

**REPORT OF THE
PUBLIC ACCOUNTS COMMITTEE
ON
REPORT NO. 46 OF THE DIRECTOR OF AUDIT
ON
THE RESULTS OF
VALUE FOR MONEY AUDITS**

July 2006

P.A.C. Report No. 46

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The Establishment of the Committee The Public Accounts Committee is 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 : Dr Hon Philip WONG Yu-hong, GBS

Deputy Chairman : Hon TAM Heung-man

Members : Hon LAU Kong-wah, JP
Hon Andrew CHENG Kar-foo
Hon Abraham SHEK Lai-him, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Albert Jinghan CHENG

Clerk : Ms Miranda HON Lut-fo

Legal Adviser : Mr Jimmy MA Yiu-tim, JP

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 Director of Bureau 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 could assist the Committee in its deliberations;
- (c) the Director of Audit and the Secretary for Financial Services and 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
- (g) the Committee shall hold informal consultations with the Director of Audit from time to time, so that the Committee could suggest fruitful areas for value for money study by the Director of Audit.

2. **Confidentiality undertaking by members of the Committee** To enhance the integrity of the Committee and its work, members of the Public Accounts Committee have formalised their agreement on confidentiality as a written confidentiality undertaking. Members agree that, in relation to the consideration of the Director of Audit's reports, they will not disclose any matter relating to the proceedings of the Committee that is classified as confidential, which shall include any evidence or documents presented to the Committee, and any information on discussions or deliberations at its meetings, other than at meetings held in public. Members also agree to take the necessary steps to prevent disclosure of such matter either before or after the Committee presents its report to the Council, unless the confidential classification has been removed by the Committee.

3. A copy of the Confidentiality Undertaking signed by members of the Committee has been uploaded onto the Legislative Council website.

4. **The Committee's Report** This Report by the Public Accounts Committee corresponds with Report No. 46 of the Director of Audit on the results of value for money audits which was tabled in the Legislative Council on 26 April 2006. 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*.

5. **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.

Consideration of the Director of Audit's Report tabled in the Legislative Council on 26 April 2006 As in previous years, the Committee did not consider it necessary to investigate in detail every observation contained in the Director of Audit's Report. The Committee has therefore only selected those chapters in the Director of Audit's Report No. 46 which, in its view, referred to more serious irregularities or shortcomings. It is the investigation of those chapters which constitutes the bulk of this Report. The Committee has also sought and obtained information from the Administration on some of the issues raised in three other chapters of the Director of Audit's Report No. 46. The Administration's response has been included in this Report.

2. **Meetings** The Committee held a total of 20 meetings and four public hearings in respect of the subjects covered in this Report. During the public hearings, the Committee heard evidence from a total of nine witnesses, including one Director of Bureau and one Head of Department. The names of the witnesses are listed in *Appendix 3* to this Report. A copy of the Chairman's introductory remarks at the first public hearing on 8 May 2006 is in *Appendix 4*.

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 its deliberations on the relevant chapters of the Director of Audit's Report, are set out in Chapters 1 to 6 of Part 4 below.

4. The audio record of the proceedings of the Committee's public hearings is available in the Library of the Legislative Council for the public to listen to.

5. **Acknowledgements** The Committee wishes to record its appreciation of the cooperative approach adopted by all the persons who were invited to give evidence. In addition, the Committee is grateful for the assistance and constructive advice given by the Secretary for Financial Services and the Treasury, the Legal Adviser and the Clerk. The Committee also wishes 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 its deliberations.

The Committee held two public hearings on this chapter to receive evidence on this subject. It also sought and received some additional information from the witnesses after the public hearings.

2. The Committee has decided to defer a full report on this subject as the witnesses who attended the public hearings were not able to provide the information sought by the Committee on some of the issues raised and needed more time to work out how they would implement some of the audit recommendations. In order that the witnesses may better assist the Committee in considering the various issues raised in the Director of Audit's Report, the Committee has requested the witnesses to provide, by 30 September 2006, further information and progress reports on the implementation of the various audit recommendations.

The Committee noted that the Audit Commission had conducted a review on the maintenance of public marine facilities.

2. The Committee did not hold any public hearing on this subject. Instead, it asked for a written response to its enquiries.

3. The Committee noted from paragraphs 2.8 to 2.10 of the Director of Audit's Report (Audit Report) that the Civil Engineering and Development Department basically maintained the information related to the maintenance of marine facilities in manual form. A Port Maintenance Information System (PMIS) was launched in February 2006. As at the end of February 2006, data input and conversion were in progress. In paragraph 2.14(b) of the Audit Report, the Audit Commission recommended that the Director of Civil Engineering and Development should closely monitor the implementation of the PMIS with a view to ensuring that it would provide the necessary support for compiling useful management information for the maintenance of public marine facilities. The Committee enquired about the progress of implementing the PMIS and when it would be fully functional.

4. The **Director of Civil Engineering and Development** responded to the Committee's enquiries in his letter of 7 June 2006, in *Appendix 5*. The Committee took note of the information provided therein.

The Committee noted that the Audit Commission had conducted a review of the Marine Department (MD)'s management of the government fleet.

2. The Committee did not hold any public hearing on this subject. Instead, it asked for a written response to its enquiries.

3. The Committee noted that the MD had accepted all the audit recommendations set out in the Director of Audit's Report, namely, those relating to:

- operation of the MD crewed fleet;
- administration of in-house maintenance work;
- administration of maintenance contracts;
- stock management; and
- extra downtime of vessels and performance measurement.

4. At the Committee's request, the **Director of Marine** provided, in his letter of 6 June 2006 in *Appendix 6*, the time schedule for implementing the various audit recommendations.

5. The Committee notes the reply of the Director of Marine and wishes to be kept informed of the progress made in implementing the various audit recommendations.

A. Introduction

The Committee noted that the Audit Commission (Audit) had conducted a review on the provision of public museum services. The review focused on the following areas:

- governance and strategic planning of museums;
- performance of Leisure and Cultural Services Department (LCSD) museums;
- acquisition and management of museum collection items; and
- operation of the LCSD museums.

2. The Committee did not hold any public hearing on this subject. However, it paid a visit to the Hong Kong Museum of Art and the Hong Kong Museum of History on 11 May 2006 to study and receive briefings on the problems relating to storage of collection items and museum publications examined in this chapter. The Committee also asked for a written response to its enquiries.

3. The responses of the **Director of Leisure and Cultural Services** to the Committee's enquiries are in the letter of 7 June 2006, in **Appendix 7**. The Committee's enquiries and the Director's responses are set out in the ensuing paragraphs.

B. Acquisition and management of museum collection items

4. According to paragraph 4.14 of the Director of Audit's Report (Audit Report), as of November 2005, the number of collection items pending accession in the Hong Kong Film Archive, the Hong Kong Museum of History and the Hong Kong Heritage Museum were 436,200, 257,780 and 19,598 respectively. In paragraph 4.28(g) to (i), Audit recommended that the Director of Leisure and Cultural Services should review the overall position of backlog of collection items pending accession in the LCSD museums; draw up an action plan to clear the backlog of collection items pending accession; and tighten the control over the collection items pending accession. The Director of Leisure and Cultural Services responded in paragraph 4.29(e) that the Hong Kong Film Archive had drawn up action plans to clear the backlog of collection items. Other LCSD museums would also draw up action plans to clear the backlog of their collection items within specific time frames. Moreover, the LCSD museums would tighten the control over collection items pending accession. The Committee asked:

- whether action plans had been drawn up by the various LCSD museums to clear the backlog of their collection items; if so, what the details of the plans were; and

- about the measures that had been/would be taken by the LCSD to tighten the control over collection items pending accession, as well as the implementation details.

5. In her letter of 7 June 2006, the **Director of Leisure and Cultural Services** informed the Committee that:

Action plans by various LCSD museums to clear backlog items

- the accumulation of backlog items pending accession was mostly due to the large amount of donations received in recent years, in particular in the cases of the Hong Kong Heritage Museum, the Hong Kong Museum of History and the Hong Kong Film Archive. With limited staff resources, the LCSD's priority of work had been accorded to front-of-house functions, including the presentation of exhibitions, publication and educational activities. Stocktaking of backlog items pending accession would be implemented as follows:
 - (a) *Hong Kong Museum of History*: the accessioning of collection items normally required basic conservation treatment, including the cleaning of the artefacts, pest control treatment and stabilisation of the fragile condition of field collection items. Preliminary research was also required to ascertain the provenance, dating, associated history, cultural significance and a brief description of the artefact. Of the 257,780 items, about 200,000 items were old photographs on loan for a special subject study from the Hong Kong United Dockyard. Since they were not part of the permanent collection of the Hong Kong Museum of History, they would not be accessioned. The remaining 57,780 items were scheduled to be accessioned in four years;
 - (b) *Hong Kong Heritage Museum*: accessioning of the backlog of 18,750 items of the Hong Kong Heritage Museum would be completed in three years; and
 - (c) *Hong Kong Film Archive*: the accessioning of items in the Film Archive basically involved checking, cleaning and stabilisation of film reels, identification of paper materials and input of data into the computer system for public access. These procedures were quite time consuming. It would take at least four years to clear the backlog of 430,000 items;
- in order to facilitate the above registration work, plans were in hand to enlist the assistance of more university students as part of their museum internship studies in relevant subjects;

Measures to tighten control over collection items pending accession

- the LCSD museums would take the following procedures and measures to tighten the control over collection items pending accession:
 - (a) taking overall snapshot photographs of each whole lot of collection items pending accession;
 - (b) assigning a lot number for each lot of collection items in a dedicated Lots Register;
 - (c) registering the lots. Details would include the receipt date, brief description of the lot, source, mode of acquisition, estimated quantity, estimated value (if any), location of the lot and file reference;
 - (d) sealing the lots and placing them in secure storage;
 - (e) withdrawing each lot for accessioning according to priority; and
 - (f) inspecting the condition of the items once every four months for lots pending accession; and
- a task group would be set up to monitor the implementation of the above measures in the museums and to explore ways to accelerate the task.

6. The Committee noted from the site visit on 11 May 2006 and paragraph 4.16 of the Audit Report that, due to shortage of storage space, the Hong Kong Museum of Art and the Hong Kong Museum of History had stored collection items in cargo containers. Some museums even had to turn down offers of donations of collection items from the public. In response to the audit recommendation in paragraph 4.28(j) that the Director of Leisure and Cultural Services should critically review the overall storage requirements of the LCSD museums and expedite action to develop a central museum collection repository to meet the storage needs of the LCSD museums, the Director said in paragraph 4.29(f) that a central museum collection repository in Tuen Mun was being planned. The Committee enquired about the latest development on this issue and the interim measures taken by the LCSD to resolve the storage problem.

7. The **Director of Leisure and Cultural Services** responded that:

- the LCSD had critically reviewed the overall shortage of collection storage facilities and the storage needs for the ever-growing museum collections in the next ten years. There was a genuine need to construct a Central Museum Collection Repository, not only to address the current serious shortfall, but to find a solution to the anticipated growth of collections in future. The

proposed Central Museum Collection Repository project would involve the construction of an eight-storey purpose-equipped building amounting to some 22,000 m² in floor area at Area 47 Mong Wing Street, Tuen Mun. The LCSD was drawing up the objective, scope of work and cost estimate on the project. Subject to resource allocation according to established procedures, the LCSD planned to have the new Central Repository completed by 2010; and

- as an interim measure, the LCSD would make use of 1,000 m² in floor area at Cornwall House in Quarry Bay from the Government Property Agency to address the shortage problem. This would enable rearrangement of collection items to more suitable premises.

C. Operation of the LCSD museums

8. The Committee noted from paragraph 5.13 of the Audit Report that, in November 2005, the total number of unsold museum publications in six LCSD museums was 209,046 with a total selling price of \$24.7 million. 67% of the unsold publications had been kept in the museums for five years or more. The Hong Kong Museum of Art had used two cargo containers to store some of its unsold publications. The Hong Kong Museum of History also had insufficient storage space for keeping the unsold publications. The Committee also noted from the brief introduction given by the LCSD representatives during the site visit on 11 May and paragraph 5.26(h) that the current 25% discount on selling price and pre-paid arrangement as specified by the Financial Services and the Treasury Bureau (FSTB) had not been attractive to book distribution/sales agents. The LCSD would consider the disposal of some unsold items, organise sales with special discounts and critically assess the demand for publications in future. The Committee asked about the LCSD's proposals in this regard.

9. The **Director of Leisure and Cultural Services** replied that:

- the LCSD would assess future demands of museum publications, consider disposal of some unsold items, and organise periodic sales. With regard to organising sales, on 13 and 14 May 2006 during the occasion of the International Museum Day Hong Kong 2006, the LCSD launched a discount sale of the LCSD's museum publications. During the sale, the standard 25% government discount was granted. 76 titles of publications were put up for sale and 7,375 copies were sold, with revenue amounting to \$338,715. This was equivalent to the reduction of a stock value of \$451,620. Similar sales would be arranged by late 2006 and at regular intervals in the future;

- since the current 25% discount on selling price and pre-paid arrangements for consignment which applied to all government publications had not been sufficiently attractive to book distribution/sale agents, the LCSD was reviewing this requirement with a view to improving the overall arrangements for disposal of old museum publications in the market. With the approval of the FSTB, the LCSD was also working with reputable book distribution/sale agents on a new consignment arrangement to settle accounts on a monthly basis instead of pre-paid arrangement in order to widen the distribution outlets; and
- other measures included exploring the possibility of selling museum publications on the Internet through Hong Kong Post and the posting of the museum publication list on the website of individual museums. Arrangements had been made whereby art and history museum publications were available for sale at bookshops of the Hong Kong Heritage Museum, the Hong Kong Museum of History and the Hong Kong Museum of Art. Similarly, science publications would be available for sale at the bookshops of the Hong Kong Science Museum and the Hong Kong Space Museum at the same time.

D. Performance of the LCSD museums

10. The Committee noted that, in response to the audit recommendations in paragraph 3.26(a) and (f) of the Audit Report, the Director of Leisure and Cultural Services said in paragraph 3.27(a) and (f) that the LCSD would, in consultation with the Committee on Museums, formulate an overall strategy for boosting patronage and improving museum services. The LCSD would also consider rescheduling the opening hours of its museums.

11. In response to the Committee's enquiry about the latest development on the above matters, the **Director of Leisure and Cultural Services** advised that:

- the Committee on Museums was studying the future development of public museums. The strategies for boosting patronage and improving museum services were among the issues being studied. The Committee on Museums was planning to submit its recommendations by the end of 2006. The Government would then consider its recommendations in formulating the strategies and working out the improvement measures;
- the LCSD had been implementing various incentive schemes such as offering naming rights, private functions for donors/sponsors, etc. A major donor or sponsor of an exhibition would be entitled to hold a private reception inside the museum, including private viewing of the museum exhibition with guided tours led by museum curators in addition to the usual promotional acknowledgements;

- in the meantime, the LCSD was planning to open for hire more museum facilities for holding private activities, such as wedding ceremonies and receptions. The LCSD was also studying the possibility of opening for hire the lecture halls of the Hong Kong Museum of Art and the Hong Kong Museum of History; and
- the LCSD had been reviewing the opening hours of its museums from time to time. Trial schemes had been implemented in the past, but the attendance rates and cost-effectiveness of late closing were not satisfactory. The LCSD would consider extending the opening hours for special blockbuster exhibitions and events as deemed appropriate. Notable examples included the 24-hour opening of the Hong Kong Science Museum for the exhibition marking the visit of the astronaut Yang Liwei in November 2003, and the extension of the opening hours to 8:00 pm for the Impressionism exhibition in February to April 2005 at the Hong Kong Museum of Art. The LCSD was assessing the cost-effectiveness of a proposal to extend the opening hours of the Hong Kong Museum of Art on Sundays from 6:00 pm to 8:00 pm in view of its proximity to the Hong Kong Cultural Centre, so as to tie in with the timing of arts and cultural performances in the evening.

