

**REPORT OF THE
PUBLIC ACCOUNTS COMMITTEE
ON
THE REPORTS OF THE DIRECTOR OF AUDIT
ON
THE ACCOUNTS OF THE GOVERNMENT OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION
FOR THE YEAR ENDED
31 MARCH 1999
AND THE RESULTS OF
VALUE FOR MONEY AUDITS (Report No. 33)**

February 2000

P.A.C. Report No. 33

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I. INTRODUCTION

The Establishment of the Committee The Public Accounts Committee are established under Rule 72 of the Rules of Procedure of the Legislative Council of the Hong Kong Special Administrative Region, a copy of which is attached in *Appendix 1* to this Report.

2. **Membership of the Committee** The following Members are appointed by the President under Rule 72(3) of the Rules of Procedure to serve on the Committee:

Chairman The Hon Eric LI Ka-cheung, JP

Deputy Chairman The Hon Fred LI Wah-ming, JP

Members
The Hon David CHU Yu-lin
The Hon NG Leung-sing
The Hon Mrs Sophie LEUNG LAU Yau-fun, JP
The Hon LAU Kong-wah
The Hon Emily LAU Wai-hing, JP

Clerk Mrs Florence LAM IP Mo-fee

Legal Adviser Mr Jimmy MA Yiu-tim, JP

II. PROCEDURE

The Committee's Procedure The practice and procedure, as determined by the Committee in accordance with Rule 72 of the Rules of Procedure, are as follows:

- (a) the public officers called before the Committee in accordance with Rule 72 of the Rules of Procedure, shall normally be the Controlling Officers of the Heads of Revenue or Expenditure to which the Director of Audit has referred in his Report except where the matter under consideration affects more than one such Head or involves a question of policy or of principle in which case the relevant Bureau Secretary of the Government or other appropriate officers shall be called. Appearance before the Committee shall be a personal responsibility of the public officer called and whilst he may be accompanied by members of his staff to assist him with points of detail, the responsibility for the information or the production of records or documents required by the Committee shall rest with him alone;
- (b) where any matter referred to in the Director of Audit's Report on the accounts of the Government relates to the affairs of an organisation subvented by the Government, the person normally required to appear before the Committee shall be the Controlling Officer of the vote from which the relevant subvention has been paid, but the Committee shall not preclude the calling of a representative of the subvented body concerned where it is considered that such a representative can assist the Committee in its deliberations;
- (c) the Director of Audit and the Secretary for the Treasury shall be called upon to assist the Committee when Controlling Officers or other persons are providing information or explanations to the Committee;
- (d) the Committee shall take evidence from any parties outside the civil service and the subvented sector before making reference to them in a report;
- (e) the Committee shall not normally make recommendations on a case on the basis solely of the Director of Audit's presentation;
- (f) the Committee shall not allow written submissions from Controlling Officers other than as an adjunct to their personal appearance before the Committee; and

PROCEDURE

- (g) the Committee shall hold informal consultations with the Director of Audit from time to time, so that the Committee can suggest fruitful areas for value for money study by the Director of Audit.

2. **The Committee's Report** This Report by the Public Accounts Committee corresponds with the Reports of the Director of Audit on:

- the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 1999; and
- the results of value for money audits (Report No. 33),

which were tabled in the Legislative Council on 17 November 1999. Value for money audits are conducted in accordance with the guidelines and procedures set out in the Paper on Scope of Government Audit in the Hong Kong Special Administrative Region - 'Value for Money Audits' which was tabled in the Provisional Legislative Council on 11 February 1998. A copy of the Paper is attached in *Appendix 2*.

3. This Report also takes stock of the progress of the action taken by the Administration on the recommendations made in the Committee's Reports Nos. 30 and 31 and offers the Committee's views on the action taken. These are detailed in Sections III and IV of this Report.

4. **The Government's Response** The Government's response to the Committee's Report is contained in the Government Minute, which comments as appropriate on the Committee's conclusions and recommendations, indicates what action the Government proposes to take to rectify any irregularities which have been brought to notice by the Committee or by the Director of Audit and, if necessary, explains why it does not intend to take action. It is the Government's stated intention that the Government Minute should be laid on the table of the Legislative Council within three months of the laying of the Report of the Committee to which it relates.

**III. REPORT OF THE PUBLIC ACCOUNTS COMMITTEE
ON REPORT NO. 30 OF THE DIRECTOR OF AUDIT
ON THE RESULTS OF VALUE FOR MONEY AUDITS**

Laying of the Report Report No. 30 of the Director of Audit on the results of value for money audits was laid in the Legislative Council on 18 November 1998. The Committee's subsequent Report (Report No. 30) was tabled on 10 February 1999, thereby meeting the requirement of Rule 72 of the Rules of Procedure of the Legislative Council that the Report be tabled within three months of the Director of Audit's Report being laid.

2. **The Government Minute** The Government Minute in response to the Committee's Report No. 30 was laid in the Legislative Council on 5 May 1999. A progress report on matters outstanding from the Minute was issued on 11 October 1999. The latest position and the Committee's further comments on these matters are set out in paragraphs 3 to 9 below.

3. **The provision of legal services by the Civil Division of the Department of Justice** (Chapter 2 of Part V of P.A.C. Report No. 30). The Committee were informed that:

Incorporation of the time-recording system in the Information Systems Strategy (ISS)

- the Department of Justice (D of J) had incorporated the time-recording system into the Work Management System (formerly known as the Electronic Tracking Project) of the ISS as part of the Civil Division's module. The system had been installed for use by the Civil Litigation Unit in the recovery of the costs of proceedings;

Implementation of the ISS

- the D of J had completed six projects out of a total of seven under the ISS Plan. As regards the remaining project (i.e. the Work Management System), the installation of the modules for the Legal Policy Division and the Law Drafting Division had been further delayed slightly owing to changes in IT personnel of the vendor and technical difficulties encountered by the vendor. It was necessary to revise some designs and longer time was required for system testing. Nevertheless, the modules for the two Division were being installed. The installation would be completed by the end of December 1999;

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Defining productivity and performance measures

- the Civil Division had continued to make effective use of workload statistics to evaluate the growth in workload and the associated deployment of staff resources;
- with the completion of Work Management System and Information Centre Project under the ISS, the Division was able to generate timely statistics on workload, manpower and processing time;

Improving the monitoring mechanism in civil litigation cases

- all case files in the Civil Litigation Unit and the Debt Collection Unit had been bar-coded for easy monitoring of their movements. Moreover, file jackets in the Debt Collection Unit had been colour-coded for easy retrieval. In addition, the D of J would conduct reconciliation between records of file allocation and actual files held by each counsel on a monthly basis and upon transfer of officers out of the Units. The D of J had taken various measures, such as maintaining a schedule of re-registration of the charging orders and a regular files brought-up system, to ensure timely re-registration and appropriate enforcement of charging orders;
- with the installation of the Work Management System, managers were provided with up-to-date information about work assignments and progress of cases handled by each counsel. This would enable the D of J management to monitor the civil litigation cases in a more effective way; and

Adopting cost recovery as a long term option

- the Administration would continue to keep in view the feasibility and cost-benefit of moving towards cost recovery in the provision of legal services by the D of J to other departments as a long term objective.

4. The Committee noted the measures taken by the Administration to address the issues raised by the Committee on the subject and that Audit would follow up the issues in the normal course of audit.

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5. **Acceleration of works in the Strategic Sewage Disposal Scheme Stage I** (Chapter 3 of Part V of P.A.C. Report No. 30). The Committee were informed that:

- the Administration had accepted the Committee's recommendation that the works department concerned should critically assess the risk and cost of contract arrangement for time-critical projects. The Administration would ensure that this requirement was followed in addition to the general guidance given in the Project Administration Handbook. In future, the Drainage Services Department (DSD) would also advise the relevant policy bureaux and the client departments of the potential cost and risk involved at an early stage of implementing such projects. The DSD would issue a circular on this subject to supplement the guidance given in the Project Administration Handbook;
- for projects involving substantial underground works, the DSD would conduct more comprehensive site investigations to reduce as far as possible uncertainties posed by the variability of the ground conditions although it was not possible to wholly eliminate such uncertainties by pre-construction investigation. For tunneling works such as those to be implemented in the next stage of the Strategic Sewage Disposal Scheme (SSDS), working groups with the participation of the Geotechnical Engineering Office and tunneling experts would be set up to plan the detailed requirements of site investigation;
- it was already a standing Public Works Programme procedure that, during implementation of public works projects, works involving costs which would exceed the approved estimate should not be committed prior to the approval of additional funds. The Administration would ensure that this requirement was observed and that project managers would fully assess the potential extra cost of such works taking into account all known risks;
- the remaining works of the SSDS Stage I comprised the construction of six deep sewage transfer tunnels with a total length of 23.6 km. Excavation of the tunnel from Kwai Chung to Tsing Yi had been completed in January 1999. The other five tunnels were under active excavation using five tunnel boring machines. As of end September 1999, 13.2 km or 56% of the total length had been excavated. Based on experience with the works to date, which had included several unexpected equipment breakdowns, as well as the possibility of having to undertake additional precautionary ground treatment in some locations, it was now estimated that completion of works on all tunnels would be in the second half of 2001. The remaining western tunnels was 68% complete, and was likely to be finished several months in advance of the eastern tunnels. This would double the sewage flow to the Stonecutters

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Island Sewage Treatment Works from 25% to 50% of the total sewage flow from the area covered by the SSDS scheme. The other works under the project had been substantially completed. In particular, the Stonecutters Island Sewage Treatment Works constructed under the SSDS Stage I had been in operation since mid-1997. At present, sewage collected from Northwest Kowloon, which constituted 25% of the total flow to be collected in the catchment areas of the project, was receiving chemically enhanced primary treatment at Stonecutters Island before being discharged through the 1.7 km long Stage I outfall to the west of Victoria Harbour; and

- the Administration was monitoring very closely the remaining tunneling works of the SSDS Stage I to ensure completion at an early date without compromising safety and was also making regular progress report to the relevant panels of the Legislative Council.

