploration	✓ (Note 2)	

(enhancement under planning)

Appendix C
(Cont'd)
(paras. 4.2, 4.5 and
4.6 refer)

Museum	Number of permanent exhibitions	Name of permanent exhibitions	Last enhancement conducted within last 15 or 20 years (Note 1)	Last enhancement conducted more than 15 or 20 years ago (Note 1)
<i>Other museums</i>				
Hong Kong Museum of Art	1	Xubaizhai Gallery of Chinese Painting and Calligraphy	✓	
	1	Hong Kong Art Gallery	✓	
	1	Chinese Antiquities Gallery	✓	
	1	China Trade Art Gallery	✓	
	1	Chi Lo Lou Gallery of Chinese Painting and Calligraphy	✓	(Note 4)
	1	Wu Guanzhong Art Gallery	✓	
	1	The Wing (Upper)	✓	
Flagstaff House Museum of Tea Ware	1	Let's Talk about Tea through the Ages	✓	
	1	Gems of Chinese Seals Donated by the K. S. Lo Foundation	✓	
	1	Gems of Zisha in the K. S. Lo Collection	✓	
Hong Kong Heritage Museum	1	T. T. Tsui Gallery of Chinese Art	✓	
	1	Children Discovery Gallery	✓	
	1	Cantonese Opera Heritage Hall	✓	
	1	Hong Kong Culture Gallery	✓ (Note 3)	
	1	Chao Shao-an Gallery	✓	
	1	Jin Yong Gallery	✓ (Note 4)	

Appendix C
(Cont'd)
(paras. 4.2, 4.5 and
4.6 refer)

Museum	Number of permanent exhibitions	Name of permanent exhibitions	Last enhancement conducted within last 15 or 20 years (Note 1)	Last enhancement conducted more than 15 or 20 years ago (Note 1)
Hong Kong Railway Museum	1	The History of Hong Kong Railway	✓ (Note 4)	
Sheung Yiu Folk Museum	1	Life in Sheung Yiu Village	✓ (Note 4)	
Hong Kong Museum of History	1	The Hong Kong Story	✓	
Dr Sun Yat-sen Museum	1	Hong Kong in Dr Sun Yat-sen's Time	✓	
	1	Dr Sun Yat-sen and Modern China	✓	
Fireboat Alexander Grantham Exhibition Gallery	1	Fireboat Alexander Grantham	✓	
Hong Kong Museum of Coastal Defence	1	Permanent Exhibition Gallery		✓ (Note 3)
Lei Cheng Uk Han Tomb Museum	1	Lei Cheng Uk Han Tomb	✓	
Law Uk Folk Museum	1	Law Uk	✓ (Note 4)	
Sam Tung Uk Museum	6	Intangible Cultural Heritage of Hong Kong		✓ (Note 5)

Appendix C
(Cont'd)
(paras. 4.2, 4.5 and
4.6 refer)

Museum	Number of permanent exhibitions	Name of permanent exhibitions	Last enhancement conducted within last 15 or 20 years (Note 1)	Last enhancement conducted more than 15 or 20 years ago (Note 1)
Hong Kong Film Archive	1	Lobby of the Hong Kong Film Archive	✓	

Source: Audit analysis of LCSD records

Note 1: The timeframe of 15 years is applicable to science-related museums, whereas 20 years is for other museums.

Note 2: According to LCSD, enhancement of the permanent exhibition was completed between 2016 and 2018 (see Note 1 to Table 12 in para. 4.5).

Note 3: According to LCSD, enhancement of the permanent exhibition was in progress and not open to public (see Note 42 to para. 4.2).

Note 4: According to LCSD, enhancement of the permanent exhibition was completed between 2016 and 2020 (up to September 2020 — see Note 2 to Table 12 in para. 4.5).

Note 5: According to LCSD, it has been conducting enhancement for the 6 permanent exhibitions in the Sam Tung Uk Museum in phases for completion in 2021 (see Note 42 to para. 4.2).

Acronyms and abbreviations

AMO	Antiquities and Monuments Office
ArchSD	Architectural Services Department
Audit	Audit Commission
°C	Degree Celsius
CHO	Commissioner for Heritage's Office
EMP	Exhibition Maintenance Portal
HCRC	Heritage Conservation and Resource Centre
LCSD	Leisure and Cultural Services Department
LegCo	Legislative Council
m ²	Square metres
MAC	Museum Advisory Committee
MEA	Museum Expert Adviser
SPRs	Stores and Procurement Regulations

CHAPTER 4

Home Affairs Bureau Home Affairs Department

Efforts of the Home Affairs Department in facilitating building management

**Audit Commission
Hong Kong
28 October 2020**

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. 75 of the Director of Audit contains 10 Chapters which are available on our website at <https://www.aud.gov.hk>

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EFFORTS OF THE HOME AFFAIRS DEPARTMENT IN FACILITATING BUILDING MANAGEMENT

Contents

	Paragraph
EXECUTIVE SUMMARY	
PART 1: INTRODUCTION	1.1 – 1.17
Audit review	1.18
Acknowledgement	1.19
PART 2: SUPPORT SERVICES FOR THE FORMATION OF OWNERS' CORPORATIONS	2.1
Implementation of the Building Management Professional Advisory Service Scheme	2.2 – 2.26
Audit recommendations	2.27
Response from the Government	2.28
Implementation of the Resident Liaison Ambassador Scheme	2.29 – 2.33
Audit recommendations	2.34
Response from the Government	2.35

	Paragraph
PART 3: SUPPORT SERVICES ON OTHER BUILDING MANAGEMENT MATTERS	3.1
Support services provided by the District Building Management Liaison Teams	3.2 – 3.27
Audit recommendations	3.28
Response from the Government	3.29
Educational and publicity programmes	3.30 – 3.42
Audit recommendations	3.43
Response from the Government	3.44
PART 4: OTHER ADMINISTRATIVE MATTERS	4.1
Achievement of performance targets by District Offices and the Headquarters	4.2 – 4.8
Audit recommendation	4.9
Response from the Government	4.10
Performance measurement	4.11 – 4.16
Audit recommendations	4.17
Response from the Government	4.18
Management of database of private buildings	4.19 – 4.23
Audit recommendation	4.24
Response from the Government	4.25

Appendices	Page
A : Home Affairs Department: Organisation chart (extract) (31 March 2020)	69
B : Distribution of private buildings in Hong Kong (31 December 2019)	70
C : Distribution of “three-nil” buildings in Hong Kong (2011 to 2019)	71
D : Dispute resolution services provided by the Home Affairs Department	72
E : Performance targets on “liaison with owners and management bodies of private buildings” allocated to and actual performance attained by District Offices and the Headquarters (2019)	73
F : Acronyms and abbreviations	74

EFFORTS OF THE HOME AFFAIRS DEPARTMENT IN FACILITATING BUILDING MANAGEMENT

Executive Summary

1. In Hong Kong, many people live in private multi-storey buildings or private residential estates with individual blocks of buildings. It is the joint responsibility of owners of a building/estate to manage and maintain the common parts of the building/estate. Managing a building involves decision making on a myriad of matters, ranging from cleansing and refuse clearing in common parts of the building to non-recurring tasks such as commissioning of maintenance works. For multi-storey buildings with a large number of owners, it is necessary to put in place a mechanism to facilitate collective decision making of all owners on building management matters. The Government's policy is to encourage and assist property owners to form appropriate owners' organisations, such as owners' corporations (OCs), for effective building management and to assist owners to discharge their management responsibilities.

2. The Building Management Ordinance (BMO — Cap. 344) was enacted to provide a legal framework to facilitate the incorporation of owners and provide for the management of buildings or groups of buildings and for matters incidental thereto or connected therewith. An OC is a body corporate set up under BMO and has the legal status to represent all owners in managing the common parts of the building. Under BMO, a management committee (MC) is appointed to exercise the powers and perform the duties of an OC.

3. The Secretary for Home Affairs is the Authority of BMO. The Home Affairs Department (HAD), being the executive arm of the Home Affairs Bureau, seeks to assist owners of private buildings to form suitable owners' organisations and assist them in dealing with building management matters and their operation through various support services. Apart from setting up a dedicated division in its Headquarters to coordinate building management matters, HAD has also set up District Building Management Liaison Teams (DBMLTs) comprising Liaison Officers (LOs) in the 18 District Offices (DOs) to provide support services on building

Executive Summary

management matters at the district level. For 2020-21, there are 145 LOs engaged in building management duties with an estimated expenditure of \$94 million. The Audit Commission (Audit) has recently conducted a review to examine the efforts of HAD in facilitating building management.

Support services for the formation of owners' corporations

4. Effective building management may be difficult for buildings in which owners and residents lack the platform to discuss and handle issues of common concern, in particular those buildings which do not have OCs or any form of residents' organisations, nor engage any property management companies (PMCs) (i.e. commonly referred to as "three-nil" buildings). As at 31 December 2019, there were 40,944 private buildings in Hong Kong, of which 5,255 (13%) were "three-nil" buildings. HAD has since 2011 introduced targeted support services for "three-nil" buildings, namely the Building Management Professional Advisory Service Scheme (BMPASS) and the Resident Liaison Ambassador (RLA) Scheme, aiming at assisting owners to organise themselves to form OCs so that they can improve the management of the buildings. HAD has implemented three phases of BMPASS since 2011. In each of the three phases, HAD has, through open tenders, commissioned two contractors (hereinafter referred to as BMPASS Contractors) which are experienced PMCs to provide a range of free professional advisory and follow-up services to target buildings meeting certain criteria specified by HAD (paras. 1.8 to 1.12 and 2.2).

5. *Need to ascertain the number of buildings eligible for BMPASS.* Up to March 2020, the BMPASS Contractors had reached out to 3,820 buildings and had helped some of these buildings form or reactivate 536 OCs under the three phases. Apart from "three-nil" buildings, the three phases of BMPASS also covered buildings with OCs but the MCs of which were defunct or inactive. However, HAD did not have readily available information on the number of such buildings. On the other hand, while the number of "three-nil" buildings was readily available, such number included buildings which might not be able to form OCs in accordance with BMO (e.g. private buildings under single ownership), which should be excluded from the coverage of BMPASS. For better resources planning and assessment of the extent to which BMPASS has achieved its objective, HAD should ascertain the number of buildings eligible for BMPASS (paras. 1.11 and 2.6).

Executive Summary

6. *Need to review the basis of geographical allocation of target buildings.*

HAD has set a planned number of target buildings for each geographical area based on the proportion of number of “three-nil” buildings in the areas. Audit noted that for individual geographical areas, the variance in the planned and actual number of target buildings ranged from –75 to 75. HAD should review the basis of planning the geographical allocation of target buildings, including whether there are factors other than the proportion of number of “three-nil” buildings which should be taken into account (paras. 2.7 to 2.9).

7. *Need to improve the rate of success in forming/reactivating OCs.*

BMPASS was launched in 2011 (i.e. 9 years ago). Up to March 2020, among 3,820 buildings approached, 536 OCs had been formed/reactivated under BMPASS. The overall rate of success in forming/reactivating OCs was 14%. Audit noted that there was no documentary evidence showing that HAD had enquired the BMPASS Contractors about the difficulties encountered when helping owners to form/reactivate OCs. According to HAD, the BMPASS Contractors had reflected that the difficulties might be due to a number of inherent problems and practical difficulties often faced by such buildings, such as buildings with aged owners who were not interested in forming OCs. These difficulties might have led to the low level of willingness of the owners concerned to participate in the management of their buildings. HAD needs to formulate measures to improve the success rate of forming/reactivating OCs under BMPASS, taking into account the difficulties encountered by the BMPASS Contractors (paras. 2.10, 2.11, 2.15 and 2.16).

8. *Scope for improvement in performance monitoring of BMPASS Contractors.* Audit noted the following issues:

- (a) *Performance targets.* Many of the output targets set by HAD for the BMPASS Contractors in implementing the scheme were persistently over-achieved throughout the three phases of BMPASS. There is a need for HAD to review the level of such targets with a view to enhancing the service level; and
- (b) *Users’ advisory meetings and users’ satisfaction surveys.* To collect users’ views on BMPASS and the BMPASS Contractors’ performance, the BMPASS Contractors shall convene users’ advisory meetings half-yearly and DOs shall conduct a users’ satisfaction survey yearly. Up to March 2020, 93 users’ advisory meetings and 6 rounds of users’ satisfaction

Executive Summary

surveys had been conducted. Audit's analyses revealed that both the attendance of users' advisory meetings (averaging 22 in each meeting) and the response rates on users' satisfaction surveys (averaging 2.2%) were low. HAD needs to explore ways to encourage more users to give feedback via the users' advisory meetings and the users' satisfaction surveys (paras. 2.17 to 2.24).

9. ***Need to perform a comprehensive review on the experiences gained in the three phases of BMPASS.*** In the 2019 Policy Address, the Government has announced that BMPASS would be regularised. HAD should perform a comprehensive review for mapping out the way forward for BMPASS, drawing lessons from the experiences gained in the three phases. In particular, there is merit to review the criteria for inclusion as target buildings so as to increase the coverage of buildings in need under BMPASS (paras. 2.25 and 2.26).

10. ***Need to step up efforts in recruiting RLAs and promoting the RLA Scheme.*** HAD rolled out the RLA Scheme in 2011, which seeks to establish a resident liaison network for promoting the message of effective building management by recruiting owners or tenants who live in "three-nil" buildings as RLAs. The long-term objective is to assist the buildings in the formation of OCs to facilitate effective building management. As at December 2019, there were 2,759 incumbent RLAs in 1,300 "three-nil" buildings aged 30 years or above. Audit noted that, for the period 2015 to 2019:

- (a) the number of RLAs recruited rose from 566 in 2015, reached its peak of 1,054 in 2017, and dropped to 431 in 2019, representing an overall decrease of 24%; and
- (b) the percentage of "three-nil" buildings aged 30 years or above with incumbent RLAs ranged from 22% to 35%.

In Audit's view, HAD should step up efforts in recruiting RLAs, focusing on "three-nil" buildings with no incumbent RLAs, and take measures to enhance publicity of the RLA Scheme (paras. 2.29, 2.32 and 2.33).

Executive Summary

Support services on other building management matters

11. *Need to keep proper records on providing Pre-meeting Advisory Service for OCs.* To strengthen support for OCs and MCs for more effective building management, HAD launched the Pre-meeting Advisory Service for OCs in April 2017. DBMLTs brief MC members on meeting procedures and provide them with relevant information before OC meetings to ensure compliance with BMO and the Codes of Practice. Modes of service include meetings, discussions, correspondence exchanges and telephone communication. HAD's Headquarters has requested DOs to keep proper records of the services provided. However, without defining what constitutes a proper record, there are variations in the practices among DOs. While records of some of the DOs could be retrieved from the building files (i.e. paper files which contained information about each of the buildings), records of some other DOs were not as adequate (paras. 3.4, 3.7 and 3.9).

12. *Scope for improvement in conducting visits to private buildings.* To assist LOs in performing duties relating to building management effectively, HAD's Headquarters has issued the "Operational Manual on Building Management for Liaison Officers" (Operational Manual). Paying visits to buildings and attending owners' meetings are DBMLTs' major means to provide outreach services to owners and owners' organisations of private buildings. The Operational Manual states that each and every private building will be visited by LOs at least once a year, not only to keep in touch with the owners, but also to ensure that the building is well managed continuously. Audit noted the following issues:

- (a) *Need to review the frequency of visits to private buildings.* From 2016 to 2019, the requirement of "each and every private building will be visited by LOs at least once a year" had not been met. For each year in the period of 2016 to 2019, the percentage of buildings not visited ranged from 47% to 54%. Upon enquiry, HAD informed Audit that the performance indicators in HAD's Controlling Officer's Reports (CORs) on visits to buildings were replaced by a new indicator on liaison with owners/management bodies of private buildings in 2017. With this revision, conducting physical "visits" to each and every building was no longer regarded as the only means of performing building management liaison work, and the requirement on conducting visits to buildings in the Operational Manual should have been superseded. In Audit's view, it is useful that private buildings are visited by DBMLTs regularly to ensure

Executive Summary

that the buildings are well managed continuously. HAD needs to review the frequency of visits to private buildings by DBMLTs; and

- (b) ***Need to reach out to owners' organisations in conducting visits to private buildings.*** While some of the buildings had not been visited in the past 5 years, there were repeated visits in the same year for some other buildings without reaching out to the owners' organisations. As such, the visits did not meet the objective to keep in touch with the owners as stated in the Operational Manual (paras. 3.10, 3.11, 3.13 and 3.15 to 3.18).

13. ***Need to ensure that LOs in DBMLTs receive adequate training.*** To effectively assist owners and owners' organisations in handling building management matters and legal issues at OC meetings, it is important that LOs in DBMLTs are equipped with adequate professional knowledge. Audit noted that while the total number of training hours for LOs had increased by 45 % from 96 hours in 2015-16 to 139 hours in 2019-20, the total number of attendees had decreased by 14 % from 329 to 282 in the same period. Audit also noted that HAD had not set any training requirements (e.g. minimum number of training courses or training hours) for LOs (paras. 3.20 and 3.21).

14. ***Need to update Operational Manual for LOs.*** HAD has issued the Operational Manual to facilitate LOs in performing building management duties (see para. 12). Audit noted that some parts of the Operational Manual were not kept up to date. For example, services introduced after 2016 have yet to be included. In Audit's view, HAD needs to update the Operational Manual more frequently (paras. 3.25 to 3.27).

15. ***Need to ensure adequacy of educational and publicity programmes in individual districts.*** Audit noted the following issues:

- (a) ***Central Platform on Building Management.*** To strengthen support for owners and owners' organisations in building management and handling large-scale maintenance projects, HAD has set up the Central Platform on Building Management in September 2018. One-stop briefings are organised once a month in community halls in various districts. Audit noted that, for the 28 briefing sessions in the period 2018 to 2020, the venues

Executive Summary

were in 12 districts. In other words, out of the 18 districts, no briefings were held/planned in the other 6 districts; and

- (b) ***Programmes organised at district level.*** There was a large variation among the 18 DOs in the number of programmes organised at district level. In 2019, the number ranged from 1 to 37 programmes, averaging 11 programmes. In the 2 districts with only 1 programme organised, briefings had also not been arranged under the Central Platform on Building Management, which might indicate that very few educational and publicity programmes had been organised for some of the districts (paras. 3.31 to 3.33 and 3.36).

16. ***Need to encourage attendance of the LEAD Programme.*** To facilitate MC members (being office-bearers of OCs) to discharge their duties more confidently and effectively, HAD has since 2011 engaged tertiary institutions to provide structured training programmes, i.e. the LEAD Programme. HAD has also engaged experienced professionals in an Advanced LEAD Programme for the graduates of the LEAD Programme. As of December 2019, some 620 and 490 MC members had participated in the LEAD Programme and Advanced LEAD Programme respectively. For each of the programmes, participants with an attendance rate of over 70% will be awarded with a Statement of Attendance. Audit noted that:

- (a) 12% of the MC member participants of the LEAD Programme and 13% of those of the Advanced LEAD Programme had an attendance rate of less than 70%, including 4% with zero attendance in each of the programmes; and
- (b) of the 41 MC member participants who had an attendance rate of lower than 70% in the Advanced LEAD Programme, 12 (29%) also had an attendance rate of lower than 70% in the LEAD Programme. One MC member participant did not attend any of the sessions under both the LEAD Programme and Advanced LEAD Programme.

In Audit's view, HAD needs to take measures to encourage participants to attend all the training sessions (paras. 3.38 to 3.42).

Other administrative matters

17. *Need for individual DOs and the Headquarters to better achieve performance targets.* For the performance indicator in its CORs on “liaison with owners/management bodies of private buildings”, HAD has set target numbers of liaisons for each of the 18 DOs and for the Headquarters on other support services (e.g. BMPASS), which comprise visits conducted in person to management bodies of private buildings and “three-nil” buildings as well as other forms of liaison (e.g. e-mails and telephone contacts) with owners/management bodies. Audit noted the following issues:

- (a) *Performance targets not achieved by some DOs and the Headquarters in 2019.* In 2019: (i) 14 DOs and the Headquarters did not meet the targets for the total number of liaisons; (ii) 13 DOs and the Headquarters did not meet the targets for the number of visits to management bodies and “three-nil” buildings; and (iii) 13 DOs did not meet the targets for the number of other forms of liaison; and
- (b) *Some DOs persistently failed to achieve target numbers of liaisons.* Out of the 18 DOs, 7 (39%) had persistently failed to achieve the allocated targets for three consecutive years from 2017 to 2019.

In Audit’s view, HAD needs to take improvement measures to ensure that the performance targets on liaison with owners and management bodies of private buildings are met by all DOs and the Headquarters (paras. 4.2, 4.3, 4.6 and 4.8).

18. *Need to review counting basis on educational and publicity programmes for performance measurement.* HAD reported in its CORs a performance indicator “building management educational and publicity programmes”. Audit found room for improvement in the counting of number of programmes:

- (a) briefing sessions of the Central Platform on Building Management were held once a month in community halls in various districts. In 2018 and 2019, a total of 4 sessions were counted by both HAD’s Headquarters and the DOs concerned, resulting in double counting of the same programmes; and

Executive Summary

- (b) some of the programmes were of a recurring/repetitive nature. There is currently no clear definition on what constitutes a “programme” for HAD’s performance measurement purpose. As such, the methodologies used in counting the number of programmes varied. For example, in 2019, a television advertisement broadcast during a 6-day period was counted as 60 “programmes” (para. 4.14).

19. ***Need to update data in the database of private buildings.*** HAD maintains a database of all private buildings in Hong Kong, i.e. Building Management Information System (BMIS). It provides basic information on private buildings in all districts, such as number of units and storeys, year built, and information on management organisations of the buildings (e.g. OCs). The information is used by HAD for planning and implementation of services/schemes and also open to the public via HAD’s dedicated homepage on building management. Audit noted the following issues:

- (a) as at 31 March 2020, data of 40,944 buildings was kept in BMIS. However, data of “year built” was not available for 7,099 (17%) buildings, and data of “storeys” or “number of units” was not available for 957 (2%) buildings; and
- (b) Audit selected 30 building files during visits to three selected DOs. In the building files of the 30 buildings, there were a total of 111 visit reports for the period 2016 to 2019, of which data of 24 (22%) reports (involving 15 (50%) buildings) had not been input to BMIS, and therefore some of the data had not been updated.

In Audit’s view, HAD should continue to take measures to improve the accuracy of the database of private buildings (paras. 4.19, 4.21 to 4.23).

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 Director of Home Affairs should:**

Executive Summary

Support services for the formation of OCs

- (a) **ascertain the number of buildings eligible for BMPASS and review the basis of planning the geographical allocation of target buildings under BMPASS (para. 2.27(a) and (b));**
- (b) **formulate measures to improve the success rate of forming/reactivating OCs under BMPASS, taking into account the difficulties encountered by the BMPASS Contractors (para. 2.27(c));**
- (c) **review the level of performance targets for BMPASS Contractors with a view to enhancing the service level (para. 2.27(d));**
- (d) **in collaboration with the BMPASS Contractors, explore ways to encourage more users to give feedback via the users' advisory meetings and the users' satisfaction surveys (para. 2.27(e));**
- (e) **perform a comprehensive review for mapping out the way forward for BMPASS, drawing lessons from the experiences gained in the three phases, and take into account the recommendations in this Audit Report in implementing BMPASS in future (para. 2.27(f));**
- (f) **step up efforts in recruiting RLAs and enhancing publicity of the RLA Scheme (para. 2.34);**

Support services on other building management matters

- (g) **issue more guidelines to ensure that proper records are kept for the Pre-meeting Advisory Service for OCs provided by DBMLTs (para. 3.28(a));**
- (h) **review the frequency of visits to private buildings by DBMLTs and revise the frequency requirement in the Operational Manual on Building Management for LOs where appropriate, and set up a monitoring mechanism to ensure that the frequency requirement is met (para. 3.28(b));**
- (i) **issue more guidelines to DBMLTs on the procedures of conducting visits (para. 3.28(c));**

Executive Summary

- (j) encourage LOs in DBMLTs to attend relevant training courses, and consider setting a training requirement for them (para. 3.28(d));
- (k) update the Operational Manual on Building Management for LOs more frequently (para. 3.28(f));
- (l) for the Central Platform on Building Management, keep in view the need to organise briefing sessions in all the 18 districts, and consider stepping up the use of electronic means in conducting the briefings (para. 3.43(a));
- (m) examine the reasons for the large variance in the number of educational and publicity programmes organised across the 18 districts, and consider setting a target number for each district (para. 3.43(b));
- (n) take measures to encourage participants in the LEAD/Advanced LEAD Programmes to attend all the training sessions, and consider setting possession of a Statement of Attendance in the LEAD Programme as a prerequisite for nominating MC members to enrol in the Advanced LEAD Programme (para. 3.43(c) and (d));

Other administrative matters

- (o) take improvement measures to ensure that the performance targets on liaison with owners and management bodies of private buildings are met by all DOs and the Headquarters (para. 4.9);
- (p) on the reporting of educational and publicity programmes, examine the suitability of the counting basis adopted for the programmes, issue clear guidelines on the counting basis and avoid double counting of the same programmes (para. 4.17(b)); and
- (q) continue to take measures to improve the accuracy of the database of private buildings (para. 4.24).

Response from the Government

21. The Director of Home Affairs 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 In Hong Kong, many people live in private multi-storey buildings or private residential estates with individual blocks of buildings. When an owner purchases a flat in a multi-storey building, he/she is not only entitled to the exclusive possession of his/her flat, but also jointly owns the common parts (Note 1) of the building/estate with other owners of the same building/estate. It is the joint responsibility of owners of the building/estate to manage and maintain the common parts of the building/estate.

1.3 Effective building management helps provide a pleasant and comfortable living environment. On the contrary, buildings that are relatively aged and lack of proper management might give rise to problems in respect of hygiene, security and fire safety. Building dilapidation might also have implications on building and public safety. However, managing a building is no simple task. It involves decision making on a myriad of matters, ranging from cleansing and refuse clearing in common parts of the buildings to non-recurring tasks such as making one-off procurements (e.g. installation of security devices and commissioning of maintenance works). For multi-storey buildings (e.g. residential estates) with a large number of owners, it is necessary to put in place a mechanism to facilitate collective decision making of all owners on building management matters.

1.4 The Government's policy is to encourage and assist property owners to form appropriate owners' organisations, such as owners' corporations (OCs), for effective building management and to assist owners to discharge their management

Note 1: *Common parts of a building are specified in the Building Management Ordinance (Cap. 344) and in the building's Deed of Mutual Covenant, which defines the rights, interests and obligations of all the co-owners, the manager and also the developer of the building. Examples of common parts include structural parts (such as foundations, columns and beams), staircases, lifts, gardens and clubhouses, etc.*

Introduction

responsibilities. To this end, the Building Management Ordinance (BMO — Cap. 344) was enacted to provide a legal framework to:

- (a) facilitate the incorporation of owners of flats in buildings or groups of buildings; and
- (b) provide for the management of buildings or groups of buildings and for matters incidental thereto or connected therewith.

The Secretary for Home Affairs is the Authority of BMO. The Home Affairs Department (HAD), being the executive arm of the Home Affairs Bureau, seeks to assist owners of private buildings to form suitable owners' organisations and assist them in dealing with building management matters and their operation through various support services. HAD has set up a dedicated division (i.e. Division IV) in its Headquarters to coordinate building management matters. At the district level, HAD has set up District Building Management Liaison Teams (DBMLTs) comprising Liaison Officers (LOs) in the 18 District Offices (DOs) to provide support services on building management matters. For 2020-21, there are 145 LOs in HAD's Headquarters and DBMLTs engaged in building management duties with an estimated expenditure of \$94 million (Note 2). An extract of the organisation chart of HAD is at Appendix A.

1.5 OCs and other forms of owners' organisations. An OC is a body corporate set up under BMO (Note 3). BMO stipulates, among other things, the formation, powers, rules of operation and monitoring mechanism of OCs. According to HAD, formation of OCs is one of the pivotal tools for effective building management because an OC has the legal status to represent all owners in managing the common parts of the building. Apart from OCs, owners may also establish other forms of owners'

Note 2: *HAD's work in facilitating building management falls under the programme areas of "District Administration" and "Community Building". For 2020-21, the two programmes have a staff establishment of 1,753 and an estimated expenditure of \$2,903 million.*

Note 3: *An OC exercises and performs the rights, powers, privileges and duties of the owners in relation to the common parts of the building. For example, it is empowered to appoint property management companies, terminate their appointment and monitor their work (subject to the requirements under BMO and the Deed of Mutual Covenant of the building).*

organisations, such as owners' committees (Note 4), to assist in performing building management duties.

1.6 ***Management committee (MC).*** Since building management covers a wide range of matters, it will be difficult to deal with these matters promptly and effectively if each and every single matter has to be decided by a general meeting of OC. Under BMO, an MC is appointed to exercise the powers and perform the duties of an OC. In general, owners of the building may appoint an owner, who meets the relevant statutory eligibility criteria as specified in BMO, and whom they think fit to be a member of MC by resolution passed at a general meeting of OC (Note 5). Under normal circumstances, the powers and duties conferred or imposed by BMO shall be exercised and performed by MC on behalf of OC.

Note 4: *An owners' committee is an owners' organisation formed under and in accordance with the Deed of Mutual Covenant of the building. Its composition, operation details, duties and powers are set out in the Deed of Mutual Covenant. An owners' committee is not a body corporate. Subject to the terms of the Deed of Mutual Covenant, unanimous agreement of all owners may be required for every management and maintenance matter.*

Note 5: *Under BMO, the minimum number of MC members is determined in accordance with the number of flats in a building. For example, for a building with more than 100 flats, the number of MC members should not be less than 9.*

Support services for the formation of OCs

1.7 *Support services provided by DBMLTs.* These include:

- (a) advising property owners on the procedures of the formation of an OC;
- (b) processing applications to facilitate the formation of OCs (Note 6); and
- (c) attending the meeting of owners for the formation of an OC and giving advice on the procedures for the appointment of an MC.

1.8 *Targeted support services for “three-nil” buildings.* While it is the responsibility of property owners to manage their buildings (see para. 1.2), effective building management may be difficult for buildings in which owners and residents lack the platform to discuss and handle issues of common concern, in particular those buildings which do not have OCs or any form of residents’ organisations (Note 7), nor engage any property management companies (PMCs) (i.e. commonly referred to as “three-nil” buildings). Photographs 1 and 2 show conditions in common parts of some “three-nil” buildings due to poor building management.

Note 6: *These include:*

- (a) *issuing an exemption certificate to the convenor (who is the owner appointed by the owners of not less than 5% of the shares in aggregate) under section 3(1)(c) of BMO for obtaining a free copy of record of owners of the building from the Land Registry for the purpose of convening a meeting of owners to form an OC; and*
- (b) *processing applications made to the Secretary for Home Affairs for an order to convene a meeting of owners under section 3A of BMO.*

Note 7: *Apart from OCs, other forms of residents’ organisations include organisations formed by owners or other residents such as owners’ committees and mutual aid committees.*

Photographs 1(a) to 1(d)

Common parts of “three-nil” buildings in dilapidated conditions

(a) Staircase with cracks



(b) Broken staircase window glazing



(c) Water pipes with stains at building exterior



(d) Spalling of concrete in corridor



Source: HAD records

Introduction

Photographs 2(a) to 2(d)

Common parts of “three-nil” buildings in
unsatisfactory hygienic, safety and security conditions

(a) Staircase with obstructions



(b) Entrance without gate



(c) Rooftop with construction
waste and rubbish



(d) Canopy with rubbish



Source: HAD records

1.9 According to HAD's records, as at 31 December 2019, there were 40,944 private buildings in Hong Kong, of which 5,255 (13%) were "three-nil" buildings. Appendix B shows the distribution of private buildings in Hong Kong by district as at 31 December 2019.

1.10 In view of the problems arising from the lack of management of "three-nil" buildings, HAD has since 2011 introduced targeted support services for these buildings. Such measures aim at assisting owners to organise themselves to form OCs so that they can improve the management of the buildings and undertake building maintenance works where necessary. According to HAD's information, from 2011 to 2019, the total number of "three-nil" buildings has decreased from 6,736 to 5,255 (see Appendix C). More details of the two targeted services are described in paragraphs 1.11 and 1.12.

1.11 ***Building Management Professional Advisory Service Scheme (BMPASS).*** BMPASS has been implemented since 2011 with the following characteristics:

- (a) ***Objective.*** BMPASS aims at assisting owners of aged buildings (in particular those of "three-nil" buildings) to better understand and discharge their responsibilities for managing their own properties, so as to halt building dilapidation, enhance building safety and safeguard the public. Support is provided to owners to overcome the hurdles of initial start-up and coordination, so that they can be progressively trained and eventually take up the management responsibilities;
- (b) ***Mode of operation.*** Through open tenders, HAD has engaged two contractors (hereinafter referred to as BMPASS Contractors), which are experienced PMCs, to provide services to owners of target buildings (Note 8). The BMPASS Contractors proactively reach out to owners of the target buildings and provide professional advisory and support services; and

Note 8: *Under BMPASS, target buildings are private residential buildings or composite buildings fulfilling specified criteria, including building age, annual average rateable values, conditions of common parts of the buildings, and the status of management bodies (if any) of the buildings.*

Introduction

- (c) ***Scope of services.*** A range of free professional advisory and follow-up services are provided, including facilitating the formation or reactivation of OCs, and attending OC meetings to provide professional advice/secretarial support.

Since its inception in 2011, three phases of BMPASS have been launched. In Phases 1 and 2, BMPASS had reached out to 2,453 buildings. BMPASS is currently in Phase 3. Up to March 2020, the BMPASS Contractors had reached out to 3,820 buildings and had helped some of these buildings form or reactivate 536 OCs under the three phases. In the 2019 Policy Address, the Government has announced that BMPASS would be regularised.

1.12 ***Resident Liaison Ambassador (RLA) Scheme.*** Also launched in 2011, the RLA Scheme has the following characteristics:

- (a) ***Objective.*** The RLA Scheme aims at facilitating residents of aged buildings to enhance building management by recruiting owners or tenants in “three-nil” buildings as RLAs;
- (b) ***Mode of operation.*** The two BMPASS Contractors conduct household visits at target buildings and hold talks to encourage residents to participate as RLAs. DOs also invite residents to the scheme through day-to-day liaison; and
- (c) ***Role of RLAs.*** As at December 2019, there were about 3,900 RLAs. Apart from assisting government departments in contacting residents to disseminate messages on building management-related matters, RLAs also assist in:
 - (i) engaging residents to discuss and handle daily building management matters (e.g. cleanliness, security and fire safety); and
 - (ii) encouraging residents to share their experience and knowledge in building management.

According to HAD, the RLA Scheme has yielded considerable results. Not only did RLAs serve as a bridge of communication between residents and government

departments, they also actively promote the formation of OCs in their buildings. Many of them have become MC members upon the formation of OCs.

Support services on other building management matters

1.13 Apart from facilitating the formation of OCs, HAD also provides the following support services in facilitating building management:

- (a) advisory services to OCs (para. 1.14);
- (b) other support services by DBMLTs (para. 1.15); and
- (c) educational and publicity programmes (para. 1.16).

1.14 ***Advisory services to OCs.*** These services are provided to enhance support for OCs in discharging their duties properly and in accordance with BMO. The services include:

- (a) ***Pre-meeting Advisory Service for OCs.*** The service was launched in April 2017 to step up support for OCs and MCs for more effective building management. DBMLTs brief MC members on meeting procedures, and provide them with relevant information before OC meetings to ensure compliance with BMO and the Codes of Practice issued under BMO. The main targets of the service are newly-formed OCs, new-term MCs, and OCs anticipating controversial discussion items (e.g. maintenance projects);
- (b) ***OCs Advisory Services Scheme.*** The Scheme was launched in May 2018 as a pilot scheme and was regularised in March 2020. It aims to strengthen support for OCs and to promote effective building management. HAD has commissioned two PMCs as contractors (Note 9) through open tenders to provide OCs with free advisory services. The scope of services includes providing advice and assistance in handling daily building management matters and complying with BMO, the Codes of Practice, the Best Practices

Note 9: *Of the two contractors, one is also a BMPASS Contractor (see para. 1.11(b)).*

Introduction

on Building Management and the Checklist on Procedural Propriety on Building Management, and assisting OCs in applying for building management-related subsidies (Note 10); and

- (c) ***Free Legal Advice Service on Building Management.*** In collaboration with the Law Society of Hong Kong, lawyers are assigned to offer legal advice on interpretation of the provisions on BMO and other relevant legal matters.

1.15 ***Other support services by DBMLTs.*** DBMLTs in the 18 DOs provide comprehensive support services in facilitating building management. Apart from the Pre-meeting Advisory Service for OCs (see para. 1.14(a)), they also provide outreach services to owners and owners' organisations, which include visiting owners and owners' organisations of private buildings and attending owners' meetings and providing information as appropriate. To assist owners, owners' organisations and PMCs in resolving disputes, DBMLTs may make referrals to various dispute resolution services with the support of relevant professional bodies/professionals (see Appendix D).

1.16 ***Educational and publicity programmes.*** Since it is the responsibility of property owners to manage the buildings, it is important for owners and MC members, who exercise and perform the powers and duties on behalf of OCs (see para. 1.6), to familiarise themselves with the requirements under BMO. In this connection, HAD has organised a number of educational and publicity activities, including:

Note 10: *For example, subsidies are provided under the Community Care Fund to relieve the burden relating to the daily operating expenses of OCs of aged buildings.*

- (a) ***Publication of guidelines.*** Education and assistance are provided to equip OCs with knowledge on the requirements under BMO and the related legislative amendment proposals (Note 11). In this connection, HAD has issued different publications in the form of administrative guidelines and checklists. HAD has also issued press releases and written to OCs to publicise these guidelines;
- (b) ***Central Platform on Building Management.*** To better assist owners of old buildings in building management, HAD launched the Central Platform on Building Management in September 2018, under which regular briefings on building management and maintenance are organised. Representatives from relevant government departments and organisations (Note 12) will provide information and introduce their services and schemes. Up to January 2020, a total of 17 sessions have been held; and
- (c) ***Structured training for MC members.*** Since 2011, HAD has engaged tertiary institutions to provide structured training on building management to MC members free of charge (named the LEAD Programme), so as to facilitate them to discharge their duties more confidently and effectively. As of December 2019, over 620 MC members had participated in the programme.

Note 11: *BMO was last amended in 2007. In 2011, in order to keep pace with changing circumstances and to address public concerns, a Review Committee on BMO was set up to conduct a comprehensive review. Following a series of public engagement exercises, the Government has drawn up a number of proposals for legislative amendments of BMO. For example, one of the proposals is to raise the quorum of the OC general meeting for passing resolutions on “large-scale maintenance projects” to encourage owners’ participation in making such important decisions. The Legislative Council Panel on Home Affairs was consulted on the proposals in May 2016, March and November 2017 and May 2020.*

Note 12: *The relevant government departments and organisations include Buildings Department, Fire Services Department, Electrical and Mechanical Services Department, Hong Kong Police Force, Independent Commission Against Corruption, Urban Renewal Authority and Competition Commission.*

Introduction

Performance measurement

1.17 HAD reports in its Controlling Officer's Reports (CORs) two key performance indicators in facilitating building management. The estimates and the actual achievements for 2015 to 2019 are shown in Table 1.

Table 1
Performance indicators on facilitating building management
(2015 to 2019)

Performance indicator	Estimate/ Actual	2015	2016	2017	2018	2019
1(a). Visits to buildings with OCs/mutual aid committees/owners' committees/residents' organisations (No. of visits)	Estimate	41,000	41,000	N.A. (Note)		
	Actual	41,642	41,108			
1(b). Visits to buildings without any form of management (No. of visits)	Estimate	7,000	7,000			
	Actual	8,166	7,013			
2. Liaison with owners/management bodies of private buildings (No. of liaisons)	Estimate	N.A. (Note)		49,000	58,000	58,000
	Actual			57,926	62,147	58,855
3. Building management educational and publicity programmes (No. of programmes)	Estimate	400	400	400	400	400
	Actual	404	400	402	406	404

Source: HAD records

Note: As from 2017, the indicators (1(a)) "visits to buildings with OCs/mutual aid committees/owners' committees/residents' organisations" and (1(b)) "visits to buildings without any form of management" were replaced by a new indicator (2) "liaison with owners/management bodies of private buildings". According to HAD, the new indicator better reflects the work of HAD on building management.

For 2020, the estimates for the two indicators are 60,000 liaisons and 400 educational and publicity programmes.

Audit review

1.18 In April 2020, the Audit Commission (Audit) commenced a review to examine the efforts of HAD in facilitating building management, focusing on:

- (a) support services for the formation of OCs (PART 2);
- (b) support services on other building management matters (PART 3); and
- (c) other administrative matters (PART 4).

Acknowledgement

1.19 During the audit review, in light of the outbreak of coronavirus disease (COVID-19), the Government had implemented various special work arrangements and targeted measures for government employees, including working from home. Audit would like to acknowledge with gratitude the full cooperation of the staff of HAD during the course of the audit review amid the COVID-19 epidemic.

PART 2: SUPPORT SERVICES FOR THE FORMATION OF OWNERS' CORPORATIONS

2.1 This PART examines support services provided by HAD for the formation of OCs, focusing on the two services targeted for “three-nil” buildings, BMPASS and the RLA Scheme.

Implementation of the Building Management Professional Advisory Service Scheme

2.2 To assist owners of aged buildings (in particular those of “three-nil” buildings) in the formation of OCs with a view to improving building management, HAD has implemented three phases of BMPASS since 2011 (see para. 1.11). In each of the three phases, HAD has commissioned two BMPASS Contractors through open tenders to implement the scheme (Note 13), which are responsible for providing a range of free professional advisory and follow-up services to target buildings meeting certain criteria specified by HAD (see para. 2.3). The services (Note 14) include:

- (a) conducting household visits and contacting owners directly;
- (b) assisting in the recruitment of RLAs; and

Note 13: *The two contractors are responsible to serve different geographical areas in Hong Kong. The contracted costs for each of the three phases were \$38 million (Phase 1), \$48 million (Phase 2) and \$51 million (Phase 3) respectively.*

Note 14: *After the formation/reactivation of OCs under BMPASS, BMPASS Contractors may also provide follow-up services during the OCs' initial start-up stage, including:*

- (a) *attending OC meetings to provide professional advice and secretarial support;*
- (b) *assisting OCs in applying for loans/subsidies under various loan and subsidy schemes for maintenance works, and following up on building/window inspections, maintenance works and tendering matters;*
- (c) *assisting OCs in procuring third party risks insurance, and purchasing and installing of energy saving equipment; and*
- (d) *providing training on building management to office-bearers of OCs, owners and RLAs.*

- (c) facilitating the formation of OCs or the reactivation of operation of OCs.

2.3 For each phase under BMPASS, owners of buildings interested in joining the scheme may submit applications. Nominations may also be made by District Council members or DOs. Buildings meeting certain criteria specified by HAD would be included as “target buildings” under that phase. The criteria adopted for Phase 3 (Note 15) are:

- (a) residential or composite (i.e. commercial/residential use) buildings aged 30 years or above (excluding New Territories Small Houses, village houses and house developments);
- (b) the annual average rateable value of the residential units did not exceed \$162,000 for urban areas (Note 16), and \$124,000 for the New Territories;
- (c) the common parts of the buildings were in disrepair or dilapidated condition, requiring maintenance or repair works;
- (d) there was no OC, or MC was defunct or inactive; and
- (e) not included in either Phase 1 or Phase 2 of BMPASS.

2.4 The period covered and the number of target buildings involved in each phase of BMPASS are as follows:

Note 15: *The criteria adopted for Phases 1 and 2 were the same as those for Phase 3, except for the following:*

- (a) *the threshold of annual average rateable value of the residential units (see para. 2.3(b)) was “not exceeding \$100,000” in Phase 1, and “not exceeding \$120,000 for urban areas and \$92,000 for the New Territories” in Phase 2; and*
- (b) *the criterion of “not included in previous phase(s) of BMPASS” (see para. 2.3(e)) did not apply in Phase 1.*

Note 16: *Urban areas under BMPASS include Sha Tin, Kwai Tsing and Tsuen Wan.*

Support services for the formation of owners' corporations

- (a) Phase 1 from November 2011 to March 2014, involving 1,253 target buildings;
- (b) Phase 2 from April 2014 to March 2017, involving 1,200 target buildings; and
- (c) Phase 3 from April 2017 to December 2020 (Note 17), involving 1,367 target buildings.

2.5 According to HAD, BMPASS has been effective and welcomed by relevant sectors of the community. In the 2019 Policy Address, the Government has announced that BMPASS would be regularised. This is to intensify the continuous support to owners of “three-nil” buildings and aged buildings by engaging experienced PMCs to assist them to form or reactivate their OCs to perform building management duties.

Need to ascertain the number of buildings eligible for BMPASS

2.6 The objective of BMPASS is to assist owners of aged buildings, including “three-nil” buildings, in the formation of OCs with a view to improving building management (see para. 2.2). Audit noted that:

- (a) apart from “three-nil” buildings, the three phases of BMPASS also covered buildings with OCs but the MCs of which were defunct or inactive (see para. 2.3(d)). However, according to HAD, while the number of “three-nil” buildings was readily available, there were no readily available statistics about buildings with defunct MCs (Note 18); and
- (b) the number of “three-nil” buildings in HAD’s records (5,255 as of 2019) included buildings which might not be able to form OCs in accordance with

Note 17: *Phase 3 of BMPASS was launched for the period April 2017 to March 2020. It has been extended to December 2020 to procure additional service from the contractors to cater for the continuing needs of OCs formed under Phase 3 in respect of building repair works.*

Note 18: *According to HAD, if LOs noticed during day-to-day liaison that the MC of a building was defunct, a remark would be made. Such information would be taken into account when the building applied for or was nominated to BMPASS.*

BMO (e.g. town houses and private buildings under single ownership — see Note 2 to Appendix B). Accordingly, such buildings should be excluded from the coverage of BMPASS. However, HAD did not have readily available information on the number of such buildings.

In Audit's view, for better resources planning and assessment of the extent to which BMPASS has achieved its objective, HAD should ascertain the number of buildings eligible for BMPASS, including buildings with OCs but the MCs of which are defunct or inactive, and excluding those which may not be able to form OCs in accordance with BMO.

Need to review the basis of geographical allocation of target buildings

2.7 For resources allocation purposes, HAD has set a planned number of target buildings for each geographical area. According to HAD, the planned number of target buildings was based on the proportion of number of “three-nil” buildings in the geographical areas. Table 2 shows, in all the three phases of BMPASS, the total planned number of target buildings, and the total actual number (i.e. number of buildings which had applied for or had been nominated to BMPASS, and met the specified criteria — see para. 2.3), by geographical area.

Table 2

Number of target buildings under the three phases of BMPASS

Geographical area	No. of target buildings		
	Planned (a)	Actual (b)	Variance (c) = (b) – (a)
Area 1 (Yau Tsim Mong)	934 (24 %)	872 (23 %)	-62 (-7 %)
Area 2 (Kowloon City)	713 (18 %)	710 (18 %)	-3 (0 %)
Area 3 (Sham Shui Po and Kowloon East)	774 (20 %)	799 (21 %)	25 (3 %)
Area 4 (Hong Kong Island)	849 (22 %)	774 (20 %)	-75 (-9 %)
Area 5 (New Territories West)	212 (6 %)	219 (6 %)	7 (3 %)
Area 6 (New Territories East)	371 (10 %)	446 (12 %)	75 (20 %)
Overall	3,853 (100 %)	3,820 (100 %)	-33 (-1 %)

Source: Audit analysis of HAD records

Remarks: The two BMPASS Contractors were responsible for service in different geographical areas. One was responsible for Areas 1, 2, 3 and 5, and the other for Areas 4 and 6.

2.8 It can be seen from Table 2 that, for each of the two BMPASS Contractors, within the geographical areas they were responsible, there was no significant difference between the total planned and actual number of target buildings. However, for individual geographical areas, the variance in the planned and actual number of target buildings ranged from -75 (Area 4) to 75 (Area 6).

2.9 The geographical areas and the planned number of target buildings were specified in the tender documents and contracts for engaging contractors. It is therefore important that the planned number of target buildings and its geographical allocation should be close to the actual as far as practicable. As BMPASS would be

regularised after Phase 3 (see para. 2.5), Audit considers that HAD should take the opportunity to review the basis of planning the geographical allocation of target buildings, including whether there are factors other than the proportion of number of “three-nil” buildings (such as the age of buildings) which should be taken into account.

Need to improve the rate of success in forming/reactivating OCs

2.10 BMPASS was launched in 2011 (i.e. 9 years ago). Up to March 2020, among 3,820 buildings approached, 536 (14%) OCs had been formed/reactivated under BMPASS. Table 3 shows the number of OCs formed/reactivated under each phase of BMPASS.

Table 3

**Number of buildings approached and
OCs formed/reactivated under BMPASS**

Item	Phase 1	Phase 2	Phase 3 (Up to March 2020)	Overall
No. of buildings approached (a)	1,253	1,200	1,367	3,820
No. of OCs formed/reactivated (b)	157	194	185	536 (Note)
No. of OCs formed/reactivated as a percentage of no. of buildings approached (c) = (b) ÷ (a) × 100%	13%	16%	14%	14%

Source: Audit analysis of HAD records

Note: This comprised 443 OCs formed and 93 OCs reactivated.

Support services for the formation of owners' corporations

2.11 From time to time, there were media reports and comments from some Members of the Legislative Council about the seemingly low rate of success in forming OCs under BMPASS. As shown in Table 3, the overall rate of success in forming/reactivating OCs, measured by the number of OCs formed/reactivated as a percentage of the number of buildings approached under BMPASS, was 14%. Audit noted that the BMPASS Contractors were required to submit monthly progress reports to HAD reporting their work in approaching each of the target buildings in the districts. However, there was no documentary evidence showing that HAD had enquired the BMPASS Contractors about the difficulties encountered when helping owners to form/reactivate OCs.

2.12 Audit selected three DOs (Note 19) to review HAD's work on building management. To understand the work of the BMPASS Contractors in implementing the scheme, Audit examined the monthly progress reports submitted by the contractors to the three DOs. Table 4 summarises results of household visits by the BMPASS Contractor concerned in one of the districts (District A).

Note 19: *The DOs which recorded the highest number of shortfall in meeting the target number of liaisons in 2019 (see para. 4.3) in each of Hong Kong Island, Kowloon and the New Territories were selected.*

Table 4

Summary of household visits in District A under BMPASS

Item	Phase 2	Phase 3 (Up to March 2020)
No. of buildings approached (a)	280	133
No. of units involved (b)	4,561	3,181
Units with household visits not completed (Note)		
No. of units (c)	3,339	2,568
As a percentage of total (d) = (c) ÷ (b) × 100%	73%	81%
Units with household visits completed		
No. of units (e)	1,222	613
As a percentage of total (f) = (e) ÷ (b) × 100%	27%	19%
No. of units of which the owners/residents were willing to accept BMPASS services (g)	970	597
As a percentage of units with household visits completed (h) = (g) ÷ (e) × 100%	79%	97%
No. of units of which the owners/residents were willing to become MC members (i)	100	77
As a percentage of units with household visits completed (j) = (i) ÷ (e) × 100%	8%	13%

Source: Audit analysis of HAD records

Note: According to the contracts, the BMPASS Contractors shall complete door-to-door household visits to all target buildings within the geographical areas by the end of three months after commencement of services. There were no specified number of attempts of household visits to be made. Based on HAD records, the reasons for not completing the household visits included that the units were vacant or the BMPASS Contractor concerned was unable to reach the owners/residents during the visits.

Support services for the formation of owners' corporations

2.13 It can be seen in Table 4 that:

- (a) the BMPASS Contractor concerned encountered considerable difficulty in completing household visits for a large proportion of units (73 % for Phase 2 and 81 % for Phase 3 — see item (d)); and
- (b) for units with household visits successfully completed, the willingness of owners/residents to accept BMPASS services was high (79 % for Phase 2 and 97 % for Phase 3 — see item (h)).

2.14 According to HAD, participation by owners and residents is key to effective building management. Regarding the formation of OCs, it is important that this message is conveyed to the majority of the owners/residents in the buildings. The purpose of the household visits to individual units is to make direct contact with them, with a view to promoting BMPASS and encouraging them to participate in building management. Apparently, the difficulty of the BMPASS Contractors in completing household visits could be one of the reasons leading to the seemingly low rate of success in forming/reactivating OCs.

2.15 In September 2020, HAD informed Audit that while there was no documentary evidence showing that it had enquired the BMPASS Contractors about the difficulties encountered when helping owners to form/reactivate OCs (see para. 2.11), the BMPASS Contractors had reflected that the difficulties might be due to a number of inherent problems and practical difficulties often faced by such buildings, such as:

- (a) buildings with most of the occupants being tenants rather than owners;
- (b) buildings with aged owners who were not interested in forming OCs;
- (c) the existence of multiple Deeds of Mutual Covenant, leading to complications in ownership and hence the management responsibilities of certain common parts of the buildings; and
- (d) the buildings were under acquisition.

These difficulties might have led to the low level of willingness of the owners concerned to participate in the management of their buildings. Against this background, HAD considered that the achievement of BMPASS was reasonable, with a notable decrease in the number of “three-nil” buildings over the years.

2.16 In Audit’s view, HAD needs to formulate measures to improve the success rate of forming/reactivating OCs under BMPASS, taking into account the difficulties encountered by the BMPASS Contractors.

Scope for improvement in performance monitoring of BMPASS Contractors

2.17 *Performance targets.* HAD has set output targets for the BMPASS Contractors in implementing the scheme. HAD has issued an “Operation Guide for LOs on contract management for BMPASS” in monitoring the BMPASS Contractors’ service delivery and performance under BMPASS in the districts concerned. Procedures to facilitate effective monitoring of the performance of the BMPASS Contractors include:

- (a) the BMPASS Contractors shall submit to HAD monthly progress reports, which include reporting on their attainment of output targets. HAD’s staff will carry out audits and site inspections bi-monthly (Note 20); and
- (b) if the BMPASS Contractors fail to meet the standards required under the contracts, follow-up actions will be taken (Note 21).

Note 20: *The BMPASS Contractors shall maintain log sheets and make them available for inspection by HAD’s staff. The log sheets shall record details of work performed by the BMPASS Contractors (e.g. household visits conducted and meetings attended).*

Note 21: *DOs are entitled to instruct the BMPASS Contractors to remedy/rectify the failure within such period as specified. A warning letter will be issued if the contractor fails to comply with the instructions. If the progress of meeting the output targets is not to the satisfaction of HAD, it will withhold/deduct a sum of money from the monthly payment and issue a warning letter to the contractor. For Phase 3 (up to June 2020), one warning letter was issued.*

Support services for the formation of owners' corporations

The key targets set and the attainment of these targets in each phase are summarised in Table 5.

Table 5

Output targets under BMPASS

Output target	Target/ Actual	Phase 1	Phase 2	Phase 3 (Up to March 2020)	Overall
No. of OCs formed/ reactivated	Target	99	99	105	303
	Actual	157 (159%)	194 (196%)	185 (176%)	536 (177%)
No. of RLAs recruited	Target	N.A.	1,200	1,348	2,548
	Actual	(Note 2)	1,255 (105%)	1,434 (106%)	2,689 (106%)
No. of OCs with assistance provided on					
applying for loan/subsidy	Target	99	99	105	303
	Actual	111 (112%)	113 (114%)	194 (185%)	418 (138%)
engaging consultants/ contractors (Note 1)	Target	71	51	103	225
	Actual	114 (161%)	84 (165%)	104 (101%)	302 (134%)
procuring third party risks insurance	Target	N.A.	99	105	204
	Actual	(Note 2)	154 (156%)	173 (165%)	327 (160%)

Source: Audit analysis of HAD records

Note 1: The consultants/contractors (e.g. registered inspectors, authorised persons) are involved in undertaking building inspection and/or maintenance/repair works.

Note 2: The BMPASS Contractors in Phase 1 were not engaged in procuring third party risks insurance and the recruitment of RLAs.

Remarks: Figures in bracket represent actual achievement as a percentage of output targets.

2.18 It can be seen from Table 5 that many of the targets were persistently over-achieved throughout the three phases of BMPASS (e.g. number of OCs formed/reactivated). In Audit's view, performance targets should be realistic and achievable and also challenging enough to drive improvement. BMPASS has been implemented for 9 years since 2011. In view of the persistent over-achievement in many of the performance targets, there is a need for HAD to review the level of such targets with a view to enhancing the service level.

2.19 *Users' advisory meetings.* According to the "Operation Guide for LOs on contract management for BMPASS", the BMPASS Contractors shall convene users' advisory meetings comprising representatives of users (e.g. OCs, owners/residents and RLAs) and DOs' staff to collect views on BMPASS and their performance half-yearly in each of the geographical areas. Letters are delivered to the target buildings to invite owners/residents to join the meetings. Up to March 2020, the two BMPASS Contractors had held 93 users' advisory meetings for all the geographical areas under the three phases of BMPASS. The feedbacks were generally positive (Note 22). An analysis of the average attendance in the meetings in each of the three phases is shown in Table 6.

Table 6

Attendance in users' advisory meetings

Item	Phase 1	Phase 2	Phase 3 (Up to March 2020)	Overall
No. of meetings held	28	35	30	93
Average no. of attendees in each meeting	19	23	23	22
Average no. of buildings with representatives attending in each meeting	10	11	13	11

Source: Audit analysis of HAD records

Note 22: *According to HAD, from the users' point of view, the BMPASS Contractors were successful in helping owners in managing their buildings, and were helpful in educating and enhancing the knowledge of owners on building management.*

Support services for the formation of owners' corporations

2.20 Audit's further analysis on the attendance revealed that:

- (a) the numbers of attendees were generally low, ranging from 5 to 53 and averaging 22, in each meeting; and
- (b) 24 (26%) of the 93 meetings had fewer than 10 attendees.

2.21 *Users' satisfaction surveys.* According to the "Operation Guide for LOs on contract management for BMPASS", DOs shall send users' satisfaction survey questionnaires yearly to collect users' views on BMPASS and the BMPASS Contractors' performance. The results will be incorporated in appraising the BMPASS Contractors' performance. Up to March 2020, 6 rounds of users' satisfaction surveys had been conducted for the three phases of BMPASS. The results of the surveys showed that:

- (a) 83% of the users were satisfied with the performance of the BMPASS Contractors;
- (b) 76% of the users were satisfied with the publicity efforts; and
- (c) 88% of the users considered that BMPASS was helpful in assisting them in forming OCs.

2.22 Audit analysed the response rates of the 6 rounds of users' satisfaction surveys (see Table 7) and noted that:

- (a) there was a decreasing trend in the number of survey questionnaires distributed. It decreased from 32,434 in Phase 1 to 17,601 in Phase 2, and further to 14,349 in Phase 3, representing an overall decrease of 56%; and
- (b) the response rate was low, ranging from 1.5% (Phase 3) to 3.1% (Phase 2), averaging 2.2%.

Table 7

Response rates of users' satisfaction surveys of BMPASS

Item	Phase 1	Phase 2	Phase 3 (Up to March 2020)	Overall
No. of survey questionnaires distributed (a)	32,434	17,601	14,349	64,384
No. of survey questionnaires returned (b)	662	553	219	1,434
Response rate (c) = (b) ÷ (a) × 100%	2.0%	3.1%	1.5%	2.2%

Source: Audit analysis of HAD records

2.23 Collection of feedback aims at obtaining useful information for evaluation of services and continuous improvement. It is important that the comments are collected from a broad and representative sample, so that they reflect consensus among stakeholders and are comprehensive enough to drive improvement. However, Audit noted that both the attendance of users' advisory meetings and the response rates on users' satisfaction surveys were low. For example, for Phase 3:

- (a) regarding the users' advisory meetings, the number of buildings with representatives attending the meetings was small (an average of 13 buildings in 30 meetings — see Table 6 in para. 2.19), compared with the total of 1,367 target buildings (see para. 2.4(c)); and
- (b) regarding the users' satisfaction surveys, only 14,349 survey questionnaires were distributed, representing 64% of a total of 22,312 units in the target buildings. In addition, only 219 survey questionnaires were returned, representing 1.5% of survey questionnaires distributed (see Table 7 in para. 2.22). The feedback collected was very limited.

2.24 In Audit's view, HAD needs to, in collaboration with the BMPASS Contractors, explore ways to encourage more users to give feedback via the users' advisory meetings and the users' satisfaction surveys.

Need to perform a comprehensive review on the experiences gained in the three phases of BMPASS

2.25 According to HAD, BMPASS has been welcomed by owners of target buildings and relevant members of the community. They considered that the scheme had helped owners of old buildings improve building management, living environment and building safety. In the 2019 Policy Address, the Government has announced that BMPASS would be regularised (see para. 2.5). The regularised BMPASS will continue to support owners of old buildings in need by providing services such as assistance in OCs formation. Upon enquiry, HAD informed Audit in July 2020 that it was working out the details of the scheme and preparing for the procurement of the services.

2.26 As at 31 December 2019, there were 5,255 “three-nil” buildings in Hong Kong (see Appendix B). According to HAD, the three phases of BMPASS, involving a total of 3,820 target buildings, had encompassed all “three-nil” buildings which had applied for or had been nominated to BMPASS, and met the specified criteria (see para. 2.3). As the scheme will be regularised, HAD should perform a comprehensive review for mapping out the way forward for BMPASS, drawing lessons from the experiences gained in the three phases. In particular, there is merit for HAD to review the criteria for inclusion as target buildings (e.g. adjustment of the threshold of rateable values) so as to increase the coverage of buildings in need under BMPASS. HAD also needs to take into account the recommendations in this Audit Report in implementing BMPASS in future.

Audit recommendations

2.27 **Audit has *recommended* that the Director of Home Affairs should:**

- (a) **ascertain the number of buildings eligible for BMPASS;**
- (b) **review the basis of planning the geographical allocation of target buildings under BMPASS;**
- (c) **formulate measures to improve the success rate of forming/reactivating OCs under BMPASS, taking into account the difficulties encountered by the BMPASS Contractors;**

- (d) **review the level of performance targets for BMPASS Contractors with a view to enhancing the service level;**
- (e) **in collaboration with the BMPASS Contractors, explore ways to encourage more users to give feedback via the users' advisory meetings and the users' satisfaction surveys; and**
- (f) **perform a comprehensive review for mapping out the way forward for BMPASS, drawing lessons from the experiences gained in the three phases, and take into account the recommendations in this Audit Report in implementing BMPASS in future.**

Response from the Government

2.28 The Director of Home Affairs agrees with the audit recommendations.

Implementation of the Resident Liaison Ambassador Scheme

2.29 Noting that some old buildings have great difficulties in forming OCs and taking care of day-to-day building management, HAD rolled out the RLA Scheme in 2011 (see para. 1.12). The scheme seeks to establish a resident liaison network for promoting the message of effective building management by recruiting owners or tenants who live in “three-nil” buildings as RLAs. The long-term objective is to assist the buildings in the formation of OCs to facilitate effective building management.

2.30 Owners/residents aged 18 or above living in “three-nil” buildings of 30 years or above can join the scheme as RLAs. RLAs are mainly recruited during household visits under BMPASS (see para. 2.2(b)), or by DBMLTs through day-to-day liaison. There is no fixed term of office for the RLAs recruited. When an OC is formed for a building, the RLAs living in that building will be deregistered from the RLA list and classified as former RLAs.

Support services for the formation of owners' corporations

2.31 RLAs are expected to assist in:

- (a) engaging residents to discuss and handle daily building management matters (e.g. cleanliness, security and fire safety);
- (b) encouraging residents to share their experience and knowledge in building management;
- (c) contacting residents to disseminate messages from government departments on building management-related matters (e.g. building safety and fire safety); and
- (d) advising DOs on building management matters.

Need to step up efforts in recruiting RLAs and promoting the RLA Scheme

2.32 As at December 2019, there were 2,759 incumbent RLAs in 1,300 “three-nil” buildings aged 30 years or above and 1,131 former RLAs. Table 8 shows the number of RLAs recruited and OCs formed through the RLA Scheme for the period 2015 to 2019.

Table 8

**Results of the RLA Scheme
(2015 to 2019)**

Item	2015	2016	2017	2018	2019
No. of RLAs recruited in the year (a)	566	319	1,054	439	431
Cumulative no. of RLAs since 2011					
Incumbent RLAs (b)	1,769	1,989	2,875	2,865	2,759
Former RLAs (c)	437	536	704	943	1,131
Total no. of RLAs recruited (d) = (b) + (c)	2,206	2,525	3,579	3,808	3,890
No. of “three-nil” buildings aged 30 years or above (e)	N.A. (Note)	4,686	4,502	4,305	4,203
No. of buildings with incumbent RLAs (f)	982	1,032	1,391	1,493	1,300
Buildings with incumbent RLAs as a percentage of no. of “three-nil” buildings aged 30 years or above (g) = (f) ÷ (e) × 100%	N.A.	22%	31%	35%	31%
Total no. of OCs formed (h)	223	200	222	236	132
No. of OCs formed through the RLA Scheme (i)	74	46	57	108	87
OCs formed through the RLA Scheme as a percentage of total no. of OCs formed (j) = (i) ÷ (h) × 100%	33%	23%	26%	46%	66%

Source: Audit analysis of HAD records

Note: According to HAD, the number for 2015 was not available because HAD's database on private buildings underwent an enhancement in 2016, and information prior to the enhancement could not be traced.

2.33 As shown in Table 8, for the period 2015 to 2019:

- (a) the number of RLAs recruited rose from 566 in 2015, reached its peak of 1,054 in 2017, and dropped to 431 in 2019, representing an overall decrease of 24% (see item (a)) (Note 23);
- (b) the percentage of “three-nil” buildings aged 30 years or above with incumbent RLAs ranged from 22% to 35% (see item (g));
- (c) there was a general increase in the number of OCs formed through the RLA Scheme. It rose from 74 in 2015, reached its peak of 108 in 2018, and dropped to 87 in 2019, representing an overall increase of 18% (see item (i)); and
- (d) the percentage of OCs formed through the RLA Scheme to total number of OCs formed had doubled from 33% in 2015 to 66% in 2019 (see item (j)).

According to HAD, the RLA Scheme was considered effective in facilitating the formation of OCs. In Audit’s view, with a view to increasing the rate of success in forming OCs for “three-nil” buildings, HAD should step up efforts in recruiting RLAs, focusing on “three-nil” buildings with no incumbent RLAs. In this connection, in examining records of the selected DOs (see para. 2.12), Audit noted that during the household visits to target buildings in District A under Phase 3 of BMPASS (see Table 4 in para. 2.12), of the 613 visits completed, only 2 (0.3%) owners/residents had heard of the RLA Scheme before the household visits. Audit considers that HAD needs to take measures to enhance publicity of the RLA Scheme with a view to encouraging more owners/residents to become RLAs.

Note 23: *According to HAD, the fluctuation in the number of RLAs recruited was linked to the commencement of each phase of BMPASS. Notably, there would be a large increase upon the commencement of each phase of BMPASS (e.g. in 2017 for Phase 3), as the BMPASS Contractors had to conduct household visits to the target buildings and recruit RLAs as a first step. While the BMPASS Contractors continued to recruit RLAs in the subsequent years, the number of RLAs recruited would naturally decrease. Moreover, some target buildings of which the owners did not show interest in the initial attempts by the BMPASS Contractors might be those with inherent problems of “three-nil” buildings (see para. 2.15), and it would naturally be more difficult to persuade their owners to become RLAs.*

Audit recommendations

- 2.34 **Audit has *recommended* that the Director of Home Affairs should:**
- (a) **step up efforts in recruiting RLAs, focusing on “three-nil” buildings with no incumbent RLAs; and**
 - (b) **take measures to enhance publicity of the RLA Scheme with a view to encouraging more owners/residents to become RLAs.**

Response from the Government

- 2.35 The Director of Home Affairs agrees with the audit recommendations.

PART 3: SUPPORT SERVICES ON OTHER BUILDING MANAGEMENT MATTERS

3.1 This PART examines support services provided by HAD on other building management matters, focusing on:

- (a) support services provided by DBMLTs (paras. 3.2 to 3.29); and
- (b) educational and publicity programmes (paras. 3.30 to 3.44).

Support services provided by the District Building Management Liaison Teams

3.2 In 2001, HAD set up DBMLTs at each of the 18 DOs with a view to providing proactive and outreaching services for owners and owners' organisations of private buildings. LOs of DBMLTs are responsible for coordinating building management matters in the districts by providing comprehensive services. Support services provided by DBMLTs in facilitating building management include:

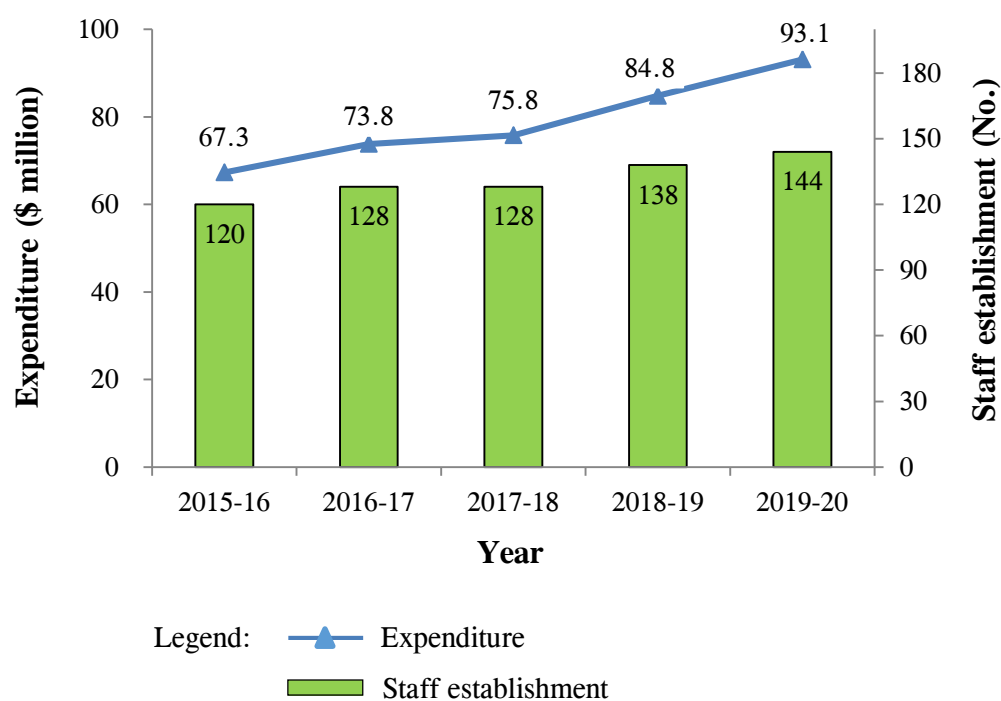
- (a) Pre-meeting Advisory Service for OCs (see para. 1.14(a));
- (b) outreach services including:
 - (i) visiting owners and owners' organisations of private buildings in the districts to promote good practices of building management; and
 - (ii) attending owners' meetings and providing information as appropriate; and
- (c) assisting in resolving disputes and arranging dispute resolution services (see Appendix D) when appropriate.

3.3 The establishment of LOs in DBMLTs has increased by 20% from 120 in 2015-16 to 144 in 2019-20. The overall staff establishment and expenditure for LOs

responsible for building management for the period 2015-16 to 2019-20 are shown in Figure 1.

Figure 1

**Staff establishment and expenditure for LOs in DBMLTs
(2015-16 to 2019-20)**



Source: HAD records

***Need to keep proper records on providing
Pre-meeting Advisory Service for OCs***

3.4 To strengthen support for OCs and MCs for more effective building management, HAD launched the Pre-meeting Advisory Service for OCs in April 2017. DBMLTs are responsible for providing the service. Under the service:

- (a) the main targets are newly-formed OCs, new-term MCs, and OCs anticipating controversial discussion items;

Support services on other building management matters

- (b) DBMLTs brief MC members on meeting procedures, and provide them with relevant information before OC meetings to ensure compliance with BMO and the Codes of Practice, and adoption of relevant guidelines; and
- (c) modes of service include meetings, discussions, correspondence exchanges and telephone communication.

3.5 According to HAD, the service could better meet the expectations of owners and OCs when compared to the previous practice of having HAD staff in attendance of the meetings only. Since the launch of the service, there was an increasing trend in the number of sessions provided (from 3,803 in 2017 to 5,634 in 2018 and 6,458 in 2019).

3.6 According to an e-mail sent by HAD's Headquarters to DOs when the Pre-meeting Advisory Service for OCs was newly launched in 2017, LOs should keep proper records of the service provided. The number of sessions provided would need to be reported monthly by DOs to the Headquarters. To facilitate the recording of the statistics required, HAD's Headquarters also provided a log sheet template for LOs' reference and personal use. The log sheet helps LOs in recording the number of sessions they provide to OCs with details such as dates, names of buildings, modes of service, nature of cases and follow-up actions.

3.7 During the visits to the three selected DOs (see para. 2.12), Audit enquired about the practice on recording the services provided under the Pre-meeting Advisory Service for OCs. According to the DOs:

- (a) a building file (i.e. paper file) was kept for each building which contained information about the building and correspondence with the OC/owners' organisation:
 - (i) one DO (DO B) had a "record sheet" tailored for the Pre-meeting Advisory Service for OCs. Apart from recording basic data (e.g. date and time of service, name of building/interviewee), it also contained a checklist on potential areas that LOs could provide advice to OCs (e.g. procedures on holding general meeting, best practices on building management). All of these record sheets were kept in the building files; and

- (ii) for the other two DOs (DOs A and C), apart from written correspondence exchanges which would be kept in the building files, records about services in other modes (e.g. meetings, discussions or telephone communication — see para. 3.4(c)) had not been kept in the files;
- (b) the log sheet template provided by the Headquarters (see para. 3.6) was only for LOs' reference and personal use. LOs could use other means of informal records (e.g. mark on desktop calendars and diaries with notes) as records for the service; and
- (c) at month end, individual LOs would sum up the number of sessions provided and inform the coordinator of the DO, who would then compile the monthly returns to the Headquarters.

3.8 For the three DOs visited, Audit examined on a sample basis 23 OCs to which the DOs had provided the Pre-meeting Advisory Service in 2018 and 2019 (Note 24). For DO A which mainly used other means of informal records (see para. 3.7(b)), out of the records of the 10 OCs examined, DO A could not provide records for 3 (30%) OCs. According to DO A, the LO concerned had been transferred out and there were difficulties in retrieving the records.

3.9 HAD's Headquarters has requested DOs to keep proper records of the services provided under the Pre-meeting Advisory Service for OCs (see para. 3.6). However, without defining what constitutes a proper record, there are variations in the practices among DOs. While records of some of the DOs could be retrieved from the building files (e.g. DO B in para. 3.7(a)(i)), records of some other DOs were not as adequate (see para. 3.8). In Audit's view, HAD needs to issue more guidelines to ensure that proper records are kept for the services provided.

Note 24: *For each of DO A and DO B, Audit selected 10 OCs with Pre-meeting Advisory Service provided in 2019. For DO C, as no Pre-meeting Advisory Service was provided to OCs in 2019 and a total of 9 sessions of service were provided to 3 OCs in 2018, Audit examined all the 9 sessions of service provided to the 3 OCs.*

Scope for improvement in conducting visits to private buildings

3.10 To assist LOs in performing duties relating to building management effectively, HAD's Headquarters has issued the "Operational Manual on Building Management for Liaison Officers" (Operational Manual), which serves as a general guide for LOs' reference. The Operational Manual is revised from time to time to keep pace with changing circumstances. It was last updated in 2016.

3.11 Paying visits to buildings and attending owners' meetings are DBMLTs' major means to provide outreach services to owners and owners' organisations of private buildings. This is essential for understanding the needs of owners and owners' organisations and providing them with necessary services. The Operational Manual states that each and every private building will be visited by LOs at least once a year, not only to keep in touch with the owners, but also to ensure that the building is well managed continuously.

3.12 During the visits, DBMLTs will record particulars of the buildings, such as conditions of common parts of the buildings (e.g. security and hygienic conditions), date of the last annual general meeting of OCs, validity of third party risks insurance (Note 25), and names of PMCs. They will also remind OCs to comply with BMO and publicise the importance of effective building management.

3.13 *Need to review the frequency of visits to private buildings.* Audit's analysis of provision of outreach services by DBMLTs in the form of visits to private buildings (including attending owners' meetings) from 2016 to 2019 (Note 26) (see Table 9) revealed that:

Note 25: *BMO requires an OC to procure and keep in force in relation to the common parts of the building and the property of the OC, a policy of insurance in respect of third party risks.*

Note 26: *The analysis was based on data extracted from HAD's database of private buildings in Hong Kong. As LOs were required to input data of visit reports into the database with effect from 2016 onwards, the analysis was performed for the period 2016 to 2019.*

Support services on other building management matters

- (a) the number of buildings visited by DBMLTs decreased by 13% from 21,526 in 2016 to 18,665 in 2019;
- (b) in terms of percentage of buildings in Hong Kong visited, there was a decrease of 7 percentage points from 53% in 2016 to 46% in 2019; and
- (c) the requirement of “each and every private building will be visited by LOs at least once a year” (see para. 3.11) had not been met. For each year in the period of 2016 to 2019, the percentage of buildings not visited ranged from 47% to 54%.

Table 9

Visits to private buildings by DBMLTs (2016 to 2019)

Item	2016	2017	2018	2019
No. of private buildings in Hong Kong (a)	40,521 (100%)	40,558 (100%)	40,697 (100%)	40,944 (100%)
No. of private buildings visited by DBMLTs (b)	21,526 (53%)	20,635 (51%)	19,449 (48%)	18,665 (46%)
No. of private buildings not visited by DBMLTs (c) = (a) – (b)	18,995 (47%)	19,923 (49%)	21,248 (52%)	22,279 (54%)

Source: Audit analysis of HAD records

3.14 To further examine the frequency of outreach services provided by DBMLTs to owners/owners’ organisations of private buildings, Audit examined 10 building files in each of the three selected DOs (see para. 2.12). Table 10 shows that the frequency of visits to buildings was not satisfactory. Of the 30 buildings, the requirement of visiting the building at least once a year was only fulfilled on 5 (17%) buildings.

Table 10**Frequency of DBMLTs visits to private buildings
(2015 to 2019)**

Frequency of DBMLTs visits	No. of buildings	Percentage
Not visited	6	20 %
Visited in 1 year	4	13 %
Visited in 2 years	7	24 %
Visited in 3 years	4	13 %
Visited in 4 years	4	13 %
Visited in all 5 years	5	17 %
Total	30	100 %

Source: Audit analysis of HAD records

3.15 Upon enquiry, HAD informed Audit in September 2020 that:

- (a) in HAD's CORs, the performance indicators "visits to buildings with OCs/mutual aid committees/owners' committees/residents' organisations" and "visits to buildings without any form of management" were replaced by a new indicator "liaison with owners/management bodies of private buildings" in 2017, which better reflected the work of HAD on building management (see Note to Table 1 in para. 1.17). With this revision, conducting physical "visits" to each and every building was no longer regarded as the only means of performing building management liaison work;
- (b) this change also recognised the technological advancement, which enabled DBMLTs to maintain even closer and more frequent liaison with OCs by electronic means (e.g. e-mails, phone calls, and instant messaging using mobile applications);

- (c) the open information in the CORs and HAD's internal communication with DBMLTs on the revised performance indicators should have superseded the requirement on conducting visits to buildings in the Operational Manual; and
- (d) with the change in the indicator in the CORs, the number of visits to buildings had naturally decreased, but this should not be taken as a reduction of liaison with OCs.

3.16 According to HAD, the purposes of visits to buildings are, on one hand, to keep in touch with the owners, and on the other hand, to ensure that the buildings are well managed continuously. This includes observing the physical conditions of the common parts of the buildings (see paras. 3.11 and 3.12), which may not be easily achieved by liaising with owners/management bodies by electronic means. As such, it is useful that private buildings are visited by DBMLTs regularly.

3.17 Audit noted that for performance measurement purpose, HAD has put in place a mechanism for DOs and the Headquarters to track the number of liaisons with owners and management bodies of private buildings (see para. 4.11). However, there is no monitoring mechanism on the coverage of visits to private buildings by DBMLTs. In Audit's view, with the change in the indicator in the CORs, HAD needs to review the frequency of visits to private buildings by DBMLTs, and set up a monitoring mechanism to ensure that the frequency requirement is met. Upon the review, HAD also needs to revise the Operational Manual to ensure that it is up to date.

3.18 *Need to reach out to owners' organisations in conducting visits to private buildings.* Audit noted that while some of the buildings had not been visited in the past 5 years, there were repeated visits in the same year for some other buildings without reaching out to the owners' organisations. Case 1 is an example.

Case 1

Repeated visits to a building without reaching out to the OC (2015 to 2019)

1. An OC of the building was incorporated in 1992. DBMLT of the district had collected the particulars of the OC, including address, telephone number and e-mail address of the Chairman of the MC.

2. According to HAD's records, for the period 2015 to 2019, a total of 15 visits were made to the building, as follows:

Year	No. of visits	Result of visits
2015	2	Entered to inspect notices on notice board in one of the two visits
2016	5	Could not enter
2017	5	Could not enter
2018	1	Could not enter
2019	2	Could not enter
Total	15	

Audit comments

3. While HAD's records showed that the building had been visited in each of the years 2015 to 2019 for a total of 15 times, DBMLT could not gain access into the building in 14 of such visits, and failed to interview the representative of the OC in all of the 15 visits. Without interacting with the OC, the visits did not meet the objective to keep in touch with the owners as stated in the Operational Manual (see para. 3.11). In Audit's view, DBMLT concerned should have contacted and made an appointment with the OC before the visits.

Source: Audit analysis of HAD records

3.19 In Audit's view, to improve the effectiveness of visits to private buildings, HAD needs to issue more guidelines to DBMLTs on the procedures of conducting visits (e.g. contacting the OC before conducting visits).

Need to ensure that LOs in DBMLTs receive adequate training

3.20 *Need to encourage LOs to attend training.* To effectively assist owners and owners' organisations in handling building management matters and legal issues at OC meetings, it is important that LOs in DBMLTs are equipped with adequate professional knowledge. For this purpose, HAD provides training for LOs in DBMLTs on a regular and need basis. These include induction courses for newly-recruited LOs, and workshops and theme-talks on the provisions of BMO and judgments of related court cases for more experienced LOs. In addition, a tertiary institute has been engaged to provide tailor-made courses for LOs responsible for building management duties. Upon enquiry by a Member of the Legislative Council on the provision of training to DBMLTs, in April 2019, HAD said that it provided about 100 hours of training to DBMLTs each year.

3.21 Audit analysed the number of training hours and attendance of training courses on building management for LOs from 2015-16 to 2019-20 (see Table 11), and noted that while the total number of training hours had increased by 45% from 96 hours in 2015-16 to 139 hours in 2019-20, the total number of attendees had decreased by 14% from 329 to 282 in the same period. For example, in 2018-19, a briefing session was arranged for LOs about the revised Code of Practice on procurement of supplies, goods and services for OCs' adoption and reference issued in August 2018. The briefing was attended by 39 LOs, representing only 28% of the 138 LOs engaged in building management duties. To enhance the professional competencies of LOs in performing building management duties, HAD needs to encourage LOs to attend relevant training courses. In this connection, Audit noted that HAD had not set any training requirements (e.g. minimum number of training courses or training hours) for LOs. In Audit's view, HAD should consider setting a training requirement for LOs (e.g. a minimum number of training hours per year).

Support services on other building management matters

Table 11

Training on building management for LOs (2015-16 to 2019-20)

Nature of training	2015-16	2016-17	2017-18	2018-19	2019-20
<i>No. of training hours (Note)</i>					
Training courses on legal aspect/BMO provisions/ study of court cases	63	63	63	42	63
Workshops/training courses	28	35	35	41	74
Briefings on service schemes/guidelines	5	—	—	6	2
Induction for newly recruited LOs	—	—	—	17	—
Total no. of training hours	96	98	98	106	139
<i>No. of attendees</i>					
Training courses on legal aspect/BMO provisions/ study of court cases	213	246	210	277	169
Workshops/training courses	36	84	39	72	84
Briefings on service schemes/guidelines	80	—	—	129	29
Induction for newly recruited LOs	—	—	—	53	—
Total no. of attendees	329	330	249	531	282

Source: Audit analysis of HAD records

Note: The training hours per course ranged from 2 hours (e.g. Briefing on best practices in 2018-19) to 40 hours (General mediator training in 2019-20).

Support services on other building management matters

3.22 *Need to continue to provide training on new services launched and new/revised guidelines published.* In the past few years, HAD has launched new services and published new/revised guidelines on building management. Audit examination of the training courses provided for DBMLTs found that dedicated training courses had not been provided on some of the new services launched (see Table 12).

Table 12

**Training on new services launched and new/revised guidelines published
(2015-16 to 2019-20)**

Service/guideline	Launched/published	Training provided
(a) Free Mediation Service Scheme for Building Management	March 2015	Yes (2015-16)
(b) Pre-meeting Advisory Service for OCs	April 2017	No
(c) Building Management Dispute Resolution Service	April 2018	No
(d) OCs Advisory Services Scheme	May 2018	Yes (2018-19)
(e) Free Outreach Legal Advice Service on Building Management	September 2019	No
(f) Revised Codes of Practice	August 2018	Yes (2018-19)
(g) Best Practices on Building Management (2019)	January 2019	Yes (2018-19 and 2019-20)

Source: Audit analysis of HAD records

3.23 Upon enquiry, HAD informed Audit in September 2020 that:

- (a) for the Pre-meeting Advisory Service for OCs (see item (b) in Table 12 in para. 3.22):

Support services on other building management matters

- (i) the service was to provide MC members with information to ensure compliance with BMO and the Codes of Practice. While no dedicated training courses were arranged, relevant training had been provided on an on-going basis through the courses set out in Table 11 in paragraph 3.21, which included topical training on Codes of Practice (see item (f) in Table 12 in para. 3.22); and
 - (ii) representatives of DBMLTs were briefed at a meeting of HAD's taskforce on building management affairs in 2017 before the service was launched; and
- (b) for the Building Management Dispute Resolution Service and the Free Outreach Legal Advice Service on Building Management (see items (c) and (e) in Table 12 in para. 3.22 respectively):
 - (i) the key features were briefed in meetings of HAD's taskforce on building management affairs in 2018 and 2019 respectively. All relevant Senior LOs were required to attend the meetings of the taskforce; and
 - (ii) HAD considered that a briefing of the new services at the meetings of the taskforce should be sufficient, as DBMLTs were mainly responsible for the initial processing of applications, and there were dedicated staff members/secretariat in HAD's Headquarters in dealing with the follow-up.

3.24 In Audit's view, to ensure that LOs in DBMLTs are equipped with up-to-date knowledge in the support services provided by HAD on building management, HAD should continue to provide adequate training to LOs in DBMLTs on new services launched and new/revised guidelines published.

Need to update Operational Manual for LOs

3.25 HAD has issued the Operational Manual to facilitate LOs in performing building management duties (see para. 3.10). According to HAD, it is revised from time to time to keep pace with changing circumstances and was last updated in 2016. The Operational Manual stipulates workflow and procedures on LOs' daily work

(e.g. role of DBMLTs in providing outreach services and complaint handling), and contains references to HAD's new building management initiatives and relevant publications.

3.26 Audit noted that some parts of the Operational Manual were not kept up to date. For example:

- (a) subsequent to visits to management bodies and “three-nil” buildings, LOs of DBMLTs shall input data of the visit reports into HAD's database of private buildings (see para. 4.11(a)). This has not been stipulated in the Operational Manual (see also audit observations in para. 4.23);
- (b) services introduced after 2016 have yet to be included, for example:
 - (i) the Pre-meeting Advisory Service for OCs (see para. 3.4) and OCs Advisory Services Scheme (see para. 1.14(b)), which were launched in 2017 and 2018 respectively;
 - (ii) several dispute resolution services (see Appendix D), some of which were launched after 2016 (Note 27); and
 - (iii) Central Platform on Building Management (see para. 3.31), which was launched in 2018; and
- (c) some publications and guidelines to enhance public understanding of and arouse concern over building management, such as “Best Practices on Building Management (2019)”, have not been incorporated in the list of publications on building management.

3.27 In Audit's view, to facilitate LOs of DBMLTs in performing building management duties effectively, HAD needs to update the Operational Manual more frequently.

Note 27: *These include Free Outreach Legal Advice Service on Building Management and Building Management Dispute Resolution Service.*

Audit recommendations

3.28 **Audit has *recommended* that the Director of Home Affairs should:**

- (a) **issue more guidelines to ensure that proper records are kept for the Pre-meeting Advisory Service for OCs provided by DBMLTs;**
- (b) **review the frequency of visits to private buildings by DBMLTs and revise the frequency requirement in the Operational Manual on Building Management for LOs where appropriate, and set up a monitoring mechanism to ensure that the frequency requirement is met;**
- (c) **issue more guidelines to DBMLTs on the procedures of conducting visits (e.g. contacting the OC before conducting visits);**
- (d) **encourage LOs in DBMLTs to attend relevant training courses, and consider setting a training requirement for them;**
- (e) **continue to provide adequate training to LOs in DBMLTs on new services launched and new/revised guidelines published; and**
- (f) **update the Operational Manual on Building Management for LOs more frequently.**

Response from the Government

3.29 The Director of Home Affairs agrees with the audit recommendations. She has said that since the last update of the Operational Manual, HAD has introduced a number of new support services, many of which were implemented on a pilot basis. As frequent changes to the Operational Manual may not be desirable, it is HAD's plan to update the Operational Manual in one go when all the pilot services are regularised, and this has already started.

Educational and publicity programmes

3.30 HAD reported in its CORs a performance indicator “building management educational and publicity programmes” (see para. 1.17). For each year in the period 2015 to 2019, some 400 programmes were organised by HAD’s Headquarters and the 18 DOs. Programmes organised at the Headquarters level included:

- (a) regular programmes (e.g. Central Platform on Building Management (see para. 3.31) and the LEAD Programme (see para. 3.38)); and
- (b) additional activities and programmes organised on a need basis (e.g. briefing sessions on the review of BMO and the administrative guidelines).

Need to ensure adequacy of educational and publicity programmes in individual districts

3.31 *Central Platform on Building Management.* To strengthen support for owners and owners’ organisations in building management and handling large-scale maintenance projects, HAD has set up the Central Platform on Building Management in September 2018 (see para. 1.16(b)). The main targets are owners and owners’ organisations which have received notices or repair orders issued by government departments (e.g. notices on the Mandatory Building Inspection Scheme by the Buildings Department). One-stop briefings are organised regularly. At each briefing, representatives from relevant government departments and organisations are invited to provide information and introduce their services and schemes on building management and maintenance.

3.32 In general, the briefings are held once a month in community halls in various districts. HAD promotes the briefings by sending appeal letters to owners and owners’ organisations that have received notices and repair orders from government departments. Since the launch of the service in September 2018 and up to January 2020, 17 briefing sessions were held (Note 28). For each briefing session, the number of attendees ranged from 32 to 114, totalling 1,074 attendees. Video

Note 28: *The briefing sessions had been suspended since February 2020 due to the COVID-19 outbreak.*

Support services on other building management matters

recordings of the briefing sessions are also available on HAD's dedicated homepage on building management (<https://www.buildingmgt.gov.hk>).

3.33 Audit noted that, for the 28 briefing sessions in the period 2018 to 2020 (i.e. 17 briefing sessions held up to January 2020, and 11 sessions scheduled for the remaining months in 2020), the venues were in 12 districts. In other words, out of the 18 districts, no briefings were held/planned in the other 6 districts. Upon enquiry, HAD informed Audit in September 2020 that:

- (a) as the main targets of the Central Platform on Building Management were owners and owners' organisations which had received notices or repair orders issued by government departments, the briefing sessions were organised by making reference and giving priority to those districts with a greater number of buildings receiving notices/repair orders;
- (b) while it was not the intention not to organise briefings in the 6 districts, in line with the intended objective and for reason of cost-effectiveness, priority had not been given to them as very few buildings were issued with notices/repair orders in these districts, ranging from 0 to 24 buildings in 2019; and
- (c) letters would be issued to inform owners of all known buildings with notices/repair orders issued about the details of upcoming briefing sessions. Owners might choose to attend any sessions that were convenient to them (e.g. some might choose to attend those held in the districts where they worked).

3.34 The Central Platform on Building Management provides one-stop briefings to strengthen support for owners and owners' organisations in building management. In Audit's view, HAD should keep in view the need to organise briefing sessions in all the 18 districts, having regard to the intended objective of the briefings and cost-effectiveness considerations. In view of the need to maintain social distancing amid the COVID-19 outbreak, there is also merit for HAD to consider stepping up the use of electronic means in conducting the briefings (such as conducting the briefings online).

3.35 *Programmes organised at district level.* At district level, programmes were organised by DOs or with advice of the respective District Councils, having regard to the specific needs in the districts. Unlike the performance indicator on “liaison with owners/management bodies” for which HAD has set targets for each of the 18 DOs (see para. 4.2), no target has been set for each of the DOs for organising educational and publicity programmes.

3.36 Audit performed an analysis of the educational and publicity programmes organised by the Headquarters and by DOs at district level (see Table 13). Audit noted that:

- (a) for the programmes organised at the Headquarters level, the number of programmes increased by 88% from 112 programmes in 2015 to 211 programmes in 2019;
- (b) for the programmes organised at the district level, the number of programmes decreased by 34% from 292 programmes in 2015 to 193 programmes in 2019; and
- (c) there was a large variation among the 18 DOs. In 2019, the number of programmes organised by the respective DOs ranged from 1 to 37 programmes, averaging 11 programmes. In the 2 districts with only 1 programme organised in 2019, briefings had also not been arranged under the Central Platform on Building Management (see para. 3.33), which might indicate that very few educational and publicity programmes had been organised for some of the districts.

Table 13**Building management educational and publicity programmes
organised at the Headquarters level and district level
(2015 to 2019)**

Organiser	No. of programmes				
	2015	2016	2017	2018	2019
Headquarters	112 (28 %)	138 (34 %)	171 (43 %)	164 (40 %)	211 (52 %)
DOs	292 (72 %)	262 (66 %)	231 (57 %)	242 (60 %)	193 (48 %)
Total	404 (100 %)	400 (100 %)	402 (100 %)	406 (100 %)	404 (100 %)

Source: Audit analysis of HAD records

3.37 In Audit's view, to ensure that the message of effective building management is publicised in every district in Hong Kong, HAD needs to examine the reasons for the large variance in the number of educational and publicity programmes organised across the 18 districts, and consider setting a target number for each district.

Need to encourage attendance of the LEAD Programme

3.38 To facilitate MC members (being office-bearers of OCs) to discharge their duties more confidently and effectively, HAD has since 2011 engaged tertiary institutions to provide structured training programmes, i.e. the LEAD Programme, to enhance knowledge of MC members in building management (see para. 1.16(c)). Each class consists of 8 weekly sessions for a total of 30 participants. To facilitate exchanges of views and discussions, it has been HAD's practice that each class will comprise 25 MC members (Note 29) and 5 LOs.

Note 29: *The MC member participants are nominated by DOs, and generally are those who have served in OCs for a certain period of time and have keen interest in building management affairs.*

3.39 HAD has also engaged experienced professionals in an Advanced LEAD Programme for the graduates of the LEAD Programme. Participants look into the common building management problems in depth and also explore related laws and judgment of court cases, to help them tackle similar management problems in future. Each class consists of 4 weekly sessions for around 30 MC members.

3.40 As of December 2019, some 620 and 490 MC members had participated in the LEAD Programme and Advanced LEAD Programme respectively. For the past five years, on average, the expenditure incurred for the two programmes was about \$0.4 million per year.

3.41 For each of the programmes, participants with an attendance rate of over 70% will be awarded with a Statement of Attendance. Audit examined the attendance records of the classes of the two programmes arranged during the period 2015 to 2019 (see Table 14) and noted that:

- (a) for the LEAD Programme, 12% of the MC member participants had an attendance rate of less than 70%, including 4% with zero attendance;
- (b) for the Advanced LEAD Programme, 13% of the MC member participants had an attendance rate of less than 70%, including 4% with zero attendance; and
- (c) of the 41 MC member participants who had an attendance rate of lower than 70% in the Advanced LEAD Programme, 12 (29%) also had an attendance rate of lower than 70% in the LEAD Programme. One MC member participant did not attend any of the sessions under both the LEAD Programme and Advanced LEAD Programme.

Table 14

**Attendance rates of the
LEAD/Advanced LEAD Programmes
(2015 to 2019)**

Attendance rate	No. of attendees	
	LEAD	Advanced LEAD
0%	16 (4%)	14 (4%)
> 0% to < 50%	15 (4%)	9 (3%)
50% to < 70%	15 (4%)	18 (6%)
70% to < 100%	157 (44%)	64 (21%)
100%	160 (44%)	202 (66%)
Total	363 (100%)	307 (100%)

41 (13%)

Source: Audit analysis of HAD records

Remarks: The attendance records of classes with commencement and completion dates during the period 2015 to 2019 were analysed, comprising 15 classes of the LEAD Programme and 9 classes of the Advanced LEAD Programme. For the Advanced LEAD Programme, a class which commenced in March 2015 was excluded from the analysis as HAD could not locate the attendance records.

3.42 In Audit's view, for the MC member participants of the LEAD/Advanced LEAD Programmes to fully benefit from the programmes and ensure good use of public money, HAD needs to take measures to encourage participants to attend all the training sessions. HAD also needs to consider setting possession of a Statement of Attendance in the LEAD Programme as a prerequisite for nominating MC members to enrol in the Advanced LEAD Programme.

Audit recommendations

3.43 Audit has *recommended* that the Director of Home Affairs should:

- (a) for the Central Platform on Building Management:

- (i) **keep in view the need to organise briefing sessions in all the 18 districts, having regard to the intended objective of the briefings and cost-effectiveness considerations; and**
 - (ii) **consider stepping up the use of electronic means in conducting the briefings;**
- (b) **examine the reasons for the large variance in the number of educational and publicity programmes organised across the 18 districts, and consider setting a target number for each district;**
- (c) **take measures to encourage participants in the LEAD/Advanced LEAD Programmes to attend all the training sessions; and**
- (d) **consider setting possession of a Statement of Attendance in the LEAD Programme as a prerequisite for nominating MC members to enrol in the Advanced LEAD Programme.**

Response from the Government

3.44 The Director of Home Affairs agrees with the audit recommendations. She has said that:

- (a) for the Central Platform on Building Management, for reason of cost-effectiveness, briefing sessions were organised by making reference and giving priority to districts with a greater number of buildings receiving notices or repair orders issued by government departments. Letters have been sent to inform owners of all known buildings with notices/repair orders issued about the details of upcoming briefing sessions so that they may choose to attend any sessions that are convenient to them. HAD will continue to keep in view the need and the situation of different districts; and
- (b) for the recommendation on setting possession of a Statement of Attendance in the LEAD Programme as a prerequisite for nominating MC members to enrol in the Advanced LEAD Programme, HAD will consider further having regard to the potential implications (e.g. possible disincentive for MC members to enrol, as their participation is purely voluntary).

PART 4: OTHER ADMINISTRATIVE MATTERS

4.1 This PART examines other administrative matters, focusing on:

- (a) achievement of performance targets by DOs and the Headquarters (paras. 4.2 to 4.10);
- (b) performance measurement (paras. 4.11 to 4.18); and
- (c) management of database of private buildings (paras. 4.19 to 4.25).

Achievement of performance targets by District Offices and the Headquarters

Need for individual DOs and the Headquarters to better achieve performance targets

4.2 HAD has set and reported two performance indicators in its CORs on facilitating building management (see para. 1.17). For the performance indicator on “liaison with owners/management bodies of private buildings” (Note 30), HAD has also set target numbers of liaisons for each of the 18 DOs and for the Headquarters on other support services (e.g. BMPASS and the OCs Advisory Services Scheme), which comprise:

- (a) visits conducted in person to management bodies of private buildings and “three-nil” buildings. According to HAD, in order to better understand owners’ needs and provide necessary support services, it is expected that the management body (if any) of each private building and each “three-nil” building shall be visited at least once a year. Accordingly, the targets for visits allocated to the 18 DOs are based on the numbers of management bodies and “three-nil” buildings in the respective districts; and

Note 30: *According to HAD, “liaison” refers to all forms of communications between HAD and owners/management bodies of private buildings in relation to building management, including visits, Pre-meeting Advisory Service for OCs (see para. 1.14(a)), written communications (e.g. e-mails and letters), instant messaging using mobile applications, telephone contacts and personal interviews.*

- (b) other forms of liaison (e.g. e-mails and telephone contacts) with owners/management bodies. In general, the targets have been set in proportion to (a) above.

The allocated targets are communicated from the Headquarters to the 18 DOs in April every year. DOs are expected to monitor the progress of liaisons regularly so that the overall HAD target can be met by the end of calendar year.

4.3 *Performance targets not achieved by some DOs and the Headquarters in 2019.* Appendix E shows the performance targets on “liaison with owners and management bodies of private buildings” allocated to the respective DOs and the Headquarters (for other support services) and the actual performance attained for 2019. Audit noted that:

- (a) for the total number of liaisons:
 - (i) the overall achievement was 88.4%; and
 - (ii) 14 DOs and the Headquarters did not meet the targets. The shortfall ranged from 0.3% to 92.0%;
- (b) for the number of visits to management bodies and “three-nil” buildings:
 - (i) the overall achievement was 88.9% ($20,992 \div 23,617 \times 100\%$); and
 - (ii) 13 DOs and the Headquarters did not meet the targets. The shortfall ranged from 5.7% to 90.8%; and
- (c) for the number of other forms of liaison:
 - (i) the overall achievement was 88.1% ($37,863 \div 42,975 \times 100\%$); and
 - (ii) 13 DOs did not meet the targets. The shortfall ranged from 0.3% to 92.5%.

Other administrative matters

4.4 Audit's further examination revealed that:

- (a) for visits to management bodies and “three-nil” buildings, while the overall achievement was 88.9% in 2019 (see para. 4.3(b)(i)), the shortfall arose mainly from the inadequate visits to “three-nil” buildings by DOs, which was only 42.4% of the target set (see Table 15); and

Table 15
Numbers of visits to management bodies and
“three-nil” buildings
(2019)

Visit	Target (a)	Actual (b)	Percentage of target achieved (c) = (b) ÷ (a) × 100%
To management bodies by DOs	14,793	15,441	104.4 %
To “three-nil” buildings by DOs	5,324	2,260	42.4 %
Headquarters (other support services)	3,500	3,291	94.0 %
Overall	23,617	20,992	88.9 %

Source: Audit analysis of HAD records

- (b) a further analysis by district showed that for 6 (33%) of the 18 DOs, their actual numbers of visits to “three-nil” buildings in 2019 were fewer than or equal to 2, which were significantly lower than the target numbers (Note 31).

4.5 According to HAD, visits are conducted in order to better understand the owners' needs and provide necessary support services. As the target numbers of visits were set based on the numbers of management bodies and “three-nil” buildings (see para. 4.2(a)), failing to meet the targets implied that not each of the management

Note 31: A total of 4 visits were made to “three-nil” buildings by the 6 DOs, while the targets allocated (i.e. representing the number of “three-nil” buildings in the districts) were 892 in aggregate.

bodies of private buildings and “three-nil” buildings had been visited once in 2019. This was contrary to HAD’s intention to achieve the objective (see also audit observations on visits by DBMLTs in paras. 3.10 to 3.19). As regards other forms of liaison, the under-achievement also implied that communication with the management bodies and owners of “three-nil” buildings was not as adequate as HAD’s Headquarters had expected.

4.6 *Some DOs persistently failed to achieve target numbers of liaisons.* In terms of the achievement of targets by the respective DOs, Audit analysis shows that out of the 18 DOs, 7 (39%) had persistently failed to achieve the allocated targets for three consecutive years (i.e. since the new performance indicator was introduced in 2017). Table 16 shows more details.

Table 16

**Seven DOs which persistently failed to achieve target numbers of liaisons
(2017 to 2019)**

DO	Percentage of achievement on target (Note)		
	2017	2018	2019
C	16.8%	8.9%	8.0%
D	20.5%	15.3%	13.4%
E	82.9%	79.3%	63.1%
F	88.0%	61.8%	71.0%
A	82.6%	89.9%	77.3%
G	95.8%	82.8%	89.4%
H	99.1%	67.8%	90.5%

Source: Audit analysis of HAD records

Note: Percentage of achievement on target is calculated by:

$$\text{Actual number of liaisons} \div \text{Target number of liaisons allocated} \times 100\%$$

Other administrative matters

4.7 Audit enquired about the follow-up actions taken by HAD's Headquarters when districts appeared to lag behind in meeting the targets (e.g. from quarterly returns submitted by DOs (see para. 4.11(b))). HAD informed Audit in June 2020 that reminders would be sent to the DOs concerned. In this connection, Audit examined the situation for DO C, which had the lowest rates of achievement on targets among DOs throughout the period. Audit noted that:

- (a) during 2019, only one reminder was sent by the Headquarters to DO C, encouraging it to conduct more visits to meet the target; and
- (b) despite the reminder, DO C failed to achieve the target for 2019. The actual number of liaisons conducted only accounted for 8.0% of the target number allocated.

4.8 In Audit's view, to achieve the aim of understanding the needs of owners and management bodies and provide necessary support services by conducting adequate liaisons, HAD needs to take improvement measures to ensure that the performance targets on liaison with owners and management bodies of private buildings are met by all DOs and the Headquarters.