E. Follow-up action

12. The Committee notes the reply of the Director of Leisure and Cultural Services and wishes to be kept informed of the progress made in implementing the various audit recommendations.

A. Introduction

Background

The Committee noted that the Audit Commission (Audit) had conducted three reviews relating to Radio Television Hong Kong (RTHK) in 1997, 1999 and 2001 respectively and this was the fourth one since 1997. During the same period, a number of internal (e.g. by RTHK's System Review Unit (SRU)) and external (e.g. by the Independent Commission Against Corruption (ICAC)) reviews on RTHK had been carried out. This audit review of the financial control and resource management of RTHK focused on the following areas:

- management of departmental contract staff (DCS) and service providers;
- management of outsourcing activities;
- management of overtime (OT) work;
- stores and procurement matters;
- entertainment expenses; and
- management of sponsorship.

2. The Committee held three public hearings on 8, 9 and 11 May 2006 to receive evidence on the findings and observations of the Director of Audit's Report (the Audit Report).

Media coverage of the matters dealt with by the Audit Report prior to and after the tabling of the Report in the Legislative Council

3. According to the arrangements agreed among the Committee, the Administration and the Director of Audit in 2000, departments should not speak or confirm the audit investigations before tabling of the Audit Report and, after tabling of the report but before public hearings, departments might only respond to press enquiries and should refrain from initiating publicity to counter the audit findings.

4. The Committee noted that prior to and after Audit Report No. 46 was tabled, there had been a large amount of media coverage of the matters dealt with by the Report. Some of the coverage provided details of certain contents of the Audit Report in advance of the Report being made public upon tabling at the Council. There had also been coverage, appearing after the Report was made public, which contained a wide range of comments on certain details of the Report by public officers which went beyond mere response to media enquiries.

5. The Committee was dismayed at the leakage of the contents of the Audit Report as well as some of the comments that were attributed to public officers. The Committee therefore wrote to the Chief Secretary for Administration and urged him to ensure that the agreed arrangements would be observed to facilitate the work of the Committee.

6. In response, the **Chief Secretary for Administration** reiterated the Administration's commitment to upholding the agreed arrangements on 30 March 2000 to facilitate the smooth operation of the Committee. He also stated that:

- to enable all Directors of Bureaux and Controlling Officers to be aware of the agreed arrangement, the Administration had promulgated procedural guidelines in Financial Circulars for handling Audit Reports and co-operation with the Committee;
- the Secretary for Financial Services and the Treasury had renewed his efforts of reminding Directors of Bureaux and Controlling Officers of the agreed arrangement through an updated Financial Circular No. 3/2005 on 21 June 2005. In essence, the Financial Circular advised Directors of Bureaux and Controlling Officers that draft Audit Reports were confidential and they should not speak or confirm the audit investigations before tabling of the Report. After tabling of the Report in the Council but before public hearings, Directors of Bureaux and Controlling Officers were advised to refrain from initiating publicity to counter the audit findings. In addition, the Financial Services and the Treasury Bureau (FSTB) had also individually reminded Directors of Bureaux and Controlling Officers concerned of the need to follow the procedures set out in the Financial Circular; and
- the Administration remained committed to the agreed arrangements with the Committee. The Administration would remind Directors of Bureaux and Controlling Officers of the importance of giving full co-operation with the Committee.

B. Culture of compliance

7. At the Committee's first public hearing on 8 May 2006, **Mr Benjamin TANG, Director of Audit**, made a statement explaining the background to the Audit review on RTHK, the full text of which is in **Appendix 8**. In summary, he said that:

- during the years 2002 to 2004, Audit noted some media reports on fraud cases involving RTHK employees. In March 2005, an employee of RTHK was convicted of fraud in relation to the awarding of RTHK contracts. The court judgement on this fraud case indicated potential mismanagement in RTHK. In response to public concerns over the matter, and to help RTHK reduce the risks of recurrence of such cases, Audit considered it necessary to conduct a

review of RTHK in July 2005. The audit was an independent review conducted in accordance with the Value for Money Audit Guidelines;

- Audit fully recognised the fact that RTHK was a government department that served the role of a public service broadcaster. Audit had also taken due consideration of the policies, rules and procedures under which RTHK operated;
- the audit revealed various irregularities in a number of major areas in RTHK. Whilst the amounts involved in individual cases identified by Audit might not be very large, the irregularities were a cause for concern, taking into account their nature, prevalence, and the risks that they posed to the proper use of public funds;
- as a government department, RTHK should strictly follow all government policies, regulations, guidelines and procedures, unless specific exemptions were obtained from the relevant authorities. Irrespective of the amounts involved, as a matter of principle, non-compliance was undesirable. The irregularities identified in Chapter 7 and Chapter 8 of Audit Report No. 46 mainly related to non-compliance with government policies, regulations, guidelines and procedures;
- many of the cases of non-compliance in RTHK were not isolated cases. The past internal and external reviews of RTHK, as well as this audit review, had shown that such non-compliance was prevalent;
- the nature and prevalence of the identified irregularities posed risks to the proper use of public funds in RTHK. The amount of public funds exposed to such risks was considerable. For example, RTHK spent some \$50 million a year on payments to DCS and service providers, \$52 million a year on payments under the Technical Services Agreement (TSA), and \$198 million a year on production of television (TV) programmes; and
- as the audit review showed that there was a problem of compliance culture among RTHK staff with applicable policies, regulations, guidelines and procedures, Audit was duty-bound to point this out and suggest a way to tackle it.

8. As requested by the Committee, the **Director of Audit** provided, in his letter of 24 May 2006 in **Appendix 9**, a summary of the issues raised in the current audit review which, though already identified at different times in the three previous audit reviews conducted since 1997, had not been fully addressed by RTHK.

9. The overall response of RTHK to the audit review on RTHK's financial control and resource management is in **Appendix 10**.

10. The Committee asked whether the Director of Broadcasting agreed with the Director of Audit's view that there was a lack of compliance culture among RTHK staff with applicable policies, regulations, guidelines and procedures.

11. **Mr CHU Pui-hing, Director of Broadcasting**, responded that:

- RTHK generally accepted the Audit Report. The stance of RTHK's management on the matter was clear. As long as RTHK remained a government department, it would comply with government policies, regulations and guidelines. RTHK had implemented various measures over the past years to address the procedural shortcomings and strengthen internal control, including the setting up of an SRU in April 2002, which would be upgraded to a high-level internal audit team, as recommended by the Commerce, Industry and Technology Bureau (CITB). A number of administration units had been set up in various divisions in RTHK to assist staff engaged in programme production and creative work in following administrative procedures and regulations. In the past few years, several reviews had been conducted by various government agencies and their recommendations had already been implemented progressively; and
- RTHK staff also attached much importance to administrative procedures and regulations. The thematic workshops organised by the ICAC's Corruption Prevention Department and the Treasury were all well-received by RTHK staff. In addition, all new recruits had to attend an induction training programme on rules and compliance.

12. While acknowledging RTHK's efforts to strengthen internal control, the Committee noted that the current audit review still revealed the existence of certain irregularities in RTHK that were of different degrees of concern. The Committee enquired:

- how RTHK could assure the public that the improvement measures would be effective; and
- whether RTHK was confident that with the implementation of the improvement measures, there would be "no incidence" of irregularity.

13. The **Director of Broadcasting** stated that:

- given the complexity in RTHK's operations, a lot of problems had to be addressed in order that it could function effectively under government rules and regulations. For example, every year RTHK had to handle about 9,000 cases of payment to service providers and there were more than 2,000 contracts with them. There were also 3,000 cases of procurement of goods and services not exceeding \$1,000. Altogether there were a total of 7,000 to 8,000 cases of procurement of goods and services a year. The administrative procedures involved were complicated. Despite the difficulties, RTHK's efforts to achieve improvement had produced results in the past few years and RTHK would continue to improve its operations;
- in value for money terms, over the last five years, from 2000-01 to 2004-05, the allocation to RTHK had been trimmed cumulatively by \$70 million, i.e. 13.7%. In the same period, the total number of full-time employees in RTHK had decreased by 9.5% from 831 to 752. Nevertheless, compared to 2000-01, the programme output in TV and radio productions had recorded an increase of 14% and 2% respectively by 2004-05. At the same time, amidst budget cuts, RTHK had further developed new media services through internal resource redeployment;
- in terms of quality, over the last eight years, the TV programmes produced by RTHK had consecutively scored the highest rating in the TV Programme Appreciation Index Surveys. Its TV and radio programmes had also attained international and local awards. Recent opinion surveys indicated that over 70% of the respondents were satisfied with RTHK's services and productions;
- as pointed out in paragraph 1.13 of the Audit Report, RTHK's management had always taken enforcement and monitoring issues very seriously. However, although RTHK's management adopted a "no tolerance" attitude, realistically it could not guarantee that there would be "no incidence". In fact, all systems required time to settle, to function generally, to be revised and improved from time to time in the light of changing circumstances, and to be fully implemented; and
- the Chief Treasury Accountant seconded from the Treasury to head the high-level internal audit team had assumed duty recently. A Senior Auditor seconded from Audit would also join the team in June 2006. The team would report to him direct. It was expected that the internal audit team would be able to strengthen RTHK's financial control and resource management, and monitor the implementation of Audit's recommendations.

14. At the request of the Committee, the **Director of Broadcasting** provided, in his letters of 24 May 2006 (in *Appendix 11*) and 8 June 2006 (in *Appendix 12*) respectively, the action plan drawn up by the Chief Treasury Account heading RTHK's internal audit team, and the current progress made in implementing the various actions set out therein.

15. To ascertain the uniqueness of the complexities and difficulties mentioned by the Director of Broadcasting above, the Committee asked whether other government departments faced similar problems in the past few years.

16. **Mr Joseph WONG Wing-ping, Secretary for Commerce, Industry and Technology**, responded that:

- the CITB recognised RTHK's achievements in the face of reduced resources, enhanced public demand and increased workload during the past few years. However, this was a general phenomenon faced by all government departments;
- the CITB also recognised the special nature of RTHK as a public service broadcaster. RTHK was also special as it employed a large number of temporary staff and non-civil service contract (NCSC) staff. However, other departments also had uniqueness in their operations. For example, Hong Kong Post, which operated as a trading fund, was special as it had to co-operate and compete with private-sector companies. The Electrical and Mechanical Services Department also employed many NCSC staff and had to compete with private-sector companies for business. Hence, there was no question of a department being more special than others; and
- if RTHK considered that certain government rules and regulations had caused difficulties in its daily operation, it could discuss with the relevant authorities for flexible treatment. The CITB was most willing to consider any suggestion put forward by RTHK. However, as a general principle, where no exemption had been granted, all government departments had to comply with government regulations and procedures.

17. **Mr Francis HO Suen-wai, Permanent Secretary for Commerce, Industry and Technology (Communications and Technology (C&T))**, supplemented that:

- in January 2003, he had suggested to the Director of Broadcasting that if RTHK needed flexibility in applying certain rules and regulations due to its operational needs, RTHK might set out their proposals in a more systematic and specific manner, instead of on a case-by-case basis, for further deliberations with the CITB. If the proposals were justified, the CITB would

give its policy support and RTHK could follow up with the resource bureaux, such as the Civil Service Bureau (CSB) and the FSTB; and

- in May 2003, RTHK put forward its proposals on three or four matters, including sponsorship, retention of part of the revenue from the sale of its programmes and employment of non-civil service staff. There was no proposal on financial arrangement or stores and procurement matters. RTHK indicated at that time that it had to further consider these matters and conduct internal consultation, and would submit their proposals in due course. However, the CITB had not received any specific proposal from RTHK in the past three years.

18. It appeared to the Committee that if RTHK had sought exemption or flexibility in the application of certain government rules and regulations, some of the cases identified by Audit might not have been non-compliance cases. The Committee asked why RTHK had not fully reflected its difficulties to the CITB or followed up the CITB's suggestion.

19. The **Director of Broadcasting** replied that:

- RTHK had regular meetings with the CITB in which RTHK would report the progress made in improving its management. RTHK had raised with the CITB its difficulties in applying some government regulations. For example, RTHK had discussed with the CITB the question of acceptance of commercial sponsorships;
- when RTHK had operational difficulties in complying with certain government regulations, it would liaise with the relevant authority direct, not necessarily through the CITB;
- in the past few years, RTHK had successfully worked out clear guidelines with the relevant bureaux for compliance by all staff. For example, RTHK had discussed with the Treasury and the Government Logistics Department (GLD) regarding the proper procedure for procuring goods and services not exceeding \$1,000. It had discussed with the CSB regarding the payment of allowances for staff on overseas programme production and news broadcasting duties. RTHK had also obtained consent for licensing its archived TV programmes into VCD/DVD for sale in the market; and
- he accepted that RTHK might need to seek exemption more systematically. The directorate Chief Treasury Accountant seconded from the Treasury should have the experience to assist RTHK in taking follow-up actions in this respect.

20. The Committee further asked whether the Director of Broadcasting agreed with the Director of Audit's view that, whilst the amounts involved in individual cases identified by Audit might not be substantial, the irregularities were a cause for concern as they posed risks to the proper use of public funds.

21. The **Director of Broadcasting** said that:

- as a civil servant, he considered it a fundamental principle to exercise prudence in the use of public funds, irrespective of the amount of money involved; and
- RTHK fully accepted that as it was a government department, in endeavouring to provide high-quality public broadcasting services, it had to comply with government rules and regulations at the same time.

22. The Committee noted that on 26 April 2006, the Secretary for Commerce, Industry and Technology announced that he had requested the Director of Broadcasting to give him a report within three months, to comment on the cases of suspected irregularities covered by the Audit Report, and which would include whether disciplinary proceedings should be instituted against the staff concerned after due investigations, whether the management staff should take management responsibility for such irregularities, and their proposals for building up and consolidating a culture of compliance with government rules and regulations. The Secretary also emphasised that it was incumbent on RTHK to improve fundamentally all the irregularities identified in the Audit Report.