6. The Committee wish to be kept informed of the progress of the remaining works of the SSDS Stage I and note that consideration will be given to conducting an audit review in due course to ascertain the full cost of the SSDS Stage I and the factors leading to the budget overrun.

7. **Maintenance and procurement of government vehicles** (Chapter 5 of Part V of P.A.C. Report No. 30). The Committee were informed that:

Maintenance of vehicles

- the Electrical and Mechanical Services Trading Fund (EMSTF) had reduced its level of vehicle maintenance service charges by 5% to 15% with effect from April 1999 depending on the types of vehicles (as against the original target of 5% each year with an overall productivity improvement of 15% over a three-year period). The EMSTF was actively reviewing the organisation of its workshops in order to further streamline the staffing structure and improve the cost-effectiveness of its services;

Replacement of vehicles

- with the new computer module for its management information system, the Government Land Transport Agency (GLTA) had completed the analyses of the economic life of half of the government fleet in June 1999. The GLTA had been making reference to the results of the analyses in vetting departmental requests for replacement vehicles in 2000-2001;

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- the GLTA planned to calculate the economic life of the remaining vehicles in the government fleet before June 2000;

Supernumerary and surplus vehicles

- the number of supernumerary vehicles had further decreased from 239 as at end of February to 185 as at end of August 1999. They were all required to meet short-term operational requirements;

Allocation of responsibilities for vehicle procurement

- through close cooperation and communication between the GLTA and the EMSTF, the existing procedures for vehicle procurement had been streamlined. Nevertheless, the Administration would continue to explore ways and identify areas for further improvement;

Procurement of large saloon cars

- the GLTA would continue to observe the guidelines laid down in the Stores and Procurement Regulations (SPR) on the procurement of vehicles; and
- the Administration had examined the Committee's recommendation that the Standing Commission on Civil Service Salaries and Conditions of Service should be involved in the tender process for the purchase of saloon cars for senior civil servants. The Administration considered this recommendation inappropriate because the Commission was primarily responsible for advising on conditions of service but not for executing these conditions per se. Although the use of government cars by senior servants was a condition of service, the procurement of vehicles was an implementation detail which was outside the terms of the Commission. The existing procedures for the Administration to procure vehicles were already stated clearly in the SPR, and accorded fully with the principles of public accountability, value for money, transparency, and open and fair competition. As the tenders had to be vetted and considered by a relevant tender board, sufficient checks and balances were already in place to guard against abuse.

8. With regard to the Committee's concerns about the Administration's approach in collecting users' feedback and the need to specify minimum exterior dimensions, the Secretary for the Treasury, in her letter of 5 January 2000 in *Appendix 3*, informed the Committee that:

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- the Administration had not conducted any open tender exercise for the procurement of large saloon cars since the last open tenders in September and October 1996;
- the next open tender exercise would be conducted around October 2000. To prepare for that, the GLTA was already conducting market research on the latest trade developments and aimed to finalise the draft tender specifications around mid-2000. Details on the tender assessment criteria for the coming procurement exercise had yet to be drawn up. The Administration would have due regard to the recommendations made by the Committee. For instance, the relative weightings for price and quality would give due regard to economy. The Administration would also distinguish mandatory requirements from desirable features, and continue to observe the guidelines laid down in the SPR in working out the details;
- as and when the specifications and assessment methodology for the coming tender exercise for large saloon cars were fixed, the Administration would revert to the Committee in the first instance through the relevant Government Minute and progress report; and
- the Administration would closely adhere to the value for money principle in the procurement of all government vehicles.

9. The Committee urge the Director of Audit to closely monitor the next tender exercise for the procurement of large saloon cars and make a report to the Committee if necessary.

**IV. REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE REPORTS
OF THE DIRECTOR OF AUDIT ON THE ACCOUNTS OF THE GOVERNMENT OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION FOR THE YEAR ENDED
31 MARCH 1998 AND THE RESULTS OF VALUE FOR MONEY AUDITS (REPORT NO. 31)**

Laying of the Report The Director of Audit's Report on the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 1998 and the Report on the results of value for money audits were laid in the Legislative Council on 18 November 1998. The Committee's subsequent Report (Report No. 31) was tabled on 10 February 1999, thereby meeting the requirement of Rule 72 of the Rules of Procedure of the Legislative Council that the Report be tabled within three months of the Director of Audit's Report being laid.

2. **The Government Minute** The Government Minute in response to the Committee's Report No. 31 was laid in the Legislative Council on 5 May 1999. A progress report on matters outstanding from the Minute was issued on 11 October 1999. The latest position and the Committee's further comments on these matters are set out in paragraphs 3 to 46 below.

3. **The implementation of policies on the prevention of double housing benefits and the suspension of pensions for retired civil servants in publicly-funded organisations** (3 - 4 of Part III of P.A.C. Report No. 31). The Committee were informed that:

- the Administration was taking action to finalise the list of publicly-funded organisations which should be subject to the prevention of double housing benefits rules and would ensure implementation through the relevant policy bureaux and the publicly-funded bodies themselves; and
- the Civil Service Bureau (CSB) had completed the review of the existing policy on the suspension of monthly pension for retired civil servants in public-funded organisations, having regard to the original rationale and objectives of the policy. The CSB was evaluating the options on whether to modify the pension suspension policy and the implications.

4. The Committee wish to be kept informed of further development on the subject.

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5. **Departmental quarters retained by the Hospital Authority** (5 - 6 of Part III of P.A.C. Report No. 31). The Committee were informed that:

- the Administration would continue to ensure that the quarters managed by the Hospital Authority (HA) were put to optimum use. The HA had identified uses for all the vacant units. Pending conversion to other uses, the HA had arranged to let them out for residential purpose at market rates on a short-term basis;

Utilisation of quarters retained by the HA

- the Working Group chaired by the Health and Welfare Bureau with representatives from the HA, the Government Property Agency (GPA) and the Architectural Services Department had been closely monitoring the utilisation of quarters retained by the HA. Of the 2,721 quarters mentioned in the Audit Report No. 28, the HA had dealt with 235 quarters by:
 - (i) transferring 80 quarters at the Prince of Wales Hospital (PWH) and 96 at the Castle Peak Hospital to the GPA;
 - (ii) transferring three quarters at West End Path Quarters to the Department of Health;
 - (iii) demolishing 16 quarters in the Caritas Medical Centre redevelopment project; and
 - (iv) converting 40 quarters at the Princess Margaret Hospital into specialist clinics;
- the HA was now managing the remaining 2,486 quarters. As at the end of September 1999, 1,892 of these units had been put to hospital use and 262 rented out for residential purpose at market rates on a short-term basis. The current position of the remaining 332 vacant units was as follows:

	Number of units
(i) to be put to other hospital/welfare uses during 1999-2000	188
(ii) to be put to other hospital/welfare uses before 2002-03	144

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Rental valuation

- since the release of the Audit Report No. 28 in 1997, four rental surveys had been conducted by a private valuation firm, with the GPA providing expert comments on the methodology adopted. In view of the fluctuations of property market, the HA had started to conduct rental surveys twice a year since 1998 to reflect more accurately the rental trend. The most recent half-yearly rental survey conducted in February 1999 showed a continuous downward trend of the property market. The HA had therefore adjusted rental charges downwards by some 0.6% to 24.8% as from 1 July 1999. Since the rental market had shown signs of stabilisation, the HA, in consultation with the GPA, considered that a mid-year rental valuation for 1999 was not necessary;

Block E, PWH

- of the 80 quarters in Block E of the PWH returned by the HA, the GPA had allocated 24 units for welfare uses, three for HA's call rooms, eight for use as government quarters, and the remaining 45 for residential leasing at market rental. The GPA had so far let out 35 of the 45 units;

Use of quarters as welfare premises

- the general policy on the utilisation of government properties was that Government departments would have the first claim. Where the properties were not required for departmental use, they would be offered at market rental for uses which were compatible with the zoning for the location. Where there was no demand for such uses, the properties would be available for allocation to non-government organisations (NGOs);
- the availability of surplus government properties was made known to Government departments periodically. Apart from those identified for government use, the others were subsequently advertised in the local press. The GPA would consider all indications of interests received including those from NGOs. In cases involving allocations to NGOs, it would take into account user requirements and the recommendation of the relevant government bureaux or departments;

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- the units in Block E of the PWH were offered by the HA to the Government in 1996, but were not then considered suitable either for use as government quarters or letting out because of the non-availability of parking spaces. In order to put the units to positive use, some allocations to welfare organisations had been made. Following the provision of parking spaces, the remaining bulk had been offered for domestic use, with most of the units being taken up by commercial leases by mid-1999;
- starting in April 1996, the Director of Social Welfare had expressed interest in setting up halfway houses and childcare centres at Block E, PWH. Four to six flats had been earmarked for the Department while detailed plans were under consideration. In July 1999, three units had been allocated to the Social Welfare Department as residential homes for the mentally ill/handicapped;
- towards the end of 1996, the Director of Social Welfare had requested the GPA to provide accommodation at Block E, PWH for Youth Outreach, whose premises at Portland Street were then required for redevelopment by the Land Development Corporation. Youth Outreach had been offered four units at nominal rental in February 1997. Subsequently, this requirement was reduced to three units;
- in October 1997, the Director of Social Welfare had requested the GPA to reprovision Harmony House, whose premises at Tudor Court, Broadcast Drive, had been required by government for land disposal. After exhausting rounds of site search, the GPA agreed to allocate four units at Block E, PWH at nominal rental;
- in January 1997, the Director of Social Welfare supported a commercial initiative in making use of vacant quarters in hospital premises for residential care homes for the elderly. With support from the Business and Services Promotion Unit, Block E at PWH had been identified as the pilot project. The 14 unites allocated to the project were let by open tender to a private operator;

Use of quarters as storerooms

- the number of quarters used as storerooms had dropped from 201 as at the end of August 1996 to 124 in September 1999. The HA would continue to explore ways to minimise stockholding requirements to ensure the optimal use of storage space; and

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Fire service installations in quarters-converted offices

- the HA had carried out fire service installation works in the quarters-converted offices at four hospitals and would continue its work to upgrade fire prevention facilities in other quarters-converted offices, subject to the availability of funds. The Working Group would continue to closely monitor the progress of these works to minimise the risk of fire in these quarters-converted offices.