Audit recommendation

4.9 **Audit has *recommended* that the Director of Home Affairs should take improvement measures to ensure that the performance targets on liaison with owners and management bodies of private buildings are met by all DOs and the Headquarters.**

Response from the Government

4.10 The Director of Home Affairs agrees with the audit recommendation.

Performance measurement

Need to improve documentation of compilation of results for performance measurement

4.11 HAD's Headquarters has, in an e-mail sent in 2017 informing DOs about the change in the performance indicator (see Note to Table 1 in para. 1.17), advised DOs to maintain records of liaison conducted as follows:

- (a) for visits paid to management bodies and “three-nil” buildings, LOs of DBMLTs shall input data of visit reports into HAD's database of private buildings, i.e. Building Management Information System (BMIS — see para. 4.19). The Headquarters will generate the figures from the database for reporting in CORs; and
- (b) for other forms of liaison, LOs shall properly record them as they normally do when they handle enquiries/complaints/disputes on matters relating to building management or providing the Pre-meeting Advisory Service for OCs. To facilitate LOs to record the statistics required, a log sheet template has been attached for reference and personal use by LOs (see para. 3.6). A coordinator in each DO will consolidate the inputs from LOs and input the relevant figures in quarterly returns to HAD's Headquarters.

4.12 Audit examined the level of performance reported in the CORs against supporting records and identified room for improvement, as follows:

- (a) in examining the internal targets set on the number of liaisons (see para. 4.2), Audit noted that the targets allocated to the 18 DOs and the Headquarters for other support services for 2019 added up to 66,592 (see Appendix E). This was different from the estimate number of 58,000 liaisons reported by HAD in the COR (see Table 1 in para. 1.17). There were no documented reasons for the discrepancy. Upon enquiry on the discrepancy, HAD informed Audit in July and September 2020 that:
 - (i) the internal targets set were meant to be internal to push districts to meet a higher target so as to better serve owners and management bodies; and

- (ii) on the other hand, the estimate number in the COR was a realistic target taking into account the actual performance of districts in the previous year; and
- (b) Audit has requested the three selected DOs (see para. 2.12) to provide supporting documents on the compilation of returns (see para. 4.11(b)) for 2019. On other forms of liaison, all the three DOs could not provide all corresponding records (Note 32).

4.13 The setting and reporting of performance targets/indicators help enhance government performance, transparency and accountability. In Audit's view, HAD needs to document the bases of estimates on the performance indicators disclosed in COR. In the event that the estimates differ from the internal targets, the justifications should be well-documented. HAD also needs to ensure that supporting information on performance indicators is properly maintained.

Need to review counting basis on educational and publicity programmes for performance measurement

4.14 HAD reported in its CORs a performance indicator "building management educational and publicity programmes" (see Table 1 in para. 1.17). Table 17 shows the categories of programmes organised from 2015 to 2019.

Note 32: *Of the three DOs, one could not provide the records, indicating that the responsible officer had resigned. The other two DOs provided only part of the records, and the data contained therein could not be reconciled to the total figures submitted to HAD's Headquarters.*

Table 17

**Building management educational and publicity programmes
(2015 to 2019)**

Programme	2015	2016	2017	2018	2019
(a) Training courses	82	102	94	99	89
(b) Seminars/talks	71	55	62	57	67
(c) Appeal letters to owners/ owners' organisations	0	1	0	21	67
(d) Television/radio advertisement/ Announcements in Public Interest	0	37	52	66	60
(e) Activities related to fire safety	117	104	73	92	51
(f) Homepage/mobile applications updates and promotion	61	48	66	33	20
(g) Production of leaflets/posters	15	26	21	17	20
(h) Others (e.g. press release)	58	27	34	21	30
Total	404	400	402	406	404

Source: Audit analysis of HAD records

Audit examination of the programmes found room for improvement in the counting of number of programmes:

- (a) briefing sessions of the Central Platform on Building Management (see para. 3.31) were held once a month in community halls in various districts. While the sessions were recorded under “Seminars/talks” by HAD’s Headquarters (see item (b)), the sessions were also counted by 4 DOs (2 DOs in 2018 and another 2 DOs in 2019), resulting in double counting of the same programmes (i.e. 4 briefing sessions); and
- (b) some of the programmes were of a recurring/repetitive nature. Audit noted that there is currently no clear definition on what constitutes a “programme” for HAD’s performance measurement purpose. As such, the methodologies used in counting the number of programmes varied. In 2019:

Other administrative matters

- (i) of the 89 programmes under the category of “Training courses” (see item (a)), 32 (36%) were related to the LEAD Programme and the Advanced LEAD Programme. Under the two programmes, each class consists of 8 or 4 weekly sessions (see paras. 3.38 and 3.39). In counting towards the achievement of performance indicator, for each class, the 8 or 4 weekly sessions of the same class held for the same group of participants were counted as 8 or 4 “programmes”;
- (ii) of the 67 programmes under the category of “Appeal letters to owners/owners’ organisations” (see item (c)), 54 (81%) were related to publicising and inviting owners or owners’ organisations to attend the Central Platform on Building Management. The appeal letters were in a standard content (e.g. with the schedules of briefing sessions of the next few months). Audit noted that on average, HAD sent out 4 to 5 batches of appeal letters per month. Each batch of letters sent was counted as one “programme”. For example, 5 batches were sent in January 2019 and were counted as 5 “programmes”; and
- (iii) the 60 programmes under the category of “Television/radio advertisement/Announcements in Public Interest” (see item (d)) was a television advertisement broadcast on 3 channels during 4 to 9 February 2019 (i.e. 6 days). Table 18 shows the timeslots and channels that the advertisement was broadcast. For the 7 timeslots/channels, the number of “programmes” counted ranged from 4 to 10. In total, during the 6-day period, the advertisement was counted as 60 “programmes”.

Table 18

**A television advertisement counted as
60 educational and publicity programmes
(2019)**

Period	Channel	Time	No. of programmes
4 to 9 February 2019	A	17:45 to 18:45	10
		18:55 to 22:55	10
		23:05 to 23:55	10
	B	17:05 to 18:45	6
		18:55 to 23:55	10
	C	18:55 to 23:55	10
		00:05 to 01:15	4
Total			60

Source: Audit analysis of HAD records

4.15 Upon enquiry, HAD informed Audit in September 2020 that:

- (a) for letters sent concerning the Central Platform on Building Management (see para. 4.14(b)(ii)), though the content was apparently standard, the letters were sent by batches to owners of different buildings with notices/repair orders served. The current counting basis sought to accurately reflect the efforts in preparing and mailing the letters and answering enquiries from owners, and the extent of outreach of the owners concerned; and
- (b) for the television advertisement (see para. 4.14(b)(iii)), the counting basis corresponded to the frequency of the broadcast and sought to reflect the efforts in reaching out to target audience.

4.16 In Audit's view, on the reporting of educational and publicity programmes for performance measurement, HAD needs to examine the suitability of the counting basis adopted for the programmes, taking into account their nature and content (see

Other administrative matters

para. 4.14(b)). HAD also needs to issue clear guidelines on the counting basis and avoid double counting of the same programmes (see para. 4.14(a)).

Audit recommendations

4.17 **Audit has *recommended* that the Director of Home Affairs should:**

- (a) **document the bases of estimates on the performance indicators disclosed in COR and ensure that supporting information on performance indicators is properly maintained; and**
- (b) **on the reporting of educational and publicity programmes:**
 - (i) **examine the suitability of the counting basis adopted for the programmes, taking into account their nature and content; and**
 - (ii) **issue clear guidelines on the counting basis and avoid double counting of the same programmes.**

Response from the Government

4.18 The Director of Home Affairs agrees with the audit recommendations.

Management of database of private buildings

4.19 HAD maintains a database of all private buildings in Hong Kong, i.e. BMIS. It provides basic information on private buildings in all districts, such as number of units and storeys, year built, and information on management organisations of the buildings (e.g. OCs). The information is used by HAD for planning and implementation of services/schemes. The database is also open to the public via HAD's dedicated homepage on building management (<https://www.buildingmgt.gov.hk>). Figure 2 shows a sample screen of the search function of the database on the homepage.

Figure 2

**Sample screen of the search function of
database of private buildings in Hong Kong**

The screenshot shows the 'Home Affairs Department Database of Private Buildings in Hong Kong' search interface. The search form includes the following fields and options:

- District:** A dropdown menu currently set to 'All'.
- Name of Building:** A text input field.
- Name of Estate:** A text input field.
- Name of Street:** A text input field.
- Name of Village:** A text input field.
- Street No.:** A text input field.
- No. of Storeys:** A text input field.
- No. of Units:** A text input field.
- Year Built (from):** A text input field.
- Year Built (to):** A text input field.
- Organization Type:** A section with several checkboxes:
 - ☐ Owners' Corporation (OC)
 - ☐ Owners' Committee
 - ☐ Mutual Aid Committee (MAC)
 - ☐ Property Management Company
 - ☐ Others
 - ☐ Without Organization
- Search and Clear All buttons:** Located at the bottom of the search form.

The footer of the page includes the WSC logo, 'MAI-AA WCAG 2.0', links for 'Important Notice' and 'Privacy Policy', and a copyright notice: 'Copyright © 2020 Home Affairs Department. All Right Reserved'.

Source: HAD's building management homepage

4.20 BMIS is compiled by HAD through routine contacts and liaison. In practice, LOs of DBMLTs are required to input the details of visits to buildings to BMIS (see para. 4.11(a)). According to HAD, reference has also been made to the information provided by other government departments.

Need to update data in the database of private buildings

4.21 Audit performed an analysis on the data contained in the database open for public use. As at 31 March 2020, data of 40,944 buildings was kept in BMIS. Audit noted that:

- (a) data of “year built” was not available for 7,099 (17%) buildings; and
- (b) data of “storeys” or “number of units” was not available for 957 (2%) buildings.

Other administrative matters

4.22 To further examine the accuracy of the data in BMIS, during Audit's visits to the three selected DOs (see para. 2.12), Audit selected 10 building files (i.e. paper files) in each of the DOs. In the building files of the 30 buildings, there were a total of 111 visit reports for the period 2016 to 2019 (see Note 26 in para. 3.13). Audit noted that of these 111 visit reports, data of 24 (22%) reports (involving 15 (50%) buildings) had not been input to BMIS, and therefore some of the data had not been updated. For example, for 4 (27%) of the 15 buildings, while data of PMCs (i.e. company names) was collected during the visits and recorded in the visit reports, the data was not available in BMIS because data of the visit reports had not been input.

4.23 According to HAD, every effort has been made to ensure the accuracy of information contained in the database. However, as shown in paragraphs 4.21 and 4.22, there is still room for improvement. In Audit's view, HAD should continue to take measures (e.g. ensuring inputting data of visit reports and updating data, and specifying this requirement in the Operational Manual for LOs) to improve the accuracy of the database of private buildings.

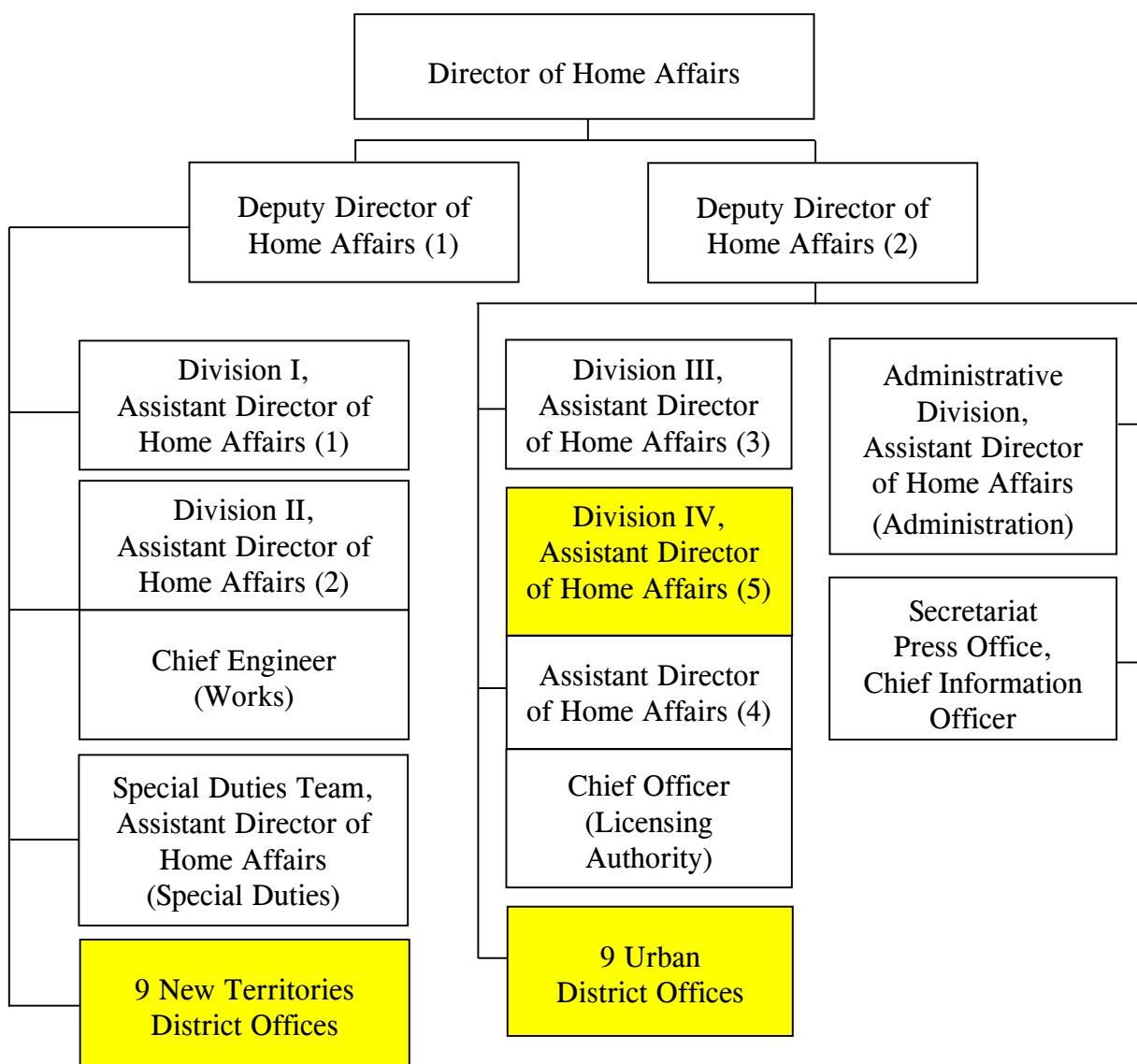
Audit recommendation

4.24 **Audit has *recommended* that the Director of Home Affairs should continue to take measures (e.g. ensuring inputting data of visit reports and updating data, and specifying this requirement in the Operational Manual for LOs) to improve the accuracy of the database of private buildings.**

Response from the Government

4.25 The Director of Home Affairs agrees with the audit recommendation.

**Home Affairs Department:
Organisation chart (extract)
(31 March 2020)**



Legend: Division/Offices covered in this Audit Report

Source: *HAD records*

Appendix B
(paras. 1.9, 2.6(b)
and 2.26 refer)

**Distribution of private buildings in Hong Kong
(31 December 2019)**

District	No. of private buildings (a)	No. of buildings with OCs (Note 1) (b)	No. of buildings without OCs (Note 2) (c) = (a) – (b)	No. of “three-nil” buildings (d)	No. of “three-nil” buildings as a percentage of no. of buildings without OCs (e) = (d) ÷ (c) × 100%
Central & Western	3,249	1,688	1,561	817	52 %
Yau Tsim Mong	3,021	1,760	1,261	723	57 %
Kowloon City	2,837	1,762	1,075	707	66 %
Sham Shui Po	2,187	1,340	847	618	73 %
Wan Chai	2,400	1,417	983	576	59 %
North	1,557	625	932	368	39 %
Yuen Long	9,107	1,602	7,505	311	4 %
Southern	2,272	920	1,352	311	23 %
Tai Po	3,627	1,247	2,380	214	9 %
Sai Kung	2,766	1,893	873	148	17 %
Tsuen Wan	966	551	415	126	30 %
Eastern	1,408	855	553	113	20 %
Kwun Tong	916	543	373	82	22 %
Wong Tai Sin	507	374	133	52	39 %
Kwai Tsing	597	376	221	34	15 %
Tuen Mun	1,340	989	351	32	9 %
Islands	695	310	385	12	3 %
Sha Tin	1,492	1,004	488	11	2 %
Overall	40,944	19,256	21,688	5,255	24 %

Source: Audit analysis of HAD records

Note 1: Under BMO, an OC can be formed in respect of which a Deed of Mutual Covenant (which stipulates the undivided share of each flat) is in force. As such, if an estate with multiple blocks of buildings is covered by one Deed of Mutual Covenant, only one OC can be formed. There were 11,030 OCs for these 19,256 buildings.

Note 2: According to HAD, these included buildings which had formed residents’ organisations other than OCs (e.g. owners’ committees) and buildings which might not be able to form OCs in accordance with BMO (e.g. town houses and private buildings under single ownership). HAD did not have readily available information on the number of buildings which might not be able to form OCs in accordance with BMO.

Remarks: The figures were based on information obtained by HAD staff through day-to-day liaison.

Appendix C
(para. 1.10 refers)

**Distribution of “three-nil” buildings in Hong Kong
(2011 to 2019)**

District	2011 (a)	2019 (b)	Change (2011 vs 2019) (c) = (b) – (a)	Percentage change (d) = (c) ÷ (a) × 100%
Central & Western	1,411	817	(594)	(42 %)
Yau Tsim Mong	788	723	(65)	(8 %)
Kowloon City	866	707	(159)	(18 %)
Sham Shui Po	866	618	(248)	(29 %)
Wan Chai	883	576	(307)	(35 %)
North	375	368	(7)	(2 %)
Yuen Long	262	311	49	19 %
Southern	189	311	122	65 %
Tai Po	206	214	8	4 %
Sai Kung	170	148	(22)	(13 %)
Tsuen Wan	144	126	(18)	(13 %)
Eastern	229	113	(116)	(51 %)
Kwun Tong	131	82	(49)	(37 %)
Wong Tai Sin	94	52	(42)	(45 %)
Kwai Tsing	54	34	(20)	(37 %)
Tuen Mun	46	32	(14)	(30 %)
Islands	13	12	(1)	(8 %)
Sha Tin	9	11	2	22 %
Overall	6,736	5,255	(1,481)	(22 %)

Source: Audit analysis of HAD records

**Dispute resolution services provided by
the Home Affairs Department**

HAD has launched the following dispute resolution services with the support of professional bodies and professionals to assist owners, owners' organisations and PMCs in resolving disputes:

(a) ***Free Outreach Legal Advice Service on Building Management***

In collaboration with the Law Society of Hong Kong, lawyers are assigned to provide outreach legal advice by attending OC meetings to further enhance the legal support to OCs;

(b) ***Free Mediation Service Scheme for Building Management***

In collaboration with the Hong Kong Mediation Centre and the Hong Kong Mediation Council, accredited professional mediators are deployed to assist relevant parties (including owners, owners' organisations and PMCs) in resolving disputes through mediation;

(c) ***Panel of Advisors on Building Management Disputes***

Comprising professionals such as lawyers, accountants, surveyors and property managers, the Panel offers neutral, authoritative and professional advice to the parties concerned to help resolve disputes; and

(d) ***Building Management Dispute Resolution Service***

Steered by retired Judges/Judicial Officers, the service is to assist the parties concerned in identifying issues in disputes, exploring and generating options with a view to reaching settlement.

Source: HAD records

Appendix E
(paras. 4.3 and 4.12(a) refer)

**Performance targets on “liaison with owners and management bodies
of private buildings” allocated to and actual performance
attained by District Offices and the Headquarters
(2019)**

District	Target allocated			Actual performance attained			Percentage of target achieved (g) = (f) ÷ (c) × 100%
	Visit (a)	Other forms of liaison (b)	Total (c) = (a) + (b)	Visit (d)	Other forms of liaison (e)	Total (f) = (d) + (e)	
Central & Western	3,092	6,205	9,297	2,900	5,585	8,485	91.3%
Yau Tsim Mong	2,992	6,973	9,965	1,935	8,001	9,936	99.7%
Kowloon City	2,183	4,042	6,225	1,902	2,910	4,812	77.3%
Sham Shui Po	1,874	4,136	6,010	1,967	4,907	6,874	114.4%
Wan Chai	2,202	4,130	6,332	1,517	3,764	5,281	83.4%
North	709	1,342	2,051	65	100	165	8.0%
Yuen Long	854	1,927	2,781	874	1,412	2,286	82.2%
Southern	1,055	1,691	2,746	1,065	1,699	2,764	100.7%
Tai Po	618	1,143	1,761	346	905	1,251	71.0%
Sai Kung	619	1,156	1,775	130	107	237	13.4%
Tsuen Wan	607	1,157	1,764	411	1,153	1,564	88.7%
Eastern	984	2,913	3,897	2,479	1,276	3,755	96.4%
Kwun Tong	659	1,898	2,557	538	1,419	1,957	76.5%
Wong Tai Sin	363	930	1,293	563	863	1,426	110.3%
Kwai Tsing	385	744	1,129	285	724	1,009	89.4%
Tuen Mun	441	1,115	1,556	416	1,424	1,840	118.3%
Islands	121	212	333	56	154	210	63.1%
Sha Tin	359	661	1,020	252	671	923	90.5%
Headquarters (Note)	3,500	600	4,100	3,291	789	4,080	99.5%
Overall	23,617	42,975	66,592	20,992	37,863	58,855	88.4%

Legend: Target not met

Source: *Audit analysis of HAD records*

Note: *This included liaisons under other support services (e.g. BMPASS).*

Acronyms and abbreviations

Audit	Audit Commission
BMIS	Building Management Information System
BMO	Building Management Ordinance
BMPASS	Building Management Professional Advisory Service Scheme
COR	Controlling Officer's Report
DBMLT	District Building Management Liaison Team
DO	District Office
HAD	Home Affairs Department
LO	Liaison Officer
MC	Management committee
OC	Owners' corporation
PMCs	Property management companies
RLA	Resident Liaison Ambassador

CHAPTER 5

**Environment Bureau
Electrical and Mechanical Services Department
Architectural Services Department**

**Energy efficiency and conservation
in government buildings**

**Audit Commission
Hong Kong
28 October 2020**

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. 75 of the Director of Audit contains 10 Chapters which are available on our website at <https://www.aud.gov.hk>

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ENERGY EFFICIENCY AND CONSERVATION IN GOVERNMENT BUILDINGS

Contents

	Paragraph
EXECUTIVE SUMMARY	
PART 1: INTRODUCTION	1.1 – 1.8
Audit review	1.9
Acknowledgement	1.10
PART 2: ACHIEVEMENT OF ENERGY SAVING TARGETS	2.1
Electricity saving target for 2015-16 to 2019-20	2.2 – 2.9
Audit recommendations	2.10 – 2.11
Response from the Government	2.12 – 2.13
Normalisation process	2.14 – 2.17
Audit recommendations	2.18
Response from the Government	2.19
Green energy target	2.20 – 2.25
Audit recommendations	2.26 – 2.27
Response from the Government	2.28 – 2.30

	Paragraph
PART 3: MANAGEMENT OF ENERGY AUDITS AND RETRO-COMMISSIONING FOR GOVERNMENT BUILDINGS	3.1
Energy audits for government buildings	3.2 – 3.9
Audit recommendations	3.10
Response from the Government	3.11
Retro-commissioning for government buildings	3.12 – 3.28
Audit recommendations	3.29
Response from the Government	3.30
PART 4: MANAGEMENT OF ENERGY SAVING PROJECTS AND OTHER MANAGEMENT ISSUES	4.1 – 4.2
Work of the Electrical and Mechanical Services Department on energy saving projects	4.3 – 4.13
Audit recommendations	4.14
Response from the Government	4.15
Work of the Architectural Services Department on energy saving projects	4.16 – 4.21
Audit recommendations	4.22
Response from the Government	4.23
Other management issues	4.24 – 4.33
Audit recommendations	4.34 – 4.36
Response from the Government	4.37 – 4.39

Appendices	Page
A : Electrical and Mechanical Services Department: Organisation chart (extract) (31 July 2020)	69
B : Acronyms and abbreviations	70

ENERGY EFFICIENCY AND CONSERVATION IN GOVERNMENT BUILDINGS

Executive Summary

1. In Hong Kong, more than half of the total annual energy use is in the form of electricity consumption, with buildings accounting for about 90% of the city's electricity consumption. Enhancing energy efficiency and conservation in government buildings, being one of the Government's priority tasks, could contribute to the reduction of electricity consumption. The Government has been taking the lead to reduce electricity consumption in government buildings by setting energy saving targets so as to set a good example for the community. The Government has set 4 rounds of electricity saving targets for government buildings for the period from 2003-04 to 2019-20 (with the related targets achieved) and a new green energy target for the 5-year period from 2020-21 to 2024-25. The Environment Bureau (ENB) is responsible for energy efficiency and conservation policy, including setting the Government's energy saving targets, formulating strategies for achieving the targets and monitoring the implementation progress. The Electrical and Mechanical Services Department (EMSD) is mainly responsible for monitoring the progress in achieving the energy saving target, coordinating and overseeing the conduct of energy audits and retro-commissioning (RCx) for selected government buildings, and administering the funding applications of energy savings projects in government buildings under a block vote of the General Revenue Account. The Architectural Services Department (ArchSD) is mainly responsible for administering a block vote for minor building works of the Capital Works Reserve Fund, implementing energy saving projects in government buildings which involve building works and monitoring the implementation progress of such projects. The Audit Commission (Audit) has recently conducted a review to examine the work of ENB, EMSD and ArchSD for energy efficiency and conservation in government buildings.

Achievement of energy saving targets

2. *Need to explore measures to complete the compilation and submission of annual reports on achievement of energy saving target as early as possible.* For the latest electricity saving target, the 2015 Policy Address announced a target of

Executive Summary

5% saving in the total electricity consumption of government buildings for the 5-year period from 2015-16 to 2019-20 (2015-20 electricity saving target) under comparable operating conditions in 2013-14 as the baseline. EMSD (through its Energy Efficiency Office (EEO)) is responsible for analysing and aggregating electricity consumption data from government bureaux/departments (B/Ds) to determine the government-wide achievement of the 2015-20 electricity saving target and compile an annual report on achievement of the target for reporting to ENB. According to ENB, the 2015-20 electricity saving target had already been achieved in 2018-19 with an overall electricity saving of 5.7% up to 2018-19. According to EMSD, the final results (i.e. up to the final year of 2019-20) would be available in the first quarter of 2021. Audit noted that: (a) long time was taken by EMSD to compile (including collecting returns from B/Ds) and submit the annual reports to ENB for each year from 2015-16 to 2018-19, ranging from 11 to 13 months after the respective financial year end; and (b) B/Ds submitted returns on the total electricity consumption of the government buildings under their management to EMSD in the form of spreadsheets and EMSD had not made use of an information technology system with programming functions for importing and collating the data from B/Ds for generation of management reports. In Audit's view, EMSD needs to explore measures to complete the compilation and submission of the annual reports on achievement of energy saving target to ENB as early as possible, and make better use of information technology in compiling government-wide energy consumption data (paras. 2.2, 2.3, 2.5 and 2.6).

3. ***Need to continue to take follow-up actions on energy saving performance of B/Ds.*** Audit noted that, in September 2018, EEO took a new and one-off measure to assist B/Ds to improve their electricity saving performance by: (a) conducting an analysis on B/Ds' electricity saving performance (up to 2016-17) and identifying 13 B/Ds whose performance was below the government-wide achievement of electricity saving; and (b) requesting the Electrical and Mechanical Services Trading Fund (the maintenance agent of the concerned B/Ds for electrical and mechanical installations) to provide technical assistance to help the 13 B/Ds improve their electricity saving performance. In Audit's view, there is merit for EMSD to continue to take follow-up actions on the energy saving performance of B/Ds (paras. 2.7 and 2.8).

4. ***Scope for improvement in the normalisation process.*** According to EMSD, for the purpose of evaluating the achievement of electricity saving target, normalisation is applied to the raw electricity consumptions for discounting the effect of activity changes in the calculation of electricity savings under comparable operating conditions in the base year. EMSD selects samples of normalisation calculations of

Executive Summary

government venues submitted by B/Ds for checking. Audit examined the 2018-19 normalisation calculations of 15 government venues checked by EMSD and with comments on the calculations provided to the concerned B/Ds. While all the concerned B/Ds had responded to EMSD's comments, Audit noted that, for 4 of the 15 government venues, there might be scope for EMSD to seek further clarifications on the effect of activity changes on normalisation calculations from the concerned B/Ds responsible for managing them. Audit also noted that: (a) there were no detailed guidelines on the procedures for checking normalisation calculations submitted by B/Ds; and (b) regular management information for the checking results of normalisation calculations had not been compiled (paras. 2.14, 2.16 and 2.17).

5. ***Need to keep under review the implementation of green energy target.***

The 2019 Policy Address announced a green energy target of 6% improvement in energy performance for the 5-year period from 2020-21 to 2024-25 under comparable operating conditions in 2018-19 as the baseline. The green energy target, being a new initiative, covers certain new areas including electricity consumptions in government infrastructures and other forms of energy (e.g. town gas and liquefied petroleum gas) consumptions in government buildings and infrastructures. Audit noted that EMSD had issued guidelines on applying normalisation to electricity consumption but not for the consumption in other forms of energy. In Audit's view, ENB and EMSD need to keep under review the implementation of measures by B/Ds to achieve the green energy target (in particular the new areas covered by the target) and provide necessary assistance to help B/Ds achieve the target (paras. 2.20 and 2.21).

6. ***Need to complete renewable energy (RE) projects at existing government buildings as early as possible.***

Since 2017-18 and up to 2019-20, a total of \$2 billion has been earmarked for installation of small-scale RE systems at existing government buildings and infrastructures. Regarding the small-scale RE project proposals for government buildings submitted by B/Ds from 2017-18 to 2019-20 and implemented by ArchSD, as of June 2020, 67 projects had been approved for implementation, of which 28 projects had been completed and 39 projects were at planning or construction stages. Audit noted that the progress of 9 of the 39 RE projects (at planning or construction stages) were about 3 to 5 months later than their original completion dates. Audit also noted that, as of June 2020, there were 14 project proposals under feasibility study by ArchSD. These proposals were submitted by B/Ds to ArchSD before August 2018 (i.e. about 2 years ago). As the green energy target recognises the contribution of RE, Audit considers that ArchSD needs to

Executive Summary

complete the RE projects at existing government buildings as early as possible (paras. 2.22, 2.24 and 2.25).

Management of energy audits and retro-commissioning for government buildings

7. *Need to ensure that government buildings meeting the selection criteria are selected for conducting energy audits.* Energy audit is a systematic review of the energy consuming equipment/systems in a building to identify energy management opportunities (EMOs). A total of 251 government buildings were shortlisted for conducting energy audits between 2020-21 and 2022-23 to identify EMOs for achieving the green energy target. One of the selection criteria is buildings with an annual electricity consumption above 500,000 kilowatt-hours each in 2017-18 and potential for further electricity saving. Audit found that 5 government buildings fulfilling this selection criterion were not shortlisted. After verification by EMSD upon Audit's referral, EMSD advised that it would further review with the B/Ds concerned the need for conducting energy audits for 4 of the 5 government buildings (the other building had been closed for demolition after 2017-18). In Audit's view, EMSD needs to take measures to ensure that government buildings meeting the selection criteria are selected for conducting energy audits and early complete the reviews on the need for conducting energy audits for the government buildings identified by Audit (paras. 3.2, 3.4, 3.6 and 3.7).

8. *Scope for obtaining information for selected government buildings on implementation of EMOs identified in energy audits.* According to EMSD, 344 government buildings were selected for conducting energy audits between 2015-16 and 2016-17 under the last energy audit programme for achieving the 2015-20 electricity saving target. Of these 344 government buildings, 136 (40%) buildings were included in the current energy audit programme (between 2020-21 and 2022-23) again for achieving the green energy target. The need to conduct energy audits again for the 136 government buildings within a short period was mainly due to the fact that their electricity saving performance was below average in 2017-18. In fact, Audit noted that the electricity saving performance of 106 (78%) of the 136 government buildings was also below average in 2018-19. In this connection, according to EMSD: (a) an energy audit can achieve energy efficiency and conservation through the implementation of EMOs identified in the audit; and (b) B/Ds are responsible for identifying and prioritising the recommendations for EMOs in the energy audit reports for implementation as far as practicable. However,

Executive Summary

Audit noted that there was no requirement for B/Ds to provide information to EMSD on the implementation of EMOs and the related energy savings achieved (paras. 3.4, 3.8 and 3.9).

9. ***Need to keep under review the RCx implementation timetable for government buildings.*** RCx is a systematic and cost-effective process to periodically check an existing building's energy and other performances to identify energy saving opportunities. In 2018, EMSD identified 280 government buildings and invited the pertinent B/Ds to conduct RCx for the government buildings under their management through a 7-year RCx programme from 2019-20 to 2025-26. In the event, RCx would be conducted for 230 (82%) government buildings. According to EMSD, as of September 2020: (a) the RCx study for 44 of the 230 government buildings had commenced; and (b) a tentative RCx implementation timetable for the remaining 186 government buildings had been prepared. In Audit's view, EMSD needs to keep under review the RCx implementation timetable for government buildings included in the RCx programme and confirm the implementation schedule with the concerned B/Ds as early as possible (paras. 3.12, 3.16, 3.25 and 3.26).

10. ***Need to encourage the pertinent B/Ds to include the government buildings under their management in the RCx programme.*** There were 50 government buildings for which the pertinent B/Ds had not yet decided whether they would be included in the RCx programme. According to EMSD, some of the 50 buildings might be included for implementing RCx at a later stage. In Audit's view, EMSD needs to take measures to encourage the pertinent B/Ds to include the government buildings under their management in the RCx programme (paras. 3.27 and 3.28).

Management of energy saving projects and other management issues

11. ***Scope for improvement in monitoring the progress of energy saving projects.*** Funding of about \$700 million has been earmarked under a block vote controlled by EMSD (EMSD Block Vote) for the gradual implementation of energy saving projects in government buildings from 2017-18 to 2021-22. As of March 2020, of the 267 energy saving projects funded under EMSD Block Vote, 174 (65%) projects had been completed and 93 (35%) projects were with works in progress. For the 93 projects with works in progress, 18 (19%) projects (all were

Executive Summary

with one-year implementation programme) were behind schedule, ranging from 0.9 to 1.9 years (paras. 4.2, 4.5 and 4.6).

12. ***Scope for improving performance measurements for energy saving projects.*** According to EEO, upon completion of an energy saving project funded under EMSD Block Vote, the B/D concerned and/or its works agent are required to conduct performance measurement (i.e. measurement and verification of actual payback period and electricity saving) for the project within the one-year defects liability period. As of March 2020, of the 174 completed energy saving projects funded under EMSD Block Vote, performance measurements for 136 projects had been completed while those for the remaining 38 projects were in progress. Audit noted that, for 3 (8%) of the 38 projects, while the projects had been completed for more than 1 year as of March 2020, the performance measurements were still in progress (para. 4.9).

13. ***Scope for improving accuracy of project estimates.*** When submitting a funding application for energy saving project under EMSD Block Vote, B/Ds and/or their works agents for building services installations are required to provide a project estimate on the funding application form. Audit examination found that, of the 267 energy saving projects funded under EMSD Block Vote as of March 2020, 121 (45%) projects had changes in approved project estimate (APE), comprising 47 projects with an increase in APE (ranging from 4% to 300% of the original APE of each project, averaging 48%) and 74 projects with a decrease in APE (ranging from 2% to 96% of the original APE of each project, averaging 41%) (para. 4.11).

14. ***Scope for improvement in monitoring the progress and cashflow of energy saving projects.*** Apart from the funding under EMSD Block Vote, funding of about \$200 million has also been earmarked under a block vote controlled by ArchSD (the Minor Building Works Block Vote) for the gradual implementation of energy saving projects in government buildings from 2017-18 to 2021-22. As of March 2020, there were 204 energy saving projects funded under the Minor Building Works Block Vote controlled by ArchSD. To avoid funds being tied up by projects which are not yet ready for implementation, ArchSD will only consider B/Ds' proposed energy saving projects with at least 10% to 20% of the estimated cashflow to be incurred in the year of approval. However, Audit examination found that: (a) 58 (28%) of the 204 projects had not incurred any expenditure in the year of approval; and (b) of the 58 projects, 17 (29%) projects (with a total APE of \$19 million) had not incurred any

Executive Summary

expenditure in subsequent year after the year of approval as of March 2020 (paras. 4.2 and 4.17 to 4.19).

15. ***Need to require the B/Ds concerned or their works agents as appropriate to provide information on estimated payback periods and anticipated electricity savings of proposed energy saving projects when submitting funding applications.***

Audit noted that while EMSD had required B/Ds to provide information regarding estimated payback period and anticipated electricity saving on the funding application form for energy saving projects funded under its block vote, ArchSD had not required the B/Ds concerned or their works agents as appropriate to provide such information when submitting funding applications for proposed energy saving projects funded under the Minor Building Works Block Vote (para. 4.21).

16. ***Scope for enhancing the participation in green building certification.*** The Building Environmental Assessment Method (BEAM) Plus is a comprehensive assessment tool to certify green buildings in Hong Kong. All new government buildings of construction floor area above 5,000 square metres (m²) with central air conditioning or above 10,000 m² should aim to obtain the second highest grade or above under BEAM Plus. From January 2015 to July 2020, ArchSD had completed 34 government building projects for which the green building certification requirement was applicable. Audit noted that, as of July 2020, 15 (44%) of the 34 projects had not yet obtained final green building certification. In addition, regarding existing government buildings, in June 2017, ENB informed the Legislative Council that it would encourage B/Ds to apply for BEAM Plus certification for such buildings to showcase the Government's commitment to green buildings. Audit noted that, as of July 2020, only 5 existing government buildings had obtained final BEAM Plus certification (paras. 4.28 to 4.30 and 4.32).

Executive Summary

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 Director of Electrical and Mechanical Services should:

Achievement of energy saving targets

- (a) explore measures to complete the compilation and submission of the annual reports on achievement of energy saving target to ENB as early as possible and make better use of information technology in compiling government-wide energy consumption data (para. 2.10(a) and (b));
- (b) continue to take follow-up actions on the energy saving performance of B/Ds (para. 2.10(c));
- (c) take measures to improve the normalisation process (para. 2.18);

Management of energy audits and RCx for government buildings

- (d) take measures to ensure that government buildings meeting the selection criteria are selected for conducting energy audits and early complete the reviews on the need for conducting energy audits for the government buildings identified by Audit (para. 3.10(a) and (b));
- (e) consider taking measures to collect information on the implementation of EMOs and the related energy savings achieved for selected government buildings as far as practicable (para. 3.10(c));
- (f) keep under review the RCx implementation timetable for government buildings included in the RCx programme and confirm the implementation schedule with the concerned B/Ds as early as possible (para. 3.29(c));
- (g) take measures to encourage the pertinent B/Ds to include the government buildings under their management in the RCx programme (para. 3.29(d)); and

Executive Summary

Management of energy saving projects and other management issues

- (h) **in administering energy saving projects in government buildings and funded under EMSD Block Vote:**
 - (i) **closely liaise with the B/Ds concerned or their works agents as appropriate to request them to monitor the progress of energy saving projects (para. 4.14(a)); and**
 - (ii) **remind the B/Ds concerned or their works agents as appropriate to closely monitor the progress of performance measurements for completed energy saving projects and make more accurate project estimates for energy saving projects as far as practicable (para. 4.14(b)).**

18. Audit has recommended that:

Achievement of energy saving targets

- (a) **the Secretary for the Environment and the Director of Electrical and Mechanical Services should keep under review the implementation of measures by B/Ds to achieve the green energy target and provide necessary assistance to help B/Ds achieve the target (para. 2.26(b)); and**

Management of energy saving projects and other management issues

- (b) **the Secretary for the Environment should take measures to encourage B/Ds to apply for green building certification for the existing government buildings under their management (para. 4.34(b)).**

Executive Summary

19. Audit has *recommended* that the Director of Architectural Services should:

Achievement of energy saving targets

- (a) complete the RE projects at existing government buildings as early as possible (para. 2.27);

Management of energy saving projects and other management issues

- (b) in administering energy saving projects in government buildings and funded under the Minor Building Works Block Vote:
 - (i) remind the B/Ds concerned or their works agents as appropriate to make more accurate cashflow forecasts for energy saving projects, and inform ArchSD of the project status and cashflow regularly (para. 4.22(a)); and
 - (ii) require the B/Ds concerned or their works agents as appropriate to provide information on the estimated payback periods and anticipated electricity savings of proposed energy saving projects when submitting funding applications (para. 4.22(b)); and
- (c) closely monitor the progress in making assessment submissions for green building certification for new government buildings (para. 4.36).

Response from the Government

20. The Secretary for the Environment, the Director of Electrical and Mechanical Services and the Director of Architectural 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 In Hong Kong, more than half of the total annual energy use is in the form of electricity consumption (Note 1), with buildings accounting for about 90% of the city's electricity consumption. Electricity is mainly generated by burning of fossil fuels (e.g. coal and natural gas). The process of electricity generation emits air pollutants (e.g. sulphur dioxide, nitrogen oxides and suspended particulates) and greenhouse gases (e.g. carbon dioxide, which is the main driver of climate change) (Note 2).

1.3 The Government is one of the major electricity consumers in Hong Kong, accounting for more than 6% of Hong Kong's electricity consumption (Note 3), with which it provides a range of essential public services. In each year from 2013-14 to 2019-20, its total annual electricity consumption was about 2.7 billion

Note 1: *According to the Hong Kong Energy End-use Data 2020 issued by the Electrical and Mechanical Services Department, 55% of Hong Kong's total annual energy use in 2018 was in the form of electricity consumption, 28% in the form of oil and coal products, and 17% in the form of town gas and liquefied petroleum gas.*

Note 2: *Human activities (such as electricity generation, transport operation, waste disposal, industrial processes, etc.) produce greenhouse gas emissions. These gases act like a blanket in the atmosphere, trapping heat and keeping the Earth warm. However, excessive ambient concentration of greenhouse gas causes climate change, which is disrupting national economies and affecting lives given the significant impacts arising from changing weather patterns, rising sea level, and more extreme weather events. Among the different types of greenhouse gas, carbon dioxide is the most common type released to the atmosphere.*

Note 3: *The MTR Corporation Limited, the Hospital Authority, the Hong Kong Housing Authority and the Airport Authority Hong Kong are also major electricity consumers in Hong Kong, each accounting for about 1% to 4% of Hong Kong's electricity consumption.*

Introduction

kilowatt-hours (kWh), more than half of which was used in government buildings (Note 4) with the remaining used in government infrastructures (Note 5) (see Table 1). Enhancing energy efficiency and conservation (Note 6) in government buildings, being one of the Government's priority tasks, could contribute to the reduction of electricity consumption (Note 7).

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- Note 4:** *Government buildings refer to all covered non-infrastructure venues and facilities occupied and/or managed by the Government, which include their associated open space or other facilities that support the main function of the venues and facilities, but exclude: (a) open space with separate energy meter (e.g. country parks, parks and playgrounds, sitting-out areas, beaches, amenities, soccer pitches, natural and artificial turf pitches, and tennis courts); (b) premises rented or on loan to non-government agencies who pay the energy bills themselves; and (c) staff quarters where individual tenants pay the energy bills. According to the Joint Circular on “Green Government Buildings” issued by the Development Bureau and the Environment Bureau in April 2015, there were some 8,000 buildings managed by the Government.*
- Note 5:** *Government infrastructures include: (a) facilities, services and installations occupied and/or managed by the Government to meet basic needs of the community such as water supplies, drainage services, land/passenger/marine/air transportation and road safety; and (b) venues and facilities in open space with separate energy meter.*
- Note 6:** *Energy efficiency relates to the minimisation of energy input in the processes of delivering a particular type of service while energy conservation relates to avoiding or reducing the use of energy in various situations. To achieve higher energy savings, both energy efficiency and conserving energy are relevant.*
- Note 7:** *Pursuant to the Paris Agreement (a legally binding global deal to combat climate change adopted by 195 countries including China) that came into effect in November 2016, Hong Kong Special Administrative Region (as part of China) was required to draw up its own long-term carbon emissions reduction strategies up to 2050 by 2020. In January 2017, the Government promulgated the “Hong Kong’s Climate Action Plan 2030+”. As local electricity generation is by far the biggest contributor to carbon emissions making up about 70%, promotion of energy efficiency and conservation in buildings, which could contribute to reduce electricity consumption, is one of the initiatives included in the Action Plan to reduce carbon emissions for combating climate change.*

Table 1

**Government's electricity consumption and expenditure
(2013-14 to 2019-20)**

Year	Electricity consumption			Electricity expenditure (Note 1) (\$ million)
	Buildings (million kWh)	Infrastructures (million kWh)	Total (million kWh)	
2013-14	1,420 (54 %)	1,194 (46 %)	2,614 (100 %)	2,795.5
2014-15	1,460 (54 %)	1,252 (46 %)	2,712 (100 %)	2,975.3
2015-16	1,476 (54 %)	1,246 (46 %)	2,722 (100 %)	2,976.6
2016-17	1,467 (54 %)	1,260 (46 %)	2,727 (100 %)	2,977.9
2017-18	1,449 (53 %)	1,286 (47 %)	2,735 (100 %)	2,888.7
2018-19	1,455 (52 %)	1,331 (48 %)	2,786 (100 %)	3,113.3
2019-20	(Note 2)			3,195.2
Total	8,727 (54 %)	7,569 (46 %)	16,296 (100 %)	20,922.5

Source: Electrical and Mechanical Services Department and Treasury records

Note 1: The breakdown of electricity expenditure by government buildings and infrastructures is not available as government bureaux/departments are not required to submit the relevant information to the Electrical and Mechanical Services Department (see para. 1.6(a)).

Note 2: The electricity consumption data in government buildings and infrastructures in 2019-20 was not yet available as of August 2020. The Electrical and Mechanical Services Department called returns from government bureaux/departments in late June 2020 (see para. 1.6(a)(ii)). The returns were originally due for submission by mid-August 2020, which was extended to end-August 2020 as a result of the outbreak of the third wave of coronavirus disease (COVID-19) in July 2020.

Energy saving policy and strategy

1.4 In May 2015, the Government promulgated the “Energy Saving Plan for Hong Kong’s Built Environment 2015~2025+” (hereinafter referred to as the Energy Saving Plan). Being the first-ever energy saving blueprint for Hong Kong, the Energy Saving Plan, among others, sets out the Government’s energy saving policy and strategy, takes stock of past efforts and details the gaps and challenges with

Introduction

a view to engaging the community to discuss the way forward (Note 8). Hong Kong's energy saving policy is to drive energy saving through a combination of educational, social, economic and regulatory means, especially for buildings and inhabitants to become highly energy efficient by 2025. The energy saving strategies include the Government taking the lead and improving building energy efficiency for both new and existing buildings (Note 9). Key actions include leading the energy saving and green building transformation through government buildings and public sector development, and achieving 5% electricity saving target for government buildings by 2019-20 under comparable operating conditions in 2013-14 as the baseline.

Energy saving targets

1.5 According to the Energy Saving Plan, the Government has been taking the lead to reduce electricity consumption in government buildings by setting energy saving targets so as to set a good example for the community. Since 2003, the Government has set 5 rounds of energy saving targets, comprising 4 electricity saving targets and 1 green energy target, as follows:

- (a) *Electricity saving targets.* For the period from 2003-04 to 2019-20, the Government set 4 rounds of electricity saving targets for government buildings under comparable operating conditions in the base year and achieved the related targets (see Table 2); and

Note 8: *The Energy Saving Plan also sets out a new target of reducing Hong Kong's energy intensity (i.e. energy demand per unit of gross domestic product) by 40% by 2025, using 2005 as the base. According to the Electrical and Mechanical Services Department, Hong Kong's energy intensity had decreased by 32.8% from 2005 to 2018.*

Note 9: *Other energy saving strategies are enabling companies, institutions and residents to make energy efficiency choices when they invest in electrical appliances and vehicles, and promoting energy saving practices and lifestyle for the people of Hong Kong.*

Table 2

**Electricity saving targets and achievements
(2003-04 to 2019-20)**

Period (Note 1)	Base year	Electricity saving	
		Target	Achievement
(a) 2003-04 to 2006-07	2002-03	6.0%	6.9%
(b) 2006	2005	1.5% (Note 2)	2.9%
(c) 2009-10 to 2013-14	2007-08	5.0%	9.2%
(d) 2015-16 to 2019-20	2013-14	5.0% (Note 3)	5.7% (up to 2018-19 — Note 3)

Source: Electrical and Mechanical Services Department records

Note 1: The first round of electricity saving target was set by the Government in 2003. The other three rounds of electricity saving targets were announced in the relevant Policy Address.

Note 2: The electricity saving target took place in parallel with the 6% target for 2003-04 to 2006-07.

Note 3: The electricity saving target of 5% was a key action under the Energy Saving Plan (see para. 1.4). The overall electricity saving was 5.7% up to 2018-19. As of August 2020, the electricity saving data up to 2019-20 was not yet available. The Electrical and Mechanical Services Department called returns from government bureaux/departments in late June 2020. The returns were originally due for submission by mid-August 2020, which was extended to end-August 2020 as a result of the outbreak of the third wave of coronavirus disease (COVID-19) in July 2020.

- (b) **Green energy target.** According to the Energy Saving Plan, it would be possible for the Government to consider setting further energy saving targets in 2020, 2025 and to continue up until 2035. As announced in the 2019 Policy Address, the Government has set a green energy target of 6% improvement in energy performance for the 5-year period from 2020-21 to 2024-25 under comparable operating conditions in 2018-19 as the baseline. The green energy target covers not only government buildings but also infrastructures, and requires not only saving in the consumption of electricity but also other forms of energy (e.g. town gas and liquefied

Introduction

petroleum gas). The energy contribution of renewable energy (RE) projects will also be taken into account as achievement in improving energy performance.

Responsibilities of government bureaux/departments relating to energy saving target

1.6 The Environment Bureau (ENB — Note 10) is responsible for energy efficiency and conservation policy, including setting the Government's energy saving targets, formulating strategies for achieving the targets and monitoring the implementation progress. The responsibilities of other government bureaux/departments (B/Ds) relating to energy saving target are as follows:

- (a) ***Electrical and Mechanical Services Department (EMSD).*** The Energy Efficiency Office (EEO) of EMSD (see Appendix A for an extract of EMSD's organisation chart as at 31 July 2020) is responsible for:
 - (i) providing professional advice and administrative support to ENB through promotion, development and implementation of energy saving initiatives, and providing guidelines on housekeeping measures and best practices for energy savings;
 - (ii) monitoring the progress in achieving the energy saving target and providing the government-wide statistical information for planning, monitoring and reference purposes by calling returns from B/Ds on the total energy consumption, analysing energy consumption data from B/Ds, and aggregating energy consumption data from B/Ds to determine the government-wide achievement of the energy saving target for reporting to ENB;
 - (iii) coordinating and overseeing the conduct of energy audits and retro-commissioning (RCx) for selected government buildings. Energy audit and RCx are the tools to help B/Ds identify

Note 10: *In July 2007, ENB was formed to take over the policy responsibility for environmental matters. From July 2002 to June 2007, the policy responsibility rested with the then Environment, Transport and Works Bureau, which is referred to as ENB in this Audit Report for simplicity.*

opportunities for reducing energy consumption in government buildings so as to achieve the energy saving target;

- (iv) administering the funding applications of energy saving projects in government buildings under a block vote of the General Revenue Account (see para. 1.8(a)) and monitoring the project expenditure of such projects; and
- (v) coordinating the Government's efforts in promoting energy efficiency and conservation, and providing technical advice and support to B/Ds on energy efficiency and conservation to facilitate the implementation of energy saving measures and projects (e.g. providing guidelines on housekeeping measures and best practices for energy savings, and organising seminars, briefing sessions and workshops).

As of July 2020, EEO, led by two Chief Engineers, had a staff establishment of 111, of which 6 had duties relating to energy efficiency and conservation in government buildings on a part-time basis (Note 11). In addition, the Electrical and Mechanical Services Trading Fund (EMSTF), i.e. the trading arm of EMSD, also provides operation and maintenance services to B/Ds on electrical and mechanical installations, and monitors the implementation progress of energy saving projects;

- (b) ***Architectural Services Department (ArchSD).*** ArchSD is responsible for:
 - (i) the design and construction of government buildings, including the building services installations in the buildings;
 - (ii) planning and implementing minor building works and minor alterations, additions and improvement works (including furniture

Note 11: *The other duties of the 6 staff mainly include publicising the energy end-use data for Hong Kong, assisting ENB in setting energy saving targets and organising the annual "Energy Saving for All" campaign (which is a major community engagement programme on energy saving). According to EMSD, as EEO's staff are multi-tasked, it is not feasible to provide a breakdown of staff resources solely for the work on energy efficiency and conservation in government buildings.*

and equipment replacement incidental to such works) for government buildings through its Property Services Branch;

- (iii) administering a block vote of the Capital Works Reserve Fund (see para. 1.7) for which the Director of Architectural Services is the Controlling Officer (Note 12). Items to be funded under the block vote include energy saving projects in government buildings; and
 - (iv) implementing energy saving projects in government buildings which involve building works and monitoring the implementation progress of such projects. In carrying out its projects for new and existing buildings, ArchSD will incorporate energy-efficient features for building services installations where appropriate (Note 13); and
- (c) **Individual B/Ds.** Individual B/Ds, through their Green Managers (Note 14), are responsible for formulating and implementing energy saving and improvement measures for government buildings under their management having regard to their operational constraints and the results of energy audits and RCx, including the implementation of energy saving projects (see paras. 1.7 and 1.8) and the adoption of housekeeping measures

Note 12: *For administering the block vote, ArchSD: (a) calls for bids from individual B/Ds for items to be funded under the block vote; (b) proposes the estimates; (c) administers funding applications; and (d) monitors and controls expenditure from the block vote to keep the total expenditure and the level of over-commitment strictly within approved limits.*

Note 13: *According to ArchSD, it does not have a dedicated team for the work on energy efficiency and conservation in new and existing government buildings. The application of energy-efficient features to ArchSD's projects would be considered by different project teams when they implement the projects. There is no separate record on staff headcount and resources solely for the work on energy efficiency and conservation in government buildings.*

Note 14: *The Government introduced in 1993 a Green Manager Scheme in which Directors/Heads of B/Ds are required to appoint Green Managers to promote green management in their B/Ds. The Green Managers, who should preferably be at directorate level, provide a focal point for introducing and reviewing initiatives to improve the performance of their B/Ds in green management. The responsibilities of Green Managers include: (a) implementing a programme of green housekeeping within the B/D; (b) introducing measures to enhance staff consciousness and involvement in relation to environmental issues; and (c) publicising the commitment to protecting the environment, formulating action plans and recording achievements.*

and best practices for energy savings. B/Ds should monitor their progress in achieving the energy saving target and submit annual returns (e.g. total energy consumption) to EMSD (Note 15). As for B/Ds which do not have government buildings under their management, these B/Ds are encouraged to adopt the energy saving measures published by EMSD, as well as the recommended housekeeping measures and best practices for energy savings.

Energy saving projects in government buildings

1.7 For energy saving projects in government buildings, B/Ds could submit funding applications for such projects to ArchSD under a block vote for minor building works (Head 703 (Buildings), Subhead 3101GX — Note 16) of the Capital Works Reserve Fund. The energy saving projects funded under this block vote are minor building works involving building services installations in government buildings, subject to a maximum ceiling of expenditure not exceeding \$30 million per project.

1.8 To assist the relevant B/Ds in the implementation of energy saving projects in government buildings, as announced in the 2017 Policy Address, the Government has earmarked at least \$500 million for the gradual implementation of such projects from 2017-18 to 2021-22. The earmarked funding provision was later increased to about \$600 million in 2018-19 and further increased to about \$900 million in 2019-20, of which:

- (a) about \$700 million was earmarked under a block vote for energy saving projects in government buildings (Head 42 (EMSD), Subhead 696) of the General Revenue Account. The energy saving projects funded under this block vote controlled by EMSD merely involve installation or replacement

Note 15: *For buildings managed by the Government Property Agency, the Government Property Agency is responsible for reporting to EMSD on behalf of user B/Ds of the buildings.*

Note 16: *Subhead 3101GX is for minor building works, fitting-out works and minor alterations, additions and improvement works (including furniture and equipment replacement incidental to such works), and slope inspections and minor slope improvement works, subject to a maximum ceiling of expenditure not exceeding \$30 million per project.*

Introduction

of electrical and mechanical equipment/facilities (e.g. chiller plant) with energy saving potential where the estimated project cost is over \$0.2 million but not exceeding \$10 million; and

- (b) about \$200 million was earmarked under a block vote (Subhead 3101GX) controlled by ArchSD (see para. 1.7).

EMSD and ArchSD will invite B/Ds to submit funding applications for energy saving projects annually. Depending on the nature of energy saving projects, B/Ds may submit funding applications for such projects to EMSD or ArchSD.

Audit review

1.9 In May 2020, the Audit Commission (Audit) commenced a review to examine the work of ENB, EMSD and ArchSD for energy efficiency and conservation in government buildings. The audit review has focused on the following areas:

- (a) achievement of energy saving targets (PART 2);
- (b) management of energy audits and RCx for government buildings (PART 3); and
- (c) management of energy saving projects and other management issues (PART 4).

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

Acknowledgement

1.10 During the audit review, in light of the outbreak of coronavirus disease (COVID-19), the Government had implemented various special work arrangements and targeted measures for government employees, including working from home. Audit would like to acknowledge with gratitude the full cooperation of the staff of ENB, EMSD and ArchSD during the course of the audit review amid the COVID-19 epidemic.

PART 2: ACHIEVEMENT OF ENERGY SAVING TARGETS

2.1 The Government completed the implementation of 4 rounds of electricity saving targets for the period from 2003-04 to 2019-20 and has started the implementation of the green energy target for the 5-year period from 2020-21 to 2024-25 (see para. 1.5). This PART examines the Government's work in implementing the latest electricity saving target and the new green energy target, focusing on:

- (a) electricity saving target for 2015-16 to 2019-20 (paras. 2.2 to 2.13);
- (b) normalisation process (paras. 2.14 to 2.19); and
- (c) green energy target (paras. 2.20 to 2.30).

Electricity saving target for 2015-16 to 2019-20

2.2 As announced in the 2015 Policy Address, the Government has set a target of 5% saving in the total electricity consumption of government buildings (Note 17) for the 5-year period from 2015-16 to 2019-20 (hereinafter referred to as the 2015-20 electricity saving target) under comparable operating conditions in 2013-14 as the baseline. In March 2015, ENB issued Circular Memorandum No. 2/2015 "Electricity Saving in Government Buildings" (hereinafter referred to as the 2015 Circular Memorandum) to B/Ds announcing the arrangements for implementing the 2015-20 electricity saving target. According to ENB, the 2015-20 electricity

Note 17: *Government buildings are classified into six categories, as follows: (a) health facilities, which include premises used for providing health services, excluding hospitals under the purview of the Hospital Authority; (b) office type buildings, which include venues primarily for office usage, excluding offices classified under venues managed by disciplined services departments; (c) venues and facilities managed by disciplined services departments; (d) recreational and cultural buildings/venues, which include venues and facilities where the main functions are for leisure, recreational and cultural activities, including those offices within the premises; (e) schools and educational buildings, which include venues intended for educational purpose; and (f) miscellaneous, which include venues and facilities not classified under the above five categories (e.g. stores, depots, workshops, markets, crematoriums, and municipal services buildings/complexes).*

Achievement of energy saving targets

saving target had already been achieved in 2018-19 (i.e. 4 years after implementation and a year ahead of schedule) with an overall electricity saving of 5.7% up to 2018-19. According to EMSD, the final results (i.e. up to the final year of 2019-20) of the achievement of the 2015-20 electricity saving target would be available in the first quarter of 2021 (see Note to Table 3 in para. 2.3).

Need to explore measures to complete the compilation and submission of annual reports on achievement of energy saving target as early as possible

2.3 EMSD (through its EEO) is responsible for monitoring the progress in achieving the 2015-20 electricity saving target by calling returns from B/Ds on the total electricity consumption of the government buildings under their management on an annual basis, analysing electricity consumption data from B/Ds, and aggregating electricity consumption data from B/Ds to determine the government-wide achievement of the 2015-20 electricity saving target and compile an annual report on achievement of the target for reporting to ENB. Audit noted that long time was taken by EMSD to compile (including collecting returns from B/Ds) and submit the annual reports to ENB for each year from 2015-16 to 2018-19, ranging from 11 to 13 months after the respective financial year end (see Table 3).

Table 3

EMSD's compilation of annual reports on achievement of the 2015-20 electricity saving target (August 2020)

Period	Calling of returns from B/Ds by EMSD	Deadline for submission of returns to EMSD	Submission of annual report to ENB	Time elapsed between financial year end to submission of annual report
2015-16	Jul 2016	Aug 2016	Mar 2017	12 months
2016-17	Jul 2017	Sep 2017	May 2018	13 months
2017-18	May 2018	Aug 2018	Feb 2019	11 months
2018-19	Jun 2019	Aug 2019	Mar 2020	11 months
2019-20	Jun 2020 (Note)	Aug 2020 (Note)	Not yet submitted	N/A

Source: EMSD records

Note: EMSD called returns from B/Ds in late June 2020. The returns were originally due for submission by mid-August 2020, which was extended to end-August 2020 as a result of the outbreak of the third wave of COVID-19 in July 2020.

2.4 In September 2020, EMSD informed Audit that:

- (a) the deadlines for submission of returns by B/Ds were set at August/September of the financial year subsequent to the respective reporting financial years. As the returns involved some 70 B/Ds responsible for managing over 2,000 government venues (Note 18), according to EMSD's experience from the past years, only around half of the returns from B/Ds could be available by the respective deadlines. Typically, all the first submission of returns by B/Ds could only be available in October or even later. This could be attributable to the fact that electricity bills for the last month of the reporting financial year (i.e. March) were only available by early May as the billing cycle of both electricity supply companies was around 30 days. Besides, B/Ds would have their own competitive priorities under their policy and operational portfolio;
- (b) the preparation of the annual report on achievement of energy saving target was not a simple statistical exercise of raw data collection and summation. B/Ds had to collect all raw electricity consumption data as well as other information (e.g. the latest building usage, occupancy and patronage) to carry out necessary normalisation (see para. 2.16) before they could compile their returns for submission to EMSD. Such process involved much coordination work within B/Ds. Upon receipt of B/Ds' returns, an EEO officer would be assigned to sample check and dig out data which might require verification, provide feedback to the B/Ds concerned and take the subsequent follow-up actions. Rounds of clarifications and communications between EEO and the B/Ds concerned and revisions of relevant data might follow. After that, EEO would compile data and prepare the annual report for submission to ENB. All of the abovementioned procedures would take considerable time (about 2 to 3 months for each procedure) to complete; and

Note 18: *According to EMSD, B/Ds compile returns on electricity consumptions of the government buildings under their management on a "government venue" basis. Each government venue may include one government building or certain government buildings at nearby location grouped together. Such groupings are decided by B/Ds on a case-by-case basis and in general follow the B/Ds' practice in monitoring the electricity consumptions over time.*

Achievement of energy saving targets

- (c) nevertheless, on the whole, there might be room for expediting the process of compilation and submission of annual reports on achievement of energy saving target.

2.5 In Audit's view, EMSD needs to explore measures to complete the compilation and submission of the annual reports on achievement of energy saving target to ENB as early as possible with a view to providing the government-wide statistical information for planning, monitoring and reference purposes (see para. 1.6(a)(ii)).

2.6 Audit also noted that B/Ds submitted returns on the total electricity consumption of the government buildings under their management to EMSD in the form of spreadsheets and EMSD had not made use of an information technology system with programming functions for importing and collating the data from B/Ds for generation of management reports. In September 2020, EMSD informed Audit that:

- (a) it was always in search of relevant information technology tools that might help improve the data compilation work; and
- (b) in response to Audit's observations, it was reviewing the use of feasible and pragmatic information technology solutions that could help improve the data compilation work and the review would be completed by December 2020.

In Audit's view, EMSD needs to make better use of information technology in compiling government-wide energy consumption data with a view to enhancing the efficiency of the compilation work.

Need to continue to take follow-up actions on energy saving performance of B/Ds

2.7 In September 2018, in view of the fact that half of the electricity saving cycle for the 2015-20 electricity saving target had passed and the actions in 2018 might be the last opportunity for B/Ds to make in-year bids for energy saving projects (of which the saving might be materialised and be counted in the cycle), EEO took a

new and one-off measure to assist B/Ds to improve their electricity saving performance by:

- (a) conducting an analysis on B/Ds' electricity saving performance (up to 2016-17) and identifying 13 B/Ds whose performance was below the government-wide achievement of 3.4% electricity saving (up to 2016-17); and
- (b) requesting EMSTF (the maintenance agent of the concerned B/Ds for electrical and mechanical installations) to provide technical assistance to help the 13 B/Ds improve their electricity saving performance, including ascertaining the reasons for performing below the government-wide achievement of electricity saving and urgently assisting the 13 B/Ds to submit proposals for energy saving projects.

2.8 While noting that the follow-up actions taken by EEO in September 2018 were a new and one-off measure to assist B/Ds to improve their electricity saving performance, in Audit's view, there is merit for EMSD to continue to take follow-up actions on the energy saving performance of B/Ds with a view to providing more technical assistance to help B/Ds improve their performance.

Need to encourage B/Ds to include their achievements in energy saving in environmental reports

2.9 According to the 2015 Circular Memorandum, B/Ds are encouraged to include in the environmental reports their achievements in electricity saving in government buildings under their management. According to ENB Circular Memorandum No. 2/2017 "Controlling Officer's Environmental Report" issued in July 2017, Controlling Officers are requested to publish their environmental reports on their B/Ds' homepages on the Internet (Note 19). Audit conducted an Internet

Note 19: *The Circular Memorandum also sets out that: (a) an environmental report demonstrates the Controlling Officer's awareness of the environmental aspects of his/her work, how these issues are being addressed and how it is intended to improve upon the environmental performance in future; and (b) B/Ds have to publish annual environmental reports approved personally by Controlling Officers during the calendar year following the calendar year being reported on (e.g. publication of 2018 report in 2019).*

Achievement of energy saving targets

search of B/Ds' publication of environmental reports for 2018 and found that, as of July 2020, 38 (57%) of 67 B/Ds with government buildings under their management (Note 20) had not included their achievements in electricity saving in their environmental reports. In Audit's view, ENB needs to take measures to encourage B/Ds to include their achievements in energy saving in their environmental reports.

Audit recommendations

2.10 Audit has *recommended* that the Director of Electrical and Mechanical Services should:

- (a) explore measures to complete the compilation and submission of the annual reports on achievement of energy saving target to ENB as early as possible with a view to providing the government-wide statistical information for planning, monitoring and reference purposes;**
- (b) make better use of information technology in compiling government-wide energy consumption data with a view to enhancing the efficiency of the compilation work; and**
- (c) continue to take follow-up actions on the energy saving performance of B/Ds with a view to providing more technical assistance to help B/Ds improve their performance.**

2.11 Audit has *recommended* that the Secretary for the Environment should take measures to encourage B/Ds to include their achievements in energy saving in their environmental reports.

Note 20: *For 2018-19, 67 B/Ds had reported to EMSD the electricity consumptions of the government buildings under their management.*

Response from the Government

2.12 The Director of Electrical and Mechanical Services agrees with the audit recommendations in paragraph 2.10. He has said that:

- (a) as the compilation of the annual reports on achievement of energy saving target is much more than raw data collection and summation, and involves the process of data preparation and normalisation carried out by B/Ds, as well as sample checking conducted and the related follow-up clarifications sought by EMSD, the whole process would take considerable time to complete. EMSD will work closely with B/Ds to find ways to expedite the process as far as practicable;
- (b) EMSD is always in search of relevant information technology tools that may help improve the data compilation work. A review of the use of feasible and pragmatic information technology solutions to improve the data compilation work is underway for planned completion by December 2020; and
- (c) the one-off measure taken in September 2018 (i.e. reminding the relevant B/Ds that their electricity saving performance was below the government-wide achievement and urging them to submit proposals for energy saving projects) was to assist B/Ds to improve their electricity saving performance (see para. 2.7). EMSD is always willing to go the extra mile and will continue with the measure to remind the relevant B/Ds at an appropriate time when their energy saving performance falls short of the government-wide achievement with a view to providing more technical assistance to help them improve their performance.

2.13 The Secretary for the Environment agrees with the audit recommendation in paragraph 2.11. He has said that ENB will update the relevant guidelines to encourage B/Ds to include their achievements in energy saving in their environmental reports.

Normalisation process

2.14 According to EMSD, for the purpose of evaluating the achievement of electricity saving target, normalisation (Note 21) is:

- (a) applied to the raw electricity consumptions for discounting the effect of activity changes in the calculation of electricity savings under comparable operating conditions in the base year; and
- (b) essential for improving the comparison between data collected under changed operational profiles so as to better reflect the actual electricity savings among years on a like-for-like basis.

2.15 Table 4 shows the analysis of total electricity consumption of government buildings for the period from 2015-16 to 2018-19.

Note 21: *According to EMSD guidelines on normalisation, activities of B/Ds evolve over time and are closely related to different operational profiles in meeting the public service demands. Changes in operational profile from year to year can have a significant impact on the electricity consumptions of B/Ds.*

Achievement of energy saving targets

Table 4

Analysis of total electricity consumption of government buildings (2015-16 to 2018-19)

Year	Actual		Normalisation (Note 1)		
	Raw electricity consumption	Change in raw electricity consumption as compared with base year (Note 2)	Normalised electricity consumption of comparable venues	Base year electricity consumption of comparable venues	Achievement of the 2015-20 electricity saving target
	(a) (million kWh)	(b) (%)	(c) (million kWh)	(d) (million kWh)	(e) = $\frac{(c)-(d)}{(d)}$ (%)
2015-16	1,476	+4.0%	1,340	1,353	-0.9%
2016-17	1,467	+3.4%	1,284	1,330	-3.4%
2017-18	1,449	+2.1%	1,254	1,318	-4.9%
2018-19	1,455	+2.5%	1,238	1,312	-5.7%

Source: EMSD records

Note 1: According to EMSD: (a) some government venues (see Note 18 to para. 2.4(a)) were closed or newly opened after 2013-14 (i.e. the base year); and (b) the closed and newly-opened government venues did not have electricity consumptions in the report year (e.g. 2018-19) and comparable baselines in 2013-14 respectively. Therefore, the evaluation of achievement in electricity saving was conducted on government venues having comparable baselines in 2013-14 only by excluding the electricity consumptions of the closed and newly-opened government venues.

Note 2: Total actual electricity consumption for the base year (2013-14) was 1,420 million kWh.

Remarks: According to EMSD, there may be a slight discrepancy between the shown percentage and calculation result by corresponding figures owing to rounding.

2.16 EMSD provides guidelines on normalisation, conducts briefing sessions and renders assistance if B/Ds have queries in applying normalisation. The normalisation process is as follows:

- (a) **Application of normalisation by B/Ds.** B/Ds are responsible for compiling energy saving data through maintaining records of electricity consumptions of government venues (see Note 18 to para. 2.4(a)) under their management, keeping track of their activity changes, and applying normalisation to the raw electricity consumptions to calculate the electricity

Achievement of energy saving targets

savings under comparable operating conditions in the base year for the purpose of submitting returns on the electricity consumptions (including raw and normalised electricity consumptions) to EMSD on an annual basis (see para. 2.3). According to EMSD guidelines on normalisation, if the normalised electricity saving is larger than 30%, B/Ds should carefully review the normalisation methodology to ensure that the normalisation is fully justified as under comparable operating conditions, and could seek advice from EMSD if needed; and

- (b) ***Checking of normalisation calculations by EMSD.*** According to the 2015 Circular Memorandum, as parameters of discounting activity changes related to electricity consumptions for different government venues would vary, B/Ds are required to submit detailed normalisation calculations by government venues upon request by EMSD for review/verification of activity changes and electricity savings under comparable operating conditions. According to EMSD:
- (i) it selects samples of government venues from B/Ds' returns for checking of normalisation calculations on a random basis;
 - (ii) as B/Ds are responsible for proper record-keeping and ensuring the correctness of data in their returns, EMSD's sample checking is conducted on a proforma basis only (i.e. only checking the reasonableness of the figures presented in the spreadsheet returns submitted by B/Ds and the underlying information supporting the figures will not be obtained and checked); and
 - (iii) during the checking, enquiries may be made to B/Ds for clarifications on parameters used for normalisation. Advice may also be provided to B/Ds for their consideration.

Scope for improvement in the normalisation process

2.17 Audit noted that there was scope for improving the normalisation process, as follows:

- (a) ***Scope for improving the checking of normalisation calculations by EMSD.*** Audit examined the 2018-19 normalisation calculations of 15 government venues checked by EMSD (the total number of calculations checked by EMSD was not available — see (c) below) and with comments on the calculations provided to the concerned B/Ds. All the concerned B/Ds had responded to EMSD's comments. For 4 of the 15 government venues, Audit noted that there might be scope for EMSD to seek further clarifications on the effect of activity changes on normalisation calculations from the concerned B/Ds responsible for managing them. However, as of March 2020 (i.e. the submission date of 2018-19 annual report on achievement of electricity saving target to ENB — see Table 3 in para. 2.3), clarifications had not been sought by EMSD;
- (b) ***Scope for providing further guidelines for checking normalisation calculations.*** Regarding the checking of normalisation calculations submitted by B/Ds, there were no detailed guidelines on the checking procedures (e.g. sample selection criteria, sample size, and documentation of checking results and follow-up actions). There was scope for providing further guidelines to assist EMSD staff in this regard. In October 2020, EMSD informed Audit that a draft version of the guiding principles for checking normalisation calculations submitted by B/Ds had been prepared in September 2020; and
- (c) ***Need to compile management information for checking results.*** EMSD had not compiled regular management information (e.g. number of calculations checked for each year, summary or highlights) for the checking results of normalisation calculations. In October 2020, EMSD informed Audit that the checking results and findings were discussed internally during the checking process and it had devised in September 2020 a set of management information to be compiled regularly for checking the returns on energy saving data from B/Ds.

Audit recommendations

2.18 Given that the proper application of normalisation to the raw electricity consumptions of government buildings is important for the evaluation of the achievement of the energy saving target, Audit has *recommended* that the Director of Electrical and Mechanical Services should take measures to improve the normalisation process with a view to facilitating the proper evaluation of the achievement of energy saving target, including:

- (a) enhancing EMSD's follow-up actions on checking of B/Ds' normalisation calculations of energy saving (e.g. following up with B/Ds with outstanding responses and reminding B/Ds to fully explain the normalisation adjustments);
- (b) early finalising and promulgating the guiding principles for checking normalisation calculations submitted by B/Ds (e.g. sample selection criteria, sample size, and documentation of checking results and follow-up actions) and reminding EMSD staff to conduct checking accordingly; and
- (c) compiling regularly the management information for checking the returns on energy saving data from B/Ds.

Response from the Government

2.19 The Director of Electrical and Mechanical Services agrees with the audit recommendations. He has said that:

- (a) EMSD provides training (see para. 4.24) on normalisation to B/Ds through annual briefings. The relevant guidelines and training materials are available on the Government's Central Cyber Government Office (CCGO) website for B/Ds' reference;
- (b) B/Ds are responsible for compiling and reporting energy saving data as accurate as possible through maintaining the relevant records and carrying out normalisation of the raw data as necessary. In the process, EMSD assumes an advisory role, conducts sample checking of B/Ds' normalisation calculations and provides advice to B/Ds for their consideration during its

checking. Since the operational environment is unique for each government venue, the concerned B/D is at the best position and with the required information of the specific government venue to carry out normalisation that it considers appropriate. Generally, EMSD has no ground to disagree with the normalisation calculations made by B/Ds after B/Ds have considered its view; and

- (c) EMSD will continue to take follow-up actions on checking of B/Ds' normalisation calculations of energy saving, enhance the follow-up actions with B/Ds with outstanding responses, and remind B/Ds to document the justifications on normalisation adjustments.

Green energy target

2.20 As announced in the 2019 Policy Address, the Government has set a green energy target of 6% improvement in energy performance (covering electricity and other forms of energy for government buildings and infrastructures) for the 5-year period from 2020-21 to 2024-25 under comparable operating conditions in 2018-19 as the baseline (see para. 1.5(b)). In June 2020, ENB issued Circular Memorandum No. 1/2020 “Green Energy Target for Government Buildings and Infrastructure Facilities” (hereinafter referred to as the 2020 Circular Memorandum) to B/Ds setting out the actions that B/Ds should take to help achieve the green energy target.

Need to keep under review the implementation of green energy target

2.21 The green energy target, being a new initiative, covers certain new areas including electricity consumptions in government infrastructures and other forms of energy (e.g. town gas and liquefied petroleum gas) consumptions in government buildings and infrastructures. Audit noted that EMSD had issued guidelines on applying normalisation to electricity consumption but not for the consumption in other forms of energy. In September 2020, EMSD informed Audit that the guidelines on applying normalisation to electricity consumption would be revised by incorporating normalisation in other forms of energy, and the revised guidelines would be issued by early 2021 so that B/Ds could make reference in their preparation of returns on energy saving data for the first year of implementing the green energy target. In Audit's view, ENB and EMSD need to:

Achievement of energy saving targets

- (a) take into account the experience gained in implementing the 2015-20 electricity saving target and the audit findings in this Audit Report in implementing the green energy target; and
- (b) keep under review the implementation of measures by B/Ds to achieve the green energy target (in particular the new areas covered by the target) and provide necessary assistance (e.g. issuing guidelines on applying normalisation to energy other than electricity as scheduled) to help B/Ds achieve the target.

Need to complete RE projects at existing government buildings as early as possible

2.22 ***Funding for small-scale RE projects.*** According to the 2020 Circular Memorandum, the green energy target recognises the contribution of RE (Note 22), and B/Ds are encouraged to plan and roll out more small-scale RE projects at existing government buildings and infrastructures. Since 2017-18 and up to 2019-20, a total of \$2 billion (Note 23) has been earmarked for installation of small-scale RE systems at existing government buildings and infrastructures, with an estimated project cost not exceeding \$30 million per project.

2.23 ENB is the policy bureau responsible for the RE initiative. The implementation of small-scale RE projects is assisted by ArchSD and EMSD, as follows:

- (a) ***RE projects at government buildings.*** These RE projects are implemented by ArchSD and funded under Subhead 3101GX (see Note 16 to para. 1.7).

Note 22: *According to the Energy Saving Plan promulgated in May 2015 (see para. 1.4), RE systems (e.g. photovoltaic installations on government buildings and public facilities) could produce electricity.*

Note 23: *As announced in the 2017 Policy Address, to support the development of RE projects, \$200 million was earmarked from 2017-18 for B/Ds to implement small-scale RE projects at existing government buildings and infrastructures. The earmarked funding provision was later increased to \$1 billion in 2018-19 and further increased to \$2 billion in 2019-20.*

ArchSD will invite B/Ds to submit proposals for these RE projects on an annual basis; and

- (b) ***RE projects at government infrastructures.*** These RE projects are implemented by the works departments responsible for managing the infrastructures and funded under block votes for Category D projects (Note 24) of the Capital Works Reserve Fund controlled by the relevant works departments. EMSD is the coordinator for calling (on an annual basis) B/Ds' submission of RE project proposals and carrying out screening of the submitted proposals.

2.24 *Implementation of RE projects at government buildings.* Regarding the small-scale RE project proposals for government buildings submitted by B/Ds from 2017-18 to 2019-20 and implemented by ArchSD, as of June 2020:

- (a) 67 projects had been approved for implementation with a total approved funding of \$198 million. Of these 67 approved projects, 28 projects had been completed and 39 projects were at planning or construction stages (Note 25); and
- (b) 14 project proposals by B/Ds were under feasibility study by ArchSD.

Note 24: *Category D projects funded under various block votes cover thousands of minor works items, works related studies and site investigations, and standalone minor works items each costing not more than \$30 million. Examples of these block votes relevant for RE projects at government infrastructures are: (a) Head 704 (Drainage), Subhead 4100DX for drainage works, studies and investigations controlled by the Drainage Services Department; and (b) Head 709 (Waterworks), Subhead 9100WX for waterworks, studies and investigations controlled by the Water Supplies Department.*

Note 25: *There were another 17 approved small-scale RE projects at government infrastructures implemented by the pertinent works departments with a total approved funding of \$314 million. As of June 2020, of these 17 approved projects, 1 project had been completed and 16 projects were at planning or construction stages.*

Achievement of energy saving targets

2.25 Audit noted that:

- (a) as of June 2020, for the 39 RE projects at government buildings (at planning or construction stages) implemented by ArchSD (see para. 2.24(a)), the progress of 9 projects were about 3 to 5 months later than their original completion dates (Note 26). In September 2020, ArchSD informed Audit that it was processing the extension of time applications for the 9 projects failing to meet the original completion dates. The reasons for the extension of time applications included extra time for design to overcome structural constraints, material delivery affected by the COVID-19 outbreak, and works rescheduling to suit building users' operations; and
- (b) regarding the 14 project proposals under feasibility study as of June 2020 (see para. 2.24(b)), they were submitted by B/Ds to ArchSD before August 2018 (i.e. about 2 years ago). In September 2020, ArchSD informed Audit that, since September 2018, it had started to plan and carry out the feasibility studies for 178 RE project proposals by batches. The last batch involving the 14 project proposals would be completed by the end of 2020 as scheduled.

As the green energy target recognises the contribution of RE (see para. 2.22), Audit considers that ArchSD needs to complete the RE projects at existing government buildings as early as possible.

Audit recommendations

2.26 **Audit has *recommended* that the Secretary for the Environment and the Director of Electrical and Mechanical Services should:**

Note 26: *According to ArchSD: (a) of the 39 RE projects at government buildings, 30 projects not due for completion as of June 2020 were on schedule; and (b) the time taken for completing RE projects at government buildings varies depending on the types of RE systems (e.g. solar lighting or photovoltaic systems) applied. The average original completion time for approved RE projects at government buildings as of June 2020 was about 1 year.*

- (a) take into account the experience gained in implementing the 2015-20 electricity saving target and the audit findings in this Audit Report in implementing the green energy target; and
- (b) keep under review the implementation of measures by B/Ds to achieve the green energy target (in particular the new areas covered by the target) and provide necessary assistance (e.g. issuing guidelines on applying normalisation to energy other than electricity as scheduled) to help B/Ds achieve the target.

2.27 Audit has *recommended* that the Director of Architectural Services should complete the RE projects at existing government buildings as early as possible.

Response from the Government

2.28 The Secretary for the Environment agrees with the audit recommendations in paragraph 2.26. He has said that ENB will work with EMSD to take forward appropriate measures.

2.29 The Director of Electrical and Mechanical Services agrees with the audit recommendations in paragraph 2.26. He has said that EMSD will:

- (a) take into account the experience gained in implementing the 2015-20 electricity saving target and the audit findings in this Audit Report in implementing the green energy target; and
- (b) work closely with B/Ds to provide necessary assistance on normalisation to help B/Ds achieve the green energy target.

2.30 The Director of Architectural Services agrees with the audit recommendation in paragraph 2.27. She has said that ArchSD will closely monitor the progress of RE projects at various stage of implementation to ensure completion as early as possible.

PART 3: MANAGEMENT OF ENERGY AUDITS AND RETRO-COMMISSIONING FOR GOVERNMENT BUILDINGS

3.1 This PART examines EMSD's work in coordinating and overseeing the conduct of energy audits (paras. 3.2 to 3.11) and RCx (paras. 3.12 to 3.30) for government buildings.

Energy audits for government buildings

3.2 Energy audit is a systematic review of the energy consuming equipment/systems in a building to identify energy management opportunities (EMOs), which provides useful information for the building owner to decide on and implement the energy saving measures for environmental consideration and economic benefits. EMOs are classified into three categories, as follows:

- (a) **Category I.** This category of EMO involves housekeeping measures which are improvements with practically no cost investment and no disruption to building operation (e.g. turning off air conditioning/lighting when not in use and adjusting air conditioning temperature set-points);
- (b) **Category II.** This category of EMO involves changes in operation measures with relatively low cost investment (e.g. improvement in lighting switching arrangement and addition of timer control); and
- (c) **Category III.** This category of EMO involves relatively higher capital cost investment to attain efficient use of energy (e.g. replacement of chillers).

3.3 According to the Code of Practice for Building Energy Audit (hereinafter referred to as the Energy Audit Code) issued by EMSD, the general procedures for conducting an energy audit are as follows:

- (a) **Collection of building information.** An energy auditor will collect information on building operation and technical characteristics of various energy consuming equipment/systems relevant to the central building services installations. Examples of essential information to be collected

include inventories of the energy consuming equipment, equipment day-to-day operation records, energy consumption data of the building, and records of EMOs already implemented or to be implemented and corresponding energy audit report if available;

- (b) ***Review of energy consuming equipment and systems.*** The energy auditor will study the information collected and conduct site inspections for an appreciation of the applicable energy consuming equipment and systems of the central building services installations. Based on the findings in the study and inspections, the energy auditor will compile records of the characteristics of the energy consuming equipment and systems;
- (c) ***Identification of EMOs.*** The energy auditor will conduct an evaluation and appraisal on the energy consuming equipment/systems, focusing on their energy performance against their corresponding operating conditions. A comparison with original design with due consideration of relevant operating conditions will be conducted to identify if there are any deviations from efficient operation and to identify accordingly potential EMOs for improving energy efficiency. The findings may also identify potential EMOs contributing to the reduction of energy consumption of the central building services installations;
- (d) ***Cost-benefit analysis of EMOs.*** For each potential EMO identified, the energy auditor will make an estimate on the energy saving that can be achieved if the EMO is implemented. For Categories II and III potential EMOs in which capital costs are involved (see para. 3.2(b) and (c)), the energy auditor will conduct a cost-benefit analysis, giving an estimate of the cost for the EMO against its estimated energy saving; and
- (e) ***Recommendations and energy audit report.*** The energy auditor will make recommendations of EMOs to be implemented, with due regard to the energy savings, cost benefits, and the known operation and maintenance programme of the building concerned, in an energy audit report and submit the report to the building owner for consideration and endorsement.

Energy audit programmes for government buildings

3.4 The energy audit programmes for government buildings arranged by EMSD are as follows:

- (a) ***Energy audit programme for achieving the 2015-20 electricity saving target.*** To help achieve the 2015-20 electricity saving target (see para. 2.2), energy audits were conducted for major government buildings (Note 27) to identify EMOs. There were 344 major government buildings selected for conducting energy audits. EMSD was entrusted by the pertinent B/Ds for conducting energy audits for the 344 major government buildings. The energy audit work was outsourced to four energy audit consultants in 2015-16 and 2016-17 with a total expenditure of \$7.8 million (funding provided by ENB) and all energy audits were completed by March 2017; and
- (b) ***Energy audit programme for achieving the green energy target.*** With reference to the annual electricity consumption in 2017-18, 251 government buildings were shortlisted for conducting energy audits between 2020-21 and 2022-23 to identify EMOs for achieving the green energy target (see para. 2.20). According to the 2020 Circular Memorandum, the selection criteria are as follows:
 - (i) ***Criterion 1.*** Buildings with an annual electricity consumption above 500,000 kWh each in 2017-18 and potential for further electricity saving (i.e. buildings with 2017-18 electricity saving performance below average and no funding being sought from EMSD for implementing energy saving projects); or

Note 27: *Government buildings with an annual electricity consumption above 500,000 kWh each in 2013-14 were considered as major government buildings, which accounted for about 90% of total electricity consumption of all government buildings. About 120 major government buildings that had gone through energy audits in accordance with EMSD's Energy Audit Code in the past three years (i.e. from 2012-13 to 2014-15) did not need to re-conduct energy audits in 2015-16 and 2016-17.*

- (ii) **Criterion 2.** Buildings with an annual electricity consumption between 400,000 and 500,000 kWh each in 2017-18 (Note 28).

EMSD will provide funding for the energy audit programme, engage and supervise energy audit consultants, and oversee the entire audit processes for the shortlisted 251 government buildings. According to EMSD, as of August 2020, it was undergoing the tendering process for engaging energy audit consultants for the related work in line with the project programme.

3.5 Upon completion of energy audits, energy audit consultants would submit energy audit reports to EMSD (which would forward the reports to the pertinent B/Ds) and organise briefing sessions for stakeholders (such as B/Ds and EMSTF as the maintenance agent) explaining their recommendations for EMOs. B/Ds are responsible for identifying and prioritising the recommendations for EMOs in the energy audit reports for implementation (Note 29) as far as practicable within their operational constraints so that their actions will contribute to the fulfilment of the government-wide energy saving target.

Need to ensure that government buildings meeting the selection criteria are selected for conducting energy audits

3.6 Regarding the 251 government buildings shortlisted by EMSD for conducting energy audits for achieving the green energy target (see para. 3.4(b)), Audit found that 5 government buildings fulfilling Criterion 1 (i.e. with an annual electricity consumption above 500,000 kWh each and potential for further electricity

Note 28: *According to EMSD, 15 government buildings with an annual electricity consumption between 400,000 and 500,000 kWh each in 2017-18 were not shortlisted for conducting energy audits between 2020-21 and 2022-23 after considering the potential for further electricity saving in these buildings.*

Note 29: *In identifying and prioritising the recommendations for EMOs for implementation, B/Ds would take into account various factors, including specific operational characteristics of individual buildings, disruption to building operation, closure plan, financial resources, equipment replacement plan, and the feasibility, detailed design and cost-effectiveness of energy saving projects.*

Management of energy audits and retro-commissioning for government buildings

saving — see para. 3.4(b)(i)) (Note 30) were not shortlisted for conducting energy audits. After verification by EMSD upon Audit's referral, EMSD advised that:

- (a) 1 government building had been closed for demolition after 2017-18; and
- (b) for the remaining 4 government buildings, EMSD would further review with the B/Ds concerned the need for conducting energy audits during planning of the energy audit programme over the 3-year implementation period.

3.7 In Audit's view, EMSD needs to:

- (a) take measures to ensure that government buildings meeting the selection criteria are selected for conducting energy audits; and
- (b) early complete the reviews on the need for conducting energy audits for the government buildings identified by Audit in paragraph 3.6(b) and conduct energy audits for them if needed.

Scope for obtaining information for selected government buildings on implementation of EMOs identified in energy audits

3.8 According to EMSD, of the 344 government buildings with energy audits conducted between 2015-16 and 2016-17 under the last energy audit programme (see para. 3.4(a)), 136 (40%) buildings were included in the current energy audit programme (see para. 3.4(b)) again. The 136 government buildings were selected again for conducting energy audits mainly due to having high electricity consumption (above 500,000 kWh each) and potential for further electricity saving (i.e. buildings with 2017-18 electricity saving performance below average (Note 31) and no funding being sought from EMSD for implementing energy saving projects).

Note 30: *The 5 government buildings were identified based on EMSD's records for electricity consumption and electricity saving performance in 2017-18 for government buildings.*

Note 31: *Up to 2017-18, these buildings had electricity saving performance below the government-wide achievement of 4.9% electricity saving.*

3.9 The need to conduct energy audits again (Note 32) for the 136 government buildings within a short period was mainly due to the fact that their electricity saving performance was below average in 2017-18 (see para. 3.8). In fact, Audit noted that the electricity saving performance of 106 (78%) of the 136 government buildings was also below average in 2018-19. In this connection, according to the Energy Audit Code, an energy audit can achieve energy efficiency and conservation through the implementation of EMOs identified in the audit. At present, B/Ds are responsible for identifying and prioritising the recommendations for EMOs in the energy audit reports for implementation as far as practicable (see para. 3.5). However, Audit noted that there was no requirement for B/Ds to provide information to EMSD on the implementation of EMOs and the related energy savings achieved. In Audit's view, there is scope for EMSD to consider taking measures to collect such information for selected government buildings (e.g. those with no or insignificant energy savings achieved after conducting energy audits) as far as practicable with a view to identifying areas for improvement in conducting energy audits and implementing the EMOs identified.

Audit recommendations

3.10 **Audit has recommended that the Director of Electrical and Mechanical Services should:**

- (a) **take measures to ensure that government buildings meeting the selection criteria are selected for conducting energy audits;**
- (b) **early complete the reviews on the need for conducting energy audits for the government buildings identified by Audit in paragraph 3.6(b) and conduct energy audits for them if needed; and**
- (c) **consider taking measures to collect information on the implementation of EMOs and the related energy savings achieved for selected government buildings (e.g. those with no or insignificant energy savings achieved after conducting energy audits) as far as practicable with a**

Note 32: *According to EMSD: (a) the technological advancement in energy efficiency and conservation as time progresses could open up further opportunities for energy saving; and (b) the "Hong Kong's Climate Action Plan 2030+" promulgated by the Government also mentions the need for more frequent energy audit for air conditioning system for major energy use buildings.*

view to identifying areas for improvement in conducting energy audits and implementing the EMOs identified.

Response from the Government

3.11 The Director of Electrical and Mechanical Services agrees with the audit recommendations. He has said that:

- (a) selection criteria and mechanism are in place to thoroughly review if there are other potential government buildings meeting the selection criteria for conducting energy audits over the 3-year implementation period of the energy audit programme for achieving the green energy target. During the annual planning of energy audits, EMSD will review and negotiate further with B/Ds to ensure that energy audits will be conducted for government buildings meeting the selection criteria;
- (b) EMSD has completed the reviews on the need for conducting energy audits for all the government buildings mentioned in paragraph 3.6(b) in accordance with the established selection criteria and mechanism, and energy audits will be arranged for them; and
- (c) during the 3-year implementation period of the energy audit programme for achieving the green energy target, EMSD will arrange with energy auditors to collect information on the implementation of EMOs and the related energy savings achieved for selected government buildings as far as practicable with a view to identifying areas for improvement in implementing the EMOs identified.

Retro-commissioning for government buildings

3.12 RCx is a systematic and cost-effective process to periodically check an existing building's energy and other performances (e.g. equipment conditions, how equipment and systems function together, and the effectiveness of operation and maintenance strategies) to identify energy saving opportunities (ESOs). RCx focuses on identifying less-than-optimal energy performance in an existing building, determining what changes need to be made and implementing changes in order to keep the building operating efficiently (Note 33). The RCx process can be performed alone or with a retrofit project (e.g. replacement of less energy-efficient appliances with more efficient ones). For more comprehensive improvement to the energy performance of building systems, ESOs identified in RCx may include operational improvements (e.g. system tunings and modification of existing building services systems) and minor improvement works. Implementation of ESOs identified in RCx can optimise energy efficiency performance of the building.

3.13 RCx consists of four stages, as follows:

- (a) **Planning stage.** This stage involves the collection of building design and operational information of energy consuming equipment/systems and facility requirements, conduct of initial site visits to observe operation conditions, and review of information and data collected. An RCx plan, which covers findings of preliminary system analysis and the site measurement plan, should be prepared for proceeding to the investigation stage;
- (b) **Investigation stage.** This stage involves in-depth system analysis to identify whether there are any existing operational problems leading to inefficient energy use or unsatisfactory indoor environment, and determine ESOs which could improve the performance of the building. An investigation report (which includes a cost-benefit analysis of the recommended ESOs, implementation details, and measurement and verification (M&V) methods

Note 33: *According to EMSD, in general: (a) RCx focuses on optimising existing equipment while an energy audit focuses on identifying potential capital improvements; and (b) for an energy audit, potential improvements are identified for B/Ds' consideration of their implementation. On the other hand, for RCx, improvements identified are actually implemented with results being measured and verified in the RCx process.*

Management of energy audits and retro-commissioning for government buildings

of energy savings for ESOs to be implemented) should be prepared. A list of ESOs selected for implementation should be confirmed and agreed with the building owner ahead of the implementation stage;

- (c) **Implementation stage.** This stage involves the implementation of selected ESOs and the conduct of M&V of energy saving for each implemented ESO. A final RCx report should be prepared summarising the outcomes of the implementation stage. An on-going commissioning plan should be developed before proceeding to the next stage; and
- (d) **On-going commissioning stage.** This stage involves the implementation of the on-going commissioning plan to ensure that the benefits from the RCx process are maintained. Data should be continuously gathered and compared to ensure that building systems remain optimised continuously. Provision of training to the operation and maintenance staff to implement the on-going commissioning plan is an essential step in this stage.

Pilot study on RCx in government buildings

3.14 In 2016, EMSD commenced an RCx pilot study to see how RCx may be applied to buildings in Hong Kong. After taking into consideration the buildings' usage, age and electricity consumption, site availability and support from operators/users, EMSD selected 6 government buildings (aged from 10 to 30 years) to conduct RCx pilot study. The RCx study was outsourced to six service providers with funding provided by ENB. As of July 2020, the total expenditure incurred on the RCx pilot study was \$6.2 million.

3.15 In 2017, the RCx investigation stage for the 6 government buildings was completed with 96 ESOs identified. The energy savings arising from the implementation of these ESOs were estimated at 2.3 million kWh per year (which was about 5% of the total building electricity consumption in 2014-15) and the estimated payback period (Note 34) of these ESOs ranged from 2 to 6 years, averaging 3 years. In 2018, the RCx implementation stage for the 6 government buildings was completed.

Note 34: *The estimated payback period is determined by dividing the cost of ESOs by the estimated annual energy saving generated. It represents the estimated time (in years) required to recover the cost of ESOs through energy saving.*

RCx programme for government buildings

3.16 Having considered that the results of the RCx pilot study were positive, EMSD promoted the concept of RCx within the Government by liaising with B/Ds to conduct RCx in more government buildings. In 2018, EMSD identified 280 government buildings with an annual electricity consumption above 1 million kWh each in 2014-15 and invited the pertinent B/Ds to conduct RCx for the government buildings under their management through a 7-year RCx programme from 2019-20 to 2025-26. According to the pertinent B/Ds' responses, of the 280 government buildings, 229 government buildings would be included in the programme. Subsequently, EMSD had successfully convinced a B/D to include one more government building under its management in the programme. In the event, RCx would be conducted for 230 (82%) government buildings. The pertinent B/Ds responsible for managing the remaining 50 (18%) government buildings had not yet decided whether their buildings would be included in the programme (Note 35).

3.17 In 2018, EMSD applied funding under the Capital Non-works Resource Allocation Exercise for implementing the 7-year RCx programme at a total cost of \$215 million. Funding of \$13 million for 2019-20 and \$39 million for 2020-21 were approved to implement the RCx programme. EMSD would engage service providers to conduct RCx to identify ESOs for government buildings under the RCx programme by batches. As of July 2020, the RCx study (for investigation stage) for 44 government buildings had commenced and 12 service providers had been engaged to conduct such work. In 2019-20, the expenditure incurred on the RCx programme was \$12.6 million.

Note 35: *According to EMSD, RCx is a process that should be repeated every 3 to 5 years to maintain optimal building performance. The 6 government buildings under the RCx pilot study were also included in the invitation list of 280 government buildings. According to the pertinent B/Ds' responses, 4 government buildings would be included in the RCx programme. The pertinent B/D responsible for managing the remaining 2 government buildings had not yet decided whether the buildings would be included in the programme. EMSD would invite the pertinent B/D again in the later part of the 7-year RCx programme.*

Need to update the guidelines concerning the assessment of energy savings arising from the implementation of ESOs

- 3.18 According to the technical guidelines on RCx issued by EMSD:
- (a) anticipated energy saving and preliminary M&V plan for each proposed ESO should be prepared either on individual ESO basis or multiple ESOs basis at the investigation stage. For multiple ESOs, whole-facility metering using utility bill data for estimating energy savings is an ideal option. However, it should only be used when the anticipated energy savings for the whole-facility arising from implementing multiple ESOs are higher than 10%; and
 - (b) after ESOs are implemented, post-implementation data should be collected for conducting M&V of energy savings for implemented ESOs to check whether the anticipated energy savings are attained or not at the implementation stage.
- 3.19 A total of 96 ESOs were identified for the 6 government buildings under the RCx pilot study (see para. 3.15). As of July 2020, the implementation of 82 ESOs had been completed (Note 36). Audit noted that:
- (a) regarding the 82 ESOs, the anticipated energy savings at the investigation stage arising from implementing these ESOs for each of the 6 government buildings were less than 10% (ranging from 2.3% to 6.9% per building, averaging 4.1%). As a result, assessment of energy savings should be conducted on individual ESO basis and the whole-facility metering option for multiple ESOs basis was not applicable (see para. 3.18(a)); and

Note 36: *Regarding the remaining 14 ESOs identified in the RCx pilot study, according to EMSD, as of July 2020: (a) 5 ESOs would be completed in late 2020 or 2021; (b) 5 ESOs would not be required for the time being as the B/D concerned considered that the existing setting and conditions of building services installations met the venue operational needs. EMSTF (as the maintenance agent) would regularly monitor the need of implementing these ESOs; and (c) 4 ESOs would not be implemented as the estimated payback period of the ESOs was longer than 12 years.*

- (b) individual assessments of energy savings for 64 (78%) of the 82 implemented ESOs had been conducted. No individual assessments had been conducted for the remaining 18 (22%) implemented ESOs.

3.20 In August and September 2020, EMSD informed Audit that:

- (a) assessment of energy saving arising from the implementation of each ESO might not be cost-effective as a large amount of individual checking meter installation was required with intensive labour cost. Moreover, the system would be required to be shut down temporarily for metering installation, causing great nuisance to building operation as well as building users;
- (b) overall assessment of energy savings arising from the implementation of multiple ESOs for each of the 6 government buildings by the whole-facility metering option had been conducted. By comparing the actual electricity consumption data of the 6 government buildings in 2015-16 and 2018-19 (i.e. before and after RCx implementation), it was observed that the electricity consumption of the 6 government buildings had reduced by 3 million kWh or 5.9% in total, ranging from 0.2 million kWh to 0.9 million kWh (or 2.8% to 16.3%) per building, averaging 0.5 million kWh (or 7.7%). As the total actual electricity saving of 3 million kWh was larger than the total anticipated electricity saving of the 82 ESOs of 1.8 million kWh, the anticipated electricity savings of the 82 ESOs had been achieved;
- (c) RCx was a new measure in Hong Kong with the first guidelines published in 2017 and a revised edition published in 2018. EMSD had kept under review the guidelines to incorporate the experience gained from the RCx pilot study. Assessment of energy savings by the whole-facility metering option could be applied when multiple ESOs were to be implemented or the anticipated energy saving of an ESO was higher than 10%. EMSD would update the technical guidelines on RCx in the fourth quarter of 2020 concerning the application of the whole-facility metering option for assessment of energy savings arising from the implementation of ESOs; and
- (d) individual assessment of energy savings arising from the implementation of ESOs would be considered in future RCx projects as far as practicable.

Management of energy audits and retro-commissioning for government buildings

3.21 In Audit's view, EMSD needs to update the technical guidelines on RCx concerning the assessment of energy savings arising from the implementation of ESOs and remind EMSD staff to conduct the assessment in accordance with the updated guidelines.

Need to ensure that on-going commissioning plans are developed at RCx implementation stage

3.22 According to the technical guidelines on RCx issued by EMSD:

- (a) an on-going commissioning plan should be developed at the RCx implementation stage (see para. 3.13(c)); and
- (b) the on-going commissioning stage aims to ensure that building systems remain optimised continuously. The on-going commissioning plan should be implemented in this stage to ensure that the benefits from the RCx process are maintained (see para. 3.13(d)).

3.23 Audit noted that there was no on-going commissioning plan developed at the RCx implementation stage for 2 of the 6 government buildings under the RCx pilot study. In August and September 2020, EMSD informed Audit that:

- (a) the 6 service providers engaged to conduct RCx for the 6 government buildings under the RCx pilot study were not required to provide on-going commissioning plans at the implementation stage. Four service providers only provided preliminary on-going commissioning plans at the implementation stage as value-added services; and
- (b) after the completion of the RCx implementation stage for the 6 government buildings in 2018, EMSTF, as the maintenance agent, had undertaken the RCx on-going commissioning stage (including developing, updating and implementing on-going commissioning plans for maintaining the benefits from the RCx process) for the 6 government buildings continuously in accordance with the latest version of technical guidelines on RCx.

In Audit's view, EMSD needs to take measures to ensure that on-going commissioning plans are developed at RCx implementation stage for future RCx projects.

Need to keep under review the RCx implementation timetable for government buildings

3.24 EMSD would implement a 7-year RCx programme from 2019-20 to 2025-26 and 230 government buildings would be included in the programme (see para. 3.16). According to EMSD:

- (a) RCx is a key measure to help achieve energy savings in government buildings. Conducting RCx progressively in suitable major government buildings to improve their energy efficiency is a policy initiative as announced in the 2018 Policy Address;
- (b) the RCx programme is estimated to bring about 5% electricity saving; and
- (c) it would group the government buildings under the RCx programme into batches for RCx implementation. The priority of implementation would be based on various factors including annual electricity consumption and age of building, and plan for major renovation or change in use.

3.25 For 230 government buildings included in the RCx programme, according to EMSD, as of September 2020:

- (a) the RCx study (for investigation stage) for 44 government buildings had commenced; and
- (b) a tentative RCx implementation timetable for the remaining 186 government buildings (of which 57 buildings were scheduled for commencement in 2020-21) had been prepared after considering various factors (including annual electricity consumption and age of building, availability of operation team and support from users). EMSD would review the timetable with the relevant stakeholders annually and make adjustment as appropriate.

3.26 In Audit's view, EMSD needs to keep under review the RCx implementation timetable for government buildings included in the RCx programme, having regard to their implementation priority, and confirm the implementation

Management of energy audits and retro-commissioning for government buildings

schedule with the concerned B/Ds as early as possible with a view to facilitating planning and preparation work of both EMSD and the concerned B/Ds.