23. Given that irregularities still existed in a number of areas in RTHK despite the improvements made in the past years, the Committee asked about the Secretary for Commerce, Industry and Technology's views on how RTHK could fundamentally improve all the irregularities identified. The **Secretary for Commerce, Industry and Technology** responded that:

- the CITB was highly concerned about Audit's severe criticism on RTHK and about the widespread irregularities revealed in the current and previous Audit Reports. As pointed out by the Director of Audit, many of the cases of non-compliance in RTHK were not isolated cases and the incidence of irregularities was indeed very high. Some of the cases had become court cases or formal disciplinary cases;
- while the CITB appreciated that the management of RTHK had been striving to strengthen internal financial control and resource management, its efforts had apparently not produced significant improvements. Hence, the CITB suggested that more effective monitoring of improvement measures should be considered. It proposed the setting up of a high-level internal audit team

headed by a directorate Chief Treasury Accountant to follow up Audit's recommendations. The team would submit periodic reports to the Director of Broadcasting, and the reports would also be copied to the CITB. The responsible Permanent Secretary would scrutinise the reports and decide, in consultation with the CSB and the FSTB, whether any follow-up action was necessary. For example, the reports might reflect that some rules and regulations should be revised to suit RTHK's operational needs. The proposed arrangements had been agreed by the Director of Broadcasting; and

- the CITB hoped that after a period of time, say one to two years, there would be well-established rules and regulations in RTHK and all RTHK staff would comply with them.

C. Management of DCS and service providers

Efforts to rationalise the DCS structure

24. According to paragraph 2.3 of the Audit Report, in March 1982, the Finance Committee (FC) authorised the Director of Broadcasting to, among others, recruit DCS to temporarily fill civil service vacancies pending the completion of the normal appointment formality, but such DCS should not remain on contract for more than a year in any individual case. The 1982 FC paper is in *Appendix 13*.

25. The Committee noted from paragraphs 2.40 to 2.47 that Audit Report No. 28 of February 1997 had reported that RTHK had employed a large number of DCS I and Category II service providers (previously known as DCS II) for prolonged periods of time.

26. In its Report No. 28 of June 1997, the Committee had expressed concern that RTHK's practice of employing DCS was at variance with the conditions of employment approved by the FC in 1982 and contravened the Government's policy on the employment of temporary staff. To address the Committee's concern, the Director of Broadcasting had assured the Committee that RTHK would conduct a review of the DCS system. RTHK completed the review of the DCS system in November 1997. The review recommended a phased approach to reduce the number of long serving DCS I. Since then, RTHK had recruited permanent Programme Officers (POs) to replace DCS I.

27. In October 1999, the Administration reaffirmed RTHK's plan of employing NCSC staff to meet its operational needs. In March 2000, the Administration reported, in its Half-yearly Progress Report on follow-up action on the Government Minute (in *Appendix 14*), that RTHK would regularise the employment of about 130 full-time DCS III by appointing them on NCSC terms and would complete that exercise by the end of 2000.

28. Audit considered that the DCS structure should have largely been rationalised by 2006, and it noted that the number of DCS I had indeed reduced from 120 as at April 1998 to 18 as at January 2006. However, because RTHK had continued to employ DCS III, the number of DCS III had remained high.

29. Noting that according to the FC approval given in 1982, DCS should not remain on contract for more than a year in any individual case, it appeared to the Committee that RTHK's employment of DCS for a prolonged period of time had violated the conditions of employment approved by the FC in 1982. The Committee asked whether this was the case and, if so, why the CITB had allowed such irregularity to remain for a long time. It also asked whether RTHK had ever informed the FC of the changes in the conditions of employment for its DCS since 1982.

30. The **Secretary for Commerce, Industry and Technology** responded that:

- the Director of Broadcasting was the Controlling Officer of RTHK under the Public Finance Ordinance. Each Controlling Officer had the legal responsibility to properly manage the resources under his charge and to comply with the conditions set by the FC for any public fund. A policy bureau would not and should not interfere with the discharge of such administrative and legal responsibilities by a Controlling Officer;
- under the Framework Agreement between the CITB and RTHK, the Secretary for Commerce, Industry and Technology was responsible for providing policy guidance to the Director of Broadcasting, and RTHK basically operated independently; and
- as the current Audit Report had identified various irregularities in RTHK, it was imperative that the CITB should act more positively to assist RTHK in making improvement. As such, the CITB suggested the formation of a high-level internal audit team, with a view to closely monitoring and assessing the effectiveness of RTHK's internal control measures and ensuring full implementation of Audit's recommendations. Nevertheless, the team would still report to the Director of Broadcasting direct.

31. The Committee referred to paragraph 2.48(d) of the Audit Report in which RTHK had said that in order to contain the negative impact of introducing too many changes within a short span of time, RTHK had deliberately phased the conversion of the DCS structure to the NCSC framework in a gradual manner. The Committee asked RTHK how long the gradual conversion would take.

32. The **Director of Broadcasting** and **Mr Raymond NG Sek-fai, Deputy Director of Broadcasting** stated, at the public hearings and in the Director of Broadcasting's letter of 26 May 2006 (in *Appendix 15*), that:

- in 1982, the FC authorised the Director of Broadcasting to engage freelance staff i.e. casual artists, disc jockeys, script-writers, contributors and researchers, as and when required. The Director of Broadcasting was also authorised to recruit DCS to temporarily fill civil service vacancies pending the completion of the normal appointment formality. The DCS system had been evolving over the years, but RTHK was still operating within the framework approved by the FC;
- in its review on the employment of DCS in 1998, RTHK agreed to adopt a phased approach to reducing the number of long serving DCS I. Since the introduction of the NCSC staff scheme in 1999, RTHK had decided to adopt the NCSC framework for employing its DCS. The number of DCS I had been reduced by 92% from 234 in 1982 to 18 in 2006. Due to the intermittent civil service recruitment freezes imposed since April 1999 and the staffing mix proposal as recommended in a consultancy study on a five-year strategic plan (i.e. it was considered desirable for RTHK, in the long run, to maintain a mixture of civil servants, contract staff and service providers in equal proportions), RTHK was unable to convert the remaining 18 DCS to the permanent establishment. With the Review of Public Service Broadcasting now underway, it was also not timely to convert them to permanent terms. As part of its ongoing efforts to regularise the contract staff system, RTHK aimed to migrate the DCS I to the NCSC framework by the end of June 2006;
- RTHK also intended to employ DCS III on NCSC terms. As there were more DCS III (i.e. 148 as at January 2006), RTHK would consult them within this year, with a view to completely migrating them to the NCSC framework by the end of 2006;
- as for Category II service providers (formerly know as DCS II), they were only contracted to provide service and were not entitled to any fringe benefits. A number of presenters, actors, casual artists, script-writers, etc. belonged to this category. There was a long-term need for RTHK to retain their service, and RTHK considered that their employment fell within the scope approved by the FC in 1982. Through the engagement of this group of service providers, the number of which stood at more than 600, RTHK could maintain the flexibility needed for its operation; and
- in view of the changed circumstances regarding the employment of DCS over the years, he would discuss with the CITB the need to report the latest situation to the FC.

33. As regards whether RTHK's employment of individual DCS for a prolonged period of time had violated the conditions of employment approved by the FC in 1982, the **Director of Broadcasting**, in his letter of 26 May 2006, stated that:

- RTHK had complied with the conditions of employment set for its DCS, as approved by the FC in 1982. The conditions of employment as stipulated in the notes on decisions of the FC meeting held on 24 March 1982 were as follows:
 - (a) the Director of Broadcasting should have the authority to employ DCS on any point in the pay scale for the appropriate rank in the PO grade;
 - (b) the Director of Broadcasting should have the authority to review the fixed point of salary of DCS staff who remain on contract for more than a year, and to move it up or down on the appropriate pay scale, having regard to his updated assessment of the value of the person concerned;
 - (c) the DCS contract would not provide for any fringe benefits such as quarters, housing allowances, education allowances, medical and dental benefits or passages; and
 - (d) the pay level of DCS would be automatically revised when the Master Pay Scale was revised;
- RTHK's operational need to recruit staff at short notice faster than government procedures would allow was recognised by the FC and approval was therefore given for RTHK to employ DCS, subject to the following conditions:
 - (a) the employment of DCS should be strictly related to the number of vacancies in the approved establishment of posts in the PO grade; and
 - (b) DCS would be restricted to those employed to perform the duties normally appropriate to ranks in the PO grade, and their numbers in each rank would not exceed the number of vacancies in that rank;
- in adherence to the above conditions, DCS I in RTHK had always been held against PO Grade civil service vacancies in corresponding ranks;
- the 1982 FC paper had also clearly stipulated that the employment of DCS would *normally* be temporary pending the completion of formal appointment procedures to the vacant post. It also stated that there might exceptionally be instances where someone was employed as DCS but, for valid reasons, was not suitable for eventual appointment to the post, and in these cases the employment on DCS terms would tend to be of longer duration; and

- as RTHK had never introduced any changes to the conditions of employment for its DCS I, there had never been any requirement for it to inform the FC.

34. In response to the Committee's enquiry, the **Director of Audit**, in his letter of 27 May 2006 in **Appendix 16**, advised that, based on the FC paper of 24 March 1982, Audit considered that, **in exceptional circumstances**, the Director of Broadcasting should have the authority to employ DCS on contract for more than a year.

35. Regarding DCS III, the Committee referred to paragraph 2.46 of the Audit Report which revealed that, as RTHK had continued to employ DCS III, the number of DCS III had remained high, increasing from 120 as at January 1998 to 148 as at January 2006. The Committee asked:

- about the number of DCS III employed by RTHK in each year from January 1998 to January 2006; and
- the reason why the number of DCS III employed by RTHK had increased from 120 in 1998 to 148 in 2006, despite RTHK's commitments made in March 2000, in response to the audit review of February 1997, to regularise the employment of about 130 full-time DCS III by appointing them on NCSC terms and to complete that exercise by the end of 2000.

36. In his letter of 6 June 2006 in **Appendix 17**, the **Director of Broadcasting** stated that:

- the respective numbers of DCS III employed by RTHK as at January of each year from 1998 to 2006 were:

<u>Position as at</u>	<u>No. of DCS III</u>
1 January 2006	148 (35 full-time and 113 part-time)
1 January 2005	130 (46 full-time and 84 part-time)
1 January 2004	97 (43 full-time and 54 part-time)
1 January 2003	95 (36 full-time and 59 part-time)
1 January 2002	Not Available
1 January 2001	Not Available
1 January 2000	Not Available
1 January 1999	Not Available
1 January 1998	Not Available

- before the end of 2001, many of the contracts in respect of DCS II and DCS III were maintained manually at divisional level. As such, RTHK was unable to provide accurate figures on the number of such staff for the period from 1998 to 2002. Although it was mentioned in paragraph 2.46 of the Audit Report that the number of DCS III as at January 1998 was 120, the figure was only an estimate based on the result of ad-hoc stock-taking exercises on the number of DCS III staff employed by respective divisions/units;
- there were basically two categories of DCS III staff in RTHK, namely:
 - (a) “**full-time**” DCS III - they were remunerated on a monthly basis, and worked for at least 44 conditioned hours per week; and
 - (b) “**part-time**” DCS III - they were all appointed on a short-term basis to meet ad-hoc and irregular programme needs. Most of them were not on a continuous contract of employment. They were usually remunerated on the bases of project, hour, session, programme or episode; and
- since the completion of RTHK’s review on the continued employment of DCS in 1997, **RTHK had been committed to reducing the number of long serving and full-time DCS III**. RTHK had thereafter completed the conversion of some 139 full-time DCS III to the service-wide NCSC framework by the end of 2000. From 2001 to 2006, RTHK had further regularised a total of 64 full-time DCS III to the NCSC framework. The number of full-time DCS III had been reduced to 25 as at 1 June 2006.

37. As for the reason why RTHK had not stopped employing DCS III and why the number of DCS III had been increasing, the **Director of Broadcasting** explained in his letter of 6 June 2006 that:

- RTHK needed to allow the appointment of full-time contract staff on DCS III terms. There was an operational need for programme producers to flexibly secure the required manpower to meet their production needs. Nevertheless, RTHK had built in a well-established mechanism to control the number of full-time DCS III and to cease their appointment on long-term basis. According to the revised departmental policy implemented since 1 March 2006, the appointment period of DCS III **was confined to less than 12 months**. Exceptional approval, supported by strong justifications, had to be sought from the Deputy Director of Broadcasting if the appointment of full-time DCS III lasted for more than 12 months;

- due to RTHK's unique operational requirement and nature of business, it had not been possible to completely phase out the DCS III structure so far. As stated in the Progress Report in respect of issues outstanding in the Government Minute of September 1997 and April 1998, RTHK would further explore the option to reduce its dependence on "full time" DCS II and III. In parallel to keeping the undertaking in reducing the appointment of full-time DCS III, RTHK had kept appointing part-time DCS III to meet ad-hoc and short-term programme production needs. The 148 DCS III at January 2006 (as stated in paragraph 2.46 of the Audit Report) in fact consisted of 113 part-time and 35 full-time DCS III. **The increase in the overall figure of DCS III from 120 as at January 1998 to 148 as at January 2006 was thus mainly due to the increase in the number of part-time DCS III;**
- there was an increasing demand for RTHK to employ part-time DCS III amidst the challenges of cost cutting and freeze in recruiting civil service staff. RTHK had the need to flexibly secure the required manpower to meet its fluctuating operational needs. Before the phasing out of the DCS III structure could be completed, RTHK still needed some part-time workforce which afforded more flexibility and cost-effectiveness for certain projects;
- it was a rare practice in other government departments to frequently appoint temporary staff of varying contract durations on part-time basis and remunerate them on different bases. Without any prevailing practice to follow and having regard to the fact that the operation of the NCSC staff scheme had not been fully matured in the first few years of its implementation, RTHK needed to be very careful before deciding to completely phase out DCS III lest it might hinder RTHK's operations. New employment packages distinctly different from those of the full-time DCS III had to be worked out, often individually in the first instance, before migration could be effected; and
- RTHK had pledged to **completely rationalise DCS III**, both part-time and full-time, to the NCSC framework **by the end of December 2006**.

Fee scale table

38. According to paragraphs 2.10 to 2.24 of the Audit Report, a fee scale table had been developed in 2002, setting out a framework for RTHK staff to follow in determining the fees to be offered to DCS and service providers. Audit saw the need for RTHK to improve the fee scale table by addressing various issues relating to benchmarking, and to develop guidelines to help its staff systematically assess the attributes of the DCS and service providers for applying the different tiers in the fee scale table.

39. The Committee referred to paragraph 2.20 in which RTHK admitted that given the complexities of the issue, the historical development and the industry practice, the fee scales had not fully matured. RTHK accepted that it needed to continue exerting efforts to further improve the fee scale table. The Committee enquired about the actions that RTHK would take to improve the fee scale table and the expected implementation schedule.

40. In addition, paragraph 2.21 pointed out that under the existing fee scale table, a job title may have several tiers. However, there were no guidelines on how different tiers in the fee scale table were to be applied for paying DCS/service providers. The Committee queried how, in the absence of guidelines, RTHK staff could determine the tier and the level of pay to be offered to service providers on an objective basis.

