

III. REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON REPORT NO. 36 OF THE DIRECTOR OF AUDIT ON THE RESULTS OF VALUE FOR MONEY AUDITS [P.A.C. REPORT NO. 36]

Laying of the Report Report No. 36 of the Director of Audit on the results of value for money audits was laid in the Legislative Council on 25 April 2001. The Committee's subsequent Report (Report No. 36) was tabled on 4 July 2001, 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. 36 was laid in the Legislative Council on 31 October 2001. A progress report on matters outstanding in the Government Minute was issued on 17 October 2002. The latest position and the Committee's further comments on these matters are set out in paragraphs 3 to 8 below.

3. **Provision of slaughtering facilities for supplying fresh meat** (Chapter 2 of Part IV of P.A.C. Report No. 36). The Committee was informed that:

- the Food and Environmental Hygiene Department (FEHD) intended to engage a contractor to forecast the slaughtering throughput of livestock in the territory up to the year 2010, having regard to the demand for fresh meat and the eating habits of the population. Based on the results of the forecasting exercise, the FEHD would carry out a detailed study to ascertain the feasibility of centralising the slaughtering operation of livestock at the Sheung Shui Slaughterhouse (SSSH); and
- as no bid had been received for the forecasting exercise, the FEHD was arranging a fresh tender with revised specifications to attract bidders.

4. The Committee wishes to be kept informed of the results of the forecasting exercise on the slaughtering throughput of livestock in Hong Kong and of the subsequent detailed study on the feasibility of centralising the slaughtering operation of livestock at the SSSH.

5. **Provision of staff for Departmental Accounting Units** (Chapter 3 of Part IV of P.A.C. Report No. 36). The Committee was informed that:

Need for reviews of staff establishment of the departmental accounting units (DAUs) based on objective criteria and productivity standards

- the Financial Services and the Treasury Bureau had issued a Financial Circular to remind Controlling Officers to regularly review the DAUs. The Treasury had also included details of the requirements in its Financial Management Guide;

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The provision of staff for the DAUs of three departments with significant changes in accounting workload and job complexities

- the Civil Aviation Department had completed its review and found the current establishment of its DAU, which had been reduced since the de-commissioning of Kai Tak, to be appropriate. Separately, the Leisure and Cultural Services Department had also completed its review and re-engineered its DAU, with the replacement of an Assistant Director of Accounting Services by a Senior Treasury Accountant. Meanwhile, the Food and Environmental Hygiene Department (FEHD) started its review in June 2002; and

Need to establish a management information system and performance measures

- the Treasury had included the requirements in the Financial Management Guide for Controlling Officers.

6. The Committee wishes to be kept informed of the results of the review of the staff establishment of the DAU of the FEHD.

7. **Government's efforts to promote e-business in Hong Kong** (Chapter 5 of Part IV of P.A.C. Report No. 36). The Committee was informed that:

Strategy of the Commerce, Industry and Technology Bureau (CITB) for developing e-government

- the CITB had continued to make progress towards meeting the overall E-government target of providing an e-option for 90% of the public services which were amenable to the electronic mode of service delivery by end-2003. As of June 2002, over 78% of such services were provided with e-option, up from some 70% in the third quarter of 2001;
- the CITB had organised a sharing session for bureaux and departments on the "electronic Government form" project and electronic submissions. It had also written to bureaux and departments to encourage them to promote e-submissions and to better ascertain customers' needs and expectations towards electronic services by conducting customer surveys or focus group discussions with their customers;

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Government's efforts to establish a legal framework for conducting e-business

- the public consultation on the review of the Electronic Transactions Ordinance had ended on 30 April 2002. The CITB was studying the public comments received and aimed to introduce any necessary legislative amendments into the Legislative Council (LegCo) in the 2002-03 legislative session. Before doing so, the CITB would brief the LegCo Panel on Information Technology and Broadcasting on the proposals;

Government's efforts to establish a public key infrastructure (PKI) for conducting e-business and logistics service provided by the Hongkong Post (HKP) for e-business

- the Hongkong Post Certification Authority (HKPCA) had issued over 78,000 digital certificates (e-Certs) by end-September 2002, as compared with some 35,000 at end-September 2001. It had also continued its efforts to explore and launch new services using e-Certs;
- the HKPCA had extended its service to support the development of mobile commerce by partnering with a wireless PKI technology provider to jointly launch the mobile e-Cert service. The service was the first in the world to support wireless applications on a wide range of handheld devices for community-wide adoption. Users could conveniently apply for and obtain mobile e-Certs at the designated outlets of two local mobile operators who acted as Registration Authority of the HKPCA. The mobile e-Certs embedded in the personal digital assistants could be used for stock trading;
- to build a solid infrastructure for promoting e-business and e-government, the Government together with the HKPCA would take the opportunity of the identity card (ID card) replacement exercise starting in mid-2003 to offer to citizens one-year free use of e-Certs embedded in the smart ID cards. The Administration envisaged that with this critical mass of users, more applications would be developed in the market which would in turn sustain the momentum of the use and subsequent take-up of e-Certs. In this regard, the HKPCA issued an open tender in July 2002 to invite proposals for joint development of business applications adopting e-Certs;
- to promote cross-border e-commerce, the HKPCA had also continued its efforts to form partnership with public certification authorities (CAs) abroad to develop cross-certification arrangements and other forms of cooperation. The HKPCA was also coordinating the establishment of a Hong Kong PKI