Need to encourage the pertinent B/Ds to include the government buildings under their management in the RCx programme

3.27 There were 50 government buildings for which the pertinent B/Ds had not yet decided whether they would be included in the RCx programme (see para. 3.16). According to EMSD, for 7 government buildings, the pertinent B/Ds had not provided reasons. For the remaining 43 government buildings, the reasons provided by the pertinent B/Ds included, for example:

- (a) concerns on the scale of RCx and the related impact on repercussions from the building occupants;
- (b) replacement/energy saving projects in respect of building services equipment under planning or being implemented; and
- (c) buildings with decanting/redevelopment/renovation/demolition plan.

3.28 In August 2020, EMSD informed Audit that some of the 50 government buildings might be included for implementing RCx at a later stage. In Audit's view, EMSD needs to take measures to encourage the pertinent B/Ds to include the government buildings under their management in the RCx programme (e.g. studying B/Ds' reasons for not including their buildings in the programme and addressing their concerns) with a view to optimising energy efficiency performance of the buildings.

Audit recommendations

3.29 **Audit has recommended that the Director of Electrical and Mechanical Services should:**

- (a) **update the technical guidelines on RCx concerning the assessment of energy savings arising from the implementation of ESOs and remind EMSD staff to conduct the assessment in accordance with the updated guidelines;**

- (b) **take measures to ensure that on-going commissioning plans are developed at RCx implementation stage for future RCx projects;**
- (c) **keep under review the RCx implementation timetable for government buildings included in the RCx programme, having regard to their implementation priority, and confirm the implementation schedule with the concerned B/Ds as early as possible with a view to facilitating planning and preparation work of both EMSD and the concerned B/Ds; and**
- (d) **take measures to encourage the pertinent B/Ds to include the government buildings under their management in the RCx programme (e.g. studying B/Ds' reasons for not including their buildings in the programme and addressing their concerns) with a view to optimising energy efficiency performance of the buildings.**

Response from the Government

3.30 The Director of Electrical and Mechanical Services agrees with the audit recommendations. He has said that:

- (a) RCx is a new measure in Hong Kong with the first guidelines published in 2017. EMSD has kept under review the guidelines to incorporate the experience gained from the RCx pilot study. The guidelines were revised in 2018 and will be further updated in the fourth quarter of 2020 concerning the application of the whole-facility metering option for assessment of energy savings arising from the implementation of ESOs;
- (b) EMSD has incorporated the requirement of developing on-going commissioning plans into the technical guidelines for RCx to ensure that such plans are developed at RCx implementation stage for future RCx projects;
- (c) EMSD has prepared the tentative RCx implementation timetable for the 186 major government buildings to facilitate the implementation of the RCx programme. EMSD will keep under review the timetable each year or when necessary having regard to the implementation priority of government

Management of energy audits and retro-commissioning for government buildings

buildings, and confirm the implementation schedule with the concerned B/Ds; and

- (d) EMSD will continue to appeal to the concerned B/Ds to include the government buildings under their management in the RCx programme by addressing their concerns and showcasing the successful cases to them.

PART 4: MANAGEMENT OF ENERGY SAVING PROJECTS AND OTHER MANAGEMENT ISSUES

4.1 This PART examines the work of EMSD (paras. 4.3 to 4.15) and ArchSD (paras. 4.16 to 4.23) on energy saving projects in government buildings relating to the 2015-20 electricity saving target (see para. 2.2), and other management issues (paras. 4.24 to 4.39).

Background

4.2 The funding arrangement for energy saving projects in government buildings relating to the 2015-20 electricity saving target is as follows:

- (a) for energy saving projects in government buildings, B/Ds could submit funding applications for such projects to ArchSD under Subhead 3101GX (hereinafter referred to as the Minor Building Works Block Vote — see para. 1.7); and
- (b) to assist the relevant B/Ds in the implementation of energy saving projects in government buildings, the Government has earmarked about \$900 million for the gradual implementation of such projects from 2017-18 to 2021-22, comprising funding of about \$700 million under Subhead 696 controlled by EMSD (hereinafter referred to as EMSD Block Vote) and funding of about \$200 million under the Minor Building Works Block Vote controlled by ArchSD (see para. 1.8).

As of March 2020, there were 471 approved energy saving projects (with a total approved project estimate (APE) of \$928 million) in government buildings relating to the 2015-20 electricity saving target (see Table 5).

Management of energy saving projects and other management issues

Table 5

**Number and total APE of approved energy saving projects
in government buildings relating to the 2015-20 electricity saving target
(March 2020)**

Funding source	Projects	
	No.	Total APE (\$ million)
(a) EMSD Block Vote	267	740
(b) Minor Building Works Block Vote controlled by ArchSD	204	188
Total	471	928

Source: EMSD and ArchSD records

Work of the Electrical and Mechanical Services Department on energy saving projects

4.3 EMSD has developed a management framework for administering energy saving projects in government buildings and funded under its block vote. The general procedures for administering such energy saving projects by EEO of EMSD are summarised in Figure 1.

Management of energy saving projects and other management issues

Figure 1

General procedures for administering energy saving projects in government buildings by EEO of EMSD

(a) <i>Calling returns from B/Ds and preliminary checking</i>	<ul style="list-style-type: none"> • Calling returns from B/Ds on potential energy saving projects in government buildings • Compiling a list of potential energy saving projects and examining the list to ensure that the selection criteria (Note 1) for energy saving projects funded under EMSD Block Vote are met
(b) <i>Annual budgeting</i>	<ul style="list-style-type: none"> • Submitting the list of potential energy saving projects to the Energy Saving Projects Committee (ESPC — Note 2) for consideration and endorsement • Obtaining ENB's policy support before submitting a funding bid to the Financial Services and the Treasury Bureau (FSTB) under the relevant internal resource allocation exercise
(c) <i>Reviewing funding applications from B/Ds</i>	<ul style="list-style-type: none"> • With internal resource allocation, inviting the B/Ds concerned (i.e. with returns submitted to EEO in the calling exercise — see (a) above) to submit funding application forms for energy saving projects (including information on estimated payback period and anticipated electricity saving) • Monitoring closely the funding situation and inviting B/Ds to submit in-year bids for energy saving project proposals in the financial year concerned when saving is identified in projects (e.g. lower-than-expected tender prices and withdrawn projects) • Reviewing all duly completed funding application forms and compiling a list of energy saving projects that meet the selection criteria • Prioritising energy saving projects in the list (Note 3)
(d) <i>Project approval</i>	<ul style="list-style-type: none"> • Submitting the list of prioritised energy saving projects to ESPC for scrutiny and making recommendations to the Controlling Officer (i.e. the Director of Electrical and Mechanical Services or his delegates) for approval • Informing B/Ds of the results of funding applications
(e) <i>Project implementation</i>	<p>By the concerned B/Ds or their works agents as appropriate:</p> <ul style="list-style-type: none"> • implementing approved energy saving projects by the works agents (e.g. EMSTF or outside contractors) engaged by the concerned B/Ds • monitoring the implementation progress of projects by the concerned B/Ds or their works agents (e.g. EMSTF — Note 4) as appropriate <p>By EEO:</p> <ul style="list-style-type: none"> • monitoring the project expenditure of energy saving projects

Source: EMSD records

Figure 1 (Cont'd)

- Note 1: The selection criteria are: (a) projects involve installation or replacement of electrical and mechanical equipment/facilities with energy saving potential; (b) the estimated project cost is over \$0.2 million but not exceeding \$10 million; (c) the maximum payback period of energy-efficient measures for the projects shall not exceed 12 years; and (d) all projects should be ready for implementation within 6 months after funding approval.*
- Note 2: ESPC was set up in May 2017 to administer the funding applications of energy saving projects in government buildings and funded under EMSD Block Vote. It is chaired by an Assistant Director of EMSD, and comprises a Chief Engineer of EMSD and a representative from ENB as members.*
- Note 3: Energy saving projects are prioritised according to estimated payback period of energy-efficient measures for the projects. If estimated payback periods are the same, anticipated electricity saving will be taken into account for project prioritisation.*
- Note 4: In May 2017, EEO entered into a service level agreement with EMSTF to engage EMSTF for the provision of services to facilitate EEO's administration of energy saving projects funded under EMSD Block Vote. According to the agreement, if the concerned B/Ds assigned EMSTF as the works agent to implement the approved energy saving projects, EMSTF is required to submit to EEO: (a) progress reports including information on project progress and cashflow; and (b) reports on performance measurement (i.e. M&V of actual payback period and electricity saving) upon project completion.*

Scope for improvement in monitoring the progress of energy saving projects

4.4 According to EEO:

- (a) the works agents (e.g. EMSTF) engaged by the B/Ds concerned are responsible for supervising the project works including the conduct of on-site checking; and
- (b) EEO will regularly approach the B/Ds concerned or their works agents as appropriate to request them to monitor the progress of energy saving projects and conduct on-site checking on project implementation.

Management of energy saving projects and other management issues

4.5 As of March 2020, there were 267 energy saving projects (Note 37) relating to the 2015-20 electricity saving target with a total APE of \$740 million funded under EMSD Block Vote (see (a) in Table 5 in para. 4.2). Of the 267 projects, 174 (65%) projects had been completed and 93 (35%) projects were with works in progress.

4.6 According to EMSD, the implementation of an energy saving project from site investigation, design and preparation of tender to commissioning should take one to two years, and all energy saving projects had commenced upon obtaining funding approval. For the 93 energy saving projects with works in progress as of March 2020 (see para. 4.5), 18 (19%) projects (all were with one-year implementation programme and implemented by EMSTF as the works agent) were behind schedule, ranging from 0.9 to 1.9 years. Of these 18 projects, 14 projects had commenced for more than 1 year and up to 2 years, and 4 projects had commenced for more than 2 years and up to 2.9 years.

4.7 In September and October 2020, EMSD informed Audit that:

- (a) during the social unrest in 2019-20 and COVID-19 outbreak, a large amount of site investigation activities, tendering work, material delivery and site installation works were postponed and delayed due to various reasons such as special work arrangements, temporary closure of government venues, and material delay in manufacturing and shipment processes; and
- (b) despite the difficulties mentioned above, as of August 2020, the number of projects with works in progress had decreased from 93 in March 2020 (see para. 4.5) to 47. Of the 47 projects, 20 (43%) projects were approved in 2019-20 with two-year implementation programme, and hence, they were on schedule.

4.8 In Audit's view, EMSD needs to closely liaise with the B/Ds concerned or their works agents as appropriate to request them to monitor the progress of energy saving projects with a view to ensuring their timely completion.

Note 37: *Of the 267 energy saving projects, 261 (98%) projects were implemented by EMSTF as the works agent and 6 (2%) projects were implemented by other works agents engaged by the pertinent B/Ds.*

Scope for improving performance measurements for energy saving projects

4.9 According to EEO, upon completion of an energy saving project (normally with one to two-year implementation programme — see para. 4.6) funded under EMSD Block Vote, the B/D concerned and/or its works agent are required to conduct performance measurement (i.e. M&V of actual payback period and electricity saving) for the project within the one-year defects liability period. As of March 2020, of the 174 completed energy saving projects (see para. 4.5), performance measurements for 136 projects had been completed while those for the remaining 38 projects (Note 38) were in progress. For 3 (8%) of the 38 projects, while the projects had been completed for more than 1 year as of March 2020, the performance measurements were still in progress. In September and October 2020, EMSD informed Audit that:

- (a) under the existing practice, the B/Ds concerned or their works agents as appropriate would follow up with and require the contractors responsible for implementing the energy saving projects to complete performance measurements within the one-year defects liability period upon completion of works as far as practicable; and
- (b) despite the difficulties mentioned in paragraph 4.7(a), as of August 2020, the performance measurements had been completed for all the 174 completed energy saving projects.

4.10 In Audit's view, EMSD needs to remind the B/Ds concerned or their works agents as appropriate to closely monitor the progress of performance measurements for completed energy saving projects with a view to ensuring their timely completion.

Scope for improving accuracy of project estimates

4.11 When submitting a funding application for energy saving project under EMSD Block Vote, B/Ds and/or their works agents for building services installations (e.g. EMSTF) are required to provide a project estimate on the funding application

Note 38: *Of the 38 projects, 35 (92%) projects were implemented by EMSTF as the works agent and 3 (8%) projects were implemented by other works agents engaged by the pertinent B/Ds.*

Management of energy saving projects and other management issues

form. Upon receipt of the funding application, EEO will review the duly completed application form before including the project in the list of energy saving projects to be considered by ESPC (see (c) in Figure 1 in para. 4.3). Audit examination found that, of the 267 energy saving projects funded under EMSD Block Vote as of March 2020 (see para. 4.5), 121 (45 %) projects had changes in APE, as follows:

- (a) for 47 projects, their total APE had increased from the original sum of \$96.3 million by \$27.4 million (28%) to \$123.7 million (a 4% to 300% increase (Note 39) of the original APE of each project, averaging 48%); and
- (b) for 74 projects, their total APE had decreased from the original sum of \$351.3 million by \$130.5 million (37%) to \$220.8 million (a 2% to 96% decrease of the original APE of each project, averaging 41%).

4.12 Between August and October 2020, EMSD informed Audit that:

- (a) the actual market conditions and the pricing strategy adopted by the tenderers were difficult to predict; and
- (b) the original APE of energy saving projects specified in the EMSD Block Vote application form was the preliminary project estimate used for budgetary planning purposes. The APE of energy saving projects had been updated from time to time during project implementation (e.g. upon return of tender prices) and the related changes in APE had been endorsed by ESPC. With ESPC's close monitoring mechanism and flexible workflow, surplus funding arising from tender savings was identified early and channelled swiftly to fund 29 projects (11% of the 267 projects — see para. 4.5) in the waiting list or through in-year bids.

Note 39: *According to EMSD, for the project with an increase in APE of 300%, the works scope was revised to include the replacement of 28 additional floodlights (on top of the original scope involving 33 floodlights) with more energy-efficient ones as requested by the B/D concerned. The replacement of these additional floodlights involved lots of minor builder's works at the building façade at more than 50 metres above the ground level, resulting in a much higher increase in APE.*

Management of energy saving projects and other management issues

4.13 Having consolidated experience of implementing energy saving projects, B/Ds and/or their works agents should be able to better estimate the project cost. In Audit's view, EMSD needs to remind the B/Ds concerned or their works agents as appropriate to make more accurate project estimates for energy saving projects as far as practicable.

Audit recommendations

4.14 Audit has *recommended* that, in administering energy saving projects in government buildings and funded under EMSD Block Vote, the Director of Electrical and Mechanical Services should:

- (a) closely liaise with the B/Ds concerned or their works agents as appropriate to request them to monitor the progress of energy saving projects with a view to ensuring their timely completion; and
- (b) remind the B/Ds concerned or their works agents as appropriate to:
 - (i) closely monitor the progress of performance measurements for completed energy saving projects with a view to ensuring their timely completion; and
 - (ii) make more accurate project estimates for energy saving projects as far as practicable.

Response from the Government

4.15 The Director of Electrical and Mechanical Services agrees with the audit recommendations. He has said that:

- (a) as the vote controller, EMSD (through its EEO) has been regularly requesting the B/Ds concerned or their works agents as appropriate to provide returns on expenditure progress of all energy saving projects funded under EMSD Block Vote. The expenditure progress of all these projects is also reported to ESPC for endorsement during regular ESPC meetings. EEO will continue to closely liaise with the B/Ds concerned or

Management of energy saving projects and other management issues

their works agents as appropriate to request them to monitor the progress of energy saving projects with a view to ensuring their timely completion;

- (b) B/Ds' works agents are responsible for conducting performance measurements upon completion of energy saving projects. In general, the performance measurements will be completed by the contractors responsible for implementing the projects during the defects liability periods of the works contracts, which are normally one year. EEO will remind the B/Ds concerned or their works agents as appropriate to closely monitor the progress of performance measurements for completed energy saving projects with a view to ensuring their timely completion; and
- (c) EEO will always remind B/Ds or their works agents as appropriate to make more accurate project estimates as far as practicable in funding application forms under EMSD Block Vote in order to minimise the variance between the original project estimate and the returned tender price. In addition, ESPC will continue to closely monitor, review and endorse energy saving projects in the waiting list or through in-year bids during regular meetings with a view to redeploying any surplus funding.

Work of the Architectural Services Department on energy saving projects

4.16 According to ArchSD, after the announcement of the 2015-20 electricity saving target, it has started systematically registering and consolidating B/Ds' funding applications for energy saving projects in government buildings under the Minor Building Works Block Vote from 2016-17 onwards. The general procedures for administering bids from various B/Ds for minor building works projects costing over \$2 million but not exceeding \$30 million (including energy saving projects in government buildings) by ArchSD are summarised in Figure 2.

Figure 2

General procedures for administering bids for minor building works projects costing over \$2 million but not exceeding \$30 million (including energy saving projects in government buildings) by ArchSD

(a) <i>Calling returns from B/Ds and preliminary screening</i>	<ul style="list-style-type: none"> • Calling returns (Note 1) from B/Ds for bids for minor building works projects (including energy saving projects in government buildings) • Conducting preliminary screening of the proposed projects according to the selection criteria (Note 2) for projects funded under the Minor Building Works Block Vote
(b) <i>Annual budgeting</i>	<ul style="list-style-type: none"> • Proposing annual estimates to FSTB under the relevant internal resource allocation exercise (Note 3) based on the returns received from B/Ds • With internal resource allocation, submitting the proposed projects (including energy saving projects) to the Minor Building Works Committee (MBWC — Note 4) or the Accommodation Strategy Group (ASG — Note 5) for selection and prioritisation
(c) <i>Inviting funding applications from B/Ds</i>	<ul style="list-style-type: none"> • Inviting the B/Ds concerned to submit funding application forms for the projects (including energy saving projects) selected by MBWC/ASG (see (b) above) • Reviewing all duly completed funding application forms in consultation with the B/Ds concerned or their works agents as appropriate before putting forward to MBWC/ASG for further processing
(d) <i>Project approval</i>	<ul style="list-style-type: none"> • Putting forward the funding application forms to MBWC/ASG for scrutiny and making recommendations to the relevant authorities (the Director of Architectural Services or the Deputy Secretary for Financial Services and the Treasury (Treasury)³) for approval • Informing B/Ds of MBWC/ASG's decisions on funding applications
(e) <i>Project implementation</i>	<p>By ArchSD:</p> <ul style="list-style-type: none"> • creating a project record for each project (including energy saving project) and regularly updating the project records for monitoring the project financial situation <p>By relevant works agents (e.g. EMSTF and ArchSD — Note 6):</p> <ul style="list-style-type: none"> • monitoring the project progress and, for energy saving projects, conducting performance checking (i.e. M&V of actual payback period and electricity saving) upon project completion

Source: ArchSD records

Figure 2 (Cont'd)

- Note 1: ArchSD calls returns annually for minor building works projects of expenditure over \$2 million but not exceeding \$30 million each to be funded under the Minor Building Works Block Vote (a block allocation subhead for minor building works under the Capital Works Reserve Fund) in the ensuing financial year. For minor alterations, additions and improvement works of expenditure less than or equal to \$2 million each to be funded under the Minor Building Works Block Vote, B/Ds may submit funding applications throughout the financial year subject to the availability of funding. The Assistant Director (Property Services) has delegated authority to approve funding of minor building works (other than fitting-out works in newly allocated government accommodation) projects not exceeding \$2 million each.*
- Note 2: The selection criteria are: (a) projects involve minor building works proposals (including energy saving projects); (b) the estimated project cost is not exceeding \$30 million with at least 10% to 20% of the estimated cashflow to be incurred in the year of approval; and (c) all projects should commence within 6 months after funding approval.*
- Note 3: The annual funding provision for the block allocation subheads under the Capital Works Reserve Fund (including the Minor Building Works Block Vote) is subject to the approval of the Finance Committee of the Legislative Council.*
- Note 4: MBWC considers proposed minor building works (other than fitting-out works in newly allocated government accommodation) projects of expenditure over \$2 million but not exceeding \$20 million each to be funded under the Minor Building Works Block Vote. It is chaired by the Director of Architectural Services and comprises representatives from ArchSD, EMSD and the Government Property Agency as members.*
- Note 5: ASG, on the recommendations of MBWC, examines proposed minor building works projects of expenditure over \$20 million but not exceeding \$30 million each to be funded under the Minor Building Works Block Vote. It is chaired by the Deputy Secretary for Financial Services and the Treasury (Treasury)³ and comprises representatives from FSTB, ArchSD and the Government Property Agency as members.*
- Note 6: According to ArchSD: (a) for approved energy saving projects with works involving building services systems (e.g. upgrading of central control and monitoring system) without any building works, such works are normally implemented by the system maintenance agent (e.g. EMSTF or outside contractors engaged by B/Ds). ArchSD, being the vote controller, will arrange to issue allocation warrants to EMSTF or other B/Ds and then monitor the expenditure from funding approval until project completion. EMSTF or others, being the works agents, will monitor the project progress and conduct performance checking upon project completion; and (b) for approved energy saving projects involving building works (e.g. upgrading the lighting fittings with more energy-efficient ones would involve taking-down, setting aside and re-fixing of suspended ceilings by building works contractors), ArchSD, with the support of the project delivery services on building services works provided by EMSTF, will assume the role of works agent to implement the projects and accordingly, will issue works orders to contractors, supervise the works, monitor the project progress and conduct performance checking upon project completion.*

Management of energy saving projects and other management issues

4.17 As of March 2020, there were 204 energy saving projects relating to the 2015-20 electricity saving target with a total APE of \$188 million funded under the Minor Building Works Block Vote controlled by ArchSD (see (b) in Table 5 in para. 4.2). Of the 204 projects, 50 (25%) projects were implemented by ArchSD and 154 (75%) projects were implemented by EMSTF or other B/Ds through allocation warrants (see Note 6 to Figure 2 in para. 4.16). Table 6 shows the status of these projects as of March 2020.

Table 6

**Status of energy saving projects approved from 2016-17 to 2019-20
and funded under the Minor Building Works Block Vote
(March 2020)**

Status	No. of projects				
	2016-17 (Note)	2017-18	2018-19	2019-20	Total
<i>Implemented by ArchSD</i>					
Works in progress	1	1	—	—	2 (1%)
Completed	7	3	30	8	48 (24%)
<i>Implemented by EMSTF or other B/Ds</i>					
Works in progress	—	7	1	—	8 (4%)
Completed	25	66	53	2	146 (71%)
Total	33	77	84	10	204 (100%)

Source: ArchSD records

Note: According to ArchSD, the projects approved in 2016-17 were funded under the \$200 million earmarked for the gradual implementation of energy saving projects from 2017-18 to 2021-22 (see para. 4.2(b)) because the relevant project expenditure was incurred mainly after the earmarked funding had been allocated to the Minor Building Works Block Vote since 2017-18.

Scope for improvement in monitoring the progress and cashflow of energy saving projects

4.18 According to ArchSD:

- (a) to avoid affecting the resources available for all other minor building works projects funded under the Minor Building Works Block Vote, the Government has earmarked a funding provision of about \$200 million (see para. 4.2(b)) for energy saving projects in government buildings under the Minor Building Works Block Vote;
- (b) to avoid funds being tied up by projects which are not yet ready for implementation, ArchSD will only consider B/Ds' proposed energy saving projects under the Minor Building Works Block Vote with at least 10% to 20% of the estimated cashflow to be incurred in the year of approval (see Note 2 to Figure 2 in para. 4.16); and
- (c) it will monitor the annual expenditures of energy saving projects from funding approval until project completion.

4.19 Audit examination found that:

- (a) of the 204 energy saving projects funded under the Minor Building Works Block Vote as of March 2020, 58 (28%) projects had not incurred any expenditure in the year of approval (Note 40). Of the 58 projects, 17 (29%) projects (with a total APE of \$19 million) had not incurred any expenditure in subsequent year after the year of approval as of March 2020 (Note 41); and
- (b) based on the checking of 13 completed projects, the total actual expenditure of 4 projects (with a total APE of \$14.9 million) was less than the total APE by \$8.1 million or 54% of the total APE (ranging from 41% to 77%

Note 40: *Of the 58 projects, 2, 35, 18 and 3 projects were approved in 2016-17, 2017-18, 2018-19 and 2019-20 respectively.*

Note 41: *Of the 17 projects, 2, 13 and 2 projects were approved in 2016-17, 2017-18 and 2018-19 respectively.*

Management of energy saving projects and other management issues

of the APE of each project, averaging 58%). However, as of March 2020, these projects were still at account finalisation stage and the funding of \$8.1 million was still tied up.

4.20 In Audit's view, ArchSD needs to remind the B/Ds concerned or their works agents as appropriate to make more accurate cashflow forecasts for energy saving projects, and inform ArchSD of the project status and cashflow regularly.

Need to require the B/Ds concerned or their works agents as appropriate to provide information on estimated payback periods and anticipated electricity savings of proposed energy saving projects when submitting funding applications

4.21 Audit noted that while EMSD had required B/Ds to provide information regarding estimated payback period and anticipated electricity saving on the funding application form for energy saving projects funded under its block vote for the purpose of prioritising the projects (see (c) in Figure 1 in para. 4.3), ArchSD had not required the B/Ds concerned or their works agents as appropriate to provide such information when submitting funding applications for proposed energy saving projects funded under the Minor Building Works Block Vote. In September 2020, ArchSD informed Audit that its project officers were well aware of the technical requirements of the 12-year maximum payback period for energy saving projects and duly complied with such requirements during technical feasibility study stage and funding application vetting stage by making enquires with B/Ds or their works agents as appropriate. In Audit's view, to facilitate ArchSD's vetting work, there is merit for ArchSD to require the B/Ds concerned or their works agents as appropriate to provide information on the estimated payback periods and anticipated electricity savings of proposed energy saving projects when submitting funding applications under the Minor Building Works Block Vote.

Audit recommendations

4.22 **Audit has *recommended* that, in administering energy saving projects in government buildings and funded under the Minor Building Works Block Vote, the Director of Architectural Services should:**

- (a) **remind the B/Ds concerned or their works agents as appropriate to make more accurate cashflow forecasts for energy saving projects, and inform ArchSD of the project status and cashflow regularly; and**
- (b) **require the B/Ds concerned or their works agents as appropriate to provide information on the estimated payback periods and anticipated electricity savings of proposed energy saving projects when submitting funding applications under the Minor Building Works Block Vote.**

Response from the Government

4.23 **The Director of Architectural Services agrees with the audit recommendations. She has said that ArchSD will:**

- (a) **in monitoring the financial situation of approved energy saving projects under the Minor Building Works Block Vote, remind the B/Ds concerned or their works agents as appropriate to make more accurate cashflow forecasts and inform ArchSD of the project status and cashflow regularly; and**
- (b) **in administering funding applications for energy saving projects under the Minor Building Works Block Vote, require the B/Ds concerned or their works agents as appropriate to provide information on the estimated payback periods and anticipated electricity savings of proposed energy saving projects when submitting funding applications.**

Other management issues

Scope for improvement in providing training to B/Ds

4.24 EMSD organises “Briefing Sessions on Government Energy Consumption Reporting and Monitoring” (hereinafter referred to as annual briefing sessions — Note 42) for B/Ds to facilitate their preparation of energy reporting, the conduct of energy audit and the implementation of electricity saving measures (including housekeeping measures) and projects. During the annual briefing sessions, in addition to EMSD speakers, guest speakers will be invited to give presentations on energy-related topics (e.g. ways to monitor energy consumption effectively and new technology for improving energy efficiency). According to ENB, the annual briefing sessions would be an opportunity to appraise B/Ds of the roadmap on the work for more energy-efficient buildings. Table 7 shows the number of attendees in annual briefing sessions from 2015 to 2020.

Table 7

**Number of attendees in annual briefing sessions
(2015 to 2020)**

Year	No. of briefing sessions	No. of attendees
2015	3 (Note 1)	680
2016	2	366
2017	2	374
2018	2	341
2019	2	226
2020	2 (Note 2)	279

Source: EMSD records

Note 1: According to EMSD, 3 briefing sessions were held in 2015 due to overwhelming response.

Note 2: The 2 briefing sessions relating to the new green energy target (see para. 2.20) were webinars held in late July and early August 2020.

Note 42: *According to EMSD, the objectives of the annual briefing sessions are to enable participants to: (a) better understand good practices of effective energy consumption monitoring; (b) acquire knowledge/skills necessary for reporting energy consumption in the coming years; and (c) familiarise themselves with updated measures to save energy and improve energy efficiency.*

Management of energy saving projects and other management issues

4.25 Audit noted that:

- (a) regarding B/Ds' participation in annual briefing sessions:
 - (i) the number of attendees in annual briefing sessions was in a decreasing trend in general from 2015 to 2020 (see Table 7 in para. 4.24); and
 - (ii) Audit examination of the lists of attendees of the 2020 briefing sessions (webinars) relating to the new green energy target found that 24 of some 80 B/Ds did not have any representative attending the briefing sessions; and
- (b) regarding presentation materials for the annual briefing sessions, EMSD uploaded them onto the CCGO website for B/Ds' reference. Audit examination found that as of July 2020, of the total 27 sets of presentation materials for the annual briefing sessions held from 2015 to 2019, EMSD had not yet uploaded 15 sets of presentation materials (Note 43) onto the CCGO website.

4.26 In September and October 2020, EMSD informed Audit that:

- (a) during the electricity saving cycle for the 2015-20 electricity saving target, the number of attendees was the highest in 2015 (i.e. the first briefing sessions held after the implementation of the target) while the relevant numbers were relatively lower in the subsequent years. All B/Ds were encouraged to send representatives to attend the briefing sessions, whereas whether to send representatives to attend the briefing sessions was the decision of B/Ds;
- (b) for the 2020 briefing sessions, due to the outbreak of the third wave of COVID-19, the participation was affected by the special work arrangements

Note 43: *Of the 15 sets of presentation materials, 5 sets were prepared by EMSD (e.g. presentation on "Planning for Retro-commissioning in Government Buildings" by EMSD in the 2018 briefing sessions) and 10 sets were prepared by guest speakers (e.g. presentation on "Meter Online Services Platform for Energy Saving" by a guest speaker in a 2017 briefing session).*

Management of energy saving projects and other management issues

of B/Ds in July and August 2020, as well as the change of the means of holding the briefing sessions from traditional face-to-face seminars to webinars. For the decreasing trend in the number of attendees in annual briefing sessions from 2015 to 2019, the compilation of annual returns on energy saving data by B/Ds was more or less a repeated process within the five-year electricity saving cycle. Some B/Ds, particularly those with no or a relatively small number of government venues under their management, might not attend the briefing sessions every year after attending the first one held in 2015 as they might consider that they were familiar with the normalisation methods and encountered no difficulty in preparing their returns;

- (c) every year, the presentation materials about the returns on energy saving data and the normalisation methods were uploaded onto the CCGO website for B/Ds' information and reference after the briefing sessions. B/Ds without representative attending the briefing sessions could still access the associated information through the CCGO website, or directly make technical inquiry to EMSD if they had problems in compilation of their returns; and
- (d) the 5 sets of presentation materials prepared by EMSD (see Note 43 to para. 4.25(b)) were uploaded onto the CCGO website in mid-September 2020. EMSD was unable to share the presentation materials prepared by guest speakers as no consent had been sought from the concerned speakers. For the 2020 briefing sessions, all the presentation materials had been uploaded onto the CCGO website in August 2020 as the related presentations were all delivered by government officers.

4.27 As the green energy target is a new initiative implemented in 2020-21 covering certain new areas (see para. 2.20), Audit considers that ENB, in collaboration with EMSD, needs to take measures to encourage B/Ds (in particular those B/Ds with no representative attending the 2020 briefing sessions) to nominate representatives to participate in the annual briefing sessions or access the presentation materials through the CCGO website with a view to enhancing their understanding of the green energy target and facilitating its achievement. Audit also considers that EMSD needs to upload all presentation materials (including seeking consent from non-government speakers for releasing the materials) for the annual briefing sessions onto the CCGO website as far as practicable with a view to providing useful and up-to-date materials for B/Ds' reference.

Scope for enhancing the participation in green building certification

4.28 **Green building certification in Hong Kong.** The Building Environmental Assessment Method (BEAM) Plus, introduced by the Hong Kong Green Building Council (HKGBC — Note 44) in April 2010, is a comprehensive assessment tool to certify green buildings in Hong Kong. Its assessment covers various performance aspects (e.g. energy use, water use, and materials and waste) and energy use is the most important performance aspect for buildings with the highest weighting. The assessment tools under BEAM Plus (Note 45) include:

- (a) **BEAM Plus New Buildings.** This assessment tool covers the demolition, planning, design, construction and commissioning of a new building project. It has four grades, namely Platinum, Gold, Silver and Bronze (in descending order); and
- (b) **BEAM Plus Existing Buildings.** This assessment tool measures the actual performance of a building and evaluates its facility management practices. The assessment may be initiated at any time during a building's operational life. There are two schemes under BEAM Plus Existing Buildings, namely Comprehensive Scheme and Selective Scheme. Project applicants may apply for Comprehensive Scheme that covers assessment on all performance aspects, or Selective Scheme that covers assessment on one or more of the performance aspects, according to the practical circumstances of their buildings. Each of the two schemes has four grades, namely:
 - (i) Platinum, Gold, Silver and Bronze (in descending order) under Comprehensive Scheme; and
 - (ii) Excellent, Very Good, Good and Satisfactory (in descending order) under Selective Scheme. Each performance aspect (e.g. energy use)

Note 44: *HKGBC, established in 2009, is a non-profit and member-led organisation which strives to promote the standards and developments of sustainable buildings in Hong Kong.*

Note 45: *There are four BEAM Plus assessment tools. Apart from those mentioned in paragraph 4.28(a) and (b), the remaining two assessment tools are: (a) BEAM Plus Interiors, which covers the design and construction of fit-out, renovation and refurbishment works in non-domestic occupied spaces; and (b) BEAM Plus Neighbourhood, which adopts a more holistic approach to assessing sustainability performance at the early or inception stage of a development project.*

Management of energy saving projects and other management issues

is assessed on an individual basis with a certificate issued for each assessed performance aspect.

The assessment status under BEAM Plus includes Registered (Note 46), Provisional and Final (Note 47). Final certification is valid for a period of five years.

4.29 Green building certification for government buildings. The Government is committed to promoting green buildings in Hong Kong and leads by example in participating in green building certification. According to the Joint Circular on “Green Government Buildings” issued by the Development Bureau and ENB in April 2015, all new government buildings of construction floor area above 5,000 square metres (m²) with central air conditioning or above 10,000 m² should aim to obtain the second highest grade or above under BEAM Plus (i.e. a grade of BEAM Plus Gold or higher) as far as practicable (Note 48). This target was also included in the Energy Saving Plan promulgated in May 2015 (see para. 1.4). Table 8 shows the green building final certification status of government buildings as of July 2020.

Note 46: *Project applicants can register their projects through the online registration forms on the HKGBC’s website. A project will attain Registered status after being notified by HKGBC of the completion of BEAM Plus project registration.*

Note 47: *After project registration, a project applicant will submit materials (e.g. project information fact sheet, and supporting documents and drawings) for project assessment. A project may be subject to two assessments, namely provisional and final assessments, depending on the type of assessment tool selected. A new building project will be subject to provisional assessment when it is at design/early construction stage. Provisional assessment offers an opportunity to an applicant to review and improve its building design before commencing the actual construction works. When all the prerequisites are achieved in the provisional assessment, HKGBC will provide the provisional certification result to the applicant. Provisional certification is valid for a period of six years or up to the issue of final certification result, whichever is earlier. The entire assessment is not finalised until a final certification result is obtained so as to ensure that green and sustainable design features are actually implemented, and construction practice meets the required performance standards. In other words, a building with final green building certification rating is truly green from the planning to commissioning stage.*

Note 48: *The Joint Circular issued in April 2015 replaced the Joint Circular issued in April 2009 which required that all new government buildings with construction floor area of more than 10,000 m² should aim to obtain the second highest grade or above under an internationally or locally recognised building environmental assessment system. The Joint Circular issued in April 2015 has extended the coverage to all new government buildings of construction floor area above 5,000 m² with central air conditioning.*

Table 8

**Green building final certification status of government buildings
(July 2020)**

Grade	No. of government buildings certified under assessment tool for		
	New buildings	Existing buildings	Total
Platinum	21	1	22
Gold	18	—	18
Excellent	—	3 (Note 1)	3
Satisfactory	—	1 (Note 2)	1
Total	39 (Note 3)	5 (Note 4)	44

Source: HKGBC website and ArchSD records

Note 1: The performance aspects under Selective Scheme of BEAM Plus Existing Buildings certified for the three existing government buildings were energy use, site aspects and management respectively.

Note 2: The performance aspect under Selective Scheme of BEAM Plus Existing Buildings certified for this existing government building was energy use.

Note 3: Of the 39 new government buildings, the certification applications for 22 buildings were coordinated by ArchSD (3 buildings were under projects completed before 2015 and 19 buildings were under projects completed between 2015 and 2018 (see para. 4.30(b))) and 17 buildings were coordinated by other B/Ds.

Note 4: Of the 5 existing government buildings, the certification applications for 3 buildings were coordinated by ArchSD and 2 buildings were coordinated by other B/Ds.

Need to closely monitor the progress to obtain final green building certification for new government buildings

4.30 From January 2015 to July 2020, ArchSD had completed 34 government building projects for which the green building certification requirement (see para. 4.29) was applicable. Audit noted that, as of July 2020, of the 34 completed government building projects:

- (a) 15 (44%) projects had not yet obtained final green building certification. Of the 15 projects, 1, 4 and 10 projects were completed in 2015, 2018 and

Management of energy saving projects and other management issues

2019 respectively. Except for 1 project (Note 49) which was still at Registered status, all the remaining 14 projects (Note 50) were at provisional assessment status (3 projects with Platinum grade and 11 projects with Gold grade); and

- (b) 19 (56%) projects (completed between 2015 and 2018) had obtained final green building certification (6 projects with Platinum grade and 13 projects with Gold grade).

4.31 In August and September 2020, ArchSD informed Audit that, in order to obtain the final green building certification, a lot of supporting information (e.g. on-site measurement of indoor air quality and room acoustic performance after building occupation with stable operation, and verification of the actual performance of some building services systems (e.g. air conditioning) under seasonally deferred testing) and documents had to be prepared and gathered to demonstrate that the completed building could achieve the required environmental performance level. Hence, it would take a longer time to collect all the data and documents required for the submission to meet the assessment requirements under BEAM Plus New Buildings and obtain the final certification. In Audit's view, ArchSD needs to closely monitor the progress in making assessment submissions for new government buildings with a view to obtaining the final green building certification as early as possible.

Need to take measures to encourage B/Ds to apply for green building certification for existing government buildings

4.32 Regarding existing government buildings, in June 2017, ENB informed the Legislative Council that it would encourage B/Ds to apply for BEAM Plus

Note 49: *The government building project commenced in December 2015 and was completed in June 2019. In September 2020, ArchSD informed Audit that: (a) the project obtained a Registered status under BEAM Plus in February 2014; (b) provisional assessment was made in December 2019, and a revised submission was made in September 2020. The revised submission was currently under assessment; and (c) preparation of final assessment submission was in progress and targeted for submission by the end of 2020.*

Note 50: *In September 2020, ArchSD informed Audit that, among the 14 projects, 2 projects had already obtained the final certification in August 2020, 1 project was currently under final assessment, and 11 projects were with submissions under preparation.*

Management of energy saving projects and other management issues

certification for such buildings to showcase the Government's commitment to green buildings. Audit noted that, as of July 2020:

- (a) only 5 existing government buildings had obtained final certification under BEAM Plus Existing Buildings; and
- (b) ENB, with the assistance from EMSD, was compiling a list of existing government buildings that might be considered for obtaining BEAM Plus Existing Buildings certification under Selective Scheme in the performance aspect of energy use and/or Comprehensive Scheme. In September 2020, ENB informed Audit that the list had not yet been finalised.

4.33 In Audit's view, ENB needs to take measures to encourage B/Ds to apply for green building certification for the existing government buildings under their management with a view to demonstrating the Government's continued commitment to promoting green buildings.

Audit recommendations

4.34 **Audit has *recommended* that the Secretary for the Environment should:**

- (a) **in collaboration with the Director of Electrical and Mechanical Services, take measures to encourage B/Ds (in particular those B/Ds with no representative attending the 2020 briefing sessions) to nominate representatives to participate in the annual briefing sessions or access the presentation materials through the CCGO website with a view to enhancing their understanding of the green energy target and facilitating its achievement; and**
- (b) **take measures to encourage B/Ds to apply for green building certification for the existing government buildings under their management with a view to demonstrating the Government's continued commitment to promoting green buildings.**

4.35 **Audit has *recommended* that the Director of Electrical and Mechanical Services should upload all presentation materials (including seeking consent from**

Management of energy saving projects and other management issues

non-government speakers for releasing the materials) for the annual briefing sessions onto the CCGO website as far as practicable with a view to providing useful and up-to-date materials for B/Ds' reference.

4.36 Audit has *recommended* that the Director of Architectural Services should closely monitor the progress in making assessment submissions for new government buildings with a view to obtaining the final green building certification as early as possible.

Response from the Government

4.37 The Secretary for the Environment agrees with the audit recommendations in paragraph 4.34. He has said that ENB will:

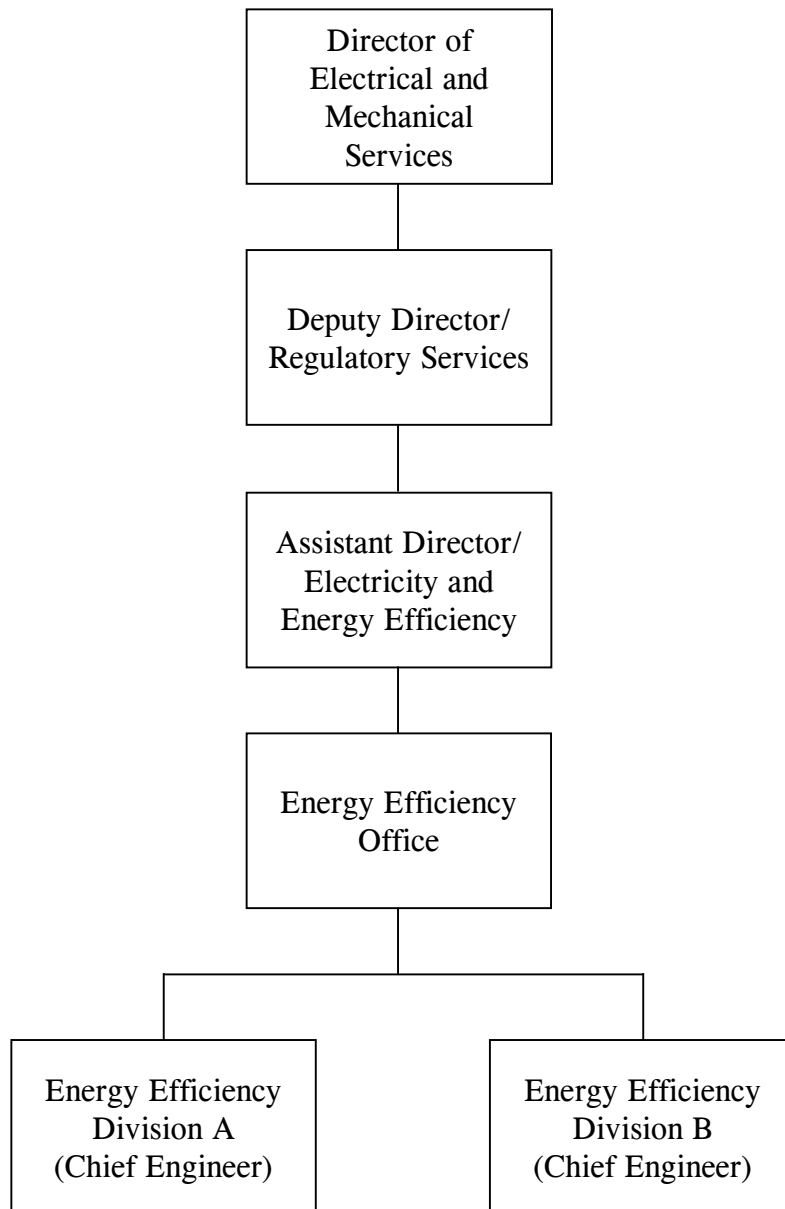
- (a) collaborate with EMSD in taking measures to encourage B/Ds to attend the annual briefing sessions; and
- (b) take measures to encourage B/Ds to apply for green building certification for their existing buildings.

4.38 The Director of Electrical and Mechanical Services agrees with the audit recommendations in paragraphs 4.34(a) and 4.35. He has said that EMSD will:

- (a) collaborate with ENB in taking measures to encourage B/Ds to attend the annual briefing sessions; and
- (b) after holding the annual briefing sessions, upload all presentation materials prepared by government speakers and by non-government speakers (after obtaining their consent) onto the CCGO website as far as practicable with a view to providing useful and up-to-date materials for B/Ds' reference.

4.39 The Director of Architectural Services agrees with the audit recommendation in paragraph 4.36. She has said that ArchSD will closely monitor the progress of assessment submissions for new government buildings with a view to obtaining the final green building certification as early as possible.

**Electrical and Mechanical Services Department:
Organisation chart (extract)
(31 July 2020)**



Source: EMSD records

Acronyms and abbreviations

APE	Approved project estimate
ArchSD	Architectural Services Department
ASG	Accommodation Strategy Group
Audit	Audit Commission
BEAM	Building Environmental Assessment Method
B/Ds	Government bureaux/departments
CCGO	Central Cyber Government Office
EEO	Energy Efficiency Office
EMOs	Energy management opportunities
EMSD	Electrical and Mechanical Services Department
EMSTF	Electrical and Mechanical Services Trading Fund
ENB	Environment Bureau
ESOs	Energy saving opportunities
ESPC	Energy Saving Projects Committee
FSTB	Financial Services and the Treasury Bureau
HKGBC	Hong Kong Green Building Council
kWh	Kilowatt-hours
m ²	Square metres
MBWC	Minor Building Works Committee
M&V	Measurement and verification
RCx	Retro-commissioning
RE	Renewable energy

CHAPTER 6

Development Bureau

**Funding schemes for conservation of built
heritage managed by the Development Bureau**

**Audit Commission
Hong Kong
28 October 2020**

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. 75 of the Director of Audit contains 10 Chapters which are available on our website at <https://www.aud.gov.hk>

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FUNDING SCHEMES FOR CONSERVATION OF BUILT HERITAGE MANAGED BY THE DEVELOPMENT BUREAU

Contents

	Paragraph
EXECUTIVE SUMMARY	
PART 1: INTRODUCTION	1.1 – 1.14
Audit review	1.15 – 1.16
Acknowledgement	1.17
PART 2: MANAGEMENT OF THE REVITALISING HISTORIC BUILDINGS THROUGH PARTNERSHIP SCHEME	2.1
Processing of applications	2.2 – 2.10
Audit recommendations	2.11
Response from the Government	2.12
Monitoring of project implementation	2.13 – 2.27
Audit recommendations	2.28
Response from the Government	2.29
Monitoring of project performance	2.30 – 2.41
Audit recommendations	2.42
Response from the Government	2.43

	Paragraph
PART 3: MANAGEMENT OF THE FINANCIAL ASSISTANCE FOR MAINTENANCE SCHEME ON BUILT HERITAGE AND TWO PILOT FUNDING SCHEMES	3.1
Management of the Financial Assistance for Maintenance Scheme on Built Heritage	3.2 – 3.20
Audit recommendations	3.21
Response from the Government	3.22
Management of two pilot funding schemes	3.23 – 3.24
Audit recommendation	3.25
Response from the Government	3.26
PART 4: OTHER MANAGEMENT ISSUES	4.1
Public education, publicity and experience sharing	4.2 – 4.8
Audit recommendations	4.9
Response from the Government	4.10
Declaration of interests	4.11 – 4.14
Audit recommendation	4.15
Response from the Government	4.16
Way forward	4.17 – 4.28
Audit recommendations	4.29
Response from the Government	4.30

Appendices	Page
A : Selected projects under Revitalisation Scheme (July 2020)	69 – 71
B : Development Bureau: Organisation chart (extract) (31 July 2020)	72
C : Acronyms and abbreviations	73

FUNDING SCHEMES FOR CONSERVATION OF BUILT HERITAGE MANAGED BY THE DEVELOPMENT BUREAU

Executive Summary

1. Heritage is a valuable and unique asset of the community. In 2007, to implement a new heritage conservation policy to protect, conserve and revitalise historical and heritage sites and buildings, the Development Bureau (DEVB) had taken forward a package of administrative measures including setting up the Commissioner for Heritage's Office (CHO) under DEVB in April 2008 and launching the Revitalising Historic Buildings Through Partnership Scheme (Revitalisation Scheme) and the Financial Assistance for Maintenance Scheme on Built Heritage (FAS) in 2008. In January 2017, DEVB launched two pilot funding schemes, namely the Funding Scheme for Public Engagement Projects on Built Heritage Conservation (FSPEP) and the Funding Scheme for Thematic Research on Built Heritage Conservation (FSTR). DEVB is responsible for the management of these four funding schemes.

2. Details of the four funding schemes are as follows:

- (a) ***Revitalisation Scheme.*** Revitalisation Scheme aims to put selected vacant government-owned historic buildings to adaptive re-use. Under the Scheme, non-profit-making organisations (NPOs) are invited to submit proposals for using the designated historic buildings to provide services or run business in the form of social enterprises. Financial support would be provided to NPOs in terms of capital grants, grants for starting costs and operating deficits and nominal rental for the buildings. As of July 2020, a total of 19 projects were selected under 5 batches of Revitalisation Scheme launched from February 2008 to November 2016 (involving approved capital grants totalling \$1,704 million and grants for starting costs and operating deficits totalling \$63 million);
- (b) ***FAS.*** FAS aims to provide financial assistance to owners of privately-owned graded historic buildings as well as NPO tenants of

Executive Summary

government-owned declared monuments or graded historic buildings to carry out maintenance works themselves. As of July 2020, a total of 79 FAS applications (involving total grant of \$96.6 million) had been approved; and

- (c) ***Two pilot funding schemes.*** FSPEP is a pilot funding scheme which aims to provide funding for public education, community involvement and publicity activities. Another pilot funding scheme, FSTR aims to encourage interest in, render financial support to, and recognise quality academic research on the theme of built heritage conservation. As of July 2020, a total of 3 and 6 applications (involving total grant of \$5.9 million and \$11.4 million respectively) had been approved under FSPEP and FSTR respectively.

The Audit Commission (Audit) has recently conducted a review of the funding schemes for conservation of built heritage managed by DEVB.

Management of the Revitalising Historic Buildings Through Partnership Scheme

3. ***Scope for improvement in inviting applications.*** DEVB is responsible for processing of applications received from NPOs for historic buildings under Revitalisation Scheme. Regarding the number of applications received during Batches I to V of Revitalisation Scheme, Audit noted that: (a) the number of applications received for each historic building varied considerably from 2 to 30 applications (averaging 10 applications); and (b) the percentage of invalid applications in 2 of the latest 3 batches of Revitalisation Scheme was relatively high (i.e. 15% and 19% respectively). Audit noted that the common reasons for invalid applications included the information required for assessment was not provided by applicants or irrelevant information was provided by applicants and application forms were not filled in. There is scope for improvement in inviting applications (paras. 2.2, 2.4 and 2.5).

4. ***Project works completed later than the scheduled completion date.*** According to DEVB guidelines for projects under Revitalisation Scheme, NPO is responsible for monitoring the progress of its renovation works project closely with a view to having the works completed on time. To ensure timely delivery of the works project, NPO should adhere to the works commencement and completion dates

Executive Summary

as stated in the submission for funding approval and where possible, strive to commence works as soon as possible. As of July 2020, for 11 of the 12 completed projects under Batches I to III of Revitalisation Scheme, Audit noted that the works were completed 37 to 560 days (averaging 284 days) later than the scheduled completion dates as stated in the submissions for funding approval (paras. 2.16 and 2.17).

5. ***Need to strengthen monitoring of works variations.*** According to DEVB guidelines for projects under Revitalisation Scheme, for variation works deemed absolutely necessary by NPO, it should obtain prior approval from DEVB before issuing instructions to the contractor to proceed with the variation works. The Architectural Services Department (ArchSD) will assist DEVB to examine the draft final project account. Audit noted a project with variation works of about \$13.3 million. After examining the draft final project account and relevant supporting documents from the NPO, ArchSD provided comments to DEVB in December 2019 that: (a) many instructions of works variations had been issued by the NPO without prior approval from DEVB and the reasons for not seeking prior approval were not recorded; and (b) quite a number of instructions of works variations had been issued by the NPO after the certified completion date of the works in June 2013 (paras. 2.14, 2.20 and 2.21).

6. ***Need to strengthen monitoring of the finalisation of project accounts.*** According to DEVB guidelines for projects under Revitalisation Scheme, NPO should submit the draft project account and other supporting documents to DEVB within one year after the date of practical completion of the renovation works. Of the 11 completed projects which had applied for the capital grant under Revitalisation Scheme, Audit found that the project accounts of 6 (55%) projects had not been finalised as of July 2020, including 3 projects which had been substantially completed for 3 to 7 years. Among these 3 projects, two projects' draft accounts were submitted 2.3 and 4.7 years respectively after the practical completion of renovation works. The other project's draft account had not been submitted as of July 2020 (i.e. 3.2 years after the practical completion of renovation works). DEVB informed Audit that the one-year time limit for submission of draft project accounts was a very stringent requirement and DEVB would review the guidelines and set a more realistic time limit for the submission of draft project accounts by NPOs. In Audit's view, DEVB needs to expedite action to complete the review and strengthen monitoring mechanism of the project accounts finalisation process (paras. 2.21, 2.24 to 2.27).

Executive Summary

7. *Need to ensure NPOs' compliance with submission requirements.*

According to tenancy agreements of projects under Revitalisation Scheme, to facilitate performance monitoring by DEVB, NPOs are required to submit project plans (including business plan, financial plan and building management plan), mid-year progress reports and annual reports (including audited financial statements) to DEVB within the specified time limits. For the 12 completed projects, Audit examined the submission of documents by NPOs as required by the tenancy agreements at commencement of operation and for the period from 2015-16 to 2019-20, and found that: (a) regarding the project plans required to be submitted by the 12 NPOs, 8 NPOs submitted their first business plans and financial plans to DEVB later than the specified time limits and 10 NPOs submitted their first building management plans later than the specified time limits; (b) of the 40 mid-year progress reports required to be submitted by the 12 NPOs, 3 (7%) reports had not been submitted by 3 NPOs as of July 2020 and 24 (60%) reports were submitted by 7 NPOs later than the specified time limits; and (c) of the 39 annual reports required to be submitted by the 12 NPOs, 1 (3%) report had not been submitted by an NPO as of July 2020 and 27 (69%) reports were submitted by 9 NPOs later than the specified time limits (paras. 2.35 and 2.36).

Management of the Financial Assistance for Maintenance Scheme on Built Heritage and two pilot funding schemes

8. *Scope for assisting applicants to submit required information and expediting the processing of FAS applications.*

For the 145 valid FAS applications received during August 2008 to July 2020, Audit noted that: (a) of the 79 (54% of 145) applications approved by DEVB, the processing time of 22 (28% of 79) applications was more than 2 years. The case with the longest processing time lasted for more than 4 years (1,554 days) and the processing time of the other 78 approved applications ranged from 82 to 1,210 days (averaging 519 days); and (b) 66 (46% of 145) applications were still being processed by DEVB as of July 2020, of which 4 (6% of 66) applications were received some 4 to 5 years ago. According to DEVB, for approved applications with long processing time, applicants of most of these cases took months to years in submitting required information for approval. In Audit's view, there was scope for assisting applicants to submit required information and expediting the processing of FAS applications (paras. 3.3 to 3.5).

9. *Scope for providing further guidelines on handling concurrent FAS applications in relation to a single historic building.* According to the Guide to

Executive Summary

Application, an applicant may submit more than one application for each item of graded historic buildings or declared monuments concurrently (i.e. “concurrent applications”) under FAS. According to DEVB, under its current practice, a single historic building can at most have 3 concurrent applications at any instant covering different aspects of the building. However, Audit noted that such practice for handling concurrent FAS applications was neither specified in the Guide to Application nor in DEVB’s internal guidelines (paras. 3.6 and 3.7).

10. ***Maintenance works commenced long time after DEVB’s formal approval.***

According to the Guide to Application, a grantee should commence the maintenance works within one year after formal approval of the FAS application has been obtained. For the 79 approved FAS projects, Audit noted that: (a) for 62 (78% of 79) projects where the maintenance works had commenced, the time elapsed from formal approval date to commencement date of maintenance works ranged from 11 days to 3.3 years (averaging 369 days). For 25 (40% of 62) projects, the time elapsed was more than one year and up to 3.3 years, exceeding the one-year limit in the Guide to Application; and (b) for 17 (22% of 79) projects where the maintenance works had not commenced as of July 2020, the time elapsed from formal approval date to July 2020 ranged from 29 to 2,261 days (averaging 560 days). For 5 (29%) of the 17 projects, the time elapsed was more than one year, exceeding the one-year time limit in the Guide to Application (paras. 3.9 and 3.10).

11. ***Need to ensure that grantees comply with submission requirements.***

According to the Guide to Application, upon the completion of the maintenance works, a grantee is required to submit a brief report with photographs to DEVB each year within the agreed period demonstrating that conditions under the FAS agreement of not demolishing and transferring the ownership of the building and allowing public access were complied with. Of the 59 projects with maintenance works completed, Audit selected 5 projects for examination of grantees’ submission of brief reports after project works completion. Audit noted that, as of July 2020: (a) for 2 projects (with project works completed in 2011 and 2015 respectively), only 3 and 2 brief reports had been submitted by the grantees after the completion of maintenance works. For the other 3 projects, no reports had been submitted by the grantees; and (b) DEVB did not issue reminders in a timely manner to those grantees which had not submitted or had delay in submitting the brief reports. For 4 projects, DEVB only issued reminders to the grantees once about 2 to 3 years after works completion or the last submission of brief report (paras. 3.17 to 3.19).

Executive Summary

12. ***Scope for improvement in implementing the projects under two pilot funding schemes.*** As of July 2020, 3 FSPEP projects and 6 FSTR projects had been approved by DEVB. Audit selected 2 FSPEP and 2 FSTR projects for examination and noted that for a FSPEP project, the grantee was required to provide a series of workshops to secondary school students, teachers and professionals for helping communities to better understand places with heritage value and each workshop was anticipated to attract up to 30 or 40 participants. Audit noted that, of the 6 workshops, 1 (17%) workshop fell short of the target number of participants by 62%. According to DEVB, it had followed up with the grantee to understand the reasons for not achieving the target. In Audit's view, DEVB needs to make continued efforts to monitor the implementation of FSPEP and FSTR projects (para. 3.24).

Other management issues

13. ***Scope for improvement in organising guided tours by NPOs under Revitalisation Scheme.*** According to tenancy agreements of projects under Revitalisation Scheme, NPOs are required to organise guided tours of the historic buildings under the Scheme. Audit found that: (a) for 7 projects which had operated for more than 3 years as of December 2019, the number of guided tour participants for the period from June 2016 to May 2019 for 4 (57%) projects had dropped by 3% to 39% (averaging 22%). The number of participants for 3 of the 4 projects dropped continuously during the period; and (b) according to tenancy agreements of 12 NPOs, 2 (17%) NPOs should provide guided tours in Cantonese, English and Putonghua. However, for the remaining 10 (83%) NPOs, the languages of guided tours were not specified in the tenancy agreements (para. 4.4).

14. ***Scope for organising more experience-sharing sessions among NPOs under Revitalisation Scheme.*** According to DEVB, a total of 13 experience-sharing sessions were organised by DEVB from 2008 to 2020. Audit noted that: (a) no experience-sharing sessions were held in 5 years (i.e. 2013, 2015, 2016, 2018 and 2019) without a new batch of projects launched; and (b) according to DEVB, through the experience-sharing sessions, it had obtained valuable feedback for the implementation of Revitalisation Scheme. In Audit's view, there is merit for DEVB to organise more experience-sharing sessions when needed through suitable means, with a view to further improving the implementation of Revitalisation Scheme (paras. 4.6 to 4.8).

Executive Summary

15. ***Scope for reviewing the funding schemes.*** There is scope for reviewing the four funding schemes, taking into account the related audit findings and recommendations in this Audit Report including the following (paras. 4.21, 4.25 and 4.28):

- (a) ***Revitalisation Scheme.*** Of the 12 projects under Revitalisation Scheme which had been completed and commenced operation, 2 projects ceased operation with effect from January 2017 and June 2020 respectively. Also, a historic building had been included in Revitalisation Scheme twice (i.e. Batches III and IV) with 5 and 11 applications received by DEVB respectively, but none of the applications had been selected after the assessment process. In the event, the historic building was included in Batch VI of Revitalisation Scheme in December 2019 again and application closed in September 2020. It is yet to know whether there will be successful projects for the abovementioned three historic buildings, but a long time might be needed for any projects to commence operation as only projects up to Batch III (launched in October 2011) had commenced operation as of July 2020 (para. 4.18);
- (b) ***FAS.*** Pursuant to the suggestion of a policy review conducted by the Antiquities Advisory Board in June 2014, after consulting the advisory committee, the ceiling of the grant under FAS for each successful application has been increased and the scope of the Scheme has been expanded to cover the government-owned declared monuments and graded historic buildings leased to NPOs since November 2016. In January 2019, a Legislative Council Member expressed concerns about FAS that the ceiling of grant at \$2 million for each successful application was still low which warranted a review of the Scheme by DEVB (paras. 4.23 to 4.25); and
- (c) ***Two pilot funding schemes.*** According to DEVB, FSPEP and FSTR were launched on a pilot basis in 2017. To determine whether to have the pilot funding schemes regularised after the first-round project period, DEVB would evaluate the effectiveness of the Schemes by reviewing feedbacks from the research sector and the public, as well as collaboration between the funded institutes, the engaged owners of historic buildings and other stakeholders. There is a need to kick start the review of these two pilot schemes for mapping out the way forward as soon as practicable (paras. 4.26 and 4.28).

Executive Summary

Audit recommendations

16. 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 Development should:

Management of Revitalisation Scheme

- (a) continue to explore measures to attract applications with high quality proposals for buildings included in Revitalisation Scheme and for further enhancing applicants' understanding of the application requirements of the Scheme (para. 2.11(a) and (b));
- (b) make continued efforts to monitor the implementation of projects under Revitalisation Scheme with a view to ensuring their timely completion (para. 2.28(a));
- (c) complete the review of the validity of the variation orders as mentioned in ArchSD's comments as early as practicable and take measures to ensure that NPOs seek DEVB's prior approval for variation works in accordance with DEVB guidelines (para. 2.28(b) and (c));
- (d) expedite action to complete the review of the guidelines relating to the time limit for submission of draft project accounts and strengthen monitoring mechanism of the project accounts finalisation process (para. 2.28(d) and (e));
- (e) strengthen measures to ensure that NPOs comply with the submission requirements as stipulated in tenancy agreements of projects under Revitalisation Scheme (para. 2.42(b));

Management of FAS and two pilot funding schemes

- (f) continue to take measures to assist applicants in submission of required information and expedite the processing of FAS applications as far as practicable (para. 3.21(a));

Executive Summary

- (g) specify in the Guide to Application and DEVB's internal guidelines DEVB's practice for handling concurrent FAS applications (para. 3.21(b));
- (h) continue to take measures to ensure that maintenance works of approved FAS projects commence in a timely manner in accordance with the Guide to Application (para. 3.21(c));
- (i) take measures to ensure that grantees submit annual brief reports in accordance with the requirements in FAS agreements (para. 3.21(e));
- (j) make continued efforts to monitor the implementation of FSPEP and FSTR projects with a view to identifying areas for improvement (para. 3.25);

Other management issues

- (k) regarding the provision of guided tours organised by NPOs under Revitalisation Scheme, keep under review the issue of decreasing number of guided tour participants for some projects under the Scheme and consider setting out the language requirements as appropriate for guided tours in all tenancy agreements (para. 4.9(a));
- (l) organise more experience-sharing sessions when needed through suitable means, with a view to further improving the implementation of Revitalisation Scheme (para. 4.9(b));
- (m) continue to keep under review the implementation of Revitalisation Scheme (para. 4.29(a));
- (n) keep under review the implementation of FAS (para. 4.29(b)); and
- (o) kick start the review of the two pilot funding schemes (i.e. FSPEP and FSTR) for mapping out the way forward as soon as practicable (para. 4.29(c)).

Executive Summary

Response from the Government

17. The Secretary for Development 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 Heritage is a valuable and unique asset of the community. Hong Kong being a civilised and developed society, citizens aspire for richness in life through links to the past and building a sense of identity through conservation of built heritage which comprises:

- (a) ***Declared monuments.*** According to the Antiquities and Monuments Ordinance (Cap. 53), a place, building, site or structure considered to be of public interest by reason of its historical, archaeological or palaeontological significance would be declared to be a monument for protection by the Antiquities Authority (i.e. the Secretary for Development — Note 1), after consultation with the Antiquities Advisory Board (AAB — Note 2) and with the approval of the Chief Executive of the Hong Kong Special Administrative Region. As of July 2020, there were a total of 126 declared monuments in Hong Kong; and
- (b) ***Graded historic buildings.*** For proper conservation of historic buildings with heritage value, 3 grades are assigned to historic buildings according to their heritage value on an administrative basis (Note 3), as follows:

Note 1: *The Antiquities Authority refers to the Secretary for Development (since July 2007).*

Note 2: *AAB, established under the Antiquities and Monuments Ordinance, advises the Antiquities Authority on, among others, any matters relating to antiquities, proposed monuments or monuments. The Chairman and members of AAB are appointed by the Chief Executive of the Hong Kong Special Administrative Region.*

Note 3: *During 1996 to 2000, the Antiquities and Monuments Office (see Note 13 to para. 1.12(b)) carried out a territory-wide survey of some 8,800 historic buildings mainly built before 1950. During 2002 to 2004, 1,444 buildings with higher heritage value were selected from the 8,800 surveyed buildings with proposed grading given in reflecting their value assessed according to their heritage significance. Besides, new items proposed by the public would also be considered.*

Introduction

- (i) **Grade 1.** Buildings are those of outstanding merits, for which every effort should be made to preserve if possible (Note 4);
- (ii) **Grade 2.** Buildings are those of special merits, for which efforts should be made to selectively preserve; and
- (iii) **Grade 3.** Buildings are those of some merits, for which preservation in some form would be desirable and alternative means could be considered if preservation is not practicable.

As of July 2020, there were a total of 1,141 graded historic buildings (187, 385 and 569 historic buildings were assigned with Grades 1, 2 and 3 status respectively).

Built heritage conservation policy

1.3 In 2007, upon the transfer of policy responsibility from the Home Affairs Bureau to the Development Bureau (DEVB), the Government promulgated a new heritage conservation policy to protect, conserve and revitalise as appropriate historical and heritage sites and buildings through relevant and sustainable approaches for the benefit and enjoyment of present and future generations. To implement the policy, DEVB had taken forward a package of administrative measures including, among others (Note 5), the following:

- (a) setting up the Commissioner for Heritage's Office (CHO) under DEVB in April 2008 to provide support to the Secretary for Development in implementing the policy on heritage conservation and keeping it under constant review;

Note 4: *AAB has agreed that all Grade 1 buildings should, given their outstanding heritage value, form a pool of potential candidates for the Antiquities Authority to consider monument declaration.*

Note 5: *Other measures included requiring new capital works projects to undergo heritage impact assessment and devising economic incentives (e.g. relaxation of development parameters such as plot ratio, building height and site coverage) to facilitate the conservation of privately-owned historic buildings.*

- (b) encouraging an adaptive re-use of government-owned historic buildings by launching the Revitalising Historic Buildings Through Partnership Scheme (Revitalisation Scheme) in 2008 (see paras. 1.5 to 1.9); and
- (c) extending financial assistance to enhance the maintenance of privately-owned historic buildings by launching the Financial Assistance for Maintenance Scheme on Built Heritage (FAS) in 2008 (see para. 1.10).

1.4 In 2014, upon the invitation of DEVB, AAB conducted a policy review on the conservation of built heritage by making reference to the challenges met and experience gained in the conservation work over the past few years. AAB's recommendations under the policy review were accepted by DEVB in December 2015, including the setting up of a dedicated fund on conservation of built heritage. Pursuant to this recommendation, DEVB set up the Built Heritage Conservation Fund (Note 6) in April 2016 with \$500 million earmarked for this purpose in the 2016 Policy Address. Apart from providing funding for Revitalisation Scheme (see para. 1.3(b)) and FAS (see para. 1.3(c)), the Fund also covers new measures on public education, community involvement and publicity activities, and academic research (Note 7). Two funding schemes related to these new measures were introduced by DEVB in January 2017 as pilot schemes (see para. 1.11).

Revitalisation Scheme

1.5 In order to preserve and put vacant government-owned historic buildings into good and innovative use, transform historic buildings into unique cultural landmarks, promote active public participation in the conservation of historic

Note 6: *According to DEVB, to ensure early implementation of AAB's recommendations, the Fund was set up as an administrative measure at its inception and started operating within a relatively short period of time. In the long run, DEVB would not rule out the possibility of evolving towards a statutory fund given its merits.*

Note 7: *As of July 2020, of the \$500 million earmarked for the Built Heritage Conservation Fund in the 2016 Policy Address, \$400 million was earmarked to cover the capital costs of works projects under Revitalisation Scheme (see Note 8 to para. 1.5(a)) and \$100 million was earmarked for non-works initiatives in conservation and revitalisation of historic buildings, including Revitalisation Scheme (see para. 1.5(b)), FAS (see para. 1.10) and the two pilot funding schemes launched in 2017 (see para. 1.11).*

Introduction

buildings, and create job opportunities in particular at the district level, DEVB has launched Revitalisation Scheme since 2008 to put selected historic buildings to adaptive re-use. Funding was provided by the Government as follows:

- (a) \$1 billion was earmarked in the 2007-08 Policy Address to cover the capital costs of projects under Revitalisation Scheme. The Government had further earmarked a total of \$1.4 billion thereafter (Note 8). As of July 2020, the total earmarked funding was \$2.4 billion (i.e. \$1 billion + \$1.4 billion); and
- (b) \$100 million was earmarked in February 2008 to cover the non-works related costs of projects under Revitalisation Scheme. Another \$100 million, covering non-works related costs of projects under Revitalisation Scheme as well as 3 other funding schemes (i.e. FAS and the two pilot funding schemes), was earmarked in the 2016 Policy Address (see Note 7 to para. 1.4).

1.6 Under Revitalisation Scheme, non-profit-making organisations (NPOs) are invited to submit proposals for using the designated historic buildings to provide services or run business in the form of social enterprises. Financial support would be provided to NPOs in terms of the following:

- (a) **Capital grants.** One-off grant would be provided to NPOs to cover the cost of major renovation to the buildings. Funding is provided from the Capital Works Reserve Fund (via Subheads controlled by DEVB under Head 708 — Capital Subventions and Major Systems and Equipment);
- (b) **Grants for starting costs and operating deficits.** One-off grant would be provided to NPOs to meet the starting costs and operating deficits of the projects for the first two years of operation at a ceiling of \$5 million. Funding is provided from the General Revenue Account (GRA) via DEVB Subhead; and

Note 8: *The Government earmarked \$0.5 billion in 2009-10 Budget, \$0.5 billion in 2011-12 Budget and \$0.4 billion in the 2016 Policy Address.*

- (c) *Nominal rental for the buildings.* The selected NPOs are required to enter into tenancy agreements with the Government and nominal rental would be charged. NPOs are required to comply with all the terms and conditions laid down in the tenancy agreements.

1.7 As of July 2020, a total of 19 projects were selected (see Appendix A) under 5 batches of Revitalisation Scheme launched from February 2008 to November 2016 (with approved capital grants totalling \$1,704 million and approved grants for starting costs and operating deficits totalling \$63 million — see Table 1). The latest Batch VI (involving five projects) was launched in December 2019 with application closing dates of September 2020 (for 4 projects) and December 2020 (for 1 project) (Note 9).

Note 9: *Four projects were included upon launching of Batch VI with application closing date of September 2020. One more project (relating to a project under Batch I that ceased operation in June 2020 — see para. 1.8(a)) was subsequently included in August 2020 with application closing date of December 2020.*

Table 1

**Approved grants to projects under Revitalisation Scheme
(July 2020)**

Batch	Launch date	Capital grants approved (\$ million)	Grants for starting costs and operating deficits approved (\$ million)	Number of projects selected
I	February 2008	600 (Note 1)	15 (Note 1)	6
II	August 2009	183	9	3
III	October 2011	388	12	3
IV	December 2013	169	9	3
V	November 2016	364 (Note 2)	18	4
Total		1,704 (Note 3)	63 (Note 3)	19

Source: DEVB records

Note 1: Of the 6 projects selected under Batch I, the NPO of one project did not apply for both the capital grant and the grant for starting costs and operating deficits, while the NPO of another project did not apply for the grants for starting costs and operating deficits.

Note 2: According to DEVB, the figure is derived from the estimated project costs stated in the Consolidated Project Proposals of the NPOs. DEVB will in due course seek funding from the Finance Committee of the Legislative Council based on the updated and detailed project cost estimates provided by the NPOs.

Note 3: As of July 2020, the actual expenditure under Revitalisation Scheme for the capital grants was \$1,033 million and the grants for starting costs and operating deficits was \$24 million.

1.8 Of the 19 selected projects (see Appendix A):

- (a) 12 projects (under Batches I to III) had been completed and commenced operation between September 2010 and April 2019. As of July 2020, 10 of the 12 projects were in operation and 2 projects (under Batch I) had ceased operation with effect from January 2017 and June 2020 respectively; and

- (b) 7 projects (under Batches IV and V) were at planning or construction stage.

1.9 According to DEVB, five projects had received the United Nations Educational, Scientific and Cultural Organization (UNESCO) Asia-Pacific Awards for Cultural Heritage Conservation (see Appendix A). Former North Kowloon Magistracy in Sham Shui Po received UNESCO Award (Honourable Mention) in 2011, Old Tai O Police Station in Tai O received UNESCO Award of Merit in 2013, Mei Ho House in Shek Kip Mei (see Photograph 1) received UNESCO Award (Honourable Mention) in 2015, Old Tai Po Police Station in Tai Po received UNESCO Award (Honourable Mention) in 2016 and Blue House Cluster in Wan Chai (see Photograph 2) received UNESCO Award of Excellence in 2017. The Award of Excellence is the awards' highest honour and it was also the first time that a built heritage conservation project in Hong Kong has received this top award.

Photograph 1

Mei Ho House included under Batch I of Revitalisation Scheme



Source: DEVB records

Photograph 2

Blue House Cluster included under Batch II of Revitalisation Scheme



Source: DEVB records

FAS

1.10 With a view to helping preserve privately-owned graded historic buildings from deterioration due to a lack of maintenance, DEVB has launched FAS since 2008 to provide financial assistance to owners of privately-owned graded historic buildings to carry out maintenance works themselves. Under FAS, ceiling of the grant for each successful application initially set at \$600,000 was increased to \$1 million in April 2009. Starting from November 2016, the ceiling has been further increased from \$1 million to \$2 million and the scope has been expanded to cover the government-owned declared monuments and graded historic buildings leased to NPOs. During 2008 to 2016, funding was provided from a GRA block allocation vote of the Leisure and Cultural Services Department (LCSD — Note 10). Starting

Note 10: *Upon the transfer of policy responsibility of heritage conservation from Home Affairs Bureau to DEVB in 2007, it was announced that the financial assistance in subsidising the maintenance of privately-owned declared monuments at that time would be extended to cover the privately-owned graded historic buildings (i.e. introduction of FAS — see para. 1.3(c)). Since 2008-09, the ambit of the GRA block allocation vote of LCSD (see Note 13 to para. 1.12(b)) has been expanded to include grants approved under FAS. As such, while FAS was administered by CHO of DEVB, it was financed by LCSD during 2008 to 2016.*

from 2016-17, funding was provided from GRA via DEVB Subhead (Note 11). As of July 2020, a total of 79 applications (involving total grant of \$96.6 million) had been approved and the actual expenditure was \$63 million.

Two pilot funding schemes

1.11 With a view to stepping up efforts in public engagement through collaboration with partners (e.g. NPOs), enhancing the understanding and awareness of the public on built heritage conservation through creative means and channels, and exploring the feasibility of conserving and protecting selected building clusters of unique heritage value under the “point-line-plane” approach (Note 12), two funding schemes were launched by DEVB on a pilot basis in 2017, as follows:

- (a) ***Funding Scheme for Public Engagement Projects on Built Heritage Conservation (FSPEP)***. It was introduced to provide funding for public education, community involvement and publicity activities. Under FSPEP, five professional institutes closely involved in the conservation of built heritage were invited to submit applications and the ceiling of grant for each successful application was \$2 million. As of July 2020, a total of 3 applications (involving total grant of \$5.9 million) had been approved and the actual expenditure was \$2 million; and
- (b) ***Funding Scheme for Thematic Research on Built Heritage Conservation (FSTR)***. It was introduced to encourage interest in, render financial support to, and recognise quality academic research on the theme of built heritage conservation. Under FSTR, eight degree-awarding academic institutions funded by the University Grants Committee were invited to submit applications and the ceiling of grant for each successful application

Note 11: *Following the earmarking of \$100 million for funding FAS (and 3 other funding schemes) under the 2016 Policy Address (see Note 7 to para. 1.4), FAS has been funded under GRA via DEVB Subhead since 2016-17.*

Note 12: *Under the “point-line-plane” approach, the scope of conservation would be extended beyond an individual building (i.e. “point”) to a “line” (e.g. a particular street) and even the whole “plane” (e.g. a particular district). The concept is to conserve not only individual buildings but also their wider urban or rural setting. According to DEVB, it had been pursuing the “point-line-plane” approach in implementing heritage conservation initiatives in Central.*

Introduction

was \$2 million. As of July 2020, a total of 6 applications (involving total grant of \$11.4 million) had been approved and the actual expenditure was \$6 million.

Management of funding schemes by DEVB

1.12 Two offices and one section of DEVB are responsible for the management of the four funding schemes (i.e. Revitalisation Scheme, FAS, FSPEP and FSTR):

- (a) **CHO.** CHO provides dedicated support to the Secretary for Development in implementing the policy on heritage conservation and keeping it under constant review, taking forward a series of new initiatives on heritage conservation and serving as a focal point of contact, both locally and overseas. Specifically, it provides support for the management of the four funding schemes, including:
 - (i) identification of historic buildings under Revitalisation Scheme;
 - (ii) processing of applications under the four funding schemes;
 - (iii) monitoring the implementation of projects and NPOs'/grantees' operations under the four funding schemes; and
 - (iv) vetting of supporting documents in processing the payment of grants under Revitalisation Scheme and two pilot funding schemes.

As of July 2020, 33 staff of CHO were involved in the management of the four funding schemes;

- (b) ***Antiquities and Monuments Office (AMO).*** AMO (Note 13) provides secretarial and executive support to AAB and carries out restoration and repair works to a number of historic buildings. In addition, vetting of supporting documents in processing the payment of grants under FAS is

Note 13: *AMO was previously under the administration of LCSD. On 1 April 2019, it was amalgamated with CHO to achieve synergy and for streamlining day-to-day operations.*

carried out by AMO. As of July 2020, 12 staff of AMO were involved in providing support to CHO and management of the four funding schemes; and

- (c) ***Finance Section.*** The Finance Section supports CHO in carrying out monitoring functions in relation to Revitalisation Scheme (e.g. conducting review visits for NPOs on financial aspect and reviewing the business plans, financial plans and regular reports submitted by NPOs). In addition, the Finance Section supports CHO in vetting the financial viability aspect of the applications under Revitalisation Scheme as well as the financial aspect of the applications under FSPEP and FSTR. Besides, it also handles the payment of grants to NPOs under Revitalisation Scheme. As of July 2020, 4 staff of the Finance Section were involved in the management of the aforesaid funding schemes.

1.13 An extract of organisation chart covering the aforesaid offices and section of DEVB as at 31 July 2020 is shown at Appendix B.

Advisory Committee on Built Heritage Conservation

1.14 The Advisory Committee on Built Heritage Conservation (ACBHC) was established in May 2016 to take up the work of the Advisory Committee on Revitalisation of Historic Buildings (ACRHB — Note 14) as well as shoulder additional responsibilities (e.g. work relating to the two pilot funding schemes). ACBHC examines applications, recommends selected applicants and levels of subsidy for successful applications and advises actions to be taken in case of non-compliance by the successful applicants under Revitalisation Scheme, monitors the operation of FAS and advises the Secretary for Development on the two pilot funding schemes.

Note 14: *ACRHB was established in 2008 to provide advice to the Secretary for Development on the revitalisation of historic buildings. In particular, it helped assess applications under Revitalisation Scheme and monitor the subsequent operation of the successful applicants. It was subsequently dissolved in May 2016 after ACBHC was established.*

Introduction

As of July 2020, ACBHC comprised a Chairman, 18 non-official members (Note 15) and three official members (Note 16).

Audit review

1.15 In 2013, the Audit Commission (Audit) completed a review on conservation of monuments and historic buildings, including some issues concerning Revitalisation Scheme and FAS (Note 17). The results were included in Chapter 1 of the Director of Audit's Report No. 60 of March 2013.

1.16 In May 2020, Audit commenced a review of the funding schemes for conservation of built heritage managed by DEVB. The audit review has focused on the following areas:

- (a) management of Revitalisation Scheme (PART 2);
- (b) management of FAS and two pilot funding schemes (PART 3); and
- (c) other management issues (PART 4).

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

Note 15: *The non-official members are from different fields and professions including architecture, historical research, social enterprise, engineering, surveying, town planning, finance, business, art and culture, as well as private practitioners of built heritage conservation.*

Note 16: *The three official members include the Commissioner for Heritage, the Assistant Director of Architectural Services (Property Services) and the Assistant Director of Leisure and Cultural Services (Heritage and Museums).*

Note 17: *At the time of the 2013 audit, there were a relatively small number of completed projects/approved applications under Revitalisation Scheme and FAS (4 completed projects under Batch I of Revitalisation Scheme and 27 approved applications under FAS). At the time of this audit review, a total of 19 projects (with 12 completed) had been selected under Revitalisation Scheme (involving a total grant of \$1,767 million) and 79 FAS applications (involving a total grant of \$96.6 million) had been approved.*

Acknowledgement

1.17 During the audit review, in light of the outbreak of coronavirus disease (COVID-19), the Government had implemented various special work arrangements and targeted measures for government employees, including working from home. Audit would like to acknowledge with gratitude the full cooperation of the staff of DEVB during the course of the audit review amid the COVID-19 epidemic.

PART 2: MANAGEMENT OF THE REVITALISING HISTORIC BUILDINGS THROUGH PARTNERSHIP SCHEME

2.1 This PART examines the management of Revitalisation Scheme by DEVB, focusing on:

- (a) processing of applications (paras. 2.2 to 2.12);
- (b) monitoring of project implementation (paras. 2.13 to 2.29); and
- (c) monitoring of project performance (paras. 2.30 to 2.43).

Processing of applications

2.2 DEVB is responsible for processing of applications received from NPOs (Note 18) for historic buildings (Note 19) under Revitalisation Scheme. According to DEVB, the general procedures for processing applications under Revitalisation Scheme are as follows (summarised in Figure 1):

Note 18: *An NPO with charitable status under section 88 of the Inland Revenue Ordinance (Cap. 112) is eligible to apply for the use of historic buildings included under the Scheme.*

Note 19: *According to DEVB, historic buildings fulfilling the following criteria would be identified for inclusion into Revitalisation Scheme: (a) being government-owned; (b) being normally vacant or not being used by government bureaux/departments; (c) having limited commercial viability; and (d) having potential for social enterprise operation (i.e. viable for an NPO to operate a social enterprise business on a self-financing and self-sustainable basis). DEVB will consider comments received from relevant government bureaux/departments for inclusion of the buildings into Revitalisation Scheme. Buildings identified would then be discussed by ACBHC or ACRHB (see para. 1.14) and recommended for the endorsement of the Secretary for Development.*

Management of the Revitalising Historic Buildings Through Partnership Scheme

- (a) ***Invitation of applications and initial vetting.*** DEVB will prepare the Guide to Application and resource kits (Note 20) for individual historic buildings under Revitalisation Scheme. NPOs will be invited to submit proposals (Note 21) to revitalise selected historic buildings and the proposed usage should take the form of a social enterprise (Note 22). DEVB will organise workshops and open days with guided tours and briefings for interested applicants to learn more about the historic buildings, application procedures and assessment criteria. Besides, DEVB will check for the completeness and validity (Note 23) of applications received;
- (b) ***First-round assessment.*** Valid applications will be passed to relevant government bureaux/departments (B/Ds) for comments. DEVB will summarise the comments received and assign a preliminary score according to the five assessment criteria (Note 24) to each valid proposal. Together with the proposals received, assessment forms and preliminary score sheets prepared by DEVB will be passed to ACBHC (formerly ACRHB — hereinafter referred to as the advisory committee) for consideration. The advisory committee will discuss the relative merits of the proposals and

Note 20: *Resource kits contain information of each historic building, including historical background and architectural merits, conservation guidelines, site information and town planning issues.*

Note 21: *According to DEVB, NPOs are required to provide detailed plans on how the historic buildings will be preserved and their historical significance brought out effectively, how the social enterprises will be operated in order to achieve financial viability and how the local community will benefit.*

Note 22: *According to the Guide to Application, while there is no universal definition on social enterprise, it generally refers to business that fulfils the following criteria: (a) achieve specific social objectives; (b) be able to make profits and operate on a self-financing basis; and (c) the profits cannot be distributed, but should be principally reinvested in the social enterprise business or in the community for the social objectives pursued by the social enterprise.*

Note 23: *According to DEVB, applications would be considered as invalid if the applicants failed to meet the eligibility criteria, complete the application forms or supply the required information for assessment.*

Note 24: *According to the Guide to Application, the five assessment criteria are: (a) reflection of historical value and significance; (b) technical aspects; (c) social value and social enterprise operation; (d) financial viability; and (e) management capability and other considerations.*

Management of the Revitalising Historic Buildings Through Partnership Scheme

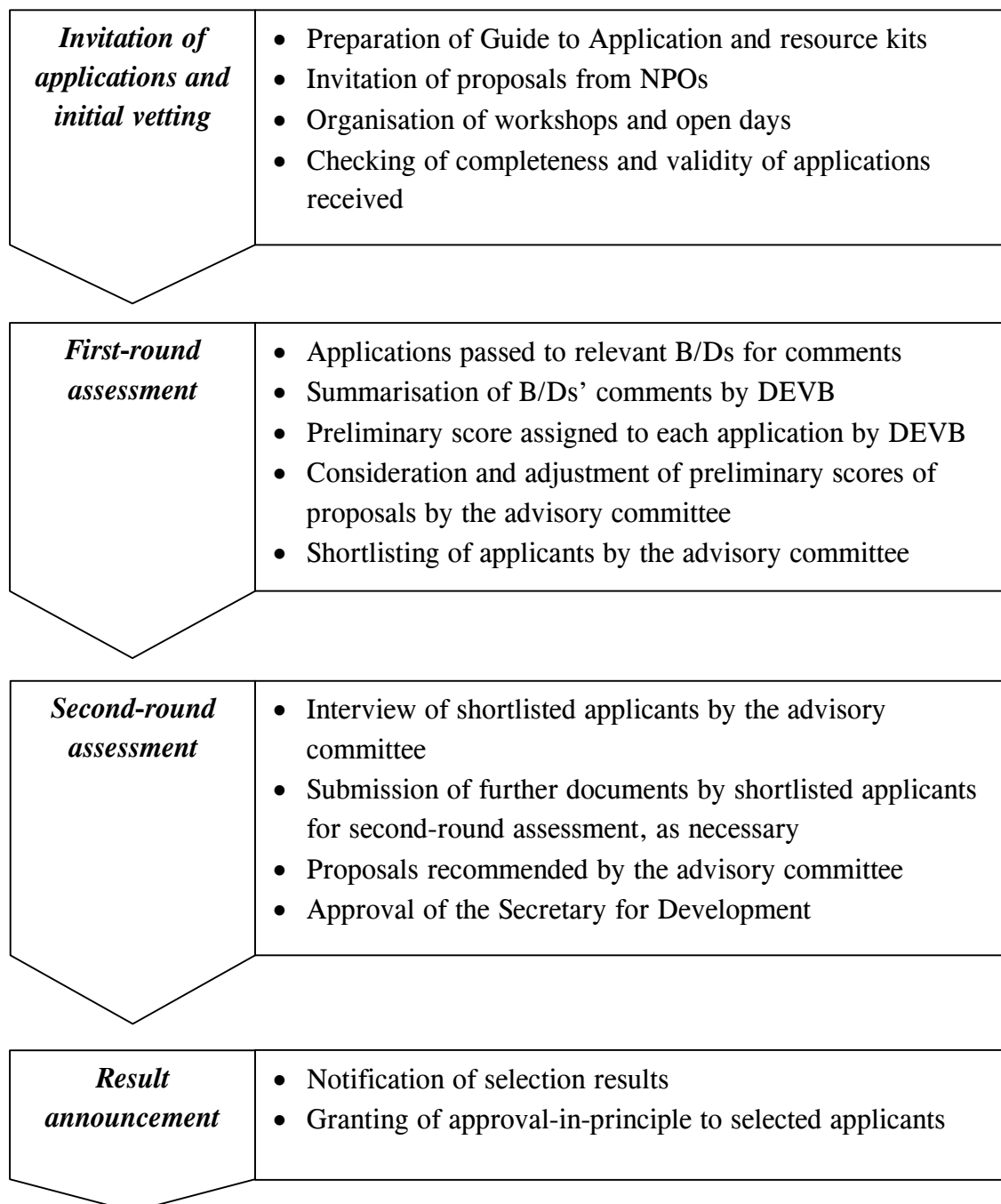
may adjust their preliminary scores. Applicants will be shortlisted by the advisory committee for the second-round assessment;

- (c) ***Second-round assessment.*** Shortlisted applicants will be invited to attend an interview with the advisory committee to present their proposals and may be required to submit further information for the second-round assessment. Proposals recommended by the advisory committee would be put forward for the approval of the Secretary for Development; and
- (d) ***Result announcement.*** Applicants will be notified of the results and selected applicants will be given an approval-in-principle. Upon the issuance of approval-in-principle letters by the Government, the selected applicants are required to complete all necessary preparatory work for the projects and sign the tenancy agreements within the validity period specified in the letters.

Management of the Revitalising Historic Buildings Through Partnership Scheme

Figure 1

General procedures for processing applications under Revitalisation Scheme



Source: DEVB records

Management of the Revitalising Historic Buildings Through Partnership Scheme

Scope for improvement in inviting applications

2.3 Under Revitalisation Scheme, NPOs are invited to submit proposals to revitalise selected historic buildings and operate the projects according to the proposed usage in the form of a social enterprise. Interested applicants are required to submit the completed application forms to DEVB by the submission deadline.

2.4 Regarding the number of applications received during Batches I to V of Revitalisation Scheme (see Table 2), Audit noted that:

- (a) the number of applications received for each historic building varied considerably from 2 applications (for a historic building launched under Batch V) to 30 applications (for a historic building launched under Batch I) (averaging 10 applications); and
- (b) the percentage of invalid applications in 2 (Batches III and IV) of the latest 3 batches of Revitalisation Scheme was relatively high (i.e. 15% and 19% respectively).

Table 2

**Number of applications received under Revitalisation Scheme
(February 2008 to November 2016)**

Batch	Number of historic buildings for application (a)	Range of number of applications received for each historic building (b)	Total number of applications received (c)	Total number of invalid applications received (d)	Percentage of invalid applications (e) = (d) ÷ (c) × 100%
I	7	5 – 30	114	8	7%
II	5	4 – 20	38	3	8%
III	4	5 – 15	34	5	15%
IV	4	3 – 11	26	5	19%
V	5	2 – 12	34	2	6%

Source: DEVB records

Management of the Revitalising Historic Buildings Through Partnership Scheme

2.5 Audit noted that the common reasons for invalid applications included:

- (a) the information required for assessment (e.g. schedule of accommodation, estimated capital cost, business plan and financial projections) was not provided by applicants or irrelevant information was provided by applicants;
- (b) application forms were not filled in;
- (c) applications were submitted in personal capacity instead of in the capacity of NPOs (see Note 18 to para. 2.2); and
- (d) the applicants did not have the charitable status under section 88 of the Inland Revenue Ordinance (Cap. 112) (see Note 18 to para. 2.2).

2.6 In September and October 2020, DEVB informed Audit that:

- (a) regarding the small number of applications received for some buildings:
 - (i) the main purpose of Revitalisation Scheme was to find a good new use of the historic buildings so that the buildings can sustain long term for public enjoyment. DEVB attached emphasis and importance on the concept of the projects under the Scheme. A large number of applications did not mean that DEVB could find a good proposal. Instead, the proposed new use of the historic buildings and the quality of applications should be the focus of DEVB;
 - (ii) for Batch I of Revitalisation Scheme, most of the historic buildings included were in prime locations in urban area and easily accessible by transport. It thus attracted a large number of applications. However, the quality of these applications varied as many applicants did not fully understand the objectives and detailed mechanism of the Scheme, including the assessment criteria and operation mode required. As such, many applications had failed to fulfil the application requirements. With the experience gained in Batch I, DEVB had enhanced the Guide to Application in subsequent batches of projects (e.g. elaboration of the assessment criteria in detail and

Management of the Revitalising Historic Buildings Through Partnership Scheme

specifying the requirement of public access) and had organised open days and workshops for interested parties when new batches of projects were launched so as to help the applicants understand more about the Scheme and how to complete the application forms. As a result, the number of applications with poor quality and misunderstanding of the Scheme had dropped significantly since Batch II. The total number of applications received had remained rather stable since then (i.e. from 26 to 38 applications), even with the reduction in number of historic buildings; and

- (iii) the number of applications depended on various factors, such as the nature of the building, geographical constraints and building size. In particular, for the historic building launched under Batch V with 2 applications received, it was a historic building located in remote area and the gross floor area of the building was relatively small. Such physical and geographical constraints might have reduced its attraction for potential applicants. For the latest Batch VI launched in December 2019, DEVB had received 42 applications for the first 4 historic buildings and overwhelming registration for the open day-cum-briefing for a historic building launched in August 2020, even under the outbreak of COVID-19; and

- (b) regarding the invalid applications received by DEVB:

- (i) DEVB had already used various means to facilitate potential applicants to understand the application requirements, including organising workshops, enhancing the Guide to Application and resource kits, and publicising such requirements on its website, newsletters and roving exhibitions; and
- (ii) in some cases, due to the negligence of applicants in submitting invalid applications (e.g. not using the designated application forms), it would be difficult for DEVB to prevent such obvious errors.

2.7 In Audit's view:

- (a) as DEVB focuses on the quality of applications (see para. 2.6(a)(i)), it needs to continue to explore measures to attract applications with high quality proposals for buildings included in Revitalisation Scheme; and
- (b) while DEVB had used various means to facilitate potential applicants to understand the application requirements (see para. 2.6(b)(i)), there were still some applications received by DEVB being considered as invalid (see para. 2.4(b)). DEVB needs to continue to explore measures for further enhancing applicants' understanding of the application requirements of Revitalisation Scheme.

Scope for improvement in setting the shortlisting criteria for second-round assessment

2.8 According to the Guide to Application, there are two rounds of assessment for assessing the applications received under Revitalisation Scheme (see para. 2.2(b) and (c)). After the first-round assessment, applicants will be shortlisted by the advisory committee for the second-round assessment.

2.9 Audit examined the assessment records of DEVB for Batches I to V of Revitalisation Scheme and noted that:

- (a) ***Batch I.*** In assessing the applications received for 7 historic buildings under Batch I, it was agreed by the advisory committee that a passing score would be adopted for assessing applications received for 2 historic buildings. However, no pre-determined passing score was set for the other 5 historic buildings;
- (b) ***Batches II to IV.*** As far as could be ascertained, there was no documentary evidence showing that pre-determined shortlisting criteria (e.g. passing score or number of shortlisted applicants) had been set by the advisory committee in considering the applications received for all historic buildings under Batches II to IV; and

Management of the Revitalising Historic Buildings Through Partnership Scheme

- (c) **Batch V.** Prior to the first-round assessment of Batch V, it was agreed by the advisory committee that proposals attaining the passing score in the first-round assessment would normally be shortlisted for the second-round assessment and be invited to attend an interview with the advisory committee. However, for a historic building with two applications received, an applicant with a score below the passing score was shortlisted to attend the interview with the advisory committee. According to DEVB records, as the historic building was located at a site with a number of constraints and was launched for the second time, members of the advisory committee agreed to give this applicant a chance to attend the interview under the second-round assessment.

2.10 In Audit's view, in line with the practice adopted in Batch V, DEVB needs to continue to take measures to ensure that the pre-determined shortlisting criteria for the second-round assessment of applications under Revitalisation Scheme are set and the justifications for any deviations from the pre-determined criteria are documented.

Audit recommendations

2.11 Audit has *recommended* that the Secretary for Development should continue to:

- (a) **explore measures to attract applications with high quality proposals for buildings included in Revitalisation Scheme;**
- (b) **explore measures for further enhancing applicants' understanding of the application requirements of Revitalisation Scheme; and**
- (c) **take measures to ensure that the pre-determined shortlisting criteria for the second-round assessment of applications under Revitalisation Scheme are set and the justifications for any deviations from the pre-determined criteria are documented.**

Response from the Government

2.12 The Secretary for Development agrees with the audit recommendations.

Monitoring of project implementation

2.13 For renovation works projects under Revitalisation Scheme funded by the Government under the Capital Works Programme, DEVB will apply for allocation of resources in accordance with the established mechanism. Subject to the approval of DEVB, NPO will engage consultant according to the prescribed guidelines (Note 25) and obtain approvals (Note 26) from B/Ds. Funding approval for the works project will then be sought from the Finance Committee of the Legislative Council (LegCo) (Note 27) or under the delegated authority as appropriate. After that, DEVB will arrange to take over the project site and enter into a tenancy agreement with NPO. Subject to the approval of DEVB, NPO will engage consultant(s) and contractor(s) for carrying out the renovation works of the project.

2.14 According to DEVB's "Guidelines for Delivery of Capital Works Projects under the Revitalising Historic Buildings Through Partnership Scheme" (the Revitalisation Scheme Works Projects Guidelines), the roles of major stakeholders in a capital works project are as follows:

- (a) **DEVB.** DEVB is the policy bureau of all the capital works projects under Revitalisation Scheme and offers the necessary policy support for these projects. CHO undertakes the client's role for the projects of the Scheme and the Permanent Secretary for Development (Works) of DEVB acts as the vote controller and controls the expenditure of all capital works projects under the Scheme;

Note 25: *NPOs should follow the "Guidelines on Consultant Selection for Architectural and Associated Consultancy Services by NPOs under the Revitalisation Scheme" and the "Guidelines on Consultant Selection for Quantity Surveying Consultancy Services by NPOs under the Revitalisation Scheme" issued by DEVB in engaging consultants.*

Note 26: *Examples include approval under the Buildings Ordinance (Cap. 123) from the Buildings Department and endorsement of heritage impact assessment by AAB.*

Note 27: *DEVB will prepare the papers for submission to the Public Works Subcommittee of the Finance Committee of the Legislative Council for funding approval based on the updated detailed estimated project cost, programme and other technical information of the works project provided by the NPO.*

Management of the Revitalising Historic Buildings Through Partnership Scheme

- (b) ***Architectural Services Department (ArchSD).*** The Heritage Unit of ArchSD provides technical advice to DEVB in respect of the financial control of all capital works projects under Revitalisation Scheme. It offers technical advice to DEVB for consideration based on NPO's Consolidated Project Proposal approved by the Secretary for Development and the final design (as well as the approved project estimate (APE)). ArchSD will also assist DEVB to examine the draft final project account and the project account will only be considered as finalised when all the comments from ArchSD are satisfactorily resolved; and
- (c) ***NPO.*** NPO assumes the role of works agent and is ultimately responsible for the delivery of the works project from its inception to completion of construction in accordance with the Consolidated Project Proposal approved by the Secretary for Development and within the APE.

2.15 To facilitate the monitoring of project implementation, NPO should submit the following documents to DEVB and ArchSD:

- (a) ***Master programme.*** A master programme for the delivery of works project conforming with the Consolidated Project Proposal and with all milestone dates incorporated should be submitted within 2 weeks from the receipt of approval-in-principle;
- (b) ***Monthly progress reports.*** Monthly progress reports containing the most updated project information should be submitted every month;
- (c) ***Quarterly progress reports.*** Quarterly progress reports for monitoring the project progress and the performance of the contractors should be submitted quarterly from the commencement of the works until the issue of the maintenance certificate (Note 28);

Note 28: *According to DEVB, a contractor performance mechanism had been implemented since Batch III of Revitalisation Scheme (see para. 2.18(c)). The consultant of NPO is required to submit quarterly progress reports and a final report on the contractor's performance upon the completion of the final account. NPO should check the reports and should entirely satisfy itself with the assessment by the consultant before agreement and endorsement of the reports.*

- (d) ***Final reports.*** A final report should be submitted within one month from the completion of the project (see Note 28); and
- (e) ***Final project account.*** A draft final project account should be ready for comments by DEVB within one year after the practical completion of the renovation works. ArchSD assists DEVB to examine the draft final project account submitted by NPO and the project account will only be considered as finalised until all the comments from ArchSD on the draft account are satisfactorily resolved.

Project works completed later than the scheduled completion date

2.16 According to the Revitalisation Scheme Works Projects Guidelines, NPO is responsible for monitoring the progress of its renovation works project closely with a view to having the works completed on time. To ensure timely delivery of the works project, NPO should adhere to the works commencement and completion dates as stated in the submission for funding approval and where possible, strive to commence works as soon as possible. If NPO foresees any major slippage on the progress of works which may result in delay in completion, NPO must report to DEVB immediately.

2.17 According to DEVB, of the 5 batches of Revitalisation Scheme launched since February 2008 (see para. 1.7), the works of all 12 projects under Batches I to III had been completed as of July 2020. For 11 (92%) of these 12 completed projects, Audit noted that the works were completed 37 to 560 days (averaging 284 days) later than the scheduled completion dates as stated in the submissions for funding approval (see Table 3).

Management of the Revitalising Historic Buildings Through Partnership Scheme

Table 3

Completion dates of projects under Revitalisation Scheme (July 2020)

Project	Works commencement date	Scheduled completion date (a)	Substantial completion date (b)	No. of days later than the scheduled completion date (c) = (b) – (a)
Batch I				
1	1.12.2009	17.7.2010	17.7.2010	—
2	4.6.2010	27.8.2011	10.1.2012	136
3	7.1.2011	24.1.2012	1.3.2012	37
4	31.1.2011	21.9.2012	25.6.2013	277
5	31.5.2011	25.3.2012	17.9.2012	176
6	18.7.2011	9.9.2012	29.8.2013	354
Batch II				
7	15.1.2013	10.3.2014	23.3.2015	378
8	15.5.2013	9.5.2014	23.4.2015	349
9	19.9.2013	17.11.2015	30.5.2017	560
Batch III				
10	13.6.2016	4.11.2017	22.6.2018	230
11	20.6.2016	13.8.2017	11.7.2018	332
12	27.6.2016	24.9.2017	13.7.2018	292

Source: DEVB records

2.18 In September and October 2020, DEVB informed Audit that:

- (a) in general, for projects completed later than the scheduled completion dates, they were usually due to some uncontrollable factors (e.g. inclement weather and unforeseeable site conditions that required additional time and work for design revision). This was especially the case for projects under Revitalisation Scheme as the historic buildings involved were often

dilapidated with various site constraints. Common problems encountered included concrete spalling more widespread than anticipated, unauthorised changes to building structure not fully documented and underground conditions more complex than anticipated;

- (b) regarding the 11 projects completed later than the scheduled completion dates (see Table 3 in para. 2.17):
 - (i) for 7 (64%) projects, extension of time (EOT) had been/would be granted for the entire period of additional time required by the contractors in completing the works. According to DEVB, the additional time required was mainly due to uncontrollable factors, including inclement weather, unforeseeable site conditions leading to design changes and additional tasks for fulfilling statutory requirements;
 - (ii) for 2 (18%) projects, EOT had been granted for part of the additional time required by the contractors in completing the works and liquidated damages had been deducted from payment to the contractors (representing 23% and 53% respectively of the additional time required by the contractors); and
 - (iii) for 2 (18%) projects, EOT had been/would be granted for 13% and 93% respectively of the additional time required by the contractors in completing the works and liquidated damages for the remaining period were yet to be ascertained by DEVB; and
- (c) DEVB had all along been monitoring the works progress of the projects under Revitalisation Scheme through various progress and site meetings. A contractor performance mechanism (see Note 28 to para. 2.15(c)) had been implemented since Batch III of Revitalisation Scheme to monitor the works progress.

2.19 In Audit's view, DEVB needs to make continued efforts to monitor the implementation of projects under Revitalisation Scheme with a view to ensuring their timely completion.

Need to strengthen monitoring of works variations

2.20 According to the Revitalisation Scheme Works Projects Guidelines, NPO is responsible for monitoring the expenditure under the construction contract within the contract sum. For variation works deemed absolutely necessary by NPO, it should obtain prior approval from DEVB (Note 29) before issuing instructions to the contractor to proceed with the variation works. Retrospective approval is not permitted and no variation should be issued after the completion of contract (Note 30).