41. **Mr CHEUNG Man-sun, Assistant Director of Broadcasting (Public Affairs Television (PATV)), and Mr TAI Keen-man, Assistant Director of Broadcasting (Radio),** replied that:

- as RTHK did not have any TV channel, it did not have its own actors. In producing TV programmes, it had to engage contract actors. The competition for actors had become more intense in recent years due to the introduction of new media, as well as the rapid development of the entertainment business in the Mainland;
- while the pay for actors was commercial secret, the fees paid by RTHK to actors or performers were generally below the going market rates. In determining the pay for actors, RTHK staff would draw on their experience and check with other TV or radio stations;
- despite the difficulties involved in assessing the reasonable level of pay to be offered to actors, RTHK agreed with and would try its best to implement Audit's recommendations in paragraph 2.49 of the Audit Report, including developing an action plan to take forward steps to improve the fee scale table. It would also strive to provide clearer guidelines for staff to follow. As regards the suggestion that RTHK should benchmark the rates against the civil service pay scale, RTHK was considering how this could be implemented;
- RTHK had set up a mechanism under which special approval had to be sought when a DCS/service provider was to be paid a fee that exceeded the fee scale range for a particular job type. Moreover, the Standing Committee on Contract Staff and Service Providers (SCOCS), chaired by the Deputy Director of Broadcasting and comprised various senior staff of RTHK, would be notified monthly of any DCS/service providers whose remuneration/fee exceeded the prevailing pay for civil service Master Pay Scale Point 22; and

- to prevent staff from offering a high level of pay arbitrarily, there were internal guidelines in the PATV Division that required approval to be obtained from staff at a more senior level. For example, if the remuneration for a service provider was \$3,000 per job, approval had to be given by staff at the Assistant Director level. In addition, RTHK had always attached great importance to the question of conflict of interest. Front-line staff had been reminded that in case any conflict of interest had arisen from the employment of service providers, they had to make declaration before employing the service providers.

42. As regards the specific actions for improving the fee scale table and the implementation schedule, the **Director of Broadcasting** informed the Committee, in his letter of 26 May 2006, that:

- a Working Group on Fee Scale Review had been set up in RTHK with the objectives of improving the fee scale table and implementing Audit's recommendations;
- the Working Group would review and streamline the job types and fee ranges for individual job titles. It would also launch benchmarking exercises against the civil service pay scale and, if impractical, against the going market rate and document the basis for such comparison; and
- the Working Group would try to develop guidelines to help staff apply the different tiers in the fee scale table. It will further enhance the mechanism to document how the staff had determined the tiers and the pay to be offered to DCS/service providers. This was a complicated exercise which was expected to be completed by the end of 2006. The revised fee scale table could be implemented in early 2007 after being endorsed by the SCOCs.

Practice of seeking covering approval

43. According to paragraph 2.31 of the Audit Report, RTHK Circular No. 4/2002 on "Control and Administration of Overtime" stipulated that: "Written approval for overtime work must be sought in advance. Otherwise, covering written approval, with full justification for not seeking prior approval, must be sought within a week." However, in an examination of seven approvals granted in 2004-05 for OT work, Audit identified three cases where covering OT approval was only sought in periods ranging from two weeks to three months after the OT work had been carried out.

44. In response to the Committee's enquiry, the **Director of Audit** provided, in his letter of 6 May 2006 (in *Appendix 18*), the ranks of the claimants and the approving officers concerned in the above three cases, as follows:

Case	Rank of claimants	Rank of approving officer
1	Production Assistant (DCS III)	Principal Programme Officer (PPO) (MPS 40 to 44)
2	Production Assistant (DCS III)	Senior Programme Officer (MPS 34 to 39)
3	Production Assistant (DCS III)	PPO (MPS 40 to 44)

45. The Committee enquired:

- why the requirement of seeking prior approval had not been complied with;
- given that RTHK Circular No. 4/2002 already provided flexibility for staff to seek covering approval within one week if prior approval had not been obtained, why in the three cases identified by Audit, even such requirement had not been met; and
- about the follow-up actions that had been taken against those staff who repeatedly failed to observe the regulations and whether penalty had been imposed.

46. The **Director of Broadcasting** responded that the problem mainly concerned the Radio Division and PATV Division of RTHK. The staff members engaged in producing radio and TV programmes production were stronger on production, art and creative work. RTHK had therefore set up administration units since mid-2003 to assist these staff in complying with administrative procedures and regulations. The situation had improved gradually.

47. The **Assistant Director of Broadcasting (PATV)** supplemented that:

- RTHK had strictly controlled the compensation of OT work by OT allowance. Staff who worked OT were compensated by leave as far as possible, hence RTHK's overall expenditure on OT had significantly reduced in recent years. There was also a stringent procedure governing the granting of approval for OT work. For example, in the PATV Division, if OT work was required for finishing a day's filming, the director on site had to certify that the work was justified and approval had to be given by the producer afterwards;

- RTHK had followed up on the three cases in which OT approval was sought long after the OT work had been performed, and warned the three DCS concerned. The staff concerned were Production Assistants, which were front-line staff with a high turnover rate. At that time, they had newly joined RTHK and were not familiar with the procedure. They thought that their application for OT work had been properly authorised as the producers on site had already signed off their application. It was only when they wanted to take compensation leave before leaving service that senior officers discovered that their OT had not been duly authorised. After checking, it was subsequently confirmed that OT work had actually been performed by them. Taking into account the background of the cases and the fact that their application had been certified on site by less senior staff, RTHK considered that the warning was appropriate; and
- RTHK admitted that irregularities had been revealed in the three cases. RTHK had now issued a new instruction that compensation leave had to be taken within one month after OT work had been performed.

D. Management of outsourcing activities

Conflict of interest and scheduling of rest days of TSA staff

48. Paragraph 3.6 of the Audit Report stated that since 2000, RTHK had been contracting out part of the radio/TV outside broadcast (OB) services previously provided under the TSA. In 2004-05, three contracts at a total annual cost of \$734,078 were awarded to the OB Contractor (Company B), a related company of the TSA Contractor (Company A). Company B mainly employed TSA staff from RTHK during their rest time to provide OB services to RTHK under the contracts.

49. According to paragraph 3.16, as some of the employees of Company B were the same as those working for Company A, the ability of Company B in fulfilling its duty under the OB contract was subject to fulfilling the work schedule of Company A, and hence the work schedule of RTHK. The question of conflict of interest would arise when Company A tried to arrange for the most cost-effective staff scheduling on the one hand, and had to make available certain TSA staff to work for Company B on certain days of the week on the other. This would unavoidably undermine the interests of RTHK.

50. The Committee queried whether RTHK had considered the question of conflict of interest before awarding the three OB contracts to Company B.

51. **Mr Johnny MING Wai-yu, Controller of Production Services, RTHK,** responded that:

- RTHK had considered the question of conflict of interest when contracting out its OB services. In 2001, the contract was awarded to Company C, which offered the lowest price and met the tender requirements. Afterwards, the contract was again awarded to Company C despite the fact that its price was only the second lowest when compared to Company B's. This was because RTHK considered that there might be a question of conflict of interest if the contract was awarded to Company B; and
- in the tendering exercise of 2004-05, the price offered by the second lowest tenderer (Company C) was 50% higher than that offered by Company B. After considering the price, the experience of crew members as well as the staff scheduling of Company B, the contracts were awarded to it.

52. The Committee noted from paragraph 3.20 that a main source of conflict of interest for Company A lay in the scheduling of rest days. In order to reduce OT work to a minimum, there was a need to re-schedule the rest days of TSA staff to weekdays (instead of Sundays). However, in order that the staff could work for Company B on Sundays for OB services for "City Forum" and church services, Company A scheduled their work so that they rest on Sundays. Audit considered that this conflict of interest situation of Company A had, to a certain extent, compromised RTHK's efforts in re-scheduling rest days of TSA staff to reduce OT work to a minimum. The Committee asked about the position of RTHK on the situation.

53. The **Director of Broadcasting** and the **Controller of Production Services** responded that:

- the current TSA took effect from 1 January 1988 and would only expire on 30 September 2006. It was signed by the Government and Company A, and RTHK was only one of the user departments of the TSA services. As the TSA had not yet expired, there was little scope for requiring Company A to re-schedule the rest days of TSA staff; and
- despite the difficulties, RTHK had made considerable efforts in the past five years to negotiate with Company A with a view to effecting changes to its policies and practices. The fact that 39% of TSA staff had their rest days on Sundays, as highlighted in paragraph 3.20 of the Audit Report, was already an improvement due to the pressure exerted by RTHK on Company A. Other results of RTHK's efforts included a reduction of the administration charge (from 12% to 9.15%) charged by Company A on the total TSA staff costs, and a reduction of TSA staff working in RTHK from 171 in 2000-01 to 148 in 2004-05.

54. The Committee asked about Audit's comments on RTHK's response that as the TSA had not yet expired, there was little scope for requiring Company A to re-schedule the rest days of TSA staff. In his letter of 27 May 2006, the **Director of Audit** advised that:

- as mentioned in paragraph 4.7 of the Audit Report, in March 1999, Audit had conducted a review of the management of TSA services by government departments and the cost-effectiveness of the Government's spending under the TSA. The 1999 audit revealed that there was room for improvement in a number of areas, including the control of OT payment under the TSA in the Civil Aviation Department (CAD) and RTHK. Audit recommended in March 1999 that both the Director of Civil Aviation and the Director of Broadcasting should, inter alia, find ways of ceasing the practice of setting Sundays as rest days for the TSA staff;
- although there were no specific provisions in the TSA governing the working hours and rest days of the TSA staff, since the 1999 audit, RTHK had been able to reduce OT payments under the TSA by taking various measures. RTHK's OT payments under the TSA had decreased by 39%, from \$7.5 million in 2000-01 to \$4.6 million in 2004-05. While recognising RTHK's efforts in reducing OT payments under the TSA, Audit's recent review found that there was scope for RTHK to further reduce OT payments. In particular, Audit's analysis of the rest days of TSA staff in RTHK for the period September 2004 to March 2005 showed that 39% of TSA staff still had their rest days on Sundays. Taking into account RTHK's work pattern, Audit recommended that RTHK should urge Company A to consider re-scheduling the rest days on Sundays of TSA staff to better match with its work requirements (paragraph 4.23(a)(iii) of the Audit Report);
- it was relevant to point out that, in response to the audit recommendations in 1999, the CAD had reached an agreement with Company A to treat public holidays as normal working days, apart from curtailing the practice of setting Sundays as rest days for TSA staff and re-scheduling their working hours to minimise OT work. Audit considered that, if Sundays had been treated as normal working days for TSA staff in RTHK, a smaller percentage (compared with 39%) of TSA staff should have taken their rest days on Sundays; and
- notwithstanding that the TSA had not yet expired, given that 39% of TSA staff in RTHK still had their rest days on Sundays, there was still scope for RTHK to further negotiate with Company A to re-schedule some of the rest days of TSA staff to better match with the work requirements on Sundays, which constituted about 20% of the TSA workload.

55. In his letter of 26 May 2006, the **Director of Broadcasting** informed the Committee of the measures taken by RTHK since the 1999 audit to reduce OT payments under the TSA, including the introduction of a floating (irregular) rest-day scheme by Company A in 1999 in line with Audit's recommendation, to cease the practice of setting of Sundays as rest days.

56. The Committee asked why, despite the introduction of the floating rest-day scheme by Company A in 1999, 39% of TSA staff still had their rest days on Sundays during the period September 2004 to March 2005.

57. The **Director of Broadcasting**, in his letter of 6 June 2006, replied that after the introduction of the floating rest-day scheme in 1999, there had been a significant reduction of rest days on Sundays. Now only 39% of TSA staff took Sunday as a rest day and this figure also included TSA staff who worked normal office hours, i.e. with rest days on Sundays, such as senior engineers and store-men.

58. According to paragraph 3.23(a) of the Audit Report, RTHK received an e-mail statement of undertaking from Company A on 6 June 2005 giving the assurance that there would be no conflict of interest. To ascertain whether the situation of TSA staff having rest days on Sundays had improved since Company A had given the assurance, the Committee asked:

- about the percentage of TSA staff who still had their rest days on Sundays from 6 June 2005 (when Company A gave the assurance) to 5 June 2006; and
- how the figure compared to the 39% during the period from September 2004 to March 2005, as reported by Audit.

59. The **Director of Broadcasting**, in his letter of 10 June 2006 in *Appendix 19*, replied that 32% of TSA staff had had their scheduled rest days on Sundays during the period 6 June 2005 to 5 June 2006. There had been a decrease when compared to the 39% reported by Audit.

Compliance with the terms of OB contracts

60. The Committee referred to paragraph 3.10 of the Audit Report which revealed that the average relevant experience of the crew members for the episode of "City Forum" broadcast on 27 February 2005 was 12.9 years, which was considerably lower than the average of 19.3 years of experience for the eleven core members specified in the tender document. Audit commented in paragraph 3.11(c) that if Company B had used those crew members with an average of 12.9 years of experience (i.e. the OB production team on

27 February 2005) as the core members specified in the tender document, Company B would not have been awarded the contract based on the marking scheme for the tender.

61. Noting that the high average experience (19.3 years) of core members was a main reason for awarding the contract to Company B, instead of to other tenderers, the Committee asked whether RTHK's failure to ensure Company B's full compliance with the terms of the contract (i.e. no more than five members of the OB production team could be replaced on each occasion) was unfair to other tenderers, and reflected RTHK's problems in managing the OB contracts.

62. The **Director of Broadcasting** and the **Controller of Production Services** replied that:

- the minimum relevant experience of the crew members required in the tender specifications ranged from five to ten years, depending on the job category. All the crew members who attended the OB on 27 February 2005 had reached the minimum years of experience required in the tender specifications. RTHK's production staff had all along been satisfied with the quality of the camera operators provided by Company B. Nevertheless, RTHK agreed that Company B had not complied with the terms of the contract;
- Company B admitted that the problem of replacing more than five core members specified in the contract had occurred due to negligence of the staff responsible for staff scheduling. As soon as the incidents were revealed, RTHK had requested Company B to provide the core members specified in the contract for the OB of "City Forum"; and
- according to the latest information provided by Company B, the relevant experience of the crew members of the OB production team on 27 February 2005 was longer than that mentioned in paragraph 3.10 of the Audit Report. Based on the experience of these crew members, Company B would still be awarded the contract.

63. As requested by the Committee, the **Director of Broadcasting** provided, in his letter of 6 June 2006, details of the marking scheme for the tender. He also said that the total scores obtained by Company B and Company C (the second most competitive tenderer) under the marking scheme were 100 and 87.3 respectively.

64. In view of RTHK's claim that based on the experience of the crew members of the OB production team on 27 February 2005, Company B would still be awarded the contract, which contradicted Audit's conclusion that Company B would not have been awarded the contract, the Committee invited Audit's comment on the validity of RTHK's claim.

65. In his letter of 27 May 2006, the **Director of Audit** advised that:

- at Audit's request, RTHK had confirmed with Company B that the average relevant experience of the crew members concerned was revised to 14 years (instead of 12.9 years), taking into account experience outside Company B. The 14 years' experience was counted up to August 2004 (i.e. when the contract was extended by one year after it was awarded in August 2003); and
- assuming that the revised figure of 14 years of average relevant experience (as at August 2004) had been used by Company B in the tender submission, Company B might have been awarded the contract. However, if Company B had used those crew members of the OB production team on 27 February 2005 as core members in the tender submission on 4 August 2003, Audit considered that the average relevant experience of the members should have been only about 13 years (i.e. 14 years less 1 year) at that time. Audit had re-calculated Company B's scores according to the marking scheme for the tender based on this revised figure of 13 years of average experience as at August 2003, and reached the same conclusion as stated in paragraph 3.11(c) of the Audit Report that Company B would not have been awarded the contract.