6. The Committee noted the measures taken by the Administration to address the issues raised by the Committee on the subject.

7. **Beneficial use of construction waste for reclamation** (13 - 14 of Part III of P.A.C. Report No. 31). The Committee were informed that:

- in the first half of 1999, the construction industry had produced 12% more construction and demolition (C&D) material compared with the same period last year. The Administration had diverted about 2.8 million cubic metres or 77.9% of all C&D material for reclamation which was comparable to the 78.5% achieved in 1998;
- the Administration had re-examined all public works projects to identify opportunities to increase use of C&D material. Two projects, viz. the Tung Chung Development Phase 3A project and Tseung Kwan O Area 137 Stage 2 Reclamation, had been identified to provide additional disposal capacity of more than 4 million cubic metres of C&D material;
- by end-1999, the Administration would provide two temporary barging points operating at Sai Ying Pun and Quarry Bay. In October 1999, the Secretary for the Treasury had approved funds to establish another temporary barging point at Tuen Mun Area 38;
- as for the provision of long-term barging points in Eastern, Central and Western, and Southern districts, the traffic and environmental impact assessment studies had been completed. To reduce the amount of mixed C&D waste disposed at landfills, construction of a temporary C&D material sorting facility in Tseung Kwan O had started in October 1999. Another sorting facility in Chai Wan had been included as a Category B project of the Public Works Programme. The Administration was also considering to

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establish another long-term barging point and sorting facility in Kwai Chung. The traffic and environmental impact assessment study was planned to be started by end-1999;

- the Administration would continue to explore ways to reduce further the quantity of C&D material produced. The Administration was preparing guidelines to promote reduction, reuse and recycling of C&D material in government construction works. The Administration was also reviewing the current specifications to facilitate the wider use of recycled C&D material. The Administration would prohibit the use of timber for site hoardings in public works contracts starting from 2000; and
- the Administration had deferred the introduction of the landfill charging scheme until 2000. The Administration would also consider how to improve the management of disposal of C&D material and to require C&D material producers to pay the landfill charges directly through an account billing system.

8. The Committee wish to be kept informed of the progress of the various measures to promote reduction, reuse and recycling of C&D material.

9. **Part I: Inspections of places of public assembly by the regional offices and Part II: Revision of fees and charges** (5 - 6 of Part IV of P.A.C. Report No. 31). The Committee were informed that the Buildings Department (BD) had updated the costing for its services in the restaurant licensing process to 1999-2000 prices. The Director of Urban Services and the Director of Regional Services were studying the revised costing and would consult the appropriate charging authorities. (Note: the Director of Food and Environmental Hygiene has taken over the responsibility of the Director of Urban Services and the Director of Regional Services with effect from 1 January 2000.)

10. The Committee wish to be kept informed of the progress of the introduction of a charging system for recovering the cost of the services provided by the BD under the three-tier system for restaurant licensing by the appropriate charging authorities.

11. **Adjudication fee for purposes of the Stamp Duty Ordinance** (9 - 10 of Part IV of P.A.C. Report No. 31). The Committee noted that the Administration had introduced into the Legislative Council the Stamp Duty (Amendment) Bill 1999 for amending the Stamp Duty Ordinance so as to implement the charging proposal for adjudication services.

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12. **Chemical Waste Treatment Centre** (13 - 14 of Part IV of P.A.C. Report No. 31). The Committee noted that:

- the Administration was negotiating with the operator of the Chemical Waste Treatment Centre on areas identified in the review, including the terms of the current contract and the implementation of efficiency measures. The Administration would seek the advice of the Executive Council on the outcome of the negotiation which was expected to be available later in 1999; and
- the subject was being followed up by the Legislative Council Panels on Environmental Affairs and Health Services.

13. The Committee wish to be kept informed of the progress on the subject.

14. **The provision of government wholesale food markets** (17 - 18 of Part IV of P.A.C. Report No. 31). The Committee were informed that:

- the traders and the market users in general objected strongly to the initial design of the Cheung Sha Wan Wholesale Food Market Complex (CSWWMC) Phase II project. The Architectural Services Department (ASD) had subsequently revised the layout and design of the market complex. However, the users and traders were still concerned about the feasibility of their operation in a multi-storey market structure, the possible traffic problems within the market complex and the future rental charges. The ASD was considering the possibility of further revising the layout and design of the market complex. Meanwhile, work on the environmental impact assessment study and the traffic impact assessment study was in progress. The Agriculture and Fisheries Department (AFD) and the ASD were continuing their dialogue with the traders and the market users with a view to reaching an agreement on the project design;
- the Administration had issued quarterly progress reports to the Legislative Council Panel on Economic Services in March 1999 and June 1999 to keep Members informed of the development;
- despite repeated efforts, the 12 trade offices at the CSWWMC Phase I and the bank area at the Western Wholesale Food Market (WWFM) remained vacant. The AFD would rent out the canteen area at the WWFM after converting it into fruit/vegetable wholesale stalls; and

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- the Planning Department was actively pursuing the proposal to identify a new site for reprovisioning the WWFM in the context of reviewing the land uses of the Western District and the Green Island Development.

15. The Committee wish to be kept informed of:

- the progress of the development of Phase II of the Cheung Sha Wan Wholesale Food Market project;
- the improvement in the utilisation of trade offices and ancillary facilities in the existing wholesale food market complexes; and
- the progress of exploring the possibility of maximising the utilisation of the WWFM site.

16. The Committee suggest that the Director of Audit should conduct a review of the town planning process for the entire Cheung Sha Wan district and make a report to the Committee if necessary.

17. **Departmental quarters for the disciplined services** (19 - 20 of Part IV of P.A.C. Report No. 31). The Committee were informed that:

- the number of leased quarters retained by the Police Force had further decreased from 47 to 41, comprising 31 quarters for the officer grade and 10 for the junior police officer grade;
- the Government Property Agency (GPA) had conducted a review of the relevant sections in the Accommodation Regulations concerning the eligibility criteria for and the classification of department quarters (DQs), and was examining the review results in consultation with relevant parties within the Government, having regard to other related issues on DQs; and
- the GPA was finalising the review of the grading of DQs.

18. The Committee wish to be kept informed of further progress on the subject.

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19. **Home financing and use of senior staff quarters in UGC-funded institutions** (23 - 24 of Part IV of P.A.C. Report No. 31). The Committee were informed that:

- the Government and the UGC had agreed to adopt a flexible and positive approach to consider proposals for putting to optimal use quarters that were surplus to requirements as a result of the implementation of the UGC Home Financing Scheme, while at the same time seeking to safeguard the proper use of public funds;
- the Secretary-General, UGC had set up a Task Force on Usage of UGC-funded Institutions' Surplus Staff Quarters (Task Force). The chairman of the Task Force was the Secretary-General, UGC. Other members of the Task Force were:
 - (i) a representative from each of the eight UGC-funded institutions;
 - (ii) a representative from the Education and Manpower Bureau;
 - (iii) a representative from the Finance Bureau;
 - (iv) a representative from the Lands Department; and
 - (v) Assistant Secretary-General, UGC.

Representatives from relevant departments were invited to attend the Task Force meetings on a need basis. The terms of reference of the Task Force were:

- (i) to establish a mechanism to oversee the progress with regard to the numbers, status and disposal of surplus quarters;
- (ii) to receive and consider proposals from individual institutions and from the Government for disposal of surplus quarters;
- (iii) to make recommendations to the institutions and the Government, where appropriate, on ways and means to effectively dispose of surplus quarters, with a view to achieving the greatest public benefits; and
- (iv) to assess the financial implications of the proposals, including the implications on Government's share of the proceeds from vacated quarters under the agreed arrangements;

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- as chairman of the Task Force, the Secretary-General, UGC's role was to consider and advise on proposals from institutions on disposal plans or alternative uses of the quarters and the consequential implications on the Government's share of the proceeds from the vacated quarters;
- as at 30 November 1999, there were 468 vacant quarters in the UGC-funded institutions. The disposal proposals or alternative uses of the quarters submitted by the institutions were being considered by the Task Force. The breakdown of these disposal proposals and the respective number of quarters involved were as follows:

	Hong Kong Baptist University	Chinese University of Hong Kong	Hong Kong Polytechnic University	University of Hong Kong	Total
To return the quarters to the Government	45	-	118	100	263
To convert the quarters into student residence	-	94	-	-	94
To convert the quarters into non-domestic facilities	-	14	-	-	14
	45	108	118	100	371

- the UGC-funded institutions were implementing various measures to optimise the use of the remaining 97 (i.e. 468 - 371) vacant quarters. For instance, some institutions had obtained temporary waivers to convert some quarters into rentable premises for their staff (particularly those staff receiving Home Financing Allowance or Private Tenancy Allowance for rental), and even outsiders.

20. The Committee noted the actions taken by the Administration to address the issues raised by the Committee on the subject.

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21. **Monitoring of charities: fund-raising and tax allowances** (25 - 26 of Part IV of P.A.C. Report No. 31). The Committee were informed that:

- the bill for amending the Summary Offences Ordinance (Cap. 228) to give statutory effect to an expanded scheme of control on fund-raising activities was scheduled for introduction into the Legislative Council in 1999-2000;
- the Social Welfare Department (SWD) had issued the guidance note on internal financial controls to about 3,000 charitable organisations exempt from tax under section 88 of the Inland Revenue Ordinance;
- the SWD was planning to use the Electronic Service Delivery (ESD) Scheme to facilitate public access to information and services provided by the SWD on the monitoring of charitable fund-raising activities when the ESD Scheme is launched in late 2000; and
- the Hong Kong Society of Accountants had issued to its auditor members a practice note on auditing flag-day accounts.