2.21 Of the 11 projects under Batches I to III which had applied for the capital grant under Revitalisation Scheme (see Note 1 to Table 1 in para. 1.7), Audit selected the project with the highest APE for examination and noted scope for improvement in monitoring works variations by DEVB. The salient points are as follows:

- (a) an NPO awarded the contract for the main works of a project to a contractor at a contract sum of \$195.5 million. According to the draft final project account of the project in August 2019, the estimated final contract sum had increased by \$26.6 million (i.e. from \$195.5 million to \$222.1 million), with variation works (e.g. addition of lift and removal of paint on wall) of about \$13.3 million; and
- (b) ArchSD examined the draft final project account and relevant supporting documents from the NPO, and provided the following comments, among others, to DEVB in December 2019:

Note 29: *In obtaining approval from DEVB, NPO should submit justifications, works scope, and a detailed assessment of cost and time implications of the variation works. DEVB may consult ArchSD prior to the granting of approval.*

Note 30: *NPO will be liable for the cost and time implications of all variation orders issued to the contractor without prior approval from DEVB. DEVB reserves its right in rejecting any variation/expenditure that is considered beyond the scope and ambit of the project and/or in excess of the original contract sum or APE without obtaining its prior approval and deducting amounts in respect of unauthorised variation/expenditure from any outstanding grant to the NPO or requiring the NPO to repay partly or fully the grant received.*

- (i) many instructions of works variations had been issued by the NPO without prior approval from DEVB and the reasons for not seeking prior approval were not recorded; and
- (ii) quite a number of instructions of works variations had been issued by the NPO after the certified completion date of the works in June 2013 (Note 31).

2.22 DEVB informed Audit in September and October 2020 that:

- (a) NPOs had been reminded all along to timely submit the variation requests for DEVB's prior approval. However, some decisions of change were required to be made immediately on site in order to avoid delay of works, in particular those involving minor changes. Hence, verbal approval-in-principle would be given first, and detailed justifications of such variations would be submitted later by the NPOs and followed by DEVB's subsequent written approval;
- (b) DEVB would strive to ensure that NPOs get prior written approval for variation works as far as possible; and
- (c) regarding ArchSD's comments on instructions of works variations issued by the NPO without DEVB's prior approval (see para. 2.21(b)(i)), as the comments were based on the information in the draft final project account submitted by the NPO (Note 32), the NPO and the consultants had yet to provide supplementary information and justifications for the variation orders (including whether DEVB's verbal approval-in-principle had been given for any variation works) to complete the finalisation of project account. All variation orders would be carefully scrutinised and reviewed to ascertain their validity and cost and time implications in accordance with

Note 31: *According to DEVB, there were 7 variation orders amounting to \$0.4 million approved by DEVB during August 2013 to March 2014 (i.e. after the certified completion date of the works).*

Note 32: *Based on a sample check of variation orders in relevant subject files, Audit noted that 4 variation orders amounting to \$6.2 million had been issued by the NPO without prior written approval from DEVB.*

the provisions of the contract. The review was still in progress and hence the number of variation orders had yet to be formally approved and the final amount could not be ascertained at this moment.

2.23 In Audit's view, DEVB needs to:

- (a) complete the review of the validity of the variation orders as mentioned in paragraph 2.22(c) as early as practicable; and
- (b) take measures to ensure that NPOs seek its prior approval for variation works in accordance with the Revitalisation Scheme Works Projects Guidelines.

Need to strengthen monitoring of the finalisation of project accounts

2.24 According to the Revitalisation Scheme Works Projects Guidelines, NPO should submit the draft project account and other supporting documents (e.g. original invoices and receipts) to DEVB within one year after the date of practical completion of the renovation works. ArchSD will assist DEVB to examine the draft final project account and the project account will only be considered as finalised when all the comments from ArchSD are satisfactorily resolved.

2.25 Regarding the project accounts of the 11 completed projects under Batches I to III of Revitalisation Scheme (see para. 2.21), Audit found that the project accounts of 6 (55%) projects had not been finalised as of July 2020, including 3 projects which had been substantially completed for 3 to 7 years. Among these 3 projects, two projects' draft accounts were submitted 2.3 and 4.7 years respectively after the practical completion of renovation works. The other project's draft account had not been submitted as of July 2020 (i.e. 3.2 years after the practical completion of renovation works). As a result, these 3 projects did not meet the one-year time limit for submitting draft project accounts.

2.26 In September and October 2020, DEVB informed Audit that:

- (a) in finalising the project accounts, NPOs were facing longer than expected time to settle issues (e.g. extra claims for additional works by contractors and the granting of EOT); and
- (b) finalisation of project accounts involved a rigorous financial negotiation process between the concerned parties, which was a time-consuming exercise. Given that the maintenance certificate could only be issued at least one year after works completion and that documents in relation to the draft project accounts would not be ready, the one-year time limit for submission of draft project accounts was a very stringent requirement. DEVB would review the guidelines making reference to the requirement stipulated in Financial Circular No. 7/2017 (Note 33) and experience in the finalisation of project accounts under Revitalisation Scheme, and set a more realistic time limit for the submission of draft project accounts by NPOs.

2.27 In Audit's view, DEVB needs to:

- (a) expedite action to complete the review of the guidelines relating to the time limit for submission of draft project accounts; and
- (b) strengthen monitoring mechanism of the project accounts finalisation process and remind NPOs to timely submit the draft project accounts in accordance with the Revitalisation Scheme Works Projects Guidelines.

Audit recommendations

2.28 **Audit has *recommended* that the Secretary for Development should:**

- (a) **make continued efforts to monitor the implementation of projects under Revitalisation Scheme with a view to ensuring their timely completion;**

Note 33: *According to Financial Circular No. 7/2017, project accounts under the Capital Works Programme should be finalised as soon as possible and in any event no later than three years after commissioning of the facilities.*

- (b) **complete the review of the validity of the variation orders as mentioned in paragraph 2.22(c) as early as practicable;**
- (c) **take measures to ensure that NPOs seek DEVB's prior approval for variation works in accordance with the Revitalisation Scheme Works Projects Guidelines;**
- (d) **expedite action to complete the review of the guidelines relating to the time limit for submission of draft project accounts; and**
- (e) **strengthen monitoring mechanism of the project accounts finalisation process and remind NPOs to timely submit the draft project accounts in accordance with the Revitalisation Scheme Works Projects Guidelines.**

Response from the Government

2.29 The Secretary for Development agrees with the audit recommendations.

Monitoring of project performance

2.30 According to DEVB, NPOs are required to comply with the terms and conditions laid down in the tenancy agreements, the Guide to Application and all instructions and correspondence relevant to the project and the historic building issued by the advisory committee or the Government. To enable the Government to monitor the performance of projects, NPOs are required to submit project plans (including business plans, financial plans and building management plans), progress reports (including mid-year progress reports and annual reports) and audited financial statements in relation to the projects to DEVB on a regular basis.

Need to continue to keep under review financial viability and sustainability of projects

2.31 Under all batches of Revitalisation Scheme, financial viability has been one of the five assessment criteria in project selection. NPOs should demonstrate that their project proposals are projected to become self-sustainable after the first

Management of the Revitalising Historic Buildings Through Partnership Scheme

two years of operation. To facilitate monitoring by DEVB, NPOs need to submit the audited financial statements of the projects (Note 34) to DEVB every year. Besides, DEVB conducts review visits at the project site with a view to appraising the performance of projects from technical, operational and financial perspectives.

2.32 Audit examined the audited financial statements for the accounting year ended in 2019 of 7 projects which had operated for at least two years as of July 2020 (Note 35) and noted that:

- (a) 4 projects had accumulated surplus ranging from \$0.4 million to \$11.6 million (Note 36) as of their reporting dates in 2019. Of these 4 projects:
 - (i) 3 projects had surplus of \$0.1 million, \$0.3 million and \$4.3 million respectively for the accounting year ended in 2019; and
 - (ii) 1 project had deficit of \$2.8 million for the accounting year ended in 2019; and
- (b) 3 projects had accumulated deficits of \$1 million, \$1.8 million and \$6.6 million respectively as of their reporting dates in 2019. They had deficits of \$0.2 million, \$1.5 million and \$1.6 million respectively for the accounting year ended in 2019. In fact, they had incurred deficits for 2 to 4 consecutive accounting years since their commencement of operation in 2015 or 2017.

Note 34: *According to the tenancy agreement, NPO should keep a separate set of accounts in respect of the project.*

Note 35: *The 7 projects (under Batches I and II) had different reporting dates in 2019 (i.e. 31 March 2019 for 5 projects, 31 August 2019 for 1 project and 30 September 2019 for 1 project).*

Note 36: *According to DEVB, for the project with accumulated surplus of \$11.6 million, part of the operating income had been set aside to a reserve. As of its reporting date in 2019, apart from the accumulated surplus of \$11.6 million, the reserve had a balance of \$6.3 million.*

Management of the Revitalising Historic Buildings Through Partnership Scheme

2.33 In September 2020, DEVB informed Audit that:

- (a) DEVB had all along regularly monitored and reviewed the financial viability and sustainability of projects under Revitalisation Scheme through review of audited financial statements and reporting to the advisory committee annually. Besides, DEVB had also urged the NPOs with projected deficits in their financial plans of the projects to implement measures to improve the financial performance; and
- (b) for the 2 projects with accumulated deficits of \$1.8 million and \$6.6 million respectively as of their reporting dates in 2019 (see para. 2.32(b)), the grants for operating deficits for the first two years of operation (see para. 1.6(b)) were yet to be taken into account. According to DEVB, for the project with accumulated deficit of \$1.8 million, the maximum amount of grant would be \$3.3 million. For the other project with accumulated deficit of \$6.6 million, a grant of \$2.2 million had been approved. The accumulated deficits of these NPOs would be reduced by the corresponding grants approved/to be approved.

2.34 Given that the provision of grants for operating deficits is a one-off measure for the first two years' operation, a project needs to become self-sustainable after the first two years of operation. In Audit's view, DEVB needs to continue to keep under review the financial viability and sustainability of projects under Revitalisation Scheme and provide assistance to NPOs as needed in running the projects.

Need to ensure NPOs' compliance with submission requirements

2.35 According to tenancy agreements, to facilitate performance monitoring by DEVB, NPOs are required to submit the following documents to DEVB:

- (a) ***Commencement of operation.*** Tenancy agreements of different projects set out different time limits for NPOs to submit the first project plans (including business plan, financial plan and building management plan), as follows:
 - (i) within six months after the signing of tenancy agreements for 3 projects under Batch I;

Management of the Revitalising Historic Buildings Through Partnership Scheme

- (ii) four months before the commencement of operation of the project or a specified date, whichever is earlier, for a project under Batch I; or
 - (iii) six months before the commencement of operation of the project or a specified date, whichever is earlier, for 2 projects under Batch I and all projects under Batches II and III; and
- (b) ***On a regular basis.*** NPOs should submit:
- (i) updated project plans within four months after the end of the accounting year;
 - (ii) mid-year progress reports within two months following the end of the six-month period after the end of the accounting year; and
 - (iii) annual reports (including audited financial statements) within four months after the end of the accounting year.

Failure to submit the above-mentioned documents may result in termination of the tenancy agreement.

2.36 For the 12 completed projects (see para. 2.17), Audit examined the submission of documents by the NPOs as required by the tenancy agreements at commencement of operation and for the period from 2015-16 to 2019-20, and found the following issues:

Commencement of operation

- (a) ***First project plans.*** Regarding the project plans required to be submitted by the 12 NPOs:
 - (i) ***Business plans and financial plans.*** Eight NPOs submitted their first business plans and financial plans to DEVB later than the specified time limits (see para. 2.35(a)). The delays ranged from 3 to 26 months, averaging 10 months; and

Management of the Revitalising Historic Buildings Through Partnership Scheme

- (ii) ***Building management plans.*** Ten NPOs submitted their first building management plans later than the specified time limits (see para. 2.35(a)). The delays ranged from 1 to 36 months, averaging 13 months;

For the period from 2015-16 to 2019-20

- (b) ***Mid-year progress reports.*** Of the 40 reports required to be submitted by the 12 NPOs:
 - (i) 13 (33%) reports were submitted by 6 NPOs in a timely manner;
 - (ii) 3 (7%) reports had not been submitted by 3 NPOs as of July 2020. Each of them had been overdue for 244 days; and
 - (iii) 24 (60%) reports were submitted by 7 NPOs later than the specified time limits (see para. 2.35(b)(ii)). The delays ranged from 1 to 303 days, averaging 69 days; and
- (c) ***Annual reports.*** Of the 39 reports required to be submitted by the 12 NPOs:
 - (i) 11 (28%) reports were submitted by 6 NPOs in a timely manner;
 - (ii) 1 (3%) report had not been submitted by an NPO as of July 2020, which had been overdue for 366 days; and
 - (iii) 27 (69%) reports were submitted by 9 NPOs later than the specified time limits (see para. 2.35(b)(iii)). The delays ranged from 2 to 399 days, averaging 93 days.

2.37 According to DEVB, verbal and written reminders would be given to NPOs whose reports were outstanding after the due dates or cases with serious delay would be escalated to senior management of both DEVB and NPOs with written advices given. While noting this, Audit considers that late submission of documents by NPOs is not conducive to effective performance monitoring by DEVB. In Audit's view, DEVB needs to strengthen measures to ensure that NPOs comply with the submission

requirements as stipulated in tenancy agreements of projects under Revitalisation Scheme.

***Scope for making better use of information system to
record and monitor project performance***

2.38 According to the operational guidelines of DEVB, DEVB adopts a performance monitoring system to ensure the accountability of public funds and the provision of quality services as stipulated in the tenancy agreement. The performance monitoring system enables early detection and intervention of problem performance under risk management.

2.39 According to DEVB, apart from the tenancy agreement, NPOs should also carry out and operate the projects in accordance with Consolidated Project Proposals, funding papers, project plans, annual budgets and annual reports. These documents set out a number of quantitative performance indicators for various aspects, including, for example:

- (a) number of visitors (e.g. training participants, guests from hotel, facilities rental guests, restaurant customers, participants of guided tours and walk-in visitors);
- (b) events and activities organised (e.g. statistics on guided tours, events and activities organised in relation to heritage and culture and results of visitor satisfaction survey);
- (c) employment information (e.g. number of jobs and positions to be created);
and
- (d) financial performance (e.g. projected incomes and expenditures).

2.40 From time to time, results attained by NPOs would be reported to DEVB after the commencement of tenancy period. According to DEVB, it monitored the project performance of NPOs against the targets and indicators set out in the documents mentioned in paragraph 2.39 through reviewing documents (e.g. mid-year

Management of the Revitalising Historic Buildings Through Partnership Scheme

progress reports and annual reports) submitted by NPOs. Audit noted that DEVB relied on manual means to monitor the project performance.

2.41 In Audit's view, DEVB needs to consider making better use of information system to enhance its efficiency in recording, analysing and monitoring the project performance of NPOs over time.

Audit recommendations

2.42 **Audit has *recommended* that the Secretary for Development should:**

- (a) **continue to keep under review the financial viability and sustainability of projects under Revitalisation Scheme and provide assistance to NPOs as needed in running the projects;**
- (b) **strengthen measures to ensure that NPOs comply with the submission requirements as stipulated in tenancy agreements of projects under Revitalisation Scheme; and**
- (c) **consider making better use of information system to enhance DEVB's efficiency in recording, analysing and monitoring the project performance of NPOs over time.**

Response from the Government

2.43 The Secretary for Development agrees with the audit recommendations.

PART 3: MANAGEMENT OF THE FINANCIAL ASSISTANCE FOR MAINTENANCE SCHEME ON BUILT HERITAGE AND TWO PILOT FUNDING SCHEMES

3.1 This PART examines the management of FAS and two pilot funding schemes by DEVB, focusing on:

- (a) management of FAS (paras. 3.2 to 3.22); and
- (b) management of two pilot funding schemes (paras. 3.23 to 3.26).

Management of the Financial Assistance for Maintenance Scheme on Built Heritage

3.2 FAS has been launched since 2008 to provide financial assistance to owners of privately-owned graded historic buildings with a view to helping preserve such buildings from deterioration due to a lack of maintenance (see para. 1.10). FAS applications received are processed by DEVB in two stages (i.e. two-stage processing mechanism) since April 2015 (Note 37). Under stage one, selected applicants would be granted with approval-in-principle and are allowed to engage consultants for technical assessment. Under stage two, formal approval would be granted to successful applicants. The general procedures are as follows (summarised in Figure 2):

Note 37: *Before April 2015, an applicant was required to submit an application form together with the proposed scope of maintenance works and cost estimates. Upon receipt of the application, DEVB would check the eligibility of the application (e.g. completeness of the submitted information) and site visits would be conducted by DEVB and ArchSD to inspect the historic building and carry out assessments to form a view on the proposed maintenance works. FAS applications would be approved by DEVB in one stage. Successful applicants granted with DEVB's formal approval (without first granting an approval-in-principle) were required to commence the maintenance works within one year after the date of formal approval.*

Management of the Financial Assistance for Maintenance Scheme on Built Heritage and two pilot funding schemes

- (a) ***Verification of applications.*** Upon receipt of FAS applications from owners of privately-owned graded historic buildings or NPO tenants of government-owned declared monuments or graded historic buildings, DEVB will verify whether the applications received comply with the basic requirements specified in the Guide to Application, including eligibility criteria for applicants (Note 38), pre-requisite conditions (Note 39) and degree of public access to the respective historic buildings allowed by the applicants (Note 40). DEVB will request the applicants to clarify and amend deficiencies, where necessary, in their applications. Shortlisted applicants would then be recommended to the Vetting Panel for FAS (hereinafter referred to as Vetting Panel — Note 41) for further discussion;
- (b) ***Applications considered by Vetting Panel.*** The Vetting Panel will consider the applications recommended by DEVB according to the assessment

Note 38: *For a privately-owned graded historic building, the applicant should be the sole owner, co-owners or one of the co-owners authorised by all co-owners. For a government-owned declared monument or graded historic building, the applicant should be the NPO tenant which has entered into a tenancy agreement with the Government, and has obtained a charitable status under section 88 of the Inland Revenue Ordinance.*

Note 39: *For a privately-owned graded historic building, the applicant should not: (a) demolish the building in whole or part during the implementation period of the maintenance works and for a specified period (say ten years) after the completion of maintenance works; or (b) transfer the ownership of the building, save for letting out, during the specified period unless such transfer of ownership has obtained consent from the Government. For a government-owned declared monument or graded historic building, the applicant should complete the maintenance works and pay in full the costs of the maintenance works.*

Note 40: *The applicant should allow reasonable public access to the historic building for appreciation within a specified period, say ten years (for privately-owned graded historic building) or the term of the tenancy agreement (for government-owned declared monument or graded historic building), after the completion of maintenance works.*

Note 41: *The Vetting Panel comprises representatives from CHO, AMO and ArchSD.*

Management of the Financial Assistance for Maintenance Scheme on Built Heritage and two pilot funding schemes

criteria (Note 42) and prioritise the applications according to a number of other factors (Note 43);

- (c) ***Granting of approval-in-principle and engagement of consultant.*** According to the selection results of the Vetting Panel, DEVB will issue an approval-in-principle (Note 44) letter to a selected applicant. The selected applicant is required to sign an agreement with the Government and conform with the terms and conditions specified in it. Subject to the approval of DEVB, the applicant is allowed to proceed with the selection and employment of consultant according to the prescribed guidelines (Note 45) within the validity period;
- (d) ***Technical assessment and site visit.*** The appointed consultant assists the applicant to conduct technical assessment on the historic building and provide a conservation proposal. Besides, site visits to the subject historic building will be conducted by DEVB and relevant B/Ds in assessing the proposed maintenance works. Application will then be considered by DEVB and recommendations will be made to the Vetting Panel for consideration to accept the proposal; and
- (e) ***Formal approval and engagement of contractor.*** For the proposal selected by the Vetting Panel, the applicant is required to sign the undertaking and comply with conditions stipulated in it. After that, formal approval would be granted to the successful applicant by DEVB. The amount of grant approved based on the estimate in the proposal would be confirmed by DEVB at the same time. Subject to the approval of DEVB, the applicant is allowed to proceed with the selection and employment of contractor for carrying out the maintenance works.

Note 42: *According to the Guide to Application, the assessment criteria include: (a) whether there is a need for the proposed maintenance works; (b) whether the maintenance works are beneficial to the community in terms of heritage conservation; and (c) whether reasonable degree of access to the declared monuments or graded historic buildings can be allowed to public for appreciation.*

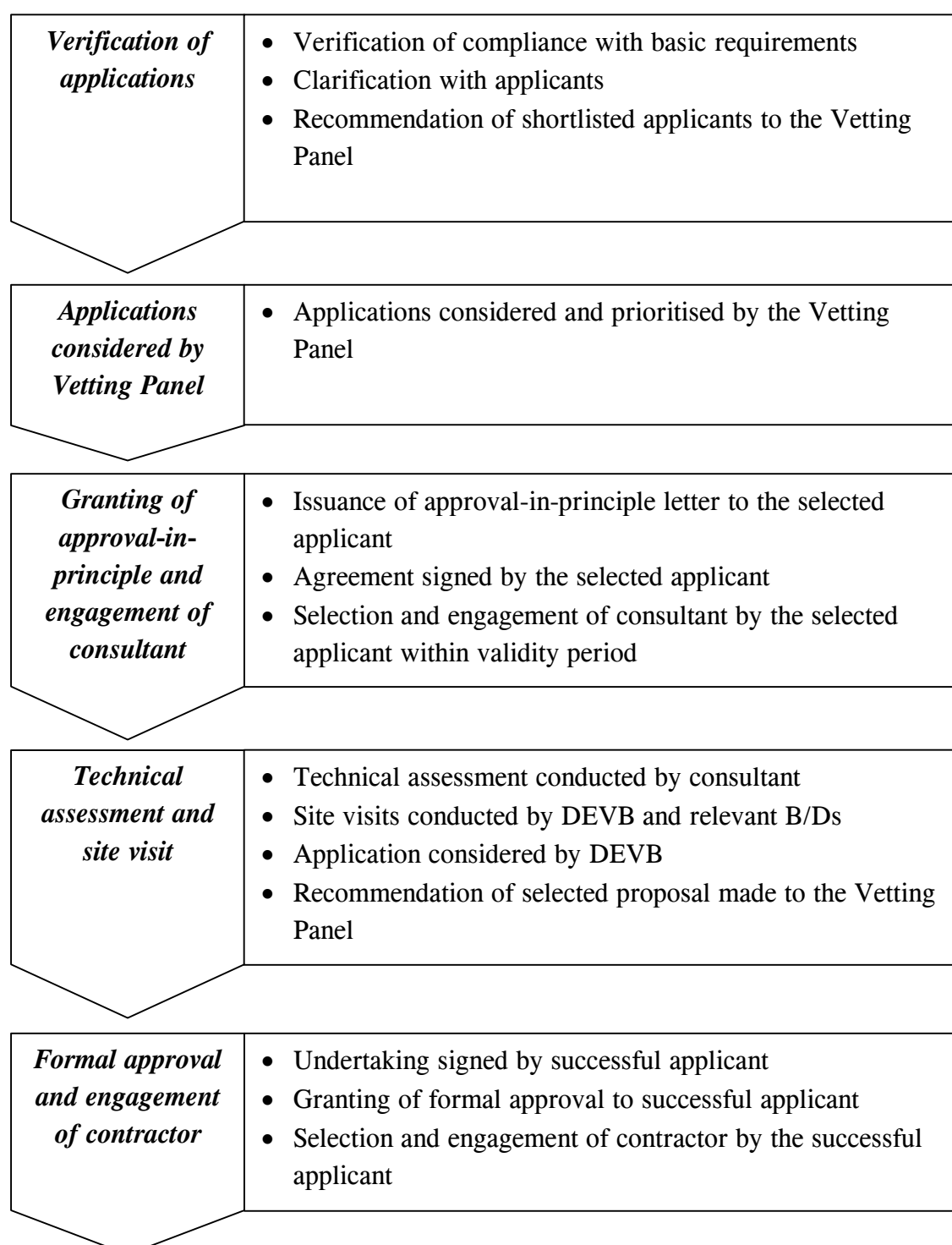
Note 43: *Other factors include the heritage value of the declared monuments or graded historic buildings, urgency for maintenance and the timing of submissions.*

Note 44: *There is a specific validity period for each approval-in-principle granted by DEVB.*

Note 45: *Applicants should follow the “Guidelines on Consultant Selection for the Maintenance Scheme on Built Heritage” issued by DEVB in engaging consultants.*

Figure 2

General procedures for processing FAS applications



Source: DEVB records

***Scope for assisting applicants to submit required information and
expediting the processing of FAS applications***

3.3 For the 145 valid applications received during August 2008 to July 2020, Audit noted that:

- (a) 79 (54% of 145) applications had been approved by DEVB (see Table 4):
 - (i) the processing time (i.e. the duration between the date of receipt of application and date of formal approval) of 22 (28% of 79) applications was more than 2 years;
 - (ii) the case with the longest processing time lasted for more than 4 years (1,554 days). According to DEVB, this was an isolated case and the long processing time was due to special circumstances (Note 46); and
 - (iii) the processing time of the other 78 (i.e. 79 minus 1) approved applications ranged from 82 to 1,210 days (averaging 519 days); and

Note 46: *According to DEVB, the structure of the building was deemed not stable as some cracks were observed on the building wall which was also tilted. There was at the same time a heap of soil at the back of the building and hence the consultant could not ascertain the structural integrity of the aforesaid wall. Besides, the soil was stockpiled outside the lot boundary of the building and the applicant had taken a long time to confirm the ownership of the land where the soil sat before its removal. Afterwards, the consultant had taken quite some time to carry out thorough inspection and prepare the structural assessment of the building. All these needed to be carried out before formal approval was given.*

Table 4

**Processing time of FAS applications
(August 2008 to July 2020)**

Processing time	Number of applications
1 year or less	30 (38%)
More than 1 year to 2 years	27 (34%)
More than 2 years to 3 years	14 (18%)
More than 3 years to 4 years	7 (9%)
More than 4 years to 5 years	1 (1%)
Total	79 (100%)

Source: Audit analysis of DEVB records

- (b) 66 (46% of 145) applications were still being processed by DEVB as of July 2020 (see Table 5):
 - (i) 28 (42% of 66) applications were pending approval-in-principle (i.e. stage one approval) from DEVB and 38 (58% of 66) applications were pending formal approval (i.e. stage two approval) from DEVB; and
 - (ii) 4 (6% of 66) applications were received some 4 to 5 years ago.

**Management of the Financial Assistance for Maintenance
Scheme on Built Heritage and two pilot funding schemes**

Table 5

**FAS applications pending formal approval
(July 2020)**

Year of application received	Number of applications		
	Pending Stage 1 approval	Pending Stage 2 approval	Total
2015-16	—	1	1 } 4 (6%)
2016-17	—	3	3 }
2017-18	2	13	15
2018-19	2	21	23
2019-20	21	—	21
2020-21 (up to July 2020)	3	—	3
Total	28	38	66

Source: Audit analysis of DEVB records

3.4 According to DEVB:

- (a) the procedures for processing FAS applications were reviewed by DEVB in December 2014 with a view to simplifying the procedures and encouraging more owners of privately-owned graded historic buildings to apply for the grants under FAS. The two-stage approval mechanism was introduced in April 2015 after the review (Note 47); and

Note 47: *According to DEVB, regarding the previous one-stage assessment process, there were concerns from private owners of graded historic buildings that they did not have any knowledge or expertise in building and construction, nor built heritage conservation. They found it difficult to fill in the application form and needed to approach conservation consultants for assistance in completing their application forms on a voluntary basis. Besides, as most of the conservation consultants provided their services on a voluntary basis, they would give low priority to follow up the comments from DEVB and ArchSD on technical issues. As a result, it delayed the commencement of the maintenance works under the project and discouraged the private owners from applying for the grant.*

- (b) for approved applications with long processing time, they were cases with matters to be resolved before formal approval was given (including arrangement of permit from relevant departments for conducting site visits to historic buildings at restricted area, clarification of ownership matters by applicants, and conducting tendering exercise for employing consultants by applicants). Applicants of most of these cases took months to years in submitting required information for approval. As a result, longer time was needed in processing the applications.

3.5 The early completion of processing of FAS applications would enable the applicants to proceed with the maintenance works promptly. In Audit's view, DEVB needs to continue to take measures to assist applicants in submission of required information and expedite the processing of FAS applications as far as practicable.

Scope for providing further guidelines on handling concurrent FAS applications in relation to a single historic building

3.6 According to the Guide to Application, an applicant may submit more than one application for each item of graded historic buildings or declared monuments concurrently (i.e. "concurrent applications" — Note 48) under FAS. Besides, according to DEVB's internal guidelines, "concurrent FAS applications" received by DEVB in relation to a single historic building or a group of historic buildings may be approved by relevant authority according to the cumulative value of the concurrent applications after consultation with the Vetting Panel.

3.7 According to DEVB, under its current practice, a single historic building can at most have 3 concurrent applications (Note 49) at any instant covering different aspects of the building. However, Audit noted that such practice for handling

Note 48: *Examples include applications for roof repair and brick wall repair in a single historic building and applications for maintenance of different structures in a group of buildings graded under the same item by AAB.*

Note 49: *According to DEVB, the quota of 3 "concurrent applications" is related to a single historic building and covers applications under DEVB's processing and approved applications with the project accounts for the maintenance works not yet finalised.*

Management of the Financial Assistance for Maintenance Scheme on Built Heritage and two pilot funding schemes

concurrent applications was neither specified in the Guide to Application nor in DEVB's internal guidelines.

3.8 In this connection, in January 2019, a LegCo Member commented that owing to the low grant ceiling of \$2 million for each successful application under FAS, some owners of privately-owned graded historic buildings might intentionally carry out the repair and maintenance works of the buildings in phases in order to obtain more subsidies under separate applications. In Audit's view, DEVB needs to specify in the Guide to Application and DEVB's internal guidelines its practice for handling concurrent FAS applications (see para. 3.7).

Maintenance works commenced long time after DEVB's formal approval

3.9 According to the Guide to Application, a grantee should commence the maintenance works within one year after formal approval of the FAS application has been obtained.

3.10 For the 79 approved FAS projects (see para. 3.3(a)), Audit noted that:

- (a) the maintenance works of 62 (78% of 79) projects had commenced (see Table 6). The time elapsed from formal approval date to commencement date of maintenance works ranged from 11 days to 3.3 years, averaging 369 days. For 25 (40% of 62) projects, the time elapsed was more than one year and up to 3.3 years, exceeding the one-year time limit in the Guide to Application; and

Table 6

**Time taken to commence maintenance works after formal approval
(August 2008 to July 2020)**

Time elapsed from formal approval date to commencement date of maintenance works	Number of projects
1 year or less	37 (60%)
More than 1 year to 2 years	18 (29%)
More than 2 years to 3 years	4 (6%)
More than 3 years to 4 years	3 (5%)
Total	62 (100%)

Source: Audit analysis of DEVB records

- (b) as of July 2020, the maintenance works of 17 (22% of 79) projects had not commenced. The time elapsed from formal approval date to July 2020 ranged from 29 to 2,261 days, averaging 560 days. For 5 (29%) of the 17 projects, the time elapsed was more than one year, exceeding the one-year time limit in the Guide to Application, as follows:
- (i) for 2 projects, the time elapsed ranged from more than 1 to 2 years; and
 - (ii) for 3 projects, the time elapsed was more than 6 years (ranging from 2,195 to 2,261 days).

3.11 In September and October 2020, DEVB informed Audit that:

- (a) of the 25 projects with time elapsed of more than one year (see para. 3.10(a)), 24 projects were approved under one-stage assessment mechanism (see Note 47 to para. 3.4(a)) prior to April 2015. For these 24 projects, selection of consultants and main contractors by tendering exercises were carried out by the applicants after formal approval was granted by DEVB, leading to commencement of maintenance works more than one year after formal approval. It was envisaged that the maintenance works of FAS projects approved under two-stage assessment mechanism

since April 2015 could be commenced one year or less from the formal approval date; and

- (b) of the 3 projects with time elapsed of more than 6 years (see para. 3.10(b)(ii)), the delay of commencement of maintenance works for 1 project was due to the cessation of public kai-to service to the building site, which was located on a remote outlying island, for some years. The relevant kai-to service had recently been resumed and the consultant could now access the site more readily and was expediting the design work so that the construction works could start as early as possible. For the other 2 projects, the delays were both due to internal affairs of the grantees, including change of committee members of the grantees. With DEVB's efforts, the issues had been resolved and the consultants of these 2 projects were expediting the design work so that the construction works could start as early as possible.

3.12 In Audit's view, DEVB needs to continue to take measures to ensure that maintenance works of approved FAS projects commence in a timely manner in accordance with the Guide to Application.

***Maintenance works completed later than
the scheduled completion dates***

3.13 According to DEVB, the Secretariat of FAS (i.e. CHO of DEVB) should monitor and evaluate the approved FAS projects from time to time. In case of failure to complete the works without any reasonable justifications or breach of any condition of the agreement and undertaking, DEVB might require the grantee to refund the whole or part of the grant. If slippage to the programme of the maintenance works is anticipated/noted (Note 50), the grantee should include in the progress reports the justifications for the slippage, the mitigation measures and the anticipated revised completion date of the maintenance works.

Note 50: *According to DEVB, the grantee is required to submit a tender report for works tender and include the commencement date and anticipated completion date of the contract works in the report. The latest anticipated completion date of contract works would also be extended due to EOT granted and reflected in the progress reports submitted quarterly by consultant.*

Management of the Financial Assistance for Maintenance Scheme on Built Heritage and two pilot funding schemes

3.14 For the 62 projects with maintenance works having commenced (see para. 3.10(a)), Audit noted that, as of July 2020, the maintenance works of 59 (95%) projects had been completed. The works of 3 (5%) projects were in progress (Note 51). Regarding the 59 completed projects, Audit noted that:

- (a) 20 (34% of 59) projects had been completed on or before the scheduled completion dates; and
- (b) 39 (66% of 59) projects were completed 4 to 578 days (averaging 88 days) later than the scheduled completion dates. Of these 39 projects with slippage:
 - (i) for 38 (97% of 39) projects, EOT had been granted for the entire period of additional time required by the contractors in completing the works; and
 - (ii) for 1 (3% of 39) project, EOT had been granted for 39% of the additional time required by the contractor in completing the works and liquidated damages had been deducted from payment to the contractor for the remaining time.

3.15 In Audit's view, DEVB needs to make continued efforts to closely monitor the progress of maintenance works of approved FAS projects with a view to ensuring that the works are completed in a timely manner.

Note 51: *For one of these projects, Audit noted that the works commenced in June 2016 and were scheduled for completion in October 2016. However, as of July 2020 (i.e. about 4 years after the scheduled completion date), the works had still not been completed. According to DEVB, this was an isolated case concerning defects of waterproofing works at the roof of the building which evolved to become disputes between the grantee and the contractor on the quality of works. The disputes were eventually resolved with the concerted efforts by the consultant and DEVB. The concerned defects would be rectified soon (there was a need to wait for dry weather before proceeding) after which the maintenance works would be completed. The slippage was well noted and reminders had been issued to both the grantee and the consultant by DEVB.*

Need to ensure that grantees comply with submission requirements

3.16 According to the Guide to Application, on accepting the grants under FAS, grantees are required to accept a number of conditions specified in the agreement signed with the Government, including:

- (a) not to demolish the buildings or transfer the ownership of the buildings without the approval of the Government for a specific period of time (usually ten years); and
- (b) to allow reasonable public access to their buildings for appreciation within an agreed period of time after the maintenance works have been completed. According to DEVB, the required public access will be subject to the agreement between the parties on a case-by-case basis.

3.17 According to the Guide to Application, upon the completion of the maintenance works, a grantee is required to submit a brief report with photographs to DEVB each year within the agreed period demonstrating that conditions under the FAS agreement of not demolishing and transferring the ownership of the building and allowing public access were complied with. Besides, CHO staff will carry out ad-hoc checks (e.g. site inspections) to ensure compliance with these conditions especially for the cases where the compliance conditions cannot be ascertained from other sources of information (e.g. final report submitted by the consultant after completion of works and brief report submitted by the grantee). The grantee is required to repay the Government the whole or part of the grant together with the administrative cost incurred at Government's discretion should the grantee breach any condition in the agreement.

3.18 Of the 59 projects with maintenance works completed (see para. 3.14), Audit selected 5 projects for examination of grantees' submission of brief reports after project works completion (see Table 7).

Table 7

Brief reports submitted by grantees after project works completion (July 2020)

Project selected	Date of project works completion	Dates of submission of brief reports	Number of brief reports submitted	Dates of reminders issued by DEVB	Number of reminders issued by DEVB
1	Oct 2011	Feb 2013 Jul 2016 Jul 2020	3	Nov 2014 May 2015 Jun 2016 Jul 2020	4
2	Jan 2015	Jul 2016 Jul 2019	2	Jun 2019	1
3	Feb 2016	No report submitted		Jun 2019	1
4	Nov 2017			Jun 2020	1
5	Dec 2018			Jun 2020	1

Source: Audit analysis of DEVB records

3.19 As shown in Table 7, Audit noted that, as of July 2020:

- (a) for 2 projects (with project works completed in 2011 and 2015 respectively), only 3 and 2 brief reports had been submitted by the grantees during the respective 9-year and 5-year periods after the completion of maintenance works. For the other 3 projects, no reports had been submitted by the grantees; and
- (b) DEVB did not issue reminders in a timely manner to those grantees which had not submitted or had delay in submitting the brief reports. For 4 projects, DEVB only issued reminders to the grantees once about 2 to 3 years after works completion or the last submission of brief report.

3.20 In Audit's view, DEVB needs to take measures to ensure that grantees submit annual brief reports in accordance with the requirements in FAS agreements.

Audit recommendations

- 3.21 **Audit has *recommended* that the Secretary for Development should:**
- (a) **continue to take measures to assist applicants in submission of required information and expedite the processing of FAS applications as far as practicable;**
 - (b) **specify in the Guide to Application and DEVB's internal guidelines DEVB's practice for handling concurrent FAS applications;**
 - (c) **continue to take measures to ensure that maintenance works of approved FAS projects commence in a timely manner in accordance with the Guide to Application;**
 - (d) **make continued efforts to closely monitor the progress of maintenance works of approved FAS projects with a view to ensuring that the works are completed in a timely manner; and**
 - (e) **take measures to ensure that grantees submit annual brief reports in accordance with the requirements in FAS agreements.**

Response from the Government

- 3.22 **The Secretary for Development agrees with the audit recommendations.**

Management of two pilot funding schemes

3.23 **FSPEP and FSTR are the two funding schemes launched by DEVB on a pilot basis in 2017. FSPEP aims to provide funding for public education, community involvement and publicity activities with a view to strengthening community awareness and knowledge of built heritage conservation, mobilising the public, private owners of historic buildings and other stakeholders to take direct and positive action to conserve and revitalise historic buildings, and enhancing public participation and increasing volunteering opportunities in heritage conservation work. FSTR aims to encourage interest in, render financial support to, and recognise quality academic**

Management of the Financial Assistance for Maintenance Scheme on Built Heritage and two pilot funding schemes

research on the theme of built heritage conservation (see para. 1.11). DEVB is responsible for monitoring the implementation of projects by grantees.

Scope for improvement in implementing the projects

3.24 As of July 2020, 3 FSPEP projects and 6 FSTR projects had been approved by DEVB (see para. 4.27). Audit selected 2 FSPEP and 2 FSTR projects for examination and noted that for a FSPEP project, the grantee was required to provide a series of workshops to secondary school students, teachers and professionals for helping communities to better understand places with heritage value. According to DEVB records, the grantee had organised six workshops under three planned activities during November 2018 to April 2019. According to the approved funding proposal, each workshop was anticipated to attract up to 30 or 40 participants. Audit noted that, of the 6 workshops:

- (a) 5 (83%) workshops had exceeded the target number of participants by 15% to 210%; and
- (b) 1 (17%) workshop fell short of the target number of participants by 62%.

According to DEVB, it had followed up with the grantee to understand the reasons for not achieving the target number of participants (see (b) above). In Audit's view, DEVB needs to make continued efforts to monitor the implementation of FSPEP and FSTR projects with a view to identifying areas for improvement.

Audit recommendation

3.25 **Audit has *recommended* that the Secretary for Development should make continued efforts to monitor the implementation of FSPEP and FSTR projects with a view to identifying areas for improvement.**

Response from the Government

3.26 The Secretary for Development agrees with the audit recommendation.

PART 4: OTHER MANAGEMENT ISSUES

4.1 This PART examines other management issues, focusing on:

- (a) public education, publicity and experience sharing (paras. 4.2 to 4.10);
- (b) declaration of interests (paras. 4.11 to 4.16); and
- (c) way forward (paras. 4.17 to 4.30).

Public education, publicity and experience sharing

4.2 According to DEVB, it has launched various public education and publicity events on heritage conservation targeting different sectors of the community since 2008 according to its annual publicity plan (Note 52). For the five years from 2015-16 to 2019-20, DEVB had organised 21 public education and publicity events (e.g. heritage fiesta, open day and roving exhibition) wholly or partially related to Revitalisation Scheme and FAS, and promoted these events through various channels (e.g. social media, newsletter, newspaper, magazine and radio).

4.3 For Revitalisation Scheme, guided tours and publicity events (e.g. open day) were organised by NPOs in promoting the historic buildings under their projects.

Scope for improvement in organising guided tours by NPOs under Revitalisation Scheme

4.4 According to the tenancy agreements of projects under Revitalisation Scheme, NPOs are required to organise guided tours of the historic buildings under the Scheme. Audit's examination found scope for improvement in guided tours organised by NPOs, as follows:

Note 52: *Every year, DEVB formulates a publicity plan with different programmes, themes and target groups.*

Other management issues

- (a) ***Some projects with decreasing number of guided tour participants.*** Guided tours should be organised by NPOs according to the frequencies specified in the tenancy agreements. For 7 projects which had operated for more than 3 years as of December 2019, regarding the number of guided tour participants for the period from June 2016 to May 2019, Audit noted that while the number of participants for 3 (43%) projects had increased by 8% to 49% (averaging 26%), the number of participants for 4 (57%) projects had dropped by 3% to 39% (averaging 22%). The number of participants for 3 of the 4 projects dropped continuously during the period. In September 2020, DEVB informed Audit that:
 - (i) it was normal for the drop in the number of participants of guided tours of a project over the years as people would not normally wish to join such tours again if they had already joined before; and
 - (ii) notwithstanding that there was a drop in the number of participants of guided tours for some projects during the period from June 2016 to May 2019, the number of participants of some projects had shown an increase over the same period; and
- (b) ***Language requirements for guided tours not specified in some tenancy agreements.*** According to tenancy agreements of 12 NPOs, 2 (17%) NPOs should provide guided tours in Cantonese, English and Putonghua. However, for the remaining 10 (83%) NPOs, the languages of guided tours were not specified in the tenancy agreements. According to DEVB, NPOs are allowed flexibility in providing guided tours in language fitting the need of the participants, which might be different.

4.5 In Audit's view, regarding the provision of guided tours by NPOs under Revitalisation Scheme, DEVB needs to:

- (a) keep under review the issue of decreasing number of guided tour participants for some projects under Revitalisation Scheme; and
- (b) consider setting out the language requirements as appropriate (e.g. providing guided tours in languages fitting the need of the participants) for guided tours in all tenancy agreements.

Scope for organising more experience-sharing sessions among NPOs under Revitalisation Scheme

4.6 NPOs of the existing projects were invited to share their experience upon the launch of a new batch of projects under Revitalisation Scheme to help potential applicants to understand more about the revitalisation process (Note 53). According to DEVB, a total of 13 experience-sharing sessions (e.g. workshops and brainstorming retreat sessions) were organised by DEVB during the 12 years from the launch of Revitalisation Scheme in 2008 to 2020 (see Table 8). For these 12 years, Audit noted that experience-sharing sessions were held in 7 years. No experience-sharing sessions were held in 5 years (i.e. 2013, 2015, 2016, 2018 and 2019) without a new batch of projects launched.

Note 53: *The experience-sharing sessions were held by DEVB to brief participants on how the application form was to be completed, answer queries from applicants and illustrate technical problems that might be encountered by NPOs in revitalising the historic buildings and give suggestions of the possible measures in tackling them.*

Table 8

**Experience-sharing sessions held by DEVB
(May 2009 to September 2020)**

Year	Number of sessions held
2009 (Note)	2
2010	1
2011	1
2012	1
2013	—
2014	1
2015	—
2016	—
2017	2
2018	—
2019	—
2020 (up to September)	5
Total	13

Source: DEVB records

Note: Revitalisation Scheme was launched in February 2008.

4.7 According to DEVB:

- (a) through the experience-sharing sessions, it had obtained valuable feedback for the implementation of Revitalisation Scheme;

- (b) it had incorporated good practices (Note 54) into the latest Guide to Application for each batch of projects under Revitalisation Scheme; and
- (c) it had incorporated the experience of NPOs and the consultant architects of eight projects (Note 55) under Revitalisation Scheme in carrying out alteration and addition works to historic buildings in the past few years in the “Practice Guidebook for Adaptive Re-use and Alteration and Addition Works to Heritage Building 2012” (Practice Guidebook — Note 56), with updates by phases since 2016.

4.8 As experience-sharing sessions were held upon the launch of a new batch of projects under Revitalisation Scheme, no such sessions were held in 5 years since launching of the Scheme in 2008 (see para. 4.6). Given the valuable experience gained by DEVB and NPOs in experience-sharing sessions (see para. 4.7), in Audit’s view, there is merit for DEVB to organise more experience-sharing sessions when needed through suitable means (e.g. face-to-face seminars or webinars), with a view to further improving the implementation of Revitalisation Scheme.

Note 54: *Good practices include enhancement and elaboration of the vetting criteria (including meaning of social enterprise and criterion of management capability) in assessing applications received, allowing more flexibility to NPOs in sub-licensing, outsourcing and hiring of services, requiring NPOs to designate part of the historic buildings they operate as exhibition/interpretation area and specify in the application form the minimum number of guided tours to be provided and the routes of the tours, allowing more time for submitting applications and requiring NPOs to set up special purpose companies with charitable status for the projects concerned to ensure clear and separate accounts of the projects, etc.*

Note 55: *They were projects of Lui Seng Chun, Old Tai O Police Station, Fong Yuen Study Hall, Old Tai Po Police Station, Former Lai Chi Kok Hospital, Stone Houses, Mei Ho House and Haw Par Mansion.*

Note 56: *The Practice Guidebook was published by the Buildings Department to provide design guidelines in terms of straight-forward practical solutions and alternative approach that may be adopted for compliance with building safety and health requirements under the Buildings Ordinance, so as to facilitate the planning and design of adaptive re-use of and alteration and addition works to heritage buildings, including construction safety. According to DEVB, the first, second and third phase updates of the Practice Guidebook were promulgated in July 2016, December 2017 and January 2019 respectively with a view to providing clearer and more concrete references to built heritage practitioners and private owners of historic buildings.*

Audit recommendations

- 4.9 **Audit has *recommended* that the Secretary for Development should:**
- (a) **regarding the provision of guided tours organised by NPOs under Revitalisation Scheme:**
 - (i) **keep under review the issue of decreasing number of guided tour participants for some projects under the Scheme; and**
 - (ii) **consider setting out the language requirements as appropriate (e.g. providing guided tours in languages fitting the need of the participants) for guided tours in all tenancy agreements; and**
 - (b) **organise more experience-sharing sessions when needed through suitable means (e.g. face-to-face seminars or webinars), with a view to further improving the implementation of Revitalisation Scheme.**

Response from the Government

- 4.10 The Secretary for Development agrees with the audit recommendations.

Declaration of interests

- 4.11 Project applications for Revitalisation Scheme, FSPEP and FSTR are vetted by ACBHC (Note 57) and FAS applications are vetted by the Vetting Panel (Note 58). ACBHC adopted a two-tier reporting system for declaration of interests. Under the two-tier reporting system, all members of the committee should:

Note 57: *Project applications for Revitalisation Scheme were vetted by ACRHB before May 2016.*

Note 58: *According to DEVB, members of the Vetting Panel are civil servants who are required to observe government requirements relating to conflict of interests. They should make declarations to confirm that they have no conflict of interests in each application vetting exercise.*

- (a) disclose their general pecuniary interests on appointment and annually thereafter to the committee. To facilitate the members to declare their interests, members are required to complete and return a standard declaration form to the Secretariat (i.e. CHO). A register of members' interests shall be kept by the secretary of the committee, which should be made available for inspection on request by members of the public; and
- (b) report conflict of interests as and when it arises at meetings (Note 59).

Room for improving practices on declaration of interests

4.12 According to ACBHC papers, the chairman and members shall register in writing to the secretary of the committee their personal interests, direct or indirect, pecuniary or otherwise, when they first join the advisory committee, and annually thereafter.

4.13 Audit examined the records of declaration of interests by ACBHC members (including the chairman) from May 2016 to May 2020 and found that:

- (a) DEVB did not request declaration of general pecuniary interests from the members of ACBHC when they were appointed as members of the committee. Instead, members were requested to declare their interests at the first committee meeting (for the term of office from May 2016 to May 2018) or 6 days before the first committee meeting (for the term of office from May 2018 to May 2020), which were 1 to 2 months after the date of appointment. In addition, no time limit was set by DEVB for the return of the declaration forms. Audit noted that some members submitted their declaration forms long after DEVB requested them to do so, as follows:
 - (i) for the term of office from May 2016 to May 2018, 3 members submitted their declaration forms on the day when DEVB made the

Note 59: *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 discussion of the matter.*

Other management issues

request and 15 members did so 2 to 355 days after the request by DEVB (averaging 94 days). The longest time of 355 days involved 2 members; and

(ii) for the term of office from May 2018 to May 2020, 2 members submitted their declaration forms on the day when DEVB made the request and 20 members did so 3 to 114 days after the request by DEVB (averaging 31 days). The longest time of 114 days involved 1 member; and

(b) DEVB had not requested any members of ACBHC to make annual declaration of interests in the second year of the terms of office from May 2016 to May 2018 and May 2018 to May 2020. In the event, no annual declaration forms were submitted by members.

4.14 In September and October 2020, DEVB informed Audit that:

(a) it was DEVB's practice to have the new members signing the declaration forms on or after the first advisory committee meeting. Given that the new members had no idea of the requirements and procedures on the declaration of pecuniary interests upon appointment, DEVB would explain to them details of such requirement during the first meeting of the advisory committee (normally one month after appointment). At the meeting, members were asked to complete and return the declaration form to the Secretariat as soon as possible after the meeting and DEVB staff would then keep track of the return of the forms and send reminders to those who had not submitted the forms. Normally, there was no issue for discussion before the first advisory committee meeting and thus no conflict of interests of members would arise; and

(b) for the term of office from May 2020 to May 2022, in early September 2020, DEVB requested the members to declare their interests by 15 September 2020. As at 24 September 2020, of the 22 members, 9 (41%) members had submitted their declaration forms. The date of the first meeting had yet to be fixed.

Audit recommendation

4.15 **Audit has *recommended* that the Secretary for Development should take measures to ensure that ACBHC members declare interests on appointment and annually thereafter.**

Response from the Government

4.16 The Secretary for Development agrees with the audit recommendation.

Way forward

4.17 Audit noted that there was scope for reviewing Revitalisation Scheme (see paras. 4.18 to 4.21), FAS (see paras. 4.22 to 4.25) and the two pilot funding schemes (see paras. 4.26 to 4.28).

Scope for reviewing Revitalisation Scheme

4.18 Revitalisation Scheme has been launched for more than 12 years since 2008 and involved a total earmarked funding of \$2.4 billion (see para. 1.5). As of July 2020, a total of 19 projects had been selected under 5 batches of the Scheme. Apart from the issues in PART 2 (including processing of applications and monitoring of project implementation and performance), the following issues also merit DEVB's attention and action:

- (a) ***Cessation of two projects.*** Of the 12 projects under Revitalisation Scheme which had been completed and commenced operation, 2 projects ceased operation with effect from January 2017 and June 2020 respectively (see para. 1.8(a)). Audit noted that, of the 2 projects:
 - (i) one project had operated for some 3 years and ceased operation in January 2017 due to operational difficulties. Audit noted that the number of visitors failed to meet the original targets of the project during the 3 years of operation, being 31% to 94% below the

Other management issues

original targets (Note 60). According to DEVB, the project was particularly challenging given its remote location, geographical limitation of the historic building and business nature of the project, and the operating conditions of the project were difficult, which had resulted in low visitor numbers. The historic building was subsequently included in Batch VI of Revitalisation Scheme in December 2019 again and application closed in September 2020; and

- (ii) another project had operated for 10 years and ceased operation in June 2020. According to DEVB, the NPO had decided to discontinue the operation after a comprehensive analysis. The historic building was subsequently included in Batch VI of Revitalisation Scheme in August 2020 and application will close in December 2020 (see para. 1.7); and

- (b) ***No proposal selected for a historic building included in two consecutive batches of Revitalisation Scheme.*** A historic building had been included in Revitalisation Scheme twice (i.e. Batches III and IV) with 5 and 11 applications received by DEVB respectively. However, none of the applications had been selected after the assessment process. According to DEVB, this was due to the fact that the proposals received could not meet the high threshold set by the advisory committee. In the event, the historic building was included in Batch VI of Revitalisation Scheme in December 2019 again and application closed in September 2020.

It is yet to know whether there will be successful projects for the abovementioned three historic buildings, but a long time might be needed for any projects to commence operation as only projects up to Batch III (launched in October 2011) had commenced operation as of July 2020 (see para 1.8).

4.19 At an ACBHC meeting in January 2017, in discussing the failure experience of the project which ceased operation in January 2017 (see para. 4.18(a)(i)), a member commented that with a view to preventing recurrence of

Note 60: *The original target number of visitors for 2013-14 to 2015-16 were 6,900, 30,800 and 42,400 respectively, while the actual visitor numbers were 4,741, 4,578 and 2,680 respectively.*

similar outcome, a review of Revitalisation Scheme might be necessary to see if anything could be done to facilitate the project operation of other NPOs and address their problems. Besides, the chairman commented that as Revitalisation Scheme had been launched for some years, it would be an opportune time to conduct a review of the Scheme.

4.20 In September and October 2020, DEVB informed Audit that:

Achievements of Revitalisation Scheme

- (a) pursuant to the heritage conservation policy promulgated in 2007 (see para. 1.3), one of the initiatives implemented was the flagship programme of Revitalisation Scheme. Of the 12 completed projects under the Scheme, 5 projects had won UNESCO Asia-Pacific Awards for Cultural Heritage Conservation (see para. 1.9);
- (b) under the Scheme, DEVB adopted a new approach of public-private partnership, tapping on the wisdom and collaboration of NPOs and the community in giving new life to old historic buildings. It was the endless source of creative ideas and entrepreneurial spirits of NPOs which had provided such amazing adaptive re-uses;
- (c) through projects under the Scheme, Hong Kong people had the chance to visit and appreciate the historic buildings which had previously been in dilapidated condition. Besides, old communities had been revived, local economy had been stimulated and more local employment opportunities had been created. All in all, the projects had not only brought new life to historic buildings, but also various social benefits to the society;

Review of Revitalisation Scheme

- (d) from time to time, reviews were conducted by DEVB on individual projects based on mid-year progress reports and annual reports received from NPOs, site visits conducted by CHO and upon renewal of tenancy agreements with NPOs. In particular, a comprehensive review had been conducted by DEVB in March 2009 after the first batch of projects under Revitalisation Scheme. Under this review, views had been collected from various stakeholders, including potential applicants and AAB members; and

Other management issues

- (e) a brainstorming retreat was organised for ACBHC members in March 2017 to review the whole operation of Revitalisation Scheme. At the retreat, two NPOs were invited to brief members of the operation of their projects, including among others, the operational challenges and difficulties encountered by them. Subsequent to the review, DEVB had continued to receive feedback and views from various stakeholders, including NPOs and members of the advisory committee.

4.21 In view of the audit findings and recommendations in PART 2 and various issues arising in implementing the Scheme in recent years (e.g. cessation of projects and no proposal selected for an historic building included in 2 consecutive batches — see para. 4.18), in Audit's view, DEVB needs to continue to keep under review the implementation of Revitalisation Scheme, taking into account the related audit findings and recommendations in this Audit Report and its experience and NPOs' difficulties in implementing projects under the Scheme.

Scope for reviewing FAS

4.22 FAS was launched in 2008 as one of the initiatives adopted by the Government in providing financial assistance to private owners of graded historic buildings to carry out maintenance works themselves, so as to extend the lifespan of historic buildings. DEVB has launched FAS for more than 12 years and a total of 157 applications had been received from private owners or NPO tenants of historic buildings as of July 2020.

4.23 In conducting the policy review on the conservation of built heritage in 2014 (see para. 1.4), a public consultation was conducted by AAB in June 2014. It aimed to, among others, address some of the public concerns on FAS, including:

- (a) whether the financial assistance provided under FAS is inadequate and unattractive;
- (b) whether the amount of the grant under FAS should be determined by the grading of the historic buildings; and
- (c) whether the buildings have to be open to the public.

4.24 Under the policy review, AAB suggested that the Government should provide more attractive economic incentives (e.g. financial assistance) to facilitate private owners to carry out maintenance works in a timely manner and protect historic buildings. In this connection, after consulting the advisory committee, the ceiling of the grant under FAS for each successful application has been increased and the scope of the Scheme has been expanded to cover the government-owned declared monuments and graded historic buildings leased to NPOs since November 2016 (see para. 1.10).

4.25 In January 2019, a LegCo Member expressed concerns about FAS. An area of concern was that the ceiling of grant at \$2 million for each successful application was still low which warranted a review of the Scheme by DEVB. In view of the concerns and the areas for improvement on FAS identified by Audit, DEVB needs to keep under review the implementation of FAS, taking into account its experience and the related audit findings and recommendations in this Audit Report.

Scope for reviewing the two pilot funding schemes

4.26 According to DEVB, FSPEP and FSTR were launched on a pilot basis in 2017. To determine whether to have the pilot funding schemes regularised after the first-round project period (i.e. 24 months), DEVB would evaluate the effectiveness of the Schemes by reviewing feedbacks from the research sector and the public, as well as collaboration between the funded institutes, the engaged owners of historic buildings and other stakeholders (e.g. Friends of Heritage engaged in the FSPEP project).

4.27 A total of 3 FSPEP projects and 6 FSTR projects were approved by DEVB in March 2018. As it transpired, only 2 (67%) FSPEP projects and 1 (17%) FSTR project had been completed as of July 2020. According to DEVB, owing to the social unrest in 2019 and the outbreak of COVID-19 in 2020, DEVB granted EOT (ranging from 3.5 to 12 months) to 3 (100%) FSPEP projects and 5 (83%) FSTR projects (one project was completed as scheduled). After taking into account the EOT granted, for the projects not yet completed as of July 2020, the revised target completion dates were April 2021 for one FSPEP project and between September 2020 and April 2021 for five FSTR projects.

Other management issues

4.28 In Audit's view, DEVB needs to keep track of the progress of the projects yet to be completed under FSPEP and FSTR and kick start the review of these two pilot funding schemes for mapping out the way forward as soon as practicable.

Audit recommendations

4.29 **Audit has *recommended* that the Secretary for Development should:**

- (a) **continue to keep under review the implementation of Revitalisation Scheme, taking into account the related audit findings and recommendations in this Audit Report and DEVB's experience and NPOs' difficulties in implementing projects under the Scheme;**
- (b) **keep under review the implementation of FAS, taking into account DEVB's experience and the related audit findings and recommendations in this Audit Report; and**
- (c) **keep track of the progress of the projects yet to be completed under FSPEP and FSTR and kick start the review of these two pilot funding schemes for mapping out the way forward as soon as practicable.**

Response from the Government

4.30 The Secretary for Development agrees with the audit recommendations.

**Selected projects under Revitalisation Scheme
(July 2020)**

No.	Building	Usage	Operation commencement date
Batch I buildings (launched in February 2008)			
1	Former North Kowloon Magistracy in Sham Shui Po (Grade 2 building) (Received UNESCO Award (Honourable Mention) in 2011)	Art and design college	September 2010 (ceased operation in June 2020)
2	Old Tai O Police Station in Tai O (Grade 2 building) (Received UNESCO Award of Merit in 2013)	Hotel	February 2012
3	Lui Seng Chun in Mong Kok (Grade 1 building)	Chinese medicine and healthcare centre	April 2012
4	Fong Yuen Study Hall in Ma Wan (Grade 3 building)	Cultural centre cum museum	March 2013 (ceased operation in January 2017)
5	Mei Ho House in Shek Kip Mei (Grade 2 building) (Received UNESCO Award (Honourable Mention) in 2015)	Hostel	December 2013
6	Former Lai Chi Kok Hospital in Lai Chi Kok (Grade 3 building)	Cultural centre	June 2014 (Note)

Appendix A
(Cont'd)
(paras. 1.7 to 1.9 refer)

No.	Building	Usage	Operation commencement date
Batch II buildings (launched in August 2009)			
7	Stone Houses in Kowloon City (Grade 3 building)	Theme cafeteria	October 2015
8	Old Tai Po Police Station in Tai Po (Grade 1 building) (Received UNESCO Award (Honourable Mention) in 2016)	Centre for promoting sustainable living	November 2015
9	Blue House Cluster in Wan Chai (one Grade 1 and one Grade 3 buildings) (Received UNESCO Award of Excellence in 2017)	Multi-functional service complex	July 2017
Batch III buildings (launched in October 2011)			
10	Former Fanling Magistracy in Fanling (Grade 3 building)	Youth leadership development centre	September 2018
11	Bridges Street Market in Central (Grade 3 building)	News museum	December 2018
12	Haw Par Mansion in Causeway Bay (Grade 1 building)	Music school	April 2019
Batch IV buildings (launched in December 2013)			
13	No. 12 School Street in Causeway Bay (Grade 3 building)	Fire dragon heritage centre	At construction stage and target operation commencement date not yet determined
14	Lady Ho Tung Welfare Centre in Sheung Shui (Grade 2 building)	Local ecology discovery centre	
15	Old Dairy Farm Senior Staff Quarters in Pok Fu Lam (Grade 1 building)	Living museum	

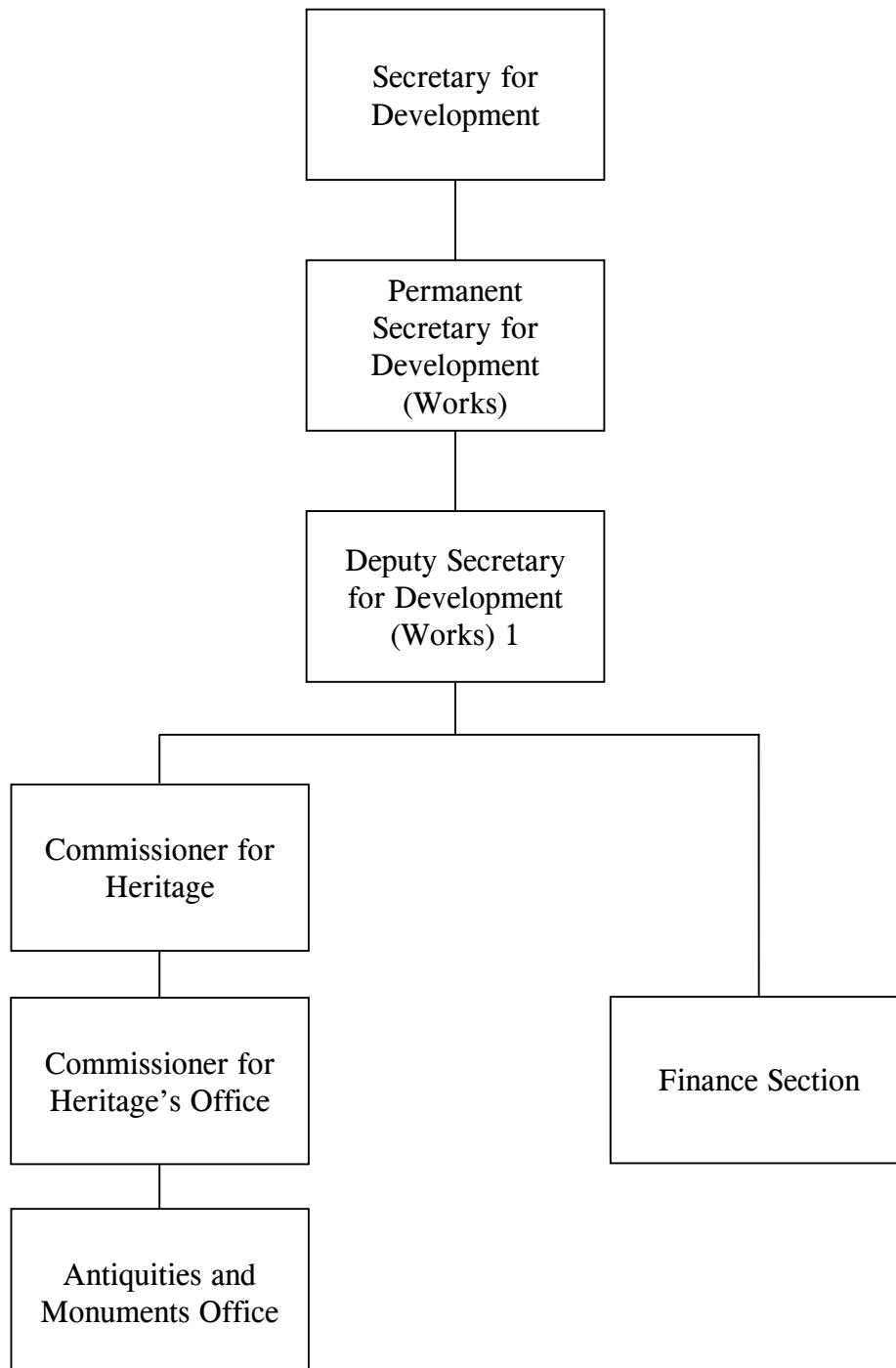
Appendix A
(Cont'd)
(paras. 1.7 to 1.9 refer)

No.	Building	Usage	Operation commencement date
Batch V buildings (launched in November 2016)			
16	Roberts Block, Old Victoria Barracks in Central (Grade 1 building)	Creative arts and play therapy centre	At planning stage and target operation commencement date not yet determined
17	Luen Wo Market in Fanling (Grade 3 building)	Community stalls	
18	Former Lau Fau Shan Police Station in Yuen Long (Grade 3 building)	Guide dogs academy	
19	Watervale House, Former Gordon Hard Camp in Tuen Mun (Grade 2 building)	Centre for promoting positive lifestyle	

Source: DEVB records

Note: The project had two phases. The date refers to the operation commencement date of second phase.

**Development Bureau:
Organisation chart (extract)
(31 July 2020)**



Source: DEVB records

Acronyms and abbreviations

AAB	Antiquities Advisory Board
ACBHC	Advisory Committee on Built Heritage Conservation
ACRHB	Advisory Committee on Revitalisation of Historic Buildings
AMO	Antiquities and Monuments Office
APE	Approved project estimate
ArchSD	Architectural Services Department
Audit	Audit Commission
B/Ds	Government bureaux/departments
CHO	Commissioner for Heritage's Office
DEVB	Development Bureau
EOT	Extension of time
FAS	Financial Assistance for Maintenance Scheme on Built Heritage
FSPEP	Funding Scheme for Public Engagement Projects on Built Heritage Conservation
FSTR	Funding Scheme for Thematic Research on Built Heritage Conservation
GRA	General Revenue Account
LCSD	Leisure and Cultural Services Department
LegCo	Legislative Council
NPOs	Non-profit-making organisations
Revitalisation Scheme	Revitalising Historic Buildings Through Partnership Scheme
UNESCO	United Nations Educational, Scientific and Cultural Organization

CHAPTER 7

**Commerce and Economic Development Bureau
Hong Kong Tourism Board**

**Hong Kong Tourism Board:
Corporate governance and administrative issues**

**Audit Commission
Hong Kong
28 October 2020**

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. 75 of the Director of Audit contains 10 Chapters which are available on our website at <https://www.aud.gov.hk>

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HONG KONG TOURISM BOARD: CORPORATE GOVERNANCE AND ADMINISTRATIVE ISSUES

Contents

	Paragraph
EXECUTIVE SUMMARY	
PART 1: INTRODUCTION	1.1 – 1.10
Audit review	1.11 – 1.12
General response from the Hong Kong Tourism Board	1.13
General response from the Government	1.14
Acknowledgement	1.15
PART 2: CORPORATE GOVERNANCE	2.1 – 2.2
Board and Committees	2.3 – 2.16
Audit recommendations	2.17 – 2.18
Response from the Government	2.19
Response from the Hong Kong Tourism Board	2.20
Memorandum of Administrative Arrangements	2.21 – 2.22
Audit recommendation	2.23
Response from the Government	2.24
Government subvention to the Hong Kong Tourism Board	2.25 – 2.28

	Paragraph
Audit recommendation	2.29
Response from the Government	2.30
Performance measurement and reporting	2.31 – 2.35
Audit recommendations	2.36
Response from the Hong Kong Tourism Board	2.37
PART 3: HUMAN RESOURCE MANAGEMENT AND OTHER ADMINISTRATIVE ISSUES	3.1
Pay structure of the Hong Kong Tourism Board	3.2 – 3.11
Audit recommendations	3.12
Response from the Hong Kong Tourism Board	3.13
Staff management issues	3.14 – 3.20
Audit recommendations	3.21
Response from the Hong Kong Tourism Board	3.22
Other administrative issues	3.23 – 3.31
Audit recommendations	3.32
Response from the Hong Kong Tourism Board	3.33
PART 4: WORLDWIDE OFFICES AND REPRESENTATIVE OFFICES	4.1 – 4.3
Establishment of Worldwide Offices and Representative Offices	4.4 – 4.7
Audit recommendation	4.8
Response from the Hong Kong Tourism Board	4.9

Paragraph

Administrative issues relating to Worldwide Offices	4.10 – 4.18
Audit recommendations	4.19
Response from the Hong Kong Tourism Board	4.20

Appendices

Page

A : Hong Kong Tourism Board: Organisation chart (extract) (31 March 2020)	62
B : Marketing expenditure analysed by strategic focuses (2014-15 to 2018-19)	63
C : Acronyms and abbreviations	64

HONG KONG TOURISM BOARD: CORPORATE GOVERNANCE AND ADMINISTRATIVE ISSUES

Executive Summary

1. The Hong Kong Tourism Board (HKTB) is a government-subvented body established in April 2001 under the HKTB Ordinance (Cap. 302). The primary responsibilities of HKTB are to market and promote Hong Kong as a destination worldwide, and to take initiatives to enhance visitors' experience when they arrive. The Board is the governing body of HKTB. The Board has appointed five Committees to oversee various aspects of HKTB's operations. As at 31 March 2020, HKTB had an establishment of 379 staff. The Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) is the Controlling Officer of the subvention granted to HKTB. In 2019-20, HKTB had a total income of \$869.3 million, which included government subvention of \$834.6 million. In the same year, HKTB had a total expenditure of \$865.2 million.

2. According to HKTB, since mid-2019, the social unrest in Hong Kong has brought about a negative impact on the performance of the tourism industry. Since January 2020, the outbreak of the coronavirus disease (COVID-19) has hard hit the tourism industry of Hong Kong and the world as a whole. In the period from January to August 2020, the number of visitor arrivals to Hong Kong was about 3.5 million, representing a drop of about 92% as compared to the same period in 2019. The Audit Commission (Audit) has recently conducted a review of HKTB. The findings are contained in this Audit Report and another one entitled "Hong Kong Tourism Board: Efforts in promoting tourism" (Chapter 8 of the Director of Audit's Report No. 75). This Audit Report reviews matters relating to the governance and administrative issues of HKTB.

Corporate governance

3. *Need to appoint Chairmen/members of Committees in a timely manner.* There are five Committees under the Board. In the period from 2015-16 to 2019-20, there were delays in the appointment of six Industry members and the re-appointment of three Industry members of the Quality Tourism Services Committee. The average

Executive Summary

period of vacancy of membership was four months, ranging from two to eight months. In 2019, upon the retirement of the Chairman of the Audit Committee on 31 March, the proposed appointment of the new Chairman was not circulated to Board members for approval until 2 July and the new Chairman was appointed with effect from 9 July (i.e. more than 3 months after the end of the term of the last Chairman) (paras. 2.2 and 2.4).

4. ***Need to appoint more young people to the Board.*** In 2017, the Chief Executive of the Hong Kong Special Administrative Region announced that the Government would appoint more young people to various government boards and committees with the aim of increasing the overall ratio of youth members (i.e. persons who are aged between 18 and 35) to 15% within the current-term Government. As at August 2020, none of the 19 non-official Board members were aged between 18 and 35. Audit noted that in the period from the announcement of the 2017 Policy Address in October 2017 to August 2020, there were 12 new Board members appointed. Only one (8%) of them was aged between 18 and 35 at the time of appointment (paras. 2.6 and 2.7).

5. ***Late issue of minutes of Board/Committee meetings.*** According to HKTB's guidelines, draft minutes of Board/Committee meetings would be circulated to members within three weeks of the meetings. Of the 126 draft minutes of Board/Committee meetings conducted in the period from 2015-16 to 2019-20, 41 (33%) were not issued within three weeks after the meetings. The delays ranged from 1 to 42 days, averaging 11 days (paras. 2.8 and 2.9).

6. ***Need to improve handling of declaration of interest in meetings.*** The Code of Conduct for Board Members issued by HKTB did not provide guidelines on the circumstances where the member who has declarable interest in the matter under consideration may speak or vote on the matter, may remain in the meeting as an observer, or should withdraw from the meeting. Declarations of interest were made by the Chairmen and some members in 17 of the 126 meetings held in the period from 2015-16 to 2019-20. In 2 (12%) meetings, the decisions on handling conflict of interest were documented in the meeting minutes, but the rationales behind the decisions were not documented. In 5 (29%) meetings, the decisions on handling conflict of interest and the rationales behind the decisions were not documented in the minutes. In the remaining 10 (59%) meetings, there was no documentary evidence showing that there had been decisions made on handling conflict of interest (paras. 2.10 and 2.12).

Executive Summary

7. ***Late submission of declaration of interest forms.*** Audit examined the 16 declaration of interest forms for first appointment and the 95 annual declaration of interest forms submitted by Board members in the period from 2016 to 2020 (up to April 2020). Audit found that 4 (25%) declaration of interest forms for first appointment and 17 (18%) annual declaration of interest forms were submitted after the required submission dates. The delays ranged from 1 to 78 days, averaging 17 days. Audit noted that Board papers had been circulated to 3 newly appointed members before their submission of declaration of interest forms (paras. 2.14 and 2.15).

8. ***Need to enter into a Memorandum of Administrative Arrangements (MAA) with HKTb.*** According to Financial Circular No. 9/2004 “Guidelines on the Management and Control of Government Funding for Subvented Organisations” issued by the Secretary for Financial Services and the Treasury, Directors of Bureaux or the Controlling Officers should preferably enter into an MAA or a similar instrument with each organisation receiving recurrent funding from the Government under their purview. Such instruments should set out the responsibilities of all parties in the delivery and monitoring of government-funded services and capital projects. However, the Government and HKTb have not entered into an MAA since the establishment of HKTb in April 2001 (para. 2.21).

9. ***Room for improvement in handling unspent additional funding.*** Government subvention to HKTb comprises recurrent subvention in the form of baseline subvention and additional funding to support HKTb in implementing specific promotional activities. In the period from 2016-17 to 2019-20, HKTb had unspent additional funding ranging from \$13.8 million to \$270.2 million. The Commerce and Economic Development Bureau (CEDB) approved HKTb to rollover the unspent additional funding for the period from 2016-17 to 2018-19. The unspent additional funding of \$270.2 million for 2019-20 would be returned to the Government. Audit considers that CEDB needs to set up a mechanism of handling unspent additional funding (paras. 2.25, 2.27 and 2.28).

10. ***Need to improve the reporting of key performance indicators (KPIs) and business performance indicators (BPIs).*** HKTb uses KPIs to measure the performance of the tourism industry and BPIs to measure the performance relating to each of the strategic focuses of HKTb. While HKTb reported the actual results for the KPIs in its annual report, the related targets were not reported in the annual report. Moreover, the targets and the actual results for the BPIs under each strategic focus were not reported to the Board (paras. 2.31, 2.32 and 2.35).

Human resource management and other administrative issues

11. *Need to conduct pay structure review in a more timely manner.* HKTB commissioned consultants to carry out pay structure reviews for Head Office (HO) staff in 2003, 2011, 2016 and 2017, and Worldwide Office (WWO) staff in 2006 and 2018. The results of the pay structure reviews conducted in 2017 (for HO staff) and 2018 (for WWO staff) indicated that the mid-points of 5 of the 18 job levels' salary ranges of HO staff were outside the acceptable deviance range (i.e. 85% to 115% of the market median), and 8 (53%) of the 15 WWOs had one or more job levels with mid-points of the salary ranges outside the acceptable deviance range. Of the 84 job levels of the 8 WWOs, 33 (39%) were outside the acceptable deviance range. Audit noted that in the past 20 years, HKTB carried out pay structure reviews only four times for HO staff and twice for WWO staff (paras. 3.4 and 3.6 to 3.8).

12. *Need to submit reports on remuneration review for senior staff to CEDB regularly.* According to Circular Memorandum No. 2/2003 issued by the Director of Administration, subvented bodies which receive more than 50% of their operating income from the Government should review the number, ranking and remuneration of staff at their top three tiers (the remuneration review) and submit to their relevant Director(s) of Bureau(x) reports on the review findings annually. In August 2018, the Director of Administration issued another Circular Memorandum to supersede the Circular Memorandum No. 2/2003, with salient requirements remained unchanged. The required frequency of submission of the review reports was revised from "annually" to "regularly". However, since its establishment in 2001, HKTB had not conducted any remuneration reviews and therefore had not submitted any reports on review findings to CEDB (paras. 3.9 and 3.10).

13. *Need to improve the conduct and documentation of recruitment exercises.* According to HKTB's Human Resources Policies and Procedures, for the recruitment of General Manager/Regional Director positions, each interviewer is required to complete a Declaration of Conflict of Interest Form and an Interview Assessment Form. Six recruitment exercises for General Manager/Regional Director positions were conducted in the period from 2013-14 to 2019-20. In 1 (17%) recruitment exercise, 2 of the 5 interviewers only signed blank Declaration of Conflict of Interest Forms without indicating whether they had relationship with the candidate. In 4 (67%) recruitment exercises, some interviewers had left blank the assessments on the five aspects of the candidates on the Interview Assessment Forms (paras. 3.14 and 3.15).

Executive Summary

14. ***Need to strengthen controls on hotel accommodation claims.*** HKTB staff who is on duty travelling outside Hong Kong may claim subsistence allowance. With prior approval, a staff may claim an allowance at an enhanced rate. Audit examined 16 subsistence allowance claims in the period from 2015-16 to 2019-20 and noted that enhanced rates of subsistence allowance were granted for 10 (63%) claims. For 2 claims, the justifications given were “the hotel is within walking distance to the venue and it is the best offer among the comparative quotes”. However, no information relating to the comparative quotes was provided to support the claims. For 1 claim, the justification given was that the selected hotel was the cheaper of two hotels. However, Audit noted that there were other hotels nearby, but information was not provided on the reasons why these hotels were not considered (paras. 3.23 and 3.24).

15. ***Room for improvement in managing fixed assets.*** Audit found that: (a) during the period from 2015-16 to 2019-20, the fixed assets checking lists of 6 (18%) of the 33 departments in HO had not been selected for checking by the reviewers from the Finance Department; and (b) in September and October 2017, HKTB found that 30 items of portable electronic equipment of two user departments could not be located. The two user departments had not completed the Fixed Assets Loss Forms within the two-week time limit set out in the Fixed Assets Management Procedures (para. 3.27).

Worldwide Offices and Representative Offices

16. ***Need to review regularly the establishment of WWOs and Representative Offices (ROs).*** In 2009, the Board approved a set of guidelines on criteria for setting up new and retaining existing WWOs/ROs, and decided that HKTB should conduct review on WWOs/ROs and their geographical coverage according to these guidelines once every two years. Audit noted that from 2009 to 2018, despite the changes in the market conditions, the number and geographical coverage of WWOs remained generally unchanged. There was no documentary evidence showing that HKTB had conducted review every two years on WWOs/ROs according to the guidelines approved by the Board in 2009 (paras. 4.4 and 4.7).

17. ***Room for improvement in accommodation arrangements.*** The 15 WWOs operate in leased premises. Audit found room for improvement in the accommodation arrangements of the WWOs (para. 4.10):

Executive Summary

- (a) some quotations for lease renewal of WWOs submitted to the Staff and Finance Committee were not within the scope of the intended renewal (para. 4.10(a));
 - (b) the committed lease period for the WWOs in Los Angeles and New York was long. For the WWO in Los Angeles, the break clause of the lease only allowed HKTb to terminate the lease after leasing for seven years. Moreover, the 10-year lease of the New York WWO was inflexible because the break clause in the lease would only be exercisable if HKTb closed the New York WWO. In March 2020, the staff establishment of the New York WWO was downsized to two staff. As the lease entered would not end until May 2026 (unless the New York WWO is closed), the office space cannot be rationalised for a considerable period of time (para. 4.10(b)); and
 - (c) HKTb had not promulgated guidelines on the accommodation arrangements (e.g. the area and grade of the office accommodations of WWOs). The area of offices for WWO staff varied significantly among WWOs, ranging from 15.67 square metres per staff in Guangzhou to 65.31 square metres per staff in New York (para. 4.10(c)).
18. ***Need to encourage the use of video conferencing for conducting business planning meetings.*** In 2018-19, the travelling expenses for the Regional Directors and Directors of WWOs to attend the business planning meetings in Hong Kong amounted to \$1.7 million. Given the uncertainty as to when the COVID-19 outbreak will end and HKTb's successful experience of conducting business planning meetings through video conferencing, HKTb needs to encourage staff to adopt such mode of meeting as far as practicable with a view to reducing the needs and related expenses for travelling back to Hong Kong for attending meetings (paras. 4.15 and 4.18).

Audit recommendations

19. **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, HKTb should:**

Corporate governance

- (a) **ensure that the Chairmen and members of the Committees are appointed in a timely manner (para. 2.18(a));**

Executive Summary

- (b) ensure that the draft minutes of Board/Committee meetings are circulated to members in accordance with HKTB's guidelines (para. 2.18(b));
- (c) document the decisions and the rationales on the mitigating measures relating to declared interest (para. 2.18(c));
- (d) enhance the guidelines in the Code of Conduct with a view to providing guiding principles on the circumstances where the Chairmen/members declaring their interest may remain in the meeting, and speak and/or vote in the meeting (para. 2.18(d));
- (e) ensure that Board members submit declaration of interest forms in a timely manner and refrain from distributing papers to newly appointed Board members until their declaration forms have been received (para. 2.18(e) and (f));
- (f) enhance HKTB's performance reporting (para. 2.36(b));

Human resource management and other administrative issues

- (g) ensure that the pay structure review is conducted in a more timely manner (para. 3.12(a));
- (h) review the number, ranking and remuneration of staff at the top three tiers and submit to CEDB reports on the review findings (para. 3.12(b));
- (i) ensure that recruitment exercises are conducted and properly documented in accordance with HKTB's Human Resources Policies and Procedures (para. 3.21(a));
- (j) ensure that detailed information is given to support claims for enhanced rates of subsistence allowance (para. 3.32(a));
- (k) ensure that fixed assets are kept under proper custody to guard against damage or loss and take prompt and thorough follow-up actions for each case of loss (para. 3.32(b));

Executive Summary

WWOs and ROs

- (l) review every two years the need to set up new WWOs/ROs and whether existing WWOs/ROs should be retained according to HKTB's guidelines (para. 4.8);
 - (m) promulgate guidelines on the accommodation arrangements (e.g. the area and grade of office accommodations) of WWOs (para. 4.19(a)); and
 - (n) encourage staff to use video conferencing for conducting business planning meetings as far as practicable (para. 4.19(c)).
20. Audit has *recommended* that the Secretary for Commerce and Economic Development should:
- (a) step up efforts to appoint more young people to the Board (para. 2.17);
 - (b) enter into an MAA with HKTB (para. 2.23); and
 - (c) set up a mechanism of handling unspent additional funding (para. 2.29).

Response from the Hong Kong Tourism Board and the Government

21. The Executive Director, HKTB appreciates the effort made by Audit in conducting this review. He has said that HKTB takes very seriously the recommendations in the two Audit Reports and has carried out significant follow-up actions.

22. The Secretary for Commerce and Economic Development 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 Tourism is one of the four key industries in Hong Kong (Note 1). According to the Census and Statistics Department, in 2018, the tourism industry accounted for about 4.5% of Hong Kong's Gross Domestic Product and employed around 257,000 people, or about 6.6% of the total employment.

1.3 The Hong Kong Tourism Board (HKTB) is a government-subvented body established in April 2001 under the HKTB Ordinance (Cap. 302) by reconstituting from the then Hong Kong Tourist Association (HKTA – Note 2). According to the HKTB Ordinance, the objects of HKTB are:

- (a) to endeavour to increase the contribution of tourism to Hong Kong;
- (b) to promote Hong Kong globally as a leading international city in Asia and a world class tourist destination;
- (c) to promote the improvement of facilities for visitors;
- (d) to support the Government in promoting to the community the importance of tourism;

Note 1: *The four key industries are trading and logistics, financial services, professional services and other producer services, and tourism. In 2018, they accounted for 21.2%, 19.8%, 11.9% and 4.5% of Hong Kong's Gross Domestic Product respectively.*

Note 2: *HKTA was set up as a membership organisation in 1957. Subsequent to the completion of the Strategic Organisation Review in 1999, the Board of Management of HKTA decided to abolish the membership system of HKTA and reconstitute it into HKTB. The HKTB Ordinance was enacted in March 2001 to effect these changes.*

Introduction

- (e) to support, as appropriate, the activities of persons providing services for visitors to Hong Kong; and
- (f) to make recommendations to and advise the Chief Executive (CE) of the Hong Kong Special Administrative Region in relation to any measures which may be taken to further any of the foregoing matters.

Governance and organisation structure of HKTB

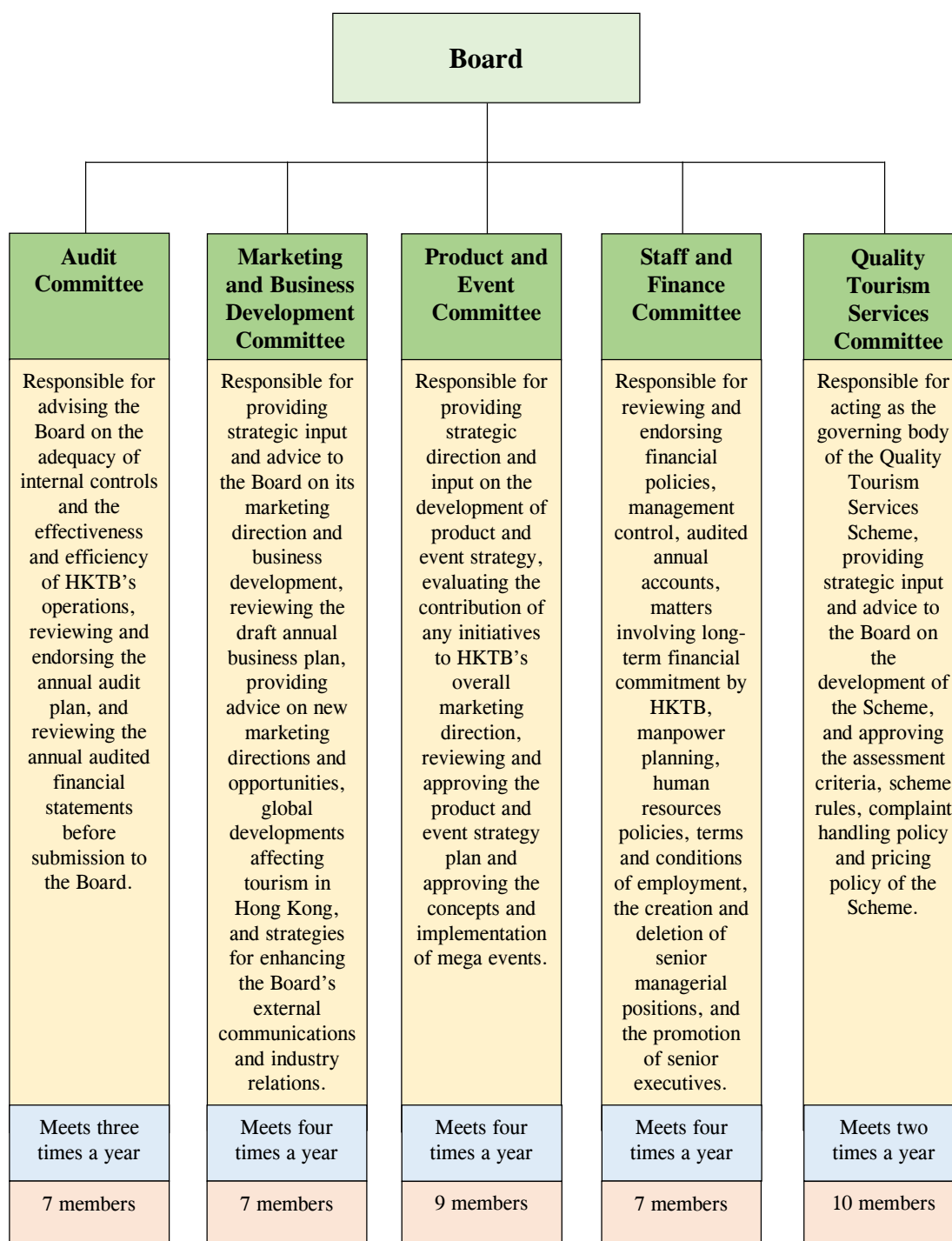
1.4 The Board is the governing body of HKTB and meets every two months. According to the HKTB Ordinance, the Board shall consist of 20 members (including the Chairman) (Note 3) appointed by CE (Note 4). The Board has appointed five Committees to oversee various aspects of HKTB's operations and provide advice to the Board on corporate governance matters arising from the Committees' work. The responsibilities, meeting frequencies and numbers of members of the Committees are shown in Figure 1.

Note 3: *According to the HKTB Ordinance, of the 20 Board members, two shall be passenger carriers, two shall be hotel operators, one shall be a licensed travel agent, one shall be a tour operator, one shall be a retailer and one shall be a restaurant operator. The Commissioner for Tourism (see para. 1.6) is the Deputy Chairman of the Board and is also a member of each of the five Committees of HKTB. As at 31 March 2020, the other 11 members comprised individuals from different sectors including legal, banking, business and entertainment.*

Note 4: *The authority for CE to appoint members of the Board has been delegated to the Financial Secretary.*

Figure 1

**Committees under the Board
(31 March 2020)**



Source: HKTb records

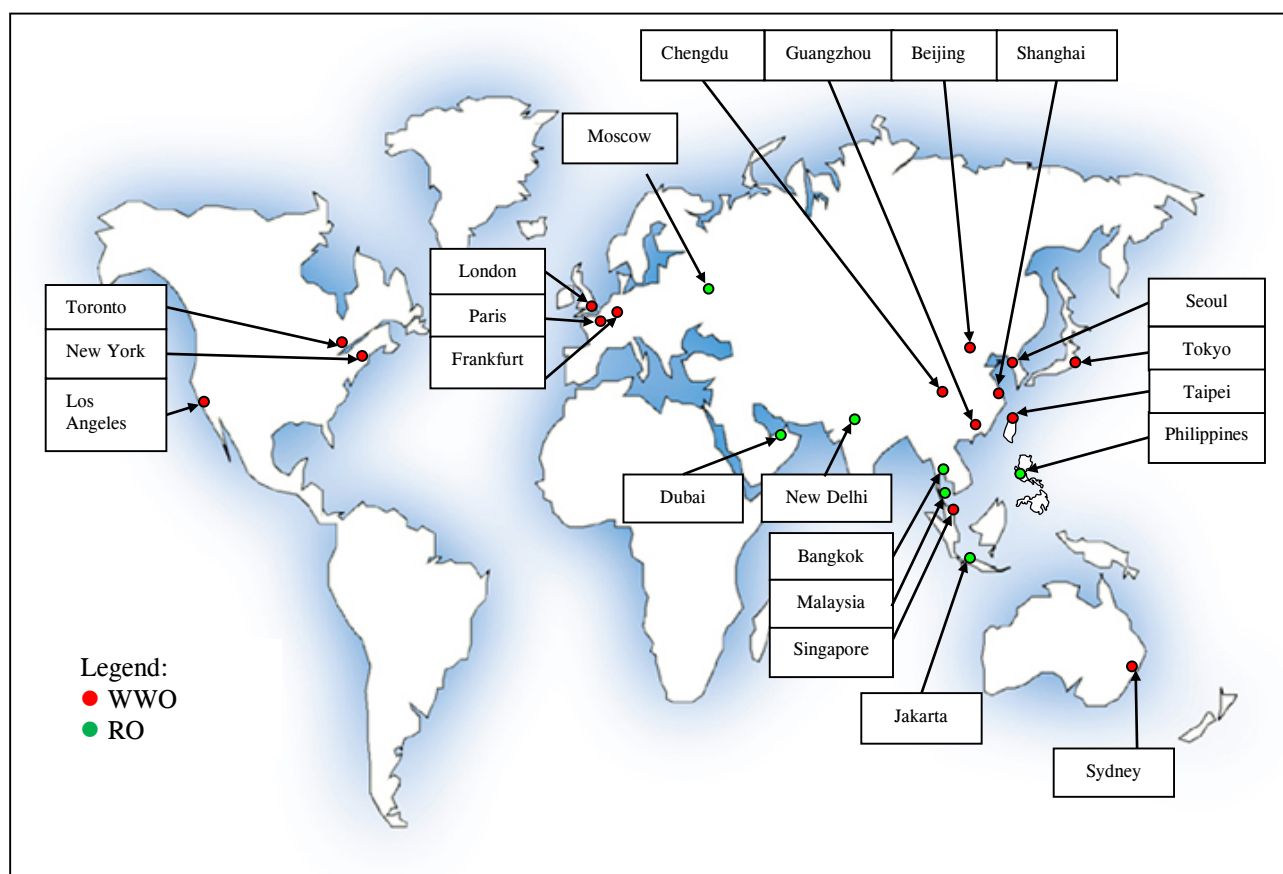
Remarks: The number of members of each Committee in this figure included the Chairman of the Committee.

Introduction

1.5 Under the HKTB Ordinance, the Board has the power to appoint an Executive Director (ED) to be the chief administrative officer, and other staff, agents or contractors. As at 31 March 2020, HKTB had an establishment of 379 staff, comprising 245 staff of its Hong Kong Head Office (HO) and 134 staff of its 15 Worldwide Offices (WWOs). Apart from WWOs, HKTB also had seven Representative Offices (ROs) to answer enquiries from the travel trade, media and consumers (see Figure 2). The operations of ROs are outsourced to external parties. An organisation chart is shown at Appendix A.

Figure 2

**Global network of WWOs and ROs
(31 March 2020)**



Source: *Audit analysis of HKTB records*

Relationship between HKTB and Government

1.6 The primary responsibilities of HKTB are to market and promote Hong Kong as a destination worldwide, and to take initiatives to enhance visitors' experience when they arrive. The Commerce and Economic Development Bureau (CEDB) is responsible for overseeing the operation of HKTB. The Tourism Commission (TC) under CEDB formulates and coordinates the implementation of policies, strategies and plans for tourism development. TC also leads and coordinates the work of government bureaux and departments on policies and initiatives which have an impact on tourism development. TC is headed by the Commissioner for Tourism. It works closely with HKTB and other organisations to promote the development of tourism in Hong Kong.

Sources of income

1.7 The major sources of income of HKTB are:

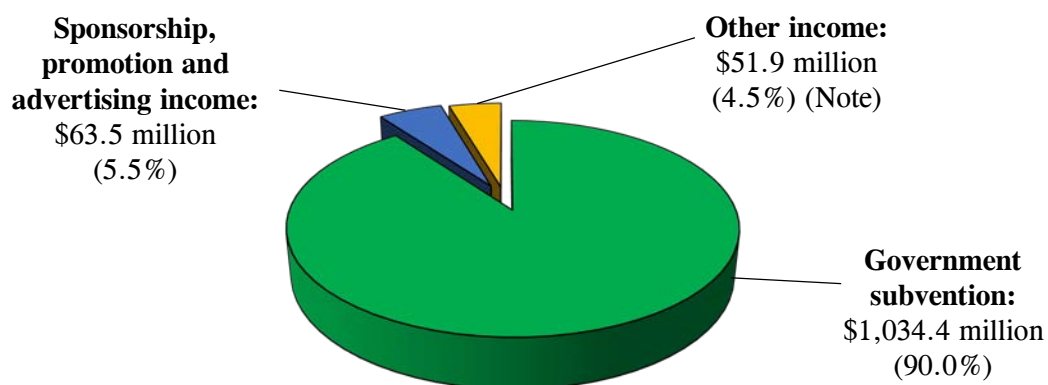
- (a) ***Government subvention.*** Government subvention is the principal source of HKTB's income. The Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) is the Controlling Officer of the subvention granted to HKTB. According to the Controlling Officer's Report (COR), the aim of subvention to HKTB was to promote inbound tourism and maximise the socio-economic contribution that tourism made to Hong Kong;
- (b) ***Sponsorship, promotion and advertising income.*** This includes:
 - (i) sponsorship for funding mega events, activities and communication materials; and
 - (ii) revenue from advertisements in its publications and website, as well as in the venue of mega events organised by HKTB; and
- (c) ***Other income.*** This mainly includes interest income and fees collected for HKTB's services. For instance, HKTB collects fees from participating merchants of the Quality Tourism Services Scheme.

Income and expenditure

1.8 In 2018-19 and 2019-20, HKTB's income was \$1,149.8 million and \$869.3 million respectively (see Figures 3 and 4). In 2018-19 and 2019-20, HKTB's expenditure was \$1,146 million and \$865.2 million respectively (see Figures 5 and 6).

Figure 3

**Analysis of total income of \$1,149.8 million of HKTB
(2018-19)**

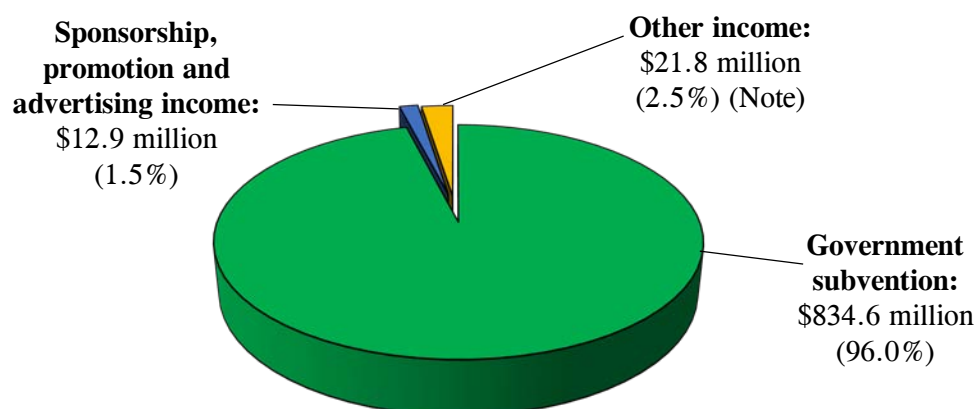


Source: Audit analysis of HKTB's financial statements

Note: Other income was mainly interest income and service fees.

Figure 4

**Analysis of total income of \$869.3 million of HKTB
(2019-20)**

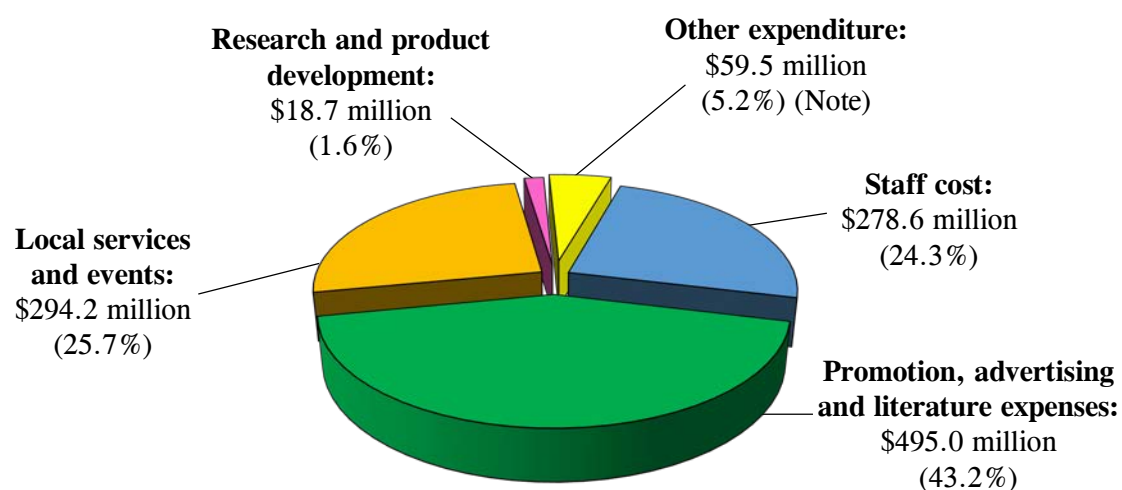


Source: Audit analysis of HKTB's financial statements

Note: Other income was mainly interest income and service fees.

Figure 5

**Analysis of total expenditure of \$1,146 million of HKTB
(2018-19)**

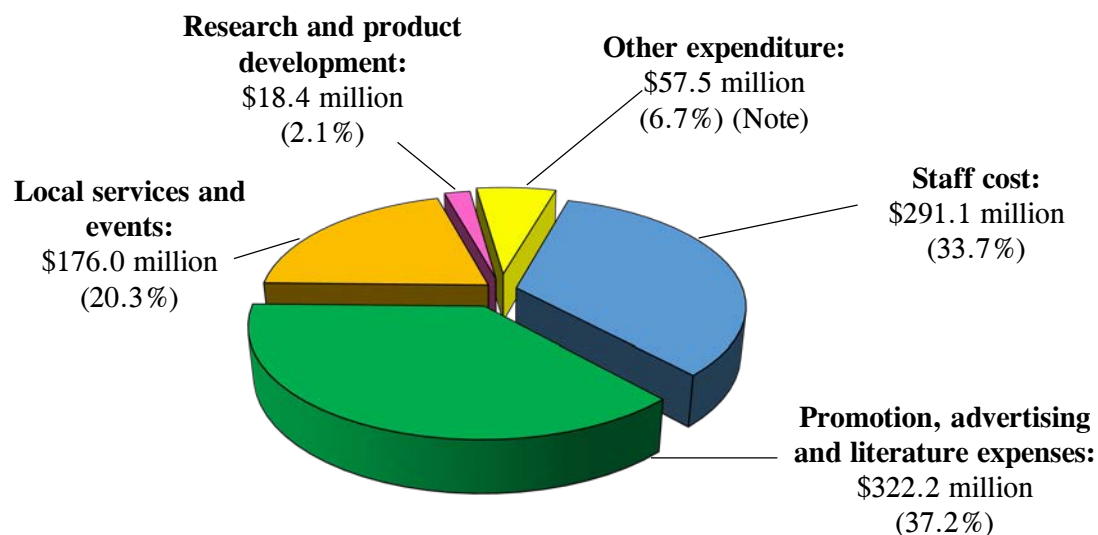


Source: Audit analysis of HKTB's financial statements

Note: Other expenditure included rent, rates, management fees, depreciation, auditor's remuneration, etc.

Figure 6

**Analysis of total expenditure of \$865.2 million of HKTB
(2019-20)**



Source: Audit analysis of HKTB's financial statements

Note: Other expenditure included rent, rates, management fees, depreciation, auditor's remuneration, etc.

Performance of tourism industry

1.9 CEDB reports the performance of the tourism industry in COR under five indicators (see Table 1):

- (a) visitor arrivals;
- (b) length of stay of overnight visitors;
- (c) satisfaction of overnight visitors;
- (d) per capita expenditure of overnight visitor; and
- (e) tourism expenditure associated with inbound tourism.

Table 1

**Performance of tourism industry in Hong Kong
(2014 to 2019)**

Performance indicator	2014	2015	2016	2017	2018	2019 (Note)
Visitor arrivals (million)	60.8	59.3	56.7	58.5	65.1	55.9
Length of stay of overnight visitors (night)	3.3	3.3	3.3	3.2	3.1	3.3
Satisfaction of overnight visitors (score out of 10)	8.2	8.2	8.3	8.4	8.6	8.5
Per capita expenditure of overnight visitor (\$)	7,960	7,234	6,599	6,443	6,614	5,820
Tourism expenditure associated with inbound tourism (\$ billion)	359.0	332.3	296.2	296.7	328.2	259.8

Source: CORs of CEDB

Note: According to HKTB, the performance of the tourism industry in 2019 was adversely affected by the social unrest in Hong Kong.

1.10 According to HKTB, since mid-2019, the social unrest in Hong Kong has brought about a negative impact on the performance of the tourism industry (see Table 1). Since January 2020, the outbreak of the coronavirus disease (COVID-19) has hard hit the tourism industry of Hong Kong and the world as a whole. In response to the outbreak of COVID-19, many governments have imposed various stringent travel restrictions and quarantine measures. In the period from January to August 2020, the number of visitor arrivals to Hong Kong was about 3.5 million, representing a drop of about 92% as compared to the same period in 2019.

Audit review

1.11 In May 2020, the Audit Commission (Audit) commenced a review of HKTb. The findings of this audit review are contained in two separate Audit Reports, as follows:

- (a) “Hong Kong Tourism Board: Corporate governance and administrative issues” (the subject matter of this Audit Report); and
- (b) “Hong Kong Tourism Board: Efforts in promoting tourism” (Chapter 8 of the Director of Audit’s Report No. 75).