66. In his letters of 6 and 8 June 2006, the **Director of Broadcasting** informed the Committee that:

- the RTHK's return had used the date of the OB (i.e. 27 February 2005) as the basis, whereas Audit used the contractual date (i.e. 4 August 2003). RTHK did not have any further comments on Audit's conclusion; and
- RTHK had strengthened its contract monitoring procedures and required the OB contractor to provide the list of personnel who attended the productions. RTHK would check the personnel deployed on a monthly basis.

E. Management of OT work

Certification of journey details in vehicle logbooks and OT work of drivers during meal breaks

67. Paragraphs 4.29 to 4.31 of the Audit Report revealed that, unlike other RTHK's vehicles, the car assigned to Driver A was stationed at the Kwai Chung Depot after office hours. Audit also identified some cases in which there were discrepancies between Driver A's vehicle logbook and the actual in/out record at the Kwai Chung Depot.

68. To ascertain whether the arrangement of stationing Driver A's car at the Kwai Chung Depot (instead of at RTHK Headquarters) after office hours had violated any government regulations or had caused the driver to work more OT, the Committee asked about the government regulations in this respect and how the driver's off-duty time was taken.

69. The **Director of Broadcasting** stated, in his letters of 26 May 2006 and 10 June 2006, that:

- in relation to government guidelines or regulations on the parking location of a departmental vehicle after office hours, General Regulation 307 stipulated that: "Outside working hours all Government vehicles should be parked in a departmental garage or in a secure place off the public highway. It is the driver's responsibility to ensure that all doors and windows are closed and locked before leaving the vehicles."; and
- the off-duty time for Driver A was at the time when he finished his work after driving his vehicle back to the Kwai Chung Depot, including properly parking his vehicle, completing vehicle logbooks, conducting routine cleaning and inspection of the vehicle, etc.

70. The Committee noted that while stationing Driver A's car at the Kwai Chung Depot had not violated any government regulations, the arrangement had made it difficult for RTHK to guard against improper use of the departmental car concerned. The Committee therefore asked about the measures that RTHK would adopt to strengthen the supervisory controls over the use of the car.

71. The **Director of Broadcasting** said, at the public hearings and in his letter of 26 May 2006, that:

- RTHK agreed that there was a need to strengthen the supervisory controls over the use of Driver A's vehicle. With effect from 24 April 2006, Driver A had been required to park the vehicle in Broadcasting House, RTHK Headquarters, after his day's duties. This practice is in line with the arrangements for all vehicles in RTHK and was considered an effective measure as regards the supervisory control over the use of the vehicle. The arrangement would be reviewed in six months' time having due regard to operational considerations, efficiency, supervision of staff attendance, etc.;
- to further strengthen the supervision of Driver A and the use of the vehicle, the main user of the vehicle had also been certifying the vehicle logbook since November 2005. The Departmental Transport Officer (DTO) also regularly inspected the driver's attendance record, vehicle logbook record and OT work

register, in the same way as was required for all other drivers in the Transport Section and, where necessary, cross-checked the journey record with the tunnel record; and

- when the main user of the vehicle took leave or attended overseas duty visits, Driver A would be encouraged to take time-off-in-lieu or leave. Otherwise, he would be gainfully deployed to perform other driving duties.

72. According to paragraph 4.29 of the Audit Report, RTHK's Transport Office had stopped arranging for the certification of Driver A's vehicle logbook since October 2002. On the other hand, RTHK Administrative Circular No. 9/2003 issued in October 2003 stipulated that upon completion of a duty journey, the user would be requested to record the vehicle release time and to certify the journey details by signing on the logbook and jotting down his/her name and post. The Committee queried why RTHK's Transport Office had made the above arrangement, contrary to the requirement of the Administrative Circular.

73. In his letter of 26 May 2006, the **Director of Broadcasting** responded that:

- RTHK's records showed that the vehicle logbooks concerned used to be certified by the DTO since May 2000. When the former DTO took over the post in mid-June 2001, he was told by his predecessor to continue certifying the vehicle logbooks but he found that there was not any departmental guideline or instruction requiring him to do so. He also considered that he was not the appropriate officer to certify the logbooks on behalf of the main user of the vehicle as he did not have any information about the latter's daily journeys. With reference to other departments' practices, he thought that if the main user did not certify the logbooks himself, it was more appropriate for his personal secretary to do so;
- in late October 2002, the DTO assisted in reviewing the departmental guidelines on the use of departmental vehicles. The DTO claimed that he had taken the opportunity to ask Driver A to have the vehicle logbooks properly completed and certified, in accordance with the draft administrative circular which was finally promulgated in October 2003, but there was no written record of this. He thereafter stopped certifying the vehicle logbooks;
- as regards the rationale for his actions, the DTO concerned had advised that he respected the senior officers in the department and saw no need to raise any query on the journey records. The DTO, however, supplemented that he had taken adequate measures to counter-check the accuracy of details entered in the logbooks. He usually assigned an Assistant Clerical Officer in the Transport Section to make reference to all related records, including attendance books, duty roster, vehicle logbooks, fuelling records and tunnel

records in preparing the monthly OT allowance claims, and to report to him any irregularities spotted; and

- the DTO's explanation was believed to be truthful. It was regrettable that when the DTO found that the vehicle logbooks had still not been certified months later, he did not take action to have this rectified, e.g. bringing the issue up to his supervisors, thereby resulting in the logbooks not having been certified for three years.

74. The Committee understood that the Director of Broadcasting was the main user of Driver A's vehicle and questioned why he had not certified the vehicle logbooks concerned, even after RTHK Administrative Circular No. 9/2003 was promulgated.

75. In his letter of 10 June 2006, the **Director of Broadcasting** explained that the logbook for the vehicle concerned used to be certified by the DTO since May 2000. Therefore, he had all along been under the impression that the journey details entered therein had been properly certified, even after the issuance of RTHK Administrative Circular No. 9/2003.

76. The Committee noted from paragraphs 4.34 to 4.38 of the Audit Report that Audit had identified 52 cases of OT work of drivers during meal breaks. However, there was no documentation of the justifications for the drivers to perform OT work during normal meal break time. In paragraph 4.37(d), RTHK stated that in 11 of the 52 cases, the vehicle logbooks showed that the vehicles concerned were parked in RTHK premises at the time. RTHK agreed that there seemed to be some difficulty to convince others that the drivers in these cases could not be released for meal breaks. The Committee asked how RTHK would follow up those cases.

77. The **Assistant Director of Broadcasting (Radio)** replied that RTHK would thoroughly investigate each of the 11 cases to determine if any irregularity was involved. The results would be included in the report to be submitted to the Secretary for Commerce, Industry and Technology by the end of July 2006.

OT work of drivers for buying newspapers

78. According to paragraph 4.39 of the Audit Report, RTHK had adopted the practice of requiring a driver to work OT to buy newspapers early in the morning since 1976. In paragraph 4.42(e), Audit recommended that RTHK should review the cost-effectiveness of such arrangement and explore the option of using newspaper delivery service to meet RTHK's needs. Noting that RTHK had accepted Audit's recommendations, the

Committee enquired about the progress made by RTHK in implementing the recommendations.

79. The **Assistant Director of Broadcasting (Radio)** explained the reason for asking a driver to buy newspapers early in the morning. He said that:

- the vehicle concerned was used for newsroom services in the morning. Under normal circumstances, a driver would begin to stand by in RTHK at about 6:00 am or 7:00 am to provide support any time when required. Every day, the presenters for the morning news programme needed to have access to the 12 sets of Chinese and two sets of English newspapers in Hong Kong before 6:00 am in order to prepare the summary of news headlines and editorials for broadcast at 6:45 am;
- in order to ensure that RTHK would not miss any of the 14 sets of newspapers, RTHK had all along asked a driver to buy newspapers in the morning; and
- the Radio Division was conducting an exercise with a view to contracting out the early morning newspapers delivery service.

80. In his letter of 8 June 2006, the **Director of Broadcasting** added that the supply and delivery of newspapers for the newsrooms in early morning had been outsourced to a contractor on a trial basis for three months with effect from 1 June 2006. Performance had been satisfactory. Subject to review on the arrangement after one-month's operation, RTHK would launch a formal tendering exercise to outsource the service on a longer-term basis.

81. The Committee noted that the Director of Broadcasting had accepted all the recommendations made by Audit in paragraph 4.42 for tightening the control of OT work of drivers, including ceasing the practice of allowing a minimum period of four hours for drivers performing OT work on public holidays. The Committee asked, according to RTHK's estimate, how much expenditure on OT could be saved after the recommendations had been implemented.

82. The **Deputy Director of Broadcasting** responded that:

- RTHK had exerted a lot of efforts to reduce expenditure on OT in the last five years. The OT allowance paid to RTHK staff had decreased by 74% from \$4.3 million in 2000-01 to \$1.1 million in 2004-05. RTHK was still not yet satisfied with the results. As 64% of the OT allowance was paid to drivers, the Transport Office of RTHK would consider ways to improve the situation, such as by re-scheduling the shifts of drivers; and

- as a starting point, RTHK tentatively aimed to further reduce the expenditure on OT allowance by 10% from \$1.1 million in 2006 to \$1 million or less in 2007.

83. In response to the Committee's question, the **Secretary for Commerce, Industry and Technology** stated that the Government did not have a target for reducing OT expenditure because OT work should only be taken when it was strictly unavoidable. Nevertheless, he welcomed RTHK's initiatives to further reduce the expenditure on OT allowance.

F. Stores and procurement matters

84. According to paragraphs 5.4 to 5.6 of the Audit Report, the GLD completed a system survey on RTHK in August 2005, which revealed various irregularities in RTHK's supplies functions. In response to Audit's recommendation, the Director of Broadcasting said in paragraph 5.10(a) that RTHK would implement the GLD's recommendations made in its report of August 2005 as soon as possible. The Committee enquired when RTHK would fully implement the recommendations.

85. **Mr Gabriel LAU Chung-yin, Senior Treasury Accountant, RTHK**, replied that:

- RTHK had forwarded an implementation plan to follow up the GLD's recommendations for consideration by the GLD. Most of the recommendations would be completed within one year. It was expected that RTHK's system of procurement would be improved after implementing the recommendations; and
- RTHK had also redistributed the duties and responsibilities in the Supplies Office, as recommended by the GLD. An additional Assistant Supplies Officer post would be created to strengthen the Supplies Office. The proposal would be submitted to the GLD in two months' time, i.e. by mid-July 2006.

86. The Committee noted Audit's observation that there was room for improvement in planning for the handover of TSA inventories by 30 September 2006. Audit recommended in paragraph 5.57 of the Audit Report that RTHK should closely monitor the progress of the stocktaking of TSA inventories and, in consultation with the FSTB and Company A, work out an acceptable basis for assessing the indemnity for loss of TSA inventories as early as possible. The Committee asked about the progress that had been made.

87. The **Controller of Production Services** said that RTHK had been liaising with Company A over the stocktaking of TSA inventories and would complete the exercise before the expiry of the TSA.

88. In the letter of 15 June 2006 in *Appendix 20*, the **Secretary for Financial Services and the Treasury** advised that the FSTB had issued a memorandum to the Director of Broadcasting on 29 May 2006, seeking information and advice on, amongst others, the loss of their TSA inventories and Director of Audit's recommendation on the assessment of indemnity. Subject to the advice from the Director of Broadcasting, the FSTB would work out with RTHK, and in consultation with relevant departments, an appropriate basis for assessing the indemnity for loss of TSA inventories.

G. Entertainment expenses

Need to economise on entertainment and spring receptions

89. The Committee noted Audit's observations in paragraphs 6.21 and 6.22 that despite the general guideline issued by the Director of Administration in March 2003 that no more spring or annual receptions should be held unless with full justifications, RTHK organised six spring receptions/lunches/dinners costing a total of \$52,857 in 2004-05. As far as Audit could ascertain, RTHK did not document the full justifications for not complying with this general guideline, as required by the Director of Administration. Audit considered that organising six spring receptions a year appeared excessive.

90. It appeared to the Committee that RTHK, in holding six spring receptions without full justifications, had paid no regard to the relevant government guidelines. The Committee asked whether this was the case.

91. The **Director of Broadcasting**, the **Deputy Director of Broadcasting**, the **Assistant Director of Broadcasting (PATV)** and the **Assistant Director of Broadcasting (Radio)** stated that:

- RTHK noted the Director of Administration's guideline that departments should avoid holding spring or annual receptions as they might be perceived as lavish and not commensurate with the Government's economy drive. RTHK had not ignored the guideline but noted that it allowed Heads of Departments some flexibility to hold spring receptions where justified. The spring receptions held by RTHK were of small scale with guests carefully selected, and were certainly not lavish;

- the RTHK Lunar New Year Celebration 2005, attended by 220 to 250 guests, was an annual event to greet RTHK's close partners and guests, including all electronic media as well as Legislative Council Members and representatives of the Government. It was broadcast on radio and TV and was regarded as a programme. It should not be treated as spring reception which was different in nature;
- as for the other five spring lunches/dinners, more than 80 guests from various sectors were invited. Most of the guests had offered help and professional advice to RTHK for the whole year, and the opportunity was chosen after the Lunar New Year for RTHK to thank them for their support. The receptions could also be regarded as meetings for RTHK to consult professionals from different sectors on its programme direction in the coming year. Arrangement of five different occasions to meet RTHK's close partners and guests could enhance the quality of communication; and
- as the public was concerned about RTHK's organising five spring receptions, RTHK would consider whether to reduce the number in the future. On each occasion where there was a need to hold a reception, the justifications would be fully documented.

92. The Committee asked whether RTHK agreed with Audit's view that organising six spring receptions a year was excessive and whether it would continue to organise spring receptions next year. The **Director of Broadcasting** responded that:

- RTHK, being a public service broadcaster, operated seven radio channels, undertook a wide range of activities and produced a large amount of radio and television programmes. It was essential for RTHK to maintain contact and good relationship with different organisations and different people. As the Controlling Officer, he considered that the \$52,857 for organising the six receptions was well-spent; and
- RTHK was an organisation that faced the public. It would take into consideration the views of the public, including Audit and the Public Accounts Committee, in deciding the way forward in this regard.

93. According to paragraph 6.8 of the Audit Report, in 2004-05, RTHK's total expenditure on entertainment amounted to \$750,000, comprising official entertainment (\$390,000), and programme-related entertainment (\$360,000). The Committee asked:

- whether RTHK's expenditure of \$390,000 on official entertainment was on the high side or low side when compared to that of other bureaux and government departments; and

- whether, in the light of RTHK's explanations, the FSTB considered organising the six spring receptions excessive, and whether they were perceived as lavish and not commensurate with Government's economy drive.

94. The **Deputy Director of Broadcasting** and the **Assistant Director of Broadcasting (PATV)** responded that:

- as reported in Figure 5 in paragraph 6.8 of the Audit Report, RTHK's expenditure on entertainment (including both official and programme-related entertainment) in 2002-03 was \$530,000, and \$750,000 in each of 2003-04 and 2004-05. The expenditure had increased in the last two years because those were the post-SARS days, there were requests in the community and in the Government for more functions and events to be organised to boost the social atmosphere and to promote Hong Kong. Moreover, following the launch of CEPA, there had been more exchange activities with Mainland radio and TV stations. All these had led to an increase in entertainment functions and expenditure;
- RTHK's management also considered that RTHK had organised too many activities. For instance, 263 activities had been launched in 2004. The Director of Broadcasting had therefore directed that the number of various kinds of activities in 2005 should be reduced to 160. As a result, RTHK's total expenditure on entertainment had reduced by 37% from \$750,000 in 2004-05 to \$470,000 odd in 2005-06; and
- there was a genuine need for RTHK staff to be allowed to entertain artists, presenters and other guests to facilitate programme liaison. The artists and guests so entertained might have provided programme idea to RTHK for free or might be willing to work for RTHK for free or at fees below the market rates.