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Forum to strengthen industry cooperation on PKI development and to provide a focal point for Hong Kong's participation in regional and international activities;

- the Postmaster General would continue to monitor the expenditure and revenue of the HKPCA operations closely. The CITB would review the Government's funding strategy for the HKPCA service in late 2002;
- the HKP was actively exploring new business opportunities in logistics service provision and had successfully recruited new clients. Cross-border logistics services in terms of product fulfillment were also being discussed with other postal administration. It was envisaged that the trial service will be rolled out before end of 2002;
- the HKP had been trying to contain the cost of its logistics services. The additional recurrent cost was largely being met by its existing resources. It carefully reviewed the projected revenue, profit and payback period before implementation of new business activities and projects. Additional equipment and staff costs were only deployed where justified by the possible new revenue generated from the service;
- to understand the logistics market in Hong Kong and the strength of the HKP, the HKP regularly collected market information to compare the pricing and competitiveness with key logistics companies. As pledged, the HKP would carry out a full study by the end of 2002 to decide on the direction of the future development of the service;

Government's progress in implementing various e-business initiatives

- as regards the recommendation of the Director of Audit (D of A) relating to the Community Electronic Trading Service (CETS), the CITB had taken action to introduce competition in the provision of electronic data interchange (EDI) services when Tradelink's franchise expired at the end of 2003. The relevant tender was issued on 30 April 2002. The CITB had received three proposals by the close of tender on 28 June 2002 and was examining the proposals with a view to awarding the service contracts by October 2002;
- in parallel, the CITB was negotiating with Tradelink on the detailed terms and conditions of the agreement for provision of its services beyond 2003;

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- as regards the D of A's recommendations on information dissemination through the Internet, the Administration revised and issued the Guidelines on Dissemination of Information through Government Homepages to bureaux/departments in June 2002. Ensuring content accessibility was one of the main sections of the new Guidelines;
- the Administration launched a new Government Homepage (www.info.gov.hk) in late March 2002. The Administration had enhanced its categorisation of information and mode of navigation so that Internet users could access quicker the required information. The total page views of the Government Homepage had increased. Compared with March, there was an average increase of 20% during April to July 2002. The total page views of the Government Homepage in 2001 were 537,468,118, representing a 75.7% increase over 2000;
- the Administration continued to make vigorous efforts to promote the public's awareness of the Electronic Service Delivery (ESD) Scheme and the use of ESD services. The Administration had studied the measures and incentives adopted by overseas governments in promoting utilisation. The Administration had already been implementing some similar measures and incentives. The Administration would explore implementing more with various departments;
- in 2001, the Administration introduced online booking of marriage dates, registration to sit for public examinations, purchase of Government and public examination publications, booking of sports and leisure facilities and purchase of statistical data under the ESD Scheme. The last one had been particularly useful for businesses as they could obtain statistical data online. The Administration had also endeavoured to enhance the services provided under the ESD Scheme to improve their business and citizen-friendliness. The Administration planned to introduce online search of cases of bankruptcy and compulsory winding-up of companies in late 2002. The Administration would conduct a review of the Scheme within three years after its implementation and would report back to the LegCo, through the appropriate Panel;
- as for the Electronic Tendering System (ETS), the Government Supplies Department (GSD) and the contractor of the ETS would continue to promote to suppliers the use of electronic tendering. The percentage of tender offers received by the GSD electronically was about 12.27% during May 2002 to July 2002;

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- the Administration had completed the enhancement project to improve the user-friendliness of the ETS and adopt the e-Cert issued by the HKP for authentication of suppliers at the end of 2001 as scheduled;
- the use of purchasing cards had been increasing steadily. During January to June 2002, the number of transactions was 26,974, as compared to 24,502 during the previous six months (i.e. from July to December 2001);
- the GSD would continue to monitor closely and to enforce the use of purchasing cards for low value purchases. It would assist departments in resolving problems. The card issuing bank would continue with the recruitment drive, in particular among suppliers nominated by departments, in order to enlist more suppliers to accept purchasing cards for payment; and

Government's efforts to meet common challenges associated with the growth of e-business

- the CITB had continued to work with relevant bureaux and departments as well as the local industry and support organisations to develop measures to facilitate the development of e-business in Hong Kong. For instance, the CITB had, together with the Hong Kong Productivity Council, launched an information technology (IT) assessment service to encourage and assist small and medium enterprises (SMEs) in specific sectors to adopt e-commerce. The CITB and the Information Technology Services Department had also been organising a series of sector-specific seminars to promote e-commerce adoption by SMEs in the relevant sectors. In addition, the CITB had encouraged the IT industry to make use of the SME Development Fund to strengthen the IT capability of SMEs in Hong Kong. The Fund had so far approved funding support of over \$20 million for 23 IT-related projects.

8. The Committee wishes to be kept informed of further progress on this subject.