22. The Committee wish to be kept informed of further progress of the legislative amendments.

23. **The monitoring and control of air pollution** (27 - 28 of Part IV of P.A.C. Report No. 31). The Committee were informed that:

Air quality objectives

- the Working Group on the Health Effects of Air Pollution, comprising representatives from relevant medical professional bodies, concluded at the end of 1998 that tightening the Air Quality Objectives (AQOs) should help to achieve greater protection of public health. The Administration was working to propose a revised set of AQOs in 1999, taking into account the views of the Working Group. In parallel, the Administration would devise appropriate measures to achieve and maintain the new set of AQOs;
- since 1 July 1999, the Administration had further tightened the vehicle emission standards such that all newly registered light duty diesel vehicles were required to comply with the latest European emission standards. The Administration had also introduced an emission standard for newly registered

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petrol vehicles to control emissions from evaporative loss. A set of emission standards for newly registered motor cycles and motor tricycles had been implemented since 1 October 1999;

- the Environmental Protection Department (EPD) had commissioned a consultancy study on air pollution problems in the Pearl River Delta Region in September 1999. The study would be completed in early 2001;

Monitoring of air quality

- the EPD had commissioned a new air quality monitoring station in Tung Chung in May 1999;

Air Pollution Index

- the EPD had extended the Air Pollution Index (API) and forecast system to all Sundays and public holidays since July 1999. In addition, the system had also been enhanced to report API on an hourly basis;

Cleaner vehicle diesel

- with the support of the Customs and Excise Department, the EPD had been monitoring closely the environmental impact of vehicle diesel with high sulphur content. The Administration, in co-operation with the Guangdong Authority, would study the feasibility of adopting common standards for diesel fuels in both Guangdong and Hong Kong and would draw up an implementation plan;

Reducing reliance on vehicle diesel

- the Administration was working to enable all new taxis to operate on Liquefied Petroleum Gas (LPG) from the end of 2000. To strengthen the LPG filling support for LPG taxis, the Administration was seeking to set up some dedicated LPG filling stations in conjunction with the private sector. Four locations in the urban area and one in the Northeast New Territories which could be developed into dedicated LPG filling stations had been identified. These sites, together with those existing petrol filling stations which could be retrofitted with LPG refilling facilities, would be able to meet the demand of the LPG taxis;

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Vehicle emission inspection and maintenance programme

- the Transport Department (TD) required all commercial vehicles to undertake annual vehicle examination which included a smoke test. In the past two years, the TD had checked the engine speed and air filter of the commercial vehicles by random sampling to deter tampering of the engine. The Administration would consider expanding these additional checks to cover more commercial vehicles subject to availability of resources;
- the Road Traffic (Construction and Maintenance of Vehicles) (Amendment) Regulation 1999 had come into force on 27 February 1999. It facilitated the use of new models of smoke measuring apparatus by enforcement agencies including the Police. The Police had been using portable smoke measuring apparatus for their enforcement against smoky vehicles since March 1999; and
- the Administration was preparing a proposal to increase the fixed penalty fine on smoky vehicles with a view to introducing the empowering legislation in the 1999-2000 legislative session.

24. The Committee wish to be kept informed of the development and outcome of the measures being implemented by the Administration.

25. **The grant of hotel concessions by the Building Authority** (37 - 38 of Part IV of P.A.C. Report No. 31). The Committee were informed that the Planning, Environment and Lands Bureau (PELB) (i.e. the Planning and Lands Bureau after 1 January 2000) had completed a review of the policy on granting building concessions to hotel developments and concluded that such a policy was still required to encourage new hotel developments and promote tourism. To implement the result of the review, the PELB was drafting legislative amendments to formalise the practice of granting hotel concessions.

26. The Committee wish to be kept informed of the progress of the legislative amendments.

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27. **Urban Council public markets** (39 - 40 of Part IV of P.A.C. Report No. 31). The Committee were informed that the Administration had granted temporary land allocation to the Director of Urban Services (i.e. the Director of Food and Environmental Hygiene after 1 January 2000) for the Central Market to continue operation subject to six months' notice of termination. The Secretary for Planning, Environment and Lands (i.e. the Secretary for Planning and Lands after 1 January 2000) would consider the timing for the sale of the Central Market site and would give prior notice to the Director of Urban Services before taking back the site. Meanwhile, the Urban Services Department (i.e. the Food and Environmental Hygiene Department after 1 January 2000) was working with the Lands Department on the proposed market facility at the Hollywood Road site for reprovisioning the Central Market.

28. The Committee wish to be kept informed of further progress of the disposal of the Central Market site.

29. **Relocation of the General Post Office** (Chapter 1 of Part VII of P.A.C. Report No. 31). The Committee were informed that:

- the Administration was making arrangements to relocate the General Post Office (GPO) headquarters and the Sorting Centre to a site in Chai Wan; the Delivery Office to government or commercial premises in Central; and the Counter and Post Office Box Sections to a future development on the Central Market site at Jubilee Street. On the basis of progress to date, 2005 remained the earliest possible target for completing the reprovisioning exercise;
- according to the latest Amendment Plan to the Draft Central District (Extension) Outline Zoning Plan, the GPO site would be within a "Comprehensive Development Area", a large part of which had yet to be reclaimed. Taking into account the time required for completing the zoning processes and related reclamation works involved, it was expected that the earliest disposal date for the GPO site would be in 2006. The Administration would be monitoring developments to better synchronise the GPO reprovisioning programme with the site disposal programme as appropriate; and
- as regards overall redevelopment, the Central Market site would be for commercial development with some Government/Institution/Community (GIC) uses. Details of the GIC uses to be accommodated at the site had yet to be finalised. The timing of the disposal of the site would be determined taking into account factors such as availability of the site for disposal and market

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demand.

30. The Committee wish to be kept informed of further development on the subject.

31. **Recoverability of the outstanding advances to the UNHCR** (Chapter 2 of Part VII of P.A.C. Report No. 31). The Committee were informed that:

- regarding the advance account arrangement, the Administration agreed to:
 - (i) inform the Finance Committee in a timely manner the nature and amount of any advance account exceeding the limit of delegated authority under the General Revenue Account (currently \$10 million) which was “extraordinary”; and
 - (ii) separately disclose the amounts of such and other material advance accounts in the annual accounts of the Government of the Hong Kong Special Administrative Region with explanation, where appropriate.

As a guiding principle, the Administration would regard as “extraordinary” those items which were not expected to recur frequently or on a regular basis;

- as at 31 August 1999, there were 990 Vietnamese refugees (VRs), 586 Vietnamese migrants (VMs) and 486 Vietnamese illegal immigrants (VIIs) in Hong Kong. The Administration would continue to repatriate VMs and VIIs and liaise with the UNHCR to seek resettlement opportunities for VRs in other countries;
- as at 31 August 1999, the amount of outstanding advances stood at \$1,162 million (same as that at 31 August 1998). The Administration had been pressing the UNHCR to repay the outstanding advances and requesting assistance from the Central People’s Government and the British Government in resolving the remaining problems. Recent examples of these efforts include:
 - (i) when the Regional Representative of UNHCR visited Hong Kong in July 1999, the Secretary for Security asked the UNHCR to make renewed efforts to raise funds from the international community in order to repay the outstanding advances. The Security Bureau had written again in December 1999 to the UNHCR sub-office in Hong Kong to remind them of the outstanding advances;

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- (ii) the Hong Kong Special Administrative Region (HKSAR) Government made direct appeals to the international community at the 50th session of the UNHCR Executive Committee meeting in Geneva in October 1999 as well as the fourth meeting of the Inter-Governmental Asia-Pacific Consultations on Refugees, Displaced Persons and Migrants in Nepal in June 1999;
 - (iii) at the meetings of the Joint Liaison Group, assistance had been sought from the British side to resolve the Vietnamese boatpeople problem including the outstanding advances; and
 - (iv) appeals had been made to individual donor countries through contacts between top officials of HKSAR Government and those countries, including the United Kingdom;
- the UNHCR had not departed from the position they took during the Public Accounts Committee's meeting held on 8 December 1998, i.e. that reimbursement to Hong Kong had always been subject to availability of funds; the UNHCR had been experiencing extreme difficulty in keeping donors interested in providing further financial support for its programmes in Hong Kong; the UNHCR had been confronted with massive refugee and humanitarian problems around the world and had been unable to raise funds for all of its programmes; therefore, realistically they did not foresee any funding earmarked for Hong Kong;
 - as regards the British Government, they had indicated that they would continue to render assistance to Hong Kong in resolving the remaining problem as far as possible. In this respect they had accepted a total of 129 VRs for resettlement since the handover, which was more than any other country. Regarding financial contributions, their position was that they would continue to provide aid to poor areas in Vietnam, thereby reducing the number of Vietnamese who would leave their country for Hong Kong;
 - in respect of direct appeals to the international community and individual donor countries, no favourable responses had been received so far; and
 - the Administration's assessment was that full recovery of the amount due, or partial recovery within the next 12 months was doubtful. Nevertheless, the Administration would continue with efforts to look for repayment, including pressing the UNHCR for early settlement and making direct appeals to donor

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countries.

32. The Committee wish to be kept informed of the results of the action taken by the Administration, with the assistance of the Central People's Government and the British Government, in:

- pressing the UNHCR to fully repay the outstanding amounts to the HKSAR Government as soon as possible; and
- appealing to the international community to make donations to the UNHCR earmarked for reimbursing the HKSAR Government for the outstanding amounts.