95. **Miss Amy TSE, Deputy Secretary for Financial Services and the Treasury (Treasury)**, said at the public hearing and in the Secretary for Financial Services and the Treasury's letter of 26 May 2006 (in *Appendix 21*) that:

- the expenditure of RTHK on official entertainment was charged under Head 160 Subhead 000 Operational expenses. The financial provision under this subhead operated as a one-line vote, covering all recurrent expenditure of RTHK. As Controlling Officer, the Director of Broadcasting was given autonomy and flexibility in deploying the funds within this subhead having regard to relevant rules and guidelines governing the proper use of resources. This was in line with the provision under section 12(2) of the Public Finance Ordinance that "a controlling officer shall be responsible and accountable for all expenditure from any head or subhead for which he is the controlling

officer, and for all public moneys and Government property in respect of the department or service for which he is responsible”;

- given the diversity of business nature and variation in size of budget among different bureaux/departments, the funding requirement of each Controlling Officer for official entertainment varied. As a general principle, bureaux/departments should exercise strict economy when entertaining guests and avoid accusations of extravagance. However, it was incumbent upon the Controlling Officers to decide and account for the use of their entertainment expenses. The FSTB was not in a position to determine whether the level of official entertainment expenses of an individual department was on the high or low side when compared to that of other government bureaux/departments; and
- for the above reasons, the need for organising spring or annual receptions in RTHK was an operational matter for the Director of Broadcasting to decide having regard to the operational needs of the RTHK as well as the relevant rules and guidelines. As far as spring receptions were concerned, a general guideline that spring or annual receptions could only be held with full justifications was clearly set out in the circular issued by the Director of Administration in March 2003. It was not for FSTB to advise whether the number of spring receptions held by RTHK was appropriate or not.

96. The **Permanent Secretary for Commerce, Industry and Technology (C&T)** said that:

- the guidelines issued by the Director of Administration did not mention that spring receptions could not be held at all. It stated that no spring receptions should be held, unless with full justifications. As a Head of Department, the Director of Broadcasting was delegated with the authority for deciding whether it was justifiable to hold a spring reception; and
- the crux of the problem, as identified in the Audit Report, was that RTHK had not complied with the requirement to document the justifications for holding spring receptions. If the reasons for holding the spring receptions/lunches/dinners had been documented clearly, there should not have been questions about the appropriateness of holding six spring receptions.

Cases exceeding spending limits

97. Paragraph 6.20 of the Audit Report revealed that there was a case in which two claims for reimbursement of entertainment expenses were made for two consecutive functions held in the same venue and attended by the same group of people. If one event had been held instead of two, the total cost of \$382 per head would have exceeded the financial ceiling of \$325 for dinner promulgated in RTHK Accounting Circular No. 2/2003. Audit was concerned about the absence of any documentary evidence to substantiate that the two events were really organised as two separate functions. The Committee asked about the improvement action that would be taken by RTHK in this regard.

98. The **Assistant Director of Broadcasting (Radio)** stated that:

- the spring reception and the spring dinner held on 4 March 2005 were two separate functions using the same venue. Holding the two functions in the same venue was less costly because discount had been offered. A cocktail reception was organised for guest presenters of Radio 3 and Radio 4 to meet the press. The reception was followed by a spring dinner, for which guests were invited in advance. Some of them attended the cocktail in the evening and some did not. However, as RTHK did not have an accurate record of the participants for the cocktail reception, it appeared that the guests for both functions were basically the same;
- RTHK agreed that, for the avoidance of doubt, it should have documented the justifications for such arrangement. It would do so in the future; and
- even if the two bills for the reception and the dinner were combined as one, the total cost per head (i.e. \$382) would still fall within the limit of \$400 per person for dinner.

99. The Committee noted that the limit of \$400 was the limit promulgated in the Director of Administration's guidelines. As pointed out by Audit in paragraph 6.20, the cost of \$382 per head would have exceeded the financial ceiling of \$325 for dinner promulgated in RTHK Accounting Circular No. 2/2003. The Committee asked why the Assistant Director of Broadcasting (Radio) referred to the limit of \$400, instead of the ceiling of \$325 stipulated in RTHK Accounting Circular No. 2/2003.

100. In his letter of 10 June 2006, the **Director of Broadcasting** stated that:

- RTHK had maintained a two-tier system for settlement of expenses on entertainment incurred from official duties. The financial ceilings for entertainment expenses incurred under the first tier, i.e. "Official Entertainment", were \$250 and \$400 for lunch and dinner per head

respectively. They referred to functions held at the corporate level. The ceilings followed those promulgated by the Director of Administration;

- the second tier, “Programme-related Entertainment”, required that the spending limits should be set at \$250 and \$325 for lunch and dinner per head respectively, as promulgated in RTHK Accounting Circular No. 2/2003. Claims for entertainment incurred from programme production were settled under this arrangement. The financial limits were internally set and used to be approved annually by the former Finance Branch. However, since 16 May 1995, the then Secretary for the Treasury had advised that there was no need to seek the Finance Branch’s approval; and
- the function on 4 March 2005 was held as a corporate event and therefore, the total expenses incurred could in principle be settled under the first tier, i.e. “Official Entertainment”.

101. The Committee further asked why RTHK had not upgraded its internal financial ceilings for lunch and dinner to the same level (i.e. \$250 and \$400 respectively) as stipulated in the Director of Administration’s guidelines, and whether it would consider doing so.

102. The **Director of Broadcasting** advised, in the same letter, that:

- the financial ceilings for lunch per head incurred from “Official Entertainment” and “Programme-related Entertainment” had remained at \$250, and that for dinner per head incurred from “Official Entertainment” at the level of \$400, in line with the limits promulgated by the Director of Administration;
- the only difference lay in the financial ceiling for dinner in the case of “Programme-related Entertainment”. In this respect, RTHK had considered in 2003 upgrading the ceiling to \$400, in line with the limit promulgated by the Director of Administration. However, taking into account the financial situation of the Government at that time, RTHK concluded at the time that it was not a good timing to increase the financial limit and decided that the ceiling for dinner should remain unchanged; and
- with a lapse of about three years since the last review, RTHK agreed that it was time to consider reviewing the internal financial ceilings on entertainment expenses, in line with the limits promulgated by the Director of Administration.

Entertainment for programme liaison

103. According to paragraphs 6.23 and 6.24 of the Audit Report, RTHK Accounting Circular No. 2/2003 stipulated that programme-related entertainment expenditure was chargeable to public funds in respect of hospitality for **no-pay** artists and guests. However, Audit found out that it was not uncommon for RTHK to incur entertainment expenditure during programme liaison/discussion with paid artists or prospective paid artists. Audit recommended that RTHK should devise clearer guidelines regarding entertainment expenses for paid artists for programme liaison. The Committee asked about the actions that RTHK would take.

104. The **Assistant Director of Broadcasting (Radio)** and the **Assistant Director of Broadcasting (PATV)** replied that:

- in practice, RTHK had had difficulties in complying with the above guidelines. This was because entertainment expenditure would inevitably be incurred during programme liaison/discussion with prospective paid artists. However, charging such expenditure to programme production costs was not in compliance with the guidelines; and
- RTHK would consider how the guidelines should be revised, taking into account the need to provide flexibility in programme production while ensuring prudence in the use of public funds.

Cases without prior approval

105. The Committee noted from paragraphs 6.12 to 6.16 that RTHK's procedures required that prior approval from the proper authority should be sought before the entertainment event. However, Audit identified that there was a high percentage of cases without prior approval. The Committee asked about the reasons for not seeking prior approval and for the approving officers to give covering approval.

106. The **Director of Broadcasting** and the **Assistant Director of Broadcasting (PATV)** explained that:

- currently, proposed official entertainment functions would be considered by RTHK's management at various senior-level meetings held regularly. For example, at the weekly management-level meeting chaired by the Director of Broadcasting, entertainment functions to be organised would be discussed. Approval-in-principle for holding the functions, which were considered justified, would be given verbally at those meetings;

- even if approval-in-principle had been obtained verbally, sometimes the details of the function would change, which was beyond the control of the staff concerned. For instance, the actual number of guests who turned up might be more or less than as originally anticipated. In such cases, the staff concerned would have to seek covering approval with the details after the function. To ensure that all staff would exercise due care in using public funds, RTHK had put in place stringent requirement for claiming reimbursement of official entertainment expenses. For cases exceeding \$500, the staff concerned was required to provide the menu to support the claim; and
- Audit had recommended that verbal approval was acceptable for urgent and exceptional cases, which should be clearly documented by the claimant on the claim form for record purposes. In implementing this recommendation, RTHK had to strike a balance between the need to comply with the guidelines and the practical difficulties faced by front-line staff. For example, when there was unforeseen change in the details of the function, such as a change in venue or in the number of guests, RTHK might allow the staff concerned to seek approval from the approving officer verbally who might record the situation in a logbook, rather than requiring the staff to complete a form. RTHK would issue clearer guidelines to staff. If necessary, RTHK would seek advice from the CITB and the FSTB.

H. Management of sponsorship

107. The Committee noted from paragraphs 7.26 to 7.33 of the Audit Report that, in accordance with CSB Circular No. 7/94, the Head of Department might personally approve sponsored visits to such events as conferences and demonstrations of new technology, except cases involving Taiwan in which case the Secretary for the Civil Service (SCS) remained the approving authority. However, Audit's examination of the 52 sponsored visits approved in 2004-05 by the Director of Broadcasting under CSB Circular No. 7/94 revealed two official visits to Taiwan, which were sponsored by non-profit-making organisations. As stated in paragraph 7.33(b), the CSB agreed that the SCS's approval should be sought for such visits to Taiwan in accordance with the requirement under CSB Circular No. 7/94.

108. The Committee asked why RTHK had not sought the SCS's approval for the two visits in question.

109. The **Assistant Director of Broadcasting (Radio)** and the **Assistant Director of Broadcasting (PATV)** explained that:

- the two visits to Taiwan were industry-related and the staff concerned, being experienced TV production professionals, were invited to attend the symposiums in their personal capacity, not their official capacity. As such, RTHK had misunderstood that it was not necessary to seek approval from the CSB; and
- after Audit had raised its concern, RTHK realised that it had overlooked the requirement. Covering approval was now being sought from the CSB. RTHK would comply with the relevant requirement in the future.

110. The Committee asked about the follow-up actions that the CSB had taken or would take regarding the two visits.

111. The **Secretary for the Civil Service**, in the letter of 10 June 2006 in *Appendix 22*, advised that:

- RTHK had written to the CSB earlier seeking covering approval for acceptance of the sponsorship for the two visits to Taiwan in 2004. The CSB had informed RTHK of its view that approval would have been granted if RTHK had consulted it before accepting the sponsorship in 2004;
- the Secretary for Commerce, Industry and Technology had earlier requested the Director of Broadcasting to submit a report by July 2006 after due investigation on:
 - (a) whether disciplinary proceedings should be instituted against the staff concerned in respect of cases covered in the Audit Report No. 46; and
 - (b) whether any managerial staff should take management responsibility and be held accountable; and
- depending on the investigation findings and the recommendations of the Director of Broadcasting in his report, the CSB stood ready to provide assistance to RTHK in taking appropriate follow-up actions, including the conduct of disciplinary proceedings, if necessary.

112. The Committee asked whether there was any upper limit for accepting sponsorships in kind from commercial organisations by the RTHK. The **Permanent Secretary for Commerce, Industry and Technology (C&T)** replied that, since 1997, RTHK had been forbidden to accept sponsorships from commercial organisations for its

programmes and this was still the existing government policy. Hence, there was no question of an upper limit for accepting sponsorships in kind.

I. Conclusions and recommendations

113. The Committee:

- expresses dissatisfaction and finds it unacceptable that it has been apparent from this fourth audit review relating to Radio Television Hong Kong (RTHK) that certain irregularities of different degrees of concern still exist in RTHK, although such irregularities had already been identified at different times in previous audit reviews conducted in 1997, 1999 and 2001, and in a number of internal and external reviews;
- recognises the special nature of RTHK as it is a public service broadcaster operating in a competitive media environment, but considers that this should not have been an excuse for non-compliance with applicable government rules and regulations, as exemptions should have been sought if justifiable on the ground of special circumstances;
- agrees with the Director of Audit that whilst the amounts involved in individual cases identified by the Audit Commission (Audit) might not be substantial, the irregularities are a cause for concern, taking into account their nature, prevalence, and the risks that they posed to the proper use of public funds;
- affirms the positive attitude of RTHK's top management, demonstrated at the Committee's public hearings, towards the need to achieve full compliance with government rules and regulations and its resolve to foster a compliance culture among staff, as illustrated by its proposed adoption of "compliance" as one of the core competencies under its proposed new staff appraisal system;
- strongly urges the Director of Broadcasting to take expeditious actions to rectify the irregularities identified in the audit and other reviews and to ensure that they will not recur;

Management of departmental contract staff (DCS) and service providers

- expresses serious concern:
 - (a) that the existing fee scale table of RTHK is not yet complete, because various issues relating to the benchmarking of the table against comparable civil service posts and the going market rates have not been properly addressed;

- (b) that various irregularities in the keeping of attendance records of departmental contract staff (DCS) and service providers were identified in the audit review; and
 - (c) about RTHK's undesirable practices of giving covering approval for overtime (OT) work and additional work, and of signing employment contracts after works had commenced;
- expresses grave concern that RTHK has continued to employ both full-time and part-time DCS III and the number of such staff has remained high, despite its commitments made in March 2000, in response to the audit review of February 1997, to regularise the employment of about 130 full-time DCS III by appointing them on non-civil service contract (NCSC) terms and to complete that exercise by the end of 2000;
- acknowledges that RTHK:
 - (a) has made significant progress in reducing the number of long serving DCS I, and the number of such staff has been reduced from 120 in April 1998 to 18 in January 2006; and
 - (b) aims to migrate the remaining 18 DCS I and the 148 DCS III to the NCSC framework by June 2006 and December 2006 respectively despite the perceived difficulties involved;
- notes that the Director of Broadcasting:
 - (a) has set up a Working Group on Fee Scale Review with the objectives of improving the fee scale table and implementing Audit's recommendations, and the revised fee scale table is expected to be implemented in early 2007; and
 - (b) has accepted the audit recommendations in paragraph 2.49 of Director of Audit's Report (Audit Report), which include:
 - (i) taking action to ensure that the controls over attendance records are strictly enforced; and
 - (ii) discouraging the practice of giving covering approval, and requesting RTHK staff to submit explanations if prior approval has not been sought;