1.12 This Audit Report focuses on the following areas:

- (a) corporate governance (PART 2);
- (b) human resource management and other administrative issues (PART 3); and
- (c) Worldwide Offices and Representative Offices (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 Hong Kong Tourism Board

1.13 ED, HKTb appreciates the effort made by Audit in conducting this review. He has said that:

- (a) HKTb takes very seriously the recommendations in the two Audit Reports and has carried out significant follow-up actions;
- (b) HKTb will continue to make every effort to constantly review and strengthen its corporate guidelines and procedures to ensure optimal use of public resources; and

- (c) COVID-19 has transformed the global tourism landscape. HKTb has started to conduct a holistic and thorough review of Hong Kong's status and position in the worldwide industry, including its strategies for investment, meetings, incentives, conventions and exhibitions (MICE) events, cruise tourism and mega events, with the objective of revitalising the Hong Kong tourism brand and driving sustainable, long-term tourism growth.

General response from the Government

1.14 The Secretary for Commerce and Economic Development agrees with the audit recommendations.

Acknowledgement

1.15 During the audit review, in light of the outbreak of COVID-19, the Government and HKTb had implemented various special work arrangements and targeted measures for their employees, including working from home. Audit would like to acknowledge with gratitude the full cooperation of the staff of CEDb and HKTb during the course of the audit review amid the COVID-19 epidemic.

PART 2: CORPORATE GOVERNANCE

2.1 This PART examines issues relating to corporate governance of HKTb, focusing on the following areas:

- (a) Board and Committees (paras. 2.3 to 2.20);
- (b) Memorandum of Administrative Arrangements (MAA) (paras. 2.21 to 2.24);
- (c) government subvention to HKTb (paras. 2.25 to 2.30); and
- (d) performance measurement and reporting (paras. 2.31 to 2.37).

Background

2.2 The Board is the governing body of HKTb. According to the HKTb Ordinance, the Board shall consist of 20 members appointed by CE. The Board has appointed five Committees (see para. 1.4) to oversee various aspects of HKTb's operations and provide advice to the Board on corporate governance matters arising from the Committees' work:

- (a) Audit Committee;
- (b) Marketing and Business Development Committee;
- (c) Product and Event Committee;
- (d) Quality Tourism Services Committee; and
- (e) Staff and Finance Committee.

Board and Committees

Need to appoint Chairmen/members of Committees in a timely manner

2.3 According to HKTB, a Board member is appointed into Committee(s) as follows:

- (a) the Board secretary discusses with ED on which Committee(s) the new Board member will be invited to join;
- (b) the Board secretary makes recommendation to the Chairman of the Board on the suitable Committee(s) for the Board member;
- (c) upon the agreement with the Board member, the Board's approval on the appointment will be sought in the Board meeting or by circulation paper; and
- (d) on the appointment of Committee members, HKTB considers the following factors:
 - (i) ***Background of the member.*** For example, members with tax, audit or legal background will be recommended to join the Audit Committee or the Staff and Finance Committee. Members with art, cultural or trade background will be recommended to join the Product and Event Committee;
 - (ii) ***Committee membership of his predecessor.*** If the retiring member is in the Staff and Finance Committee and the Marketing and Business Development Committee, the new member will be recommended to join these Committees to maintain the number of members in the Committees at similar level; and
 - (iii) ***Number of members in each Committee.*** HKTB aims to maintain a balance of Board's representative in each Committee so that the participation of members is effective.

2.4 Audit noted that there was room for improvement in the appointment of the Chairmen and members of the Committees:

- (a) ***Industry members of Quality Tourism Services Committee not appointed in a timely manner.*** According to its terms of reference, the Quality Tourism Services Committee comprises a Chairman, six Board members and four Industry members (three from catering and retail industry, and one from consumer rights protection field). Audit noted that the appointment and the re-appointment of Industry members were not always made in a timely manner. In the period from 2015-16 to 2019-20, there were delays in the appointment of six members and the re-appointment of three members. The average period of vacancy of membership was four months, ranging from two to eight months; and
- (b) ***Chairman of Audit Committee not appointed in a timely manner.*** In 2019, upon the retirement of the Chairman of the Audit Committee on 31 March, the proposed appointment of the new Chairman was not circulated to Board members for approval until 2 July and the new Chairman was appointed with effect from 9 July (i.e. more than 3 months after the end of the term of the last Chairman).

2.5 Audit considers that HKTb needs to take measures to ensure that the Chairmen and members of the Committees are appointed in a timely manner.

Need to appoint more young people to the Board

2.6 In her 2017 Policy Address, CE announced that the Government would appoint more young people to various government boards and committees with the aim of increasing the overall ratio of youth members (i.e. persons who are aged between 18 and 35) to 15% within the current-term Government.

2.7 As at August 2020, none of the 19 non-official Board members were aged between 18 and 35. Audit noted that in the period from the announcement of the 2017 Policy Address in October 2017 to August 2020, there were 12 new Board members appointed. Only one (8%) of them was aged between 18 and 35 at the time of appointment. Audit considers that CEDB needs to step up efforts to appoint more young people to the Board.

Late issue of minutes of Board/Committee meetings

2.8 It is important that the minutes of Board/Committee meetings are issued to members as soon as practicable after the meetings. This will enable members to comment on the minutes and suggest amendments while their memory of the meeting is still fresh. According to HKTB's guidelines, draft minutes of Board/Committee meetings would be circulated to members within three weeks of the meetings.

2.9 Audit examined the 126 draft minutes of Board/Committee meetings conducted in the period from 2015-16 to 2019-20 and found that 41 (33%) of them were not issued within three weeks after the meetings, contrary to HKTB's guidelines (see para. 2.8). The delays ranged from 1 to 42 days, averaging 11 days. Audit considers that HKTB needs to take measures to ensure that draft minutes are circulated to members within three weeks of the meetings in accordance with HKTB's guidelines.

Need to improve handling of declaration of interest in meetings

2.10 According to the Code of Conduct for Board Members issued by HKTB (Note 5):

- (a) Board members must observe the Two-Tier Reporting System in the declaration of interest. This involves disclosing to HKTB their general pecuniary interest at the time of appointment and annually thereafter, and to report on conflicts of interest as and when they arise; and
- (b) if a member has any declarable interest in any matter under consideration by the Board, he must, as soon as practicable after he had become aware of it, disclose to the Chairman (or the Board) prior to the discussion of the item. The Chairman (or the Board) shall decide whether he may speak or vote on the matter, may remain in the meeting as an observer, or should withdraw from the meeting.

Note 5: *According to HKTB, the Code of Conduct for Board Members is applicable to both Board members and Committee members because all Committee members were also Board members except the Industry members of the Quality Tourism Services Committee. For these members, HKTB provides the guidelines to them for observing the One-Tier Reporting System in the declaration of interests.*

The Code of Conduct did not provide guidelines on the circumstances where the member who has declarable interest in the matter under consideration may speak or vote on the matter, may remain in the meeting as an observer, or should withdraw from the meeting.

2.11 According to the leaflet “Tips for Non-governmental Organisations — Management of Conflict of Interest” published by the Independent Commission Against Corruption in January 2019, a board should handle the declared conflict of interest prudently and should not merely take note of the declared conflict without making decision on the mitigating measures.

2.12 Audit examined the Board/Committee minutes of 126 meetings held in the period from 2015-16 to 2019-20. Audit noted that declarations of interest were made by the Chairmen and some members in 17 meetings:

- (a) in 2 (12%) meetings, the decisions on handling conflict of interest were documented in the meeting minutes (Note 6), but the rationales behind the decisions were not documented;
- (b) in 5 (29%) meetings, the decisions on handling conflict of interest and the rationales behind the decisions were not documented in the minutes. The Chairmen/members concerned abstained from discussion and/or voting but had not withdrawn from the meeting; and
- (c) in the remaining 10 (59%) meetings, there was no documentary evidence showing that there had been decisions made on handling conflict of interest, and the Chairmen/members concerned had not abstained from discussion or voting and had not withdrawn from the meeting.

Note 6: *In one meeting, it was decided that the Chairman who had declared conflict of interests continued to chair the meeting but abstained from voting. In the other meeting, it was decided that the Chairman and five members who had declared conflict of interests were allowed to vote on the matter.*

2.13 In Audit's view, the Board should have adopted mitigating measures commensurate with the actual or perceived risks, and well documented the decision made and the rationale behind. Audit considers that HKTB needs to:

- (a) document the decisions on the mitigating measures relating to declared interest and the rationales behind the decisions in the meeting minutes; and
- (b) enhance the guidelines in the Code of Conduct with a view to providing guiding principles on the circumstances where the Chairmen/members declaring their interest may remain in the meetings, and speak and/or vote in the meetings.

Late submission of declaration of interest forms

2.14 Audit examined the 16 declaration of interest forms for first appointment and the 95 annual declaration of interest forms submitted by Board members in the period from 2016 to 2020 (up to April 2020). Audit found that 4 (25%) of the 16 declaration of interest forms for first appointment and 17 (18%) of the 95 annual declaration of interest forms were submitted after the required submission dates. The delays ranged from 1 to 78 days, averaging 17 days.

2.15 According to the Code of Conduct for Board Members issued by HKTB, when a known potential conflict of interest exists, the Board secretary may withhold the circulation of relevant papers to the member concerned. However, Audit noted that in 6 (29%) of the 21 cases of late submission of declaration of interest forms, Board papers had been circulated to the 6 members concerned before the submission, including 3 newly appointed Board members and 3 incumbent Board members (Note 7). On these occasions, it turned out that there were no potential conflicts of interest. However, the late declarations would have made it impossible for the Board secretary to withhold circulation of sensitive information in the relevant papers to these members had they subsequently declared a potential conflict of interest.

Note 7: *According to HKTB, since the incumbent Board members understood the requirements of declaration and the Board secretary should have their interests declared in HKTB's records, there was no expiry date for their declarations and the annual declaration was merely a reminder for Board members to update the changes, if any, in HKTB's records. Accordingly, HKTB would still distribute Board papers to incumbent members who had not submitted the annual declaration.*

2.16 Audit considers that HKTB needs to:

- (a) take measures to ensure that Board members submit declaration of interest forms in a timely manner; and
- (b) refrain from distributing papers to newly appointed Board members until their declaration of interest forms have been received.

Audit recommendations

2.17 Audit has *recommended* that the Secretary for Commerce and Economic Development should step up efforts to appoint more young people to the Board.

2.18 Audit has also *recommended* that ED, HKTB should:

- (a) take measures to ensure that the Chairmen and members of the Committees are appointed in a timely manner;
- (b) take measures to ensure that the draft minutes of Board/Committee meetings are circulated to members within three weeks of the meetings in accordance with HKTB's guidelines;
- (c) document the decisions on the mitigating measures relating to declared interest and the rationales behind the decisions in the meeting minutes;
- (d) enhance the guidelines in the Code of Conduct with a view to providing guiding principles on the circumstances where the Chairmen/members declaring their interest may remain in the meeting, and speak and/or vote in the meeting;
- (e) take measures to ensure that Board members submit declaration of interest forms in a timely manner; and
- (f) refrain from distributing papers to newly appointed Board members until their declaration of interest forms have been received.

Response from the Government

2.19 The Secretary for Commerce and Economic Development agrees with the audit recommendation in paragraph 2.17. He has said that:

- (a) CEDB is conscious of the need to appoint more young people to the Board and has been striving to do so. The average age profile of members decreased from 54.2 in January 2018 to 49.6 in September 2020; and
- (b) CEDB will endeavour to appoint more young people to the Board in future appointment exercises.

Response from the Hong Kong Tourism Board

2.20 ED, HKTB agrees with the audit recommendations in paragraph 2.18. He has said that:

- (a) in some circumstances, a longer process may be needed before the appointments of Chairmen/members are confirmed. Committee secretaries have been reminded to allow sufficient lead time to initiate and complete the appointment process prior to the departure of outgoing Chairmen or Committee members, so as to ensure that appointments are made in a timely manner;
- (b) HKTB has always made efforts to circulate the draft minutes of Board/Committee meetings to members within three weeks of the meetings. HKTB will enhance the guidelines so that if there is any delay due to unforeseen circumstances, the Board/Committee secretaries shall notify the Chairmen with an explanation before the submission deadline;
- (c) a Code of Conduct for Board Members (the Two-Tier Reporting System) is in place to request the documentation of the declaration of conflicts of interest in the meeting minutes. The requirement to document the decision on declarations of interest in the meeting by Chairman/members was also reinforced by the Audit Committee at its 77th meeting on 30 July 2019. The Board secretary conducted a briefing with all Committee secretaries in November 2019 to reiterate the requirement;

- (d) for the requirement to document the rationale of decisions made over declarations of interest, the Independent Commission Against Corruption in July 2020 provided guidelines on the courses of action available according to the nature of the declarations. The Board secretary put the guidelines into effect in August 2020; and
- (e) a procedure will be put in place to provide sufficient lead time for Board members, including newly-appointed members, to submit declarations of interest in a timely manner. HKTb will also ensure that declarations of interest are obtained before distributing papers to newly appointed Board members.

Memorandum of Administrative Arrangements

Need to enter into an MAA with HKTb

2.21 According to Financial Circular No. 9/2004 “Guidelines on the Management and Control of Government Funding for Subvented Organisations” issued by the Secretary for Financial Services and the Treasury (updated on 5 March 2019), as a matter of good management, Directors of Bureaux or the Controlling Officers should preferably enter into an MAA or a similar instrument with each organisation receiving recurrent funding from the Government under their purview. Such tailor-made instruments should set out the responsibilities of all parties in the delivery and monitoring of government-funded services and capital projects. However, the Government and HKTb have not entered into an MAA since the establishment of HKTb in April 2001.

2.22 Audit considers that CEDb needs to enter into an MAA with HKTb, setting out the responsibilities of the Government and HKTb in the delivery and monitoring of HKTb’s services.

Audit recommendation

2.23 Audit has *recommended* that the Secretary for Commerce and Economic Development should enter into an MAA with HKTb, setting out the responsibilities of the Government and HKTb in the delivery and monitoring of HKTb’s services.

Response from the Government

2.24 The Secretary for Commerce and Economic Development agrees with the audit recommendation. He has said that:

- (a) while CEDB has not entered into an MAA with HKTb since its establishment in 2001, there have been established practices and guidelines in place to set out the responsibilities of TC and HKTb in the delivery and monitoring of services; and
- (b) CEDB will enter into an MAA with HKTb in accordance with Financial Circular No. 9/2004.

Government subvention to the Hong Kong Tourism Board

2.25 Government subvention is the principal source of HKTb's income (see para. 1.8). In 2019-20, government subvention accounted for 96% of HKTb's income. The Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) is the Controlling Officer of the subvention granted to HKTb. The subvention comprises the following:

- (a) ***Recurrent subvention.*** This is provided to HKTb in the form of baseline subvention; and
- (b) ***Additional funding.*** Additional funding on a time-limited basis is provided to HKTb in addition to the baseline subvention to support HKTb in implementing specific promotional activities.

The government subventions to HKTb in the period from 2015-16 to 2020-21 ranged from \$758.6 million to \$1,502.2 million (see Table 2).

Table 2

**Government subventions to HKTB
(2015-16 to 2020-21)**

Financial Year	Recurrent subvention (a) (\$ million)	Additional funding (b) (\$ million)	Total subvention (c) = (a) + (b) (\$ million)
2015-16	628.6 (83%)	130.0 (17%)	758.6 (100%)
2016-17	633.4 (72%)	249.8 (28%)	883.2 (100%)
2017-18	648.6 (68%)	302.6 (32%)	951.2 (100%)
2018-19	660.3 (69%)	302.3 (31%)	962.6 (100%)
2019-20	698.2 (64%)	386.7 (36%)	1,084.9 (100%)
2020-21 (Note)	728.2 (48%)	774.0 (52%)	1,502.2 (100%)

Source: Audit analysis of TC records and CORs

Note: The significant additional funding for 2020-21 was provided to HKTB to step up promotion and revive the tourism industry when the epidemic is over.

Remarks: The amount of government subvention shown in the financial statements of HKTB was different from that shown in COR. The difference arose mainly because according to the accounting policies of HKTB, government subvention received to finance non-recurrent activities and MICE activities was recognised as income to the extent of the related expenditure incurred during the year, with the unutilised balance of the subvention accounted for as receipts in advance.

Room for improvement in handling unspent additional funding

2.26 According to Financial Circular No. 9/2004:

- (a) subject to the provisions of relevant legislation or funding agreement, a subvented organisation may place surpluses arising from subvented programmes into a reserve. The keeping of reserve gives organisations an

incentive to economise. It also provides organisations with a buffer to meet contingency;

- (b) the Controlling Officer should, in consultation with the Financial Services and the Treasury Bureau (The Treasury Branch), set an appropriate reserve ceiling for funds so carried forward. The objective is to prevent an organisation from accumulating more than is necessary, at the expense of other worthy causes which may have been supported by public funds had the “underspending” in subvention been returned to the Government; and
- (c) the Controlling Officer should have an understanding with the subvented organisation on circumstances under which the provision for additional subvention may be considered during the year, as well as circumstances under which surplus subvention may be clawed back (notwithstanding any arrangements for the keeping of reserves in (a) and (b) above). In all circumstances, Controlling Officers should satisfy themselves that an appropriate system of cost control and monitoring is in place for overseeing the spending of public money by subvented organisations, having regard to economy, efficiency and effectiveness in the delivery of public services and use of public funds.

2.27 Upon the end of the financial year, HKTb submits to TC the overall spending position of additional funding and seeks the approval of CEDB on the proposal for rollover of unspent additional funding for existing or new services. Audit noted that in the period from 2016-17 to 2019-20, HKTb had unspent additional funding ranging from \$13.8 million to \$270.2 million (see Table 3). In the period from 2016-17 to 2018-19, CEDB approved HKTb to rollover the unspent additional funding. In response to Audit’s enquiry, TC informed Audit in September 2020 that the unspent additional funding of \$270.2 million for 2019-20 would be returned to the Government.

Table 3

**Unspent additional funding at the end of financial year
(2016-17 to 2019-20)**

Financial year	Additional funding (\$ million)	Unspent additional funding (\$ million)	Percentage
2016-17	249.8	13.8	5.5%
2017-18	302.6	33.6	11.1%
2018-19	302.3	24.4	8.1%
2019-20	386.7	270.2 (Note)	69.9%

Source: Audit analysis of HKTB and TC records

Note: The significant amount of unspent additional funding in 2019-20 was mainly due to cancellations and deferrals of events and campaigns as a result of social unrest and the outbreak of COVID-19.

2.28 Audit considers that CEDB needs to set up a mechanism of handling unspent additional funding taking into account the requirements stipulated in Financial Circular No. 9/2004 and incorporate the mechanism into MAA with HKTB as appropriate.

Audit recommendation

2.29 Audit has *recommended* that the Secretary for Commerce and Economic Development should set up a mechanism of handling unspent additional funding taking into account the requirements stipulated in Financial Circular No. 9/2004 and incorporate the mechanism into MAA with HKTB as appropriate.

Response from the Government

2.30 The Secretary for Commerce and Economic Development agrees with the audit recommendation. He has said that:

- (a) all along TC has been processing HKTB's proposals on rollover of unspent additional funding according to the spirit of Financial Circular No. 9/2004; and
- (b) as CEDB will enter into an MAA with HKTB, CEDB will set up a mechanism of handling unspent additional funding taking into account the requirements stipulated in Financial Circular No. 9/2004 for incorporation into MAA as appropriate.

Performance measurement and reporting

Key performance indicators (KPIs)

2.31 HKTB uses the following six KPIs to measure the performance of the tourism industry:

- (a) visitor arrivals;
- (b) length of stay of overnight visitors;
- (c) per capita spending of overnight visitor;
- (d) satisfaction of overnight visitors;
- (e) revisit intention; and
- (f) visitors' recommendations to friends and relatives.

The targets and actual results of KPIs for the period from 2017 to 2019 are shown in Table 4.

Table 4

**Targets and actual results of KPIs
(2017 to 2019)**

KPI	2017		2018		2019	
	Target	Actual	Target	Actual	Target	Actual
Visitor arrivals (million)	55.4	58.5	60.6	65.1	66.4	55.9
Length of stay of overnight visitors (night)	3.3	3.2	3.1	3.1	3.1	3.3
Per capita expenditure of overnight visitor (\$)	6,254	6,443	6,347	6,614	6,195	5,820
Satisfaction of overnight visitors (score out of 10)	8.3	8.4	8.4	8.6	8.6	8.5
Revisit intention	90%	92%	92%	92%	92%	92%
Visitors' recommendations to friends and relatives	90%	92%	91%	92%	92%	89%

Source: HKTB records

Business performance indicators (BPIs)

2.32 To further the development of Hong Kong's tourism businesses, HKTB has set a number of strategic focuses. Each year, these focuses are reviewed by TC for incorporation into HKTB's Work Plan submitted to Legislative Council Panel on Economic Development for discussion. Audit reviewed the five Work Plans for the period from 2014-15 to 2018-19 and noted that every year HKTB set out its marketing budget by individual strategic focuses. The actual marketing expenditure for each strategic focus (see Appendix B) was not included in the Work Plans. The strategic focuses for the period were:

- (a) consolidate "Hong Kong — Asia's World City" brand and step up public relations promotions;
- (b) intensify digital marketing;

- (c) strengthen the appeal of mega events;
- (d) promote Hong Kong as the hub for multi-destination travel in the region;
- (e) drive MICE business;
- (f) build cruise demand;
- (g) strengthen trade support and partnerships;
- (h) maintain quality service; and
- (i) uphold corporate governance (including resource management, financial management, application of information technology, visitor surveys and strategic planning).

HKTB has adopted a set of BPIs to measure the performance relating to each strategic focus.

Need to improve the setting of BPIs

2.33 HKTB's approaches to the setting of KPI and that of BPI are different with different degree of engagement of the Board. In the Annual Business Plan and Budget submitted to the Board every year, HKTB sets out the six KPIs (see para. 2.31) and the targets for the Board's endorsement. Audit noted that when setting BPIs and the related targets every year for monitoring its effectiveness under each strategic focus, HKTB had not sought the endorsements of the Board.

2.34 In January 2020, with an aim to gradually restore visitor confidence, rebuild Hong Kong's image as a world-class travel destination and revive the tourism industry, HKTB drew up its 2020-21 Work Plan with the following five strategic focuses:

Corporate governance

- (a) review Hong Kong's tourism brand and rebuild the city's tourism image;
- (b) enhance support and collaboration with the travel trade;
- (c) secure MICE and cruise business;
- (d) leverage mega events to convey a positive message; and
- (e) uphold corporate governance (including resource management, financial management, application of information technology, visitor surveys and strategic planning).

Audit considers that HKTb needs to consider seeking the endorsements of the Board in devising the BPIs and their respective targets for monitoring HKTb's performance under the strategic focuses.

Need to improve the reporting of KPIs and BPIs

2.35 Audit examined HKTb's reporting of KPIs and BPIs and noted room for improvement:

- (a) **Reporting of KPIs.** HKTb reported the actual results for the KPIs in its annual report. However, the related targets were not reported in the annual report; and
- (b) **Reporting of BPIs.** The targets and the actual results for the BPIs under each strategic focus were not reported to the Board.

To enhance transparency and accountability of its operation to the public, Audit considers that HKTb needs to enhance its performance reporting. In particular, HKTb needs to report the related targets for the KPIs in its annual report. HKTb also needs to report the targets and the actual results for the BPIs under each strategic focus to the Board.

Audit recommendations

2.36 **Audit has *recommended* that ED, HKTB should:**

- (a) **consider seeking the endorsements of the Board in devising the BPIs and their respective targets for monitoring HKTB's performance under the strategic focuses; and**
- (b) **take measures to enhance HKTB's performance reporting. In particular, HKTB should:**
 - (i) **report the related targets for the KPIs in its annual report; and**
 - (ii) **report the targets and the actual results for the BPIs under each strategic focus to the Board.**

Response from the Hong Kong Tourism Board

2.37 **ED, HKTB agrees with the audit recommendations. He has said that:**

- (a) **HKTB will seek the views and endorsements of the Board and related Committees in devising BPIs and their respective targets; and**
- (b) **related targets and the achievement of the targets for KPIs will be included in the upcoming annual report and thereafter. HKTB will provide regular updates on BPIs to the relevant authorities.**

PART 3: HUMAN RESOURCE MANAGEMENT AND OTHER ADMINISTRATIVE ISSUES

3.1 This PART examines the human resource management and other administrative issues of HKTB, focusing on the following areas:

- (a) pay structure of HKTB (paras. 3.2 to 3.13);
- (b) staff management issues (paras. 3.14 to 3.22); and
- (c) other administrative issues (paras. 3.23 to 3.33).

Pay structure of the Hong Kong Tourism Board

3.2 HKTB staff comprise HO staff and WWO staff. HO staff are classified into four grades (HO Grades A to D) and 18 job levels. WWO staff (except the Chengdu WWO and its sub-office in Wuhan) are classified into four grades (WWO Grades A to D) and 11 job levels (i.e. Levels 11 to 21) (see Table 5). There are only 3 grades and 7 job levels for the staff in the Chengdu WWO and its sub-office in Wuhan.

Table 5
Pay structure of HO and WWO staff
(31 March 2020)

Grade	HO staff		WWO staff	
	Job level	Typical job positions	Job level	Typical job positions
A	20 to 22 and 24 (23 as omitted)	<ul style="list-style-type: none"> • ED • Deputy ED • General Manager 	20 to 21	<ul style="list-style-type: none"> • Regional Director
B	16 to 19	<ul style="list-style-type: none"> • Director • Senior Manager • Manager 	16 to 19	<ul style="list-style-type: none"> • Director • Senior Manager • Manager
C	13 to 15	<ul style="list-style-type: none"> • Assistant Manager • Senior Executive • Executive 	13 to 15	<ul style="list-style-type: none"> • Assistant Manager • Senior Executive • Executive
D	6 to 12	<ul style="list-style-type: none"> • Officer • Senior Assistant • Senior Clerk • Clerk/Assistant • Receptionist • Office Assistant • Amah 	11 to 12	<ul style="list-style-type: none"> • Officer

Source: Audit analysis of HKTB records

3.3 Under HKTB's pay structure, the minimum and maximum of each job level's salary range are 75 % and 125 % respectively of the mid-point. Audit examined the salaries of HKTB staff as at 31 March 2020 and noted that of the 423 staff (Note 8), the salaries of 85 (20 %) staff were below the minimum of the salary ranges. In response to Audit's enquiry, HKTB informed Audit in October 2020 that HKTB had taken measures to ensure that salaries of its staff meet their reasonable expectations while maintaining the prudent use of public resources.

Note 8: *As at 31 March 2020, 347 of the 423 staff were permanent staff in HKTB's staff establishment and the remaining 76 staff were contract staff not under HKTB's staff establishment. The approved salary range is applicable to both permanent and contract staff.*

3.4 HKTB commissioned consultants to carry out pay structure reviews for HO staff in 2003, 2011, 2016 and 2017, and WWO staff in 2006 and 2018. The reviews benchmarked the salary range for each job level against the market to ensure competitiveness of HKTB's salary structure. The mid-point of each job level's salary range was compared against the market median. If the mid-point was found outside the acceptable deviance range (i.e. 85% to 115% of the market median), the mid-point of the salary range for that job level was adjusted back to the range after obtaining the approval of the Staff and Finance Committee.

3.5 Salaries of staff are revised annually taking into account two factors:

- (a) **Individual performance.** Performance of staff is evaluated according to a range from Band 1 to Band 7. Salary increase percentages granted to staff attaining performance Band 1 to Band 3 are higher than staff attaining performance Band 4 and Band 5. Staff attaining performance Band 6 and Band 7 will not be granted salary increase; and
- (b) **Compa-ratio.** Compa-ratio (CR) refers to the ratio between the actual salary of a staff and the mid-point of his job level's salary range. Staff with a CR over 125% are not entitled to salary increase. For staff with equal performance Band, those with a CR at 100% or below will have a higher percentage of salary increase than those with CR higher than 100%. Staff attaining performance Band 6 and Band 7 will not be granted salary increase (see (a) above) irrespective of their CRs.

Need to conduct pay structure review in a more timely manner

3.6 Five years after the 2011 review on the pay structure for HO staff, HKTB completed another review in October 2016. The review found that the mid-points of 4 of the 18 job levels' salary ranges were outside the acceptable deviance range. The Staff and Finance Committee decided not to adjust the salary ranges for the time being and asked HKTB to conduct a more comprehensive pay structure review for HO staff in 2017. The results of the 2017 pay structure review indicated that the mid-points of 5 job levels' salary ranges (including 3 job levels identified in the 2016 review plus 2 newly identified job levels) were outside the acceptable deviance range (see Table 6). HKTB adjusted the pay structure according to the 2017 review results.

Table 6

**Job levels with mid-points of the salary ranges
outside the acceptable deviance range
(2017 and 2018)**

	Total no. of job levels	No. of job levels with mid-points outside the acceptable deviance range (Note)		No. of percentage points below/over acceptable deviance range (Note)	
		below	over	below	over
HO (as at 2017)	18	1	4	3	1 to 11
WWO (as at 2018):					
Beijing	11	—	4	—	2 to 21
Shanghai	11	—	1	—	1
Wuhan (sub-office of Chengdu)	7	2	—	1 to 7	—
Sydney	11	2	—	2	—
Tokyo	11	—	7	—	3 to 14
Taipei	11	—	11	—	14 to 56
Los Angeles	11	—	2	—	1 to 8
New York	11	3	1	2 to 4	7
Overall (WWO)	84	7	26	1 to 7	1 to 56

Source: Audit analysis of HKTB records

Note: The acceptable deviance range was 85% to 115% of the market median (see para. 3.4). Mid-points of 5 jobs levels of HO and 33 job levels of WWO were outside the acceptable deviance range. Numbers in these two columns were the number of percentage points of such mid-points below 85% or over 115%. For instance, for HO, there were 1 job level with mid-point at 82% (i.e. 85% - 3%) of the market median and 4 job levels with mid-points at 116% (115% + 1%) to 126% (115% + 11%) of the market medium.

3.7 Twelve years after the 2006 review on the pay structure for WWO staff, HKTb conducted another review in 2018. According to the results of the 2018 review, of the 15 WWOs, 8 (53%) had one or more job levels with mid-points of the salary ranges outside the acceptable deviance range. Of the 84 job levels of the 8 WWOs (see Table 6), 33 (39%) were outside the acceptable deviance range. In particular, the mid-points of all job levels' salary ranges of the Taipei WWO exceeded the acceptable deviance range by 14 to 56 percentage points (see Table 6). HKTb adjusted the pay structure of these WWOs according to the 2018 review results.

3.8 Audit noted that in the past 20 years, HKTb carried out pay structure reviews only four times for HO staff and twice for WWO staff (see para. 3.4). In April 2018 and May 2019, the Staff and Finance Committee adopted the recommendations of the salary review consultant to review every three years the pay structures of HO and WWOs respectively. With a view to identifying in good time the job levels with mid-points of the salary ranges outside the acceptable deviance range, Audit considers that HKTb needs to take measures to ensure that the pay structure review is conducted in a more timely manner.

Need to submit reports on remuneration review for senior staff to CEDB regularly

3.9 According to Circular Memorandum No. 2/2003 (Note 9) issued by the Director of Administration in March 2003:

Note 9: *In August 2018, the Director of Administration issued Circular Memorandum No. 11/2018 to supersede Circular Memorandum No. 2/2003, with salient requirements remaining unchanged. The required frequency of submission of the review reports was revised from “annually” to “regularly”.*

- (a) save for certain exceptions (Note 10), all subvented bodies which receive more than 50% of their operating income from the Government should review the number, ranking and remuneration (including basic salary, variable pay and all kinds of allowance) of staff at their top three tiers (the remuneration review) and submit to their relevant Director(s) of Bureau(x) reports on the review findings annually;
- (b) subvented bodies should explain and justify any changes in the number, ranking and remuneration of staff at the top three tiers over the period covered in the report; and
- (c) to enhance transparency, the Director of the respective Bureau will work out with those subvented bodies under his purview suitable arrangements for public disclosure of their regular review reports.

3.10 HKTb receives more than 50% of its income from the Government (see para. 1.8) and therefore has to comply with the requirements of the Circular Memorandum. HKTb's top three tiers of staff are ED, Deputy ED and General Managers/Regional Directors. Audit noted that since its establishment in 2001, HKTb had not conducted any remuneration reviews and therefore had not submitted any reports on review findings to CEDB. In response to Audit's enquiry, TC informed Audit in September 2020 that TC had been monitoring the remuneration of all HKTb staff including the senior staff by reviewing the pay structure review reports HKTb submitted to the Staff and Finance Committee (see para. 3.4). In Audit's view, the pay structure reviews fell short of the requirements of the Circular Memorandum. For example, no explanation or justification for the changes in the number, ranking and remuneration of staff at the top three tiers was provided in the pay structure review reports (see para. 3.9(b)).

3.11 Audit considers that HKTb needs to review the number, ranking and remuneration of staff at the top three tiers and submit to CEDB reports on the review

Note 10: *Major exemption criteria include: (a) government funds are provided as subscription/sponsorship fees; (b) government funds are provided as fees for the procurement of services; (c) organisations where their top three-tier positions are filled entirely by civil servants; and (d) organisations that are subject to statutory provisions or decisions approved by the Executive Council/Legislative Council.*

findings according to the requirements of the relevant Circular Memorandum issued by the Director of Administration.

Audit recommendations

3.12 **Audit has *recommended* that ED, HKTB should:**

- (a) **take measures to ensure that the pay structure review is conducted in a more timely manner with a view to identifying in good time the job levels with mid-points of the salary ranges outside the acceptable deviance range; and**
- (b) **review the number, ranking and remuneration of staff at the top three tiers and submit to CEDB reports on the review findings according to the requirements of the relevant Circular Memorandum issued by the Director of Administration.**

Response from the Hong Kong Tourism Board

3.13 ED, HKTB agrees with the recommendation in paragraph 3.12(b) and also notes the recommendation in paragraph 3.12(a). He has said that:

- (a) HKTB has adopted the consultant's recommendations (see para. 3.8) to conduct a pay structure review for HO and WWOs every three years. The recommendations were approved in April 2018 and May 2019 at Staff and Finance Committee meetings; and
- (b) HKTB will ensure that a report of the number, ranking, and remuneration of staff in the top three tiers is submitted to CEDB every three years, following the timeline for the review of HO staff pay structures.

Staff management issues

Need to improve the conduct and documentation of recruitment exercises

3.14 According to the Human Resources Policies and Procedures issued by HKTB, for the recruitment of General Manager/Regional Director positions:

- (a) the interview shall be conducted by a Selection Committee comprising at least half of the total number of Staff and Finance Committee members;
- (b) each interviewer is required to complete a Declaration of Conflict of Interest Form to provide positive declaration on the relationship with the candidate; and
- (c) each interviewer is required to complete an Interview Assessment Form after the interview, which documents his/her assessment of each candidate and whether the candidate is recommended for employment.

3.15 In the period from 2013-14 to 2019-20, HKTB conducted 6 recruitment exercises for General Manager/Regional Director positions. Audit reviewed the recruitment exercises and found that:

- (a) in 1 (17%) recruitment exercise, 2 of the 5 interviewers only signed blank Declaration of Conflict of Interest Forms without indicating whether they had relationship with the candidate; and
- (b) in 4 (67%) recruitment exercises, some interviewers had left blank the assessments on all the five aspects (Note 11) of the candidates on the Interview Assessment Forms (see para. 3.14(c) and Table 7).

Note 11: *The five aspects were: (a) relevant experience; (b) strategy and business management; (c) leadership, collaboration and cultural fit; (d) communication and influence; and (e) integrity and governance.*

Table 7

**Number of interviewers who had left blank the
detailed assessments on candidates
(2013-14 to 2019-20)**

Assessment recorded in Interview Assessment Form	No. of interviewers			
	Exercise A	Exercise B	Exercise C	Exercise D
All the five aspects (a)	2 (33%)	3 (75%)	1 (33%)	4 (80%)
None of the five aspects (b)	4 (67%)	1 (25%)	2 (67%)	1 (20%)
Total (c) = (a) + (b)	6 (100%)	4 (100%)	3 (100%)	5 (100%)

Source: Audit analysis of HKTB records

3.16 Audit considers that HKTB needs to take measures to ensure that recruitment exercises are conducted and properly documented in accordance with HKTB's Human Resources Policies and Procedures (i.e. proper completion of Declaration of Conflict of Interest and Interview Assessment Forms).

Information not furnished to the Inland Revenue Department (IRD) in a timely manner

3.17 In March 2020, a consultant commissioned by HKTB completed an assessment on HKTB's risk management and internal control systems.

3.18 The consultant found that HKTB had not put in place internal controls to ensure that notifications relating to staff were submitted in a timely manner to IRD as required by the Inland Revenue Ordinance (Cap. 112):

- (a) notifications for new employees required to be submitted not later than three months after the date of commencement of their employment; and
- (b) notifications for employees who ceased to be employed by HKTB required to be submitted not later than one month before the date of cessation of their employment.

3.19 In the period from April 2019 to June 2020, HKTB hired 66 new staff and 88 staff ceased to be employed by HKTB. Audit examined the submission records of the relevant notifications and noted that:

- (a) as at 31 August 2020, the notifications for 64 (97%) of the 66 new staff had not been submitted to IRD; and
- (b) the notifications for all of the 88 staff who ceased to be employed were submitted to IRD later than one month before the date of cessation (see Table 8).

Table 8

**Late submission of notifications for staff who ceased to be employed
(April 2019 to June 2020)**

Time of submission	No. of staff
Late by 1 to 30 days	27 (31%)
Late by 31 to 100 days	27 (31%)
Late by 101 to 333 days	34 (38%)
Total	88 (100%)

Source: Audit analysis of HKTB records

3.20 Audit considers that HKTB needs to take measures to ensure that notifications relating to staff are submitted to IRD according to requirements stipulated in the Inland Revenue Ordinance.

Audit recommendations

3.21 **Audit has recommended that ED, HKTB should:**

- (a) **take measures to ensure that recruitment exercises are conducted and properly documented in accordance with HKTB's Human Resources Policies and Procedures; and**

- (b) take measures to ensure that notifications relating to staff are submitted to IRD according to requirements stipulated in the Inland Revenue Ordinance.

Response from the Hong Kong Tourism Board

3.22 ED, HKTB agrees with the recommendation in paragraph 3.21(b) and also notes the recommendation in paragraph 3.21(a). He has said that:

- (a) the related procedures have been enhanced to ensure the proper documentation of the required documents in recruitment exercises. HKTB has at all times conducted its recruitment in accordance with the established policies and procedures; and
- (b) HKTB will continue its best effort to comply with the requirements stipulated in the Inland Revenue Ordinance.

Other administrative issues

Need to strengthen controls on hotel accommodation claims

3.23 According to HKTB's Financial Policies and Procedures (FPP), staff who is on duty travelling outside Hong Kong may be granted a subsistence allowance to cover expenditure of the trip. The staff can claim the actual cost of hotel accommodation up to 60% of the standard rate of subsistence allowance. With prior approval, a staff may claim an allowance at an enhanced rate equivalent to the actual cost of hotel accommodation plus 40% of the standard rate under the following circumstances:

- (a) it is necessary to stay in a particular hotel for operational reasons; or
- (b) cheaper hotel accommodation is not available.

3.24 In the period from 2015-16 to 2019-20, there were 952 subsistence allowance claims. Audit examined 16 of the 952 claims and noted that enhanced rates of subsistence allowance were granted for 10 (63%) of the 16 claims. Audit noted

that for 3 (30%) of the 10 claims, there was room for improvement in the information provided to support the claims:

- (a) for 2 claims, the justifications given were “the hotel is within walking distance to the venue and it is the best offer among the comparative quotes”. However, no information relating to the comparative quotes (e.g. the names of the hotels and their room rates) was provided to support the claims; and
- (b) for the remaining claim, the justification given was that the selected hotel was the cheaper of two hotels. The names of the two hotels and their room rates were provided. However, Audit noted that there were other hotels nearby, but information was not provided on the reasons why these hotels were not considered.

3.25 Audit considers that HKTB needs to take measures to ensure that detailed information is given by HKTB staff on duty travelling outside Hong Kong to support claims for enhanced rates of subsistence allowance.

Room for improvement in managing fixed assets

3.26 HKTB has issued a set of Fixed Asset Management Procedures (FAMP), which sets out the procedures for managing fixed assets. The recognition, stocktaking, disposal and loss of fixed assets should follow the guidelines set out in FAMP. FAMP stipulates that:

- (a) a physical stocktaking of fixed assets should be conducted at least once a year. During the stocktaking exercise:
 - (i) each user department/WWO has to identify the fixed assets in its office and mark on the fixed asset checking lists (Note 12) to signify that the physical existence of fixed assets had been checked; and

Note 12: *The fixed asset checking lists are records of the physical stocktaking exercise which recorded the name, location, item code, acquisition date and acquisition cost of the fixed assets held by user departments/WWOs.*

- (ii) reviewers from the Finance Department and the Information and Technology Department will select user departments on a rotational basis and check items recorded in the checking lists they used in stocktaking to the physical fixed assets. For WWOs, a reviewer will be assigned by the WWO to conduct the sample check;
- (b) the Head of the user department/WWO should take due care, use properly and arrange maintenance of the fixed assets under their custody to avoid damage or loss;
- (c) when fixed assets are identified to be missing or lost, the user department should report, within two weeks of such identification, by completing the Fixed Assets Loss Form for the approval of the Head of the user department/WWO before submitting the same to Finance Department for updating the Fixed Asset Register. For suspected theft, such losses should be reported to the Police; and
- (d) the staff designated to use personalised information technology related equipment will be personally responsible for the safe custody of such fixed assets. The staff is required to file a report for the approval of a superior at the level of Head of user department/WWO before arranging a replacement.

3.27 Audit reviewed the fixed asset management of HKTB and found the following room for improvement:

- (a) Audit examined the fixed assets stocktaking records for the period from 2015-16 to 2019-20 and found that the fixed assets checking lists of 6 (18%) of the 33 departments in HO had not been selected for checking by the reviewers from the Finance Department during the period; and
- (b) in September and October 2017, HKTB found that 30 items of portable electronic equipment (e.g. notebook computers, electronic tablets, smartphones and digital cameras) of two user departments could not be located. The total purchase cost and the net book value of the items were \$129,213 and \$9,235 respectively. However, the two user departments concerned had not completed the Fixed Assets Loss Forms until early November 2017 (for items that were found missing in September 2017) and

early November 2019 (for items that were found missing in October 2017) respectively, exceeding the two-week time limit set out in FAMP (see para. 3.26(c)). According to HKTb, the missing electronic tablets were suspected to be misplaced, and the missing notebook computers, smartphones and digital cameras were suspected to be disposed of during office removal without following proper disposal procedures. All the 30 missing items could not be located and were written off eventually.

3.28 Audit considers that HKTb needs to take measures to ensure that fixed assets are kept under proper custody to guard against damage or loss and take prompt and thorough follow-up actions for each case of loss.

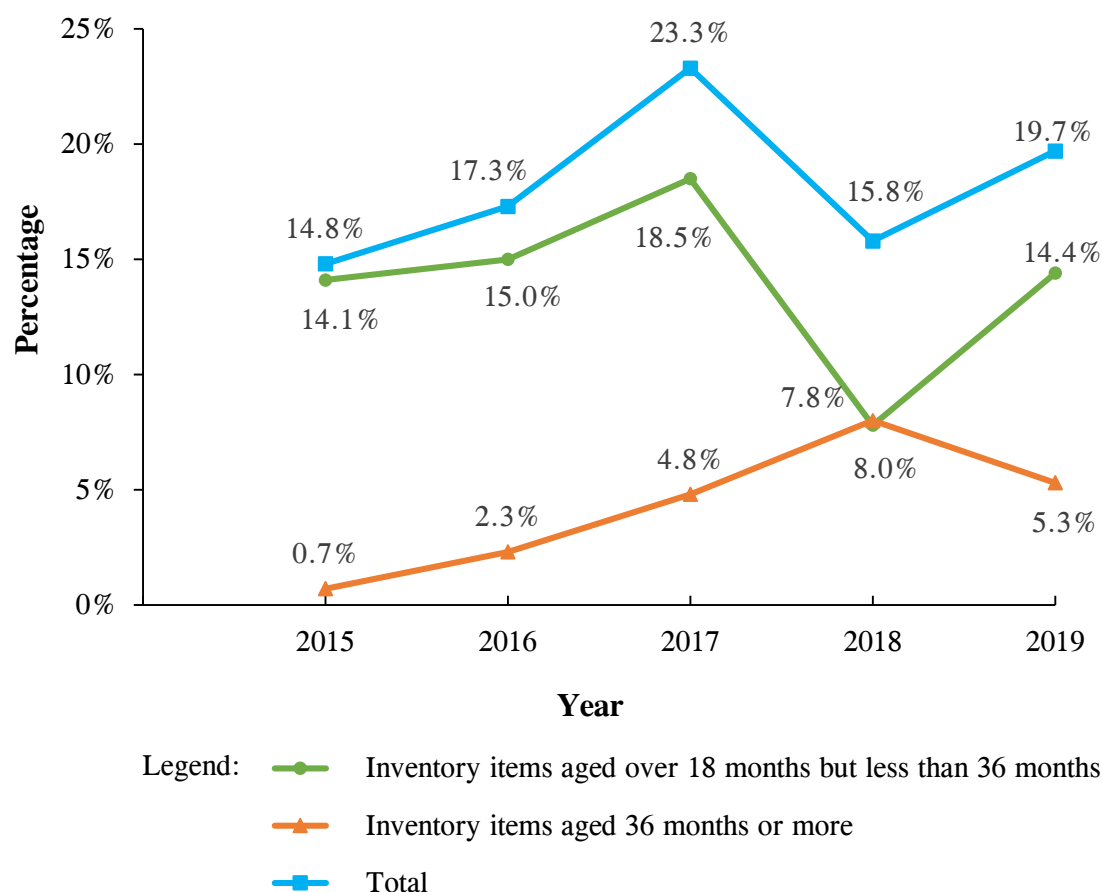
Need to closely monitor slow-moving inventories

3.29 HKTb produces publicity materials for distribution and promotion materials for its events. These items are stored in a warehouse managed by a contractor, who manages the warehouse on a daily basis and carries out a physical count of HKTb's inventories annually in the presence of HKTb's staff. HKTb classifies inventories aged over 18 months as slow-moving inventories. Audit analysed the age of the inventories for the period from 2015 to 2019 (see Figure 7) and noted that:

- (a) the percentage of the number of slow-moving inventories increased from 14.8% in 2015 to 19.7% in 2019; and
- (b) among the slow-moving inventories, some were aged much longer than 18 months. The percentage of such slow-moving inventories increased significantly during the period. For instance, the percentage of the number of inventories aged 36 months or more increased more than sixfold from 0.7% in 2015 to 5.3% in 2019.

Figure 7

**Analysis of percentage of number of slow-moving inventories
(2015 to 2019)**



Source: Audit analysis of HKTB records

3.30 In response to Audit's enquiry, HKTB informed Audit in August 2020 that:

- tightened inventory control measures had been introduced in June 2019, such as conducting full review of the whole inventory list and on-site visits at the warehouse to review the physical conditions of the inventories; and
- the slow-moving inventory mainly included the maps and brochures introducing restaurants and attractions in Hong Kong, and the consumables for organising marketing events.

3.31 Audit considers that HKTB needs to closely monitor the level of slow-moving inventories and conduct regular inventory clearing exercises to dispose of the inventories that are no longer required.

Audit recommendations

3.32 Audit has *recommended* that ED, HKTB should:

- (a) take measures to ensure that detailed information is given by HKTB staff on duty travelling outside Hong Kong to support claims for enhanced rates of subsistence allowance;
- (b) take measures to ensure that fixed assets are kept under proper custody to guard against damage or loss and take prompt and thorough follow-up actions for each case of loss; and
- (c) closely monitor the level of slow-moving inventories and conduct regular inventory clearing exercises to dispose of the inventories that are no longer required.

Response from the Hong Kong Tourism Board

3.33 ED, HKTB agrees with the recommendation in paragraph 3.32(a) and also notes the recommendations in paragraph 3.32(b) and (c). He has said that:

- (a) HKTB will review the guidelines to ensure that applications for enhanced subsistence allowances for hotel accommodation are only granted under the circumstances stipulated in FPP;
- (b) regarding the case cited in paragraph 3.27(b), it was agreed in the Audit Committee meeting that the lost items (most of which were fully depreciated) had been misplaced. A custodian system has been already put in place to enhance the control of fixed assets, especially mobile devices. HKTB will also review the internal guidelines to introduce stringent follow-up actions to protect its interest;

Human resource management and other administrative issues

- (c) HKTB will continue to monitor slow-moving inventories to ensure that warehouse occupancies are maintained at optimal levels; and
- (d) the trend of slow-moving inventories in Figure 7 of paragraph 3.29 is based on the number of items involved. It would be more appropriate to analyse the inventories based on the number of cubic metres they occupied, which has a strong correlation to stock levels and associated storage cost. Since the implementation of measures to tighten inventory control in June 2019, the overall stock level (in terms of the number of cubic metres) has been reduced by 17.9%. The increment in warehouse usage in 2017 was mainly due to a number of new events and happenings that year, which required more storage space for new stock items.

PART 4: WORLDWIDE OFFICES AND REPRESENTATIVE OFFICES

4.1 This PART examines WWOs and ROs of HKTb, focusing on the following areas:

- (a) establishment of WWOs and ROs (paras. 4.4 to 4.9); and
- (b) administrative issues relating to WWOs (paras. 4.10 to 4.20).

Background

4.2 As at 31 March 2020, HKTb had 15 WWOs and 7 ROs (see Figure 2 of para. 1.5). The WWOs had an establishment of 128 staff (Note 13). The WWOs are responsible for performing marketing activities in their regions. In 2019-20, the total recurrent cost of the WWOs was \$113.9 million, comprising staff cost of \$88.7 million and general and administration cost of \$25.2 million. The seven ROs are operated by agencies appointed by HKTb. The ROs are responsible for answering media and consumer enquiries, and performing marketing activities in their markets. In 2019-20, the total agency fee was \$4 million.

4.3 WWOs and ROs are organised into ten geographical regions. Each region has one to five WWOs/ROs (see Table 9).

Note 13: *As at 31 March 2020, the total staff establishment for managing WWOs and ROs was 134, of which 128 staff were stationed in WWOs and 6 in HO of Hong Kong.*

Worldwide Offices and Representative Offices

Table 9

**Geographical regions of WWOs and ROs
(31 March 2020)**

Geographical region	WWO	RO
1. Australia, New Zealand and South Pacific	1. Sydney	—
2. Canada, Central and South Americas	2. Toronto	—
3. Europe <ul style="list-style-type: none"> • Central Europe • France and French speaking Europe • United Kingdom and Northern Europe 	3. Frankfurt 4. Paris 5. London	1. Moscow — —
4. Japan	6. Tokyo	—
5. Korea	7. Seoul	—
6. Mainland	8. Beijing 9. Chengdu 10. Guangzhou 11. Shanghai	—
7. South Asia and Middle East	—	2. Dubai 3. New Delhi
8. Southeast Asia	12. Singapore	4. Bangkok 5. Jakarta 6. Malaysia 7. Philippines
9. Taiwan	13. Taipei	—
10. United States of America	14. Los Angeles 15. New York	—

Source: Audit analysis of HKTB records

Establishment of Worldwide Offices and Representative Offices

Need to review regularly the establishment of WWOs and ROs

4.4 In 2008, HKTb conducted a review on the establishment of WWOs and ROs. In 2009, the Board approved a set of guidelines on criteria for setting up new and retaining existing WWOs/ROs, and decided that HKTb should conduct review on WWOs/ROs and their geographical coverage according to these guidelines once every two years (see Table 10).

Table 10

**HKTb's guidelines on criteria for setting up new
and retaining existing WWOs/ROs**

Criteria	WWOs	ROs
1. Market potential	• Mature	• Developing/emerging
2. Political and business environment	• Stable	• Relatively stable
3. Connectivity/facility	• Excellent	• Developing/good foundation and infrastructures
4. Concentration of travel trade and non-trade partners (e.g. Economic and Trade Offices of the Government)	• High	• High
5. Length of establishment	• Medium-long term to long term	• Short term

Source: Audit analysis of HKTb records

Worldwide Offices and Representative Offices

4.5 Audit reviewed the performance of WWOs and ROs and noted the following:

- (a) ***Significant changes in market conditions since last review on the establishment of WWOs and ROs.*** For example, the number of overnight visitor arrivals from the Philippines increased significantly by 68% from 455,772 in 2009 to 764,536 in 2018; and
- (b) ***Recurrent cost of operating WWOs/ROs per visitor arrival varied among regions.*** Audit analysis of the recurrent cost of operating WWOs/ROs and number of visitor arrivals of the ten geographical regions revealed that the recurrent cost incurred per visitor arrival in 2018-19 varied significantly. For example, for the United States of America, Japan, Europe and Mainland, the figures were \$11.81, \$9.31, \$7.80 and \$0.42 respectively (see Table 11).

Table 11

**Recurrent cost incurred in operating WWOs and ROs per visitor arrival
(2018-19)**

Geographical region	Number of visitor arrivals (a) (No.)	Recurrent cost incurred (b) (\$ million)	Recurrent cost incurred per visitor arrival (c) = (b) ÷ (a) (\$)
Australia, New Zealand and South Pacific	713,003	7.92	11.11
Canada, Central and South Americas	561,336	4.48	7.98
Europe	1,929,804	15.06	7.80
Japan	1,320,464	12.29	9.31
Korea	1,444,475	5.61	3.88
Mainland	53,439,166	22.50	0.42
South Asia and Middle East	603,262	4.37	7.24
Southeast Asia	3,182,750	12.88	4.05
Taiwan	1,929,526	6.71	3.48
United States of America	1,308,532	15.46	11.81
Overall	66,432,318	107.28	1.61

Source: Audit analysis of HKTB records

4.6 According to HKTB, it has adopted a two-pronged approach in assessing the business potential of different markets, and developing the strategy for establishing WWOs/ROs:

- (a) ***Annual business planning process.*** During the annual business planning process, WWOs are required to give insights on the macro environment, performance trend and growth potential of the market under their purview. HKTb will assess and formulate plans for WWOs/ROs taking into account the insights of WWOs; and
- (b) ***Organisation review.*** HKTb also conducts regular organisation review to ensure that the structure of HKTb is effective in driving business strategies and the usage of manpower resources is optimal.

4.7 Audit noted that the annual business planning process only covered the potential of establishing new WWOs/ROs. From 2009 to 2018, despite the changes in the market conditions, the number and geographical coverage of WWOs remained unchanged, except for the upgrade of the Taipei RO to WWO in 2011 and the close down of the Osaka WWO in 2015. There was no documentary evidence showing that HKTb had conducted review every two years on WWOs/ROs according to the guidelines approved by the Board. As the global political and economic environment changes rapidly, Audit considers that HKTb needs to review every two years the need to set up new WWOs/ROs and whether existing WWOs/ROs should be retained according to the requirements and criteria promulgated in HKTb's guidelines (see para. 4.4).

Audit recommendation

4.8 Audit has *recommended* that ED, HKTb should review every two years the need to set up new WWOs/ROs and whether existing WWOs/ROs should be retained according to the requirements and criteria promulgated in HKTb's guidelines.

Response from the Hong Kong Tourism Board

4.9 ED, HKTb notes the audit recommendation. He has said that:

- (a) it is an established practice of HKTb that the annual business planning process and annual organisation review will take into account the role of WWOs;

- (b) HKTB is currently in the process of conducting a thorough review of the Hong Kong tourism brand and its overall promotion and market investment strategies; and
- (c) HKTB will ensure that the establishment of WWOs in different locations is aligned with its strategy and market prioritisation.

Administrative issues relating to WWOs

Room for improvement in accommodation arrangements

4.10 The 15 WWOs operate in leased premises. In 2019-20, the total accommodation costs of the WWOs (including mainly rent, management fee and maintenance expenses) amounted to \$17 million. Audit reviewed the accommodation arrangements of the WWOs and found room for improvement in the following areas:

- (a) when renewing the lease of a WWO, the WWO concerned is required to submit three quotations to the Staff and Finance Committee for approval. Audit noted that in some cases, the quotations obtained were not within the scope of the intended renewal. For example, when renewing the lease of the Seoul WWO in November 2019, one of the quotations submitted to the Staff and Finance Committee for consideration was for a premises with an area and rent of about six times and ten times respectively of the existing office. In response to Audit's enquiry, HKTB informed Audit in October 2020 that it had made efforts to identify available options that met the requirements of the renewal. It was common market practice to compare the rental information of available premises. The Seoul WWO office rent was compared with the smallest-sized options available in the nearby area at that time, and the option chosen was the one with the lowest rent. This was documented in the Staff and Finance Committee paper;
- (b) Audit noted that long leases of 9 to 10 years were arranged for the WWOs in London, Los Angeles, Paris and New York (see Table 12). For the WWO in Paris, there was a break clause to allow HKTB to terminate the lease at the end of the third, sixth and ninth year of the lease period. For the WWO in London, the break clause of the lease allowed HKTB to terminate the lease after leasing for five years. However, for the WWOs in Los Angeles and New York, the committed lease period was long:

Worldwide Offices and Representative Offices

- (i) for the WWO in Los Angeles, the break clause of the lease only allowed HKTb to terminate the lease after leasing for seven years; and
- (ii) the 10-year lease of the New York WWO was inflexible. The New York WWO started using the existing premises under a 10-year lease commencing in June 2016 when it had an establishment of four staff. There was a break clause in the lease, but the break clause would only be exercisable if HKTb closed the New York WWO. In March 2020, the New York WWO was downsized to two staff. As the lease entered would not end until May 2026 (unless the New York WWO is closed), the office space cannot be rationalised for a considerable period of time.

According to HKTb, it has endeavored to safeguard its best interest. It is a common market practice in the United States of America and Europe to enter into long leases to get better deals from landlords, such as lower rent and free renovations. Break clauses have all along been incorporated in long lease contracts to give HKTb flexibility to terminate leases if necessary; and

Worldwide Offices and Representative Offices

Table 12

**Lease contracts of WWOs
(30 June 2020)**

WWO	Lease period	Term (Years)
London	1.1.2015 — 31.12.2024	10
Los Angeles	1.11.2019 — 31.10.2029	10
New York	1.6.2016 — 31.5.2026	10
Paris	1.6.2020 — 31.5.2029	9
Beijing	1.6.2019 — 31.5.2024	5
Frankfurt	1.5.2016 — 30.4.2021	5
Singapore	1.5.2018 — 30.4.2023	5
Sydney	1.9.2019 — 31.8.2024	5
Taipei	16.2.2018 — 15.2.2023	5
Toronto	1.3.2018 — 28.2.2023	5
Chengdu	16.7.2017 — 15.7.2021	4
Seoul	1.4.2020 — 31.3.2023	3
Shanghai	1.6.2020 — 31.5.2023	3
Tokyo	1.4.2018 — 31.3.2021	3
Guangzhou	27.10.2019 — 26.10.2021	2

Source: Audit analysis of HKTB records

Worldwide Offices and Representative Offices

- (c) the Administration User Guide issued by HKTb stipulates the office space occupied by each level of staff of HO in Hong Kong. However, HKTb had not promulgated guidelines on the accommodation arrangements (e.g. the area and grade of the office accommodations) of WWOs. The area of offices for WWO staff varied significantly among WWOs, ranging from 15.67 square metres per staff in Guangzhou to 65.31 square metres per staff in New York (see Table 13).

Worldwide Offices and Representative Offices

Table 13

Analysis of office space and accommodation costs of WWOs (2019-20)

WWO	Office area (a) (square metre)	Staff establishment (b) (No.)	Office area per staff (c) = (a) ÷ (b) (square metre)	Accommodation cost (Note) (d) ((\$'000))	Accommodation cost per square metre (e) = (d) ÷ (a) ((\$'000))
New York	130.62	2	65.31	755	5.78
Taipei	400.27	9	44.47	997	2.49
Paris	74.00	2	37.00	466	6.30
Sydney	233.00	8	29.13	1,052	4.52
Frankfurt	115.00	4	28.75	291	2.53
Toronto	120.77	5	24.15	419	3.47
Tokyo	231.90	10	23.19	2,073	8.94
Los Angeles	247.87	11	22.53	1,452	5.86
Shanghai	265.40	12	22.12	1,160	4.37
Chengdu	121.00	6	20.17	217	1.79
Beijing	300.47	15	20.03	2,969	9.88
London	192.40	10	19.24	2,142	11.13
Seoul	148.76	8	18.60	658	4.42
Singapore	250.00	15	16.67	1,959	7.84
Guangzhou	172.42	11	15.67	402	2.33
Total		128		17,012	

Source: Audit analysis of HKTB records

Note: Accommodation cost mainly included rent, management fee and maintenance expenses.

Remarks: Information on the grades of the offices occupied by WWOs was not available from HKTB.

Worldwide Offices and Representative Offices

4.11 Audit considers that HKTb needs to promulgate guidelines on the accommodation arrangements (e.g. the area and grade of office accommodations) of WWOs, taking into consideration local accommodation cost and business practices.

Need to review limits for entertainment expenses outside Hong Kong

4.12 According to FPP:

- (a) entertainment should be purposeful and be limited as far as possible to clients or associates of HKTb. Entertainment of suppliers should be kept to a minimum; and
- (b) if it is necessary to develop a better working relationship with the supplier, any entertainment should be done in moderation and must not be excessive.

4.13 The limits for entertainment expenses for different countries/regions are stipulated in FPP. Table 14 shows the limits for some major countries/regions.

Table 14

**Entertainment expense limits for major countries/regions outside Hong Kong
(31 March 2020)**

Country/Region	Lunch per head		Dinner per head	
	Foreign currency	Equivalent HK\$	Foreign currency	Equivalent HK\$
Russia	US\$93	725	US\$126	983
Japan	YEN9,653	697	YEN12,838	927
Germany	EURO60	562	EURO100	937
Korea	WON84,700	601	WON108,900	773
France	EURO55	515	EURO75	703
Australia	AUD89	515	AUD126	729
Mainland China	RMB450	510	RMB550	624
Vietnam	US\$56	437	US\$75	585
United States of America	US\$51	398	US\$81	632
United Kingdom	GBP37	385	GBP60	624

Source: Audit analysis of HKTB records

4.14 Audit noted that the entertainment expense limits were last reviewed in 2015 and HKTB had not reviewed the limits since then. Audit considers that HKTB needs to review the limits for entertainment expenses outside Hong Kong regularly to better reflect the changing price levels of respective countries/regions.

Need to encourage the use of video conferencing for conducting business planning meetings

4.15 Before the COVID-19 outbreak in early 2020, Regional Directors or Directors of WWOs travelled back to Hong Kong at least three times every year to attend the business planning meetings with the management of HO. The travelling

Worldwide Offices and Representative Offices

expenses for the Regional Directors and Directors including air tickets, accommodation and other allowances amounted to \$1.7 million in 2018-19.

4.16 Since the COVID-19 outbreak in early 2020, Regional Directors and Directors of WWOs were unable to travel back to Hong Kong as a result of the travel restrictions imposed by different countries/regions. As an alternative, they attended the business planning meetings through video conferencing.

4.17 According to HKTb, such mode of meeting generally served the original purpose and the operation of HKTb was not much affected. However, since it is important to ensure that WWOs' colleagues are equipped with the latest knowledge of Hong Kong and have first-hand experience of new products for promoting Hong Kong in the markets, HKTb rides on the business planning meetings in Hong Kong to arrange familiarisation tours and meetings with local trade partners for WWOs colleagues. HKTb will continue to minimise arranging physical business planning meetings with WWOs in Hong Kong, but cannot fully replace them with online meetings.

4.18 Audit recognises the limitations of video conferencing and the need for WWO staff to travel back to Hong Kong when necessary. In Audit's view, given the uncertainty as to when the COVID-19 outbreak will end and the successful experience of conducting the business planning meetings through video conferencing, HKTb needs to encourage staff to adopt such mode of meeting as far as practicable with a view to reducing the needs and related expenses for travelling back to Hong Kong for attending meetings.

Audit recommendations

4.19 **Audit has *recommended* that ED, HKTb should:**

- (a) **promulgate guidelines on the accommodation arrangements (e.g. the area and grade of office accommodations) of WWOs, taking into consideration local accommodation costs and business practices;**

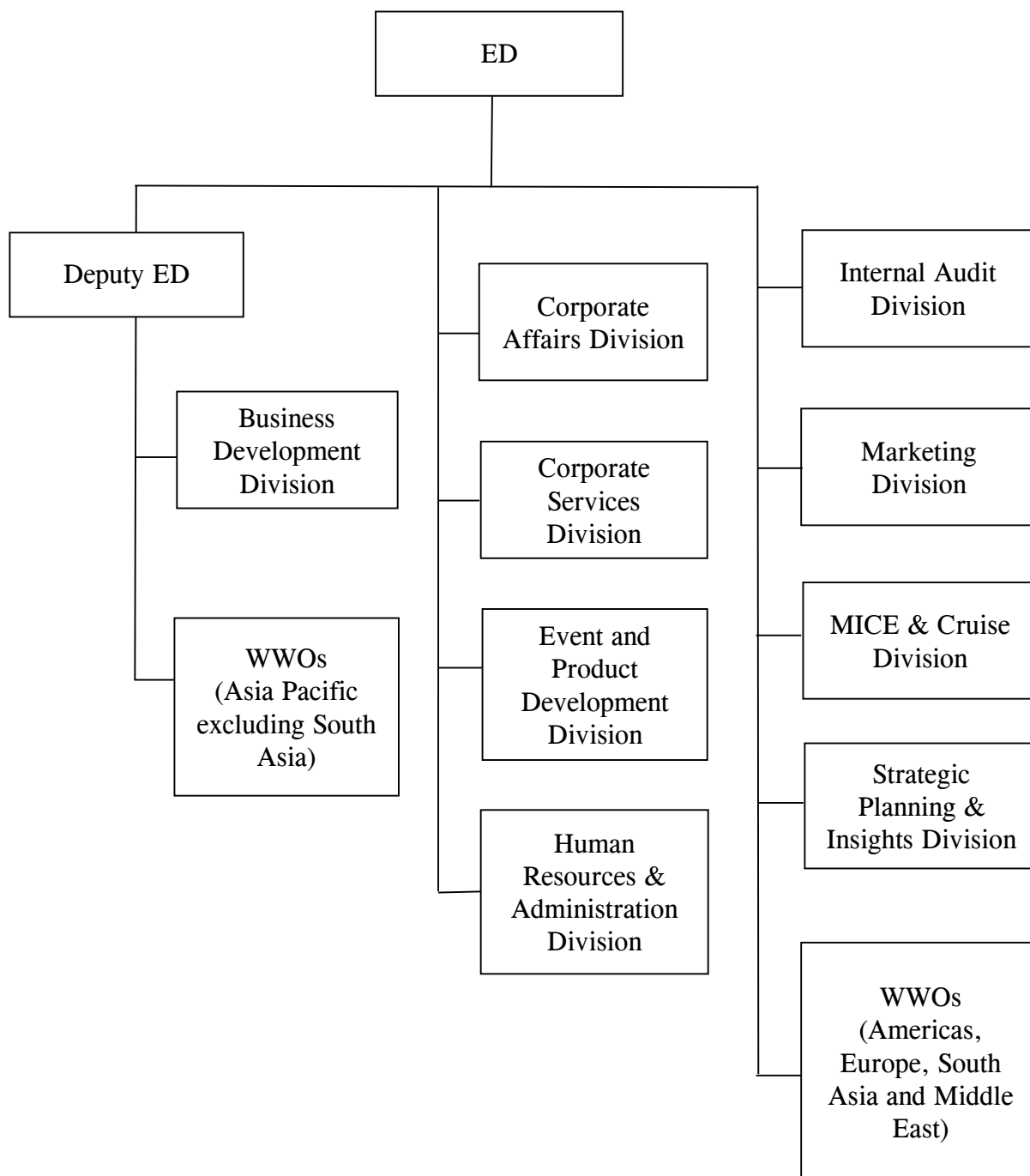
- (b) review the limits for entertainment expenses outside Hong Kong regularly to better reflect the changing price levels of respective countries/regions; and
- (c) encourage staff to use video conferencing for conducting business planning meetings as far as practicable with a view to reducing the needs and related expenses for travelling back to Hong Kong for attending meetings.

Response from the Hong Kong Tourism Board

4.20 ED, HKTB agrees with the recommendation in paragraph 4.19(b) and also notes the recommendations in paragraph 4.19(a) and (c). He has said that:

- (a) HKTB has at all times made every effort to optimise the utilisation of offices of WWOs. However, it is difficult to standardise the ratio of premises cost per member of staff across all WWOs as different offices have different space requirements, according to the nature of the local markets;
- (b) HKTB has referred to the Government's guidelines and benchmarked with other similar organisations in setting the entertainment expense limits for HO and WWOs. HKTB will conduct periodic reviews of the guidelines; and
- (c) HKTB has been using a variety of mediums, including video conferencing and in-person meetings in Hong Kong, to regularly discuss business plans with WWOs. While HKTB will do its best to minimise the number of in-person meetings in Hong Kong, it is not feasible to fully replace them with online meetings as there is a need for WWO employees to ride on the business planning meetings in Hong Kong to meet local trade partners and gain first-hand experience of the latest tourism products in Hong Kong for effective promotion planning. On average, the cost for each employee per trip for this purpose was \$10,000, which is regarded as reasonable.

Hong Kong Tourism Board: Organisation chart (extract)
(31 March 2020)



Source: HKTB records

**Marketing expenditure analysed by strategic focuses
(2014-15 to 2018-19)**

Strategic focus	2014-15	2015-16	2016-17	2017-18	2018-19
	(\$ million)				
1. Consolidate “Hong Kong — Asia’s World City” brand and step up public relations promotions	79.2	68.9	80.1	69.5	87.9
2. Intensify digital marketing	52.3	77.7	129.1	82.6	118.4
3. Strengthen the appeal of mega events	114.5	168.3	155.4	260.8	240.9
4. Promote Hong Kong as the hub for multi-destination travel in the region	2.9	4.3	3.3	3.0	20.0
5. Drive MICE business	28.6	35.8	51.5	56.8	76.1
6. Build cruise demand	18.0	14.2	20.7	27.4	27.2
7. Strengthen trade support and partnerships	43.4	66.3	69.4	74.7	83.1
8. Maintain quality service	10.8	15.5	23.6	18.5	23.5
9. Uphold corporate governance (Note 1)	18.2	17.9	22.8	20.3	22.1
10. Others (Note 2)	4.6	4.4	5.6	4.5	4.6
Total	372.6	473.3	561.6	618.1	704.1

Source: HKTB records

Note 1: The strategic focus of upholding corporate governance included resource management, financial management, application of information technology, visitor surveys and strategic planning.

Note 2: Others included amounts reserved for non-key markets and agency fees.

Remarks: Owing to rounding, the total might differ from the sum of the individual figures shown.

Acronyms and abbreviations

Audit	Audit Commission
BPIs	Business performance indicators
CE	Chief Executive
CEDB	Commerce and Economic Development Bureau
COR	Controlling Officer's Report
CR	Compa-ratio
ED	Executive Director
FAMP	Fixed Asset Management Procedures
FPP	Financial Policies and Procedures
HKTA	Hong Kong Tourist Association
HKTB	Hong Kong Tourism Board
HO	Head Office
IRD	Inland Revenue Department
KPIs	Key performance indicators
MAA	Memorandum of Administrative Arrangements
MICE	Meetings, incentives, conventions and exhibitions
RO	Representative Office
TC	Tourism Commission
WWO	Worldwide Office

CHAPTER 8

**Commerce and Economic Development Bureau
Hong Kong Tourism Board**

**Hong Kong Tourism Board:
Efforts in promoting tourism**

**Audit Commission
Hong Kong
28 October 2020**

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. 75 of the Director of Audit contains 10 Chapters which are available on our website at <https://www.aud.gov.hk>

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HONG KONG TOURISM BOARD: EFFORTS IN PROMOTING TOURISM

Contents

	Paragraph
EXECUTIVE SUMMARY	
PART 1: INTRODUCTION	1.1 – 1.10
Audit review	1.11 – 1.12
General response from the Hong Kong Tourism Board	1.13
General response from the Government	1.14
Acknowledgement	1.15
PART 2: MEGA EVENTS	2.1 – 2.3
Solicitation of sponsorship	2.4 – 2.7
Audit recommendation	2.8
Response from the Hong Kong Tourism Board	2.9
Staging of mega events	2.10 – 2.14
Audit recommendations	2.15
Response from the Hong Kong Tourism Board	2.16
Evaluation of performance of mega events	2.17 – 2.27
Audit recommendations	2.28
Response from the Hong Kong Tourism Board	2.29

Paragraph

PART 3: MARKETING ACTIVITIES	3.1
Meetings, incentives, conventions and exhibitions tourism	3.2 – 3.9
Audit recommendations	3.10
Response from the Hong Kong Tourism Board	3.11
Digital marketing	3.12 – 3.21
Audit recommendations	3.22
Response from the Hong Kong Tourism Board	3.23
PART 4: QUALITY TOURISM SERVICES SCHEME	4.1
Accredited merchants of Quality Tourism Services Scheme	4.2 – 4.6
Audit recommendation	4.7
Response from the Hong Kong Tourism Board	4.8
Quality Tourism Services decals and logos	4.9 – 4.14
Audit recommendations	4.15
Response from the Hong Kong Tourism Board	4.16
PART 5: WAY FORWARD	5.1 – 5.4
Deployment of marketing resources	5.5 – 5.9
Audit recommendation	5.10
Response from the Hong Kong Tourism Board	5.11

Paragraph

Hong Kong Tourism Board's measures to rebuild tourism industry	5.12 – 5.17
Audit recommendation	5.18
Response from the Hong Kong Tourism Board	5.19

Appendices

Page

A : Hong Kong Tourism Board: Organisation chart (extract) (31 March 2020)	67
B : Procedures for drawing up Annual Business Plan and Budget and Work Plan	68
C : Acronyms and abbreviations	69

HONG KONG TOURISM BOARD: EFFORTS IN PROMOTING TOURISM

Executive Summary

1. The Hong Kong Tourism Board (HKTB) is a government-subvented body established in April 2001 under the HKTB Ordinance (Cap. 302). The primary responsibilities of HKTB are to market and promote Hong Kong as a destination worldwide, and to take initiatives to enhance visitors' experience when they arrive. The Board is the governing body of HKTB. The Board has appointed five Committees to oversee various aspects of HKTB's operations. As at 31 March 2020, HKTB had an establishment of 379 staff. The Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) is the Controlling Officer of the subvention granted to HKTB. In 2019-20, HKTB had a total income of \$869.3 million, which included government subvention of \$834.6 million. In the same year, HKTB had a total expenditure of \$865.2 million.

2. According to HKTB, since mid-2019, the social unrest in Hong Kong has brought about a negative impact on the performance of the tourism industry. Since January 2020, the outbreak of the coronavirus disease (COVID-19) has hard hit the tourism industry of Hong Kong and the world as a whole. In the period from January to August 2020, the number of visitor arrivals to Hong Kong was about 3.5 million, representing a drop of about 92% as compared to the same period in 2019. The Audit Commission (Audit) has recently conducted a review of HKTB. The findings are contained in this Audit Report and another one entitled "Hong Kong Tourism Board: Corporate governance and administrative issues" (Chapter 7 of the Director of Audit's Report No. 75). This Audit Report focuses on matters relating to mega events, marketing activities, the Quality Tourism Services (QTS) Scheme, and way forward.

Mega events

3. *Need to enhance effectiveness of open invitations for title sponsorship.* Audit examined 10 open invitations for title sponsorship for mega events completed in the period from 2014-15 to 2018-19 and noted that: (a) no expression of interest (EOI) was received for 5 (50%) invitations; (b) for some events, the timing of inviting title sponsorship varied from year to year; and (c) the time allowed for submission of EOI (i.e. number of days between the placing of the open invitation and the deadline

Executive Summary

for the submission) was short, ranging from 9 to 15 calendar days, averaging 12.8 calendar days (paras. 2.5 and 2.6).

4. ***Comprehensive event budgetary information not always provided when seeking approval of event implementation.*** Audit noted that for different mega events, event budgetary information of different levels of details was provided to the Product and Event (P&E) Committee in seeking approval for the 32 mega events completed in the period from 2015-16 to 2018-19. In 12 events, information on the proposed event budgets was provided. In 4 of the 12 events, detailed budgetary information with cost breakdown (e.g. covering the staging, marketing and promotion of the event) was also provided. In the remaining 20 events, no information on the proposed event budgets was provided (para. 2.10).

5. ***Need to draw lessons from “Hong Kong New Year Countdown Celebrations” for 2019-20.*** HKTb organised a digital countdown with lucky draw on 31 December 2019 because the fireworks could not be staged for the mega event “Hong Kong New Year Countdown Celebrations”. A number of major issues were encountered after the launch of the event website. For instance, many participants were unable to access the event website. In May 2020, the consultant appointed by HKTb completed a review on the lucky draw event and made 13 recommendations. HKTb needs to draw on the experience gained from the event with a view to preventing recurrence of similar deficiencies in organising other events in the future (paras. 2.11, 2.12 and 2.14).

6. ***Room for enhancing reporting of event performance to P&E Committee.*** HKTb uses a performance measurement framework with 11 performance indicators to measure the performance of its mega events. Upon the completion of a mega event, a post-event report including the achievement of performance indicators would be submitted to the P&E Committee for consideration. Audit noted that of the nine events completed in 2018-19: (a) the achievement in event awareness was only reported for one event; and (b) the actual expenditure was not reported to the P&E Committee for each event (paras. 2.17 and 2.18).

7. ***Need to improve the achievement of some performance indicators.*** Audit noted that for the mega events completed in the period from 2014-15 to 2018-19: (a) the visitor’s split of some events was on the low side. For instance, the visitor’s split of “e-Sports and Music Festival Hong Kong” was 9% in 2017-18 and 7% in 2018-19; and (b) the awareness of some events was decreasing. For example, while

Executive Summary

HKTB increased its spending on marketing and promoting “Hong Kong Wine and Dine Festival” by 59% from \$12.3 million in 2017-18 to \$19.5 million in 2018-19, the event awareness decreased from 33% to 28% over the same period (paras. 2.20 to 2.22).

8. *Need to explore new performance indicators useful for evaluating mega events.* Other than the 11 performance indicators used by HKTB to measure the performance of its mega events, there may be some other performance indicators useful to enhance HKTB’s performance evaluation of such events: (a) “number of non-locals” could supplement the shortcoming of the performance indicator “visitor’s split” and better reflect the situation where there was a growth in the number of non-locals but the “visitor’s split” was distorted by the disproportionate increase in local participants; and (b) while HKTB’s expenditure on its mega events was substantial (the gross expenditure on the staging, marketing and promotion of mega events amounted to \$289 million in 2018-19), HKTB had not established a mechanism to assess the effectiveness of such events in driving visitor spending and bringing economic benefits to Hong Kong (paras. 2.24 to 2.26).

Marketing activities

9. *Need to encourage the use of Funding Support for Small-sized Meeting, Incentive and Convention Groups (Funding Support for SMIC Groups).* The Funding Support for SMIC Groups aims at providing business building assistance for Hong Kong inbound tour operators to enhance their competitiveness in attracting small-sized Meeting, Incentive and Convention (MIC) businesses to Hong Kong. Audit found that for the period from 2016-17 to 2019-20: (a) the amount of funding utilised fell short of the targets by 20.6% in 2016-17, 1.6% in 2017-18, 20.2% in 2018-19 and 53.6% in 2019-20; and (b) the number of MIC overnight visitors benefitted fell short of the targets by 5.6% in 2016-17, 11.7% in 2018-19 and 53.9% in 2019-20 (paras. 3.4 and 3.5).

10. *Need to ensure collection of personal information complies with Personal Data (Privacy) Ordinance.* To apply for the Funding Support for SMIC Groups, an applicant has to submit the name, job title, email, telephone and mobile numbers of the applicant’s contact to HKTB. According to the Personal Data (Privacy) Ordinance (Cap. 486), all practicable steps shall be taken to ensure that the data subject is informed of the details relating to the purpose and manner of collection of personal

Executive Summary

data. However, Audit found that HKTB had not provided the applicants with such information (paras. 3.8 and 3.9).

11. ***Requirements of displaying commercial entities' names on HKTB's website not complied with.*** According to HKTB's requirements regarding the contents on its website (i.e. DiscoverHongKong.com), self-owned contents developed internally should not single out any specific restaurant or shop name and a disclaimer statement should be included in third-party contents. Audit examined 29 articles comprising 4 articles of self-owned contents and 25 articles of third-party contents and found that: (a) all the 4 articles of self-owned contents contained names of specific restaurants or shops; and (b) in 1 (4%) of the 25 articles of third-party contents, no disclaimer statement was included (paras. 3.17 and 3.18).

12. ***Need to require content partners of HKTB's website to avoid conflict of interest with commercial entities they featured.*** According to HKTB's guidelines, when working with content partners who would make recommendations of commercial entities, the contract between HKTB and the content partners would include a clause to avoid any conflict of interest between the content partners and the commercial entities featured. Audit found that in the period from 2014-15 to 2019-20, in 5 (71.4%) of the 7 partnership agreements, there was no documentary evidence showing that the partners were required to avoid conflict of interest between them and the commercial entities they featured (paras. 3.20 and 3.21).

Quality Tourism Services Scheme

13. ***Need to encourage merchants to participate in QTS Scheme.*** QTS Scheme aims to help visitors to identify quality tourism service providers and assist service providers in making continual improvements. Audit found that: (a) in the period from January 2015 to May 2020, the number of QTS accredited merchants decreased by 95 (7.5%) from 1,272 to 1,177 and the number of outlets operated by QTS accredited merchants decreased by 355 (4.3%) from 8,229 to 7,874; (b) as at 31 December 2019, of the 44,680 retailer outlets and 11,448 restaurant outlets, 6,059 (13.6%) and 2,113 (18.5%) respectively joined QTS Scheme; and (c) as at 31 December 2019, only 7 (0.5%) of the 1,520 licensed guesthouses (general) joined QTS Scheme (paras. 4.2, 4.4 and 4.5).

Executive Summary

14. *Need to take measures to encourage QTS accredited merchants to display valid decals.* Every QTS accredited merchant is entitled to display QTS decals at the shop front/visitor accommodation's prominent location showing the valid year of the accreditation. Audit conducted site visits to 30 QTS accredited merchants in June and July 2020 (1 outlet for each merchant) and found that: (a) 20 (66.7%) merchants did not display the decals at their outlets; and (b) 7 (23.3%) merchants displayed the expired decals of 2019 at their outlets instead of the decals of 2020 (paras. 4.9 and 4.10).

15. *Need to step up checking on fraudulent display of QTS decals and logos.* According to HKTb, display of QTS decals or logos by merchants having withdrawn from QTS Scheme is considered as fraudulent display. In the period from January 2019 to May 2020, 132 merchants withdrew from QTS Scheme. Audit conducted site visits to 10 of the 132 merchants in July 2020 and found that: (a) two (20%) merchants displayed QTS decals at the outlets; and (b) another (10%) merchant displayed QTS logo in its promotional material (para. 4.13).

Way forward

16. *Need to optimise the deployment of marketing resources.* HKTb focuses its marketing expenditure on 20 key source markets around the world. The 20 key source markets are classified into four market segments, namely the Mainland, short-haul markets, long-haul markets and emerging markets. Audit found that: (a) HKTb aimed to maintain a diverse market portfolio and balanced visitor mix. For the period from 2014 to 2020 (up to July), the visitor mix remained skewed. The market mix in the period was 65% to 69% of overnight visitor arrivals and 76% to 78% of total visitor arrivals were from the Mainland; and (b) for the period from 2014-15 to 2018-19, in 4 of the 20 key source markets, notwithstanding that there was an increase in marketing expenditure, the numbers of overnight visitor arrivals and total visitor arrivals decreased (paras. 5.3, 5.5 and 5.7).

17. *Need to closely monitor the latest situation in tourism development.* In the period from 2014 to 2018, the amount of tourism expenditure of overnight visitors decreased by \$27.4 billion (12.4%) from \$221 billion to \$193.6 billion and the per capita expenditure of overnight visitor decreased by \$1,346 (16.9%) from \$7,960 to \$6,614. Moreover, according to HKTb, the growing trend of visitor arrivals reversed in July 2019 with the social unrest in Hong Kong. The outbreak of COVID-19 since January 2020 has dealt an even more severe blow to the tourism

Executive Summary

industry in Hong Kong. To revitalise the tourism industry, various efforts have been made by the Government to explore with places which have stabilised their epidemic situation on how to resume cross-border travel in a gradual manner and establish mutual arrangements with them. Facing the new set of constraints and challenges, HKTb needs to closely monitor the latest situation of the challenges facing the tourism development in Hong Kong and take on board the observations and recommendations arising from this audit review in addressing the challenges and enhancing the work in promoting tourism in Hong Kong (paras. 5.12 and 5.15 to 5.17).

Audit recommendations

18. **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, HKTb should:**

Mega events

- (a) **set out the most appropriate timeframe of inviting title sponsorship for mega events and provide sufficient time for submission of EOI (para. 2.8);**
- (b) **enhance the information provided to the P&E Committee in seeking its approval for mega events (para. 2.15(a));**
- (c) **draw on the experience gained from the mega event “Hong Kong New Year Countdown Celebrations” for 2019-20 with a view to preventing recurrence of similar deficiencies (para. 2.15(b));**
- (d) **report the achievement in event awareness to the P&E Committee in the post-event reports on mega events and consider including in the post-event reports the actual expenditure on organising the mega events (para. 2.28(a) and (b));**
- (e) **improve the achievement of performance indicators of mega events and explore the desirability of adopting new performance indicators that are useful for evaluating mega events (para. 2.28(c));**

Executive Summary

Marketing activities

- (f) keep in view the need to step up efforts in encouraging inbound tour operators to make better use of the Funding Support for SMIC Groups (para. 3.10(a));
- (g) ensure that the collection of personal information from the applicants of the Funding Support for SMIC Groups complies with the requirements under the Personal Data (Privacy) Ordinance (para. 3.10(b));
- (h) ensure that commercial entities' names are displayed on HKTb's website according to the requirements (para. 3.22(b));
- (i) require content partners of HKTb's website to avoid conflict of interest with commercial entities they featured (para. 3.22(c));

QTS Scheme

- (j) keep in view the effectiveness of the promotion efforts of QTS Scheme and encourage merchants to participate in the Scheme (para. 4.7);
- (k) encourage QTS accredited merchants to display valid QTS decals and step up the checking on fraudulent display of decals and logos (para. 4.15(a) and (b));

Way forward

- (l) optimise the deployment of marketing resources (para. 5.10); and
- (m) closely monitor the latest situation of the challenges facing the tourism development in Hong Kong and take on board the observations and recommendations arising from this audit review in addressing the challenges and enhancing the work in promoting tourism in Hong Kong (para. 5.18).

Executive Summary

Response from the Hong Kong Tourism Board

19. The Executive Director, HKTb appreciates the effort made by Audit in conducting this review. He has said that HKTb takes very seriously the recommendations in the two Audit Reports and has carried out significant follow-up actions.

PART 1: INTRODUCTION

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

Background

1.2 Tourism is one of the four key industries in Hong Kong (Note 1). According to the Census and Statistics Department, in 2018, the tourism industry accounted for about 4.5% of Hong Kong's Gross Domestic Product and employed around 257,000 people, or about 6.6% of the total employment.

1.3 The Hong Kong Tourism Board (HKTB) is a government-subvented body established in April 2001 under the HKTB Ordinance (Cap. 302) by reconstituting from the then Hong Kong Tourist Association (HKTA – Note 2). According to the HKTB Ordinance, the objects of HKTB are:

- (a) to endeavour to increase the contribution of tourism to Hong Kong;
- (b) to promote Hong Kong globally as a leading international city in Asia and a world class tourist destination;
- (c) to promote the improvement of facilities for visitors;
- (d) to support the Government in promoting to the community the importance of tourism;

Note 1: *The four key industries are trading and logistics, financial services, professional services and other producer services, and tourism. In 2018, they accounted for 21.2%, 19.8%, 11.9% and 4.5% of Hong Kong's Gross Domestic Product respectively.*

Note 2: *HKTA was set up as a membership organisation in 1957. Subsequent to the completion of the Strategic Organisation Review in 1999, the Board of Management of HKTA decided to abolish the membership system of HKTA and reconstitute it into HKTB. The HKTB Ordinance was enacted in March 2001 to effect these changes.*

Introduction

- (e) to support, as appropriate, the activities of persons providing services for visitors to Hong Kong; and
- (f) to make recommendations to and advise the Chief Executive (CE) of the Hong Kong Special Administrative Region in relation to any measures which may be taken to further any of the foregoing matters.

Governance and organisation structure of HKTB

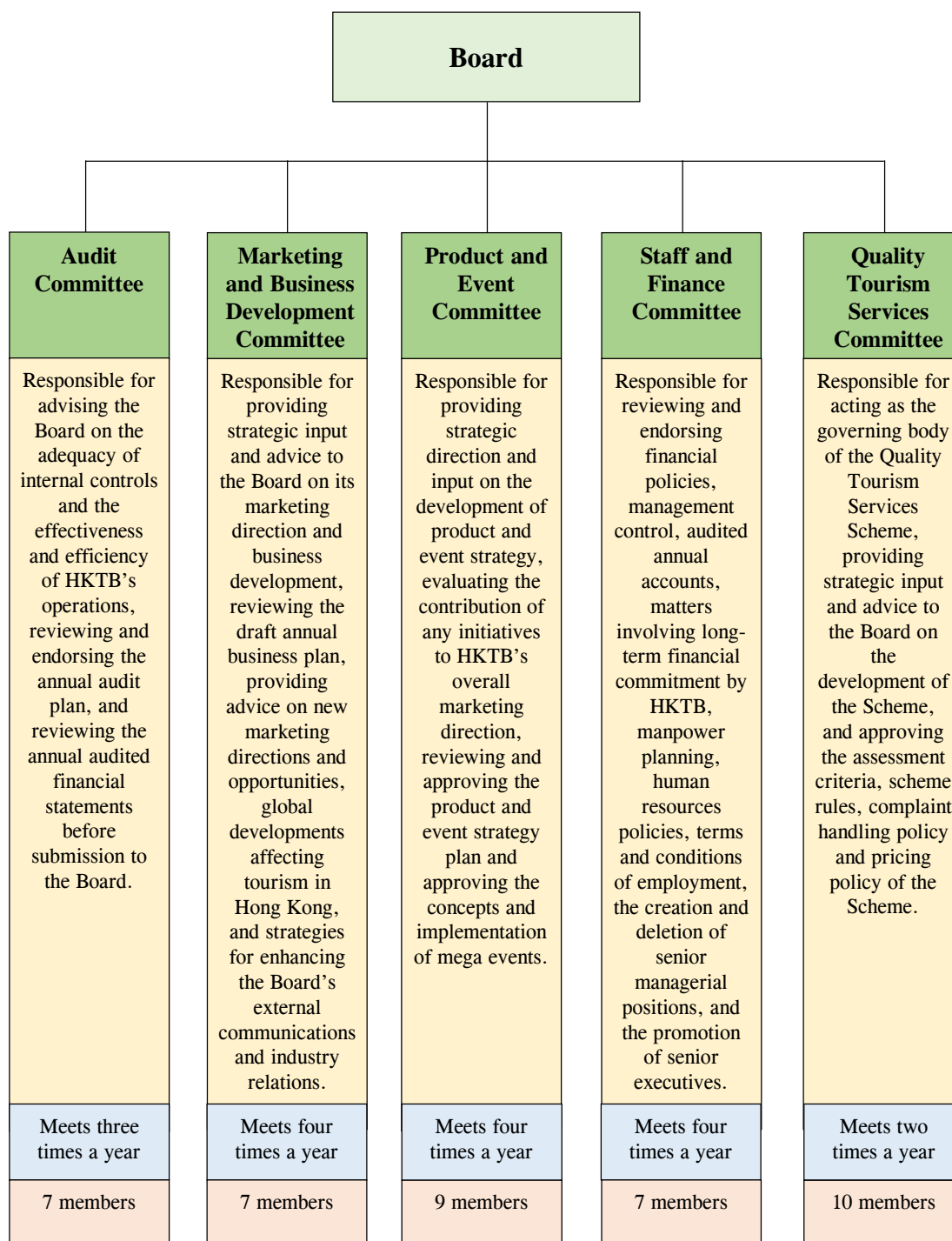
1.4 The Board is the governing body of HKTB and meets every two months. According to the HKTB Ordinance, the Board shall consist of 20 members (including the Chairman) (Note 3) appointed by CE (Note 4). The Board has appointed five Committees to oversee various aspects of HKTB's operations and provide advice to the Board on corporate governance matters arising from the Committees' work. The responsibilities, meeting frequencies and numbers of members of the Committees are shown in Figure 1.

Note 3: *According to the HKTB Ordinance, of the 20 Board members, two shall be passenger carriers, two shall be hotel operators, one shall be a licensed travel agent, one shall be a tour operator, one shall be a retailer and one shall be a restaurant operator. The Commissioner for Tourism (see para. 1.6) is the Deputy Chairman of the Board and is also a member of each of the five Committees of HKTB. As at 31 March 2020, the other 11 members comprised individuals from different sectors including legal, banking, business and entertainment.*

Note 4: *The authority for CE to appoint members of the Board has been delegated to the Financial Secretary.*

Figure 1

**Committees under the Board
(31 March 2020)**



Source: HKTb records

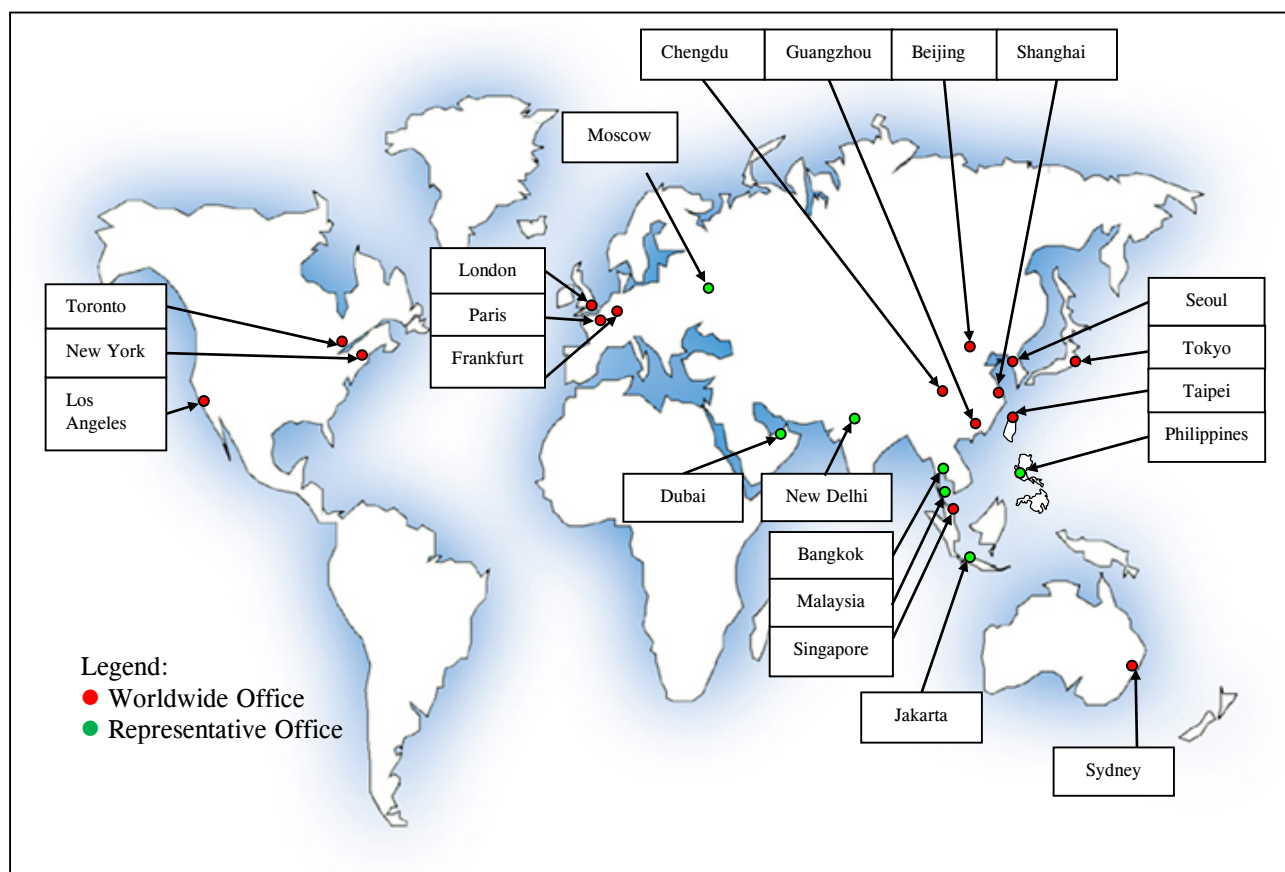
Remarks: The number of members of each Committee in this figure included the Chairman of the Committee.

Introduction

1.5 Under the HKTB Ordinance, the Board has the power to appoint an Executive Director (ED) to be the chief administrative officer, and other staff, agents or contractors. As at 31 March 2020, HKTB had an establishment of 379 staff, comprising 245 staff of its Hong Kong Head Office and 134 staff of its 15 Worldwide Offices. Apart from the Worldwide Offices, HKTB also had seven Representative Offices to answer enquiries from the travel trade, media and consumers (see Figure 2). The operations of the Representative Offices are outsourced to external parties. An organisation chart is shown at Appendix A.

Figure 2

**Global network of Worldwide Offices and Representative Offices
(31 March 2020)**



Source: Audit analysis of HKTB records

Relationship between HKTB and Government

1.6 The primary responsibilities of HKTB are to market and promote Hong Kong as a destination worldwide, and to take initiatives to enhance visitors' experience when they arrive. The Commerce and Economic Development Bureau (CEDB) is responsible for overseeing the operation of HKTB. The Tourism Commission (TC) under CEDB formulates and coordinates the implementation of policies, strategies and plans for tourism development. TC also leads and coordinates the work of government bureaux and departments on policies and initiatives which have an impact on tourism development. TC is headed by the Commissioner for Tourism. It works closely with HKTB and other organisations to promote the development of tourism in Hong Kong.

Sources of income

1.7 The major sources of income of HKTB are:

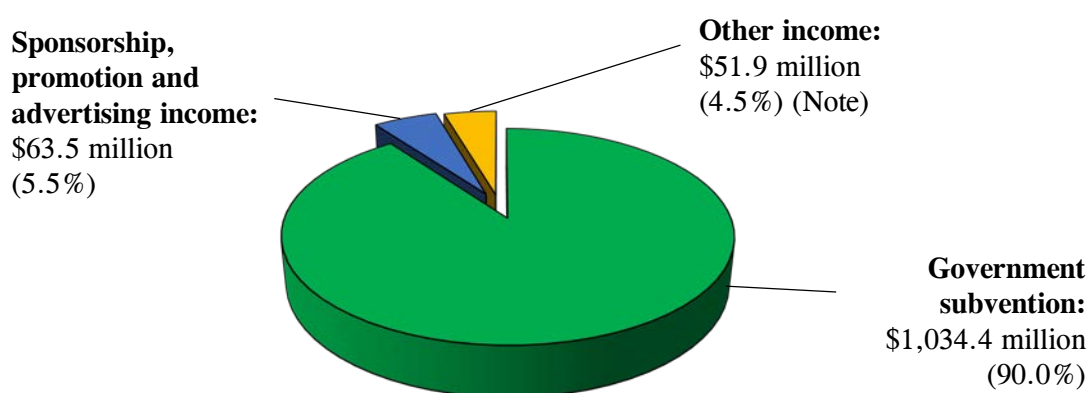
- (a) ***Government subvention.*** Government subvention is the principal source of HKTB's income. The Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) is the Controlling Officer of the subvention granted to HKTB. According to the Controlling Officer's Report (COR), the aim of subvention to HKTB was to promote inbound tourism and maximise the socio-economic contribution that tourism made to Hong Kong;
- (b) ***Sponsorship, promotion and advertising income.*** This includes:
 - (i) sponsorship for funding mega events (see para. 2.4), activities and communication materials; and
 - (ii) revenue from advertisements in its publications and website, as well as in the venue of mega events organised by HKTB; and
- (c) ***Other income.*** This mainly includes interest income and fees collected for HKTB's services. For instance, HKTB collects fees from participating merchants of the Quality Tourism Services Scheme.

Income and expenditure

1.8 In 2018-19 and 2019-20, HKTB's income was \$1,149.8 million and \$869.3 million respectively (see Figures 3 and 4). In 2018-19 and 2019-20, HKTB's expenditure was \$1,146 million and \$865.2 million respectively (see Figures 5 and 6).

Figure 3

**Analysis of total income of \$1,149.8 million of HKTB
(2018-19)**

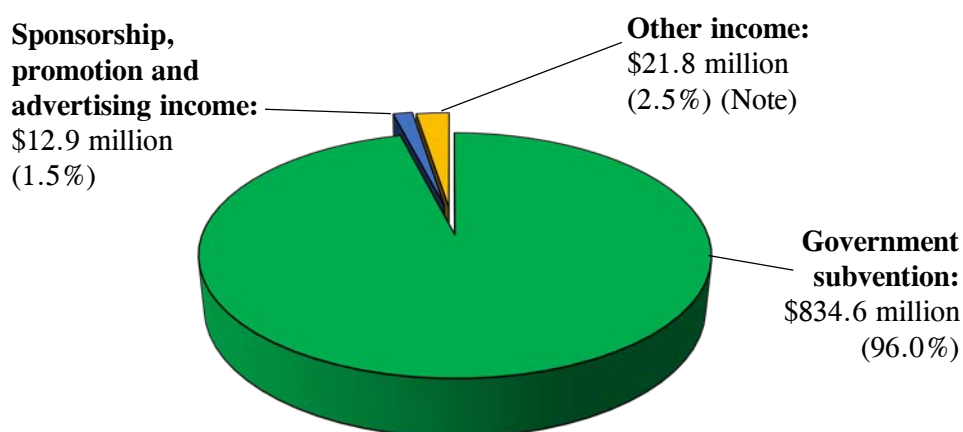


Source: Audit analysis of HKTB's financial statements

Note: Other income was mainly interest income and service fees.

Figure 4

**Analysis of total income of \$869.3 million of HKTB
(2019-20)**

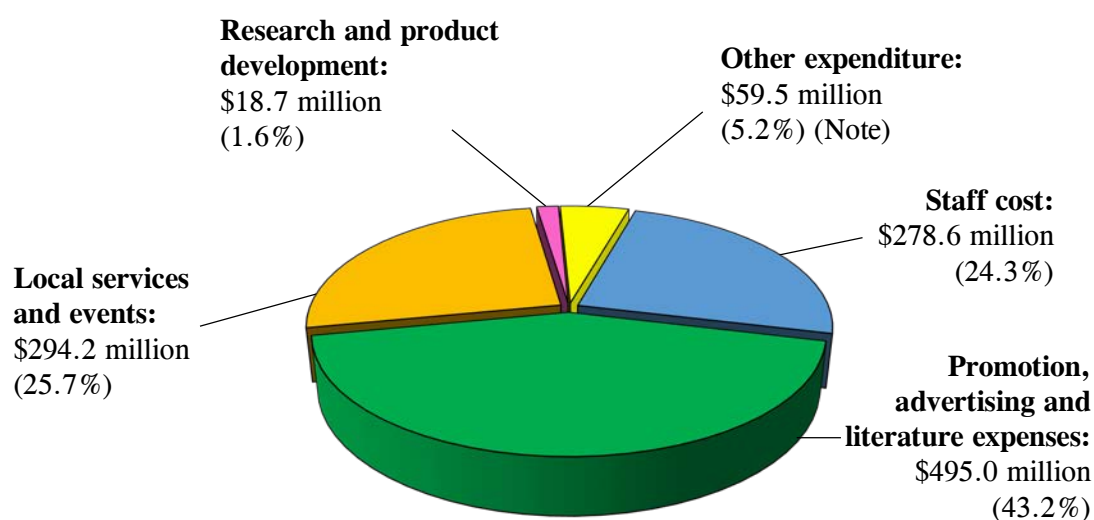


Source: Audit analysis of HKTB's financial statements

Note: Other income was mainly interest income and service fees.

Figure 5

**Analysis of total expenditure of \$1,146 million of HKTB
(2018-19)**

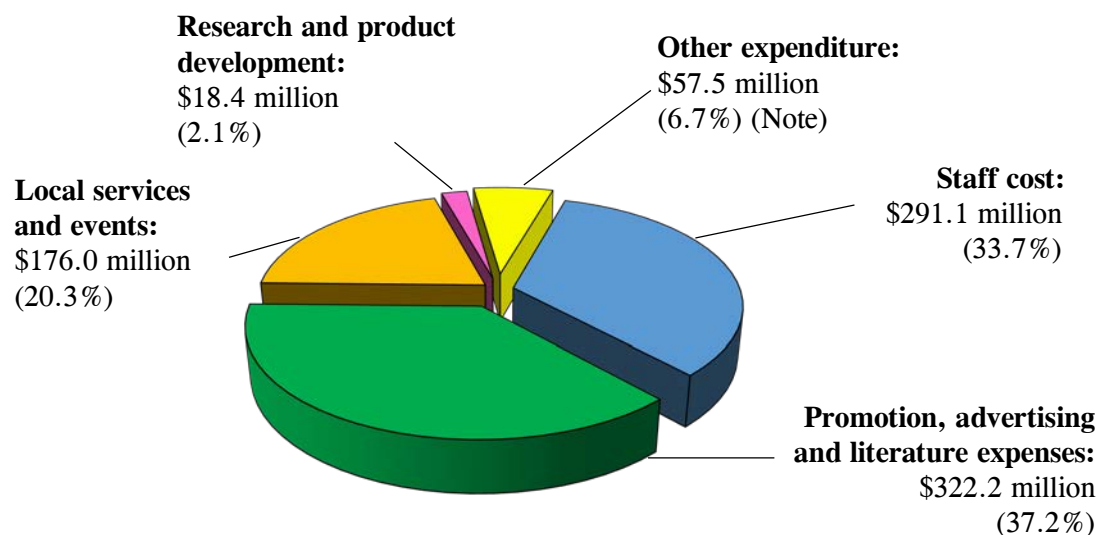


Source: Audit analysis of HKTB's financial statements

Note: Other expenditure included rent, rates, management fees, depreciation, auditor's remuneration, etc.