33. **The refuse collection service of the Regional Services Department** (Chapter 3 of Part VII of P.A.C. Report No. 31). The Committee were informed that:

- subsequent to the achievement of the productivity gain in September 1998 through the redeployment of refuse collection staff, the Regional Services Department (RSD) (i.e. the Food and Environmental Hygiene Department after 1 January 2000) continued to monitor the performance and productivity of the refuse collection teams (RCTs);
- the RSD was satisfied with the measures designed for strengthening the control of the refuse collection operation. It would continue to conduct both "vertical" and "horizontal" quality auditing to enhance the productivity of the RCTs;
- the RSD had completed the trial of the "FLEX Fleet Monitoring System" which recorded the actual operation time of the RCTs, vehicle travelling speed and idle time. The trial had demonstrated that the system was useful in monitoring the performance of the RCTs. The RSD planned to install the system on all refuse collection vehicles;
- the RSD had maintained close contact with the Government Land Transport Agency to plan ahead transfer of surplus drivers when more refuse collection services were contracted out. Assistance from the Secretary for the Civil Service had also been sought by the RSD to identify staff redeployment opportunities; and

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- with the contracting out of the refuse collection service for the Tsuen Wan District from May 2000, the RSD expected that the percentage of contracting out would rise to 36%. It would reach 50% by the end of 2001 when the refuse collection service for the Kwai Tsing District was contracted out. The RSD was reviewing whether the maximum percentage of contracting out could be increased beyond 50% and the result was expected to be available later this year.

34. The Committee wish to be kept informed of the progress of the contracting out of the refuse collection service.

35. **Footbridge connections between five commercial buildings in the Central District** (Chapter 4 of Part VII of P.A.C. Report No. 31). The Committee were informed that:

- as part of the Administration's on-going efforts in securing Footbridge A connecting Building I and Building II, the Administration had suggested building designs for Footbridge A to the owners of Building I for their consideration and had held discussions with them. The owners were considering the feasibility of these options and the technicalities involved;
- in parallel, the Administration was exploring with the Mass Transit Railway Corporation (MTRC) the feasibility of an underground pedestrian walkway network which might help improve pedestrian flow along Queen's Road Central. The MTRC had completed the pre-feasibility study of the concept, and the Administration was examining the study findings;
- on Footbridges B and C, the owner of Building III was obliged under the modification letters to complete construction of the two footbridges within 18 months from the date of issuance of the full occupation permit for Building III. The latter was issued on 23 June 1999 and the footbridges were expected to be in place by 2001. Construction works for Footbridge C had commenced on 26 July 1999. As regards Footbridge B, building plans had been approved. Under the modification letters for Building II, the owner thereof was obliged to provide the necessary structural support for receiving Footbridge B to the building. The Buildings Department would closely monitor the progress of these two footbridges;

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- the Administration had carefully considered the need for incorporating pedestrian footbridges shown in Outline Development Plans into the relevant Outline Zoning Plans (OZPs). According to legal advice, the purpose of OZPs was to set out the permitted land uses under the respective zonings of the respective areas in the plans rather than individual facilities at specific locations. Incorporating individual facilities in the OZPs would not impose a statutory requirement for or ensure the construction of such facilities. The Administration therefore considered it ineffective. The Administration would nevertheless continue to make use of contractual instruments such as Conditions of Sale/Exchange or Deeds of Variation to ensure the provision of the relevant facilities/footbridges as appropriate. The latter were legal documents which could set out the detailed requirements such as the design and location for the relevant facilities and were binding on the land owners concerned; and
- on the promulgation of a new set of guidelines in the Practice Notes for building professionals to determine appropriate bonus building concessions, the Buildings Department had prepared the draft guidelines and was consulting the building professions.

36. The Committee wish to be kept informed of the progress of:

- the Administration's negotiation with the owners of the Building I site for the provision of Footbridge A;
- the feasibility study on the proposed underground pedestrian network along Queen's Road Central;
- the construction of Footbridges B and C; and
- the promulgation of a new set of guidelines in the revised Practice Notes for building professionals to determine appropriate bonus building concessions.

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37. **Management of electricity consumption by the Government** (Chapter 5 of Part VII of P.A.C. Report No. 31). The Committee were informed that:

- the Electrical and Mechanical Services Department (EMSD) had been actively monitoring new development of potential energy efficient equipment. It had established an Internet web page on “Energy Efficiency”. New guidelines on the use of energy efficient electronic ballasts and variable speed drives had been promulgated through the Internet in June 1999. A two-year programme had been started in June 1999 to examine the feasibility of using innovative energy efficient equipment including occupant detection sensors and controls, dimmable electronic ballasts and high energy efficiency fluorescent tube in public buildings. The EMSD intended to share with the public the experience gained at the end of the programme;
- the EMSD had set up a Task Force on Energy Performance Contracting since July 1999 with members from professionals, experienced local organisations and energy services companies. The EMSD intended to select five government buildings for pilot projects by energy services companies with a view to making recommendations in 2000 in the light of experience gained;
- by the end of September 1999, the EMSD had completed preliminary energy audit reports on 17 of the 19 scheduled public buildings. It planned to complete the final audit reports for all the 19 buildings by the end of 1999. The EMSD had issued revised Guidelines on Energy Audit to departments to encourage energy self-auditing for smaller buildings. It would establish an independent energy audit team in 2000 to enhance and expand the existing energy audit programmes;
- in June 1999, the Water Supplies Department (WSD) had completed preliminary energy audits on 12 major waterworks installations that accounted for 70% of the department’s energy cost. After assessing their energy consumption patterns, the WSD set priorities for carrying out more detailed energy audits on these installations between July 1999 and the end of 2002. The energy audit on the WSD’s Lung Cheung Road Workshop was expected to be completed by October 1999. The WSD was considering plans for auditing its other office buildings. From January to September 1999, the WSD conducted 172 efficiency tests on pumpsets in WSD installations. The majority of the maintenance schedules were found to be adequate with only 25 requiring adjustment. The WSD had identified 40 aged installations. It had completed rehabilitation or replacement works at four of these installations and was carrying out similar works at another 13. It was planning such

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works for the remaining 23 aged installations;

- the Police Force had replaced all the high pressure sodium 100W lamps with 50W lamps at the main lobby of Arsenal House Phase II and reprogrammed the control times for lifts of Arsenal House Phase I & II to match the level of service with demand. In June 1999, the EMSD had started another round of audits to further examine proposals on retrofitting existing lighting ballasts and the air-conditioning system for Arsenal House Phase I & II. Recommendations on the next phase of action were expected to be available by the end of 1999;
- despite the age of the building, the energy index of Caine House was lower than other government buildings. In the circumstance, further audits on Caine House would not be required. To reflect its commitment to improve the energy efficiency of its facilities, the Police Force had, since August 1999, upgraded its existing Green Manager Working Group to a Steering Committee on Green Management chaired by its Director of Finance, Administration and Planning; and
- the EMSD had replaced all the less energy efficient T12 fluorescent tubes with T8 tubes except for those luminaries with special control gear that specifically required T12 tubes for proper operation.

38. The Committee wish to be kept informed of further development on the subject.

39. **Information technology projects, staff productivity and central registration of documents** (Chapter 6 of Part VII of P.A.C. Report No. 31). The Committee were informed that:

- there were currently 600 permanent staff and 37 contract/temporary staff in the Land Registry. The number of staff had been stabilised since March 1999 in view of the current property market condition and in order to ensure speedy and accurate registration of land documents in the event of a sudden increase of workload;
- the average staff output of the Land Registry in the first and second quarters of 1999 was 16.9 and 18.5 deeds registered per man-day respectively. This was higher than the productivity standard of 15 deeds registered per man-day adopted by the Land Registrar;

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- the contract for an information systems strategy study (ISSS) on the strategic change plan of the Land Registry had been awarded in May 1999. The consultants had already commenced the study and would report in October 1999 with recommendations for a more cost-effective and efficient information technology infrastructure for land registration and retrieval system, including the feasibility of outsourcing the information technology services. The Land Registrar would continue to monitor the implementation progress of the central registration system targeted for late 2001;
- the Land Registrar would develop productivity standards on a whole-of-the-Land Registry basis when the strategic change plan of the Land Registry was implemented; and
- the post-implementation review of the Document Imaging System was being carried out and would be completed before the end of 1999.

40. The Committee wish to be kept informed of further progress of the Land Registrar's actions on the subject.

41. **Canteens in government premises** (Chapter 7 of Part VII of P.A.C. Report No. 31). The Committee were informed that:

Provision of canteens in government premises

- the Government Property Agency (GPA) had completed a review on the provision of canteens in government premises. The exercise covered 118 canteens, nine of which were located in joint-user buildings and 109 under the control of 17 departments;
- it was a general policy that canteen should only be provided in government buildings on an exceptional basis in the light of the operational requirements. In assessing the continued need for existing canteens, the GPA had adopted the following criteria:
 - (i) there must be a clear obligation for the Government to facilitate the supply of meals which could not be provided otherwise; and
 - (ii) meals or refreshment could only be supplied through the provision of canteens, i.e. alternative methods of provision were unavailable or

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- impracticable;
- based on the above criteria, the GPA had closed four of the nine canteens in joint-user buildings and converted the space vacated for general office use. Four more canteens would be closed upon the expiry of their current contracts in 2000-01. The GPA was considering the continued need of the remaining canteen;
 - of the 109 canteens managed by departments, the GPA considered that 82 satisfied the above criteria for continued provision. These canteens were situated inside correctional institutions or police stations, or in isolated areas. The remaining 27 canteens would be closed upon expiry of their current contracts. The GPA would work with departments concerned to see how best to put the space released to more productive alternative uses;
 - the GPA would vigorously apply the laid down policy and new criteria on government canteens in vetting requirements in new government projects;

Charges for operation of canteens in government premises

- the GPA would include in future tenders and contracts for the operation of canteens the recovery of all costs incurred by the Government. For canteens which did not attract valid tenders, the GPA would levy on the chosen operators a fee to cover all administrative costs incurred in managing the canteens contracts;
- the GPA had examined the background and policy issues relating to the provision of messes for the disciplined services. The initial finding was that messes and canteens served different purposes and should be considered separately. The Security Bureau was now consulting the disciplined services on a review of the mess policy. Upon completion of this exercise, the GPA would discuss with the relevant departments the extent to which mess operators should be asked to cover rent and utilities charges;

Management of canteens in government premises

- the GPA would, in consultation with the Heads of Department and the Building Management Committees, consider the development of a management information system to monitor the essential operating conditions of government canteens; and

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Allocation of space for use by police officers

- the working group set up by the Commissioner of Police to study the provision of recreational space had completed its study on the provision of recreational space in police stations and compiled a report which had been submitted to the police management for consideration in September 1999. The Police was considering the working group's recommendations on how to improve the utilisation of recreational (including canteens and messes) space within its premises.