Management of outsourcing activities

- expresses serious concern that:
 - (a) the contractor of the outside broadcast (OB) contracts did not always comply with the contract terms and, in some cases, staff members with the required experience and track records specified in the contracts were not provided to RTHK for the OB work;
 - (b) there was no documentary evidence to show that RTHK had formally considered the question of potential conflict of interest before awarding the OB contracts; and
 - (c) the conflict of interest situation has, to a certain extent, compromised RTHK's efforts in re-scheduling rest days of the Technical Services Agreement (TSA) staff to reduce OT work to a minimum;
- expresses concern that:
 - (a) some TSA staff who conducted OB work during their rest days had to work more than 12 hours continuously;
 - (b) the justification for RTHK to outsource the OB services on cost considerations may no longer be valid; and
 - (c) some of the TSA staff (e.g. camera operators and lighting operators) have significant standby time and have been under-utilised;
- notes that:
 - (a) RTHK has strengthened its contract monitoring procedures and required the OB contractor to provide the list of personnel who attended the productions, and RTHK will check the personnel deployed on a monthly basis;
 - (b) both the TSA contractor and the OB contractor have advised that they will provide undertaking statements to ensure no conflict of interest, before a contract is awarded in the future;
 - (c) RTHK will pursue, within the parameters of the new contracts replacing the current TSA on 1 October 2006, the audit recommendations to make better use of TSA staff to reduce outsourcing work, and to consider whether the OB work can be produced more cost-effectively under the TSA; and

- (d) the TSA contractor has advised that it would try its best to arrange for better utilisation of camera operators and lighting operators, subject to RTHK bookings;

Management of OT work

- expresses concern that:
 - (a) RTHK has not made sufficient efforts to further reduce OT payments under the TSA by ensuring that OT work is performed only where it is strictly unavoidable, re-scheduling rest days of TSA staff to better match with work requirements, and improving work scheduling to better utilise the TSA manpower resources, despite that the audit review of March 1999 had already highlighted the need and made recommendations for RTHK to minimise OT payments under the TSA;
 - (b) there was no documentation of the justifications for RTHK's drivers to perform OT work during normal meal break time;
 - (c) RTHK's practice of requiring drivers to work OT for buying newspapers early in the morning is not cost-effective; and
 - (d) RTHK's checking of OT work registers was inadequate;
- expresses serious concern about the cases in which the journey details recorded in the vehicle logbooks had not been certified by the vehicle users concerned. In particular, the Director of Broadcasting had not certified the journey details recorded in the logbook for the vehicle used mainly by him, even after the issuance of RTHK Administrative Circular No. 9/2003 which requires users of departmental transport to certify the journey details by signing on the logbook upon completion of a duty journey;
- does not accept the Director of Broadcasting's explanation that the logbook for the vehicle concerned used to be certified by the Departmental Transport Officer, he had therefore all along been under the impression that the journey details entered therein had been properly certified;
- notes that:
 - (a) RTHK has agreed to discuss with the TSA contractor to identify if there is any further room for arranging time-off in lieu of OT payments;
 - (b) RTHK has agreed to ensure effective monitoring of the provision of technical services under the new contracts replacing the TSA with effect from October 2006;

- (c) RTHK has contracted out the early morning newspapers delivery service, with a view to ceasing the practice of requiring drivers to buy newspapers early in the morning;
- (d) RTHK has accepted the audit recommendations in paragraphs 4.42 and 4.47 of the Audit Report and is taking positive action in implementing the recommendations to improve the control of OT work performed by its drivers; and
- (e) since November 2005, the Director of Broadcasting has been certifying the logbook for the vehicle used mainly by him;

Stores and procurement matters

- expresses serious concern that:
 - (a) the irregularities revealed by the Government Logistics Department's system survey of August 2005 highlighted a lack of compliance culture among staff of RTHK, as far as procurement matters are concerned;
 - (b) cases of non-compliance with the Stores and Procurement Regulations and other relevant guidelines were revealed by the audit review of the management of stores and inventory; and
 - (c) RTHK has not made sufficient efforts in planning for the handover of TSA inventories by 30 September 2006;
- notes that:
 - (a) the Director of Broadcasting has agreed to remind all staff concerned about the commitment of the top management of RTHK to strictly comply with the relevant government regulations and guidelines on procurement;
 - (b) the Director of Broadcasting has agreed to the audit recommendations in paragraphs 5.9, 5.20, 5.30, 5.39, 5.45 and 5.57 of the Audit Report; and
 - (c) RTHK and the TSA contractor are deploying resources to implement the handover of inventories according to the timetable;

Entertainment expenses

- expresses concern that:
 - (a) the high percentage of cases without prior approval shows that RTHK's approving officers may not be able to properly discharge their duties to ensure that the relevant regulations and guidelines on entertainment expenses are fully complied with;
 - (b) there were some cases which had exceeded the spending limits according to the Director of Administration's guidelines;
 - (c) there was a case in which two claims for reimbursement of entertainment expenses were made for two consecutive functions held in the same venue and attended by the same group of people, and if one event had been held instead of two, the total cost of \$382 per head would have exceeded the financial ceiling of \$325 for dinner promulgated in RTHK Accounting Circular No. 2/2003. However, there was no documentary evidence to substantiate that they were really organised as two separate functions;
 - (d) there was a lack of documentation of the full justifications for RTHK to organise six spring receptions in 2004-05;
 - (e) entertainment expenses for programme liaison and discussion may not comply with the relevant government guidelines; and
 - (f) RTHK had not made sufficient efforts to economise on official and programme-related entertainment;
- finds it unacceptable that in some cases, expenses relating to entertainment functions involving only government staff were charged to public funds;
- notes that:
 - (a) RTHK has issued guidelines to remind officers of the proper procedures for claiming entertainment expenses and will continue to closely monitor the spending against the recommended limits;
 - (b) RTHK will revisit carefully its rationale for holding spring receptions in the future and, on each occasion where there is a need to hold a reception, justifications will be documented;

- (c) RTHK will issue more detailed guidelines to facilitate the full understanding and compliance of staff regarding entertainment for programme liaison and, where necessary, consult the Financial Services and the Treasury Bureau;
- (d) RTHK has issued departmental guidelines to remind its staff of the general rule that expenses of entertainment functions attended only by government staff should not be charged to public funds; and
- (e) RTHK will remind all staff concerned of the need for entertainment expenditure to reflect well on RTHK, not only as a host, but also as a user of the taxpayer's money;

Management of sponsorship

- expresses serious concern that:
 - (a) RTHK's practice of accepting sponsorships in kind from commercial organisations is not in compliance with the existing government policy on sponsorship for programmes;
 - (b) RTHK's internal guidelines relating to the acceptance of gifts and prizes are not consistent with the principles and rules set out in the Commerce, Industry and Technology Bureau (CITB) policy guidelines; and
 - (c) cases of non-compliance with relevant government guidelines on sponsored visits were revealed by the audit review;
- expresses serious dismay and finds it unacceptable that the Secretary for the Civil Service's approval was not sought by RTHK for two official visits to Taiwan, violating the requirement under the Civil Service Bureau (CSB) Circular No. 7/94;
- notes that:
 - (a) the CITB has advised that the existing policy guideline issued in 1998 is clear that RTHK is permitted to accept sponsorship, in cash or in kind, for its programmes from non-profit-making organisations only;
 - (b) the CITB has advised RTHK to take into account international best practice, and to propose with detailed justifications the proper procedures for handling prizes donated by commercial organisations for further deliberations with the CITB;
 - (c) the CSB has advised RTHK on the proper procedures for the approval of sponsored visits;

- (d) in response to RTHK's seeking of covering approval for the two visits to Taiwan, the CSB has informed RTHK that approval would have been granted if RTHK had consulted it before accepting the sponsorship for the visits; and
- (e) the Director of Broadcasting has agreed to the audit recommendations in paragraphs 7.22 and 7.31 of the Audit Report; and

Follow-up action

- wishes to be kept informed of:
 - (a) the progress of actions taken by the Director of Broadcasting to rectify the irregularities identified in the audit and other reviews and to ensure that they will not recur; and
 - (b) the progress on the implementation of the audit recommendations.

A. Introduction

The Audit Commission (Audit) conducted a review to examine the fundamental reasons for the problems identified in another audit review conducted concurrently on the financial control and resource management of Radio Television Hong Kong (RTHK).

B. Compliance culture and internal control

2. Paragraph 2.12 of the Director of Audit's Report (Audit Report) stated that, as a government department, RTHK was required to comply with government regulations, guidelines and procedures, which were intended to reduce irregularities to a minimum. However, as revealed in paragraph 2.11 of the Report, the various audit reviews on RTHK and other reviews, including those by the System Review Unit (SRU) of RTHK, the Independent Commission Against Corruption (ICAC), the Civil Service Bureau (CSB) and the Government Logistics Department, had highlighted the lack of a culture among RTHK staff to comply with applicable regulations, guidelines and procedures.

3. In response to the Committee's request, **Mr Benjamin TANG, Director of Audit**, provided, in his letter of 24 May 2006 in *Appendix 9*, a summary of the issues raised in Chapters 7 and 8 of the Audit Report (concerning RTHK's financial control and resource management and its governance and strategic management respectively) which had not been fully addressed by RTHK despite previous reviews by Audit.

4. It appeared to the Committee that the prevalence of cases of non-compliance with regulations, guidelines and procedures in RTHK reflected a lack of good management culture. The Committee asked about the measures that had been/would be adopted by RTHK to address the various compliance problems.

5. **Mr CHU Pui-hing, Director of Broadcasting**, said at the hearing and in the overall response from RTHK dated 4 May 2006, in *Appendix 23*, that:

- RTHK fully appreciated its status as a government department and would, to meet the aspirations and interests of the public, take measures to foster a corporate culture of compliance. It pledged to provide a high-quality public broadcasting service and, at the same time, exercise prudence in the use of public funds and comply with government rules and regulations. RTHK had absolute confidence in rectifying the various irregularities identified in the audit reviews;
- in reviewing its operating systems and procedures, RTHK had implemented the recommendations made by various government agencies that had conducted reviews on RTHK over the years. Measures had also been introduced to improve RTHK's internal control;

- in the past two years, all new recruits had to attend an induction training programme on rules and compliance, while existing staff had to join regular briefing workshops; and
- in evaluating RTHK's performance, there was a need to undertake more in-depth discussions on issues like corporatisation, public participation and performance indicators. Through such discussions, more insight would be generated to help identify the way forward. RTHK would continue to consult members of the public through such channels as public hearings, opinion surveys, focus groups, programme hotlines, so as to enable it to continue to provide a cost-effective and high-quality broadcasting service.

6. In response to the Committee's enquiry as to whether RTHK would introduce short-term measures to enhance monitoring over its staff before medium/long-term improvement measures were implemented, **Mr Raymond NG Sek-fai, Deputy Director of Broadcasting**, advised that:

- staff training on important government and departmental rules and regulations had been provided through briefings, seminars, workshops and induction programmes. This was an on-going exercise, with the latest round of talks given by representatives of the Corruption Prevention Department and the Community Relations Department of the ICAC as well as the Treasury in 2005. The talks had attracted a high attendance. The number of participating RTHK staff far exceeded 400. During the talks, RTHK staff had raised a lot of issues for discussions. This demonstrated the resolve of RTHK's management and staff to foster a culture of compliance in the organisation; and
- RTHK would continue to implement short-term measures to improve internal control. For example, the Treasury had agreed to arrange two more workshops on financial control for RTHK staff in the second and third quarters of this financial year. RTHK would deploy resources to enable staff of all ranks to receive suitable training.

7. Noting that RTHK was facing fierce competition from commercial broadcasters, the Committee asked whether:

- the Administration would allow RTHK to operate in a commercial mode;
- RTHK should avoid competing with commercial broadcasters; or
- RTHK was expected to strike a balance between the need to compete in the media market and, similar to other government departments, to fully comply with government rules and regulations.

8. The **Director of Broadcasting** responded that:

- striking a fair balance between maintaining competitiveness in the media market and compliance with government rules and regulations was a great challenge to RTHK. Like all other media players in the broadcasting industry, RTHK had to operate in a diverse and ever-changing environment which reasonably required responsiveness to the pulse of the public, flexibility in systems and a certain degree of freedom to accommodate staff's creativity and innovation, so as to ensure the delivery of high-quality productions in a timely manner. Given the nature of the business, it was desirable for RTHK to have greater flexibility as far as compliance with government rules and regulations was concerned; and
- no matter whether RTHK would be given greater flexibility, it would continue to strive for continued improvements in all aspects.

9. **Mr Joseph WONG Wing-ping, Secretary for Commerce, Industry and Technology**, said that:

- he shared Audit's observation in paragraph 2.16 of the Audit Report that, without specific exemptions granted by the relevant authorities, RTHK should ensure that all applicable government regulations, guidelines and procedures were strictly complied with;
- if RTHK considered that any government policies, regulations, guidelines or procedures had posed difficulties to its operation, it might explain the problems to its policy bureau, namely, the Commerce, Industry and Technology Bureau (CITB). If the CITB considered that there were justifications after examining the problems concerned, it would discuss with other relevant authorities, such as the CSB and the Treasury, to see if specific exemptions should be granted. For instance, if RTHK considered that it should be given more flexibility in accepting commercial sponsorship, it might put forward a proposal with full justifications to the CITB for its consideration. Provided that RTHK's editorial independence would not be affected and the public interest would not be prejudiced by any commercial elements, the proposal would be positively considered;
- although RTHK had been implementing improvement measures over the years aiming at achieving full compliance with government rules and regulations, the latest audit reviews on RTHK had revealed that a number of irregularities identified in previous reviews still existed;

- given the experience of past reviews not producing significant improvements, the Administration had decided to upgrade the SRU set up by RTHK in April 2002 to a high-level internal audit team. It would look into the problems identified in the latest audit reviews, put forward suggestions and closely monitor the full implementation of the various audit recommendations. The team was headed by a directorate Chief Treasury Accountant (CTA) seconded from the Treasury. A Senior Auditor from Audit would also be seconded to RTHK to serve as member of the team. Although it was not a normal practice to second an accountant from the Treasury to RTHK, this course of action was considered to be a positive and interactive one; and
- the reason for appointing a directorate officer to head the team was to enable it to examine, from a high-level perspective, the need to change any policies, regulations, guidelines or procedures, or to seek exemptions from certain policies, regulations, guidelines or procedures. The high-level internal audit team, which had commenced operation, reported directly to the Director of Broadcasting. The reports of the team would be copied to the CITB for perusal, so as to enable the latter to decide, in consultation with the CSB and the Financial Services and the Treasury Bureau (FSTB), whether any follow-up action was necessary. The Administration hoped that, with the high-level internal audit team, the irregularities identified could be fully rectified at a faster pace. If it was proved that changes needed to be made, the CITB would follow the matters up with relevant bureaux, departments and/or the Legislative Council, where necessary.

10. In response to the Committee's enquiry about the work progress of the internal audit team, the **Director of Broadcasting** said that the CTA had drawn up an action plan setting out the major tasks to be carried out by the team in 2006. As per the Committee's request, the **Director of Broadcasting** provided, in his letter of 24 May 2006 in *Appendix 11*, the draft action plan which set out the actions taken by RTHK in respect of the various audit recommendations.

11. The Committee further enquired whether the CTA, who was completely new to RTHK's operational environment, was able to put forward constructive and feasible suggestions.