Figure 6

**Analysis of total expenditure of \$865.2 million of HKTB
(2019-20)**



Source: Audit analysis of HKTB's financial statements

Note: Other expenditure included rent, rates, management fees, depreciation, auditor's remuneration, etc.

Performance of tourism industry

1.9 CEDB reports the performance of the tourism industry in COR under five indicators (see Table 1):

- (a) visitor arrivals;
- (b) length of stay of overnight visitors;
- (c) satisfaction of overnight visitors;
- (d) per capita expenditure of overnight visitor; and
- (e) tourism expenditure associated with inbound tourism.

Table 1

**Performance of tourism industry in Hong Kong
(2014 to 2019)**

Performance indicator	2014	2015	2016	2017	2018	2019 (Note)
Visitor arrivals (million)	60.8	59.3	56.7	58.5	65.1	55.9
Length of stay of overnight visitors (night)	3.3	3.3	3.3	3.2	3.1	3.3
Satisfaction of overnight visitors (score out of 10)	8.2	8.2	8.3	8.4	8.6	8.5
Per capita expenditure of overnight visitor (\$)	7,960	7,234	6,599	6,443	6,614	5,820
Tourism expenditure associated with inbound tourism (\$ billion)	359.0	332.3	296.2	296.7	328.2	259.8

Source: CORs of CEDB

Note: According to HKTB, the performance of the tourism industry in 2019 was adversely affected by the social unrest in Hong Kong.

1.10 According to HKTB, since mid-2019, the social unrest in Hong Kong has brought about a negative impact on the performance of the tourism industry (see Table 1). Since January 2020, the outbreak of the coronavirus disease (COVID-19) has hard hit the tourism industry of Hong Kong and the world as a whole. In response to the outbreak of COVID-19, many governments have imposed various stringent travel restrictions and quarantine measures. In the period from January to August 2020, the number of visitor arrivals to Hong Kong was about 3.5 million, representing a drop of about 92% as compared to the same period in 2019.

Audit review

1.11 In May 2020, the Audit Commission (Audit) commenced a review of HKTb. The findings of this audit review are contained in two separate Audit Reports, as follows:

- (a) “Hong Kong Tourism Board: Efforts in promoting tourism” (the subject matter of this Audit Report); and
- (b) “Hong Kong Tourism Board: Corporate governance and administrative issues” (Chapter 7 of the Director of Audit’s Report No. 75).

1.12 This Audit Report focuses on the following areas:

- (a) mega events (PART 2);
- (b) marketing activities (PART 3);
- (c) Quality Tourism Services Scheme (PART 4); and
- (d) way forward (PART 5).

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 Hong Kong Tourism Board

1.13 ED, HKTb appreciates the effort made by Audit in conducting this review. He has said that:

- (a) HKTb takes very seriously the recommendations in the two Audit Reports and has carried out significant follow-up actions;
- (b) HKTb will continue to make every effort to constantly review and strengthen its corporate guidelines and procedures to ensure optimal use of public resources; and

- (c) COVID-19 has transformed the global tourism landscape. HKTb has started to conduct a holistic and thorough review of Hong Kong's status and position in the worldwide industry, including its strategies for investment, meetings, incentives, conventions and exhibitions (MICE) events, cruise tourism and mega events, with the objective of revitalising the Hong Kong tourism brand and driving sustainable, long-term tourism growth.

General response from the Government

1.14 The Secretary for Commerce and Economic Development agrees with the audit recommendations.

Acknowledgement

1.15 During the audit review, in light of the outbreak of COVID-19, the Government and HKTb had implemented various special work arrangements and targeted measures for their employees, including working from home. Audit would like to acknowledge with gratitude the full cooperation of the staff of CEDb and HKTb during the course of the audit review amid the COVID-19 epidemic.

PART 2: MEGA EVENTS

2.1 This PART examines HKTB's organisation of mega events, focusing on the following areas:

- (a) solicitation of sponsorship (paras. 2.4 to 2.9);
- (b) staging of mega events (paras. 2.10 to 2.16); and
- (c) evaluation of performance of mega events (paras. 2.17 to 2.29).

Background

2.2 HKTB stages various mega events to strengthen Hong Kong as the Events Capital of Asia, induce visitor arrivals, raise visitor satisfaction with unique Hong Kong experience and ultimately bring economic benefits to Hong Kong (see Table 2). The purposes of mega events are to:

- (a) ***Build awareness.*** Build destination awareness in source markets;
- (b) ***Reinforce image.*** Raise international profile and reinforce image through event experience;
- (c) ***Enhance satisfaction.*** Enrich visitors' experience and enhance satisfaction during the stay in the city, contribute to building relation and bonding with visitors, and result in repeat visits in subsequent years;
- (d) ***Drive spending.*** Provide incremental spending opportunities; and
- (e) ***Build community.*** As vehicles to foster local pride and community building.

Table 2

**Mega events organised by HKTB
(2014-15 to 2018-19)**

Mega event		2014-15	2015-16	2016-17	2017-18	2018-19
1	A Symphony of Lights	No (Note 1)	No (Note 1)	No (Note 1)	Yes	Yes
2	e-Sports and Music Festival Hong Kong	No (Note 2)	No (Note 2)	No (Note 2)	Yes	Yes
3	Hong Kong Cyclothon	No (Note 3)	Yes	Yes	Yes	Yes
4	Hong Kong Dragon Boat Carnival	Yes	Yes	Yes	Yes	Yes
5	Hong Kong New Year Countdown Celebrations	Yes	Yes	Yes	Yes	Yes
6	Hong Kong Pulse Light Festival	Yes	Yes	Yes	Yes	Yes
7	Hong Kong Wine and Dine Festival	Yes	Yes	Yes	Yes	Yes
8	Hong Kong WinterFest (Christmas Tree)	Yes	Yes	Yes	Yes	Yes
9	International Chinese New Year Night Parade	Yes	Yes	Yes	Yes	Yes

Source: Audit analysis of HKTB records

Note 1: "A Symphony of Lights" is run by TC. HKTB has been engaged to revamp and update the show since 2017-18.

Note 2: "e-Sports and Music Festival Hong Kong" was first organised in 2017-18.

Note 3: "Hong Kong Cyclothon" was first organised in 2015-16.

2.3 Over the years, Hong Kong has won many recognitions as a top travel destination in the world by international media as well as key media in source markets, leading travel portals and travel industry organisations. For instance, Hong Kong won “Ultimate Asia Experience” and “Most Attractive Tourist Destination Award” in 2019. According to HKTb, organising mega events is the key contributing success factor.

Solicitation of sponsorship

2.4 HKTb solicits commercial sponsorship in the forms of cash sponsorship and in-kind sponsorship to support mega events. Sponsorship reduces the gross investment by HKTb on mega events, maximises the impact of the events by tapping into sponsoring partners’ network and resources, and creates a platform for private and public sector partnership. In the period from 2014-15 to 2018-19:

- (a) ***Cash sponsorship.*** The amount of cash sponsorship received by HKTb increased by \$24.59 million (120%) from \$20.52 million in 2014-15 to \$45.11 million in 2018-19 after reaching a peak of \$49.93 million in 2017-18. According to HKTb, the drop in 2018-19 was due to the changed format of an event which involved a lower budget and subsequently a lower amount of sponsorship comparing with the previous year; and
- (b) ***In-kind sponsorship.*** The amount of in-kind sponsorship received by HKTb increased by \$27.99 million (258%) from \$10.83 million in 2014-15 to \$38.82 million in 2018-19. Examples of in-kind sponsorship included complimentary hotel room nights, air tickets and bottled water.

Need to enhance effectiveness of open invitations for title sponsorship

2.5 It is stipulated in HKTb’s internal guidelines on sponsorship solicitation that placement of invitation for title sponsorship for individual event should be posted on one English and one Chinese newspapers as well as on its website (i.e. DiscoverHongKong.com) (see para. 3.12(a)). HKTb also makes courtesy calls to explore sponsorship opportunities. Audit examined 10 open invitations for title sponsorship for mega events completed in the period from 2014-15 to 2018-19 and noted that the responses were as follows:

- (a) no expression of interest (EOI) was received for 5 (50%) invitations;
- (b) only one EOI was received for each of 3 (30%) invitations; and
- (c) two and three EOIs were received respectively for the remaining 2 (20%) invitations.

2.6 Audit analysed the timing of placing invitation and the submission time allowed for the 10 open invitations for title sponsorship and noted the following:

- (a) ***Timing of placing open invitations varied from year to year.*** HKTB organised mega events on a yearly basis around the same time of the year. However, for some mega events, the timing of placing open invitations for title sponsorship varied from year to year. For example:
 - (i) open invitations for title sponsorship for “Hong Kong New Year Countdown Celebrations” for 2016-17 and 2017-18 were placed 7.5 months and 13.3 months respectively prior to the tentative dates of the event; and
 - (ii) open invitations for title sponsorship for “Hong Kong WinterFest (Christmas Tree)” for 2014-15, 2016-17 and 2017-18 were placed 8 months, 6.5 months and 12.3 months respectively prior to the tentative dates of the event; and
- (b) ***Short time allowed for submission of EOI.*** The time allowed for submission of EOI (i.e. number of days between the placing of the open invitation and the deadline for the submission) was short, ranging from 9 to 15 calendar days, averaging 12.8 calendar days.

2.7 In Audit’s view, the varying timing of placing open invitations from year to year and the short time allowed for submission of EOI might not be conducive to attracting potential sponsors to submit EOI. To enhance the effectiveness of the open invitations for title sponsorship with a view to attracting sponsorship offers, Audit considers that HKTB needs to set out the most appropriate timeframe of inviting title sponsorship for mega events and provide sufficient time for submission of EOI.

Audit recommendation

2.8 Audit has *recommended* that ED, HKTB should set out the most appropriate timeframe of inviting title sponsorship for mega events and provide sufficient time for submission of EOI.

Response from the Hong Kong Tourism Board

2.9 ED, HKTB agrees with the audit recommendation. He has said that:

- (a) as different potential sponsors have different areas of interest and considerations for sponsorship, HKTB strategically places one advertisement for invitation which covers a number of events of different natures and promotional windows grouped together to attract sponsors. As such, timing for placing related invitations varied from year to year; and
- (b) HKTB will standardise the timeframe for placing open invitation for the title sponsorship of events, and provide a longer time for the submission of EOI.

Staging of mega events

Comprehensive event budgetary information not always provided when seeking approval of event implementation

2.10 Audit examined the 32 mega events completed in the period from 2015-16 to 2018-19 and noted that for different mega events, event budgetary information of different levels of details was provided to the Product and Event (P&E) Committee in seeking approval for implementing the events. In 12 events, information on the proposed event budgets was provided. In 4 of the 12 events, detailed budgetary information with cost breakdown (e.g. covering the staging, marketing and promotion of the event) was also provided. In the remaining 20 events, no information on the proposed event budgets was provided. Details are as follows (see Table 3):

- (a) **2015-16.** In five of the seven mega events completed, information on the proposed event budgets was provided. In three of the five events, detailed budgetary information with cost breakdown was also provided;

- (b) **2016-17.** In three of the seven mega events completed, information on the proposed event budgets was provided. In one of the three events, detailed budgetary information with cost breakdown was also provided;
- (c) **2017-18.** In four of the nine mega events completed, information on the proposed event budgets was provided. However, in all the four events, detailed budgetary information with cost breakdown was not provided; and
- (d) **2018-19.** No information on the proposed event budgets was provided in all the nine mega events completed.

Mega events

Table 3

**Provision of event budgetary information to P&E Committee
when seeking approval of event implementation
(2015-16 to 2018-19)**

Mega event	Event budgetary information			
	2015-16	2016-17	2017-18	2018-19
A Symphony of Lights	— (Note 1)	— (Note 1)	✓	×
e-Sports and Music Festival Hong Kong	— (Note 2)	— (Note 2)	×	×
Hong Kong Cyclothon	✓	×	×	×
Hong Kong Dragon Boat Carnival	✓	×	×	×
Hong Kong New Year Countdown Celebrations	✓	✓	✓	×
Hong Kong Pulse Light Festival	✓	✓	✓	×
Hong Kong Wine and Dine Festival	×	×	×	×
Hong Kong WinterFest (Christmas Tree)	✓	✓	✓	×
International Chinese New Year Night Parade	×	×	×	×

Legend: ✓ Event budgetary information provided with detailed cost breakdown
 ✓ Event budgetary information provided without detailed cost breakdown
 × Event budgetary information not provided

Source: Audit analysis of HKTb records

Note 1: “A Symphony of Lights” is run by TC. HKTb has been engaged to revamp and update the show since 2017-18.

Note 2: “e-Sports and Music Festival Hong Kong” was first organised in 2017-18.

To facilitate the P&E Committee in its consideration of granting approval for mega events, Audit considers that HKTb needs to take measures to enhance the information provided to the Committee in seeking its approval for mega events.

Need to draw lessons from “Hong Kong New Year Countdown Celebrations” for 2019-20

2.11 On 2 December 2019, in discussing the staging of the mega event “Hong Kong New Year Countdown Celebrations” for 2019-20, HKTb considered that a contingency plan with no mass public gathering was necessary if the new year countdown fireworks could not be staged in view of the social situation and public safety concerns. It was agreed that a digital countdown with lucky draw should be further explored. On 9 December 2019, HKTb confirmed the cancellation of the main fireworks and decided to proceed with the lucky draw event. On 13 December 2019, due to tight timeframe, HKTb adopted single tendering to invite a supplier as the event manager. On 18 December 2019, the contract was awarded to the supplier. The lucky draw event comprised the “Play & Draw Games” (to play for the chance to win a supermarket coupon) and the “Grand Lucky Draw” on the event day of 31 December 2019. On 31 December 2019, after the launch of the event website at 6 pm, a number of major issues were encountered:

- (a) many participants were unable to access the event website;
- (b) the participants could not receive verification code emails because several major email providers blocked the emails sent from the event website;
- (c) the event website was blacklisted by cyber security service providers and reported as unsafe; and
- (d) the participants could not enter into the “Play & Draw Games”, nor obtain ticket numbers for the “Grand Lucky Draw”.

2.12 In May 2020, the consultant appointed by HKTb completed a review on the lucky draw event and issued the review report with 13 recommendations on the areas of procurement, protection of personal data, system design, development and testing, assurance of event fairness and contingency planning. The recommendations covered:

- (a) areas that HKTb management should consider when undertaking similar events in the future; and

Mega events

- (b) areas that would typically be addressed by the event manager but instead were not effectively executed by the supplier.

2.13 In response to Audit's enquiry, HKTb informed Audit in September 2020 that while it had no plan to organise an online lucky draw again in the near future, it would take on board the recommendations made in the review report in relevant events in future.

2.14 Audit recognises that the implementation of the lucky draw event was subject to a very tight timeframe. There was less than one month when the event idea was first conceived on 2 December 2019 before the event was launched on 31 December 2019. Audit considers that HKTb needs to draw on the experience gained from the mega event "Hong Kong New Year Countdown Celebrations" for 2019-20 with a view to preventing recurrence of similar deficiencies in organising other events in the future.

Audit recommendations

2.15 **Audit has *recommended* that ED, HKTb should:**

- (a) **take measures to enhance the information provided to the P&E Committee in seeking its approval for mega events; and**
- (b) **draw on the experience gained from the mega event "Hong Kong New Year Countdown Celebrations" for 2019-20 with a view to preventing recurrence of similar deficiencies in organising other events in the future.**

Response from the Hong Kong Tourism Board

2.16 ED, HKTb agrees with the audit recommendations. He has said that:

- (a) HKTb will enhance the information provided to the P&E Committee in seeking its approval for mega events, including more budgetary details; and

- (b) HKTB will learn from the experience of the mega event “Hong Kong New Year Countdown Celebrations” for 2019-20 and take actions to prevent similar incidents in future events.

Evaluation of performance of mega events

2.17 HKTB uses a performance measurement framework with the following 11 performance indicators to measure the performance of its mega events:

- (a) event awareness;
- (b) event satisfaction;
- (c) destination image of Hong Kong;
- (d) enhanced satisfaction about Hong Kong due to the event;
- (e) likelihood of participating in similar event in next visit to Hong Kong;
- (f) recommend event to friends and relatives;
- (g) satisfaction of Hong Kong trip;
- (h) revisit Hong Kong intention;
- (i) recommendation of Hong Kong to friends and relatives;
- (j) visitor’s split (i.e. percentage of non-locals in the event attendance); and
- (k) perception of event as an Asia’s signature event.

Room for enhancing performance reporting of mega events to P&E Committee

2.18 Upon the completion of a mega event, a post-event report including the achievement of performance indicators would be submitted to the P&E Committee for consideration. Audit examined the post-event reports submitted to the P&E Committee for the nine mega events completed in 2018-19 and noted room for improvement:

- (a) ***Achievement in event awareness not reported.*** Audit noted that the achievement in event awareness was only reported for one (“e-Sports and Music Festival Hong Kong”) of the nine mega events; and
- (b) ***Actual expenditure not reported.*** Audit noted that the actual expenditure was not reported to the P&E Committee for each of the nine mega events. In September 2018, in a meeting of the P&E Committee, the Committee discussed the post-event report for “e-Sports and Music Festival Hong Kong” for 2018-19, and TC requested a breakdown of expenses for the event. In response, HKTb provided the breakdown to TC in January 2019 but not the P&E Committee.

2.19 Audit considers that event awareness and actual expenditure could provide useful information for the evaluation of the cost-effectiveness of mega events and HKTb needs to:

- (a) report the achievement in event awareness to the P&E Committee in the post-event reports on mega events; and
- (b) consider including in the post-event reports the actual expenditure on organising the mega events.

Need to improve the achievement of some performance indicators

2.20 Audit examined the achievement of performance indicators of the mega events completed in the period from 2014-15 to 2018-19 and noted room for improvement in the achievement of two performance indicators, namely “visitor’s

split” (i.e. percentage of non-locals in the event attendance) and “event awareness” (see paras. 2.21 to 2.23).

2.21 *Visitor’s split of some mega events on the low side.* One of the key objectives of organising mega events is to drive visitor arrivals. HKTB uses the performance indicator “visitor’s split” (see para. 2.17(j)) to monitor the achievement of this objective. In the period from 2014-15 to 2018-19, the visitor’s split of some mega events was on the low side (see Table 4):

- (a) visitor’s split of “e-Sports and Music Festival Hong Kong” was 9% in 2017-18 and 7% in 2018-19 (Note 5); and
- (b) visitor’s split of “Hong Kong Wine and Dine Festival” was 8.5% in 2014-15, 8% in 2015-16 and 2016-17, and 11% in 2017-18 and 2018-19.

Note 5: *The visitor’s split of “e-Sports and Music Festival Hong Kong” further dropped to 4% in 2019-20.*

Mega events

Table 4

**Visitor's split of mega events
(2014-15 to 2018-19)**

Mega event	2014-15 (%)	2015-16 (%)	2016-17 (%)	2017-18 (%)	2018-19 (%)
A Symphony of Lights	— (Note 1)	— (Note 1)	— (Note 1)	80	89
e-Sports and Music Festival Hong Kong	— (Note 2)	— (Note 2)	— (Note 2)	9	7
Hong Kong Cyclothon	— (Note 3)	19	33.4	29.8	40
Hong Kong Dragon Boat Carnival	29	— (Note 4)	17	22	24
Hong Kong New Year Countdown Celebrations	— (Note 4)	— (Note 4)	— (Note 4)	— (Note 4)	— (Note 4)
Hong Kong Pulse Light Festival	43	52	44	41	31
Hong Kong Wine and Dine Festival	8.5	8	8	11	11
Hong Kong WinterFest (Christmas Tree)	— (Note 4)	— (Note 4)	— (Note 4)	— (Note 4)	26
International Chinese New Year Night Parade	47.5	49.9	52.4	53.3	54.4

Source: HKTB records

Note 1: "A Symphony of Lights" is run by TC. HKTB has been engaged to revamp and update the show since 2017-18.

Note 2: "e-Sports and Music Festival Hong Kong" was first organised in 2017-18.

Note 3: "Hong Kong Cyclothon" was first organised in 2015-16.

Note 4: HKTB did not measure the visitor's split of the events.

2.22 *Awareness of some mega events was decreasing.* Event awareness is a performance indicator for assessing the effectiveness of HKTb's efforts in marketing and promoting mega events to visitors (see para. 2.17(a)). Audit noted that in the period from 2014-15 to 2018-19, the awareness of some mega events was decreasing (see Table 5):

- (a) the awareness of "Hong Kong Dragon Boat Carnival" decreased from 58% in 2014-15 to 37% in 2018-19 after reaching a peak of 75% in 2015-16;
- (b) the awareness of "International Chinese New Year Night Parade" decreased from 41% in 2014-15 to 29% in 2018-19; and
- (c) while HKTb increased its spending on marketing and promoting "Hong Kong Wine and Dine Festival" by 59% from \$12.3 million in 2017-18 to \$19.5 million in 2018-19, the event awareness decreased from 33% to 28% over the same period.

Mega events

Table 5

**Event awareness of mega events
(2014-15 to 2018-19)**

Mega event	2014-15 (%)	2015-16 (%)	2016-17 (%)	2017-18 (%)	2018-19 (%)
A Symphony of Lights	— (Note 1)	— (Note 1)	— (Note 1)	— (Note 4)	— (Note 4)
e-Sports and Music Festival Hong Kong	— (Note 2)	— (Note 2)	— (Note 2)	23	12
Hong Kong Cyclothon	— (Note 3)	22	29	22	25
Hong Kong Dragon Boat Carnival	58	75	42	32	37
Hong Kong New Year Countdown Celebrations	— (Note 4)	— (Note 4)	71	67	59
Hong Kong Pulse Light Festival	22	26	— (Note 4)	— (Note 4)	— (Note 4)
Hong Kong Wine and Dine Festival	— (Note 4)	29	26	33	28
Hong Kong WinterFest (Christmas Tree)	77	76	— (Note 4)	— (Note 4)	71
International Chinese New Year Night Parade	41	36	36	37	29

Source: HKTB records

Note 1: “A Symphony of Lights” is run by TC. HKTB has been engaged to revamp and update the show since 2017-18.

Note 2: “e-Sports and Music Festival Hong Kong” was first organised in 2017-18.

Note 3: “Hong Kong Cyclothon” was first organised in 2015-16.

Note 4: HKTB did not measure the awareness of the events.

2.23 Audit considers that HKTB needs to take measures to improve the achievement of performance indicators of mega events.

Need to explore new performance indicators useful for evaluating mega events

2.24 HKTB uses 11 performance indicators (see para. 2.17) to measure the performance of its mega events. Audit noted that there may be some other performance indicators useful to enhance HKTB's performance evaluation of mega events (see paras. 2.25 to 2.27).

2.25 ***Number of non-locals.*** In November 2018, in a meeting of the Audit Committee, members discussed the results of a study conducted by HKTB on "Hong Kong Wine and Dine Festival" and "Hong Kong Pulse Light Festival". Members concurred with a recommendation of the study on tracking the number of non-locals in addition to the ratio of non-locals versus total participants (i.e. "visitor's split") that HKTB had been tracking as a performance indicator for the two events. In September 2020, in response to Audit's enquiry, HKTB informed Audit that:

- (a) the recommendation was meant to supplement the shortcoming of "visitor's split". The number of non-locals served to explain the situation where there was a growth in the number of non-locals compared to past year but the "visitor's split" was distorted by the disproportionate increase in local participants; and
- (b) HKTB had planned to provide the measurement as a supplementary information in reporting the "visitor's split" for "Hong Kong Wine and Dine Festival" and "Hong Kong Pulse Light Festival" in future.

Audit noted that HKTB had collected information on event attendance for many of its events (Note 6), and the number of non-locals can be derived by multiplying the event attendance by the "visitor's split". In Audit's view, the number of non-locals could be provided as a useful performance indicator for all mega events.

2.26 ***Effectiveness of mega events in driving visitor spending.*** HKTB stages different mega events to strengthen Hong Kong as the Events Capital of Asia, and ultimately bring economic benefits to Hong Kong. Audit noted that:

Note 6: *HKTB relies on attendance count performed by the Police or the security company of the event for the purpose of event management as opposed to performance evaluation.*

Mega events

- (a) in 2018-19, the gross expenditure on the staging, marketing and promotion of mega events amounted to \$289 million. While HKTb's expenditure on its mega events was substantial, HKTb had not established a mechanism to assess the effectiveness of such events in driving visitor spending and bringing economic benefits to Hong Kong; and
- (b) some overseas tourism authorities measured the return on investment of their overseas marketing activities. For example, an overseas national tourism agency measured its return on investment by estimating the additional visitor spending that could be attributable to its marketing activities by means of visitor surveys.

2.27 Audit considers that HKTb needs to explore the desirability of adopting new performance indicators that are useful for evaluating mega events.

Audit recommendations

2.28 Audit has *recommended* that ED, HKTb should:

- (a) **report the achievement in event awareness to the P&E Committee in the post-event reports on mega events;**
- (b) **consider including in the post-event reports the actual expenditure on organising the mega events; and**
- (c) **take measures to improve the achievement of performance indicators of mega events and explore the desirability of adopting new performance indicators that are useful for evaluating mega events.**

Response from the Hong Kong Tourism Board

2.29 ED, HKTb agrees with the recommendations in paragraph 2.28(a) and (b) and also notes the recommendation in paragraph 2.28(c). He has said that:

- (a) the effectiveness of mega events and related performance reporting mechanisms will be enhanced;
- (b) over the years, Hong Kong has been widely recognised as a top global travel destination by international media, leading travel portals and travel industry organisations. Mega events have been a key contributing factor to the city's success, forming a pillar platform for promoting Hong Kong's destination appeal and raising its profile as a world class city;
- (c) the events have different objectives. Some are intended primarily to build the overall image of Hong Kong as a destination offering diverse experiences, while others are intended to enhance the city's ambience. The events also have different parameters, from duration and scale to venue location, which result in variations in attendance and visitor's split. It is therefore not appropriate to make a direct comparison between different events;
- (d) the number of non-locals to "Hong Kong Wine and Dine Festival" actually rose from 11,520 in 2015 to 18,511 in 2018, representing an increase of over 60%. The number of non-locals to "e-Sports and Music Festival Hong Kong" has maintained at a similar level. The drop in the visitor's split was mainly due to the higher total attendance; and
- (e) HKTb is conducting a review of the tourism positioning of Hong Kong and its overall promotion strategies, including ways to optimise the use of mega events. Before the review is completed, all mega events will be assessed against a set of performance indicators approved in 2018. The performance of all performance indicators will also be reported to the P&E Committee.

PART 3: MARKETING ACTIVITIES

3.1 Apart from mega events, HKTb carried out a number of other marketing activities. This PART examines these activities, focusing on the following areas:

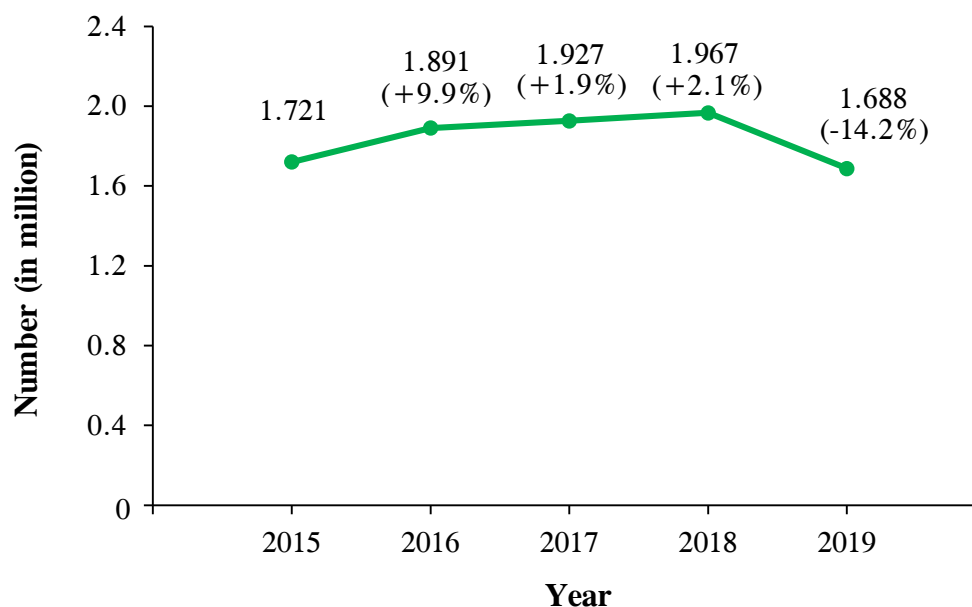
- (a) MICE tourism (paras. 3.2 to 3.11); and
- (b) digital marketing (paras. 3.12 to 3.23).

Meetings, incentives, conventions and exhibitions tourism

3.2 In the period from 2015-16 to 2019-20, HKTb incurred \$267.4 million on the promotion of MICE tourism. Expenditure increased by \$10.7 million (29.9%) from \$35.8 million in 2015-16 to \$46.5 million in 2019-20. Efforts to promote MICE tourism included bidding for international MICE events and providing funding support to local ground operators to enhance their competitiveness in attracting MICE businesses to Hong Kong, etc. In 2019, per capita spending of MICE visitor was \$7,176, which was 23.3% higher than that of the general visitor. In the period from 2015 to 2019, the number of overnight arrivals of MICE visitors increased by 14.3% from 1.721 million in 2015 to 1.967 million in 2018 and then dropped by 14.2% to 1.688 million in 2019 (see Figure 7). According to HKTb, there was a healthy growth momentum during the first half of 2019. However, arrivals in the second half of 2019 were affected by the social unrest in Hong Kong. The declining trend has continued in 2020 due to both social unrest and the outbreak of COVID-19.

Figure 7

**Number of overnight MICE visitor arrivals
(2015 to 2019)**



Source: Audit analysis of HKTB records

3.3 Within less than two months from the end of January to the first half of March 2020, a total of 64 MICE events were affected (16 events cancelled and 48 events postponed). HKTB projected that a total of 339,267 non-Hong Kong MICE event participants were impacted. In May 2020, HKTB hosted an online MICE tourism update to introduce recovery plan for the MICE industry. HKTB foresaw that there would be new norms for the MICE industry in post-pandemic travels. For example, MICE travellers would attach greater importance to hygiene, lead time for event organisation would be shortened, and a hybrid model integrating digital and physical interfaces would become a rising trend in MICE events. According to HKTB, it has been closely monitoring the situation and has already planned a series of initiatives to be rolled out as soon as the markets are ready.

Funding Support for Small-sized Meeting, Incentive and Convention Groups

3.4 In August 2016, the Funding Support for Small and Medium-sized Meeting, Incentive and Convention (MIC) Groups was launched. Since 2019-20, the funding support has been renamed the Funding Support for Small-sized MIC Groups (Funding Support for SMIC Groups). The Funding Support for SMIC Groups aims at providing business building assistance for Hong Kong inbound tour operators to enhance their competitiveness in attracting small-sized MIC businesses to Hong Kong. The support is offered on a reimbursement basis under a five-tier funding structure, with maximum funding support of \$10,000 to \$40,000 per MIC group with 20 to 400 non-Hong Kong participants (Note 7). The funding should be utilised for providing special hospitality offers for MIC groups in areas such as hotel accommodation and attraction admissions, and/or offsetting the cost of pre-event site inspection visit in Hong Kong for the eligible MIC groups. From its introduction in 2016-17 to 2019-20, there were a total of 1,351 successful applications, involving funding of \$22.64 million.

Need to encourage the use of Funding Support for SMIC Groups

3.5 Audit examined HKTB's targets on utilisation of the Funding Support for SMIC Groups and the numbers of MIC overnight visitors benefitted for the period from 2016-17 to 2019-20 (see Tables 6 and 7) and noted that:

- (a) for the period from 2016-17 to 2018-19, both the amount of funding utilised and the number of MIC overnight visitors benefitted showed an increasing trend. However, the amount of funding utilised fell short of the targets by 20.6% in 2016-17, 1.6% in 2017-18 and 20.2% in 2018-19, whereas the number of MIC overnight visitors benefitted fell short of the targets by 5.6% in 2016-17 and 11.7% in 2018-19; and
- (b) in 2019-20, the amount of funding utilised and the number of MIC overnight visitors benefitted dropped and fell short of the targets by 53.6% and 53.9% respectively. According to HKTB, application momentum had largely slowed down in 2019-20 due to social unrest and the outbreak of COVID-19.

Note 7: On 1 October 2019, the minimum group size was changed from 30 to 20 non-Hong Kong participants.

Table 6

**Utilisation of the Funding Support for SMIC Groups
(2016-17 to 2019-20)**

Year	Utilisation (\$ million)		
	Target (a)	Actual (b)	Variance (c) = (b) – (a)
2016-17	5.00	3.97	–1.03 (–20.6%)
2017-18	7.50	7.38	–0.12 (–1.6%)
2018-19	9.50	7.58	–1.92 (–20.2%)
2019-20	8.00	3.71	–4.29 (–53.6%)

Source: Audit analysis of HKTB records

Table 7

**MIC overnight visitors benefitted from the Funding Support for SMIC Groups
(2016-17 to 2019-20)**

Year	No. of MIC overnight visitors benefitted		
	Target (a)	Actual (b)	Variance (c) = (b) – (a)
2016-17	22,000	20,770	–1,230 (–5.6%)
2017-18	33,000	34,814	+1,814 (+5.5%)
2018-19	41,000	36,197	–4,803 (–11.7%)
2019-20	35,000	16,132	–18,868 (–53.9%)

Source: Audit analysis of HKTB records

Marketing activities

3.6 In September 2020, in response to Audit's enquiry, HKTB informed Audit that:

- (a) the pilot scheme of the Funding Support for SMIC Groups was launched in August 2016 for a relatively short period of eight months in 2016-17. It was the first time HKTB formulated a specialised funding scheme for MICE ground operators and hence there was no precedent for setting the budget. This explained the 20.6% under-utilisation of the budget in 2016-17 and the number of MIC overnight visitors benefitted slightly falling short of target by 5.6%;
- (b) for 2017-18, the visitor target was over-achieved by 5.5% by using only 98.4% of the annual budget. Hence this should be considered as over-achieving the visitor target rather than under-utilising the budget;
- (c) for 2018-19, the original budget and visitor target were \$7 million and 30,000 respectively. The actual amount of funding utilised was \$7.58 million with 36,197 MIC overnight visitors benefitted, exceeding the original budget and visitor target by 8.3% and 20.7% respectively. The reported under-utilisation was due to the fact that an additional \$2.5 million was added to the budget in October 2018 to fund the projected increase in applications for the rest of the year. However, the application momentum could not be sustained and hence the shortfall in utilisation versus the increased budget; and
- (d) HKTB had already taken proactive and comprehensive actions to encourage the applications of the funding, including widely publicising the funding scheme on a regular basis and lowering the minimum group size requirement in the 2016 and 2019 schemes.

3.7 Audit considers that HKTB needs to keep in view the need to step up efforts in encouraging inbound tour operators to make better use of the Funding Support for SMIC Groups with a view to achieving the target utilisation and number of MIC overnight visitors.

Need to ensure collection of personal information complies with Personal Data (Privacy) Ordinance

3.8 To apply for the Funding Support for SMIC Groups, an applicant has to submit personal information including name, job title, email, telephone and mobile numbers of the applicant's contact to HKTb.

3.9 According to the Personal Data (Privacy) Ordinance (Cap. 486), all practicable steps shall be taken to ensure that the data subject is informed of the details relating to the purpose and manner of collection of personal data, for example, whether it is obligatory or voluntary for him to supply the data and the purpose for which the data is to be used. Audit reviewed the application procedures for the Funding Support for SMIC Groups and noted that HKTb had not provided the applicants with information relating to the purpose and manner of collection of personal data. Audit considers that HKTb needs to take measures to ensure that the collection of personal information from the applicants of the Funding Support for SMIC Groups complies with the requirements under the Personal Data (Privacy) Ordinance.

Audit recommendations

3.10 **Audit has *recommended* that ED, HKTb should:**

- (a) **keep in view the need to step up efforts in encouraging inbound tour operators to make better use of the Funding Support for SMIC Groups with a view to achieving the target utilisation and number of MIC overnight visitors; and**
- (b) **take measures to ensure that the collection of personal information from the applicants of the Funding Support for SMIC Groups complies with the requirements under the Personal Data (Privacy) Ordinance.**

Response from the Hong Kong Tourism Board

3.11 ED, HKTB agrees with the recommendation in paragraph 3.10(b) and also notes the recommendation in paragraph 3.10(a). He has said that:

- (a) HKTB has made every effort to achieve an optimal level of budget efficiency and has seen an increasing number of visitors benefitted from the Funding Support for SMIC Groups since its launch in 2016. Substantial resources have been deployed in promoting and enhancing the Funding Support for SMIC Groups to encourage more ground operators to apply for funding support. From 2016-17 to 2018-19, the number of visitors benefitted from the Funding Support for SMIC Groups increased by 74%. For 2019-20, the impact of social unrest and COVID-19 substantially slowed down the application momentum and should not therefore be used for assessment and comparison; and
- (b) HKTB has already updated the application form for Funding Support for SMIC Groups so as to comply with the requirements under the Personal Data (Privacy) Ordinance.

Digital marketing

3.12 During the period from 2015-16 to 2019-20, HKTB incurred \$165.9 million on digital marketing. Expenditure increased from \$20.7 million in 2015-16 to \$54.1 million in 2019-20. HKTB's efforts in digital marketing included the following:

- (a) maintaining its website in different languages/countries (Note 8), including revamping the websites and content development, etc.;
- (b) managing social media platforms, such as Facebook, Twitter, Instagram and Weibo, etc.; and

Note 8: *There are 20 versions of HKTB's website: International (English), Australia & New Zealand (English), Canada (English), India (English), Southeast Asia (English), the United Kingdom (English), the United States of America (English), Simplified Chinese, Traditional Chinese, Japanese, Korean, Indonesian, German, Dutch, Spanish, French, Russian, Thai, Arabic and Vietnamese.*

- (c) engaging in online promotion for HKTb's events.

Deficiencies in HKTb's website revamp project

3.13 In October 2018, the Board approved \$26.85 million for revamping HKTb's website into a platform for smart travel. The new HKTb's website will contain functions and features such as itinerary planner with in-town navigation map, voice recognition search, event calendar and artificial intelligence chatbot. When seeking the Board's approval for the vendor to implement the revamp project, HKTb informed the Board that the International (English) and Chinese versions of the new website would be launched in the fourth quarter of 2019. The other versions of the website would be launched by the end of 2020.

3.14 ***Delays in HKTb's website revamp project.*** Audit noted that the revamped HKTb's website in International (English) and Chinese versions were launched in May 2020, representing a delay of five months. In August 2020, in response to Audit's enquiry, HKTb informed Audit that with the social unrest and COVID-19, it was not appropriate to launch a new face of Hong Kong when the situation was highly uncertain. HKTb had restructured and re-developed the website to cope with the rapid changes, for example, creating a new "What's New" section to host ad-hoc information regarding the situation in Hong Kong and deferred the launch of the International (English) and Chinese versions of the website to May 2020. However, Audit noted that some planned functions (such as the artificial intelligence chatbot) were not available in the revamped website launched in May 2020.

3.15 ***Removal of mobile application before revamp of HKTb's website is completed.*** Prior to December 2019, HKTb maintained a mobile application called the My Hong Kong Guide. Its key features included trip itinerary planner, highlighted events and attractions, and e-coupon discounts. HKTb planned to replace the My Hong Kong Guide by the Progressive Web Applications (PWA) technology in the revamped HKTb's website, which offered offline browsing and functions similar to an application. Audit noted that notwithstanding that the revamp of the website was not yet completed, HKTb discontinued the mobile application in December 2019. Moreover, even when the International (English) and Chinese versions of the revamped website were launched in May 2020, PWA technology was not rolled out and offline browsing was not yet supported.

- 3.16 Audit considers that HKTB needs to take measures to ensure that:
- (a) the website revamp project is not further delayed; and
 - (b) mobile application services are discontinued only after planned replacement is ready for use in future projects.

Requirements of displaying commercial entities' names on HKTB's website not complied with

- 3.17 According to HKTB's requirements regarding the contents on its website:
- (a) ***Self-owned contents.*** Self-owned contents are those developed internally by HKTB. Contents should not single out any specific restaurant or shop name; and
 - (b) ***Third-party contents.*** Third-party contents are provided by content partners and they are clearly stated with the third-party's names responsible for them. A disclaimer ("HKTB disclaims any liability as to the quality or fitness for purpose of third party products and services; and makes no representation or warranty as to the accuracy, adequacy or reliability of any information contained herein") is also included in third-party contents.
- 3.18 As at 24 June 2020, under the "shopping" and "dining" sections of the International (English) version of HKTB's website, there were 29 articles comprising 4 articles of self-owned contents and 25 articles of third-party contents. Audit examined these 29 articles and noted that:
- (a) all the 4 articles of self-owned contents contained names of specific restaurants or shops; and
 - (b) in 1 (4%) of the 25 articles of third-party contents, no disclaimer statement was included.

3.19 Audit considers that HKTB needs to take measures to ensure that commercial entities' names are displayed on its website according to the requirements.

Need to require content partners of HKTB's website to avoid conflict of interest with commercial entities they featured

3.20 According to HKTB's guidelines on contents creation, when working with content partners who would make recommendations of commercial entities, the contract between HKTB and the content partners would include a clause to avoid any conflict of interest between the content partners and the commercial entities they featured.

3.21 In the period from 2014-15 to 2019-20, 320 articles were created by four content partners for HKTB's website, involving a total of seven partnership agreements over the period. Audit noted that:

- (a) 2 (28.6%) of the 7 partnership agreements were made in the form of signed contracts. In the contracts, clauses relating to declaration of interests by the content partner declaring real or apparent conflict of interest were included; and
- (b) the remaining 5 (71.4%) partnership agreements were made in the form of approving the quotations obtained from the partners by HKTB officials with the required level of authority as stipulated in the financial and procurement procedure. There was no documentary evidence showing that the partners were required to avoid conflict of interest between them and the commercial entities they featured.

Audit considers that HKTB needs to take measures to require content partners of its website to avoid conflict of interest with commercial entities they featured in accordance with HKTB's guidelines.

Audit recommendations

- 3.22 **Audit has *recommended* that ED, HKTB should:**
- (a) **take measures to ensure that:**
 - (i) **HKTB’s website revamp project is not further delayed; and**
 - (ii) **mobile application services are discontinued only after planned replacement is ready for use in future projects;**
 - (b) **take measures to ensure that commercial entities’ names are displayed on HKTB’s website according to the requirements; and**
 - (c) **take measures to require content partners of HKTB’s website to avoid conflict of interest with commercial entities they featured in accordance with HKTB’s guidelines.**

Response from the Hong Kong Tourism Board

- 3.23 **ED, HKTB agrees with the audit recommendations. He has said that:**
- (a) **HKTB will ensure that the relaunch of its website is completed in accordance with the latest schedule approved by the Board;**
 - (b) **PWA technology has been used to replace the My Hong Kong Guide mobile application and measures will be put in place to ensure a smooth transition for future projects;**
 - (c) **action has been taken to ensure commercial entities’ names are displayed as required on HKTB’s website; and**
 - (d) **measures have been in place to ensure that no content partners of HKTB’s website have a conflict of interest with commercial entities they featured in accordance with HKTB’s guidelines.**

PART 4: QUALITY TOURISM SERVICES SCHEME

4.1 This PART examines the Quality Tourism Services (QTS) Scheme, focusing on the following areas:

- (a) accredited merchants of QTS Scheme (paras. 4.2 to 4.8); and
- (b) QTS decals and logos (paras. 4.9 to 4.16).

Accredited merchants of Quality Tourism Services Scheme

4.2 In 1999, QTS Scheme was launched by HKTA to accredit retailers and restaurants providing quality services, thereby giving visitors greater confidence in the products and services of Hong Kong. Under QTS Scheme, accredited retailers and restaurants are required to fulfil a prescribed set of assessment criteria. For applicants who have fulfilled QTS Scheme's assessment criteria, they are certified as QTS accredited merchants. A QTS accredited merchant is entitled to display QTS decal as an identification of its QTS status. In November 2006, HKTB expanded QTS Scheme to cover visitor accommodation. QTS Scheme aims to:

- (a) help visitors to identify quality tourism service providers; and
- (b) assist service providers to conduct self-assessments and to identify areas where there are inadequacies in performance so that continual improvements can be made.

4.3 According to HKTB:

- (a) QTS Scheme has a stringent accreditation, assessment and monitoring mechanism to ensure that accredited merchants will provide and maintain quality services. To maintain the Scheme's standard, assessment criteria have been regularly reviewed and tightened;

Quality Tourism Services Scheme

- (b) the Scheme targets to recruit quality merchants which can attain elevated service standards and proven track records in delivering quality service to all customers including visitors;
- (c) merchants located in non-tourist areas are not target merchants and are less likely to join the Scheme;
- (d) QTS accredited visitor accommodation service providers have to pass stringent annual assessments and therefore, only a few of them are qualified; and
- (e) to maximise exposure for merchants, all QTS merchants are listed in HKTB's website, social media channels and HKTB's Visitor Centres, for consumers' information.

Need to encourage merchants to participate in QTS Scheme

4.4 Audit examined the number of QTS accredited merchants in the period from January 2015 to May 2020 (see Table 8) and noted that:

- (a) the number of QTS accredited merchants decreased by 95 (7.5%) from 1,272 in January 2015 to 1,177 in May 2020. The number of outlets operated by QTS accredited merchants decreased by 355 (4.3%) from 8,229 in January 2015 to 7,874 in May 2020;
- (b) the number of new QTS accredited merchants in the year decreased by 79 (59%) from 133 in 2015 to 54 in 2019. From January to May 2020, there were only 9 new QTS accredited merchants; and
- (c) the number of QTS accredited merchants withdrawn in the year decreased by 82 (57%) from 143 in 2015 to 61 in 2019. From January to May 2020, 71 QTS accredited merchants withdrew from the Scheme.

Table 8

**Number of QTS accredited merchants and outlets
(January 2015 to May 2020)**

	2015	2016	2017	2018	2019	2020 (up to May)
No. of QTS accredited merchants						
At the beginning of year (a)	1,272	1,262	1,244	1,262	1,246	1,239
New recruit (b)	133	115	130	75	54	9
Withdrawal (c)	143	133	112	91	61	71
At the end of year (d) = (a) + (b) – (c)	1,262	1,244	1,262	1,246	1,239	1,177
Withdrawal rate (e) = (c) ÷ (a) × 100 %	11 %	11 %	9 %	7 %	5 %	6 %
No. of QTS accredited outlets						
At the beginning of year (f)	8,229	8,239	8,127	8,097	8,204	8,179
Change during the year (g)	10	(112)	(30)	107	(25)	(305)
At the end of year (h) = (f) + (g)	8,239	8,127	8,097	8,204	8,179	7,874

Source: Audit analysis of HKTB records

4.5 One of the prerequisites for retailers and restaurants to join QTS Scheme is that they are properly registered with the Government and hold all valid permits and licences required or necessary in connection with the conduct of their business and activities. Visitor accommodation service providers applying for QTS Scheme should possess a valid tourist guesthouse licence issued by the Office of the Licensing Authority of the Home Affairs Department in accordance with the Hotel and Guesthouse Accommodation Ordinance (Cap. 349). Audit analysed the number of QTS accredited outlets as at 31 December 2019 by business nature (see Table 9) and noted that:

Quality Tourism Services Scheme

- (a) most of the QTS accredited outlets were retailers and restaurants. Of the total 8,179 outlets (1,239 merchants), 8,172 outlets (1,232 merchants) (99.9%) were retailers and restaurants. There were only 7 (0.1%) accommodation service provider outlets; and
- (b) as at 31 December 2019:
 - (i) of the 44,680 retailer outlets and 11,448 restaurant outlets (Note 9), 6,059 (13.6%) and 2,113 (18.5%) respectively joined QTS Scheme; and
 - (ii) only 7 (0.5%) of the 1,520 licensed guesthouses (general) (Note 10) joined QTS Scheme.

Note 9: *According to HKTB, not all retailer outlets and restaurant outlets focus on serving tourists. Some retailer outlets such as those engaged in the sale of fresh produce, furniture, hardware, metal ware and petrol filling stations were not target merchants for QTS Scheme and were not included in the 44,680 retailer outlets. The 11,448 restaurant outlets referred to those operating under general restaurant licences. Outlets operating under other types of food business licences/permits (e.g. factory canteens) were not target merchants for QTS Scheme and were not included in the 11,448 restaurant outlets.*

Note 10: *There are three types of licensed guesthouses, namely general guesthouses, holiday flats and holiday camps. All three types of licensed guesthouses are eligible to join QTS Scheme but only general guesthouses are target QTS accredited merchants.*

Table 9

**Analysis of number of QTS accredited outlets by business nature
(31 December 2019)**

Business nature	No. of accredited QTS outlets	No. of outlets in Hong Kong	Percentage
Retailers	6,059	44,680 (Note 1)	13.6%
Restaurants	2,113	11,448 (Note 1)	18.5%
Licensed guesthouses (general) (Note 2)	7	1,520	0.5%

Source: Audit analysis of HKTB records

Note 1: See Note 9 to paragraph 4.5.

Note 2: See Note 10 to paragraph 4.5.

4.6 In response to Audit's enquiry, HKTB informed Audit in September 2020 that not all the 44,680 retail outlets and the 11,448 restaurant outlets were located in tourist areas and were interested to join the Scheme. Therefore, not all of them were target QTS accredited merchants. Audit considers that HKTB needs to keep in view the effectiveness of the promotion efforts of QTS Scheme in recruiting target merchants to join the Scheme and continue to take measures to encourage merchants to participate in QTS Scheme.

Audit recommendation

4.7 Audit has *recommended* that ED, HKTB should keep in view the effectiveness of the promotion efforts of QTS Scheme in recruiting target merchants to join the Scheme and continue to take measures to encourage merchants to participate in QTS Scheme.

Response from the Hong Kong Tourism Board

4.8 ED, HKTB notes the audit recommendation. He has said that:

- (a) a variety of measures have been taken over the years to increase the exposure, attractiveness, and patronage of QTS Scheme. They have included an award programme to increase merchants' exposure, strengthening of promotions in Mainland China, and partnership with leading mobile platforms in countries/regions outside Hong Kong to promote QTS merchants. However, participation has been affected by a number of factors including merchants' commitment to meet the Scheme's requirements, business considerations, and the prevailing economic situation. It would be more appropriate to review the penetration of QTS Scheme by benchmarking it against similar industry associations in the dining and retail sector, for which the number of registered members of an association ranges from 550 to 8,000; and
- (b) HKTB will continue to take measures to recruit more merchants despite these challenges, while maintaining the stringent criteria and upholding the quality assurance of the Scheme.

Quality Tourism Services decals and logos

Need to take measures to encourage QTS accredited merchants to display valid decals

4.9 Every QTS accredited merchant is entitled to display QTS decals at the shop front/visitor accommodation's prominent location showing the valid year of the accreditation (see Figures 8 and 9).

Figure 8

QTS decal for accredited retailers and restaurants



Source: HKTB records

Figure 9

QTS decal for accredited visitor accommodation service providers



Source: HKTB records

4.10 In June and July 2020, Audit conducted site visits to 30 QTS accredited merchants (1 outlet for each merchant) and found that of the 30 merchants visited:

- (a) 20 (66.7%) merchants did not display the decals at their outlets; and
- (b) 7 (23.3%) merchants displayed the expired decals of 2019 at their outlets instead of the decals of 2020.

Audit considers that HKTB needs to take measures to encourage QTS accredited merchants to display valid decals.

Need to step up checking on fraudulent display of QTS decals and logos

4.11 Every QTS accredited merchant is entitled to incorporate QTS logos on stationery/promotional materials of the merchants (see Figure 10).

Figure 10

QTS logo



Source: HKTB records

4.12 HKTB has outsourced the management of QTS Scheme's operational activities to a contractor. According to the agreement between the contractor and HKTB, the contractor would prepare a monthly patrol plan to target shops for checking of fraudulent display of QTS decals and logos. Regular patrols to the targeted shops would be conducted in accordance with the monthly plan endorsed by HKTB. Target shops included:

- (a) accredited merchants withdrawn or terminated from QTS Scheme;
- (b) selected area of patrol including the names and sections of the streets and shopping malls within the area;
- (c) old addresses of those moved QTS merchants/outlets; and
- (d) other targeted shops as advised by HKTB.

4.13 According to HKTB, display of QTS decals or logos by merchants having withdrawn from QTS Scheme is considered as fraudulent display. In the period from January 2019 to May 2020, 132 merchants withdrew from QTS Scheme. On 6 and 7 July 2020, Audit conducted site visits to 10 of the 132 merchants and found that:

- (a) two (20%) merchants displayed QTS decals at the outlets; and
- (b) another (10%) merchant displayed QTS logo in its promotional material.

Audit considers that HKTb needs to step up the checking on fraudulent display of QTS decals and logos.

Need to strengthen control over the use of QTS logos

4.14 According to the guidelines issued by HKTb on the use of QTS logos, QTS accredited merchants must submit their requests to HKTb to get prior written approval for the layout and types of stationery/promotional materials on which the QTS logo will be incorporated. Of the 30 QTS accredited merchants visited by Audit (see para. 4.10), 14 merchants were displaying QTS logos in their promotional materials. Audit noted that HKTb could not locate the record of approval for 11 (78.6%) of the 14 merchants. Audit considers that HKTb needs to take measures to strengthen control over the use of QTS logos (e.g. keeping proper records of approval given to the layout and types of stationery/promotional materials on which the QTS logo will be incorporated).

Audit recommendations

4.15 **Audit has recommended that ED, HKTb should:**

- (a) **take measures to encourage QTS accredited merchants to display valid decals;**
- (b) **step up the checking on fraudulent display of QTS decals and logos; and**
- (c) **take measures to strengthen control over the use of QTS logos (e.g. keeping proper records of approval given to the layout and types of stationery/promotional materials on which the QTS logo will be incorporated).**

Response from the Hong Kong Tourism Board

4.16 ED, HKTB agrees with the audit recommendations. He has said that guidelines will be reviewed and enhanced to tighten the control over the display of QTS decals and the use of QTS logo.

PART 5: WAY FORWARD

5.1 This PART examines HKTb's efforts in enhancing tourism performance, focusing on the following areas:

- (a) deployment of marketing resources (paras. 5.5 to 5.11); and
- (b) HKTb's measures to rebuild tourism industry (paras. 5.12 to 5.19).

Background

5.2 One of HKTb's objects stated in the HKTb Ordinance is to promote Hong Kong globally as a leading international city in Asia and a world class tourist destination (see para. 1.3(b)). The primary responsibility of HKTb is to market and promote Hong Kong as a tourism destination worldwide, and to maximise visitors' experience while in Hong Kong. Every year, HKTb maps out its strategies and initiatives in its Annual Business Plan and Budget (ABPB) submitted to the Board for endorsement and then the Secretary for Commerce and Economic Development for approval. Based on the endorsed ABPB, HKTb prepares the Work Plan for the year for submission to the Legislative Council (LegCo) Panel on Economic Development (see Appendix B).

5.3 HKTb focuses its marketing expenditure on 20 key source markets around the world. In the period from 2014 to 2018, these markets together generated about 96% of all visitor arrivals to Hong Kong. The 20 key source markets are classified into four market segments:

- (a) **Mainland.** The Mainland is a key source market;
- (b) **Short-haul markets.** Short-haul markets comprise 8 key source markets, namely Japan, Taiwan, South Korea, Singapore, the Philippines, Malaysia, Indonesia and Thailand;
- (c) **Long-haul markets.** Long-haul markets comprise 6 key source markets, namely the United States of America, Australia, the United Kingdom, Canada, Germany and France; and

- (d) *Emerging markets.* Emerging markets comprise 5 key source markets, namely India, Russia, the Gulf Cooperation Council (GCC) countries (Note 11), Vietnam and the Netherlands.

5.4 The Work Plan submitted by HKTB to LegCo Panel on Economic Development sets out the objectives, strategic focuses and key initiatives of HKTB for the year, based on recurrent subvention from the Government. Audit reviewed the five Work Plans for the period from 2014-15 to 2018-19 and noted that HKTB had stated in the Work Plans that:

- (a) it aimed to achieve the following objectives:
- (i) promote Hong Kong globally as a leading international city in Asia and a world-class travel destination;
 - (ii) maintain a diverse market portfolio and balanced visitor mix; and
 - (iii) attract more overnight visitors from different markets to maximise the economic benefits brought by the tourism industry;
- (b) it would invest most of its marketing resources in non-Mainland markets to boost promotional efforts there; and
- (c) about 75% of marketing budget would be allocated to non-Mainland markets (including some 50% for short-haul markets), and about 25% to the Mainland.

Note 11: *The GCC countries are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates.*

Deployment of marketing resources

Need to optimise the deployment of marketing resources

5.5 HKTb aimed to maintain a diverse market portfolio and balanced visitor mix. Audit analysed the visitor arrivals for the period from 2014 to 2020 (up to July) and noted that there were basically no major changes in the visitor mix. The visitor mix remained skewed. The market mix in the period was (see Table 10):

- (a) 65% to 69% of overnight visitor arrivals and 76% to 78% of total visitor arrivals (i.e. the sum of overnight visitor arrivals and same-day visitor arrivals) were from the Mainland;
- (b) 16% to 21% of overnight visitor arrivals and 13% to 15% of total visitor arrivals were from short-haul markets;
- (c) 11% to 16% of overnight visitor arrivals and 7% to 9% of total visitor arrivals were from long-haul markets; and
- (d) 2% to 3% of overnight visitor arrivals and 1% to 2% of total visitor arrivals were from emerging markets.

Table 10

**Analysis of number of visitor arrivals by market segments
(2014 to 2020 (up to July))**

Year	Type of visitor arrivals	The Mainland ('000)	Short-haul markets ('000)	Long-haul markets ('000)	Emerging markets ('000)	Total ('000)
2014	Overnight	19,077 (69%)	5,029 (18%)	3,049 (11%)	615 (2%)	27,770 (100%)
	Total	47,248 (78%)	8,407 (14%)	4,269 (7%)	915 (1%)	60,839 (100%)
2015	Overnight	17,997 (67%)	5,047 (19%)	3,049 (12%)	593 (2%)	26,686 (100%)
	Total	45,842 (77%)	8,298 (14%)	4,285 (7%)	883 (2%)	59,308 (100%)
2016	Overnight	17,365 (65%)	5,470 (21%)	3,135 (12%)	583 (2%)	26,553 (100%)
	Total	42,778 (76%)	8,653 (15%)	4,395 (8%)	829 (1%)	56,655 (100%)
2017	Overnight	18,526 (67%)	5,694 (20%)	3,139 (11%)	526 (2%)	27,885 (100%)
	Total	44,445 (76%)	8,907 (15%)	4,390 (8%)	730 (1%)	58,472 (100%)
2018	Overnight	19,902 (68%)	5,605 (19%)	3,227 (11%)	529 (2%)	29,263 (100%)
	Total	51,038 (78%)	8,858 (14%)	4,514 (7%)	738 (1%)	65,148 (100%)
2019	Overnight	16,227 (68%)	4,347 (18%)	2,730 (12%)	448 (2%)	23,752 (100%)
	Total	43,775 (78%)	7,557 (14%)	3,942 (7%)	639 (1%)	55,913 (100%)
2020 (up to July)	Overnight	866 (65%)	219 (16%)	208 (16%)	35 (3%)	1,328 (100%)
	Total	2,687 (76%)	471 (13%)	326 (9%)	53 (2%)	3,537 (100%)

Source: Audit analysis of HKTB records

Way forward

5.6 HKTB focuses its marketing expenditure on 20 key source markets in four market segments (see para. 5.3). The marketing expenditure incurred in the source markets was for global promotions through various channels, such as public relations, online and social media, consumer events and partnering with the travel trade to entice visitors to Hong Kong by introducing themed promotions and offers. In 2018-19, the marketing expenditure incurred in the 20 key source markets in the four segments amounted to \$221.3 million. Audit analysed the marketing expenditure by market segments for the period from 2014-15 to 2018-19 and noted that the actual marketing expenditure spent on the Mainland was 30.1%, exceeding the 25% budget allocation set in the Work Plan (see para. 5.4(c)). Audit noted that although 65% to 69% of the overnight visitor arrivals and 76% to 78% of the total visitor arrivals came from the Mainland, HKTB had boosted the marketing expenditure on the Mainland by \$26.8 million (68.7%) from \$39 million in 2014-15 to \$65.8 million in 2018-19 and the share of the total expenditure from about 23% to 25% in 2014-15 and 2015-16 to about 30% and 31% in 2017-18 and 2018-19 (see Tables 10 and 11). In September 2020, in response to Audit's enquiry, HKTB informed Audit that:

- (a) in addition to the strategic initiatives outlined in the Work Plan financed by recurrent subvention, HKTB would drive additional initiatives for specific purposes with additional funding from the Government;
- (b) the increase from \$39 million in 2014-15 to \$65.8 million in 2018-19 was due to the increase in marketing expenditure financed by additional funding to rebuild the destination image of Mainland visitors;
- (c) the marketing expenditure financed by recurrent subvention had actually decreased by \$2.2 million from \$39 million in 2014-15 to \$36.8 million in 2018-19; and
- (d) in the period from 2014-15 to 2018-19, the Mainland's share of marketing expenditure financed by recurrent subvention remained steady at about 23% to 25.5%.

Table 11

**Analysis of marketing expenditure by market segments
(2014-15 to 2019-20)**

Year	The Mainland (\$ million)	Short-haul markets (\$ million)	Long-haul markets (\$ million)	Emerging markets (\$ million)	Total (\$ million)
2014-15	39.0 (24.7%)	56.8 (36.0%)	43.3 (27.4%)	18.7 (11.9%)	157.8 (100.0%)
2015-16	49.4 (23.2%)	103.7 (48.8%)	41.0 (19.3%)	18.5 (8.7%)	212.6 (100.0%)
2016-17	105.4 (38.2%)	104.9 (38.0%)	42.9 (15.6%)	22.5 (8.2%)	275.7 (100.0%)
2017-18	65.9 (30.5%)	87.7 (40.7%)	44.2 (20.5%)	17.9 (8.3%)	215.7 (100.0%)
2018-19	65.8 (29.8%)	97.0 (43.8%)	44.1 (19.9%)	14.4 (6.5%)	221.3 (100.0%)
Overall	325.5 (30.1%)	450.1 (41.5%)	215.5 (19.9%)	92.0 (8.5%)	1,083.1 (100.0%)
Increase (+)/ decrease (–) from 2014-15 to 2018-19	+26.8 (+68.7%)	+40.2 (+70.8%)	+0.8 (+1.8%)	–4.3 (–23.0%)	+63.5 (+40.2%)
2019-20 (Note)	22.0 (19.4%)	56.0 (49.3%)	29.3 (25.8%)	6.3 (5.5%)	113.6 (100.0%)

Source: Audit analysis of HKTB records

Note: Information for 2019-20 was shown separately because the tourism landscape in the year was seriously affected by the social unrest and COVID-19.

Remarks:

- (a) The marketing expenditure comprised recurrent subvention and additional funding.*
- (b) The marketing expenditure did not include the marketing support expenditure incurred by HKTB Head Office (e.g. brand marketing and digital marketing).*

5.7 Audit analysed the marketing expenditure and visitor arrivals of the 20 key source markets for the period from 2014-15 to 2018-19 and found that at least for some short-haul markets, the correlation between the marketing expenditure and the performance of the target markets was not very strong (see Table 12):

- (a) in 4 short-haul markets (namely Taiwan, Singapore, Malaysia and Indonesia), notwithstanding that there was an increase in marketing expenditure, the numbers of overnight visitor arrivals and total visitor arrivals in the period decreased; and
- (b) in particular, the performance of Malaysia and Indonesia was not encouraging. The marketing expenditure for Malaysia and Indonesia increased by 92.3% (\$3.6 million) from \$3.9 million in 2014-15 to \$7.5 million in 2018-19 and by 119.6% (\$5.5 million) from \$4.6 million in 2014-15 to \$10.1 million in 2018-19 respectively. However, the numbers of overnight visitor arrivals and total visitor arrivals in the period from 2014 to 2018 for these two countries decreased by about 10.3% (45,000) and 13.4% (79,000), and 6% (22,000) and 13.2% (65,000) respectively.

Table 12

**Changes in marketing expenditure and visitor arrivals of
4 short-haul markets
(2014-15 to 2018-19)**

Year	Taiwan	Singapore	Malaysia	Indonesia
Marketing expenditure (\$ million)				
2014-15	11.5	4.7	3.9	4.6
2018-19	19.1	5.0	7.5	10.1
Change	+7.6 (+66.1%)	+0.3 (+6.4%)	+3.6 (+92.3%)	+5.5 (+119.6%)
No. of overnight visitor arrivals ('000)				
2014	807	567	437	365
2018	807	481	392	343
Change	— (0.0%)	—86 (—15.2%)	—45 (—10.3%)	—22 (—6.0%)
No. of total visitor arrivals ('000)				
2014	2,032	738	590	492
2018	1,925	611	511	427
Change	—107 (—5.3%)	—127 (—17.2%)	—79 (—13.4%)	—65 (—13.2%)

Source: Audit analysis of HKTB records

Way forward

5.8 In September 2020, in response to Audit's enquiry, HKTB informed Audit that:

- (a) HKTB took into account the global economic and political outlook in deploying marketing resources to different market segments;
- (b) for Singapore, overnight visitor arrivals had been suffering due to the various incidents since 2014. Hence, HKTB had already redirected resources to other potential markets;
- (c) for Malaysia, overall outbound travel had been affected by the incident of the disappearance of a passenger flight since 2014. The whole Malaysia outbound market had shrunk and air capacity had slashed. HKTB had been cutting recurrent subvention marketing expenditure in Malaysia till 2018-19 when it saw some signs of recovery; and
- (d) for Indonesia, the overnight visitor arrivals reached record high in 2017 (385,000), hence HKTB saw market potential and further increased recurrent subvention marketing expenditure in this market.

5.9 Audit also noted that HKTB had focused its marketing resources on the same 20 key source markets since 2011-12. For nearly ten years, HKTB had not critically reviewed its investment strategies on these source markets. According to HKTB, COVID-19 would reshape the tourism landscape. In the post-pandemic world, travellers would prefer short-haul breaks and shorter itineraries. Audit considers that HKTB needs to take measures to optimise the deployment of marketing resources, including conducting a review on its strategy of focusing marketing resources on the existing 20 key source markets. In the review, HKTB needs to assess the market potential of the 20 key source markets and whether there are other markets that can be included as key source markets for fine-tuning the mix of HKTB's marketing focus where appropriate.

Audit recommendation

5.10 Audit has *recommended* that ED, HKTB should take measures to optimise the deployment of marketing resources including conducting a review on HKTB's strategy of focusing marketing resources on the existing 20 key source markets to assess their market potential and whether there are other markets that can be included as key source markets.

Response from the Hong Kong Tourism Board

5.11 ED, HKTB notes the audit recommendation. He has said that:

- (a) HKTB has made every effort to ensure optimal use of resources to promote Hong Kong as a top-of-mind travel destination, which offers a diversity of experiences. It is an established practice to conduct regular reviews of the deployment of market resources to ensure the ability to cater to a changing market environment;
- (b) it has been HKTB's strategy to attract a diversified portfolio of visitors from different markets. A major share of marketing resources have been deployed in non-Mainland markets to attract non-Mainland arrivals while Mainland remains as Hong Kong's major source of visitors due to its proximity. On the other hand, actual visitor arrivals from different markets are affected by many external factors, such as the macro-economic change, social and political environment, pandemic, visa policies, inbound flight capacity, competition from neighbouring destinations, exchange rates, and the price of accommodation, it is difficult to determine the exact correlation between the number of visitor arrivals and the marketing resources in place in a short term, as the return of tourism investment primarily aims at driving sustainable development of the industry in the longer term;
- (c) as COVID-19 has transformed the global tourism landscape, HKTB has started to conduct a holistic and thorough review of Hong Kong's tourism positioning, as well as its overall tourism promotion and investment strategies, to revitalise the Hong Kong tourism brand and drive long-term, sustainable tourism growth; and

- (d) at the same time, HKTb has launched a campaign to encourage Hong Kong people to be tourists of our own city, aiming to rebuild the city's vibrant atmosphere positively so that visitors feel confident about coming to Hong Kong again. HKTb is also closely monitoring the market situation and has prepared a series of initiatives, which will be rolled out as soon as the markets reopen to drive the recovery of the tourism industry. HKTb will continue to provide regular updates to the Board and the Marketing and Business Development Committee on the progress of its initiatives.

Hong Kong Tourism Board's measures to rebuild tourism industry

5.12 According to HKTb, the growing trend of visitor arrivals reversed in July 2019 with the social unrest in Hong Kong. The outbreak of COVID-19 since January 2020 has dealt an even more severe blow to the tourism industry in Hong Kong. In the light of the challenges facing the tourism development in Hong Kong, HKTb had formulated the following strategic direction to be carried out in three phases:

- (a) ***Phase 1: Work together to fight the outbreak.*** This included providing on its official website the instant updates to visitors and the travel trade on the latest outbreak control measures implemented by the Government, and extension of daily operating hours of HKTb's Hotline Services to answer enquiries from visitors and trade partners;
- (b) ***Phase 2: Strengthen trade support and work with trade partners on tactical promotions to attract visitors to Hong Kong.*** HKTb would roll out campaigns to stimulate domestic consumption in order to rebuild the positive ambience, boost consumer confidence in Hong Kong, and convey a positive message to source markets. HKTb would also enhance its support for travel trade, such as launching of funding schemes to support travel trade's promotion work for visitor recovery; and
- (c) ***Phase 3: Launch a new branding campaign to rebuild the tourism image in Hong Kong.*** HKTb would launch a new tourism brand campaign, with promotions to be conducted in partnership with influential international media and digital platforms to attract international spotlight, stand out from regional competitors, and rebuild Hong Kong's tourism image.

5.13 In June 2020, HKTb launched the “Holiday at Home” campaign. According to HKTb, the campaign provides locals with a wealth of information on travelling around Hong Kong. The aim of the campaign is to encourage Hong Kong people to be tourists of their own city and rediscover the beauty of Hong Kong with a new perspective. There are three elements of the campaign:

- (a) ***Insiders’ Guides.*** It provides more than 100 recommended points of interest under six themes (i.e. skyline (harbour views), local culture, wellness (outdoor activities), night entertainment, dining and shopping);
- (b) ***One-stop Dining, Shopping and Entertainment Offer Platform.*** It provides over 10,000 offers from across the territory, including hotels, attractions, shops, dining, malls and tours; and
- (c) ***Spend-to-redeem local tours.*** It provides offers to local residents to redeem local tours through spending.

5.14 According to HKTb, it hopes that the “Holiday at Home” campaign will give the tourism and related trade an opportunity to warm up and prepare for welcoming visitors again later on. By encouraging local tourism, HKTb hopes to rebuild the city’s vibrant atmosphere and give the world a positive impression so that visitors will feel confident about coming to Hong Kong again. Once it is possible for visitors from a certain market to travel to Hong Kong, HKTb will appeal to those visitors by extending to them the travel and local spending information and offers featured in this campaign, together with attractive flight-and-hotel packages.

Need to closely monitor the latest situation in tourism development

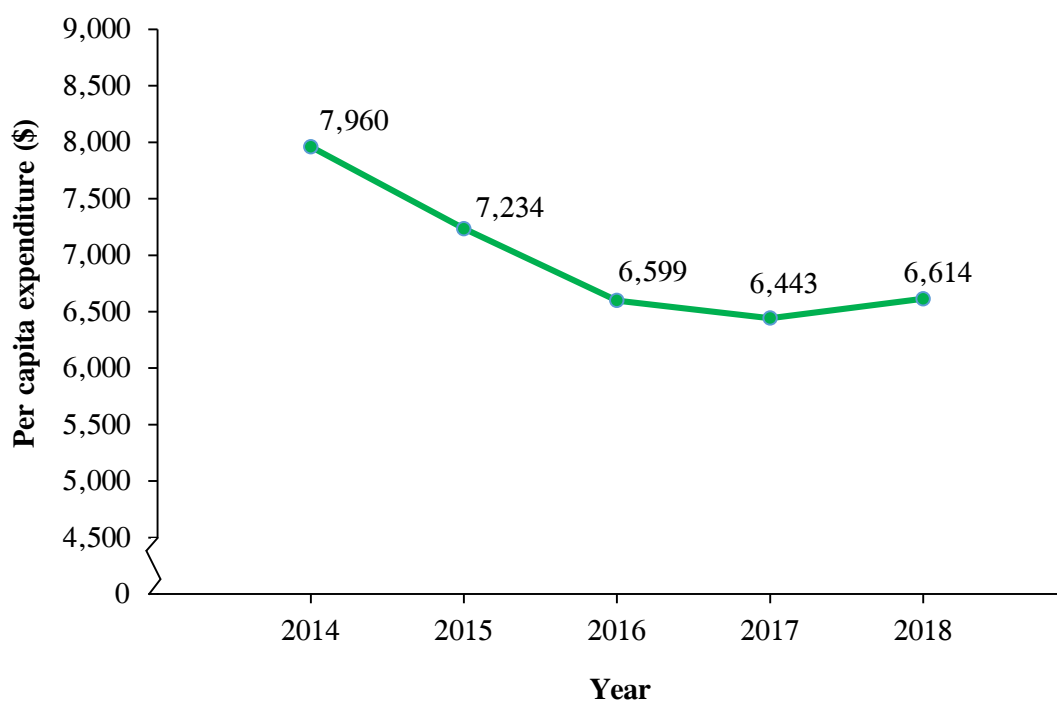
5.15 It is HKTb’s objective to attract more overnight visitors from different markets to maximise the economic benefits brought by the tourism industry (see para. 5.4(a)(iii)). Audit analysed the tourism expenditure associated with inbound tourism for the period from 2014 to 2018 and noted that the amount of tourism expenditure of overnight visitors decreased by \$27.4 billion (12.4%) from \$221 billion to \$193.6 billion. The per capita expenditure of overnight visitor decreased by \$1,346 (16.9%) from \$7,960 to \$6,614 (see Figure 11). In September 2020, in response to Audit’s enquiry, HKTb informed Audit that there were a few major reasons for the drop of visitor spending in Hong Kong:

Way forward

- (a) impact of strong United States dollar making Hong Kong a relatively high-cost destination and hence less spending by visitors;
- (b) import tax cut in Mainland which might affect price competitiveness of Hong Kong;
- (c) change of shopping behaviour with more online shopping; and
- (d) declining of visitor spending observed not only in Hong Kong but also other neighbouring destinations.

Figure 11

**Per capita expenditure of overnight visitor
(2014 to 2018)**



Source: HKTB records

Remarks: In 2019, the per capita expenditure of overnight visitor was \$5,820.

5.16 To revitalise the tourism industry, various efforts have been made by the Government to explore with places which have stabilised their epidemic situation on how to resume cross-border travel in a gradual manner and establish mutual arrangements with them. The authorities of Guangdong, Hong Kong and Macao are in discussion to take forward a system for mutual recognition of health codes (mutual recognition system) to facilitate cross-boundary flow of people between the three places amid the epidemic. Under the mutual recognition system, holders of a health code containing certification of negative result of COVID-19 test issued within a certain period by a designated medical institution may be exempted from compulsory quarantine on arrival in the three places. In September 2020, the Secretary for Commerce and Economic Development said that the Government had approached 11 countries to discuss setting up travel bubbles, and discussions with some countries including Japan and Thailand were underway. In October 2020, the Government announced that Hong Kong and Singapore had reached an in-principle agreement to establish a bilateral Air Travel Bubble. This arrangement would help revive cross-border air travel between the two aviation hubs, in a safe and progressive way.

5.17 Facing the new set of constraints and challenges, Audit considers that HKTb needs to closely monitor the latest situation of the challenges facing the tourism development in Hong Kong and take on board the observations and recommendations arising from this audit review in addressing the challenges and enhancing the work in promoting tourism in Hong Kong.

Audit recommendation

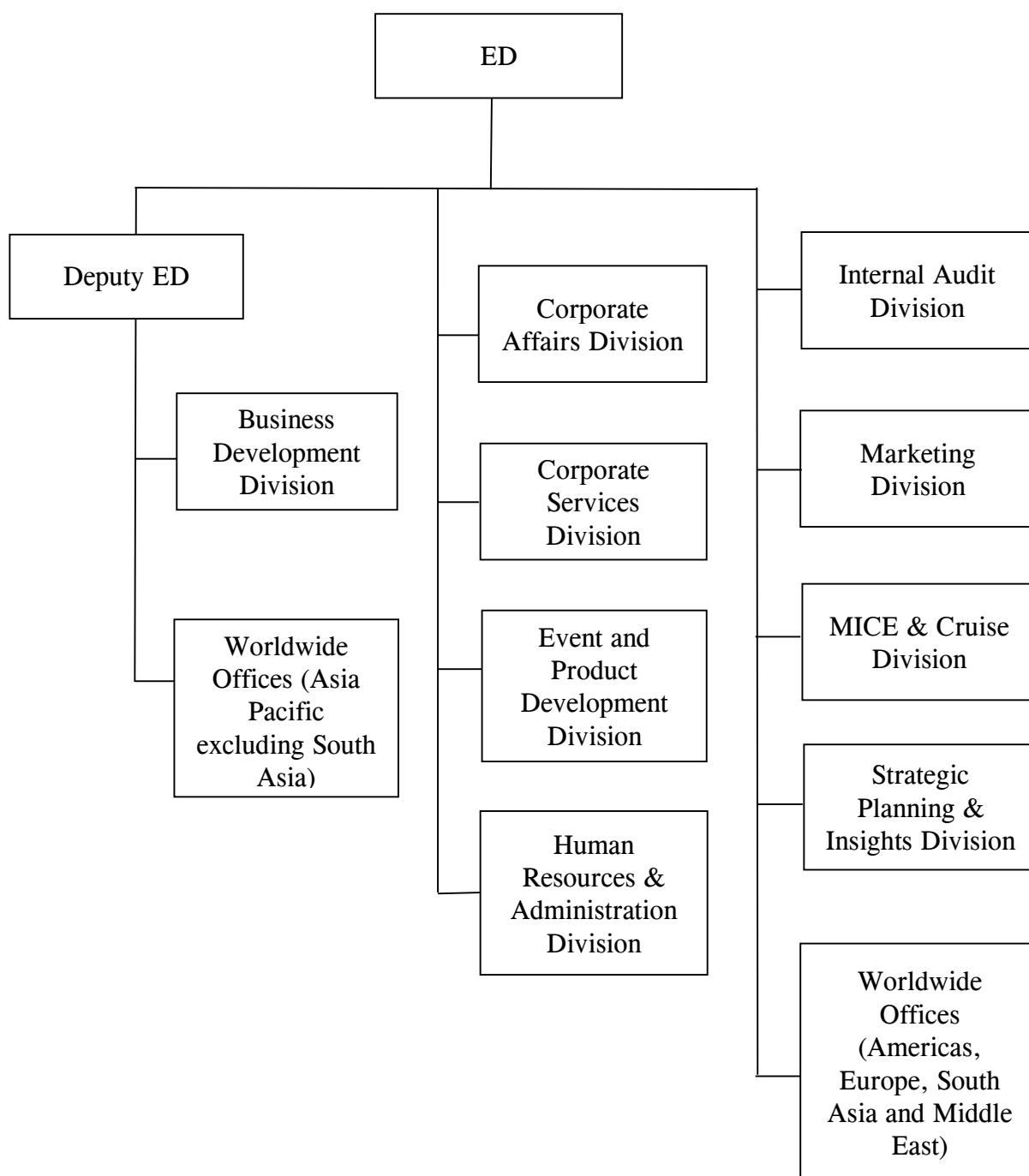
5.18 **Audit has *recommended* that ED, HKTb should closely monitor the latest situation of the challenges facing the tourism development in Hong Kong and take on board the observations and recommendations arising from this audit review in addressing the challenges and enhancing the work in promoting tourism in Hong Kong.**

Response from the Hong Kong Tourism Board

5.19 ED, HKTb notes the audit recommendation. He has said that:

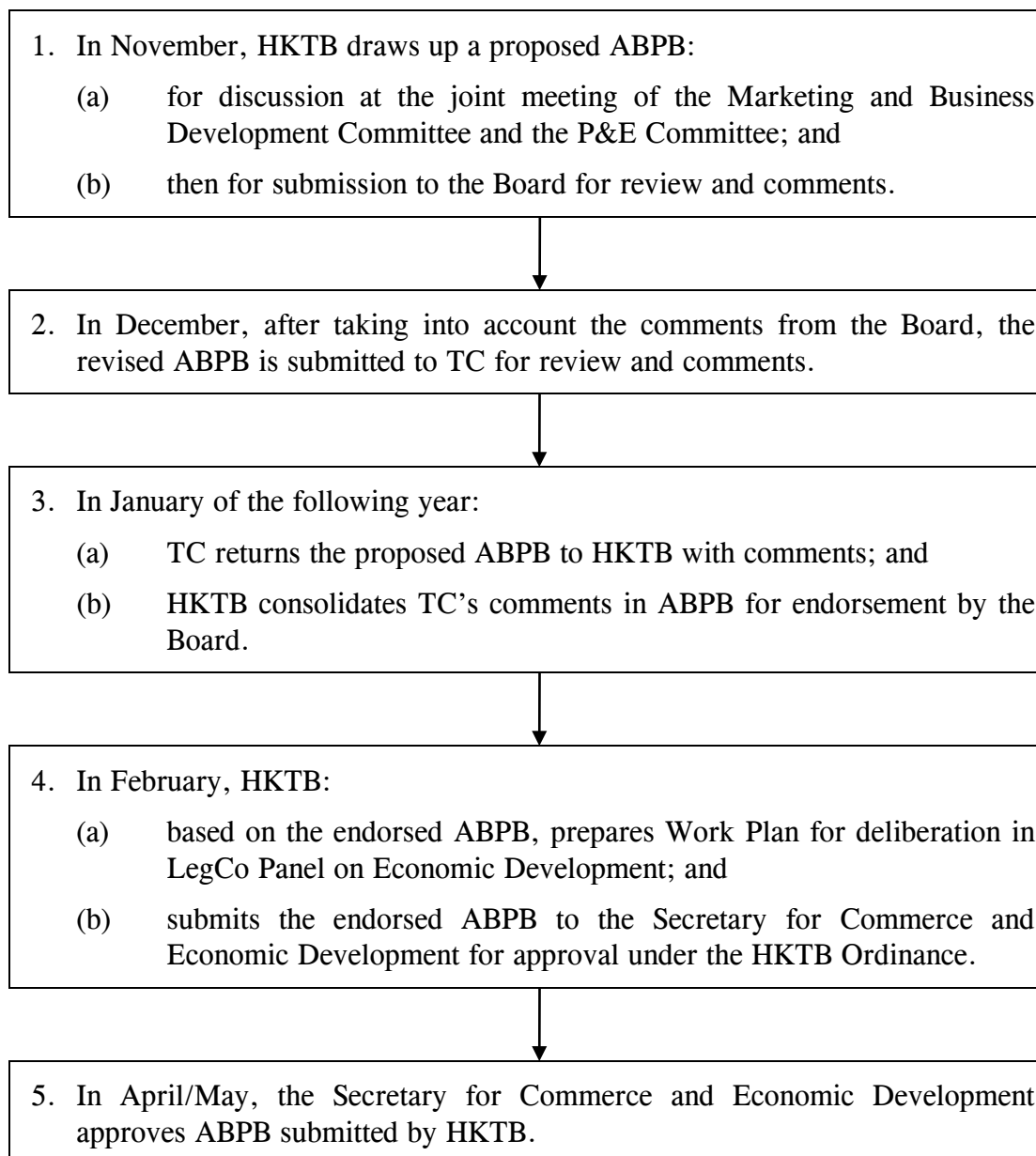
- (a) with regard to the drop of visitor spending, it is a trend in the region and not only observed in Hong Kong. The reasons behind include the impact of strong United States dollar (which result in less spending by visitors in Hong Kong), the import tax cut in Mainland (which might affect price competitiveness of Hong Kong) and the change of shopping behavior with more online shopping;
- (b) in response to COVID-19, HKTb early this year formulated a phased approach tourism recovery plan with a high degree of agility built in, to ensure a swift response to the evolving situation;
- (c) in recent months, despite the challenging global situation, HKTb has rolled out campaigns to drive domestic tourism to boost consumption and build a positive ambience in the city, as well as to convey a positive message to source markets;
- (d) in preparation for market reopening, HKTb is working on a region-leading travel platform with a range of attractive, tactical offers to entice visitors to return to Hong Kong once markets reopen; and
- (e) HKTb is currently conducting a thorough review of the tourism positioning of Hong Kong and its overall tourism promotion strategies to revitalise the Hong Kong tourism brand and drive long-term, sustainable industry growth.

Hong Kong Tourism Board: Organisation chart (extract)
(31 March 2020)



Source: HKTB records

Procedures for drawing up Annual Business Plan and Budget and Work Plan



Source: Audit analysis of HKTB and TC records

Acronyms and abbreviations

ABPB	Annual Business Plan and Budget
Audit	Audit Commission
CE	Chief Executive
CEDB	Commerce and Economic Development Bureau
COR	Controlling Officer's Report
ED	Executive Director
EOI	Expression of interest
Funding Support for SMIC Groups	Funding Support for Small-sized Meeting, Incentive and Convention Groups
GCC	Gulf Cooperation Council
HKTA	Hong Kong Tourist Association
HKTB	Hong Kong Tourism Board
LegCo	Legislative Council
MIC	Meeting, Incentive and Convention
MICE	Meetings, incentives, conventions and exhibitions
PWA	Progressive Web Applications
P&E	Product and Event
QTS	Quality Tourism Services
TC	Tourism Commission

CHAPTER 9

**Development Bureau
Buildings Department**

**Management of
Mandatory Building Inspection Scheme
by the Buildings Department**

**Audit Commission
Hong Kong
28 October 2020**

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. 75 of the Director of Audit contains 10 Chapters which are available on our website at <https://www.aud.gov.hk>

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MANAGEMENT OF MANDATORY BUILDING INSPECTION SCHEME BY THE BUILDINGS DEPARTMENT

Contents

	Paragraph
EXECUTIVE SUMMARY	
PART 1: INTRODUCTION	1.1 – 1.12
Audit review	1.13
Acknowledgement	1.14
PART 2: SELECTION OF BUILDINGS FOR ISSUANCE OF STATUTORY NOTICES	2.1
Selection of buildings for issuance of statutory notices under Mandatory Building Inspection Scheme	2.2 – 2.33
Audit recommendations	2.34
Response from the Government	2.35
Promotion of voluntary building inspection	2.36 – 2.39
Audit recommendation	2.40
Response from the Government	2.41

	Paragraph
PART 3: FOLLOW-UP ACTIONS ON COMPLIANCE WITH STATUTORY NOTICES	3.1 – 3.3
Warning letters for non-compliant statutory notices and registration of statutory notices at Land Registry	3.4 – 3.14
Audit recommendations	3.15
Response from the Government	3.16
Prosecution actions and default works	3.17 – 3.31
Audit recommendations	3.32
Response from the Government	3.33
PART 4: MONITORING OF REGISTERED INSPECTORS' SUBMISSIONS	4.1
Checking of Mandatory Building Inspection Scheme submissions	4.2 – 4.15
Audit recommendations	4.16
Response from the Government	4.17
Record keeping of Mandatory Building Inspection Scheme submissions and checking results	4.18 – 4.24
Audit recommendations	4.25
Response from the Government	4.26
Appendices	Page
A : Buildings Department: Organisation chart (extract) (31 March 2020)	65
B : Acronyms and abbreviations	66

MANAGEMENT OF MANDATORY BUILDING INSPECTION SCHEME BY THE BUILDINGS DEPARTMENT

Executive Summary

1. Building neglect has been a long-standing problem in Hong Kong. Following the enactment of amendments to the Buildings Ordinance (Cap. 123) and the subsidiary Building (Inspection and Repair) Regulation (Cap. 123P) in 2011, the Mandatory Building Inspection Scheme (MBIS) has been fully implemented since 30 June 2012. Founded on the principle of “prevention is better than cure”, MBIS aims to require owners to carry out regular inspection and timely repair for their properties so as to tackle the problem of building neglect at source. Under MBIS, the Buildings Department (BD) is empowered under the Buildings Ordinance to issue statutory notices to owners of private buildings aged 30 years or above (except domestic buildings not exceeding three storeys), requiring them to carry out prescribed inspection and, if necessary, prescribed repair in respect of the common parts, external walls, projections and signboards of their buildings every 10 years. As of December 2019, there were a total of 18,066 buildings covered by MBIS. Up to April 2020, a total of 82,177 statutory notices (involving 5,308 buildings) had been issued under MBIS. Under MBIS, registered inspectors (RIs) are responsible for carrying out the prescribed inspection and/or supervision of the prescribed repair by registered contractors. BD is responsible for ensuring proper regulation of RIs and implementation of MBIS. The Audit Commission (Audit) has recently conducted a review to examine BD’s work in management of MBIS.

Selection of buildings for issuance of statutory notices

2. *Need to keep under review the target number of buildings to be selected for issuance of statutory notices under MBIS and formulate a long-term strategy for MBIS.* BD sets out in its Controlling Officer’s Report (COR) a key performance measure of “buildings targeted for prescribed inspection and, if necessary, prescribed repair under MBIS”. Regarding this performance measure for selection of target buildings under MBIS: (a) since 2013 (i.e. the first full-year implementation of

Executive Summary

MBIS), the target number of buildings had been decreasing from 2,000 in 2014 to 400 in 2019 (i.e. 650 in 2015, 500 in 2016 and 400 in 2017 to 2019), and increased to 600 in 2020; and (b) for 2012 to 2014, the actual numbers of buildings fell short of the target numbers. For 2015 to 2019, the actual numbers were equal to or greater than the target numbers. According to BD, since the commencement of MBIS in 2012, it had kept monitoring the progress of MBIS and noted that its work progress could not meet the target because of huge volume of work and public responses on the implementation of MBIS. With experience gained, BD had adjusted its strategy by adjusting the work priority with more focus on enhancing compliance with served statutory notices. As a result, the target number of buildings since 2014 had been gradually reduced. Audit noted that of the 18,066 buildings covered by MBIS as of December 2019, it was estimated that some 12,000 buildings had not been selected for issuance of statutory notices. Based on the 2020 target of selecting 600 buildings each year, it will take about 20 years to cover these some 12,000 buildings, let alone the new buildings which will be covered by MBIS coming up after 2019. In Audit's view, BD needs to keep under review the target number of buildings for issuance of statutory notices under MBIS, further streamline MBIS and formulate a long-term strategy for MBIS with a view to achieving MBIS's objective of tackling the problem of building neglect. Audit also noted that BD's definition for the abovementioned key performance measure was not clearly set out in its COR (e.g. according to BD, the actual number for this performance measure refers to the number of buildings selected for consideration of issuance of statutory notices). There is merit for BD to consider defining more clearly the key performance measure in its COR to enhance transparency and public accountability (paras. 2.7 to 2.11).

3. *Need to keep under review the selection criteria.* To enhance the transparency and promote community participation, a Selection Panel has been established to tender advice to BD on the selection criteria and the selection of target buildings for the purpose of issuing statutory notices under MBIS. At a Selection Panel meeting in October 2017, the Selection Panel agreed to adopt BD's proposal of revising the selection criteria and Building Score System so that a risk-based approach would be adopted for selection of target buildings under MBIS, and the revisions were then incorporated in BD guidelines. Under the Building Score System, scores will be given to buildings based on four selection criteria (i.e. building age, building condition, building management and risk to public). Priority will be given to buildings with higher scores (i.e. relatively higher potential risk). At the same meeting, BD also informed the Selection Panel that only private residential or composite buildings aged 50 years or above would be selected for issuance of statutory notices under MBIS (i.e. overriding selection criterion). On 25 August 2020, the Selection Panel endorsed the revision of the overriding selection criterion to private residential or composite buildings aged 40 years or above. Audit noted that: (a) the revised overriding

Executive Summary

selection criterion (and the previous one adopted in October 2017) was based on building type and age. However, under the Building Score System, building type was not a selection criterion, and building age was only one of the four selection criteria; (b) some buildings covered by MBIS not meeting this criterion (i.e. of different building type or aged below the specified age of this criterion) might also be of high risk to public safety as indicated by their higher scores or incidents of fallen building elements; and (c) the overriding selection criterion (for both the previous one and the current one) had not been included in BD guidelines. In Audit's view, BD needs to keep under review the use of the overriding selection criterion for selection of target buildings under MBIS, having regard to other selection criteria under the Building Score System, and incorporate all selection criteria of target buildings under MBIS in its guidelines (paras. 2.2, 2.3, 2.12 to 2.14 and 2.18 to 2.20).

4. *Some buildings deleted after selection by Selection Panel.* After the Selection Panel's endorsement of the nomination list, BD may change some buildings in the endorsed building list due to various reasons (e.g. buildings which were recently repaired or with repair works in progress, were or would be demolished). According to BD, it deleted a total of 76 buildings after their selection by the Selection Panel from 2017 to 2019, including 67 buildings with replacement from the list of buffer buildings and 9 buildings without replacement. Audit noted that: (a) for buildings selected in 2017, while BD had informed the Selection Panel about the number of buildings it subsequently deleted with replacement (i.e. 13 buildings) and the reasons for their deletion, it had not done so for the buildings it deleted without replacement (i.e. 6 buildings); and (b) the 67 buildings deleted with replacement included 7 buildings which had been wrongly selected due to data quality problem in BD's Building Condition Information System (BCIS) (para. 2.25).

5. *Need to maintain proper records on assessment of building repairs.* According to BD, it will carry out initial check before serving of statutory notices under MBIS to verify whether the buildings in the nomination list meet the selection criteria for MBIS. It is BD's practice to exclude buildings which have been recently repaired or with voluntary repair works in progress provided that such buildings are in fair condition as verified by the site inspection carried out by BD staff. However, Audit noted that such practice was not included in BD guidelines. Audit also noted that, for the building selection exercise for MBIS in 2019, there were 35 buildings with higher scores than some buildings in the nomination list, but they were not included in the nomination list as they had been recently repaired or repair works were in progress. According to BD, these 35 buildings were excluded from the nomination list based on BD's initial checks in previous years. However, no

Executive Summary

documentation was available showing BD's assessment that such buildings were in fair condition (paras. 2.26 and 2.27).

6. ***Need to strengthen actions in promoting voluntary building inspection.*** According to BD guidelines: (a) a building being assessed for accreditation under the Hong Kong Housing Society's Voluntary Building Assessment Scheme (VBAS) or a building accredited with satisfactory building safety rating under VBAS with inspection/repair carried out within 10 years will not be selected for MBIS; and (b) where inspection/repair of a building has been completed on a voluntary basis without joining VBAS and BD is satisfied that the same requirements as those under MBIS are complied with, the concerned building may not be selected for MBIS within 10 years. Audit noted that, from the commencement of MBIS in June 2012 and up to April 2020, only a low number of buildings covered by MBIS had participated in voluntary building inspection (i.e. 41 buildings were being assessed or were accredited under VBAS, and 139 buildings were with notifications made to BD for conducting prescribed inspection on a voluntary basis) (paras. 2.4, 2.36, 2.37 and 2.39).

Follow-up actions on compliance with statutory notices

7. ***Warning letters not timely issued.*** According to BD, upon receipt of a statutory notice under MBIS, the owners/the owners' corporation of a building should, from the date of the statutory notice, appoint an RI within 3 months to carry out the prescribed inspection, complete the prescribed inspection within 6 months and complete the prescribed repair found necessary within 12 months. For buildings without an owners' corporation, an extra three months will be provided to the owners to organise and arrange the required inspection and repair works. The specified timeframe for each stage is stated in the statutory notice. According to BD guidelines, warning letters should be issued to the building owners for non-compliance of statutory notices under MBIS within one month after the dates specified in the statutory notices for each stage. According to BCIS records, as of April 2020, of 24,639 non-compliant statutory notices, no warning letters had been issued to owners for 6,941 (28%) statutory notices. For almost all (6,862 (99%)) of these 6,941 notices, more than one month had elapsed after completion due dates (i.e. not meeting the one-month time target in BD guidelines). In fact, some of them were very long-outstanding cases (e.g. time elapsed for 621 notices was more than 5 years and up to 6.5 years) (paras. 3.2, 3.4 and 3.8).

Executive Summary

8. ***Need to make timely registration of statutory notices at Land Registry (LR).*** According to BD guidelines (revised in April 2018), under MBIS, for statutory notices served on the common parts of a building, a certified true copy should be sent to LR for registration within one month upon posting of the notices on site in order to facilitate the enforcement action on non-compliance of notices. According to BCIS records, regarding the registration at LR of statutory notices under MBIS issued on the common parts of the buildings from April 2018 to March 2020, as of April 2020, 1,406 statutory notices had been registered at LR and 187 notices had not been registered at LR. Audit noted that BCIS only recorded the referral dates for 467 (33%) of the 1,406 notices. Of these 467 notices, 304 (65%) notices had only been referred to LR for registration more than 1 month and up to 11 months after issuance of the notices (i.e. not meeting the one-month time target in BD guidelines) (paras. 3.11 and 3.12).

9. ***Scope for enhancing BCIS records.*** BD maintains information of statutory notices under MBIS in BCIS. Audit noted that: (a) while BD had set time target of issuing warning letters for non-compliant statutory notices within one month for each stage as specified in the notices, only the issue date of the latest warning letter was kept in BCIS; (b) BCIS records for the issuance of warning letters for some non-compliant statutory notices were not timely updated; and (c) regarding the registration of statutory notices at LR, the referral dates of some notices to LR were not timely updated in BCIS and some notices had data entry problems in BCIS (e.g. incorrectly recorded as notices served on common parts of the buildings) (paras. 3.12 and 3.14).

10. ***Need to continue to step up referral of non-compliant statutory notices to prosecution teams.*** According to BD, to create an effective deterrent, prosecution actions should normally be instigated in case of non-compliance with statutory notices under MBIS without reasonable excuse. These cases may be referred to BD Legal Services Section or Fast Track Prosecution Teams (since January 2019) (collectively referred to as prosecution teams), which will arrange for issuance of summonses on the related building owners for warranted cases. Audit found that, of 1,071 non-compliant statutory notices that had been referred to prosecution teams in 2019 for instigating prosecution, 696 (65%) notices were referred to prosecution teams more than 2 years and up to 6 years after the completion due dates of the statutory notices (paras. 3.17 and 3.21).

Executive Summary

11. ***Scope for improving prosecution actions.*** According to BD guidelines, immediate referral for prosecution should be made for long-outstanding cases or blatant cases. However, BD guidelines had not elaborated on what cases should be regarded as blatant cases for immediate referral for prosecution. Furthermore, according to BD guidelines, for cases convicted by the Court for non-compliance with a statutory notice under MBIS, once continuous non-compliance without reasonable excuse is ascertained, immediate referral to the prosecution teams for second prosecution should be made. Up to April 2020, the defendants of 430 non-compliant statutory notices had been convicted. Audit noted that 130 (30% of 430) statutory notices had not yet been complied with as of April 2020, including 26 statutory notices with non-compliance continuing for more than 1 year and up to 3.5 years after the defendants had been convicted. However, no referral for second prosecution had been made as of April 2020 (para. 3.24).

Monitoring of registered inspectors' submissions

12. ***Some MBIS submissions not timely submitted.*** According to the Building (Inspection and Repair) Regulation, an RI should submit various documents to BD within specified timeframe for the prescribed inspection and the prescribed repair under MBIS. Based on BCIS records, Audit noted that: (a) of 7,408 certificates of building inspection received from RIs under MBIS in 2019, 3,860 (52%) certificates were received by BD more than 7 days and up to 4.5 years (averaging 56 days) after completion of building inspection, not meeting the 7-day statutory requirement; and (b) of 607 certificates of building repair received from RIs under MBIS in 2019, 238 (39%) certificates were received by BD more than 14 days and up to 4.5 years (averaging 162 days) after completion of building repair, not meeting the 14-day statutory requirement (para. 4.6).

13. ***Long time taken to complete BD's audit checks for some MBIS submissions.*** According to BD, to ensure that the inspection and repair works have been carried out in accordance with the Buildings Ordinance, it issues detailed guidelines through the relevant Code of Practice and Practice Notes and conducts checking on MBIS submissions. After fundamental check on the submissions (e.g. verification of the registration status of an RI), BD will select some submissions for audit checks. According to BCIS records, in 2019, BD completed audit checks for 1,174 MBIS submissions. Audit found that BD's audit checks of 213 (18%) submissions were completed more than 1 year and up to 5 years (averaging 1.8 years) after receipt of submissions by BD. Audit also noted that BD had not set time target

Executive Summary

for completing audit checks of MBIS submissions in its guidelines (paras. 4.3 and 4.8 to 4.10).

14. ***Need to take timely follow-up actions on irregularities identified during BD's audit checks.*** According to BD guidelines, for irregularities identified in the submitted documents, BD will issue a reminder letter to the related RI requesting clarification and/or rectification, and in case there is no positive response from the RI within one month or the time limit set out in the reminder letter, BD should issue a warning letter to the related RI. Audit examined the subject files for 10 submissions (out of the 76 submissions with BD's audit checks completed in 2019 and with unsatisfactory results) and noted that, for 5 submissions with irregularities not yet rectified as of April 2020, BD had issued reminder letters to the related RIs regarding the irregularities identified during its audit checks. While the RIs had failed to provide a response within the time limit set out in the reminder letters (exceeding the time limit by 6 to 14 months, averaging 9 months), BD had not issued warning letters to the RIs up to April 2020, contrary to the requirements under BD guidelines (paras. 4.4 and 4.11).

15. ***Discrepancies in BCIS records.*** According to BD guidelines, statutory notices under MBIS are considered to be complied with if notification of appointment of RI, certificates of building inspection and certificates of building repair (if necessary) have been received by BD. According to BCIS records, as of April 2020, a total of 35,639 statutory notices issued under MBIS had been complied with. However, Audit noted that: (a) for 4,747 (13%) statutory notices, there were no BCIS records for receipt of the notification of appointment of RI for building inspection and repair; (b) for 1,314 (4%) statutory notices, there were no BCIS records for receipt of certificates of building inspection; and (c) for 596 (2%) statutory notices, while there were BCIS records for receipt of certificates of building inspection indicating the need for building repair, there were no BCIS records for receipt of certificates of building repair (para. 4.20).

16. ***Scope for making use of BCIS for compiling management information for BD's audit check results.*** Audit noted that BD had not regularly compiled management information (e.g. highlights or summaries) on its audit check results of MBIS submissions, including nature and seriousness of irregularities found and follow-up actions taken for submissions with irregularities found (e.g. reminder letters and/or warning letters issued) (para. 4.22).

Executive Summary

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 Director of Buildings should:

Selection of buildings for issuance of statutory notices

- (a) keep under review the target number of buildings for issuance of statutory notices under MBIS, further streamline MBIS and formulate a long-term strategy for MBIS with a view to achieving MBIS's objective of tackling the problem of building neglect (para. 2.34(a));
- (b) consider defining more clearly the key performance measure of "buildings targeted for prescribed inspection and, if necessary, prescribed repair under MBIS" in BD's COR (para. 2.34(b));
- (c) keep under review the use of the overriding selection criterion for selection of target buildings under MBIS, having regard to other selection criteria under the Building Score System (para. 2.34(c));
- (d) incorporate all selection criteria of target buildings under MBIS in BD guidelines (para. 2.34(d));
- (e) inform the Selection Panel about the number of all buildings BD subsequently deleted after selection by the Panel and the reasons for their deletion (para. 2.34(f));
- (f) take measures to enhance data accuracy in BCIS, thereby providing accurate information for selection of buildings for issuance of statutory notices under MBIS (para. 2.34(g));
- (g) include in BD guidelines the practice of excluding buildings which have been recently repaired or with voluntary repair works in progress and are in fair condition from selection under MBIS (para. 2.34(h));
- (h) maintain proper records on BD assessment in respect of buildings excluded from MBIS selection due to repair works recently completed or in progress (para. 2.34(i));

Executive Summary

- (i) **strengthen actions in promoting voluntary building inspection and encouraging owners to carry out timely and necessary building repair on their own initiative (para. 2.40);**

Follow-up actions on compliance with statutory notices

- (j) **closely monitor the compliance with statutory notices under MBIS and take appropriate follow-up actions (e.g. issuing warning letters) on non-compliant cases (para. 3.15(a));**
- (k) **strengthen actions to ensure that statutory notices served on the common parts of a building under MBIS are timely referred to LR for registration in accordance with BD guidelines (para. 3.15(b));**
- (l) **consider enhancing BCIS to record information of all warning letters issued for non-compliant statutory notices under MBIS and take measures to ensure that BCIS records for warning letters issued are timely updated (para. 3.15(c));**
- (m) **strengthen actions to ensure that information about registration of statutory notices under MBIS at LR is accurately and timely updated in BCIS (para. 3.15(d));**
- (n) **continue to step up referral of non-compliant statutory notices under MBIS to prosecution teams for instigating prosecution actions and explore opportunities to streamline BD's prosecution work (para. 3.32(a));**
- (o) **provide further guidelines for identifying blatant cases of non-compliant statutory notices under MBIS to facilitate making immediate referral of such cases for prosecution (para. 3.32(b));**
- (p) **closely monitor the compliance with statutory notices under MBIS for convicted non-compliant cases and make referral of warranted continuous non-compliant cases for second prosecution (para. 3.32(c));**

Executive Summary

Monitoring of registered inspectors' submissions

- (q) **take measures to strengthen monitoring of RIs' MBIS submissions (para. 4.16(a));**
- (r) **take measures to complete BD's audit checks for MBIS submissions as soon as practicable, consider setting time target for completing the audit checks and take timely follow-up actions on irregularities identified during the audit checks (para. 4.16(b) to (d));**
- (s) **review the record keeping in BCIS for receipt of MBIS submissions and the compliance with statutory notices with a view to ensuring that the records are accurate, complete and up-to-date (para. 4.25(a)); and**
- (t) **make use of BCIS to regularly compile management information on BD's audit check results of MBIS submissions (para. 4.25(c)).**

Response from the Government

18. The Director of Buildings 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 Building neglect has been a long-standing problem in Hong Kong. The presence of ageing buildings which lack proper care and maintenance poses potential threats to residents and the public at large. Following the enactment of amendments to the Buildings Ordinance (Cap. 123) and the subsidiary Building (Inspection and Repair) Regulation (Cap. 123P) in 2011, the Mandatory Building Inspection Scheme (MBIS) has been fully implemented since 30 June 2012 (Note 1). Founded on the principle of “prevention is better than cure”, MBIS aims to require owners to carry out regular inspection and timely repair for their properties so as to tackle the problem of building neglect at source.