42. The Committee wish to be kept informed of further development on the subject.

43. **Industrial safety and health** (Chapter 8 of Part VII of P.A.C. Report No. 31). The Committee were informed that:

Actions to ensure rectification of irregularities

- the Labour Department (LD) had recently installed a computer software at each of the district offices under its Occupational Safety and Health Branch to capture data of industrial establishments issued with warnings. Every two months, the software generated by random a list of about 10% of such establishments for follow-up inspections and prosecution as appropriate. The 10% target was set having regard to the existing workload and available manpower resources. The revised system would enhance the deterrent effect of warnings issued to the establishments;

Safety management system

- the Factories and Industrial Undertakings (Amendment) Ordinance 1999 had been enacted in July 1999. It introduced mandatory safety training for employees in the construction and container handling industries, and empowered the Commissioner for Labour to make new regulations on safety management. The draft regulation on safety management would be introduced into the Legislative Council near the end of 1999. The LD would closely monitor the effectiveness of safety management after the new regulation was brought into force. In the meantime, the LD would continue to encourage duty holders to implement some form of safety management in their establishments;

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Codes of Practice

- the LD had issued the Codes of Practice (COP) on “Safe Use of Suspended Working Platform” in March 1999 and would issue one on “Land-based Construction over Water” near the end of 1999. Furthermore, the LD aimed to publish the COP on “Working in Confined Space” in January 2000. The draft version had been sent to the relevant industry bodies and safety professional organisations for comments. In addition to the COPs, the LD had, up to July 1999, issued 23 new leaflets, posters and newsletters on various occupational safety and health subjects;

Management information

- with the support of the Information Technology Services Department, a feasibility study on the development of a comprehensive Management Information System for occupational safety and health had been carried out since mid-1999. In the interim, the LD had enhanced its management data system, accident analysis capability and internal communication network to support strategic planning and management decisions;

Enhancement of enforcement action against recalcitrant offenders

- to enhance enforcement action against recalcitrant offenders, the LD had implemented a revised enforcement strategy. Immediate prosecution would be taken upon discovery of unguarded dangerous parts of plant or machinery which were likely to cause serious bodily injuries. Since the use of suspension notices was found to be an effective tool in removing imminent risks likely to cause serious injuries to employees at the workplace, the LD expected that it would issue more of these notices where the situation so warranted;

Notification of newly established industrial undertakings

- in addition to publicising the need for newly established industrial undertakings to notify the LD, the Administration proposed to amend the Factories and Industrial Undertakings Ordinance by extending the time bar for prosecution so that legal action could be taken against those who failed to meet the notification requirement. The Administration would consult the Labour Advisory Board’s Committee on Occupational Safety and Health on the proposal, and planned to introduce the legislative changes into the Legislative Council in early 2000;

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Revised inspection system

- with a view to utilising its manpower resources more effectively, the LD had compiled a list of poor safety performers for close monitoring. A total of 50 establishments which had the highest accident figures, poor accident rate and unsatisfactory safety performance were selected from the list. The safety performance of these establishments was subject to regular review and close surveillance;
- the LD considered that more resources should be redeployed to tackle the construction industry which had a consistently poor safety record. By October 1999, about 46% of the total field occupational safety officers had been deployed to implement the revised inspection system in this industry; and

Regulatory action against government contractors

- since the promulgation of the Works Bureau Technical Circular No. 3/99 in March 1999, the procedures for convening Panels of Enquiry against contractors incurring serious incidents on sites had been streamlined. Regulatory actions were now taken against government contractors irrespective of whether the serious incident and/or the site-safety related convictions occurred on a government or a private site. In the six months up to the end of September 1999, a total of 17 Panels had been held, 14 of which involved serious incidents and three were on site safety related convictions.

44. The Committee wish to be kept informed of the progress made, particularly on:

- the results of actions to ensure rectification of irregularities and enhancement of enforcement action against recalcitrant offenders;
- the effectiveness of the safety management system after the new regulation has been brought into force; and
- the legislative amendment to extend the time bar for prosecution against newly established industrial undertakings which fail to meet the notification requirement.

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45. **Monitoring of outdoor staff** (Chapter 9 of Part VII of P.A.C. Report No. 31).
The Committee were informed that:

General

- the Secretary for the Civil Service had issued guidelines on the supervision of outdoor work to help departments strengthen their supervision of outdoor staff. The guidelines had given due regard to the findings of the Audit Commission and the reviews by various Heads of Department on their existing systems of supervising outdoor staff;
- the Secretary for the Civil Service was reviewing the existing disciplinary procedures with a view to streamlining them. He was also preparing to set up an independent secretariat to process disciplinary cases in the next financial year;

Meter Readers II (MR IIs) of the WSD

- the WSD had completed its disciplinary inquiry on the seven MR IIs and was considering the advice of the Public Service Commission on the punishment to be imposed;
- the Director of Water Supplies had abolished in the Meter Readers' routine schedule the contingency buffer to cater for contingencies such as bad weather and traffic congestion but maintained the grant of rest breaks for operational reasons. The aggregate allowance for rest and personal needs had been revised to 40 minutes per day. The net working time was 440 minutes per day excluding 60 minutes for lunch and an aggregate rest period of 40 minutes;
- the surplus MR IIs had been redeployed since March 1999 to provide service of taking final readings for consumers who gave up consumership and to act as leave relief. With this arrangement, the WSD was able to take 17,000 additional final readings during the period from March to July 1999. The net surplus of MR IIs had been reduced from 13 to nine as three officers had been transferred to other grades in February 1999 and one had left the civil service in mid-May 1999;

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- the WSD had conducted a benchmarking exercise in June 1999 with a view to identifying areas for continuous improvement in meter reading operations and productivity. The performance of meter reading operations of the Hong Kong Electric and the China Light & Power had been used for comparison. The areas selected for benchmarking included organisation and staffing, job content, workload, systems and work practices, factors which had implications on productivity, such as meter-site condition and working processes, and performance indicators;
- the findings revealed that there were inherent differences in the working environment, billing practice, route management system, meter positions, meter conditions and the organisation of the meter reading sections. The WSD considered that benchmarking the performance and efficiency purely on the basis of the average output per staff could give misleading results. After taking all factors into consideration, the WSD considered that the performance of its meter readers was generally comparable to their counterparts in the power companies;
- to improve productivity, the WSD had identified a number of areas for further study. These included better positioning the meters, improving the dial size and meter design, improving transportation facilities, enhancing the electronic meter reading system, upgrading the billing system and acquiring new office equipment to enhance efficiency;
- the WSD was examining the feasibility and benefits of contracting out meter-reading work;

Field Officers of the Census and Statistics Department (C&SD)

- as the re-verification result did not indicate that the field officers had not made contacts with the respondents, no disciplinary action would be taken against the 11 officers mentioned in the Audit Report. Although there was insufficient ground to investigate further, advisory letters had been issued to two officers on their unsatisfactory performance and to another two officers reminding them to observe discipline;

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- the progress of implementation and the effectiveness of various productivity improvement measures were as follows:
 - (i) through better scheduling of pre- and post-survey work and re-scheduling of working hours, the time spent on field visits by field officers and their output rate had both increased;
 - (ii) field resources within operational Branches had been arranged according to the geographical locations of the job assignments. This resulted in productivity gains through reduced travelling time and more expeditious data collection for certain sub-annual surveys;
 - (iii) the C&SD staff had paid courtesy visits to the senior management of selected large establishments with a view to collecting their views on the C&SD services including the one-stop approach. These visits had helped establish better rapport and relationship between the C&SD and those establishments visited; and
 - (iv) the C&SD had set up two field centres, one in its Headquarters and the other at an existing sub-office, as temporary stop-over points for field officers in survey-related work. These centres provided convenient facilities to field officers to carry out their duties;
- while the effects of the above measures would take more time to be fully realised, the C&SD considered that the experience so far had been satisfactory;
- the C&SD had examined the costs of field enumeration work and carefully considered the option of contracting out some data collection work. A field enumeration work costing exercise had been conducted and the average cost for enumerating a case ranges rather widely in different surveys, depending on the complexity of the questionnaires;

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- the C&SD considered that:
 - (i) since the C&SD had contract-out arrangement only for the omnibus household survey on social topics, readily available cost comparison could only be made to the actual cost of this survey. While the contract-out cost was lower in this survey, it might not reflect the contract price in the long run, as there might be some under-quotation of prices in the first wave of bidding for a tender. Moreover, the quality of survey work should also be evaluated upon its completion. Nevertheless, subject to the quality of survey work being confirmed acceptable, the C&SD would continue contracting out this survey;
 - (ii) apart from cost, other factors affecting the viability of contracting out should also be considered, e.g. data quality, response timeliness and confidence in providing confidential data to private firms. As complex household surveys (e.g. the General Household Survey) and establishment surveys had more stringent data reporting requirements and always involved sensitive household or business information, the C&SD did not consider the option of contracting them out feasible; and
 - (iii) as gathered in the courtesy visits, many companies had reservations (including some with strong objections) in providing their information, especially financial data of confidential nature, to private research firms. In fact, possible adverse impact on data quality and low response rate were the two major reasons why other statistical authorities, including those in Canada, Netherlands, Australia, the United Kingdom and Singapore, had never contracted out data collection of business surveys that were directed at commercial firms covering such information as their costs, revenues and finances;
- the C&SD management would keep under regular review the fieldwork monitoring system and the implementation of enhancement measures;

Delivery teams of the Government Supplies Department (GSD)

- a disciplinary inquiry on the managers and supervisors of the Government Logistics Centre (GLC) for not enforcing the relevant departmental rules on attendance had been held in September 1999. Subject to the findings of the inquiry, appropriate punishment might be imposed on the officers;

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- to increase the productivity of its delivery teams, the GSD had taken over from the Police Force, since May 1999, the delivery of the working stores to about 140 police formations/offices, and would take over from the Printing Department the delivery of printed paper stationery with effect from 1 November 1999. The GSD would also gradually reduce the size of each delivery team from five members to four for normal jobs by 1 April 2000;

- the GSD had completed the cost comparison between its delivery teams and the private contractor employed for some of its delivery service. According to the GSD, the findings indicated that the two were not comparable, because the former was a full-time service whereas the latter operates on a per-trip basis. In response to the Committee's inquiries, the Director of Government Supplies replied that:
 - (i) the GSD at present had 18 heavy goods vehicles and associated delivery teams operating from the GLC in Chaiwan. Most members of the delivery team were permanent civil servants and therefore constituted a fixed operational cost. In these circumstances, the Administration aimed to make full and effective use of the GSD delivery teams for the delivery of stores to government departments and other end-users and to employ the transportation contractor only when the GSD teams were fully committed or for special deliveries that required mechanical handling equipment that was not available on GSD's lorries. When the contractor's services were used, he was remunerated on a per trip basis. Because the cost basis was different, a comparison could only be made by converting the GSD transportation team's fixed costs to a per trip cost. There were various other differences that needed to be reconciled for comparison purposes. As the contractor provided an occasional service to supplement GSD's regular service, there might be significant differences in lorry capacity, in the size and weight of goods delivered and in the distance and number of delivery points on each trip. These differences required various assumptions to be made and different results would be obtained depending on how the comparison was constructed. The Administration did not yet feel that it had worked out a satisfactory like-with-like comparison;

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- (ii) while the focus of the study was on a comparison of cost, the Administration had also looked at the quality of service provided. The transportation contractor had the advantage of a wider range of lorries, many of which were fitted with mechanical handling equipment. His workforce was generally younger than the GSD's, since the GSD was not recruiting to Ganger and Workman posts, while existing staff might elect to continue in service until the age of 60. On the other hand, the GSD teams had the advantage of being more familiar with the delivery locations and with the kind of stores that made up the load. The performance target of delivering stores within seven working days after receipt of the requisition order had been achieved irrespective of whether delivery had been effected by the GSD delivery team or by the transportation contractor;
- (iii) the Administration was striving to reduce progressively the cost of the GSD delivery teams, by promoting more flexible working practices that would enable the size of each team to be reduced and by increasing each vehicle's load. Improvements had already been made. For example, the normal team size, including driver, had been brought down from six to five and the Administration was seeking to lower it further. The computer system that had been installed in GLC in 1996 had enabled optimum loads and delivery routes to be calculated. This had enabled the GSD to increase the fill rate of its lorries to more than 80% and to ensure that its teams were working productively throughout the working day; and
- (iv) the GSD was also reducing the number of GSD delivery teams in line with staff wastage. This would enable a greater proportion of the total workload to be assigned to the transportation contractor, while avoiding as far as possible compulsory redundancies among GSD delivery team staff. The number of GSD delivery teams had been reduced from 27 to the present 18 upon the amalgamation of the two depots in 1996 and the GSD intended to reduce the number further when practicable.

46. The Committee wish to be kept informed of further progress on the actions taken on this subject, and urge the Director of Government Supplies to perform a proper cost-comparison exercise between the GSD's delivery teams and private contractors, using costs per unit output (e.g. cost per cubic metre of goods delivered) as a basis for comparison, to ascertain whether it is more cost-effective to contract out the delivery services.

V. COMMITTEE PROCEEDINGS

Consideration of the Director of Audit's Reports tabled in the Legislative Council on 17 November 1999 As in previous years, the Committee did not consider it necessary to investigate in detail every observation contained in the Director of Audit's Reports. The Committee have therefore only selected those chapters in the Director of Audit's Report No. 33 which, in their view, referred to more serious irregularities or shortcomings. It is the investigation of those chapters which constitutes the bulk of this Report. The Committee have also sought clarification from the Administration on some of the issues raised in the other four chapters of the Director of Audit's Report No. 33. The Administration's replies have been included in this Report.

2. **Meetings** The Committee held 16 meetings and five public hearings. During the public hearings, the Committee heard evidence from a total of 27 witnesses, including six Bureau Secretaries and 11 Heads of Department. The names of the witnesses are listed in *Appendix 4* to this Report. Copies of the Chairman's Introductory Remarks at the public hearing on 7 December 1999 and Opening Remarks at the public hearing on 10 December 1999 are in *Appendices 5 and 6* respectively.

3. **Arrangement of the Report** The evidence of the witnesses who appeared before the Committee, and the Committee's specific conclusions and recommendations, based on the evidence and on their deliberations on the relevant chapters of the Director of Audit's Reports, are set out in Chapters 1 to 11 below.

4. A verbatim transcript of the Committee's public proceedings will be placed in the Library of the Legislative Council for inspection by the public.

5. **Acknowledgements** The Committee wish to record their appreciation of the co-operative approach adopted by all the persons who were invited to give evidence. In addition, the Committee are grateful for the assistance and constructive advice given by the Secretary for the Treasury, the Legal Adviser and the Clerk. The Committee also wish to thank the Director of Audit for the objective and professional manner in which he completed his Reports, and for the many services which he and his staff have rendered to the Committee throughout their deliberations.

**VI. OBSERVATIONS OF THE PUBLIC ACCOUNTS COMMITTEE
ON THE ACCOUNTS OF THE GOVERNMENT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
FOR THE YEAR ENDED 31 MARCH 1999**

The Committee noted the Report of the Director of Audit on the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 1999.

2. The Committee would like to express their appreciation of the efforts made by the Director of Accounting Services and the Director of Audit to improve the presentation of the Accounts of the Government.

**SIGNATURES OF THE CHAIRMAN, DEPUTY CHAIRMAN AND
MEMBERS OF THE COMMITTEE**

Eric LI Ka-cheung
(*Chairman*)

Fred LI Wah-ming
(*Deputy Chairman*)

David CHU Yu-lin

NG Leung-sing

Sophie LEUNG LAU Yau-fun

LAU Kong-wah

Emily LAU Wai-hing

25 January 2000

**CHAPTERS IN THE DIRECTOR OF AUDIT'S REPORT NO. 33
DEALT WITH IN THE PUBLIC ACCOUNTS COMMITTEE'S REPORT**

Director of Audit's Report No. 33 <u>Chapter</u>	<u>Subject</u>	P.A.C. Report No. 33 <u>Chapter</u>
1	The refuse collection service of the Urban Services Department	1
2	The use of energy-efficient air-conditioning systems in Hong Kong	2
4	Management practices of the Vocational Training Council	3
5	Services provided by the Companies Registry	4
6	Management of on-street parking spaces and parking facilities	5
7	Services for students with special educational needs	6
8	Administration of allowances in the civil service	7
9	The Government's administration of sale of land by tender	8
10	Follow-up review of the problem of indebtedness of some civil servants working in the Hong Kong Police Force	9
11	Review of the financial reporting of the Government	10
12	Water purchased from Guangdong Province	11

**RULES OF PROCEDURE OF
THE LEGISLATIVE COUNCIL OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION**

72. Public Accounts Committee

(1) There shall be a standing committee, to be called the Public Accounts Committee, to consider reports of the Director of Audit –

- (a) on the accounts of the Government;
- (b) on such other accounts required to be laid before the Council as the committee may think fit; and
- (c) on any matter incidental to the performance of his duties or the exercise of his powers as the committee may think fit.

(2) The committee shall also consider any report of the Director of Audit laid on the Table of the Council which deals with examinations (value for money audit) carried out by the Director relating to the economy, efficiency and effectiveness of any Government department or public body or any organization to which his functions as Director of Audit extend by virtue of any Ordinance or which receives public moneys by way of subvention.

(3) The committee shall consist of a chairman, deputy chairman and 5 members who shall be Members appointed by the President in accordance with an election procedure determined by the House Committee. In the event of the temporary absence of the chairman and deputy chairman, the committee may elect a chairman to act during such absence. The chairman and 2 other members shall constitute a quorum.

(4) A report mentioned in subrules (1) and (2) shall be deemed to have been referred by the Council to the committee when it is laid on the Table of the Council.

(5) Unless the chairman otherwise orders, members of the press and of the public shall be admitted as spectators at meetings of the committee attended by any person invited by the committee under subrule (8).

(6) The committee shall meet at the time and the place determined by the chairman. Written notice of every meeting shall be given to the members and to any person invited to attend a meeting at least 5 clear days before the day of the meeting but shorter notice may be given in any case where the chairman so directs.

(7) All matters before the committee shall be decided by a majority of the members voting. Neither the chairman nor any other member presiding shall vote, unless the votes of the other members are equally divided, in which case he shall have a casting vote.

(8) The chairman or the committee may invite any public officer, or, in the case of a report on the accounts of or relating to a non-government body or organization, any member or employee of that body or organization, to give information or any explanation or to produce any records or documents which the committee may require in the performance of its duties; and the committee may also invite any other person to assist the committee in relation to any such information, explanation, records or documents.

(9) The committee shall make their report upon the report of the Director of Audit on the accounts of the Government within 3 months (or such longer period as may be determined under section 12 of the Audit Ordinance (Cap. 122)) of the date on which the Director's report is laid on the Table of the Council.

(10) The committee shall make their report upon the report of the Director of Audit mentioned in subrule (2) within 3 months (or such longer period as may be determined by the Council) of the date on which the Director's report is laid on the Table of the Council.

(11) Subject to these Rules of Procedure, the practice and procedure of the committee shall be determined by the committee.

**Paper presented to the Provisional Legislative Council
by the Chairman of the Public Accounts Committee
at the meeting on 11 February 1998 on
Scope of Government Audit in the
Hong Kong Special Administrative Region -
'Value for Money Audits'**

SCOPE OF WORK

1. The Director of Audit may carry out examinations into the economy, efficiency and effectiveness with which any bureau, department, agency, other public body, public office, or audited organisation has discharged its functions.