1.3 Under MBIS, the Buildings Department (BD — Note 2) is empowered under the Buildings Ordinance to issue statutory notices to owners of private buildings aged 30 years or above (except domestic buildings not exceeding three storeys), requiring them to carry out prescribed inspection and, if necessary, prescribed repair in respect of the common parts, external walls, projections and signboards of their buildings every 10 years (i.e. after a notice has been complied with, a fresh notice in respect of the same part of the building must not be served before the expiry of 10 years after the date of the preceding notice).

1.4 The inspection under MBIS should cover the following building elements:

- (a) external elements and other physical elements (e.g. external walls, drying racks and signboards);

Note 1: *Registration of registered inspectors under MBIS commenced on 30 December 2011 and full implementation of MBIS commenced on 30 June 2012.*

Note 2: *Under the Buildings Ordinance, the authority to issue statutory notices under MBIS is vested in the Building Authority, who is the Director of Buildings. For simplicity, the Building Authority is referred to as BD in this Audit Report.*

Introduction

- (b) structural elements (e.g. columns and beams, staircases and cantilevered projection structures);
- (c) fire safety elements (e.g. means of escape, means of access for fire fighting and rescue, and fire resisting construction);
- (d) drainage systems (e.g. drainage system located at external walls of the building, drainage system in common parts and underground common drainage system); and
- (e) identification of unauthorised building works (UBWs — Note 3) in common parts of the building, on the exterior other than the common parts of the building (e.g. external wall, roof or podium, yard or slope adjoining the building) or on the street on which the building fronts or abuts.

1.5 Common building conditions requiring repair include the following:

- (a) loose plasters and finishes at external walls (see Photograph 1 for an example);
- (b) defective common staircases (see Photograph 2 for an example);
- (c) leaking or broken drainage pipes at external walls (see Photograph 3 for an example); and
- (d) defective fire rated doors (see Photograph 4 for an example).

Note 3: *According to BD, MBIS covers identification of UBWs and assurance of their safety. Although UBWs might not be required to be removed during the stage of mandatory building inspection, BD will carry out enforcement actions against UBWs according to the enforcement policy (including taking priority enforcement actions against UBWs constituting an obvious hazard or imminent danger to lives and properties, and UBWs that are newly constructed).*

Photograph 1

**Loose plasters and finishes
at external wall**



Source: BD records

Photograph 2

Defective common staircases



Source: BD records

Photograph 3

**Leaking or broken drainage pipes
at external wall**



Source: BD records

Photograph 4

Defective fire rated door



Source: BD records

Introduction

Selection of buildings for issuance of statutory notices

1.6 MBIS covers private buildings aged 30 years or above (except domestic buildings not exceeding three storeys) (see para. 1.3). According to BD, as of December 2019, excluding domestic buildings not exceeding three storeys which are not covered by MBIS, there were a total of 28,844 private buildings (Note 4), including 18,066 buildings aged 30 years or above (i.e. buildings covered by MBIS — see Table 1).

Table 1

**Number of private buildings
(December 2019)**

Building age (Year)	Number of private buildings (Note)
9 or below	2,237
10 to 19	3,303
20 to 29	5,238
30 to 39	5,472
40 to 49	5,246
50 to 59	4,921
60 to 69	1,772
70 or above	655
Total	28,844

Source: BD records

Note: Domestic buildings not exceeding three storeys were not included, as MBIS does not cover such buildings.

Note 4: *According to BD, the counting of buildings for the purpose of MBIS is based on the building identity number in BD's computer system (i.e Building Condition Information System — see Note 27 in para. 2.25(b)). For example, structures sharing the same means of escape (such as portion of a terraced development) will be counted as one building.*

1.7 Each year, a certain number of target buildings will be selected from the buildings covered by MBIS for issuance of statutory notices. BD issues statutory notices to the owners of selected buildings, as follows:

- (a) for elements at common parts of a building, the notices will be served on the owners' corporation (OC) if such corporation has been formed, otherwise on all owners of the building; and
- (b) for elements owned by individual owners, including privately-owned external walls and projecting structures (e.g. balconies, verandahs and signboards (Note 5)) exclusively used by individual owners, the notices will be served on the owners concerned.

Up to April 2020, a total of 82,177 statutory notices (involving 5,308 buildings) had been issued under MBIS.

Follow-up actions on compliance with statutory notices

1.8 A building owner served with a statutory notice under MBIS is required, within a specified timeframe, to appoint a registered inspector (RI — Note 6) to carry out the prescribed inspection of the building, and if necessary, appoint a registered contractor (RC — Note 7) to carry out the prescribed repair. The major steps in building inspection and repair under MBIS (summarised in Figure 1) are as follows:

Note 5: *Under the Buildings Ordinance, if a signboard is erected on a building, the statutory notice will be served on: (a) the person for whom the signboard is erected; (b) if that person cannot be found, the person who would receive any rent or other money consideration; or (c) if the persons referred to in (a) and (b) above cannot be found, the owner of the premises in the building on which the signboard is erected.*

Note 6: *An RI should be an authorised person, a registered structural engineer or a registered building professional possessing relevant work experience in the field of building construction, repair and maintenance, and whose name is on the inspectors' register maintained by BD.*

Note 7: *An RC appointed to carry out the necessary repair works under MBIS should be a registered general building contractor or a registered minor works contractor who is qualified to carry out the repair works and whose name is on the respective contractors' registers maintained by BD. Registered minor works contractors can only carry out minor works belonging to the class, type and item for which they are registered.*

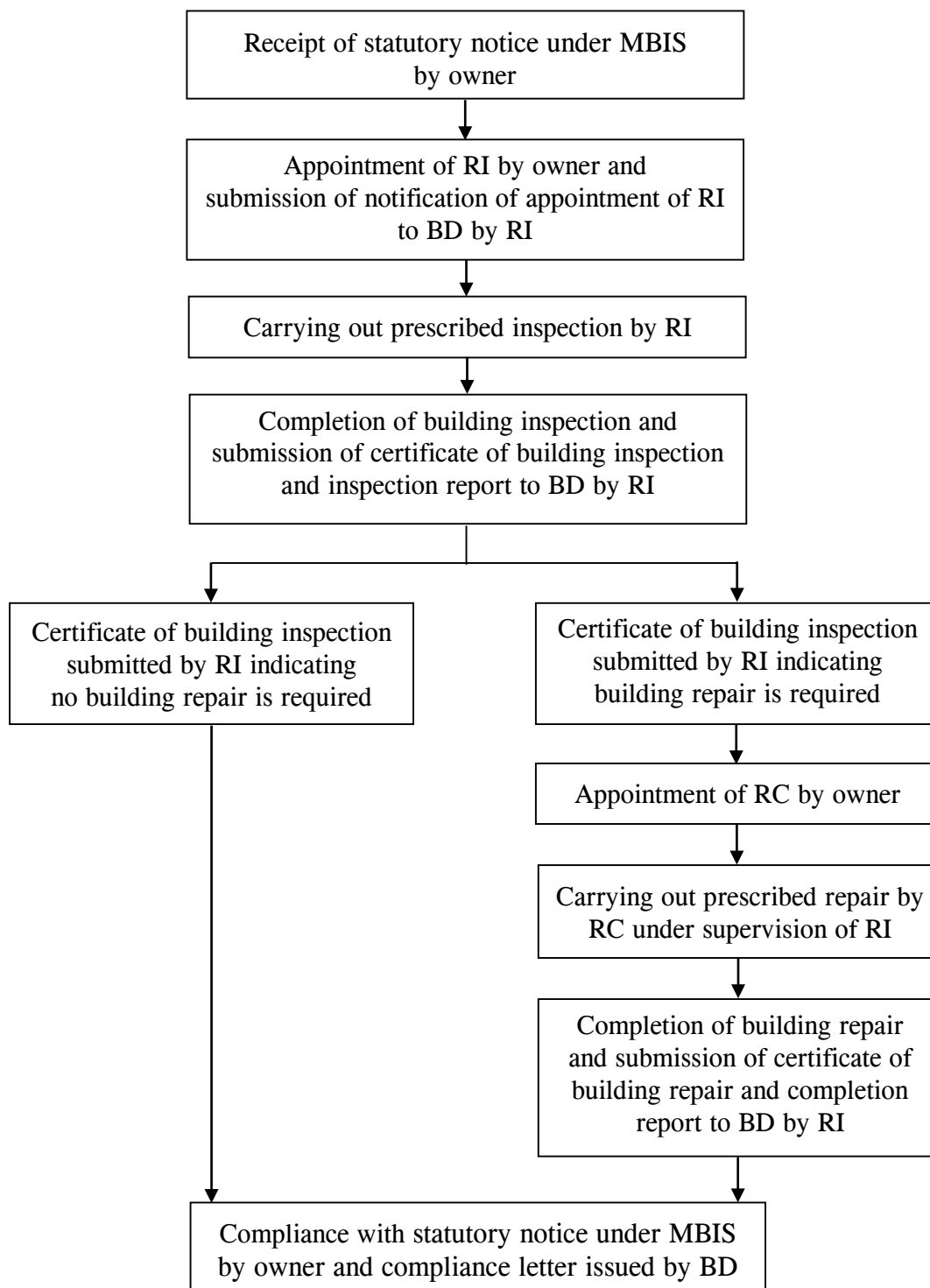
Introduction

- (a) ***Appointment of RI.*** Upon receipt of a statutory notice under MBIS, an owner is required to appoint an RI to carry out the prescribed inspection in respect of common parts or individually owned elements of the building. The RI should submit a notification in specified form notifying the appointment of RI (i.e. notification of appointment of RI) to BD;
- (b) ***Building inspection.*** The RI will carry out the prescribed inspection in respect of common parts or individually owned elements of the building. Upon completion of the building inspection, the RI should submit a certificate in specified form certifying completion of the inspection (i.e. certificate of building inspection) together with an inspection report (including a repair proposal if prescribed repair is required) to BD. If the certificate of building inspection has indicated that the common parts or individually owned elements of the building are safe and no building repair is required, BD will issue a compliance letter to the owner certifying compliance with the statutory notice under MBIS; and
- (c) ***Building repair.*** If the certificate of building inspection has indicated that building repair is required, the owner should appoint an RC to carry out the prescribed repair under the supervision of an RI (Note 8) in accordance with the repair proposal included in the inspection report. Upon completion of the building repair, the RI should submit a certificate in specified form certifying completion of the repair (i.e. certificate of building repair) together with a completion report to BD and declare no business connection with the RC who carried out the repair. After receipt of the completion report and certificate of building repair, BD will issue a compliance letter to the owner certifying compliance with the statutory notice under MBIS.

According to BD, it will conduct random audit checks of certificates, inspection reports and completion reports submitted by RIs (see para. 1.11(c)). For submissions selected for audit checks by BD, it will only issue compliance letters if no irregularities are identified in the audit checks or if the irregularities identified in the audit checks are rectified.

Note 8: *The owner may appoint the same RI who has carried out the prescribed inspection, or appoint another RI for supervision of the prescribed repair.*

Figure 1

Major steps in building inspection and repair under MBIS

Source: BD records

Introduction

1.9 For non-compliances with statutory notices under MBIS, BD may issue warning letters to the owners and instigate prosecution against them. BD may also arrange consultants and contractors to carry out the required inspection and repair works on behalf of the owners (i.e. default works) and recover the related costs from the owners.

Monitoring of RIs' submissions

1.10 Under MBIS, RIs are responsible for carrying out the prescribed inspection and/or supervision of the prescribed repair by RCs (see para. 1.8). As of April 2020, there were 556 RIs.

1.11 BD is responsible for ensuring proper regulation of RIs. According to BD, it monitors RIs through various measures, including:

- (a) keeping an inspectors' register and establishing a regulatory mechanism under the Buildings Ordinance as well as Inspector Registration Committees to assist BD in scrutinising the professional standards for registration as RIs;
- (b) issuing detailed guidelines on the requirements and standards of building inspection and repair works through the Code of Practice for MBIS and Practice Notes; and
- (c) conducting random audit checks of certificates, inspection reports and completion reports submitted by RIs in order to ascertain that the prescribed inspection and prescribed repair have been carried out in accordance with the legislation, as well as the Code of Practice and Practice Notes issued by BD. If RIs have any irregularities, BD may instigate prosecution or disciplinary actions against them (Note 9).

Note 9: *BD may also instigate prosecution or disciplinary actions against RCs if they have any irregularities.*

Responsible division of BD

1.12 The two Mandatory Building Inspection (MBI) Sections under BD's MBI Division (see Appendix A for an extract of BD's organisation chart as at 31 March 2020) are responsible for implementation of MBIS and another scheme (Note 10). As of March 2020, the two MBI Sections had 217 staff (comprising 148 professional and technical staff, 35 supporting staff and 34 non-civil service contract staff). The total recurrent expenditure of the two MBI Sections for 2019-20 was about \$164 million. According to BD, it could not provide a breakdown of the expenditure incurred solely for MBIS.

Audit review

1.13 In May 2020, the Audit Commission (Audit) commenced a review to examine BD's work in management of MBIS. The audit review has focused on the following areas:

- (a) selection of buildings for issuance of statutory notices (PART 2);
- (b) follow-up actions on compliance with statutory notices (PART 3); and
- (c) monitoring of RIs' submissions (PART 4).

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

Note 10: *Apart from MBIS, the two MBI Sections are also responsible for implementing the Mandatory Window Inspection Scheme which has been fully implemented since 30 June 2012. Under the Scheme, BD may issue statutory notices to owners of private buildings aged 10 years or above (except domestic buildings not exceeding 3 storeys) requiring them to carry out prescribed inspection and prescribed repair found necessary of all windows of the buildings every 5 years.*

Acknowledgement

1.14 During the audit review, in light of the outbreak of coronavirus disease (COVID-19), the Government had implemented various special work arrangements and targeted measures for government employees, including working from home. Audit would like to acknowledge with gratitude the full cooperation of the staff of BD during the course of the audit review amid the COVID-19 epidemic.

PART 2: SELECTION OF BUILDINGS FOR ISSUANCE OF STATUTORY NOTICES

2.1 This PART examines BD's actions in selecting buildings for issuance of statutory notices under MBIS (paras. 2.2 to 2.35) and promoting voluntary building inspection (paras. 2.36 to 2.41).

Selection of buildings for issuance of statutory notices under Mandatory Building Inspection Scheme

2.2 MBIS covers private buildings aged 30 years or above (except domestic buildings not exceeding three storeys). Each year, a certain number of target buildings will be selected from the buildings covered by MBIS for issuance of statutory notices. To enhance the transparency and promote community participation, a Selection Panel (Note 11) has been established to tender advice to BD on the selection criteria and the selection of target buildings for the purpose of issuing statutory notices under MBIS.

2.3 *Selection criteria.* According to BD, a risk-based approach has been adopted in selection of target buildings for issuing statutory notices under MBIS since October 2017. BD has developed a Building Score System to prioritise all buildings covered by MBIS. Under the Building Score System, scores will be given to buildings based on the selection criteria and priority will be given to buildings with higher scores (i.e. relatively higher potential risk) in selection of buildings for issuance of statutory notices under MBIS. The selection criteria are as follows:

Note 11: *The Selection Panel is chaired by an Assistant Director of BD with members from professional institutions (i.e. the Hong Kong Institute of Architects, the Hong Kong Institution of Engineers, the Hong Kong Institute of Surveyors and the Hong Kong Association of Property Management Companies), the Hong Kong Housing Society and 18 District Councils (6 members on a rotational basis to participate in each meeting).*

Selection of buildings for issuance of statutory notices

- (a) **Building age.** Buildings with higher building age should be given priority;
- (b) **Building condition.** Reports on the dilapidated conditions of the buildings, emergency repair works conducted in the previous 12 months, and outstanding repair and investigation orders (Note 12) on the buildings should be considered;
- (c) **Building management.** Three-nil buildings (Note 13) should be given priority;
- (d) **Risk to public.** Buildings with cantilevered slab balcony or cantilevered slab canopy should be given priority; and
- (e) **Building cluster.** For a number of buildings situated on the same land lot with owners being jointly responsible for maintenance and repair of the common parts in the buildings, the buildings concerned will form a building cluster. If a building forming part of a building cluster is selected, all buildings in the building cluster will also be selected together regardless of their scores.

2.4 **Buildings not to be selected.** According to BD guidelines:

- (a) for a building with a statutory notice under MBIS served and complied with, a fresh notice in respect of the same part of the building will not be served within 10 years after the issue date of the preceding notice;

Note 12: *For a building rendered dangerous or liable to become dangerous, BD may issue a repair order (under section 26 of the Buildings Ordinance) to require the owner to carry out repair works of the building. For a building found with dilapidation or defect, BD may issue an investigation order (under section 26A of the Buildings Ordinance) to require the owner to carry out an investigation on the building and submit remedial works proposal.*

Note 13: *Three-nil buildings refer to buildings which do not have OCs or any form of residents' organisations, nor engage property management companies in managing their buildings.*

- (b) a building being assessed for accreditation under the Hong Kong Housing Society's Voluntary Building Assessment Scheme (VBAS — Note 14) or a building accredited with satisfactory building safety rating under VBAS with inspection/repair carried out within 10 years will not be selected for MBIS; and
- (c) where inspection/repair of a building has been completed in accordance with those prescribed under the Buildings Ordinance on a voluntary basis without joining VBAS and BD is satisfied that the same requirements as those under MBIS are complied with, the concerned building may not be selected for MBIS within 10 years.

Need to keep under review the target number of buildings to be selected for issuance of statutory notices under MBIS and formulate a long-term strategy for MBIS

2.5 In May 2008, in providing information about the proposed MBIS, the Development Bureau (DEVB) informed the Panel on Development of the Legislative Council (LegCo) that 2,000 private buildings would be selected each year to undergo building inspection under MBIS. In June 2012, MBIS was fully implemented (see para. 1.2).

2.6 In November 2013, after a full-year implementation of MBIS, DEVB informed LegCo's Panel on Development that BD:

- (a) had encountered major difficulties in meeting the planned progress in issuing statutory notices under MBIS (e.g. an under-estimation of workload associated with the implementation of MBIS and an overwhelming volume of public enquiries and requests for ad-hoc on-site briefing sessions from the affected building owners of individual target buildings and estates), and

Note 14: *To encourage building owners to properly manage and maintain their buildings on their own initiatives, the Hong Kong Housing Society commenced VBAS in July 2012. All private domestic buildings and composite buildings with building management are eligible to join VBAS, and buildings certified under VBAS will be recognised by BD for having fulfilled the requirements under MBIS within 10 years.*

Selection of buildings for issuance of statutory notices

considered it necessary to adjust downwards the annual number of target buildings under MBIS; and

- (b) would formulate a revised target for MBIS taking into account operational experience gained.

2.7 BD sets out in its Controlling Officer's Report (COR) a key performance measure of "buildings targeted for prescribed inspection and, if necessary, prescribed repair under MBIS" and reports the target, planned and actual numbers for this performance measure each year. According to BD:

- (a) the target and planned numbers refer to the number of buildings to be selected for consideration of issuance of statutory notices; and
- (b) the actual number refers to the number of buildings selected for consideration of issuance of statutory notices. This figure reflects the information available at the cut-off time for reporting in the COR, and is subject to change arising from latest information available subsequently (e.g. initial check conducted for selected buildings — see para. 2.26(a)). Accordingly, the actual number of buildings selected and issued with statutory notices might be different from the actual number as reported in BD's CORs.

Table 2 shows the numbers as reported in BD's CORs from 2012 (MBIS fully implemented in June 2012) to 2020.

Selection of buildings for issuance of statutory notices

Table 2

**Selection of buildings for issuance of statutory notices under MBIS
as reported in BD's CORs
(2012 to 2020)**

Year	Target number of buildings to be selected for consideration of issuance of statutory notices	Actual number of buildings selected for consideration of issuance of statutory notices (Note 1)	
2012	2,000 (Planned: 1,500 — Note 2)	949 (Note 3)	}
2013	2,000	1,576	
2014	2,000 (Planned: 1,000 — Note 2)	1,018	}
2015	650	650	
2016	500	500	}
2017	400	436	
2018	400	427	}
2019	400	403	
2020	600	Not yet published (Note 4)	

Source: BD's CORs

Note 1: According to BD: (a) the issuance of statutory notices for 403 target buildings selected in 2019 was still in progress as of August 2020; and (b) the actual total number of buildings selected from 2012 to 2018 and issued with statutory notices was 5,308 buildings, which was less than the total of 5,556 buildings as reported in BD's CORs due to various reasons (e.g. buildings demolished, to be demolished, recently repaired or under repair — see para. 2.25(b)). The variances were below 5% in recent years (e.g. the actual numbers of buildings selected from 2016 to 2018 and issued with statutory notices were 476 (versus COR figure of 500 (4.8%)), 430 (versus COR figure of 436 (1.4%)) and 424 (versus COR figure of 427 (0.7%)) respectively).

Note 2: In its CORs, BD set out both the target and planned numbers of buildings to be selected for consideration of issuance of statutory notices under MBIS. Except for 2012 and 2014, both numbers were the same for other years (i.e. 2013 and 2015 to 2020). According to the CORs, the planned numbers for 2012 and 2014 were less than the target numbers due to the following reasons: (a) for 2012 (1,500 (planned) versus 2,000 (target)), full implementation of MBIS was expected to commence in the second quarter of 2012; and (b) for 2014 (1,000 (planned) versus 2,000 (target)), major difficulties were encountered in implementing MBIS (see para. 2.6(a)).

Note 3: Full implementation of MBIS commenced on 30 June 2012.

Note 4: According to BD, on 25 August 2020, the Selection Panel endorsed the selection of 600 target buildings and another 300 buffer buildings (for replacing target buildings selected if needed) for issuance of statutory notices under MBIS for 2020.

Selection of buildings for issuance of statutory notices

2.8 As shown in Table 2, regarding the performance measure for selection of target buildings under MBIS (see para. 2.7):

- (a) for 2012 (MBIS fully implemented in June 2012) and 2014, the planned numbers of buildings ((1,500 and 1,000 respectively) were less than the target number of 2,000 due to various reasons (see Note 2 to Table 2 in para. 2.7);
- (b) since 2013 (i.e. the first full-year implementation of MBIS), the target number of buildings had been decreasing from 2,000 in 2014 to 400 in 2019 (i.e. 650 in 2015, 500 in 2016 and 400 in 2017 to 2019). The number increased to 600 in 2020; and
- (c) for 2012 and 2013, the actual numbers of buildings fell short of both the target and planned numbers. For 2014, the actual number fell short of the target number but was greater than the planned number. For 2015 to 2019, the actual numbers were equal to or greater than the target numbers (same as the planned numbers).

2.9 In August and September 2020, BD informed Audit that:

- (a) since the commencement of MBIS in 2012, BD had kept monitoring the progress of MBIS. BD noted that its work progress could not meet the target because of huge volume of work and public responses on the implementation of MBIS. With experience gained, BD had adjusted its strategy by adjusting the work priority with more focus on enhancing compliance with served statutory notices. As a result, the target number of buildings since 2014 had been gradually reduced;
- (b) in response to the adjustment on the target number of buildings and for better utilisation of the available resources, BD had adopted a risk-based approach in selecting target buildings with a Building Score System under which buildings with higher score (i.e. relatively higher potential risk) would be selected for implementation of MBIS;
- (c) BD encouraged building owners to carry out voluntary inspection and repair as necessary to ensure good maintenance and safety of building through various public education campaigns;

Selection of buildings for issuance of statutory notices

- (d) BD would review the target number of buildings each year, taking into account the manpower required to implement MBIS, the actual operational experience, market situation, the opinions of stakeholders and members of community as well as the available assistance schemes provided to the owners; and
- (e) BD would further streamline MBIS with a view to stepping up the pace of MBIS implementation, and review the progress of compliance by the owners in formulating the long-term strategy for MBIS.

2.10 Audit noted that of the 18,066 buildings covered by MBIS as of December 2019, it was estimated that some 12,000 buildings had not been selected for issuance of statutory notices (Note 15). Based on the 2020 target of selecting 600 buildings each year, it will take about 20 years (Note 16) to cover these some 12,000 buildings, let alone the new buildings which will be covered by MBIS coming up after 2019 (Note 17). Given that MBIS is founded on the principle of “prevention is better than cure” and aims to require owners to carry out regular inspection and timely repair for their properties so as to tackle the problem of building neglect at source (see para. 1.2), in Audit’s view, BD needs to keep under review the target number of buildings for issuance of statutory notices under MBIS, further streamline MBIS and formulate a long-term strategy for MBIS, having regard to all relevant factors (e.g. operational experience and compliance by the owners of buildings) in implementing MBIS, with a view to achieving MBIS’s objective of tackling the problem of building neglect.

2.11 Audit also noted that BD’s definition (see para. 2.7) for the key performance measure of “buildings targeted for prescribed inspection and, if necessary, prescribed repair under MBIS” was not clearly set out in BD’s COR.

Note 15: *The calculation of the some 12,000 buildings is based on the difference between the 18,066 buildings covered by MBIS and the total of 5,959 target buildings selected from 2012 to 2019 (see Table 2 in para. 2.7).*

Note 16: *In view of the small number of buildings covered by MBIS having participated in voluntary building inspection (see para. 2.37), its effect on the estimation of the 20-year period is considered negligible.*

Note 17: *For example, 572, 668 and 504 buildings will reach the building age of 30 years in 2020, 2021 and 2022 respectively, and these will become buildings covered by MBIS.*

Selection of buildings for issuance of statutory notices

There is merit for BD to consider defining more clearly this key performance measure in its COR to enhance transparency and public accountability.

Need to keep under review the selection criteria

2.12 At a Selection Panel meeting in October 2017, BD informed the Selection Panel that:

- (a) in view of a recent incident involving partial collapse of a balcony of a private building, BD reviewed the selection criteria of target buildings under MBIS and considered that a risk-based approach should be adopted. In selecting the buildings for mandatory inspection under MBIS, buildings with relatively higher potential risk should be given priority for effective use of resources and to protect public and building safety; and
- (b) some existing selection criteria which had no direct relationships with safety risk or could not effectively reflect the actual building conditions should be deleted (Note 18). Therefore, BD proposed to revise the selection criteria (including deleting some criteria) and Building Score System so that a risk-based approach would be adopted.

2.13 The Selection Panel agreed to adopt the revised selection criteria and Building Score System proposed by BD, and the revisions were then incorporated in BD guidelines. Under the Building Score System, scores will be given to buildings based on the following four selection criteria:

- (a) building age;
- (b) building condition;
- (c) building management; and
- (d) risk to public.

Note 18: *According to BD, some existing selection criteria (e.g. history of general building repair and number of UBWs) had no direct relationships with safety risk or could not effectively reflect the actual building conditions and these criteria were proposed to be deleted.*

Selection of buildings for issuance of statutory notices

2.14 At the same Selection Panel meeting in October 2017, BD also informed the Selection Panel that only private residential or composite buildings aged 50 years or above would be selected for issuance of statutory notices under MBIS. In the event, the nomination list of buildings (comprising only private residential or composite buildings aged 50 years or above) was endorsed by the Selection Panel. However, Audit noted that this overriding selection criterion had not been included in BD guidelines. Audit's findings related to the use of overriding selection criterion, which was based on building type and age, are set out in paragraphs 2.15 to 2.20.

2.15 ***Some buildings not meeting the overriding selection criterion had higher scores.*** For the building selection exercise for MBIS in 2019, 9,994 buildings were given scores by BD in accordance with the Building Score System (hereinafter referred to as scored building list — see also para. 2.22). In August 2019, BD informed the Selection Panel that:

- (a) there were 2,986 buildings which were private residential or composite buildings aged 50 years or above and eligible for implementation of MBIS; and
- (b) the top 400 buildings were nominated to be selected as target buildings under MBIS and the following 200 buildings would be reserved as buffer buildings (Note 19) (i.e. a total of 600 buildings in the nomination list).

In the event, the Selection Panel endorsed the selection of the 600 buildings in the nomination list (see (b) above) for issuance of statutory notices under MBIS.

2.16 Based on the scored building list of 9,994 buildings, Audit noted that 404 buildings were with higher scores than some buildings in the nomination list to the Selection Panel (Note 20). However, these buildings were not included in the nomination list as they did not meet the overriding selection criterion (i.e. private

Note 19: *According to BD, since 2015, it has nominated buffer buildings for replacing target buildings selected under MBIS if needed.*

Note 20: *In the nomination list of 600 buildings (with scores ranging from 10 to 75 points), some buildings formed part of building cluster and were selected together regardless of their scores (see para. 2.3(e)). Excluding those buildings selected due to building cluster, the other buildings were with scores of 25 to 75 points.*

Selection of buildings for issuance of statutory notices

residential or composite buildings aged 50 years or above). The 404 buildings were as follows:

- (a) 176 private residential or composite buildings aged between 30 and 49 years (i.e. aged below 50) (Note 21) (of which 75 buildings aged between 30 and 39 years (i.e. aged below 40)); and
- (b) 228 private buildings other than residential or composite buildings (e.g. industrial or commercial buildings) aged 30 years or above (some were pre-war buildings) (Note 22).

2.17 ***Incidents involving fallen building elements from private buildings not meeting the overriding selection criterion.*** Audit noted that there were incidents involving fallen building elements (e.g. concrete) from private buildings over the years. According to BD, from January 2017 to June 2020, there were 435 incidents (Note 23) involving fallen building elements from the buildings covered by MBIS. Of these 435 incidents:

Meeting the overriding selection criterion

- (a) 208 (48%) incidents were related to private residential or composite buildings aged about 50 years or above (some were pre-war buildings) at the time of incidents;

Note 21: *Of the 176 private residential or composite buildings aged between 30 and 49 years and with higher scores than some buildings in the nomination list: (a) 147 buildings were with higher scores than some of the top 400 buildings in the nomination list; and (b) 29 buildings were with higher scores than some of the 200 buffer buildings in the nomination list.*

Note 22: *Of the 228 private buildings other than residential or composite buildings aged 30 years or above and with higher scores than some buildings in the nomination list: (a) 160 buildings were with higher scores than some of the top 400 buildings in the nomination list; and (b) 68 buildings were with higher scores than some of the 200 buffer buildings in the nomination list.*

Note 23: *According to BD, it had not maintained statistics on the casualty records related to incidents involving fallen building elements from private buildings.*

Not meeting the overriding selection criterion

- (b) 173 (40%) incidents were related to private residential or composite buildings aged about 30 to 49 years at the time of incidents (i.e. aged below 50) (of which 60 buildings aged between 30 and 39 years at the time of incidents (i.e. aged below 40)); and
- (c) 54 (12%) incidents were related to private buildings other than residential or composite buildings (e.g. industrial or commercial buildings) aged about 30 years or above (some were pre-war buildings) at the time of incidents.

Of the 435 incidents, the buildings in 227 (52% — see (b) and (c) above) incidents involving fallen building elements did not meet the overriding selection criterion. As a result, these buildings would not be included in BD's nomination list of target buildings to the Selection Panel.

2.18 In September and October 2020, BD informed Audit that:

- (a) as younger buildings were generally better managed and maintained, in order to better utilise the available resources and follow government policy on timely maintenance of old buildings, a risk-based approach was adopted in 2017. The selection of target buildings for MBIS would focus on private residential or composite buildings aged 50 years or above as these buildings posed relatively higher potential building safety risks and the building owners were less coordinated in carrying out building maintenance and repairs. Joining MBIS would help these building owners better understand their responsibility on timely and preventive maintenance of their buildings. The risk-based approach and the overriding selection criterion had been deliberated and endorsed by the Selection Panel in 2017;
- (b) the overriding selection criterion had been reviewed. On 25 August 2020, the Selection Panel endorsed the revision of the overriding selection criterion to private residential or composite buildings aged 40 years or above. The revised criterion was used for selection of target buildings in 2020 (see Note 4 to Table 2 in para. 2.7); and

Selection of buildings for issuance of statutory notices

- (c) BD would continue to follow up on building defects of other buildings that did not fall within the overriding selection criterion by issuing investigation or repair orders (see Note 12 in para. 2.3(b)) under the Buildings Ordinance to ensure building safety. In addition to following up on public reports on building defects, BD also proactively conducted large-scale operations to take enforcement actions against UBWs and dilapidated or defective buildings. If obvious defects were found on the exterior of a building, BD would consider issuing repair orders to mandate owners to carry out repair works or arrange emergency repair works when there was imminent danger to the public.

2.19 While noting that the overriding selection criterion for selection of target buildings under MBIS was revised on 25 August 2020 (see para. 2.18(b)), the revised overriding selection criterion is still based on building type and age (i.e. private residential or composite buildings aged 40 years or above). Audit noted that:

- (a) under the Building Score System, building type was not a selection criterion, and building age was only one of the four selection criteria (see para. 2.13). Regarding the three other criteria, building condition is an important one with maximum score (60 points) higher than building age (20 points);
- (b) some buildings covered by MBIS not meeting this criterion (i.e. of different building type (e.g. industrial buildings) or aged below the specified age of this criterion) might also be of high risk to public safety as indicated by their higher scores or incidents of fallen building elements (see paras. 2.16 and 2.17(b) and (c)); and
- (c) the overriding selection criterion (for both the previous one adopted in October 2017 (see para. 2.14) and the current one adopted in August 2020) had not been included in BD guidelines.

2.20 In Audit's view, BD needs to keep under review the use of the overriding selection criterion for selection of target buildings under MBIS, having regard to other selection criteria (e.g. building condition) under the Building Score System, with a view to achieving MBIS's objective of tackling the problem of building neglect. BD also needs to incorporate all selection criteria of target buildings under MBIS in its guidelines.

***Some buildings covered by MBIS not given scores
in accordance with Building Score System***

2.21 In May 2019, in response to a LegCo Member's enquiry about whether the Selection Panel would give a lower priority to buildings that had previously undergone the prescribed inspection and repair when selecting target buildings under MBIS, BD informed LegCo's Panel on Development and Panel on Home Affairs that:

- (a) the Selection Panel adopted a risk-based approach and took into account various factors in selecting target buildings under MBIS on an annual basis; and
- (b) all buildings, including those that had completed MBIS, would be scored to determine the priority of action for MBIS.

According to BD, the reason for scoring all buildings covered by MBIS is to form a database for reviewing purpose.

2.22 For the building selection exercise for MBIS in 2019, Audit noted that BD had prioritised the buildings based on the list of private buildings as of December 2018. While there were a total of 17,508 buildings covered by MBIS as of December 2018, only 9,994 (57%) buildings were given scores by BD in accordance with the Building Score System and the remaining 7,514 (i.e. 17,508 – 9,994) buildings were not given scores by BD.

2.23 In September 2020, BD informed Audit that the main reason for not giving scores to the 7,514 buildings (see para. 2.22) was due to the fact that a majority of them had already been selected under MBIS within the past 10 years (see para. 2.4(a)).

2.24 In Audit's view, BD needs to take measures to ensure that all buildings covered by MBIS are scored as needed in accordance with the Building Score System for reviewing purpose.

Some buildings deleted after selection by Selection Panel

2.25 After the Selection Panel's endorsement of the nomination list, BD may change some buildings in the endorsed building list due to various reasons (see (b) below). According to BD, it deleted a total of 76 buildings after their selection by the Selection Panel from 2017 to 2019, including 67 buildings with replacement from the list of buffer buildings and 9 buildings without replacement (Note 24). Audit noted the following issues:

- (a) *Selection Panel not informed of the deletion of some selected buildings.* For buildings selected in 2017 (Note 25), while BD had informed the Selection Panel about the number of buildings it subsequently deleted with replacement (i.e. 13 buildings) and the reasons for their deletion, it had not done so for the buildings it deleted without replacement (i.e. 6 buildings). In Audit's view, BD needs to inform the Selection Panel about the number of all buildings it subsequently deleted after selection by the Panel (including those deleted without replacement) and the reasons for their deletion; and
- (b) *Need to enhance data accuracy in BD computer system.* For the 67 buildings selected during 2017 to 2019 and deleted with replacement from the list of buffer buildings, according to BD, one of the reasons (Note 26) was due to data quality problem in BD's computer system (i.e. the Building Condition Information System (BCIS — Note 27)), which led

Note 24: *Of 67 buildings deleted with replacement, 13, 34 and 20 buildings were selected in 2017, 2018 and 2019 respectively. Of 9 buildings deleted without replacement, 6 and 3 buildings were selected in 2017 and 2018 respectively.*

Note 25: *According to BD, for buildings selected in 2018, it had informed the Selection Panel of all buildings it had subsequently deleted (i.e. 34 deleted buildings with replacement in August 2019 and 3 deleted buildings without replacement in August 2020).*

Note 26: *The other reasons included buildings which: (a) were recently repaired or with repair works in progress; (b) were or would be demolished; and (c) were cluster buildings (see para. 2.3(e)) of those buildings deleted.*

Note 27: *BCIS is a computer system for recording, processing and retrieving details of public reports, planned surveys, statutory orders, works orders and consultancy assignments. In selection of buildings for issuance of statutory notices under MBIS, BD will retrieve relevant data (e.g. number of public reports received and outstanding repair or investigation orders) relating to buildings covered by MBIS in BCIS for analysis.*

to 7 buildings wrongly selected. For example, the number of public reports received on building conditions was overstated in BCIS. In Audit's view, BD needs to take measures to enhance data accuracy in BCIS, thereby providing accurate information for selection of buildings for issuance of statutory notices under MBIS.

Need to maintain proper records on assessment on building repairs

2.26 According to BD:

- (a) after the Selection Panel's endorsement of the nomination list, it will carry out initial check by means of desk study of records in BCIS and site inspection before serving of the statutory notices under MBIS (e.g. buildings demolished, to be demolished, recently repaired or under repair). The purposes of the initial check are to verify whether the buildings in the nomination list meet the selection criteria for MBIS and to identify the possible data quality problem in BCIS (see para. 2.25(b)). In addition, BD will also make reference to the past records of the initial check to exclude those previously deleted buildings from the nomination list to be submitted to the Selection Panel for endorsement; and
- (b) with the objective to minimise disturbance to the owners, it is BD's practice to exclude buildings which have been recently repaired or with voluntary repair works in progress provided that such buildings are in fair condition as verified by the site inspection carried out by BD staff.

However, Audit noted that BD's practice in (b) above was not included in BD guidelines. In Audit's view, BD needs to incorporate such practice in its guidelines.

2.27 For the building selection exercise for MBIS in 2019, Audit noted that there were 35 buildings with higher scores than some buildings in the nomination list, but they were not included in the nomination list as they had been recently repaired or repair works were in progress. In September 2020, BD informed Audit that these 35 buildings were excluded from the nomination list based on BD's initial checks in previous years. However, no documentation was available showing BD's assessment that such buildings were in fair condition (see para. 2.26(b)). In Audit's view, BD needs to maintain proper records on such assessment.

Need to strengthen monitoring of consultant's work for issuing statutory notices

2.28 According to BD, for better utilisation of resources and enhancing cost effectiveness, it has outsourced certain administrative work for issuing statutory notices under MBIS to consultants. According to BD guidelines, consultants' performance should be monitored to ensure timely completion of assignments and achievement of objectives of the consultancy through strict adherence to the approved programme and time frame. For unsatisfactory performance, BD may issue warning letters and adverse performance reports (Note 28) to the consultants.

2.29 Regarding the issuance of statutory notices under MBIS for buildings selected in 2018, BD engaged a consultant (Consultant A) for carrying out the work (Note 29) within a contract period of 12 months (from 17 October 2018 to 16 October 2019). Consultant A was required to carry out the following four work tasks:

- (a) ***Submitting desk study reports.*** Consultant A should conduct desk study and site visits, and compile desk study reports identifying all items that warrant service of statutory notices under MBIS and on whom the notices would be served;
- (b) ***Preparing notices.*** After endorsement of the desk study reports by BD, Consultant A should prepare statutory notices (Note 30) together with covering letters for endorsement by BD;

Note 28: *During the contract period, BD will issue to a consultant quarterly performance reports and a final performance report upon completion of an agreement. BD may issue an adverse performance report after issuing a warning letter to the consultant. A consultant having received two and three consecutive adverse performance reports under the same consultancy will be suspended from bidding BD's consultancy work of the same category for at least 3 and 12 months respectively.*

Note 29: *The consultancy agreement, with contract sum of about \$2 million, was for issuing statutory notices for 400 buildings selected for both MBIS and the Mandatory Window Inspection Scheme.*

Note 30: *According to BD: (a) before 2018, prior to serving statutory notices under MBIS, pre-notification letters would be issued to building owners advising them of the selection of their buildings for MBIS to allow them ample time to get prepared and plan ahead; and (b) from 2018, no pre-notification letters would be issued to owners of buildings selected and statutory notices would be issued directly.*

Selection of buildings for issuance of statutory notices

- (c) ***Serving notices.*** After signing of the statutory notices by BD, Consultant A should serve the notices, including dispatching the notices (including covering letters and pamphlets) to the owners and posting the notices on a conspicuous and prominent position of the building; and
- (d) ***Updating BCIS records.*** Upon issuance of statutory notices, Consultant A should update the information of statutory notices served in BCIS (Note 31), scan the notices and upload the scanned notices onto BCIS.

2.30 Audit noted that, while the original contract completion date was October 2019 (see para. 2.29), Consultant A completed all the work in June 2020 (i.e. about eight months later than the original contract completion date) (Note 32). In the event, BD only issued one warning letter and one reminder letter to Consultant A in May 2019 and May 2020 respectively for the slippage.

2.31 In September and October 2020, BD informed Audit that:

- (a) in addition to the monthly progress reports, emails and reminders were sent to Consultant A for monitoring the work progress. In view of slippage in preparation and serving of notices, a warning letter was issued to Consultant A in May 2019. The performance of Consultant A was then improved with statutory notices gradually issued since early June 2019 and the relevant work tasks were completed by December 2019, about four months later than the target completion date of August 2019; and
- (b) the remaining work task (i.e. notice scanning and uploading onto BCIS) was a new item in this kind of consultancy agreement and did not affect the implementation of MBIS and critical path of the programme under the

Note 31: *To enhance transparency, based on BCIS records, BD would update information about issuance and compliance status of statutory notices under MBIS on BD's website and a mobile application (mobile app) for searching by the public.*

Note 32: *There were different target completion dates for the four work tasks (see para. 2.29). For example: (a) the task of serving statutory notices (see para. 2.29(c)) was completed in December 2019 (i.e. about four months later than the target completion date of August 2019); and (b) the task of uploading scanned statutory notices onto BCIS (see para. 2.29(d)) was completed in June 2020 (i.e. about nine months later than the target completion date of September 2019).*

Selection of buildings for issuance of statutory notices

agreement. It had taken quite some time for Consultant A to tackle the teething problems encountered in liaison with BD's Information Technology Unit at the beginning. Besides, for the notices scanned and uploaded onto BCIS, BD had to verify the softcopy in BCIS. Due to the outbreak of COVID-19 and implementation of special work arrangements in the past few months, this remaining work task was eventually completed in June 2020 while a reminder letter urging rectification of the record scanning in BCIS was also issued to Consultant A in May 2020.

2.32 In Audit's view, BD needs to strengthen actions on monitoring consultants' work for issuing statutory notices under MBIS.

Scope for improving the accuracy in reporting MBIS information

2.33 In May 2019, DEVB informed LegCo's Panel on Development and Panel on Home Affairs that the total number of buildings issued with statutory notices under MBIS up to 2018 was 5,556 buildings. However, Audit noted that the actual number should be 5,308 buildings. In September 2020, BD informed Audit that it had inadvertently reported the figure in its CORs (which referred to the actual number of buildings selected for consideration of issuance of statutory notices — see Note 1(b) to Table 2 in para. 2.7). In Audit's view, BD needs to improve the accuracy in reporting MBIS information.

Audit recommendations

2.34 **Audit has recommended that the Director of Buildings should:**

- (a) **keep under review the target number of buildings for issuance of statutory notices under MBIS, further streamline MBIS and formulate a long-term strategy for MBIS, having regard to all relevant factors (e.g. operational experience and compliance by the owners of buildings) in implementing MBIS, with a view to achieving MBIS's objective of tackling the problem of building neglect;**

Selection of buildings for issuance of statutory notices

- (b) consider defining more clearly the key performance measure of “buildings targeted for prescribed inspection and, if necessary, prescribed repair under MBIS” in BD’s COR to enhance transparency and public accountability;**
- (c) keep under review the use of the overriding selection criterion for selection of target buildings under MBIS, having regard to other selection criteria (e.g. building condition) under the Building Score System, with a view to achieving MBIS’s objective of tackling the problem of building neglect;**
- (d) incorporate all selection criteria of target buildings under MBIS in BD guidelines;**
- (e) take measures to ensure that all buildings covered by MBIS are scored as needed in accordance with the Building Score System for reviewing purpose;**
- (f) inform the Selection Panel about the number of all buildings BD subsequently deleted after selection by the Panel (including those deleted without replacement) and the reasons for their deletion;**
- (g) take measures to enhance data accuracy in BCIS, thereby providing accurate information for selection of buildings for issuance of statutory notices under MBIS;**
- (h) include in BD guidelines the practice of excluding buildings which have been recently repaired or with voluntary repair works in progress and are in fair condition from selection under MBIS;**
- (i) maintain proper records on BD assessment in respect of buildings excluded from MBIS selection due to repair works recently completed or in progress;**
- (j) strengthen actions on monitoring consultants’ work for issuing statutory notices under MBIS; and**
- (k) improve the accuracy in reporting MBIS information.**

Response from the Government

2.35 The Director of Buildings agrees with the audit recommendations. He has said that:

- (a) to achieve MBIS's objective of tackling the problem of building neglect and in light of operational experience gained and feedback from the stakeholders and the community, BD will continue to regularly review the implementation of MBIS, covering selection criteria under the Building Score System, number of target buildings, streamlining MBIS procedures, enhancement of BCIS to ensure accuracy of relevant records, updating of internal guidelines and enhancement of monitoring of consultants' work;
- (b) since 2019, BD has reported to the Selection Panel the number of all buildings subsequently deleted after selection and the reasons for their deletion, including those deleted without replacement; and
- (c) with effect from September 2020, BD has maintained proper records on assessment in respect of buildings excluded from MBIS selection due to repair works recently completed or in progress.

Promotion of voluntary building inspection

2.36 According to BD, building owners may initiate inspection and repair for their buildings in accordance with the standards and procedures of MBIS voluntarily before the receipt of statutory notices from BD. According to BD guidelines:

- (a) a building being assessed for accreditation under VBAS or a building accredited with satisfactory building safety rating under VBAS with inspection/repair carried out within 10 years will not be selected for MBIS (see para. 2.4(b)); and
- (b) where inspection/repair of a building has been completed in accordance with those prescribed under the Buildings Ordinance on a voluntary basis without joining VBAS and BD is satisfied that the same requirements as those under MBIS are complied with, the concerned building may not be selected for MBIS within 10 years (see para. 2.4(c)).

Need to strengthen actions in promoting voluntary building inspection

2.37 According to BD, from the commencement of MBIS in June 2012 and up to April 2020, for buildings covered by MBIS:

- (a) 41 buildings were being assessed or were accredited under VBAS; and
- (b) 139 buildings were with notifications made to BD for conducting prescribed inspection on a voluntary basis.

2.38 During June to September 2020, BD informed Audit that:

- (a) various public education and publicity activities to promote MBIS (e.g. launching specific Announcements in the Public Interest on television and radio, publishing Building Safety Quarterly, organising of Building Safety Week annually and building safety webinars) had been organised with a view to raising public awareness of the importance of regular building maintenance, thereby prompting more people to carry out timely and necessary building repairs on their own initiative; and
- (b) BD had been actively involved in regular district briefing sessions or talks organised by various parties (e.g. professional organisations, property management companies and other government departments) with a view to further promoting MBIS in the community.

2.39 In Audit's view, in view of the low number of buildings covered by MBIS having participated in voluntary building inspection, BD needs to further promote voluntary building inspection.

Audit recommendation

2.40 **Audit has *recommended* that the Director of Buildings should strengthen actions in promoting voluntary building inspection and encouraging owners to carry out timely and necessary building repair on their own initiative.**

Response from the Government

2.41 The Director of Buildings agrees with the audit recommendation. He has said that BD:

- (a) has launched a new wave of publicity campaign on voluntary regular building inspection and repair by owners in September 2020, including broadcasting an Announcement in the Public Interest on television/radio and through social media and advertisement on public transport; and
- (b) will continue the publicity activities to promote voluntary regular building inspection and repair by owners and encourage owners to carry out timely and necessary building repair on their own initiative.

PART 3: FOLLOW-UP ACTIONS ON COMPLIANCE WITH STATUTORY NOTICES

3.1 This PART examines BD's follow-up actions on compliance with statutory notices under MBIS, focusing on:

- (a) warning letters for non-compliant statutory notices and registration of statutory notices at Land Registry (LR) (paras. 3.4 to 3.16); and
- (b) prosecution actions and default works (paras. 3.17 to 3.33).

3.2 *Administration of statutory notices.* According to BD, upon receipt of a statutory notice under MBIS, the owners/OC of a building should, from the date of the statutory notice:

- (a) appoint an RI within 3 months to carry out the prescribed inspection;
- (b) complete the prescribed inspection within 6 months; and
- (c) complete the prescribed repair found necessary within 12 months.

For buildings without an OC, an extra three months will be provided to the owners to organise and arrange the required inspection and repair works. The specified timeframe for each stage is stated in the statutory notice. BD may also grant extension of time upon requests (substantiated with justifications) from the owners.

3.3 BD will issue compliance letters to the building owners (and copied to RIs) certifying compliance with the statutory notices under MBIS if the prescribed building inspection and the prescribed repair found necessary have been completed and the required certificates and reports are received from RIs. For submissions from RIs selected for audit checks by BD, it will only issue compliance letters if no irregularities are identified in the audit checks or if the irregularities identified in the audit checks are rectified (see para. 1.8).

Warning letters for non-compliant statutory notices and registration of statutory notices at Land Registry

3.4 For non-compliant statutory notices under MBIS, BD has set time targets in its guidelines for issuing warning letters at different stages of building inspection and repair. According to BD guidelines, warning letters should be issued to the building owners for non-compliance of statutory notices within one month after the dates specified in the statutory notices for each stage, including:

- (a) failing to appoint an RI to commence the prescribed inspection;
- (b) failing to submit certificate of building inspection or inspection report; and
- (c) failing to submit certificate of building repair or completion report.

The warning letters should also be copied to the appointed RI for (b) and (c) above. In case the non-compliance continues without reasonable excuse after issuance of the warning letters, BD should instigate prosecution actions against the owners. Under special circumstances, BD may also arrange for the required inspection and repair works to be carried out by its consultants and contractors.

3.5 Up to April 2020, BD had issued a total of 82,177 statutory notices under MBIS (see Table 3).

Table 3**Number of statutory notices issued under MBIS
(January 2013 to April 2020)**

Year	Number of statutory notices
2013 (Note)	14,785
2014	18,027
2015	11,674
2016	5,527
2017	12,491
2018	11,009
2019	8,605
2020 (up to April)	59
Total	82,177

Source: BD records

Note: Full implementation of MBIS commenced in June 2012 with the first batch of statutory notices issued in January 2013.

Warning letters not timely issued

3.6 According to BCIS records, as at 30 April 2020, of the 82,177 statutory notices issued under MBIS:

- (a) 12,585 (15%) statutory notices had been withdrawn or superseded (Note 33);

Note 33: *According to BD, statutory notices might be withdrawn (e.g. projections of the premises had been removed) or superseded by new notices (e.g. ownership of the premises had been changed).*

Follow-up actions on compliance with statutory notices

- (b) 9,314 (11%) statutory notices were not yet due (i.e. with completion due dates (Note 34) after 30 April 2020) and not yet complied with; and
- (c) for the remaining 60,278 (74%) statutory notices, 35,639 (59% of 60,278) notices had been complied with and 24,639 (41% of 60,278) notices had not been complied with (see Table 4).

Table 4

**Compliance with statutory notices under MBIS
(30 April 2020)**

Elements	Number of statutory notices		
	Complied with (Note) (a)	Not complied with (Note) (b)	Total (c) = (a) + (b)
At common parts	955 (19%)	4,191 (81%)	5,146 (100%)
Owned by individual owners	34,684 (63%)	20,448 (37%)	55,132 (100%)
Overall	35,639 (59%)	24,639 (41%)	60,278 (100%)

Source: BD records

Note: For statutory notices complied with, they included notices with completion due dates after 30 April 2020 (i.e. not yet due at the cut-off date of this Table) that had been complied with. For statutory notices not complied with, they refer to those non-compliant notices with completion due dates on or before 30 April 2020.

3.7 Audit's ageing analysis of the 24,639 non-compliant statutory notices (see para. 3.6(c)) revealed that, as at 30 April 2020, 13,063 (53%) statutory notices had remained outstanding for more than 3 years and up to 6.5 years after completion due dates (see Table 5).

Note 34: Completion due date refers to the date specified in a statutory notice for completion of prescribed repair or the date with extension of time granted by BD, whichever is the later.

Follow-up actions on compliance with statutory notices

Table 5

Ageing analysis of non-compliant statutory notices under MBIS (30 April 2020)

Time elapsed (Note)	Number of non-compliant statutory notices		
	At common parts	Owned by individual owners	Overall
	(a)	(b)	(c) = (a) + (b)
1 year or less	954 (23 %)	4,607 (23 %)	5,561 (23 %)
More than 1 year to 3 years	1,236 (29 %)	4,779 (23 %)	6,015 (24 %)
More than 3 years to 5 years	1,288 (31 %)	6,689 (33 %)	7,977 (32 %)
More than 5 years to 6.5 years	713 (17 %)	4,373 (21 %)	5,086 (21 %)
	2,001 (48 %)	11,062 (54 %)	13,063 (53 %)
Total	4,191 (100 %)	20,448 (100 %)	24,639 (100 %)

Source: Audit analysis of BD records

Note: Time elapsed was counted from completion due date of the statutory notice to 30 April 2020.

3.8 For non-compliant statutory notices, BD will issue warning letters to the owners concerned. According to BCIS records, as at 30 April 2020, of these 24,639 non-compliant statutory notices, warning letters had been issued to owners for 17,698 (72%) statutory notices (Note 35) and no warning letters had been issued to

Note 35: *According to BD guidelines, warning letters should be issued to the building owners for non-compliance of statutory notices within one month after the dates specified in the statutory notices for each stage (see para. 3.4). Audit could not ascertain whether warning letters had been issued in a timely manner for these 17,698 non-compliant statutory notices as BCIS only recorded the issue date of the latest warning letters and overwrote those of previous letter(s) if any (see also Audit's findings on BCIS records in para. 3.14(a)).*

Follow-up actions on compliance with statutory notices

owners for the remaining 6,941 (28%) statutory notices. For almost all (6,862 (99%)) of these 6,941 notices, more than one month had elapsed after completion due dates (see Table 6), thus not meeting the time target of issuing warning letter within one month set out in BD guidelines (see para. 3.4). In fact, some of them were very long-outstanding cases (e.g. time elapsed for 621 notices was more than 5 years and up to 6.5 years).

Table 6

**Non-compliant statutory notices under MBIS
without warning letters issued to owners
(30 April 2020)**

Time elapsed (Note)	Number of non-compliant statutory notices without warning letters issued
1 month or less	79 (1%)
More than 1 month to 1 year	2,249 (32%)
More than 1 year to 3 years	1,934 (28%)
More than 3 years to 5 years	2,058 (30%)
More than 5 years to 6.5 years	621 (9%)
Total	6,941 (100%)

Source: Audit analysis of BD records

Note: Time elapsed was counted from completion due date of the statutory notice to 30 April 2020.

3.9 In September and October 2020, BD informed Audit that:

- (a) for issuing warning letters for non-compliant statutory notices, BD's priority was focused on those cases without appointment of RIs; and
- (b) even though the progress of issuance of warning letters was greatly affected due to the outbreak of COVID-19 and implementation of special work arrangements, BD had issued warning letters for 2,517 non-compliant statutory notices between 1 May and 4 September 2020. In addition, BD

found that warning letters had been issued for 112 notices on or before 30 April 2020 without updating BCIS records. Accordingly, as at 4 September 2020, the number of non-compliant notices without warning letters issued was reduced from 6,941 notices to 4,312 (i.e. 6,941 – 2,517 – 112) notices.

3.10 Audit noted that some statutory notices had been outstanding for a long time (see para. 3.7), and warning letters had not been issued to the owners for some non-compliant statutory notices (see para. 3.8). In Audit's view, BD needs to closely monitor the compliance with statutory notices under MBIS and take appropriate follow-up actions (e.g. issuing warning letters) on non-compliant cases (see also paras. 3.21 to 3.31 for Audit's findings on prosecution actions and default works on non-compliant statutory notices).

Need to make timely registration of statutory notices at LR

3.11 According to BD guidelines (revised in April 2018), under MBIS, for statutory notices served on the common parts of a building, a certified true copy should be sent to LR for registration within one month upon posting of the notices on site in order to facilitate the enforcement action on non-compliance of notices. For notices served on individual owners, it is not necessary to cause the notices to be registered at LR unless non-compliance is noted and default works are to be carried out.

3.12 According to BCIS records, regarding the registration at LR of statutory notices under MBIS issued on the common parts of the buildings from April 2018 to March 2020, as of April 2020, 1,406 notices had been registered at LR and 187 notices had not been registered at LR. Audit noted that some statutory notices had not been timely referred to LR for registration, as follows:

- (a) for the 1,406 statutory notices registered at LR, as BCIS only recorded the referral dates for 467 (33% of 1,406) notices, Audit could only examine these 467 notices. Audit found that 304 (65% of 467) notices had only been referred to LR for registration more than 1 month and up to 11 months after issuance of the notices (i.e. not meeting the time target of referring to LR within one month set out in BD guidelines (see para. 3.11)); and

Follow-up actions on compliance with statutory notices

- (b) for the 187 statutory notices not registered at LR, BD informed Audit during August to October 2020 that:
 - (i) 57 (31%) statutory notices had been referred to LR for registration (comprising 11 notices referred to LR by April 2020 and 46 notices referred to LR in June and July 2020);
 - (ii) 51 (27%) statutory notices had been registered at LR but the related BCIS records had not been updated as of April 2020 (the related BCIS records were updated in September 2020);
 - (iii) 14 (7%) statutory notices had data entry problems in BCIS (e.g. the notices were served on projections but incorrectly recorded in BCIS as notices served on common parts of the buildings) and were not required to be registered at LR (the related BCIS records were rectified in October 2020); and
 - (iv) the remaining 65 (35%) statutory notices were not required to be registered at LR due to various reasons (e.g. notices to be withdrawn or superseded).

3.13 In Audit's view, BD needs to strengthen actions to ensure that statutory notices served on the common parts of a building under MBIS are timely referred to LR for registration in accordance with its guidelines.

Scope for enhancing BCIS records

3.14 BD maintains information of statutory notices under MBIS in BCIS. Audit noted that there was scope for enhancing BCIS records, as follows:

- (a) ***Need to consider enhancing BCIS to record information of all warning letters issued and to timely update BCIS records for warning letters issued.***
In its guidelines, BD has set time target of issuing warning letters for non-compliant statutory notices within one month for each stage as specified in the notices (see para. 3.4). Regarding BCIS records for warning letters issued, BD informed Audit in June and October 2020 that:

Follow-up actions on compliance with statutory notices

- (i) only the issue date of the latest warning letter would be kept in BCIS (i.e. the issue date(s) of the previous warning letter(s), if any, recorded in BCIS would be overwritten); and
- (ii) BCIS records for the issuance of warning letters for 112 non-compliant statutory notices had not been timely updated (see para. 3.9(b)).

In Audit's view, BD needs to consider enhancing BCIS to record information of all warning letters issued for non-compliant statutory notices under MBIS and take measures to ensure that BCIS records for warning letters issued are timely updated; and

- (b) ***Need to improve record keeping for registration of statutory notices at LR.*** Audit noted that for 939 (67%) of 1,406 statutory notices registered at LR (see para. 3.12(a)), their referral dates to LR were not updated in BCIS as of April 2020. In addition, BCIS records were not timely updated and some statutory notices had data entry problems in BCIS (see para. 3.12(b)(ii) and (iii)). In Audit's view, BD needs to strengthen actions to ensure that information about registration of statutory notices under MBIS at LR is accurately and timely updated in BCIS.

Audit recommendations

3.15 Audit has recommended that the Director of Buildings should:

- (a) **closely monitor the compliance with statutory notices under MBIS and take appropriate follow-up actions (e.g. issuing warning letters) on non-compliant cases;**
- (b) **strengthen actions to ensure that statutory notices served on the common parts of a building under MBIS are timely referred to LR for registration in accordance with BD guidelines;**
- (c) **consider enhancing BCIS to record information of all warning letters issued for non-compliant statutory notices under MBIS and take measures to ensure that BCIS records for warning letters issued are timely updated; and**

Follow-up actions on compliance with statutory notices

- (d) strengthen actions to ensure that information about registration of statutory notices under MBIS at LR is accurately and timely updated in BCIS.

Response from the Government

3.16 The Director of Buildings agrees with the audit recommendations. He has said that:

- (a) BD's Progress Monitoring Committee will continue to monitor the compliance with the statutory notices under MBIS, and the progress of the follow-up actions has been regularly monitored in BD's Sectional Progress Monitoring Meetings; and
- (b) BCIS will be enhanced to ensure timely referral of the statutory notices served on the common parts of a building to LR for registration, timely issue of warning letters as well as timely and accurate updates of registration records of statutory notices at LR.

Prosecution actions and default works

3.17 **Prosecution actions.** According to BD, to create an effective deterrent and to enhance respect for the law and the responsibility of the building owners in carrying out regular maintenance for their own properties, prosecution actions should normally be instigated in case of non-compliance with statutory notices under MBIS without reasonable excuse. These cases may be referred to BD Legal Services Section (under the Corporate Services Division) or Fast Track Prosecution Teams (since January 2019 — Note 36) (collectively referred to as prosecution teams), which will arrange for issuance of summonses on the related building owners for warranted cases. According to BD guidelines, prior to instigating prosecution actions for non-compliant statutory notices under MBIS, the owners should be warned by a warning letter. Prosecution should be instigated taking into account the following:

Note 36: *In January 2019, BD set up Fast Track Prosecution Teams in MBI Sections (with staff deployed from BD Legal Services Section) to expedite prosecution on non-compliant statutory notices under MBIS. Before January 2019, non-compliant statutory notices were referred to BD Legal Services Section for prosecution.*

Follow-up actions on compliance with statutory notices

- (a) immediate referral for prosecution should be made for long-outstanding cases or blatant cases;
- (b) prosecution actions should be instigated according to the chronological order of the non-compliant statutory notices;
- (c) for non-compliant statutory notices served on elements owned by individual owners of a building, higher priority for prosecution should be accorded; and
- (d) for non-compliant statutory notices served on common parts of a building, prosecution actions against OC or co-owners should only be considered if there is evidence showing that they have not taken any positive action to organise the prescribed inspection and the prescribed repair.

3.18 Under the Buildings Ordinance, a person who, without reasonable excuse, fails to comply with a statutory notice under MBIS may be prosecuted and is liable on conviction to a fine of \$50,000 and imprisonment for one year, and a fine of \$5,000 for each day during which it is proved to the satisfaction of the Court that the offence has continued. Up to April 2020, 2,049 non-compliant statutory notices had been referred to prosecution teams for instigating prosecution, of which BD had instigated prosecution against the offenders of 1,162 non-compliant statutory notices under MBIS (Note 37). The defendants of 430 statutory notices had been convicted, and the fines for each of the convicted defendant ranged from \$800 to \$31,700 with no imprisonment imposed.

3.19 **Default works.** If a statutory notice under MBIS is not complied with, BD may also arrange for the required inspection and repair works to be carried out by its consultants and contractors, and then recover the cost of inspection and repair works as well as supervision charge from the owners, together with a surcharge of not exceeding 20% of the cost. According to BD guidelines, BD will firstly take

Note 37: *As of April 2020, of the 2,049 non-compliant statutory notices referred to prosecution teams, prosecution against the offenders of 1,162 (57%) non-compliant statutory notices had been instigated, cases for 649 (32%) non-compliant statutory notices had been returned from prosecution teams to case officers for further follow-up actions, and cases for the remaining 238 (11%) non-compliant statutory notices were still under study.*

Follow-up actions on compliance with statutory notices

prosecution actions against the offenders of non-compliant statutory notices prior to considering the arrangement of default works, but under certain special circumstances (e.g. reasonable excuse provided, building owners passed away or company dissolved), default works should be carried out independently before or in parallel with prosecution as appropriate.

3.20 According to BD, up to April 2020, default works had been arranged for 384 cases (relating to 551 non-compliant statutory notices) for carrying out the required inspection and repair under MBIS, involving a total estimated cost of about \$43.5 million.

Need to continue to step up referral of non-compliant statutory notices to prosecution teams

3.21 Audit conducted an ageing analysis of the 1,071 non-compliant statutory notices that had been referred to prosecution teams in 2019 for instigating prosecution. The analysis shows that 696 (65%) of these non-compliant statutory notices were referred to prosecution teams more than 2 years and up to 6 years after the completion due dates of the statutory notices (see Table 7).

Table 7

**Referral of non-compliant statutory notices under MBIS
to prosecution teams for cases referred in 2019**

Time elapsed (Note)	Number of non-compliant statutory notices referred for prosecution
2 years or less	375 (35%)
More than 2 years to 4 years	319 (30%) } 696
More than 4 years to 6 years	377 (35%) } (65%)
Total	1,071 (100%)

Source: Audit analysis of BD records

Note: Time elapsed was counted from completion due date of the statutory notice to referral date for prosecution.

3.22 In September and October 2020, BD informed Audit that:

- (a) given the novelty and complexity of MBIS and a general lack of acquaintance with MBIS in the community at the early stage of implementation, BD had focused its resources on providing technical and financial supports to owners and allowing the building owners and practitioners more time to understand MBIS and get prepared in meeting MBIS requirements as well as comprehending their responsibilities and obligations. From 2012 to 2015, BD focused on promotion and public education on MBIS and encouraged building owners to comply with the statutory notices in a voluntary and cooperative manner, and prosecution actions against non-compliant owners at this stage were unlikely to be effective in compelling the owners to discharge their statutory responsibilities for MBIS. Hence, prosecution actions against non-compliant statutory notices were not accorded with priority; and
- (b) after years of publicity on MBIS and taking into account feedback from stakeholders and the community and operational experience gained, BD had stepped up its prosecution actions against non-compliant statutory notices since 2016. In addition, Fast Track Prosecution Teams were set up in early

Follow-up actions on compliance with statutory notices

2019 to streamline and expedite the prosecution actions for non-compliant notices. However, the number of prosecutions that might be instigated each year was far less than the number of outstanding notices. Instigating prosecution actions could only be one of the means to encourage notice compliance. Under the stepped-up prosecution actions, building owners would be more willing and proactive to comply with the statutory notices.

3.23 In Audit's view, BD needs to continue to step up referral of non-compliant statutory notices under MBIS to prosecution teams for instigating prosecution actions and explore opportunities to streamline its prosecution work.

Scope for improving prosecution actions

3.24 As of April 2020, there were 24,639 non-compliant statutory notices under MBIS, including cases which had been outstanding for a long time (see para. 3.7). However, up to April 2020, only 2,049 non-compliant statutory notices had been referred to prosecution teams for instigating prosecution actions (see para. 3.18). Audit noted that there was scope for improvement in the following areas:

- (a) ***Scope for providing further guidelines for identifying blatant cases.*** According to BD guidelines, immediate referral for prosecution should be made for long-outstanding cases or blatant cases (see para. 3.17(a)). However, BD guidelines had not elaborated on what cases should be regarded as blatant cases for immediate referral for prosecution. In view of the substantial number of non-compliant statutory notices and that some of them had been outstanding for a long time (see para. 3.7), Audit considers that there is scope for providing further guidelines (with examples) for identifying blatant cases to facilitate making immediate referral of such cases for prosecution; and
- (b) ***Need to make referral of warranted continuous non-compliant cases for second prosecution.*** According to BD guidelines, after the Court has convicted a building owner for non-compliance with a statutory notice under MBIS, a warning letter should be issued to the owner for taking immediate action to comply with the statutory notice without further delay. Once continuous non-compliance without reasonable excuse is ascertained, immediate referral to the prosecution teams for second prosecution should be made. Up to April 2020, the defendants of 430 non-compliant statutory

notices had been convicted. Audit noted that 130 (30% of 430) statutory notices had not yet been complied with as of April 2020, including 26 statutory notices with non-compliance continuing for more than 1 year and up to 3.5 years after the defendants had been convicted. However, no referral for second prosecution had been made as of April 2020. In August 2020, BD informed Audit that BD would refer blatant cases for second prosecution on a case-by-case basis. In Audit's view, to create an effective deterrent, BD needs to closely monitor the compliance with statutory notices under MBIS for convicted non-compliant cases and make referral of warranted continuous non-compliant cases for second prosecution.

Scope for improvement in addressing issues leading to cases returned from prosecution teams to case officers

3.25 According to BD, for checking whether any cases are suitable for prosecution, upon receipt of the referral of cases for non-compliant statutory notices under MBIS from the case officers, the prosecution teams will screen and carry out detailed study. If there are outstanding matters (see examples in para. 3.26(a) to (f)), the prosecution teams will return the cases to the case officers for further follow-up actions. When all outstanding matters are cleared, prosecution actions may continue.

3.26 Based on BCIS records, up to April 2020, of the 2,049 non-compliant statutory notices under MBIS referred to prosecution teams for instigating prosecution, the cases for 649 (32%) statutory notices had been returned from prosecution teams to case officers for further follow-up actions. According to BD, these 649 statutory notices involved 967 cases (Note 38). Based on BCIS records, the reasons for returning the cases to case officers were as follows:

- (a) new information was noted (403 (42%) cases). According to BD, typical examples included RIs having been appointed before issuing summonses, and outstanding replies to enquiries and requests from building owners (e.g. request for extension of time) by BD;
- (b) there were outstanding replies from case officers to enquiries from the prosecution teams (9 (1%) cases);

Note 38: *According to BD, for a building or premises with multiple owners, a non-compliant statutory notice may involve more than one prosecution case.*

Follow-up actions on compliance with statutory notices

- (c) there were deficiencies in statutory notices or serving of notices (57 (6%) cases). According to BD, typical examples included discrepancies of some information between Chinese and English versions and the notices not posted at the right places;
- (d) related building elements (e.g. projections) had been removed before issuing summonses (153 (15%) cases);
- (e) there was change of ownership before issuing summonses or defendants had passed away (95 (10%) cases); and
- (f) other reasons (250 (26%) cases). According to BD, typical examples included appeal against BD's decision and building owners having obvious and genuine difficulties in complying with statutory notices.

3.27 Audit noted that 649 (32%) of 2,049 non-compliant statutory notices under MBIS referred for prosecution had been returned from prosecution teams to case officers for further follow-up actions (see para. 3.26). Audit also noted that the reasons for some returned cases were outstanding replies to enquiries from building owners and prosecution teams, and deficiencies in statutory notices or serving of notices (see para. 3.26(a) to (c)). In Audit's view, BD needs to take measures to address the issues leading to cases returned from prosecution teams to case officers (e.g. providing timely replies to enquiries from building owners and prosecution teams) with a view to facilitating prosecution actions.

Need to take timely action to recover costs of default works

3.28 According to BD, default works for the required inspection and repair under MBIS had been carried out since 2016. Up to April 2020, default works had been arranged for 384 cases (relating to 551 statutory notices) with a total estimated cost of about \$43.5 million.

3.29 According to BD guidelines, demand notes should be issued to the building owners within six months after completion of default works and settlement should be made within 14 days. As of April 2020, the default works for 14 of the 384 cases had been completed (the remaining 370 cases were in progress). Demand notes had been issued for 8 of the 14 cases (the remaining 6 cases were not yet due for issuance

Follow-up actions on compliance with statutory notices

of demand notes as of April 2020). Of the 8 cases issued with demand notes, Audit noted that:

- (a) while the demand notes for 6 cases were issued within the time target of six months, the demand notes for the remaining 2 cases were issued seven and nine months respectively after completion of default works (i.e. not meeting the time target of issuing demand notes within six months set out in BD guidelines); and
- (b) for 5 cases (including the 2 cases with delay in issuing demand notes in (a) above), as of April 2020, demand notes (involving a total amount of about \$2.7 million) had been overdue for about 7 to 19 months.

3.30 In September 2020, BD informed Audit that BCIS was enhanced in June 2020 to facilitate monitoring the cost recovery actions including timely issuance of demand notes.

3.31 In Audit's view, BD needs to take measures (e.g. making use of the enhanced BCIS monitoring function) to ensure that demand notes for default works for the required inspection and repair under MBIS are issued to building owners within the time limit stipulated in BD guidelines and take follow-up actions on outstanding demand notes.

Audit recommendations

3.32 **Audit has *recommended* that the Director of Buildings should:**

- (a) **continue to step up referral of non-compliant statutory notices under MBIS to prosecution teams for instigating prosecution actions and explore opportunities to streamline BD's prosecution work;**
- (b) **provide further guidelines (with examples) for identifying blatant cases of non-compliant statutory notices under MBIS to facilitate making immediate referral of such cases for prosecution;**

Follow-up actions on compliance with statutory notices

- (c) **closely monitor the compliance with statutory notices under MBIS for convicted non-compliant cases and make referral of warranted continuous non-compliant cases for second prosecution;**
- (d) **take measures to address the issues leading to cases returned from prosecution teams to case officers (e.g. providing timely replies to enquiries from building owners and prosecution teams) with a view to facilitating prosecution actions; and**
- (e) **take measures (e.g. making use of the enhanced BCIS monitoring function) to ensure that demand notes for default works for the required inspection and repair under MBIS are issued to building owners within the time limit stipulated in BD guidelines and take follow-up actions on outstanding demand notes.**

Response from the Government

3.33 The Director of Buildings agrees with the audit recommendations. He has said that:

- (a) BD will continue to step up enforcement action through prosecution so as to boost up voluntary compliance with statutory notices under MBIS and to explore measures to streamline and facilitate BD's prosecution work, especially for the blatant cases and continuous non-compliant cases; and
- (b) BCIS was enhanced in June 2020 for closely monitoring the action to recover the costs of default works.

PART 4: MONITORING OF REGISTERED INSPECTORS' SUBMISSIONS

4.1 This PART examines BD's work in monitoring RIs' submissions under MBIS, focusing on:

- (a) checking of MBIS submissions (paras. 4.2 to 4.17); and
- (b) record keeping of MBIS submissions and checking results (paras. 4.18 to 4.26).

Checking of Mandatory Building Inspection Scheme submissions

4.2 ***MBIS submissions.*** Under MBIS, the owners served with statutory notices are required to appoint RIs and complete the prescribed inspection and the prescribed repair found necessary within specified timeframe (see para. 3.2). RIs are responsible for carrying out the prescribed inspection and/or supervision of the prescribed repair (Note 39). BD has kept an inspectors' register (Note 40) and established a regulatory mechanism under the Buildings Ordinance for monitoring RIs under MBIS. According to the Building (Inspection and Repair) Regulation, an RI should submit the following documents to BD:

- (a) a notification of appointment of RI within 7 days after the date of appointment;
- (b) a certificate of building inspection together with an inspection report within 7 days after completion of the prescribed building inspection in respect of a building; and

Note 39: *Under the supervision of RIs, RCs are responsible for carrying out the necessary rectification and repair works.*

Note 40: *The Registration Unit of Technical Services Section (under the Corporate Services Division) is responsible for application and registration of RIs.*

Monitoring of registered inspectors' submissions

- (c) a certificate of building repair together with a completion report within 14 days after completion of the prescribed building repair for supervision of repair works.

4.3 ***Procedures for BD's audit checks of MBIS submissions.*** According to BD, to ensure that the inspection and repair works have been carried out in accordance with the Buildings Ordinance, it issues detailed guidelines through the relevant Code of Practice and Practice Notes and conducts checking on MBIS submissions. According to BD guidelines, upon receipt of RIs' MBIS submissions, BD clerical grade staff will conduct fundamental check on the submissions (e.g. verification of the registration status of RI against the record as shown in the inspectors' register). After the fundamental check, the submissions will be selected for audit checks by BD, as follows:

- (a) ***Selection of MBIS submissions for BD's audit checks.*** BD will select 10% of certificates of building inspection for audit checks (see para. 4.13). If the certificates of building inspection selected for audit checks by BD indicate that building repair is required, audit checks should also be carried out upon receipt of the related certificates of building repair;
- (b) ***Document audit.*** For selected submissions, BD will conduct document audit on submissions received to verify compliance with the scopes and requirements under the Buildings Ordinance, the Code of Practice and Practice Notes;
- (c) ***Site audit.*** BD will also conduct site audit on selected submissions to verify the accuracy of the reports submitted with regard to the actual building condition. BD staff will issue letters to the building owners notifying them that their premises have been selected for site audit and then arrange site inspection as follows:
 - (i) if there are responses from the building owners, site inspection to the premises should be arranged within two weeks;
 - (ii) if there is no response from the building owners after two weeks, BD staff should visit the premises within the following two weeks, and in case of no entry, leave a contact slip requesting arrangement of access for inspection; and

- (iii) if there is no response from the building owners two weeks after serving the contact slip or the owners refuse to provide access, the site audit will be dropped; and
- (d) **Record keeping.** The results of the document and site audits will be recorded on a standard manual checklist (with results indicated as satisfactory, unsatisfactory or dropped (for site audit)), which is filed in subject files. BD will also record the results of its audit checks in BCIS.

4.4 **Follow-up actions on irregularities identified.** According to BD guidelines, BD will take the following actions for irregularities identified during its audit checks of RIs' MBIS submissions (Note 41):

- (a) for irregularities that are of minor nature without causing danger (e.g. existing building defects omitted in the repair but unlikely to cause injury or damage) or missing or unclear information in the submitted documents, BD will issue a reminder letter to the related RI requesting clarification and/or rectification. In case there is no positive response from the RI within one month or the time limit set out in the reminder letter, BD should issue a warning letter to the related RI;
- (b) when the audit checks reveal that an RI has failed to discharge the duties or abide by the requirements imposed under the Buildings Ordinance (e.g. not carrying out the prescribed inspection personally, not providing proper supervision to the prescribed repair and not ensuring that the building is safe), BD will conduct an investigation and collect evidence with a view to initiating prosecution or disciplinary action against the related RI under the Buildings Ordinance (Note 42). In case there is insufficient evidence to

Note 41: *According to BD, it may take appropriate follow-up actions (e.g. issuing reminder letters or warning letters and instigating prosecution or disciplinary actions) against RCs if they have any irregularities.*

Note 42: *Under the Buildings Ordinance, penalties for offences under MBIS include, for example, an RI who fails to carry out prescribed inspection personally or provide proper supervision of the carrying out of the prescribed repair is liable on conviction to a fine of \$250,000, and an RI who fails to ensure that the building is safe or has been rendered safe is liable on conviction to a fine of \$1,000,000 and imprisonment for three years.*

Monitoring of registered inspectors' submissions

initiate prosecution or disciplinary action against the RI and with the advice of prosecution teams, a warning letter should be issued to the related RI; and

- (c) BD will maintain a watch list on RIs with warning letters issued and RIs convicted for close monitoring of the performance of the RIs concerned, and randomly select one specified submission from the RIs on the watch list for further audit checks in addition to the normal sampling (see para. 4.3(a)) in the following quarter.

4.5 BD also receives public reports about poor performance of RIs under MBIS. Upon receiving such reports, BD will conduct investigations and take follow-up actions on irregularities identified which are the same as those stated in paragraph 4.4. According to BD, since commencement of MBIS in June 2012 and up to April 2020, there were five cases with investigations conducted on the irregularities and mal-practice of RIs under MBIS, of which one case was found substantiated for prosecution and the related RI was convicted for failing to provide proper supervision of the carrying out of the prescribed repair with a fine of \$3,000.

Some MBIS submissions not timely submitted

4.6 According to the Building (Inspection and Repair) Regulation, an RI should submit various documents to BD within specified timeframe for the prescribed inspection and the prescribed repair under MBIS (see para. 4.2). However, Audit noted that some submissions were not timely submitted by RIs based on BCIS records (see also paras. 4.20 and 4.21 for Audit's findings on BCIS records), as follows:

- (a) ***Submissions after building inspection.*** According to BCIS records, BD received 7,408 certificates of building inspection from RIs under MBIS in 2019. Audit found that 3,860 (52%) certificates were received by BD more than 7 days and up to 4.5 years (averaging 56 days) after completion of building inspection (see Table 8), not meeting the 7-day statutory requirement (see para. 4.2(b));

Monitoring of registered inspectors' submissions

Table 8

**MBIS submissions after building inspection
(2019)**

Time elapsed (Note)	Number of certificates of building inspection	
7 days or less	3,548	(48 %)
More than 7 days to 1 month	2,468	(33 %)
More than 1 month to 6 months	1,091	(14 %)
More than 6 months to 1 year	219	(3 %)
More than 1 year to 2 years	63	(1 %)
More than 2 years to 4.5 years	19	(1 %)
Total	7,408	(100 %)

Source: Audit analysis of BD records

Note: The time elapsed was counted from completion date of building inspection to date of receipt of RIs' certificate of building inspection by BD.

- (b) **Submissions after building repair.** According to BCIS records, BD received 607 certificates of building repair from RIs under MBIS in 2019. Audit found that 238 (39%) certificates were received by BD more than 14 days and up to 4.5 years (averaging 162 days) after completion of building repair (see Table 9), not meeting the 14-day statutory requirement (see para. 4.2(c)); and

Monitoring of registered inspectors' submissions

Table 9

MBIS submissions after building repair (2019)

Time elapsed (Note)	Number of certificates of building repair	
14 days or less	369	(61%)
More than 14 days to 1 month	68	(11%)
More than 1 month to 6 months	119	(20%)
More than 6 months to 1 year	20	(3%)
More than 1 year to 2 years	19	(3%)
More than 2 years to 4.5 years	12	(2%)
Total	607	(100%)

Source: Audit analysis of BD records

Note: The time elapsed was counted from completion date of building repair to date of receipt of RIs' certificate of building repair by BD.

- (c) **Notification of appointment of RI.** Under MBIS, an RI is required to submit the notification of appointment of RI to BD within 7 days after the day of appointment as set out in the statutory requirement (see para. 4.2(a)). However, BD had not maintained the appointment dates of RIs in BCIS and no analysis could be performed (see also para. 4.24 for Audit's findings on BCIS records).

4.7 In Audit's view, BD needs to take measures to strengthen monitoring of RIs' MBIS submissions (e.g. issuing reminder letters or warning letters for MBIS submissions found not complying with the statutory submission time limit).

***Long time taken to complete BD's audit checks
for some MBIS submissions***

4.8 BD maintains the results of its audit checks in BCIS (see para. 4.3(d)). According to BCIS records, in 2019, BD completed audit checks for 1,174 MBIS submissions and their results were as follows:

- (a) for 76 (6%) submissions, the results of document and/or site audits were unsatisfactory;
- (b) for 717 (61%) submissions, while the results of document audits were satisfactory, the site audits were dropped due to refusal or no response from the building owners (see para. 4.3(c)(iii)); and
- (c) for 381 (33%) submissions, the results of both document and site audits were satisfactory.

4.9 For the 1,174 MBIS submissions with BD's audit checks completed in 2019, Audit found that BD's audit checks of 213 (18%) submissions were completed more than 1 year and up to 5 years (averaging 1.8 years) after receipt of submissions by BD (see Table 10).

Table 10

BD's audit checks for MBIS submissions completed in 2019

Time taken to complete audit check (Note)	Number of submissions with audit checks completed
6 months or less	757 (65%)
More than 6 months to 1 year	204 (17%)
More than 1 year to 2 years	163 (14%)
More than 2 years to 4 years	43 (3%)
More than 4 years to 5 years	7 (1%)
Total	1,174 (100%)

Source: Audit analysis of BD records

Note: The time taken was counted from receipt date of submission to completion date of audit check.

Monitoring of registered inspectors' submissions

4.10 In Audit's view, as timely completion of BD's audit checks will facilitate prompt identification and rectification of irregularities, BD needs to take measures to complete its audit checks for MBIS submissions as soon as practicable. In this connection, Audit noted that BD had not set time target for completing audit checks of MBIS submissions in its guidelines. In Audit's view, BD needs to consider setting time target for completing its audit checks for MBIS submissions.

Need to take timely follow-up actions on irregularities identified during BD's audit checks

4.11 Audit examined the subject files for 10 submissions (out of the 76 submissions with BD's audit checks completed in 2019 and with unsatisfactory results (see para. 4.8(a)) and noted that the irregularities for 4 submissions had been rectified as of April 2020. Regarding the remaining 6 submissions with irregularities not yet rectified as of April 2020:

- (a) for 5 submissions, BD had issued reminder letters to the related RIs regarding the irregularities identified during its audit checks. While the RIs had failed to provide a response within the time limit set out in the reminder letters (exceeding the time limit by 6 to 14 months, averaging 9 months), BD had not issued warning letters to the RIs up to April 2020, contrary to the requirements under BD guidelines (see para. 4.4(a)); and
- (b) for the remaining submission, according to the subject file, the results of the audit checks were satisfactory with no irregularities identified. However, the results were incorrectly recorded in BCIS as unsatisfactory (see also para. 4.22 for Audit's findings on BCIS records).

4.12 In Audit's view, BD needs to take timely follow-up actions on irregularities identified during its audit checks for MBIS submissions (including issuing reminder letters or warning letters to the related RIs) in accordance with its guidelines. In this connection, Audit noted that BD had not set time target for issuing reminder letters for irregularities identified during its audit checks for MBIS submissions in its guidelines. In Audit's view, BD needs to consider setting such time target.

Need to keep under review effectiveness of the new measure for increasing the successful rate of site audits

4.13 There are both document audit and site audit for MBIS submissions selected by BD for its audit checks (see para. 4.3(b) and (c)). According to BD guidelines (last revised in August 2019):

- (a) 10% of certificates of building inspection under MBIS will be selected for audit checks in order to achieve a successful rate of 2.5% (i.e. completion of both document and site audits — Note 43) of the total certificates of building inspection submitted; and
- (b) the sampling rate of 10% is subject to review each year for achieving the successful rate of 2.5%.

4.14 According to BD, document audit will be conducted for all submissions selected for audit checks while site audit may be dropped due to refusal or no response from the building owners (see para. 4.3(c)(iii)). Site audit could only be completed when BD staff have entered the premises and carried out inspection successfully.

4.15 Audit noted that BD staff carried out site audits for MBIS submissions during office hours. According to BD, one major reason for not gaining entry into the selected premises was due to the owner/occupant not available during office hours. In order to increase the successful rate of site audits, BD had engaged a consultant to carry out site audits for MBIS submissions (during office and non-office hours) since September 2020. In Audit's view, BD needs to keep under review the effectiveness of this measure in increasing the successful rate of site audits.

Note 43: *According to BD, the successful rate of 2.5% was newly introduced and incorporated in BD guidelines in August 2019 in order to reflect the real situation of site audit (the actual successful rate was 2.5% in 2017 and 2018).*

Audit recommendations

- 4.16 **Audit has *recommended* that the Director of Buildings should:**
- (a) **take measures to strengthen monitoring of RIs' MBIS submissions (e.g. issuing reminder letters or warning letters for MBIS submissions found not complying with the statutory submission time limit);**
 - (b) **take measures to complete BD's audit checks for MBIS submissions as soon as practicable;**
 - (c) **consider setting time target for completing BD's audit checks for MBIS submissions;**
 - (d) **take timely follow-up actions on irregularities identified during BD's audit checks for MBIS submissions (including issuing reminder letters or warning letters to the related RIs) in accordance with BD guidelines;**
 - (e) **consider setting time target for issuing reminder letters for irregularities identified during BD's audit checks for MBIS submissions; and**
 - (f) **keep under review the effectiveness of the measure of engaging a consultant to carry out site audits for MBIS submissions during office and non-office hours in increasing the successful rate of site audits.**

Response from the Government

4.17 The Director of Buildings agrees with the audit recommendations. He has said that:

- (a) the progress of BD's audit checks has been regularly monitored in BD's Sectional Progress Monitoring Meetings;
- (b) the relevant internal instructions will be updated to include the time targets for completing BD's audit checks and issuing reminder letters for irregularities identified from audit checks;

- (c) BCIS will be enhanced to monitor RIs' MBIS submissions and issue of reminder letters and warning letters to RIs concerned; and
- (d) BD engaged a consultant in September 2020 to carry out site audits during office and non-office hours and will review the efficiency of this arrangement in due course.

Record keeping of Mandatory Building Inspection Scheme submissions and checking results

4.18 Under MBIS, RIs are required to submit to BD various documents during different stages of building inspection and repair (see para. 4.2). BD records in BCIS the receipt of notification of appointment of RI, certificates of building inspection and certificates of building repair for the statutory notices. BD also maintains in BCIS the results of its audit checks of RIs' submissions (see para. 4.3(d)). According to BD, the objectives of BCIS include providing:

- (a) an effective means of recording, processing and retrieving details of statutory notices and orders;
- (b) timely and up-to-date information on the status of statutory notices and orders for internal monitoring and handling of enquiries; and
- (c) enquiries and statistical reporting facilities for operational and planning purposes.

4.19 According to BD, to enhance transparency, information about the issuance and compliance status of statutory notices under MBIS has been uploaded onto BD's website and a mobile application (mobile app) for searching by the public. According to BD guidelines, as the relevant information of statutory notices under MBIS is directly converted from BCIS to BD's website and mobile app, it is vital that the data maintained in BCIS is complete, accurate and timely.

Discrepancies in BCIS records

4.20 RIs are required to submit to BD various documents under MBIS. According to BD guidelines, statutory notices under MBIS are considered to be complied with if notification of appointment of RI, certificates of building inspection and certificates of building repair (if necessary) have been received by BD. According to BCIS records, as of April 2020, a total of 35,639 statutory notices issued under MBIS had been complied with (see para. 3.6(c)). However, Audit noted that there were no BCIS records for the receipt of some of the required submissions for some of these statutory notices, as follows:

- (a) for 4,747 (13%) statutory notices, there were no BCIS records for receipt of the notification of appointment of RI for building inspection and repair (Note 44);
- (b) for 1,314 (4%) statutory notices, there were no BCIS records for receipt of certificates of building inspection; and
- (c) for 596 (2%) statutory notices, while there were BCIS records for receipt of certificates of building inspection indicating the need for building repair, there were no BCIS records for receipt of certificates of building repair.

4.21 Given BCIS's objective of providing timely and up-to-date information on the status of statutory notices for internal monitoring and reporting (see para. 4.18) and the direct uploading of compliance status of statutory notices from BCIS to BD's website and mobile app for public searching (see para. 4.19), in Audit's view, BD needs to review the record keeping in BCIS for receipt of MBIS submissions and the compliance with statutory notices with a view to ensuring that the records are accurate, complete and up-to-date (including the discrepancies in BCIS records as identified by Audit in paragraph 4.20).

Note 44: *Of the 4,747 statutory notices: (a) for 638 notices, there were no BCIS records for receipt of certificates of building inspection (see para. 4.20(b)); and (b) for 68 notices, there were no BCIS records for receipt of the required certificates of building repair (see para. 4.20(c)).*

Need to ensure that BD's audit check results on MBIS submissions are accurately recorded in BCIS and scope for making use of BCIS for compiling management information for such results

4.22 Audit noted that results of BD's audit checks on MBIS submissions (for one out of 10 submissions examined by Audit) were inaccurately recorded in BCIS (see para. 4.11(b)). Audit also noted that BD had not regularly compiled management information (e.g. highlights or summaries) on its audit check results of MBIS submissions, including:

- (a) nature and seriousness of irregularities found; and
- (b) follow-up actions taken for submissions with irregularities found (e.g. reminder letters and/or warning letters issued).

4.23 In Audit's view, BD needs to take measures to ensure that its audit check results on MBIS submissions are accurately recorded in BCIS. BD also needs to make use of BCIS to regularly compile management information (e.g. highlights or summaries) on its audit check results of MBIS submissions to facilitate monitoring of operation and effectiveness of MBIS.

Scope for enhancing BCIS for maintaining appointment date of RI

4.24 Audit noted that, while there was statutory requirement for RIs to submit to BD a notification of appointment of RI within 7 days after the date of appointment, BD had not maintained the appointment dates of RIs in BCIS (see para. 4.6(c)) as there was no data field for recording such information. In Audit's view, BD needs to consider enhancing BCIS to maintain such information to facilitate the monitoring of compliance with the statutory requirement on the time limit for notification of appointment of RIs.

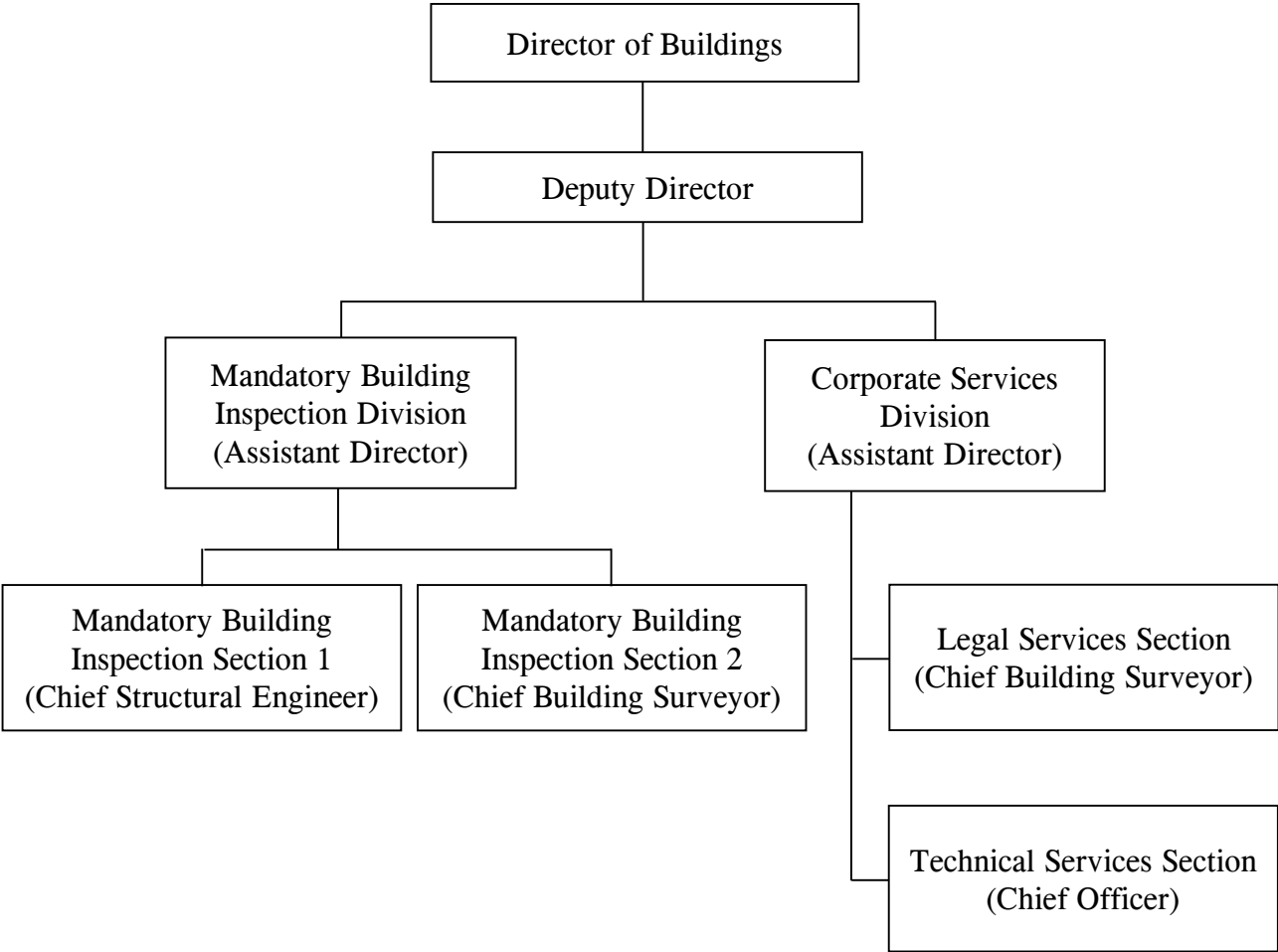
Audit recommendations

- 4.25 **Audit has *recommended* that the Director of Buildings should:**
- (a) **review the record keeping in BCIS for receipt of MBIS submissions and the compliance with statutory notices with a view to ensuring that the records are accurate, complete and up-to-date (including the discrepancies in BCIS records as identified by Audit in paragraph 4.20);**
 - (b) **take measures to ensure that BD's audit check results on MBIS submissions are accurately recorded in BCIS;**
 - (c) **make use of BCIS to regularly compile management information (e.g. highlights or summaries) on BD's audit check results of MBIS submissions to facilitate monitoring of operation and effectiveness of MBIS; and**
 - (d) **consider enhancing BCIS to maintain information on appointment dates of RIs to facilitate the monitoring of compliance with the statutory requirement on the time limit for notification of appointment of RIs.**

Response from the Government

4.26 The Director of Buildings agrees with the audit recommendations. He has said that BCIS will be enhanced to ensure proper record of the essential information of MBIS submissions, including appointment dates of RIs, receipt dates of notifications of appointment of RI, certificates of building inspection/repair and BD's audit check results.

**Buildings Department:
Organisation chart (extract)
(31 March 2020)**



Source: BD records

Acronyms and abbreviations

Audit	Audit Commission
BCIS	Building Condition Information System
BD	Buildings Department
COR	Controlling Officer's Report
DEVB	Development Bureau
LegCo	Legislative Council
LR	Land Registry
MBI	Mandatory Building Inspection
MBIS	Mandatory Building Inspection Scheme
OC	Owners' corporation
RC	Registered contractor
RI	Registered inspector
UBWs	Unauthorised building works
VBAS	Voluntary Building Assessment Scheme

CHAPTER 10

Security Bureau Social Welfare Department

<p>Provision of humanitarian assistance to non-refoulement claimants by the Social Welfare Department</p>
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**Audit Commission
Hong Kong
28 October 2020**

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. 75 of the Director of Audit contains 10 Chapters which are available on our website at <https://www.aud.gov.hk>

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PROVISION OF HUMANITARIAN ASSISTANCE TO NON-REFOULEMENT CLAIMANTS BY THE SOCIAL WELFARE DEPARTMENT

Contents

	Paragraph
EXECUTIVE SUMMARY	
PART 1: INTRODUCTION	1.1 – 1.13
Audit review	1.14
General response from the Government	1.15 – 1.16
Acknowledgement	1.17
PART 2: PROVISION OF HUMANITARIAN ASSISTANCE UNDER THE SERVICE CONTRACT	2.1 – 2.4
Service reporting by the service contractor	2.5 – 2.9
Audit recommendations	2.10
Response from the Government	2.11
Monitoring of the service contractor's performance by the Social Welfare Department	2.12 – 2.25
Audit recommendations	2.26
Response from the Government	2.27

	Paragraph
Case management by the service contractor	2.28 – 2.38
Audit recommendations	2.39
Response from the Government	2.40
PART 3: PROVISION OF HUMANITARIAN ASSISTANCE UNDER THE FOOD CONTRACT	3.1 – 3.5
Service reporting by the food and service contractors	3.6 – 3.15
Audit recommendations	3.16
Response from the Government	3.17
Monitoring of the food contractor’s performance by the Social Welfare Department	3.18 – 3.26
Audit recommendations	3.27
Response from the Government	3.28
Administration of the use of electronic tokens	3.29 – 3.40
Audit recommendations	3.41
Response from the Government	3.42
PART 4: OTHER ADMINISTRATIVE ISSUES	4.1
Contract management issues	4.2 – 4.10
Audit recommendations	4.11
Response from the Government	4.12
Level of assistance	4.13 – 4.15
Audit recommendation	4.16
Response from the Government	4.17

Appendices	Page
A : Social Welfare Department: Organisation chart (extract) (31 March 2020)	62
B : Types of performance reports submitted by contractors (2019-20)	63 – 64
C : Acronyms and abbreviations	65

PROVISION OF HUMANITARIAN ASSISTANCE TO NON-REFOULEMENT CLAIMANTS BY THE SOCIAL WELFARE DEPARTMENT

Executive Summary

1. The Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT), an international human rights instrument treaty under the purview of the United Nations, has been applied to Hong Kong since 1992. Article 3 of CAT provides that no State Party shall expel, return or extradite a person to another State where there are substantial grounds for believing that he would be in danger of being subjected to torture. An illegal immigrant (i.e. a foreigner who smuggled himself into Hong Kong, or a visitor who overstayed his limit of stay allowed by the Immigration Department (ImmD) or who was refused entry by ImmD upon arrival in Hong Kong) who makes a claim for non-refoulement protection in Hong Kong against torture risk or on all other applicable grounds cannot be removed unless his claim is withdrawn or has been finally determined as unsubstantiated. Hereinafter such persons are referred to as non-refoulement claimants (NRCs).

2. According to the Security Bureau (SB), on humanitarian grounds, the Government offers assistance, on a case-by-case basis, to meet the basic needs of NRCs during their stay in Hong Kong, regardless of the status of their applications/claims (e.g. whether their applications/claims have been rejected). The assistance is to provide support to prevent NRCs from being destitute during their presence in Hong Kong while at the same time not creating a magnet effect which could have serious implications on the long-term sustainability of such assistance and the immigration control of Hong Kong.

3. The Social Welfare Department (SWD) has been charged with the responsibility to provide humanitarian assistance to NRCs since November 2004, with an aim to offer assistance to NRCs who are deprived of basic needs during their presence in Hong Kong on humanitarian grounds. Since 2006, SWD has engaged contractors to provide humanitarian assistance to NRCs. As at 31 March 2020, the number of NRCs receiving humanitarian assistance was 10,711. In 2019-20, SWD

Executive Summary

expenditure on humanitarian assistance was \$477 million. According to SWD, the types and level of assistance are assessed on a case-by-case basis, based on the NRCs' vulnerabilities (e.g. individual needs and health conditions) and family size. The types and standard rates of humanitarian assistance in 2020-21 include, for example, monthly rent of \$1,500 per adult and \$750 per child, and monthly food assistance of \$1,200 per NRC.

4. Currently, through open tendering, SWD has commissioned:
 - (a) a non-governmental organisation (NGO) for the service contract for the provision of humanitarian assistance (e.g. rent and transportation) other than food assistance to NRCs (the NGO is hereinafter referred to as the service contractor). The current service contract covers the 2-year period from 1 February 2019 to 31 January 2021 with a total contract sum of \$342 million; and
 - (b) a local supermarket chain for the food contract for the provision of food to NRCs (the supermarket chain is hereinafter referred to as the food contractor). NRCs can buy food at the food contractor's food outlets by using an electronic token (e-token) distributed by the service contractor. The current food contract covers the period from 1 June 2019 to 31 July 2021 with a contract sum of \$252 million.
5. The Family and Child Welfare Branch of SWD is responsible for the day-to-day administration of the provision of humanitarian assistance to NRCs. The Audit Commission (Audit) has recently conducted a review of the provision of humanitarian assistance to NRCs by SWD (an NRC receiving humanitarian assistance provided by SWD is hereinafter referred to as a service user).

Provision of humanitarian assistance under the service contract

6. *Service reporting by the service contractor.* Audit noted the following issues:
 - (a) *Need to improve timeliness in submission of reports and statements.* Audit examined the submission of reports and statements by the service contractor

Executive Summary

to SWD for the period 1 February 2017 to 31 March 2020 and noted that there were delays in submission of the reports and statements. For example, in the review period, the delays in submission of half-yearly statements ranged from 78 to 418 days (para. 2.6); and

- (b) ***Reporting requirements not facilitating performance monitoring.*** In the period 1 February 2017 to 31 March 2020, the monthly service statistics reports submitted by the service contractor to SWD only indicated the number of cases taken up within 3 working days, 4 to 10 working days or more than 10 working days. Accordingly, SWD could not ascertain from the monthly service statistics reports the number of certain non-compliant cases (e.g. cases not taken up within the required time frame of 7 working days for regular cases in the period 1 February 2019 to 31 March 2020) (para. 2.8).