2. The term "audited organisation" shall include -
 - (i) any person, body corporate or other body whose accounts the Director of Audit is empowered under any Ordinance to audit;
 - (ii) any organisation which receives more than half its income from public moneys (this should not preclude the Director from carrying out similar examinations in any organisation which receives less than half its income from public moneys by virtue of an agreement made as a condition of subvention); and
 - (iii) any organisation the accounts and records of which the Director is authorised in writing by the Chief Executive to audit in the public interest under section 15 of the Audit Ordinance (Cap. 122).

3. This definition of scope of work shall not be construed as entitling the Director of Audit to question the merits of the policy objectives of any bureau, department, agency, other public body, public office, or audited organisation in respect of which an examination is being carried out or, subject to the following Guidelines, the methods by which such policy objectives have been sought, but he may question the economy, efficiency and effectiveness of the means used to achieve them.

GUIDELINES

4. The Director of Audit should have great freedom in presenting his reports to the Legislative Council. He may draw attention to any circumstance which comes to his knowledge in the course of audit, and point out its financial implications. Subject to these Guidelines, he will not comment on policy decisions of the Executive Council and the Legislative Council, save from the point of view of their effect on the public purse.

5. In the event that the Director of Audit, during the course of carrying out an examination into the implementation of policy objectives, reasonably believes that at the time policy objectives were set and decisions made there may have been a lack of sufficient, relevant and reliable financial and other data available upon which to set such policy objectives or to make such decisions, and that critical underlying assumptions may not have been made explicit, he may carry out an investigation as to whether that belief is well founded. If it appears to be so, he should bring the matter to the attention of the Legislative Council with a view to further inquiry by the Public Accounts Committee. As such an investigation may involve consideration of the methods by which policy objectives have been sought, the Director should, in his report to the Legislative Council on the matter in question, not make any judgement on the issue, but rather present facts upon which the Public Accounts Committee may make inquiry.

6. The Director of Audit may also -

- (i) consider as to whether policy objectives have been determined, and policy decisions taken, with appropriate authority;
- (ii) consider whether there are satisfactory arrangements for considering alternative options in the implementation of policy, including the identification, selection and evaluation of such options;
- (iii) consider as to whether established policy aims and objectives have been clearly set out; whether subsequent decisions on the implementation of policy are consistent with the approved aims and objectives, and have been taken with proper authority at the appropriate level; and whether the resultant instructions to staff accord with the approved policy aims and decisions and are clearly understood by those concerned;

- (iv) consider as to whether there is conflict or potential conflict between different policy aims or objectives, or between the means chosen to implement them;
- (v) consider how far, and how effectively, policy aims and objectives have been translated into operational targets and measures of performance and whether the costs of alternative levels of service and other relevant factors have been considered, and are reviewed as costs change; and
- (vi) be entitled to exercise the powers given to him under section 9 of the Audit Ordinance (Cap. 122).

PROCEDURES

7. The Director of Audit shall report his findings on value for money audits in the Legislative Council twice each year. The first report shall be submitted to the President of the Legislative Council within seven months of the end of the financial year, or such longer period as the Chief Executive may determine. Within one month, or such longer period as the President may determine, copies shall be laid before the Legislative Council. The second report shall be submitted to the President of the Legislative Council by the 7th of April each year, or such date as the Chief Executive may determine. By the 30th April, or such date as the President may determine, copies shall be laid before the Legislative Council.

8. The Director's report shall be referred to the Public Accounts Committee for consideration when it is laid on the table of the Legislative Council. The Public Accounts Committee shall follow the rules governing the procedures of the Legislative Council in considering the Director's reports.

9. A Government minute commenting on the action Government proposes to take in respect of the Public Accounts Committee's report shall be laid on the table of the Legislative Council within three months of the laying of the report of the Committee to which it relates.

10. In this paper, reference to the Legislative Council shall, during the existence of the Provisional Legislative Council, be construed as the Provisional Legislative Council.

**Witnesses who appeared before the Committee
(in order of appearance)**

Mr R D Pope, JP	Director of Lands
Mr Gordon SIU Kwing-chue, JP	Secretary for Planning, Environment and Lands (<i>Secretary for Planning and Lands after 1 January 2000</i>)
Mr Bosco FUNG Chee-keung, JP	Director of Planning
Mr CHAN Pun-chung, JP	Deputy Director of Planning (District)
Mr Stephen IP Shu-kwan, JP	Secretary for Economic Services
Mrs Erika HUI	Assistant Commissioner for Tourism
Mr Nicholas NG Wing-fui, JP	Secretary for Transport
Miss Margaret FONG	Deputy Secretary for Transport
Mr R C L Footman, JP	Commissioner for Transport
Mr Peter LUK	Principal Transport Officer (Management), Transport Department
Mr LEUNG Cham-tim, JP	Director of Electrical and Mechanical Services
Mr CHENG Shing-chuen	Senior Project Engineer, Electrical and Mechanical Services Department
Mr LAM Woon-kwong, JP	Secretary for the Civil Service
Mr Duncan Pescod	Deputy Secretary for the Civil Service
Miss Denise YUE Chung-yee, JP	Secretary for the Treasury
Mrs Carrie LAM CHENG Yuet-ngor, JP	Deputy Secretary for the Treasury
Mr Alan LAI Nin	Commissioner, Independent Commission Against Corruption

Mr LEE Lap-sun, JP	Commissioner for Official Languages
Mr Wilfred TSUI Chi-keung	Judiciary Administrator
Mr K K LAM	Acting Assistant Director/Energy Efficiency, Electrical and Mechanical Services Department
Mr H B Phillipson, JP	Acting Secretary for Works
Mr CHAN Wing-sang, JP	Deputy Secretary for Works (Works Policy)
Mr CHAN Pui-wah, JP	Acting Director of Water Supplies
Dr CHAN FUNG Fu-chun, JP	Director of Health
Mr PAU Siu-hung, JP	Director of Architectural Services
Mr LUK Ping-chuen, JP	Postmaster General
Mr Allan CHIANG, JP	Deputy Postmaster General

**Introductory remarks by the Chairman
of the Public Accounts Committee,
the Hon Eric LI Ka-cheung, JP
at the public hearing of the Committee
on Tuesday, 7 December 1999**

Good afternoon, ladies and gentlemen. Welcome to this public hearing of the Public Accounts Committee.

For the benefit of the members of the public and other concerned parties who are interested, I would like to give a brief outline about the role and function of the Public Accounts Committee.

The Public Accounts Committee is a standing committee of the Legislative Council. It plays the role of a watchdog over public expenditure through consideration of the reports of the Director of Audit laid before the Council on the accounts and the results of value for money audits of the Government and of organizations which receive funding from the Government. In accordance with Rule 72 of the Rules of Procedure of the Legislative Council, the Committee is required to make its report upon the Director's report to the Legislative Council within three months of the date on which the Director's report is laid on the Table of the Council. The purposes of the Committee's considering the Director's report are to receive evidence relevant to the report in order to ensure that the facts ascertained are accurate, and to make conclusions and recommendations in a constructive spirit and forward-looking manner. I also wish to stress that the objective of the whole exercise is such that the lessons learned from past experience and our comments on the performance of public officers concerned will enable the Government to improve its control over the expenditure of public funds, with due regard to economy, efficiency and effectiveness.

The consideration of the Director's report follows an established process of public hearing, where necessary, internal deliberations and publication of the Committee's report. The Committee has adopted procedures for ensuring that all parties concerned have a reasonable opportunity to be heard. After the Committee is satisfied that it has ascertained the relevant facts, it will proceed to making a judgement on those facts followed by a process of formulating its conclusions and recommendations.

The Director of Audit's Report on the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 1999 and his Report on the results of value for money audits completed between March and September 1999 i.e. Report No. 33, were tabled in the Legislative Council on 17 November 1999. Following our preliminary study of the Director's Report No. 33, the Committee has decided to invite the public officers and relevant parties concerned to appear before the Committee and answer our questions in respect of seven chapters of the Director Report. Apart from this afternoon, we have also set aside the mornings of 10 and 16 December for our public hearings. The Committee will conduct another hearing in January 2000 to study Chapter 1 of Report No. 33. After we have studied the issues and taken the necessary evidence, we will produce our conclusions and recommendations which will reflect the independent and impartial judgement and views of the Committee. These recommendations will be made public when we report back to the Legislative Council within three months' time. Before then, we will not, as a committee or individually, be making any public comment on our conclusions.

Finally, I would like to draw your attention to the fact that Chapter 1 of Report No. 33 concerns "The refuse collection service of the Urban Services Department". In this connection, I have been formally notified by my colleague, Hon Fred LI Wah-ming, that he is a serving member of the Provisional Urban Council. The Committee considers that it is proper for him to make the declaration. In order to avoid any conflict of interests and to maintain the impartiality of the Committee, the Committee has agreed that Mr LI be exempted from the deliberations relating to this particular subject. He will not ask questions in the public hearing nor participate in the discussion and compilation of the report on Chapter 1 of the Director of Audit's Report No. 33.

I now declare the Committee to be in formal session.

**Opening Remarks by the Chairman
of the Public Accounts Committee,
the Hon Eric LI Ka-cheung, JP
at the public hearing of the Committee
on Friday, 10 December 1999**

Good morning, ladies and gentlemen. At today's public hearing, the Public Accounts Committee will continue to receive evidence from Controlling Officers on issues raised in the Director of Audit's Report No 33. Chapter 8 of Report No. 33 concerns "Administration of allowances in the civil service". In this connection, I have been notified by my colleague, Hon LAU Kong-wah, that his wife is a staff member of one of the organisations mentioned in the chapter. The Committee considers that it is proper for him to make the declaration. In order to avoid any conflict of interests and to maintain the impartiality of the Committee, the Committee has agreed that Mr LAU be exempted from the deliberations relating to this particular subject. He will not attend the public hearing nor participate in the discussion and compilation of the report on Chapter 8 of the Director of Audit's Report No. 33.