7. ***Monitoring of the service contractor's performance by SWD.*** SWD has issued guidelines to its staff for monitoring the contractor's compliance with the service contract requirements. Audit examined the monitoring work conducted by SWD for the period 1 February 2017 to 31 March 2020 (paras. 2.12 and 2.13) and noted the following issues:

- (a) ***Scope for improvement in conducting spot checks on service users receiving rent assistance.*** According to the service contract, the service contractor should conduct monthly spot checks on 5% of the total number of service users receiving rent assistance in that month. Audit found that in January 2020, the service contractor conducted visits to 156 (5.5%) service users receiving rent assistance in the Hong Kong, Kowloon and Islands (excluding Kowloon City and Yau Tsim Mong) region. However, of the 156 visits, 74 (47%) were unsuccessful attempts (paras. 2.14 and 2.15); and
- (b) ***Scope for improvement in document review at offices of the service contractor.*** According to SWD's guidelines, SWD staff should visit the service contractor's offices, preferably unannounced, at least once within the contract period to conduct document review in order to evaluate the service contractor's performance under the service contract. Audit examined the records of the document review completed by SWD for the visits conducted in December 2019 and June 2020 (paras. 2.17 and 2.19) and noted the following:

Executive Summary

- (i) ***Need to expand coverage of cases selected for document review.*** Before a visit, SWD staff would request the service contractor to provide a list of cases covering 10 categories (e.g. new and re-activated cases) and randomly select cases to be inspected. However, the 10 categories of cases requested by SWD only covered a portion of service users in a region (paras. 2.18 and 2.20); and
- (ii) ***Inadequate guidelines on sampling.*** According to the checklist for the conduct of document review by SWD, when visiting the service contractor's offices, SWD staff should review 10 areas (for example, in respect of provision of accommodation and food to the service users). Audit noted that some of the 10 areas to be examined according to SWD's checklist were not covered by the case examination conducted in the two visits (paras. 2.17 and 2.21).

8. ***Case management by the service contractor.*** Audit noted the following issues:

- (a) ***Need to ensure new cases are always taken up in a timely manner.*** Audit examined the monthly service statistics reports in the period 1 February 2017 to 31 March 2020 and found that, contrary to the contract requirements, the time taken from the date of referral for provision of assistance by the service contractor was more than 10 working days in 106 (6%) cases and 6 (1%) cases for the period 1 February 2017 to 31 January 2019 and the period 1 February 2019 to 31 March 2020 respectively (para. 2.29);
- (b) ***Room for improvement in providing assistance to service users who have access to external resources and support.*** Audit examined the cases selected for examination during the visits conducted by SWD in December 2019 and June 2020 and found room for improvement in conducting the vulnerability and needs assessment by the service contractor. For example, in two cases, the actual rents paid by the service users exceeded the standard rate of rent assistance by about \$800 and \$1,200 respectively. Upon enquiry by the service contractor in the vulnerability and needs assessment, the service users refused to disclose the source of financial support (para. 2.32); and

Executive Summary

- (c) *Need to strengthen controls on rental deposits.* Audit examination of the monthly rental deposit reports found that rental deposit forfeited by the landlords amounted to \$9.7 million (involving 4,027 forfeitures) and \$1.9 million (involving 860 forfeitures) in the period 1 February 2017 to 31 January 2019 and the period 1 February 2019 to 31 March 2020 respectively. In a number of cases, the forfeiture of rental deposits could have been prevented if controls had been strengthened (e.g. by reminding the service users concerned not to move out from the premises without the requisite notification) (para. 2.36).

Provision of humanitarian assistance under the food contract

9. *Service reporting by the food and service contractors.* Audit noted the following issues:

- (a) *Need to improve timeliness in submission of reports by the food contractor.* Audit examined the submission of reports by the food contractor to SWD for the period 1 February 2017 to 31 March 2020 and found delays in submission of monthly reports by the food contractor, ranging from 1 day to 9 days (paras. 3.7 and 3.8);
- (b) *Need to review the performance reporting requirements under the food contract.* According to the food contract, the food contractor is required to submit to SWD:
 - (i) effective from 1 June 2019, a list of halal foods by items monthly (and every two months according to another clause in the food contract). Upon Audit's enquiry, SWD informed Audit that the food contractor should only be required to submit the list of halal foods every two months, instead of each month (paras. 3.6(a)(v) and 3.10); and
 - (ii) statements for every two months (i.e. bi-monthly statements) showing the total monthly invoice value, cumulative total contract price and contract balance. Upon Audit's enquiry, SWD informed Audit that as the relevant information in the bi-monthly statements had been obtained in the invoices submitted by the food contractor

Executive Summary

each month, therefore the food contractor was not required to submit the bi-monthly statements (paras. 3.6(d) and 3.11); and

- (c) ***Need for the service contractor to perform checking on the food contractor's monthly reports in a timely manner.*** As specified under the service contract, the service contractor is required to check and certify correct the monthly statistical reports submitted by the food contractor for SWD to arrange payment directly to the food contractor. Audit examined the submission of monthly certification reports by the service contractor for the period 1 February 2017 to 31 March 2020 and found delays in submission of the monthly certification reports by the service contractor, ranging from 1 working day to 28 working days (paras. 3.13 and 3.14).

10. ***Monitoring of the food contractor's performance by SWD.*** According to the guidelines "Protocol for contract monitoring on the supply of food by electronic purchase to SWD" (the Protocol) issued by SWD in August 2019, on-site visit to five designated food outlets should be unannounced and conducted by SWD per contract period and the food outlets to be inspected are selected randomly by a computerised system (para. 3.19). Audit noted the following issues:

- (a) ***Outlets covered in on-site visits not selected in compliance with guidelines.*** Audit examined the on-site visits conducted by SWD on 13 December 2019 and 19 June 2020 and found that of eight food outlets visited by SWD staff, five were not selected by the computer program (paras. 3.20 and 3.21); and
- (b) ***Room for refinement to the selection criteria.*** Audit noted that as at 31 December 2019, districts with more than 20% of service users residing included Yau Tsim Mong, Sham Shui Po and Yuen Long. In light of the geographical distribution of service users, SWD should consider refining the criteria for selecting food outlets of the food contractor for conducting on-site visits to increase coverage of districts with high proportion of service users residing therein (paras. 3.22 and 3.23).

11. ***Administration of the use of e-tokens.*** Starting from March 2018, sanctions are imposed on service users who misuse or abuse the use of food assistance, e.g. bulk purchases of non-staple food (It is expected that the e-token should mainly be used to purchase staple food. Therefore, using the e-token to make a single purchase of non-staple food exceeding a specified amount is regarded as one of the

Executive Summary

misuses of e-tokens by the service users) (Note 12 to para. 3.5(c) and para. 3.30). Audit noted the following issues:

- (a) ***Need to review the effectiveness of sanctions imposed on service users.*** Audit examined 15 cases with sanctions imposed on service users for their misuse of e-tokens during the period from 1 February 2019 to 31 March 2020. In 9 cases, there were repeated misuse of e-tokens by the service users, with the number of sanctions previously imposed on them ranging from 2 to 9 each (para. 3.32);
 - (b) ***Need to sanction service users in a timely manner.*** In the 15 cases mentioned in (a) above, 7 cases were related to bulk purchases of non-staple food made by service users. The sanctions were imposed 1 to 3 months (averaging 2.4 months) after the misuse events (para. 3.34); and
 - (c) ***Need to consider establishing a referral mechanism for suspected misuse cases identified by SWD.*** Audit examined SWD's checking results on bulk purchases of non-staple food in the period from 1 February 2019 to 31 March 2020 and found that SWD identified 2,380 e-tokens with suspected bulk purchases of non-staple food. However, there was no documentary evidence showing that SWD had referred such suspected misuse cases to the service contractor for investigation. During the same period, based on the sample checking of e-tokens conducted by the service contractor, the contractor imposed 7 sanctions on service users using e-tokens to make bulk purchases of non-staple food (paras. 3.29 and 3.36).
12. ***Need to keep in view negative balances in e-tokens and devise a solution to address the issue.*** According to SWD, cases of negative balances of e-tokens (i.e. the amount spent by the service user using the e-token exceeded its face value) were noted in September 2019. While the food contractor had performed enhancement to the computer system to minimise the recurrence in September 2019, there were still occasional cases of negative balances in the period from October 2019 to April 2020 (8 cases ranging from -\$12.9 to -\$507.8) (paras. 3.39 and 3.40).

Executive Summary

Other administrative issues

13. *Need for clarification on the definition of service users for calculating the administrative cost.* Starting from 2017, the contract sum under the service contract with the service contractor comprises two components: (a) assistance paid to service users, including rent, travelling expenses and other basic necessities. The amount is reimbursed to the service contractor at half-monthly intervals based on the expenditure reported by the service contractor in the half-monthly expenditure reports; and (b) administrative cost for administering and delivering the different types of assistance to NRCs. The amount is calculated by multiplying the number of service users at month end by the agreed monthly unit rate under the contract. The number of service users is based on the number of service users reported by the service contractor to SWD in the monthly master list of service users as at the last day of each month (para. 4.2).

14. Audit examined the master list of service users for March 2020 submitted by the service contractor to SWD, and found that of 10,711 service users stated in the master list, 14 service users did not receive humanitarian assistance in March 2020. Of these 14 service users, 3 had obtained similar services to the services under the service contract from other sources in this month. According to the service contract, for those service users who have obtained services from other sources similar to those under the service contract, the service contractor should immediately cease to provide services under the service contract (i.e. provision of assistance and casework services) to them (paras. 4.4 to 4.6).

15. *Need for continued efforts to enhance competition in tendering for the service contract.* The service contractor has been engaged in the provision of humanitarian assistance since 2006. In each tender exercise, only one tenderer submitted a tender, which was conforming. Audit noted that tenderers' experience had been stated as an essential requirement in the tender documents. This might have hindered other organisations to participate in tendering. In this connection, Audit noted that according to Financial Circular No. 2/2019 entitled "Pro-innovation Government Procurement", to encourage competition in procurement and minimise entry barriers, as a general rule, tenderers' experience should not be set as an essential requirement (paras. 4.8 to 4.10).

Executive Summary

16. *Need to continue to review the level of assistance.* Audit noted that the existing level of humanitarian assistance to NRCs was last revised in February 2014. Upon enquiry, SWD informed Audit in September 2020 that SWD, in consultation with SB, would conduct review on the level of assistance as and when appropriate, taking into consideration a basket of factors including whether the assistance would create a magnet effect which might have serious implications on the overall sustainability and immigration control, as well as the price level of the assistance items, etc. (para. 4.15).

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 Director of Social Welfare should:**

Provision of humanitarian assistance under the service contract

- (a) **step up efforts to ensure that the service contractor submits reports and statements in a timely manner in accordance with the service contract and review the reporting requirements to ensure that they facilitate monitoring of the service contractor's performance (para. 2.10);**
- (b) **request the service contractor to provide in the monthly statistics reports figures showing separately the number of successful and unsuccessful attempts in conducting spot checks on service users receiving rent assistance, and review the requirements on the service contractor to conduct spot checks (para. 2.26(a) and (b));**
- (c) **select samples from more categories of cases (i.e. not limited to the current 10 categories) in conducting document reviews of the service contractor (para. 2.26(c));**
- (d) **stipulate in the guidelines the need to select cases covering all the 10 areas to be examined in accordance with the checklist for document review (para. 2.26(d));**

Executive Summary

- (e) **request the service contractor to report the reasons for delays in providing services to service users and take improvement measures to ensure that new cases are always taken up within the time frame as required in the service contract (para. 2.39(a));**
- (f) **issue more guidelines to the service contractor for handling cases with financial support provided to the service users from other sources in performing the vulnerability and needs assessment and explore measures to strengthen controls on assistance provided in the form of paying rental deposits for service users (para. 2.39(b) and (c));**

Provision of humanitarian assistance under the food contract

- (g) **remind the food contractor to submit monthly reports in a timely manner in accordance with the food contract and improve accuracy of the monthly statistical reports (para. 3.16(a));**
- (h) **review the reporting requirements regarding the list of halal foods by items and bi-monthly statements and, based on the review results, communicate the requirements to the food contractor and SWD staff (para. 3.16(b));**
- (i) **remind the service contractor to conduct the verification of the monthly statistical reports submitted by the food contractor and issue the monthly certification reports in a timely manner (para. 3.16(c));**
- (j) **ensure that SWD staff conduct on-site visits to food outlets of the food contractor in accordance with the Protocol and consider refining the criteria for selecting food outlets for conducting on-site visits to increase coverage of districts with high proportion of service users residing therein (para. 3.27(a) and (b));**
- (k) **keep in view the effectiveness of the sanctions imposed on service users who have misused e-tokens (in particular those who have repeatedly done so) and remind the service contractor to make greater efforts to impose sanctions on service users in a timely manner (para. 3.41(a) and (b));**

Executive Summary

- (l) **consider establishing a mechanism for SWD to refer cases of suspected misuse of e-tokens to the service contractor for further investigation and imposition of sanctions if necessary, and the need to increase the number of samples selected by the service contractor for investigating into cases of suspected abuse of e-tokens (para. 3.41(c) and (d));**
- (m) **in view of increasing number of suspected cases of bulk purchases of non-staple food identified by SWD, explore the feasibility of implementing controls to prevent such purchases (para. 3.41(e));**
- (n) **keep in view the severity of the issue arising from negative balances in e-tokens, and request the food contractor to devise an effective solution to address the issue (para. 3.41(f));**

Other administrative issues

- (o) **provide clarification on the definition of service users for the purpose of calculating the administrative cost payable to the service contractor and provide more guidelines to the service contractor in this regard (para. 4.11(a));**
- (p) **consider not specifying tenderers' experience as an essential requirement with a view to encouraging tender competition in future tender exercises for the service contract (para. 4.11(b)); and**
- (q) **in consultation with SB, continue to review the level of assistance to NRCs as and when appropriate to ensure that the Government meets the aim of providing the assistance (para. 4.16).**

Response from the Government

18. The Secretary for Security and the Director of Social Welfare 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 Security Bureau (SB) is responsible for the Government's security-related policies, including the maintenance of law and order and exercising immigration control. According to SB, foreigners who smuggled themselves into Hong Kong, and visitors who overstayed their limit of stay allowed by the Immigration Department (ImmD) or who were refused entry by ImmD upon arrival in Hong Kong (collectively referred to as illegal immigrants) are liable to be removed from Hong Kong in accordance with the Immigration Ordinance (Cap. 115).

1.3 The Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT), an international human rights instrument treaty under the purview of the United Nations, has been applied to Hong Kong since 1992. Article 3 of CAT provides that no State Party shall expel, return or extradite a person to another State where there are substantial grounds for believing that he would be in danger of being subjected to torture. An illegal immigrant who makes a claim for non-refoulement protection in Hong Kong against torture risk (a torture claim) or on all other applicable grounds (Note 1) (hereinafter such persons are referred to as non-refoulement claimants (NRCs)) cannot be removed unless his claim is withdrawn or has been finally determined as unsubstantiated.

Note 1: *Apart from torture claims made under Article 3 of CAT, a non-refoulement claim may also be made on the following grounds:*

- (a) *“torture or cruel, inhuman, or degrading treatment or punishment” under Article 3 of Section 8 of the Hong Kong Bill of Rights Ordinance (Cap. 383);*
- (b) *“being arbitrarily deprived of one’s life” as referred to in Article 2 of Section 8 of the Hong Kong Bill of Rights Ordinance; and*
- (c) *“persecution”, drawing reference to the non-refoulement principle set out under Article 33 of the 1951 Convention relating to the Status of Refugees. The Convention is a legal document defining who is a refugee, their rights and the legal obligations of states and was adopted by the United Nations in 1951. The Convention does not apply to Hong Kong.*

Introduction

1.4 On the other hand, NRCs whose claims have been substantiated would have their removal withheld until their claimed risk ceased to exist, while in parallel their cases would be referred to the United Nations High Commissioner for Refugees (UNHCR) as appropriate for consideration of recognition as “refugee” and arrangement of resettlement to a third country.

1.5 Pursuant to a court ruling in 2004, in which the Court of Final Appeal held that high standards of fairness must be demanded in the determination of torture claims, ImmD introduced an administrative screening mechanism for torture claims made under Article 3 of CAT. Thereafter, there were a number of key developments in the Government’s handling of claims, including the following:

- (a) the Immigration (Amendment) Ordinance 2012, which came into operation in December 2012, provided for a statutory process for making and determining torture claims, including how a torture claim is made, the time limit for a claimant to return the torture claim form, the requirements for ImmD to arrange screening interviews and issue written notices of decision, etc. It also provided that a claimant who was aggrieved by the decision might lodge an appeal, which would be handled by a statutory Torture Claims Appeal Board (TCAB — Note 2);

Note 2: *It is an independent statutory body established under the Immigration Ordinance on 3 December 2012. TCAB hears and determines appeals made and applications for revocation decisions about torture claims under the Ordinance. As at September 2020, TCAB comprised a Chairperson, 6 Deputy Chairpersons and 86 members. The members were appointed by the Chief Executive of the Hong Kong Special Administrative Region under the Ordinance. The members include former judges or magistrates, as well as overseas and local experts with relevant experience.*

- (b) in March 2014, ImmD commenced the Unified Screening Mechanism (USM — Note 3), under which ImmD would assess non-refoulement claims on all applicable grounds (see Note 1 to para. 1.3) in one go; and
- (c) in 2016, the Government commenced a comprehensive review of the strategy of handling non-refoulement claims, focusing on:
 - (i) preventing potential NRCs from entering Hong Kong (e.g. working with the Mainland authorities to combat illegal immigration and implementing a pre-arrival registration requirement for Indian visitors as most of the Indian NRCs were overstayers in Hong Kong who arrived as visa-free visitors);
 - (ii) expediting the screening procedures for pending claims, shortening the screening time per claim, and expediting the handling of appeals;
 - (iii) expediting repatriation of NRCs whose claims have been rejected; and
 - (iv) enhancing detention policies and stepping up law enforcement (e.g. instituting prosecution against NRCs who take up illegal employment and the relevant employers).

1.6 According to SB, various measures implemented from the 2016 strategy review have yielded positive results, and the numbers of illegal immigrants and NRCs have dropped significantly since 2016. In 2018-19, the Government has also proposed a number of amendments to the Immigration Ordinance in order to further improve the procedures of screening non-refoulement claims and handling appeals, as well as to strengthen ImmD's capabilities in respect of enforcement, removal and detention. The proposed amendments included preventing delay tactics of NRCs, facilitating removal and strengthening detention, etc. The Government consulted the Legislative Council (LegCo) Panel on Security on the proposed amendments in July 2018 and January 2019, and will introduce the amendment bill into LegCo shortly.

Note 3: *According to ImmD, the commencement of USM does not affect the Government's firm policy of not determining the refugee status of or granting asylum to anyone. For refugees who were recognised by UNHCR before commencement of USM, UNHCR will continue to provide international protection to them in accordance with its mandate.*

Government's policy on provision of humanitarian assistance to NRCs

1.7 According to SB, on humanitarian grounds, the Government offers assistance, on a case-by-case basis, to meet the basic needs of NRCs during their stay in Hong Kong, regardless of the status of their applications/claims (e.g. whether their applications/claims have been rejected, or they are considering whether to lodge an appeal/judicial review, or they have lodged an appeal/judicial review, etc.). The assistance is to provide support to prevent NRCs from being destitute during their presence in Hong Kong while at the same time not creating a magnet effect which could have serious implications on the long-term sustainability of such assistance and the immigration control of Hong Kong.

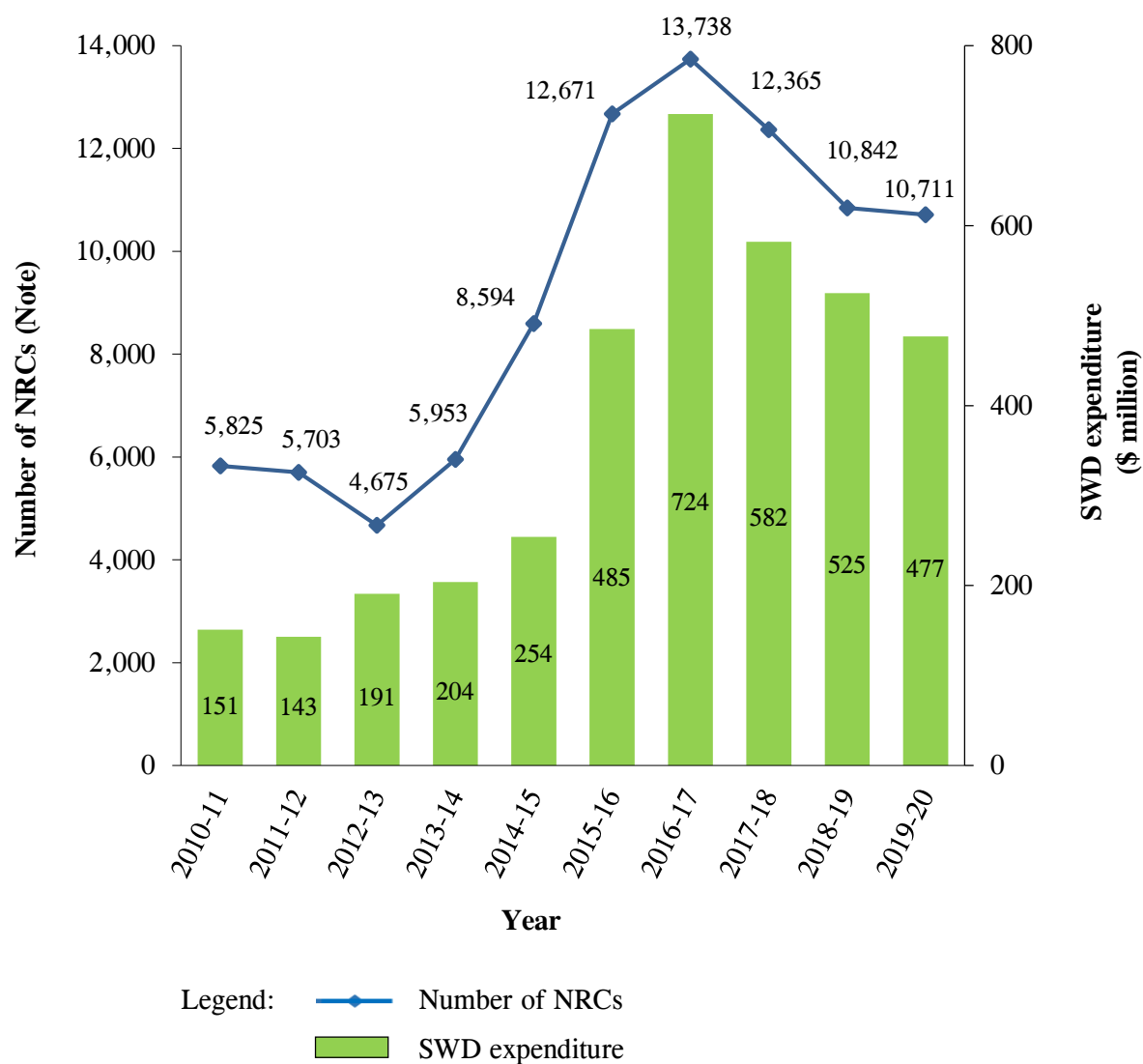
1.8 The Social Welfare Department (SWD) has been charged with the responsibility to provide humanitarian assistance to NRCs since November 2004, with an aim to offer assistance to NRCs who are deprived of basic needs during their presence in Hong Kong on humanitarian grounds. Since 2006, SWD has engaged contractors to provide the humanitarian assistance service to NRCs (see para. 1.11).

Number of NRCs receiving humanitarian assistance

1.9 Figure 1 shows the number of NRCs receiving humanitarian assistance and SWD expenditure on humanitarian assistance for the period from 2010-11 to 2019-20. Table 1 shows the movement in the cases of NRCs receiving humanitarian assistance for the same period.

Figure 1

**Number of NRCs receiving humanitarian assistance
and SWD expenditure on humanitarian assistance
(2010-11 to 2019-20)**



Source: SWD records

Note: The number of NRCs represents the position at end of year.

Table 1

**Movement in the cases of NRCs receiving humanitarian assistance
(2010-11 to 2019-20)**

Year	No. of cases				
	Beginning of year (a)	New (b)	Reactivated (c) (Note 1)	Terminated (d) (Note 2)	End of year (e) = (a) + (b) + (c) – (d)
2010-11	5,258	1,657		1,090	5,825
2011-12	5,825	1,022		1,144	5,703
2012-13	5,703	978		2,006	4,675
2013-14	4,675	2,302		1,024	5,953
2014-15	5,953	4,009		1,368	8,594
2015-16	8,594	7,056		2,979	12,671
2016-17	12,671	2,668	7,603	9,204	13,738
2017-18	13,738	1,014	1,458	3,845	12,365
2018-19	12,365	614	1,196	3,333	10,842
2019-20	10,842	751	1,179	2,061	10,711

Source: Audit analysis of SWD records

Note 1: NRCs, with humanitarian assistance temporarily suspended for reasons such as detention (e.g. arrested for committing offences) or hospitalisation, are eligible to reactivate the provision of services after discharge.

Note 2: The provision of humanitarian assistance for NRCs may be terminated for various reasons, e.g. death of NRCs, detention of NRCs, resettlement of NRCs to other countries or voluntary withdrawal from assistance by NRCs.

Note 3: SWD did not have separate figures for “new” and “reactivated” NRCs for the period 2010-11 to 2015-16.

Types and level of assistance

1.10 According to SWD, the types and level of assistance are assessed on a case-by-case basis, based on the NRCs' vulnerabilities (e.g. individual needs and health conditions) and family size. The amount and scope of assistance will be reviewed monthly by SWD's contractor (see para. 1.11(a)). Table 2 shows the types and standard rates of assistance in 2020-21.

Table 2
Types and standard rates of humanitarian assistance
(2020-21)

Item	Type of humanitarian assistance (Note 1)	Standard rate (Note 2)
1	Rent	Monthly: \$1,500 per adult and \$750 per child
2	Rental deposit	\$3,000 or an amount equivalent to two months of rent, whichever is the less
3	Property agent fee	\$750 or an amount equivalent to the rent for half a month, whichever is the less
4	Utilities (i.e. electricity, gas and water)	Monthly: \$300
5	Transportation (e.g. for travelling to ImmD)	Monthly: ranging from \$200 to \$420
6	Other basic necessities (e.g. shampoo, soap, toilet papers, etc.)	Monthly: provided in-kind to NRCs
7	Food	Monthly: \$1,200

Source: SWD records

Note 1: Food in-kind may also be provided by SWD's contractor to NRCs in need.

Note 2: NRCs with extra needs (e.g. additional transportation allowances for NRCs requiring frequent medical treatment at public hospitals) may provide justifications and documentary proof to SWD's contractor for consideration on a case-by-case basis. The additional amount over the standard rate shown in the Table is referred to as extra assistance.

Remarks: Counselling service (e.g. providing crisis intervention, ongoing case management and conducting home visits) and shelters are also provided by SWD's contractor for NRCs.

Engagement of contractors

1.11 Since 2006, SWD has engaged contractors to provide humanitarian assistance to NRCs. Prior to May 2015, all types of assistance were covered in one contract. In May 2015, the contract was split into three contracts by service region. From February 2017, the provision of food assistance (i.e. Item 7 in Table 2 in para. 1.10) has been separated from other types of assistance (i.e. Items 1 to 6 in Table 2 in para. 1.10). One contract was awarded for the provision of food (hereinafter referred to as the food contract) and three contracts by service region were awarded for other types of assistance (hereinafter collectively referred to as the service contract). Currently, through open tendering, SWD has commissioned:

- (a) a non-governmental organisation (NGO) for the service contract (the NGO is hereinafter referred to as the service contractor). Upon case referral by SWD, the service contractor is required to assign a caseworker for each NRC for intake and needs identification, counselling, advice, provision of crisis intervention, ongoing case management and referrals to external support. The current service contract covers the 2-year period from 1 February 2019 to 31 January 2021 with a total contract sum of \$342 million (Note 4); and
- (b) a local supermarket chain for the food contract (the supermarket chain is hereinafter referred to as the food contractor). NRCs can buy food (Note 5) at the food contractor's food outlets by using an electronic token (e-token) distributed by the service contractor. The current food contract covers the period from 1 June 2019 to 31 July 2021 with a contract sum of \$252 million (Note 6 and Note to Table 9 in para. 3.3).

Note 4: *The actual amount of contract payment is based on the actual number of NRCs receiving humanitarian assistance and the amount of assistance provided to each NRC on a case-by-case basis. In addition, the Government shall be entitled to extend the contracts for a further period of up to 2 years before their expiry.*

Note 5: *According to SWD, NRCs can buy food including but not limited to dry ration, meat, fruit, vegetables and halal food commonly available in local markets with more than 21,000 choices of food items.*

Note 6: *The actual amount of contract payment is based on the actual value of food procured by NRCs within the contract period.*

Monitoring by SWD

1.12 The Family and Child Welfare Branch of SWD, headed by an Assistant Director, is responsible for the day-to-day administration of the provision of humanitarian assistance to NRCs. As at 31 March 2020, six staff under the Family and Child Welfare Branch, including a Chief Social Work Officer, a Senior Social Work Officer, a Social Work Officer, an Assistant Social Work Officer and 2 Contract Executive Assistants, were responsible for monitoring the contracts for the provision of humanitarian assistance to NRCs. These staff, except the Assistant Social Work Officer, have other duties (e.g. family services and child development services, short-term food assistance, family life education service and services for street sleepers). An extract of the organisation chart of SWD (as at 31 March 2020) is shown at Appendix A.

1.13 According to the service contract and the food contract, the contractors are required to submit performance reports to SWD on a regular basis. At the same time, SWD will review the performance reports submitted by the contractors and conduct review visits to the service centres or food outlets within the contract periods.

Audit review

1.14 In March 2020, the Audit Commission (Audit) commenced a review of the provision of humanitarian assistance to NRCs by SWD. The audit review has focused on the following areas:

- (a) provision of humanitarian assistance under the service contract (PART 2);
- (b) provision of humanitarian assistance under the food contract (PART 3); and
- (c) other 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 Security welcomes Audit's review. He has said that SB will closely monitor the implementation of the audit recommendations.

1.16 The Director of Social Welfare welcomes Audit's review and agrees with the audit recommendations. He has said that:

- (a) since 2006, the provision of humanitarian assistance to NRCs has increased 5.8-fold from 1,900 users to over 11,000 users. Apart from the immense increase in quantity, there has also been dynamic evolvement in terms of service components, requirements and mode of delivery. To achieve better value for money, SWD has separated the service contract into three service contracts and one food contract in order to attract more potential bidders and thus enhance the competitiveness. Upon invitation through open tender, only one conforming tender was submitted for all three service contracts; and
- (b) over the years, SWD has implemented and monitored such a large scale of service with the same minimal manpower resources. Despite so, SWD still seeks improvement continuously to ensure financial control and service monitoring. SWD agrees with the recommendations made by Audit and is prepared to carry out the improvement measures.

Acknowledgement

1.17 During the audit review, in light of the outbreak of coronavirus disease (COVID-19), the Government had implemented various special work arrangements and targeted measures for government employees, including working from home. Audit would like to acknowledge with gratitude the full cooperation of the staff of SB and SWD during the course of the audit review amid the COVID-19 epidemic.

PART 2: PROVISION OF HUMANITARIAN ASSISTANCE UNDER THE SERVICE CONTRACT

2.1 This PART examines the provision of humanitarian assistance under the service contract, focusing on:

- (a) service reporting by the service contractor (paras. 2.5 to 2.11);
- (b) monitoring of the service contractor's performance by SWD (paras. 2.12 to 2.27); and
- (c) case management by the service contractor (paras. 2.28 to 2.40).

Background

2.2 When an NRC approaches SWD for the provision of humanitarian assistance, SWD staff would confirm his immigration status and his status of non-refoulement claim by checking relevant documents (e.g. recognizance forms issued by ImmD (Note 7), documents issued by UNHCR verifying the holder is a mandated refugee, etc.) or verifying with ImmD when necessary. If the non-refoulement claim status is established, SWD would issue an intake form and a covering memo for case referral to the service contractor.

2.3 Upon case referral by SWD, the service contractor is required to assign a caseworker for each NRC for intake and needs identification, counselling, advice, provision of crisis intervention, ongoing case management and referrals to external support (see para. 1.11(a)). Regarding the provision of humanitarian assistance to NRCs, under the service contract, the service contractor is required to:

Note 7: *When a person lodges a non-refoulement claim, ImmD will issue a recognizance form ("Form No. 8") under section 36(1) of the Immigration Ordinance to that person for him to temporarily stay in Hong Kong.*

Provision of humanitarian assistance under the service contract

- (a) interview the NRC to assess his needs, including the availability of his own resources and the resources available to him from other sources. The amount and types of assistance will then be determined based on the assessment by the service contractor (an NRC receiving humanitarian assistance provided by SWD is hereinafter referred to as a service user);
- (b) arrange interviews with the service user thereafter monthly to reassess his needs and adjust the amount and types of assistance provided if necessary; and
- (c) withhold the assistance to the service user if he fails to visit the office (Note 8) of the service contractor for reassessment of his eligibility for service by the caseworkers on a monthly basis.

2.4 Table 3 shows the amount of assistance provided to service users in the period from 1 February 2017 to 31 March 2020.

Note 8: *The service contractor has three offices serving service users which cover the following regions: Kowloon City and Yau Tsim Mong (KCYTM), Hong Kong, Kowloon and Islands (excluding Kowloon City and Yau Tsim Mong) (HKKI) and the New Territories (NT). According to SWD, the geographical coverage of the three offices was designed to even out the number of service users served in each region.*

Provision of humanitarian assistance under the service contract

Table 3

**Amount of assistance provided to service users
under the service contract
(1 February 2017 to 31 March 2020)**

Type of assistance	1.2.2017 to 31.3.2018 (14 months) (Note 1)	1.4.2018 to 31.1.2019 (10 months) (Note 1)	1.2.2019 to 31.3.2020 (14 months) (Note 1)
	(\$)		
Rent	254,609,740	160,757,644	206,409,666
Property agent fee	1,369,100	603,613	678,071
Utilities	50,598,140	32,149,085	41,848,683
Transportation	39,509,588	24,725,260	32,347,480
In-kind food (Note 2)	14,514,330	462,630	508,187
Other basic necessities (e.g. toiletries, including toothbrushes, toilet paper and razors) (Note 2)	4,914,801	4,516,191	5,045,400
Others (e.g. clothing and medical items)	353,096	342,875	651,364
Total	365,868,795	223,557,298	287,488,851

Source: The service contractor's audited financial statements

Note 1: The average numbers of service users at the last day of each month were 13,215 (for the period 1.2.2017 to 31.3.2018), 11,571 (for the period 1.4.2018 to 31.1.2019) and 10,689 (for the period 1.2.2019 to 31.3.2020).

Note 2: In-kind food and other basic necessities are provided to some service users, e.g. expectant mothers and new-born babies of service users. In February 2017 (i.e. before food assistance via the e-tokens was introduced on 1 March 2017), in-kind food in the form of supermarket cash coupons and food cards were issued to service users by the service contractor.

Remarks: The current service contract covers the period from 1 February 2019 to 31 January 2021 and the previous one from 1 February 2017 to 31 January 2019.

Service reporting by the service contractor

2.5 According to the service contract, for contract monitoring purpose, the service contractor shall submit to SWD:

- (a) half-monthly expenditure reports on or before the 20th and 5th day of each month showing the amount of assistance paid in the period from 1st to 15th of the month and 16th to the end of the preceding month respectively. Based on the half-monthly expenditure reports, SWD shall pay the service contractor not later than 1st and 16th day of each month;
- (b) monthly reports, on or before the 10th day of each month, comprising:
 - (i) monthly service statistics reports;
 - (ii) monthly financial reports; and
 - (iii) monthly rental deposit reports;
- (c) half-yearly statements audited by an external auditor within 2 months after the end of every 6-month period starting from the commencement date of the contract, or 2 months after the expiry or sooner termination of the contract; and
- (d) audited financial statements within 4 months during the contract period commencing on 1 April of each year and ending on 31 March of the following year, both dates inclusive, or after expiry or sooner termination of the service contract. The first audited financial statements cover the period from the commencement date of the contract to the upcoming 31 March (if the period is less than 6 months, then up to 31 March of the following year). The final audited financial statements cover the period from 1 April of the year up to the expiry date of the contract.

Details of reports submitted by the service contractor to SWD are set out at Appendix B.

Need to improve timeliness in submission of reports and statements

2.6 Audit examined the submission of reports and statements by the service contractor for the period 1 February 2017 to 31 March 2020 and noted that there were delays in submission of the reports and statements, as follows:

- (a) ***Half-monthly reports.*** The delays in submission of half-monthly expenditure reports ranged from 1 to 13 days (see Table 4);

Table 4

**Submission of half-monthly expenditure reports by the service contractor
(1 February 2017 to 31 March 2020)**

Contract period	No. of half-monthly expenditure reports		Delay
	Submitted	Late submission	
1 February 2017 to 31 January 2019	48	22 (46%)	1 to 13 days (average: 3 days)
1 February 2019 to 31 January 2021 (up to 31 March 2020)	28	2 (7%)	1 to 5 days (average: 3 days)

Source: Audit analysis of SWD records

Provision of humanitarian assistance under the service contract

- (b) *Monthly reports.* The delays in submission of monthly reports ranged from 1 to 324 days (see Table 5);

Table 5

**Submission of monthly service statistics reports, financial reports
and rental deposit reports by the service contractor
(1 February 2017 to 31 March 2020)**

Contract period	Monthly service statistics reports		Monthly financial reports		Monthly rental deposit reports	
	No. of reports					
	Submitted	Late submission	Submitted	Late submission	Submitted	Late submission
1 February 2017 to 31 January 2019	24	23 (96%)	24	24 (100%)	24	4 (17%)
1 February 2019 to 31 January 2021 (up to 31 March 2020)	14	0 (0%)	14	14 (100%)	14	7 (50%)
Delay (Note)	2 to 129 days (average: 20 days)		18 to 324 days (average: 127 days)		1 to 66 days (average: 23 days)	

Source: Audit analysis of SWD records

Note: According to SWD, delay in submission was most serious in the period February 2017 to September 2018, mainly due to:

- (a) a system error encountered by the service contractor in this period. The service contractor completed the enhancement in October 2018; and
- (b) a change in the format of the monthly financial reports requested by SWD in early 2018.

Provision of humanitarian assistance under the service contract

- (c) **Half-yearly statements.** The delays in submission of half-yearly statements ranged from 78 to 418 days (see Table 6); and

Table 6

Submission of half-yearly statements by the service contractor (1 February 2017 to 31 March 2020)

Contract period	No. of half-yearly statements		Delay
	Submitted	Late submission	
1 February 2017 to 31 January 2019	4	4 (100%)	214 to 418 days (average: 316 days)
1 February 2019 to 31 January 2021 (up to 31 March 2020)	2	2 (100%)	78 to 227 days (average: 153 days)

Source: Audit analysis of SWD records

- (d) **Audited financial statements.** The delays in submission of audited financial statements ranged from 66 to 175 days (see Table 7).

Table 7

Submission of audited financial statements by the service contractor (1 February 2017 to 31 March 2020)

Contract period	No. of audited financial statements		Delay
	Submitted	Late submission	
1 February 2017 to 31 January 2019	2	2 (100%)	66 to 175 days (average: 121 days)
1 February 2019 to 31 January 2021 (up to 31 March 2020)	1	0 (0%)	Nil

Source: Audit analysis of SWD records

Provision of humanitarian assistance under the service contract

2.7 Timely submission of reports and statements by the service contractor is essential to facilitate performance monitoring by SWD. In particular, late submission of audited financial statements would result in late return of the balance of rental deposits to SWD (Note 9). In Audit's view, SWD should step up efforts to ensure that the service contractor submits reports and statements in a timely manner in accordance with the service contract.

Reporting requirements not facilitating performance monitoring

2.8 According to the current and the previous service contracts, the service contractor should provide services to a service user within a specific time frame as follows:

- (a) for the contract period 1 February 2017 to 31 January 2019, within 2 working days and 10 working days from date of receipt of referral/request for urgent cases (i.e. vulnerable and needy cases) and regular cases respectively; and
- (b) for the contract period 1 February 2019 to 31 January 2021, within 3 working days and 7 working days from date of receipt of referral/request for urgent cases and regular cases respectively.

However, Audit noted that in the period 1 February 2017 to 31 March 2020, the monthly service statistics reports submitted by the service contractor only indicated the number of cases taken up within 3 working days, 4 to 10 working days or more

Note 9: *The balance of rental deposits comprises:*

- (a) *money advanced by SWD to the service contractor for paying rental deposits for service users (one of the assistance items — see Table 2 to para. 1.10) not used up at the end of the contract period; and*
- (b) *rental deposits refunded from landlords.*

Upon expiry of a service contract, the outgoing contractor is required to refund the balance to SWD within one month after the submission of the audited financial statements. For example, for the service contract ended in January 2019, the audited financial statements were submitted to SWD on 22 November 2019 (i.e. late submission for more than 5 months), and the balance of rental deposit of \$10.2 million was returned to SWD on 18 December 2019, which was more than 10 months after the expiry of the contract.

than 10 working days. Accordingly, SWD could not ascertain from the monthly service statistics reports the number of certain non-compliant cases (e.g. cases not taken up within 2 working days for urgent cases in the period 1 February 2017 to 31 January 2019 and within 7 working days for regular cases in the period 1 February 2019 to 31 March 2020).

2.9 In Audit's view, SWD should review the reporting requirements to ensure that they facilitate monitoring of the service contractor's performance.

Audit recommendations

2.10 **Audit has *recommended* that the Director of Social Welfare should:**

- (a) **step up efforts to ensure that the service contractor submits reports and statements in a timely manner in accordance with the service contract; and**
- (b) **review the reporting requirements to ensure that they facilitate monitoring of the service contractor's performance.**

Response from the Government

2.11 The Director of Social Welfare agrees with the audit recommendations. He has said that:

- (a) SWD will issue reminders to the service contractor to ensure submission of reports and statements in a timely manner; and
- (b) SWD has modified the monthly service statistics report to accurately capture the service contractor's compliance with the time frame to complete the assessment and render service to eligible service users. The new form has been adopted starting from October 2020.

Monitoring of the service contractor's performance by the Social Welfare Department

2.12 SWD has issued guidelines to its staff for monitoring the contractor's compliance with the service contract requirements. The monitoring work of SWD includes:

- (a) examination of reports and statements submitted by the service contractor;
- (b) examination of the documented service policies, operational guidelines, assessment procedures and supporting documents relevant to service provision, e.g. minutes of meetings and written records;
- (c) conduct of document review at the offices of the service contractor; and
- (d) investigation of complaints from service users direct to SWD or through the service contractor or other agencies.

2.13 Audit examined the monitoring work conducted by SWD for the period 1 February 2017 to 31 March 2020 and found room for improvement (see paras. 2.14 to 2.25).

Scope for improvement in conducting spot checks on service users receiving rent assistance

2.14 According to the service contract, the service contractor should conduct monthly spot checks on 5% of the total number of service users receiving rent assistance in that month in order to ascertain the safety and hygiene condition of the premises and detect any suspected fraudulent cases.

2.15 Audit examined the monthly service statistics report prepared by the service contractor on the HKKI region in January 2020, and found that of 2,843 service users receiving rent assistance in the HKKI region, the caseworkers of the service contractor conducted visits to 156 (5.5%) service users. However, of the 156 visits, 74 (47%) were unsuccessful attempts (i.e. the service users were not at home).

2.16 In Audit's view, to ensure that spot checks achieve the objective to ascertain the safety and hygiene condition of the premises and detect any suspected fraudulent cases, SWD should request the service contractor to provide in the monthly statistics reports figures showing separately the number of successful and unsuccessful attempts in conducting spot checks. SWD should also review the spot check requirements, including the required follow-up procedures on unsuccessful attempts and whether only successful attempts should be counted towards meeting the 5% requirement.

Scope for improvement in document review at offices of the service contractor

2.17 According to SWD's guidelines, SWD staff should visit the service contractor's offices, preferably unannounced, at least once within the contract period to conduct document review in order to evaluate the service contractor's performance under the service contract. According to the checklist for the conduct of document review by SWD, when visiting the service contractor's offices, SWD staff should review the following 10 areas to assess whether the service contractor's performance meets the requirements:

- (a) case assessment and implementation plan (e.g. meeting the time frame of case assessment and following the case review mechanism on monthly basis);
- (b) accommodation (e.g. arranging payment of rent and utilities and arranging recovery of rental deposit);
- (c) food including in-kind food and e-tokens (e.g. implementing measures to ensure proper use of e-tokens and monitoring the distribution of in-kind food or e-tokens);
- (d) transportation (e.g. verifying the needs of service users for providing transportation assistance for their regular trips);
- (e) clothing and other basic necessities (e.g. arranging clothing to cater for the needs of service users);
- (f) community resources and support (e.g. soliciting community resources and support on difference types of assistances);

Provision of humanitarian assistance under the service contract

- (g) customer feedback (e.g. collecting complaints from service users and other related parties);
- (h) computerised system (e.g. maintaining a computerised case checking system to avoid duplicated provision of service and compiling updated service statistics);
- (i) administrative arrangements (e.g. following guidelines on procurement to ensure fair and competitive procurement and maintaining a system for open and fair procedures for staff recruitment procedure); and
- (j) probity clause (e.g. maintaining a code of conduct for staff commitment).

2.18 According to SWD, before a visit, the Assistant Social Work Officer would request the service contractor to provide a list of cases covering 10 categories (Note 10) and randomly select cases to be inspected. During the visit, the Assistant Social Work Officer would inspect the case files of the selected cases to assess the performance of the service contractor. After the visit, the Assistant Social Work Officer would record the result in a checklist and submit the checklist to the Social Work Officer for endorsement.

2.19 For the service contract ending 31 January 2021, SWD staff visited the service contractor's office serving NT region in December 2019 and that serving HKKI region in June 2020. Audit examined the checklists and the records of the document review completed by SWD and found room for improvement in the document review process as set out in paragraphs 2.20 and 2.21.

2.20 ***Need to expand coverage of cases selected for document review.*** As stated in paragraph 2.18, SWD only requested the service contractor to provide a list of 10 categories of cases. Audit examined the list of cases handled by the offices for NT region and HKKI region and found that:

Note 10: *The 10 categories of cases included child abuse cases in need of the residential care service, special cases for service users with mental and physical problem, and new and re-activated cases since the commencement of the contract.*

Provision of humanitarian assistance under the service contract

- (a) in the visit to the office for NT region in December 2019, of 2,923 service users in December 2019, the service contractor provided a list of 215 cases under the 10 categories. Among these 215 cases, SWD staff selected 17 cases; and
- (b) in the visit to the office for HKKI region in June 2020, of 3,337 service users in June 2020, the service contractor provided a list of 824 cases under the 10 categories. Among these 824 cases, SWD staff selected 18 cases. In addition, the staff randomly selected another 5 cases not included in the 824 cases.

The objective of document review is to examine the performance of the service contractor. However, the 10 categories of cases requested by SWD only covered a portion of service users (7.4% ($215 \div 2,923 \times 100\%$) and 24.7% ($824 \div 3,337 \times 100\%$) of service users in NT region and HKKI region respectively at the time of conducting document review). In Audit's view, in addition to the 10 categories of cases, SWD should also select samples from other cases in conducting document reviews in order that the contractor's performance can be adequately assessed. For example, since the circumstances of service users may change over time (e.g. two service users got married or service users received financial support from friends or religious organisations), the monthly reassessment (see para. 2.3(b)) of the needs of service users in such cases should also be an area of concern.

2.21 ***Inadequate guidelines on sampling.*** Audit noted that some of the 10 areas to be examined according to SWD's checklist (see para. 2.17) were not covered by the case examination conducted in the two visits (see para. 2.19). In both visits, SWD staff did not select cases for examining the service contractor's handling of suspected cases of fraudulent uses of accommodation, rental payment, rental deposit and property agent fee (i.e. the area for examination mentioned in para. 2.17(b)). In Audit's view, SWD should stipulate in the guidelines the need to select cases covering all of the 10 areas to be examined in accordance with the checklist for document review.

Room for improvement in recording public complaints and enquiries

2.22 According to General Circular No. 24/2016 entitled "Complaints Handling Mechanism" issued by the Director of Administration in December 2016, a complaint is defined as an expression of dissatisfaction by the public with a public policy or

Provision of humanitarian assistance under the service contract

service, or the way in which a policy is implemented or service is delivered, including staff attitude, irrespective of the complaint channel used. As far as possible, all written and verbal complaints should be recorded consistently in a central complaints register.

2.23 According to SWD's guidelines (see para. 2.12), the monitoring work of SWD includes investigation of complaints from service users direct to SWD or through the service contractor or other agencies. All complaints should be promptly and properly investigated and analysed with feedback given to the service contractor. In June 2020, SWD informed Audit that as recorded in the SWD complaints register, SWD only received 1 complaint and 139 enquiries in the period 1 February 2017 to 31 March 2020.

2.24 Audit examination of the 67 enquiries received by SWD in the period 1 February 2019 to 31 March 2020 found that 7 should have been classified as complaints:

- (a) 2 were complaints lodged against the service contractor's caseworkers; and
- (b) 5 related to expression of dissatisfaction by 2 service users with the services provided by the service contractor, e.g. the decision made by the service contractor on the amount of assistance provided to the service users, and the limited variety of halal food provided in food outlets by the food contractor.

In late September 2020, SWD informed Audit that 6 of these 7 cases (i.e. except 1 case in (b) above) had been classified as complaints but had not been properly recorded in the complaints register due to stringent manpower.

2.25 In accordance with General Circular No. 24/2016, an expression of dissatisfaction by the public with the way in which service is delivered should be classified as complaints. SWD should have investigated and analysed these complaints and provided feedback to the service contractor. In Audit's view, SWD should properly record all complaints in the complaints register. SWD should also remind its staff to properly classify complaints and enquiries in accordance with the requirements of General Circular No. 24/2016 and take the required follow-up action in handling complaints.

Audit recommendations

2.26 Audit has *recommended* that the Director of Social Welfare should:

- (a) request the service contractor to provide in the monthly statistics reports figures showing separately the number of successful and unsuccessful attempts in conducting spot checks on service users receiving rent assistance;**
- (b) review the requirements on the service contractor to conduct spot checks, including the required follow-up procedures on unsuccessful attempts and whether only successful attempts should be counted towards meeting the 5% requirement;**
- (c) select samples from more categories of cases (i.e. not limited to the current 10 categories) in conducting document reviews of the service contractor in order that the contractor's performance can be adequately assessed;**
- (d) stipulate in the guidelines the need to select cases covering all the 10 areas to be examined in accordance with the checklist for document review;**
- (e) remind SWD staff to properly classify complaints and enquiries in accordance with the requirements of General Circular No. 24/2016 and take the required follow-up action in handling complaints; and**
- (f) properly record all complaints in the complaints register.**

Response from the Government

2.27 The Director of Social Welfare agrees with the audit recommendations. He has said that SWD will take follow-up actions as recommended. Regarding the audit recommendation in paragraph 2.26(e), SWD has already classified 6 out of the 7 cases as complaints, while the remaining 1 case has been misclassified as service enquiry. He will remind staff to properly classify and document complaints and enquiries in

Provision of humanitarian assistance under the service contract

accordance with the requirements of General Circular No. 24/2016 for internal record purpose.

Case management by the service contractor

Need to ensure new cases are always taken up in a timely manner

2.28 As stated in paragraph 2.8, for regular cases, services should be provided to a service user within a specific time frame as follows:

- (a) for the service contract ended in January 2019, within 10 working days; and
- (b) for the service contract ending in January 2021, within 7 working days.

2.29 Audit examined the monthly service statistics reports in the period 1 February 2017 to 31 March 2020 and found that, contrary to the contract requirements, the time taken from the date of referral for provision of assistance by the service contractor was more than 10 working days:

- (a) in 106 (6%) cases for the period 1 February 2017 to 31 January 2019; and
- (b) in 6 (1%) cases for the period 1 February 2019 to 31 March 2020.

2.30 In Audit's view, SWD should request the service contractor to report the reasons for the delay and take improvement measures to ensure that new cases are always taken up within the time frame as required in the service contract.

Room for improvement in providing assistance to service users who have access to external resources and support

2.31 According to a paper submitted to the LegCo Panel on Welfare Services in July 2013, the assistance provided to individual service users varies according to the needs and personal situations of the person concerned, including availability of his own resources and the resources available to him from other sources. According to

Provision of humanitarian assistance under the service contract

the service contract, all applicants are required to undergo a vulnerability and needs assessment. The assessment includes the service user's access to external resources and support from friends, family and/or other organisations. In performing the document review at the service contractor's offices, SWD would review the vulnerability and needs assessment by the service contractor of service users' eligibility for different types and amount of assistance.

2.32 Audit examined the cases selected for examination during the visits conducted by SWD in December 2019 and June 2020 and found room for improvement in conducting the vulnerability and needs assessment by the service contractor, as follows:

- (a) ***Refusal to disclose the source of financial support.*** In two cases, the actual rents paid by the service users exceeded the standard rate of rent assistance by about \$800 and \$1,200 respectively. Upon enquiry by the service contractor in the vulnerability and needs assessment, the service users refused to disclose the source of financial support;
- (b) ***The service contractor did not enquire about the source of financial support.*** In another two cases, the actual rents paid by the service users exceeded the standard rate of rent assistance by about \$200 and \$500 respectively. There was no documentary evidence indicating that the service contractor had asked for the sponsorship information; and
- (c) ***Supporting receipts could not be produced for amounts spent.*** In one case, a family comprising 5 service users received a lump sum of ex-gratia cash allowance from a statutory body for the delivery of vacant possession of the premises they rented. The service contractor suspended the payment of rent assistance, rental deposit, utility assistance and transportation assistance for the whole family from April 2019, and informed the service users that assistance would resume after they had produced receipts showing that the cash allowance had been used up for buying the necessary and reasonable items for moving home. The family was unable to produce receipts for amounts of \$17,350 spent to buy certain second-hand items. The service contractor paid a home visit, took photos of the items and requested the service users (represented by one of them) to sign a declaration that the items were bought without receipts. In May 2019, assistance was resumed.

Provision of humanitarian assistance under the service contract

2.33 According to the service contract, when a service user approaches an NGO or a religious organisation for help in partial payment for accommodation, the NGO or religious organisation must provide a declaration letter of sponsorship for the duration of the tenancy agreement. However, there are no guidelines for handling other cases with financial support from other sources. In Audit's view, SWD should issue more guidelines to the service contractor for handling cases with financial support from other sources in performing the vulnerability and needs assessment.

Need to strengthen controls on rental deposits

2.34 When a service user rents a premises with the assistance provided by the service contractor under the service contract:

- (a) a mutual tenancy agreement is required, which should be duly signed by the landlord and the tenant (i.e. the service user); and
- (b) a tripartite rental deposit agreement is required, which should be duly signed by the landlord, tenant and the service contractor (if rental deposit is involved).

2.35 According to the rental deposit agreement:

- (a) the landlord shall return the entire amount of rental deposit to the service contractor without interest within 7 days from the date of delivery of vacant possession of the premises, or the date when the tenant had moved out from the premises, or the date when the tenancy agreement is terminated for whatever reasons, whichever is the earlier; and
- (b) if in case the landlord intends to deduct any amount from the rental deposit for whatever reasons, the landlord must justify the reasons with legitimate evidence to the full satisfaction of the service contractor.

2.36 Audit examination of the monthly rental deposit reports for the period from 1 February 2017 to 31 March 2020 found that:

Provision of humanitarian assistance under the service contract

- (a) rental deposit forfeited by the landlords amounted to \$9.7 million (involving 4,027 forfeitures) and \$1.9 million (involving 860 forfeitures) in the period 1 February 2017 to 31 January 2019 and the period 1 February 2019 to 31 March 2020 respectively; and
- (b) in a number of cases, the forfeiture of rental deposits could have been prevented if controls had been strengthened (e.g. by reminding the service users concerned not to move out from the premises without the requisite notification) (see Table 8).

Table 8

**Cases where controls could have been strengthened
to prevent forfeiture of rental deposits
(1 February 2017 to 31 March 2020)**

Reason for forfeiture of rental deposits	Period from 1.2.2017 to 31.1.2019	Period from 1.2.2019 to 31.3.2020
	No. of cases	
Penalty was charged for service users moving out without the requisite notification	1,266	224
Violation of the tenancy agreements (e.g. service users informed the landlords of their moving out before the expiry of tenancy agreements and made damages to the premises)	775	128
Rental deposit was used to settle rent in arrears (e.g. the amount of rent in excess of the approved amount of rent assistance was not settled by service users themselves)	673	266

Source: Audit analysis of SWD records

2.37 In September 2020, SWD informed Audit that for established unreasonable forfeiture cases, the service contractor would put the landlord on exclusion list to bar

Provision of humanitarian assistance under the service contract

him/her from leasing the premises to service users. Besides, the service contractor had formed an Internal Audit and Investigation Unit since May 2020 to handle cases of unreasonable forfeiture of rental deposits.

2.38 In Audit's view, forfeiture of rental deposits should be minimised as far as practicable. SWD should explore measures to strengthen controls in this regard. In addition, SWD should review the effectiveness of the work of the Internal Audit and Investigation Unit formed by the service contractor in minimising forfeiture of rental deposits.

Audit recommendations

2.39 **Audit has *recommended* that the Director of Social Welfare should:**

- (a) **request the service contractor to report the reasons for delays in providing services to service users and take improvement measures to ensure that new cases are always taken up within the time frame as required in the service contract;**
- (b) **issue more guidelines to the service contractor for handling cases with financial support provided to the service users from other sources in performing the vulnerability and needs assessment;**
- (c) **explore measures to strengthen controls on assistance provided in the form of paying rental deposits for service users; and**
- (d) **review the effectiveness of the work of the Internal Audit and Investigation Unit formed by the service contractor in minimising forfeiture of rental deposits.**

Response from the Government

2.40 The Director of Social Welfare agrees with the audit recommendations. He has said that SWD will take necessary follow-up actions as recommended.

PART 3: PROVISION OF HUMANITARIAN ASSISTANCE UNDER THE FOOD CONTRACT

3.1 This PART examines the provision of humanitarian assistance under the food contract, focusing on:

- (a) service reporting by the food and service contractors (paras. 3.6 to 3.17);
- (b) monitoring of the food contractor's performance by SWD (paras. 3.18 to 3.28); and
- (c) administration of the use of e-tokens (paras. 3.29 to 3.42).

Background

3.2 SWD provided NRCs with food of different varieties, such as meat, fish, vegetables, having regard to the nutritious, cultural, religious and other specific needs (e.g. providing halal food). Since February 2017 (Note 11), the food contractor has been commissioned by SWD to provide the service through open tendering.

3.3 Table 9 shows the amount of food assistance paid under the food contracts during the period 1 February 2017 to 31 March 2020.

Note 11: *The food assistance was previously provided by the service contractor in the form of in-kind food to service users up to April 2015. From May 2015 to January 2017, according to SWD, in the light of views collected, food coupons were introduced in lieu of the provision of in-kind food.*

Provision of humanitarian assistance under the food contract

Table 9

Amount of food assistance paid under the food contracts (1 February 2017 to 31 March 2020)

Food contract	Contract period (Note)	Amount of food assistance paid (\$)
1	1 February 2017 to 31 August 2019	327,402,472
2	1 June 2019 to 31 July 2021 (up to 31 March 2020)	55,830,024
Total		383,232,496

Source: SWD records

Note: Both contracts covered the period from 1 June 2019 to 31 August 2019. The period from June to July 2019 was a preparation phase during which no food assistance was provided to service users under the second food contract as the first food contract was still in effect. In August 2019, for service users having e-tokens with valid purchase periods (see para. 3.4(c)) expiring in the month, the food contractor started to provide the food assistance under the second food contract.

3.4 Under the food contract, a service user can buy food at the food outlets of the food contractor by using an e-token (see Figure 2), which has the following features:

- (a) after the service contractor has assessed the service user's eligibility for food assistance, it will distribute an e-token to the service user;
- (b) each e-token has a unique service number assigned, with the name, photo and signature of the service user printed on the face of it for the food contractor to check the authenticity of the e-token when it is used;
- (c) an e-token has a face value (up to \$1,200 currently, which equals the standard rate of monthly food assistance) and a valid purchase period of 28 to 31 days, during which time a service user may purchase food from

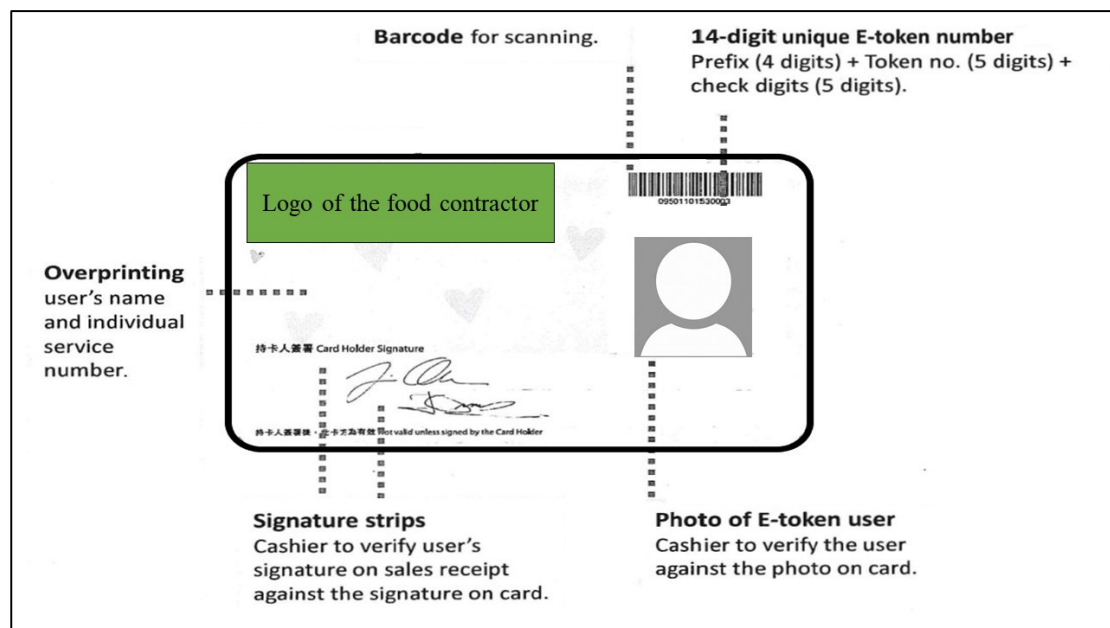
Provision of humanitarian assistance under the food contract

food outlets of the food contractor up to the amount of the face value assigned;

- (d) no top-up to the e-token may be made during the valid purchase period. Upon showing up at the service contractor's office with his eligibility for food assistance re-assessed (see para. 2.3(b)), a service user can have the e-token topped up by the service contractor by producing the sales receipts proving that the e-token has been used to purchase food items at the food contractor's outlets during the valid purchase period; and
- (e) e-tokens are non-transferable and non-encashable.

Figure 2

An e-token



Source: SWD records

Provision of humanitarian assistance under the food contract

3.5 SWD is assisted by the service contractor in monitoring the service provided by the food contractor under the food contract. According to the service contracts ended in January 2019 and ending in January 2021, regarding the provision of food assistance, the service contractor shall:

- (a) check and certify correct the monthly statistical reports submitted by the food contractor (see para. 3.6(a)) within 5 and 10 working days respectively for the Government to arrange the payment to the food contractor;
- (b) check the food purchase records with the food contractor for investigation and prevention of misuse of e-tokens;
- (c) devise a mechanism to handle service users found to have misused e-tokens, such as arranging in-kind food in lieu of a e-token or other sanction arrangement (see para. 3.30). The misuse of e-tokens includes bulk purchases of non-staple food exceeding a specified amount (Note 12), frequent loss of e-tokens, intentional deface or damage of e-tokens and lending of e-tokens; and
- (d) for very urgent and needy cases referred by SWD, provide the service user concerned with basic food in-kind under the service contracts.

Service reporting by the food and service contractors

3.6 According to the food contract, for contract monitoring purpose, the food contractor shall submit:

- (a) monthly statistical reports to the service contractor with copies to SWD on the 5th day of each month (except the first month) and the following month after the expiry or early termination of the food contract showing:

Note 12: *According to SWD, one of the objectives of the provision of assistance to NRCs is to ensure that they will not be seriously hungry. Accordingly, it is expected that the e-token should mainly be used to purchase staple food. In this regard, using the e-token to make a single purchase of non-staple food exceeding a specified amount is regarded as one of the misuses of e-tokens by the service users.*

Provision of humanitarian assistance under the food contract

- (i) a list of e-tokens activated and void (including quantity and serial numbers of the e-tokens);
 - (ii) a list of exception reports for doubtful cases (e.g. the e-token with food value consumed over \$1,200 in a valid purchase period);
 - (iii) a list of total food values consumed by e-tokens;
 - (iv) a list of e-tokens with food value consumed in the valid purchase periods;
 - (v) a list of halal foods by items (effective from 1 June 2019); and
 - (vi) an updated list of the food outlets (effective from 1 June 2019);
- (b) monthly payment reports to the service contractor with copies to SWD on the 5th day of each month (except for the first month) and the following month after the expiry or early termination of the food contract (Note 13);
- (c) ad-hoc reports within five working days from date of a written request from SWD or the service contractor; and
- (d) statements for every two months (i.e. bi-monthly statements) to SWD showing the total monthly invoice value, cumulative total contract price and contract balance.

Details of reports submitted by the food contractor to SWD are set out at Appendix B.

Note 13: *Starting from 1 June 2019 (i.e. commencement of the second food contract), a new clause is added specifying that the contractor shall not issue a monthly invoice to the Government until receipt of the confirmation from the Government that there is no discrepancy on the actual amount of e-token face value used by every service user.*

Provision of humanitarian assistance under the food contract

Need to improve timeliness in submission of reports by the food contractor

3.7 Audit examined the submission of reports mentioned in paragraph 3.6 above by the food contractor for the period 1 February 2017 to 31 March 2020 and found delays in submission of reports by the food contractor, as set out in paragraphs 3.8 and 3.9.

3.8 ***Delays in submission of monthly reports.*** For the period 1 February 2017 to 31 March 2020, there were delays in submission of monthly reports by the food contractor, ranging from 1 day to 9 days (see Table 10).

Table 10

**Submission of monthly reports by the food contractor
(1 February 2017 to 31 March 2020)**

Contract period	Monthly statistical reports except the list of halal foods (see paras. 3.6(a)(v) and 3.10)		Monthly payment reports	
	No. of reports			
	Submitted	Late submission	Submitted	Late submission
1 February 2017 to 31 August 2019	30	29 (97%)	30	29 (97%)
1 June 2019 to 31 July 2021 (up to 31 March 2020) (Note)	8	4 (50%)	8	4 (50%)
Delay	1 to 9 days (average: 4 days)		1 to 9 days (average: 4 days)	

Source: Audit analysis of SWD records

Note: The food contractor submitted monthly reports from August 2019 onwards (see also Note to Table 9 in para. 3.3).

3.9 In view of the delays in submission of monthly reports by the food contractor as shown in Table 10, SWD needs to remind the food contractor to submit the reports in a timely manner in accordance with the food contract.

Need to review the performance reporting requirements under the food contract

3.10 As mentioned in paragraph 3.6(a)(v), effective from 1 June 2019, the food contractor is required to submit to SWD a list of halal foods by items monthly. However, Audit noted that there is another clause in the food contract stating that a list of halal foods by items should be submitted to SWD every two months. Upon Audit's enquiry, SWD informed Audit that the food contractor should only be required to submit the list of halal foods every two months, instead of each month.

3.11 Separately, as mentioned in paragraph 3.6(d), the food contractor is required to submit bi-monthly statements showing the total monthly invoice value, cumulative total contract price and contract balance. Audit noted that such bi-monthly statements had not been submitted by the food contractor. Upon Audit's enquiry, SWD informed Audit that as the relevant information in the bi-monthly statements had been obtained in the invoices submitted by the food contractor each month, the food contractor was therefore not required to submit the bi-monthly statements.

3.12 In light of the audit observations in paragraphs 3.10 and 3.11, Audit considers that SWD should review the reporting requirements regarding the list of halal foods by items and bi-monthly statements on the total monthly invoice value, cumulative total contract price and contract balance. Based on the review results, SWD should also communicate the requirements to the food contractor for compliance and to SWD staff for contract monitoring.

Need for the service contractor to perform checking on the food contractor's monthly reports in a timely manner

3.13 As specified under the service contract, the service contractor is required to check and certify correct the monthly statistical reports submitted by the food contractor for SWD to arrange payment directly to the food contractor (see para. 3.5). After verification, the service contractor will submit a monthly certification report to SWD. According to the service contracts ended in January 2019 and ending in

Provision of humanitarian assistance under the food contract

January 2021, after the receipt of the monthly statistical reports from the food contractor, the service contractor shall submit the monthly certification reports to SWD within 5 and 10 working days respectively.

3.14 Audit examined the submission of monthly certification reports by the service contractor for the period 1 February 2017 to 31 March 2020 and found delays in submitting the monthly certification reports to SWD by the service contractor (see Table 11).

Table 11

**Submission of monthly certification reports by the service contractor
(1 February 2017 to 31 March 2020)**

Contract period of food contract	No. of monthly certification reports		Delay
	Submitted	Late submission	
1 February 2017 to 31 August 2019 (Note 1)	30	27 (90%)	1 to 28 working days (average: 11 working days)
1 June 2019 to 31 July 2021 (up to 31 March 2020) (Note 2)	8	8 (100%)	1 to 20 working days (average: 7 working days)

Source: Audit analysis of SWD records

Note 1: Starting from 1 February 2019, the service contractor was required to submit monthly certification reports within 10 working days (within 5 working days before February 2019) after the receipt of monthly statistical reports from the food contractor.

Note 2: The food contractor submitted monthly reports from August 2019 onwards (also see Note to Table 9 in para. 3.3).

3.15 According to SWD, sometimes the service contractor had to clarify with the food contractor on inconsistencies in the statistical reports, resulting in longer time taken to certify correct the reports. In Audit's view, SWD should remind the food

contractor to improve accuracy of the monthly statistical reports. SWD should also remind the service contractor to conduct the verification of the monthly statistical reports submitted by the food contractor and issue the monthly certification reports in a timely manner.

Audit recommendations

3.16 **Audit has *recommended* that the Director of Social Welfare should:**

- (a) **remind the food contractor to submit monthly reports in a timely manner in accordance with the food contract and improve accuracy of the monthly statistical reports;**
- (b) **review the reporting requirements regarding the list of halal foods by items and bi-monthly statements on the total monthly invoice value, cumulative total contract price and contract balance and, based on the review results, communicate the requirements to the food contractor and SWD staff; and**
- (c) **remind the service contractor to conduct the verification of the monthly statistical reports submitted by the food contractor and issue the monthly certification reports in a timely manner.**

Response from the Government

3.17 The Director of Social Welfare agrees with the audit recommendations. He has said that:

- (a) SWD will issue reminders to both the food contractor and service contractor monthly for the submission of the monthly reports in a timely manner. Having considered that the service contractor's completion of monthly certification reports has to rely on the raw data captured in the monthly reports submitted by the food contractor, SWD will remind the food contractor to improve the accuracy of its submitted reports; and
- (b) SWD has clarified with the food contractor about the submission date of the list of halal foods by items on a bi-monthly basis. Given that the

Provision of humanitarian assistance under the food contract

monthly invoice is the same as the submission of bi-monthly report, SWD will review the reporting requirements in the next food contract.

Monitoring of the food contractor's performance by the Social Welfare Department

Room for improvement in the conduct of on-site visits to food outlets

3.18 According to the food contract, the food contractor shall, among other things:

- (a) have at least one food outlet located in each of the 18 districts in Hong Kong and the opening hours of all food outlets shall be seven days a week and not less than 10 hours a day;
- (b) have at least 70 food outlets; and
- (c) have facilities and arrangement in at least 70 food outlets for separate storage of halal food and provide clear signage for facilitating service users' identification of halal food in the food outlets.

3.19 According to the guidelines "Protocol for contract monitoring on the supply of food by electronic purchase to SWD" (the Protocol) issued by SWD in August 2019:

- (a) on-site visit is to examine operation-related issue at the food outlets in accordance with the terms of the contract between SWD and the food contractor;
- (b) on-site visit to five designated food outlets out of the 18 districts of Hong Kong should be unannounced and conducted by SWD per contract period; and
- (c) the food outlets to be inspected per contract period are selected randomly by a computerised system.

3.20 Audit examined the on-site visits conducted by SWD on 13 December 2019 and 19 June 2020 and found that SWD had conducted on-site visits to eight food outlets. Of the eight food outlets visited, one (12.5%) was located in Fanling, four (50%) in Sham Shui Po and three (37.5%) in Yuen Long.

3.21 ***Outlets covered in on-site visits not selected in compliance with guidelines.***

SWD informed Audit in August 2020 that by using a computer program, SWD had randomly selected 5 outlets to be inspected which were located at Fanling, Sham Shui Po, Tai Kok Tsui, Tin Shui Wai and Yuen Long. However, Audit found that:

- (a) except for three selected food outlets (at Fanling, Sham Shui Po and Yuen Long respectively), the other five food outlets visited by SWD staff were not selected by the computer program;
- (b) contrary to the Protocol to conduct on-site visits to five designated food outlets (see para. 3.19(b)), additional food outlets nearby were visited when conducting the on-site visit to a food outlet at Sham Shui Po in December 2019 and another at Yuen Long in June 2020. According to SWD, the additional food outlets were visited because they were close in proximity to the selected food outlets and relatively high purchase amounts were observed in the monthly reports in the districts; and
- (c) due to the spread of coronavirus disease (COVID-19) and the Government's work-from-home arrangement, the scheduled inspections to the food outlets located at Tai Kok Tsui and Tin Shui Wai had been postponed.

According to the Protocol, food outlets to be visited should be selected randomly. In Audit's view, if departure from the Protocol is justified, the relevant decisions should be properly documented.

3.22 ***Room for refinement to the selection criteria.*** Audit examined the geographical distribution of service users based on their place of residence as at 31 December 2019, and noted that districts with more than 20% of service users residing included Yau Tsim Mong, Sham Shui Po and Yuen Long (see Table 12).

Provision of humanitarian assistance under the food contract

Table 12

**Geographical distribution of service users
(31 December 2019)**

Region	District	No. of service users	Percentage (%)
KCYTM	Yau Tsim Mong	3,584	33.7
	Kowloon City	937	8.8
	<i>Sub-total</i>	<i>4,521</i>	<i>42.5</i>
HKKI	Sham Shui Po	2,442	23.0
	Wanchai	325	3.1
	Central and Western	160	1.5
	Eastern	134	1.3
	Others	116	1.1
	<i>Sub-total</i>	<i>3,177</i>	<i>30.0</i>
NT	Yuen Long	2,251	21.2
	Tuen Mun	341	3.2
	North	91	0.9
	Kwai Tsing	87	0.8
	Tsuen Wan	72	0.7
	Tai Po	46	0.4
	Others	35	0.3
	<i>Sub-total</i>	<i>2,923</i>	<i>27.5</i>
Total		10,621	100.0

Source: SWD records

3.23 According to SWD, on-site visit is a performance monitoring activity to examine operation-related issue at the food outlets. In Audit's view, in light of the geographical distribution of service users, SWD should consider refining the criteria for selecting food outlets of the food contractor for conducting on-site visits to increase coverage of districts with high proportion of service users residing therein.

Room for improvement in conducting user satisfaction surveys

3.24 According to SWD, starting from April 2018, surveys had been conducted by the service contractor out of its own initiative to obtain views from service users on their use of e-tokens to purchase food at the food outlets. Surveys were conducted in April, July and December 2018 and December 2019 by means of anonymous questionnaires in English and five ethnic minority languages (Hindi, Bengali, Urdu, Vietnamese and Bahasa Indonesia). The questionnaires were distributed to service users during their monthly contract renewal (i.e. reporting to the service contractor's caseworkers to assess the service users' eligibility of humanitarian assistance on a monthly basis) in the service contractor's offices. In each of the surveys, the questions were related to:

- (a) the level of satisfaction on shopping experience, services provided by the food contractor, food items offered and the use of e-tokens; and
- (b) some personal information of the respondents (e.g. gender, age and nationality).

3.25 Audit examined the results of the surveys and found that:

- (a) the response rate of the surveys decreased from 71.7% in April 2018 to 22.7% in December 2019. The actual number of respondents decreased from about 7,600 in April 2018 to about 2,400 in December 2019; and
- (b) in the questionnaires returned by the service users, on average, the percentage of questions being left blank was more than 30% in each survey (see Table 13).

Table 13

**Four user satisfaction surveys conducted by the service contractor
(April 2018 to December 2019)**

Survey month	April 2018	July 2018	December 2018	December 2019
Number of survey forms distributed	10,659	10,253	11,044	10,639
Number of respondents	7,640	4,065	2,395	2,413
Response rate	71.7%	39.6%	21.7%	22.7%
Percentage of questions left blank by the respondents	31 % on average (ranged from 5 % to 97 %)	33 % on average (ranged from 10 % to 54 %)	35 % on average (ranged from 12 % to 52 %)	35 % on average (ranged from 13 % to 52 %)

Source: Audit analysis of SWD records

3.26 According to SWD, the food contract facilitates service users, by using e-tokens, to purchase food in the food outlets of the food contractor. The comments of the service users can provide useful feedback to SWD to monitor the performance of the food contractor. In Audit's view, SWD should explore ways to improve the response rate and completeness of responses in user satisfaction surveys.

Audit recommendations

3.27 **Audit has recommended that the Director of Social Welfare should:**

- (a) **take measures to ensure that SWD staff conduct on-site visits to food outlets of the food contractor in accordance with the Protocol, and any departure should be justified and properly documented;**
- (b) **consider refining the criteria for selecting food outlets of the food contractor for conducting on-site visits to increase coverage of districts with high proportion of service users residing therein; and**

- (c) **explore ways to improve the response rate and completeness of responses in user satisfaction surveys.**

Response from the Government

3.28 The Director of Social Welfare agrees with the audit recommendations. He has said that SWD will take necessary follow-up actions as recommended, including:

- (a) providing close supervision and monitoring to SWD staff to ensure that they conduct on-site visits to food outlets of the food contractor in accordance with the Protocol, and any departure should be justified and properly documented; and
- (b) requesting the service contractor to improve the response rate and completeness of responses in user satisfaction surveys through simplifying the content of the questionnaires and proactively assisting the service users to complete the questionnaires as far as possible.

Administration of the use of electronic tokens

Room for improvement in imposition of sanctions against misuse of e-tokens by service users

3.29 According to the service contract, the service contractor shall assist the Government in monitoring the provision of services by the food contractor, and checking/certifying correct the monthly statistical reports submitted by the food contractor (see para. 3.5(a)). For this purpose, after receiving monthly reports from the food contractor, the service contractor performs checking on 5% of the total number of e-tokens used by the service users and will investigate into each case of suspected abuse of e-tokens.

3.30 According to SWD, starting from March 2018, sanctions are imposed on service users who misuse or abuse the use of food assistance (e.g. bulk purchases of non-staple food (see para. 3.5(c)), frequent loss of e-tokens, intentional deface or damage of e-tokens and lending of e-tokens (see para. 3.4)). The sanctions include

Provision of humanitarian assistance under the food contract

issue of a warning letter to the service user, reducing the maximum face value of the e-token (Note 14) and provision of in-kind food with no top-up to the e-token.

3.31 Table 14 analyses the reasons for and types of sanctions imposed on service users in the period from 1 March 2018 to 31 March 2020.

Table 14

**Sanctions imposed on service users
(1 March 2018 to 31 March 2020)**

	Number of sanctions	
	Period from 1 March 2018 to 31 January 2019	Period from 1 February 2019 to 31 March 2020
Reasons for sanctions		
Loss of e-tokens	850	1,025
Mismatched signature	47	30
Repeated failure to produce sales receipts (see para. 3.4(d))	17	34
Bulk purchases of non-staple food	66	7
Total	980	1,096
Types of sanctions		
Issue of warning letters	718	769
2 top-ups of e-tokens in a valid purchase period	176	224
4 top-ups of e-tokens in a valid purchase period	32	78
Issue of final warning letters	—	20
In-kind food	54	5
Total	980	1,096

Source: SWD records

Note 14: *This sanction is known as “2 top-ups” or “4 top-ups”, meaning that the service user concerned has to show up at the service contractor’s office more frequently (twice or four times) during a valid purchase period to request a top-up.*

3.32 *Need to review the effectiveness of sanctions imposed on service users.*

Audit examined 15 cases (Note 15). In each case, one or more sanctions were imposed on service users for their misuse of e-tokens during the period 1 February 2019 to 31 March 2020. Audit found that in 9 cases, there were repeated misuse of e-tokens by the service users, with the number of sanctions previously imposed on them ranging from 2 to 9 each.

3.33 In September 2020, SWD informed Audit that violation of the use of e-tokens should be sanctioned. The existing sanctions were adopted by the service contractor in an incremental manner (i.e. issuing a warning letter, 2 top-ups or 4 top-ups, issuing a final warning letter, and granting of in-kind food). Given that the provision of the assistance was subsistence-based and there might be no better alternative to deter the misuse without causing hardship to the service users, the existing sanctions were considered the most practicable methods for the time being. In Audit's view, to deter the misuse of e-tokens, SWD should keep in view the effectiveness of the sanctions imposed on service users who have misused e-tokens (in particular those who have repeatedly done so).

3.34 ***Need to sanction service users in a timely manner.*** For the 15 cases examined (see para. 3.32), Audit found that:

- (a) 8 were related to loss of e-tokens, repeated failure to produce sales receipts or mismatched signatures of service users. Sanctions were imposed within one month after the misuse event happened; and
- (b) 7 were related to bulk purchases of non-staple food made by service users. The sanctions were imposed 1 to 3 months (averaging 2.4 months) after the misuse events. For example, a service user used his e-token for a bulk purchase of 36 packs of beverages in September 2018. However, no sanction was imposed on him until December 2018 (i.e. about 3 months after the date of making the bulk purchase).

Note 15: *These comprised 7 cases of bulk purchases of non-staple food, 3 cases of loss of e-tokens, 3 cases of repeated failure to produce sales receipts and 2 cases of mismatched signature. More cases of bulk purchases of non-staple food were selected for audit examination as there were cases of delay and failure to impose sanctions for such purchases made by service users.*

Provision of humanitarian assistance under the food contract

In September 2020, SWD informed Audit that the investigation of bulk purchases of non-staple food might include, but not limited to, requesting the record from the food contractor, the interview record between the caseworker and the service users and examination of the transaction report. While the provision of assistance would be provided on a monthly basis, the service contractor was unable to impose the sanction within a month. To speed up the investigation, the service contractor had set up an Internal Audit and Investigation Unit since May 2020 to improve the efficiency. In Audit's view, SWD should remind the service contractor to make greater efforts to impose sanctions on service users in a timely manner.

3.35 *Need to consider establishing a referral mechanism for suspected misuse cases identified by SWD.* Audit noted that, in addition to the checking conducted by the service contractor on misuse of e-tokens by service users (see para. 3.29), SWD staff also perform checking on the monthly reports submitted by the food contractor to identify suspected irregularities on the use of e-tokens (e.g. bulk purchases of non-staple food, duplicated top-up of e-tokens, etc.). The checking results on suspected bulk purchases of non-staple food are reported internally to the Chief Social Work Officer (see para. 1.12) when seeking his endorsement of monthly payment to the food contractor.

3.36 Audit examined SWD's checking results on bulk purchases of non-staple food in the period from 1 February 2019 to 31 March 2020 and found that during this period, SWD identified 2,380 e-tokens with suspected bulk purchases of non-staple food (see Table 15). However, there was no documentary evidence showing that SWD had referred such suspected misuse cases to the service contractor for investigation. During the same period (1 February 2019 to 31 March 2020), based on its sample checking of 5% of e-tokens (see para. 3.29), the service contractor imposed 7 sanctions on service users using e-tokens to make bulk purchases of non-staple food (see Table 14 in para. 3.31).

Table 15

**Suspected cases of bulk purchases of non-staple food
made by service users identified by SWD
(1 February 2019 to 31 March 2020)**

Month	No. of e-tokens involved
February 2019	109
March 2019	232
April 2019	157
May 2019	171
June 2019	124
July 2019	168
August 2019	186
September 2019	255
October 2019	286
November 2019	333
December 2019	419
January 2020	414
February 2020	564
March 2020	578
Overall	2,380 (Note)

Source: SWD records

Note: An e-token might be involved in multiple bulk purchases of non-staple food in different months.

3.37 As shown in Table 15, the number of e-tokens involved in suspected bulk purchases of non-staple food increased from 109 in February 2019 to 578 in March 2020. In Audit's view, there is merit for SWD to establish a mechanism for SWD to refer such cases of suspected misuse of e-tokens to the service contractor for further investigation and imposition of sanctions if necessary and consider the need to increase the number of samples selected by the service contractor for investigating into cases of suspected abuse of e-tokens. In view of the increasing number of suspected cases of bulk purchases of non-staple food identified by SWD (see

Provision of humanitarian assistance under the food contract

Table 15 in para. 3.36), SWD should also explore the feasibility of implementing controls to prevent such purchases.

Need to keep in view negative balances in e-tokens and devise a solution to address the issue

3.38 As mentioned in paragraph 3.4(c), currently the maximum face value of an e-token is \$1,200, which equals the standard rate of monthly food assistance. According to the food contract, service users can only purchase food items with face value stored in e-token in the valid purchase period, which is normally one-month's time.

3.39 According to SWD, cases of negative balances of e-tokens (i.e. the amount spent by the service user using the e-token exceeded its face value) were noted in September 2019. Upon investigation by the food contractor, it was revealed that the food contractor's computer system could not capture transactions in time, resulting in negative balances if the e-tokens were used for frequent purchases in a short period of time. The food contractor performed enhancement to the computer system to minimise recurrence in September 2019. Amounts paid on food assistance using the e-tokens in excess of the monthly standard rate were compensated by the food contractor in accordance with the terms of the food contract.

3.40 Audit noted that, although cases of negative balances have been substantially reduced since September 2019, there were still occasional cases in the period from October 2019 to April 2020 (8 cases ranging from -\$12.9 to -\$507.8). While the food contractor had performed enhancement to the computer system to minimise the recurrence in September 2019, cases of negative balances could not be totally eliminated. In Audit's view, it is undesirable that e-tokens can carry negative balances as the loophole may be exploited to obtain food assistance in excess of the monthly standard rate. SWD should keep in view the severity of the issue arising from negative balances in e-tokens, and request the food contractor to devise an effective solution to address the issue.

Audit recommendations

- 3.41 **Audit has *recommended* that the Director of Social Welfare should:**
- (a) **keep in view the effectiveness of the sanctions imposed on service users who have misused e-tokens (in particular those who have repeatedly done so);**
 - (b) **remind the service contractor to make greater efforts to impose sanctions on service users in a timely manner;**
 - (c) **consider establishing a mechanism for SWD to refer cases of suspected misuse of e-tokens for bulk purchases of non-staple food to the service contractor for further investigation and imposition of sanctions if necessary;**
 - (d) **consider the need to increase the number of samples selected by the service contractor for investigating into cases of suspected abuse of e-tokens;**
 - (e) **in view of increasing number of suspected cases of bulk purchases of non-staple food identified by SWD, explore the feasibility of implementing controls to prevent such purchases; and**
 - (f) **keep in view the severity of the issue arising from negative balances in e-tokens, and request the food contractor to devise an effective solution to address the issue.**

Response from the Government

3.42 The Director of Social Welfare agrees with the audit recommendations. He has said that SWD will:

- (a) take necessary follow-up actions as recommended;

Provision of humanitarian assistance under the food contract

- (b) refer suspected cases of bulk purchases of non-staple food to the service contractor for investigation and request the service contractor to report back the investigation result;
- (c) select and review more samples of suspected abuse of e-tokens which have been investigated by the service contractor for monitoring purpose; and
- (d) continue to keep in view the number of e-tokens involving negative balances and request the food contractor to devise effective solutions to address the issue.

PART 4: OTHER ADMINISTRATIVE ISSUES

4.1 This PART examines other administrative issues relating to the provision of humanitarian assistance to NRCs by SWD, focusing on:

- (a) contract management issues (paras. 4.2 to 4.12); and
- (b) level of assistance (paras. 4.13 to 4.17).

Contract management issues

Need for clarification on the definition of service users for calculating the administrative cost

4.2 Starting from 2017, the contract sum (Note 16) under the service contract with the service contractor comprises two components:

- (a) assistance paid to service users, including rent, travelling expenses and other basic necessities. The amount is reimbursed to the service contractor at half-monthly intervals based on the expenditure reported by the service contractor in the half-monthly expenditure reports; and

Note 16: *Under the service contracts signed before 2017, the contract sum was calculated by multiplying the total number of man-days delivered by the contractor by the agreed unit rate. For example, for the service contract ended on 31 January 2017, the contract sum was \$1,039,272,692.49, which was derived by multiplying the total number of man-days delivered by the contractor (i.e. 7,017,371.32 man-days) by the agreed unit rate (\$148.10). The contractor undertook that not less than 77% of the total service fee (i.e. the contract sum) should be spent in the provision of assistance to the service users.*

Other administrative issues

- (b) administrative cost (Note 17) for administering and delivering the different types of assistance to NRCs. The amount is calculated by multiplying the number of service users at month end by the agreed monthly unit rate under the contract. For example, the administrative cost for January 2019 for the New Territories region of \$2,665,807 was calculated by multiplying the number of service users served (3,089) by the agreed monthly unit rate (\$863). The number of service users is based on the number of service users reported by the service contractor to SWD in the monthly master list of service users as at the last day of each month.

4.3 Table 16 shows the amount of assistance and administrative cost paid for the period from 1 February 2017 to 31 March 2020.

Table 16

**Amount of assistance and administrative cost paid
(1 February 2017 to 31 March 2020)**

	1.2.2017 to 31.3.2018	1.4.2018 to 31.1.2019	1.2.2019 to 31.3.2020
	(\$)		
Assistance paid to service users	365,868,795	223,557,298	287,488,851
Administrative cost	151,211,475	103,829,727	157,811,703
Total contract sum paid to the contractor	517,080,270	327,387,025	445,300,554

Source: The service contractor's audited financial statements and SWD records

Note 17: *According to the service contract, the administrative cost shall be inclusive of all fees, costs, charges and disbursements incurred by the contractor in the performance of administering and delivery of the services, including the cost of staffing, material, delivery (including transportation and travelling), overheads (including the cost of effecting insurance, contribution to the Mandatory Provident Fund), administration, management, rent, and rates and costs for implementing any transitional arrangements. According to SWD, the administrative cost also includes case assessment, crisis intervention, counselling service, and expenditure on security service and special care for needy users.*

- 4.4 According to the service contract, the service contractor shall:
- (a) critically review the situation of each service user at least once every month and re-assess his eligibility for the services including checking the recognizance form issued by ImmD or other verifying document showing the non-refoulement claim record of the service user before delivery of the assistance of the next review period; and
 - (b) immediately cease to provide the services under the service contract (i.e. provision of different types of assistance, e.g. rent and food, and casework services, e.g. counselling and emotional support) to the service user if any of the following occurs:
 - (i) notification by the service user that the services are no longer required;
 - (ii) the service user is assessed by the contractor to be no longer eligible for or in need of the services;
 - (iii) the service user has obtained similar services to the services under the service contract from other sources;
 - (iv) the service user leaves Hong Kong; and
 - (v) the service user passed away.

Other administrative issues

4.5 Audit examined the master list of service users for March 2020 submitted by the service contractor to SWD, and found that of 10,711 service users stated in the master list, 14 service users did not receive humanitarian assistance in March 2020. Of these 14 service users, 11 were cases relating to new-born babies of NRCs, new applications being processed by the service contractor or service users who failed to report to the service contractor for monthly contract renewal (Note 18). Of the remaining 3 service users, they had obtained similar services to the services under the service contract (e.g. rent and food) from other sources in March 2020. Details of these 3 service users are as follows:

- (a) one service user (a child) was placed under the care of an NGO for the period from November 2018 to May 2020. According to the service contractor, although no assistance was provided to the service user during the period, the caseworker of the service contractor was proactively monitoring the case every two months considering the service user's vulnerabilities. This service user was subsequently admitted to the shelter of the service contractor and, since June 2020, has started to receive humanitarian assistance;
- (b) another service user has been hospitalised since September 2019. According to the service contractor, this case was being monitored by its caseworker; and
- (c) the remaining service user was under the care of a temporary guardian who did not need any assistance under the service contract. According to the service contractor, the case was not yet closed because its caseworker was keeping in touch with the guardian through telephone calls and monthly home visits were arranged to the guardian's house to keep a watch over the well-being of the service user.

4.6 Regarding the 3 service users mentioned in paragraph 4.5, according to the service contract, for those service users who have obtained services from other sources similar to those under the service contract, the service contractor should

Note 18: *According to the service contract, if a service user fails to report for contract renewal appointment (i.e. visiting the office of the service contractor and having the caseworkers to re-assess his eligibility for service under the service contract), the service contractor will stop payment of assistance to the service user for the month.*

immediately cease to provide services under the service contract to them (see para. 4.4 (b)(iii)).

4.7 In Audit's view, since the number of service users reported by the service contractor has a direct impact on the amount of administrative cost payable, there is a need for SWD to provide clarification on the definition of service users for the purpose of calculating the administrative cost payable to the service contractor and provide more guidelines to the service contractor in this regard.

Need for continued efforts to enhance competition in tendering for the service contract

4.8 The service contractor has been engaged in the provision of humanitarian assistance since 2006. In August 2020, SWD informed Audit that it would extend the service contract ending in January 2021 for two more years (i.e. to January 2023). The justifications for the contract extension included:

- (a) possible increase in unit rate in the coming tender exercise;
- (b) limited number of potential tenderers; and
- (c) satisfactory performance of the current contractor.

In early September 2020, the Permanent Secretary for Financial Services and the Treasury (Treasury) approved the contract extension.

4.9 According to SWD, there has been a lack of market interest in tendering for the service contract. Since 2010, the service contracts had been awarded through open tendering. In each tender exercise, only one tenderer submitted a tender, which was conforming. Over the years, SWD has taken steps to attract more potential contractors. In May 2015, the service contract was split into three contracts by service regions with an intention to lower the contract amount of each contract so as to attract more NGOs to take part in the tender exercise. Since 2017, SWD has also made the following amendments to the service contracts:

Other administrative issues

- (a) the experience requirements of a tenderer were further relaxed from “only with proven experience in providing humanitarian assistance for NRCs and/or similar classes of persons who have claimed asylum and/or non-refoulement protection” to “those with providing emergency relief services for victims of massive disasters arising from war or earthquakes or other natural disasters in or outside Hong Kong”; and
- (b) a new clause was added to allow the Government to have flexibility in extending the contract term of 2 years after the original 2-year contract duration. This extended clause can allow new players to have sufficient time to recoup their investment.

4.10 Audit noted that SWD had taken efforts to attract more potential contractors to tender for the service contract. Nevertheless, Audit also noted that tenderers’ experience had been stated as an essential requirement in the tender documents (see Table 17). This might have hindered other organisations to participate in tendering. Given that the service contractor had been engaged as the only contractor to provide the humanitarian assistance since 2006, it was difficult for other organisations to have sufficient past experience to meet the essential requirement.

Table 17

**Tenderers’ experience as an essential requirement
(2019 to 2021)**

Essential requirements (extract)	<p>A tenderer must have an aggregate of at least three years of proven experience during the past 20 years immediately preceding the tender closing date in providing:</p> <ul style="list-style-type: none">(i) humanitarian assistance for NRCs and/or similar classes of persons who have claimed asylum and/or non-refoulement protection; and/or(ii) emergency relief services for victims of massive disasters arising from war or earthquakes or other natural disasters in or outside Hong Kong.
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Source: SWD records

In this connection, Audit noted that according to Financial Circular No. 2/2019 entitled “Pro-innovation Government Procurement” which applies to tenders invited on or after 1 April 2019, to encourage competition in procurement and minimise entry barriers, as a general rule, tenderers’ experience should not be set as an essential requirement. Audit considers that in future tender exercises for the service contract, SWD should consider not specifying tenderers’ experience as an essential requirement with a view to encouraging tender competition.

Audit recommendations

4.11 **Audit has *recommended* that the Director of Social Welfare should:**

- (a) **provide clarification on the definition of service users for the purpose of calculating the administrative cost payable to the service contractor and provide more guidelines to the service contractor in this regard; and**
- (b) **consider not specifying tenderers’ experience as an essential requirement with a view to encouraging tender competition in future tender exercises for the service contract.**

Response from the Government

4.12 The Director of Social Welfare agrees with the audit recommendations. He has said that:

- (a) it is worth noting that the provision of humanitarian assistance is mainly in-kind and tangible, yet some of the service users (usually babies and children) may need non-tangible service from the service contractor such as assessing child care condition and formulating discharge/welfare plan from hospitals/temporary accommodation instead of the whole package of assistance. SWD will clarify with the service contractor about the definition of service users not receiving tangible assistance for the purpose of calculating the administrative cost through issuing guidelines to ensure non-tangible service having been rendered; and

Other administrative issues

- (b) SWD will strictly observe Financial Circular No. 2/2019 to remove the tenderer's experience as an essential requirement in submitting the tender when issuing the invitation in next round of tendering.

Level of assistance

Need to continue to review the level of assistance

4.13 According to a paper submitted to the LegCo Panel on Security and the LegCo Panel on Welfare Services in July 2006, in formulating the policy regarding the nature, level and form of the support to be given to refugees and torture claimants (i.e. NRCs) who were in need, the Government had considered a basket of factors including the needs of the individual concerned and the reasonableness of his demands. The aim was to provide support which was considered sufficient to prevent a person from being destitute while at the same time not creating a magnet effect which could have serious implications to the sustainability of the current support systems.

4.14 According to a paper submitted to the meeting of the LegCo Panel on Welfare Services held in January 2014, to provide more flexibility to cater for timely adjustment of the service package for NRCs where warranted, the Government would consider building in a regular review mechanism based on objective criteria in the next service contract.

4.15 Audit noted that the existing level of humanitarian assistance to NRCs was last revised in February 2014. Upon enquiry, SWD informed Audit in September 2020 that SWD, in consultation with SB, would conduct review on the level of assistance as and when appropriate, taking into consideration a basket of factors including whether the assistance would create a magnet effect which might have serious implications on the overall sustainability and immigration control, as well as the price level of the assistance items, etc.

Audit recommendation

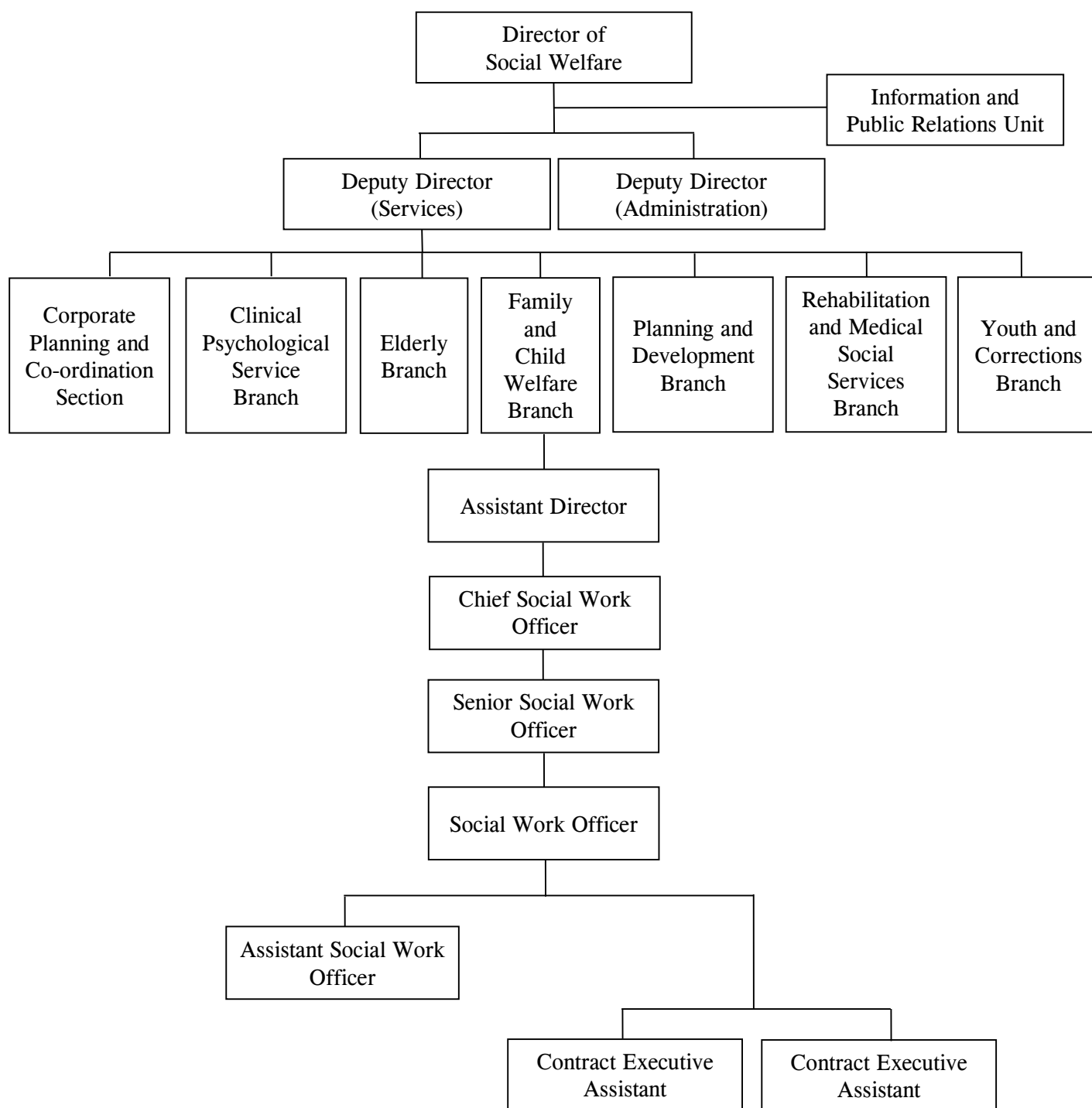
4.16 Audit has *recommended* that the Director of Social Welfare should, in consultation with SB, continue to review the level of assistance to NRCs as and

when appropriate to ensure that the Government meets the aim of providing the assistance (see para. 4.13).

Response from the Government

4.17 The Secretary for Security and the Director of Social Welfare agree with the audit recommendation. The Secretary for Security has said that SB has been working closely with SWD in formulating the policy and administering the provision of humanitarian assistance to NRCs. The level of humanitarian assistance should be carefully monitored and assessed. There is a need for the Government to strike an appropriate balance having regard to the service needs of the users and the prudent use of public funds, especially given the increasing public concern on relevant expenditures and the potential magnetic effect should there be any adjustment to the assistance level.

**Social Welfare Department
Organisation chart (extract)
(31 March 2020)**



Source: SWD records

Appendix B
(paras. 2.5 and 3.6 refer)

**Types of performance reports submitted by contractors
(2019-20)**

Item	Types of reports	Frequency	Details	Submitted to
<i>For the service contract signed with the service contractor</i>				
1.	Expenditure report	Half-monthly (on or before the 5th and 20th day of each month)	A breakdown of the amount of assistance (e.g. property agent fee, rent and transportation assistance) directly paid to service users	SWD
2.	Service statistics report	Monthly (on or before the 10th day of each month)	Information related to the services provided (e.g. the monthly number of referrals received, monthly number of e-tokens newly assigned to service users and number of e-tokens with excessive amount (i.e. more than the standard monthly amount of food allowance))	SWD
3.	Financial report	Monthly (on or before the 10th day of each month)	A breakdown of the use of the administrative cost (e.g. salaries and provident fund)	SWD
4.	Rental deposit report	Monthly (on or before the 10th day of each month)	Amount of rental deposit held by the landlords and the service contractor	SWD
5.	Income and expenditure account	Half-yearly (within 2 months after the end of every 6-month period starting from the contract commencement date or 2 months after the expiry or sooner termination of the contract)	A breakdown of income and expenditure	SWD

Appendix B
(Cont'd)
(paras. 2.5 and 3.6 refer)

Item	Types of reports	Frequency	Details	Submitted to
6.	Audited income and expenditure account	Annually (within 4 months during the contract period commencing on 1 April of each year and ending on 31 March of the following year, both dates inclusive, or after expiry or sooner termination of the contract)	A breakdown of income and expenditure	SWD
<i>For the food contract signed with the food contractor</i>				
7.	Monthly report	Monthly (on or before the 5th day of each month)	Including an exception report showing a list of doubtful cases, e.g. e-tokens with negative values, a list of total amount of food procured by each e-token, and a list of valid purchase period (e.g. 30 days) for each e-token	The service contractor (copies to SWD)
8.	Bi-monthly report	Bi-monthly	Including total monthly invoice value and cumulative total contract price	SWD
9.	Ad-hoc report	Within 5 working days from the date of a written request of SWD or the service contractor	Including a list of food items (and their price values) purchased via using e-tokens each month, and any other ad-hoc reports requested by SWD or the service contractor	SWD or the service contractor

Source: SWD records

Acronyms and abbreviations

Audit	Audit Commission
CAT	Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment
E-token	Electronic token
HKKI	Hong Kong, Kowloon and Islands (excluding Kowloon City and Yau Tsim Mong)
ImmD	Immigration Department
KCYTM	Kowloon City and Yau Tsim Mong
LegCo	Legislative Council
NGO	Non-governmental organisation
NRCs	Non-refoulement claimants
NT	New Territories
SB	Security Bureau
SWD	Social Welfare Department
TCAB	Torture Claims Appeal Board
UNHCR	United Nations High Commissioner for Refugees
USM	Unified Screening Mechanism