12. **Mr CHEUNG Man-sun, Assistant Director of Broadcasting (Public Affairs Television)**, said that:

- in cases where the suggestions put forward by the CTA were not feasible, RTHK staff would discuss the difficulties with RTHK's management or the CITB, where appropriate;

- it was hoped that with the recommendations of the internal audit team, RTHK would be given a certain degree of flexibility so that it could strike a better balance between production of programmes and compliance with government rules and regulations; and
- RTHK would grasp this opportunity to thoroughly address the various problems, in particular the lack of a culture among RTHK staff to comply with applicable regulations, guidelines and procedures.

13. The **Director of Broadcasting** supplemented, in his letter of 8 June 2006 in *Appendix 12*, that:

- the internal audit team had made good progress in assisting and monitoring the implementation of the various actions set out in the action plan; and
- the CTA said that RTHK's management and staff had given positive response in implementing the various actions in the action plan.

As requested by the Committee, the **Director of Broadcasting** provided, in his letter of 8 June 2006, the latest progress made by the internal audit team in implementing certain actions in the action plan.

14. The Committee asked whether RTHK had earmarked resources to implement the necessary internal control measures. The **Director of Broadcasting** replied that the internal control measure that had been implemented most recently was the setting up of the high-level internal audit team. RTHK would deploy \$2 million in the current financial year to meet the additional staffing requirements.

15. The Committee noted from paragraph 2.23(a) of the Audit Report that RTHK's management had over the years put in place various internal control measures, the latest effort being the initiatives to review internal audit effectiveness and to set up with the ICAC an ongoing Steering Committee. The Committee asked when the Steering Committee would be established and when it would publish its first report.

16. The **Deputy Director of Broadcasting** informed the Committee that RTHK's management had attended a meeting with directorate officers of the Corruption Prevention Department of the ICAC in late 2005. At that meeting, the two parties had agreed that there were certain areas, such as procurement of goods and services, where internal control should be enhanced. Given that the value-for-money (VFM) audits on RTHK were progressing at that time, the two parties had further agreed that the Steering Committee should commence work after the VFM audits and the associated process had completed.

17. Noting from paragraph 2.28(c) of the Audit Report that RTHK was actively considering adopting “compliance” as one of the core competencies under a proposed new staff appraisal system, the Committee asked:

- whether this initiative would be applicable to every RTHK staff, including the Director of Broadcasting and Deputy Director of Broadcasting; and
- when this initiative would be implemented.

18. The **Deputy Director of Broadcasting** replied that RTHK was conducting staff consultation regarding the adoption of “compliance” as one of the core competencies under a proposed new staff appraisal system being developed. After completing the consultation, RTHK would consult the CSB on the matter. It was expected that the draft proposal would be ready by the end of 2006.

19. It appeared to the Committee that “compliance” was a prerequisite for every RTHK staff even if it was currently not one of the core competencies under the staff appraisal system. However, if RTHK considered it desirable to adopt the proposal, it should be implemented immediately so as to send a clear message to RTHK staff that there was an imminent need to achieve a culture of compliance.

20. **Mr Francis HO Suen-wai, Permanent Secretary for Commerce, Industry and Technology (Communications and Technology)**, informed the Committee that:

- soon after the publication of the Audit Report, the Director of Broadcasting had issued a letter to all staff, informing them that RTHK attached great importance to the Audit Report and encouraging them to perform their job well. Moreover, a meeting attended by all staff had been held to address the need for compliance; and
- the appraising officers in RTHK had been informed of the need to adopt “compliance” as one of the core competencies in assessing the performance of their staff. As the design and contents of the current staff appraisal form needed to be changed, more time was required to carry out consultation with the relevant parties.

21. The Committee asked, in assessing the performance of the Director of Broadcasting, whether “compliance” would be regarded as one of the core competencies. The **Secretary for Commerce, Industry and Technology** and the **Permanent Secretary for Commerce, Industry and Technology (Communications and Technology)** affirmed the above idea put forward by RTHK. They said that:

- the Permanent Secretary for Commerce, Industry and Technology (Communications and Technology) was the appraising officer of the appraisal report for the Director of Broadcasting, while the Secretary for Commerce, Industry and Technology was the countersigning officer;
- in assessing the performance of a staff member, the appraising officer would need to consider a number of factors, such as competencies and conduct of the staff. In his view, whether the staff had complied with applicable rules and regulations should more appropriately be weighed under the “conduct” of the staff; and
- there was a consistent practice for assessing the performance of Heads of Department. Under the current practice, compliance with applicable rules and regulations might be weighed under “integrity”, rather than under a separate item on “compliance”.

22. The Committee pointed out that assessment of the “competencies” of a staff member was usually based on a set of relatively objective criteria, but assessment of the “conduct” of a staff member could be very subjective. As such, the Committee wondered whether, if compliance with government rules and regulations by the Director of Broadcasting was weighed under “conduct”, the assessment of his performance might become subjective.

23. The **Secretary for Commerce, Industry and Technology** said that:

- there was a set of objective criteria for “conduct and discipline” in the Civil Service Regulations (CSRs). Where there were suspected cases of non-compliance with CSRs or any government rules and regulations, investigation would be carried out to ascertain if there were contraventions. If the investigation proved that the civil servant concerned had no valid reason for not complying with certain rules and regulations, the non-compliance would be regarded as a misconduct and disciplinary action would be taken against him/her. The whole process was conducted in an objective manner; and
- upon joining the civil service, a civil servant was clearly informed that he/she should comply with all government rules and regulations, including those promulgated by the CSB and the FSTB. As such, compliance with government rules and regulations was a basic requirement for civil servants. He did not consider that assessment of the conduct of a civil service was subjective.

24. The Committee noted from paragraph 2.21 of the Audit Report that, in Audit's view, the prevalence of irregularities in any government departments was not conducive to strong public governance. Audit recommended in paragraph 2.26(b) of the Report that the Director of Broadcasting should continue to foster a corporate culture of compliance with all applicable policies, regulations, guidelines and procedures in RTHK. This should, among other things, entail addressing good governance as a priority issue under RTHK's strategic planning and performance management framework.

25. The Committee pointed out that the term "strong public governance" in paragraph 2.21 of the Audit Report, in particular the Chinese version of the term, carried a political flavour. Given that the term "good governance" was used in paragraph 2.26(b) and that this term was quite commonly used in previous Audit Reports, the Committee asked:

- why the term "good governance" was not used in paragraph 2.21; and
- about the difference between "strong public governance" and "good governance".

26. The **Director of Audit** stated that:

- the prevalence of irregularities in any organisation, public or private, was definitely not conducive to good governance. The public at large generally recognised that the Government should strengthen its governance. There was also a consensus within the Government to strengthen the governance of bureaux and government departments; and
- it was unfortunate that the Chinese term of "strong public governance", which was a translation produced by professional translators, had caused the above concern. For the avoidance of doubt, he had no objection that the term "strong public governance" in paragraph 2.21 of the Audit Report be construed as "good governance".

27. The **Secretary for Commerce, Industry and Technology** added that:

- after the publication of the Audit Report, he had asked the Director of Broadcasting to examine the irregularities identified in the latest audit reviews and to submit a report to the CITB on:
 - (a) whether the irregularities involved contravention of rules and regulations by individual staff of RTHK; if so, whether disciplinary proceedings should be instituted against the staff concerned;

- (b) whether RTHK's management should take management responsibility for the irregularities; and
- (c) the specific proposals to be implemented by RTHK to foster a culture of compliance with government rules and regulations; and
- the Administration would decide the way forward after studying the conclusions and recommendations of the Public Accounts Committee and the report to be submitted by RTHK.

C. Strategic planning and performance management

28. The Committee noted from paragraphs 3.6 to 3.8 of the Audit Report that, following a consultancy review (which included a strategic plan study) commissioned by RTHK in 2002, RTHK had prepared an Annual Plan setting out the major directions and detailed programme planning for 2004-05. Audit considered that the compilation of the 2004-05 Annual Plan was a step in the right direction. However, no annual plan for 2005-06 had been prepared. To ensure effective strategic resource management, Audit pointed out that it was important for RTHK to make the best use of the annual planning process as a management tool to: (a) communicate its mission and objectives externally and internally to all stakeholders to ensure that all parties concerned understood and were committed to the mission and objectives; (b) ensure that resources were allocated effectively to achieve RTHK's strategic objectives; and (c) enable management and all stakeholders to evaluate the performance of RTHK.

29. The Committee also noted that RTHK had agreed to all the observations and recommendations made by Audit, and had pledged to make every effort to rectify the irregularities. As RTHK had to compete with commercial broadcasters and rectify the various irregularities highlighted by Audit, the Committee asked whether RTHK had the capacity to put in place a formal strategic planning framework to serve as a basis for effective resource management, as recommended in paragraph 3.11 of the Audit Report.

30. The **Assistant Director of Broadcasting (Public Affairs Television)** responded that:

- RTHK had not compiled an annual formal strategic plan since 2004 because the formulae approach taken in previous annual plans did not help much in the overall management of RTHK's activities, especially those creative aspects of radio and TV programming. As the media environment was changing rapidly, RTHK's operational experience suggested that an annual plan with detailed programme planning had produced rigidity on some occasions;

- the Director of Broadcasting had held a one-day management retreat in each of the two years in 2004 and 2005 to establish a macro approach to planning the way ahead for the following financial year. Following the retreats, division heads had refined various elements at their own management meetings. Their plans had then been discussed and refined at weekly strategic meetings chaired by the Director. This alternative mode had offered flexibility in RTHK's programme planning;
- RTHK would be happy to promulgate appropriate elements of its programming plans on its website and was committed to achieving the targets set. The CITB had been kept informed of RTHK's actions, as RTHK held progress review meetings with the CITB on a quarterly basis; and
- having regard to the merits of the audit recommendation and after consultation with the staff concerned, RTHK decided to compile annual plans setting out the strategic directions for RTHK and, at the same time, continue with the current programme planning process. To allow flexibility, the annual plans would be revised from time to time according to the actual situation.

31. The **Permanent Secretary for Commerce, Industry and Technology (Communications and Technology)** supplemented that:

- compilation of annual plans was a common practice for well-developed publicly-funded broadcasters in overseas countries; and
- the CITB would, having regard to the rapidly changing media market and the need for flexibility, discuss with RTHK how the compilation of annual plans could be improved so that they could serve as a management tool to ensure effective strategic resource management.

32. The Committee noticed that the term "stakeholders" appeared many times in the Audit Report. For example, it was stated in paragraph 3.7(a) of the Audit Report that it was important for RTHK to make the best use of the annual planning process as a management tool to communicate its mission and objectives externally and internally to all stakeholders to ensure that all parties concerned understood and were committed to the mission and objectives. In reply to the Committee's question, the **Director of Broadcasting** advised that, in his opinion, the "stakeholders" of RTHK included many categories of persons, such as RTHK staff, while the major stakeholder was the general public.

33. The **Director of Audit** said that “stakeholders” covered many parties. Apart from those cited by the Director of Broadcasting, “stakeholders” also included the Legislative Council, relevant bureaux and government departments, and all users of RTHK’s services, etc.

34. According to paragraph 3.32(b) of the Audit Report, among the four local broadcasters (RTHK, two free-to-air TV stations and one pay TV station), RTHK was second in the average awareness level in terms of TV programmes. The Committee asked whether RTHK had communicated its target (e.g. the target awareness level of its programmes), mission and objectives to its major stakeholders in order to enable them to assess whether RTHK was successful in achieving its strategic goals, particularly in fulfilling the role as a public service broadcaster (PSB).

35. The **Director of Broadcasting** and the **Assistant Director of Broadcasting (Public Affairs Television)** responded that:

- RTHK had included TV programme appreciation index as a new key performance indicator (KPI) in the 2005-06 Controlling Officer’s Report (COR). In fact, RTHK had included many new KPIs in its CORs over the past few years to facilitate its stakeholders to evaluate its performance. In their opinion, apart from individual KPIs, the overall performance of a broadcaster should be taken into account when evaluating its success in fulfilling its role as a broadcaster;
- RTHK and the other three major local broadcasters had participated in the 2004 TV Programme Appreciation Index Survey. The survey result showed that RTHK’s average appreciation index was the highest. Besides, of the top 20 programmes according to the appreciation index, ten were RTHK programmes. Indeed, RTHK’s average appreciation index was the highest in the past eight years. These results gave a positive indication about the quality of RTHK’s TV programmes. As regards the average awareness level in terms of TV programmes, RTHK ranked the second among the four participating broadcasters in the past five years;
- the TV Programme Appreciation Index Survey (the Survey) aimed at gauging audience’s assessment of the quality of selected productions, as opposed to viewership ratings or audience reach, which were mainly a quantitative measure for commercial needs. “Awareness level” was only a means to the Survey and should in no way be interpreted as purely a measure of viewership ratings or audience reach. It was a proportion of a sample of audience who had watched the programme. Therefore, it might not be appropriate to quote awareness level as an independent quantitative indicator in a survey that focused on the quality of a programme; and

- the consultancy review commissioned in 2002 highlighted the need for RTHK to create “public value”. Being a PSB, RTHK was tasked to provide platforms for independent producers and to groom local talents. While special interests programmes with low appreciation index and low awareness level, which tapped creative talents, might not be a mainstream choice, it was RTHK’s mandate to continue to support this kind of productions that commercial broadcasters shunned. RTHK had to strike a balance between programmes for the mass, which commercial broadcasters were already providing, and programmes for the minority with specific interests or of special age groups, which might not be those widely popular programmes.

36. As stated in paragraph 3.26 of the Audit Report, Audit considered that, in the absence of a strategic plan to serve as a basis for systematic performance measurement and reporting, it was difficult for RTHK to demonstrate to all stakeholders its success in achieving its strategic goals, particularly in fulfilling the role as a PSB. The Committee sought clarification as to whether Audit considered that RTHK had difficulties in fulfilling the role as a PSB.

37. The **Director of Audit** advised that:

- Audit’s concern was that, without a strategic plan, RTHK would find it difficult to demonstrate to stakeholders whether it had fulfilled the role as a PSB. It should not be construed as RTHK finding it difficult to fulfill the role as a PSB; and
- in order that more meaningful evaluation of RTHK’s programmes could be made, different targets/benchmarks should be set for different categories of programmes. For example, for programmes that were intended to be “popular programmes”, a higher target/benchmark of awareness level should be set. For “minority programmes”, appreciation index might be more important, but a minimum awareness level should still be set as a benchmark for evaluation. It was not satisfactory for many TV programmes to be rated below the target awareness level, even if the viewers might appreciate the programmes.

D. Conclusions and recommendations

38. The Committee:

Compliance culture and internal control

- expresses serious dismay and finds it unacceptable that:
 - (a) as revealed by the latest audit review, a number of irregularities identified in previous audit reviews on Radio Television Hong Kong (RTHK) and other reviews, including those by the System Review Unit (SRU) of RTHK, the Independent Commission Against Corruption (ICAC) and the Civil Service Bureau, still exist. The issues raised in the reviews include:
 - (i) rationalisation of RTHK's departmental contract staff structure (covered in the audit review of February 1997);
 - (ii) overtime work performed under the Technical Services Agreement (covered in the audit review of March 1999);
 - (iii) overtime work performed by RTHK staff (covered in the audit review of October 2001);
 - (iv) procurement of goods and services by RTHK (covered in the audit review of October 2001);
 - (v) need for a sound budgetary control mechanism (covered in the audit review of October 2001); and
 - (vi) need for a systematic performance measurement and reporting system (covered in the audit review of October 2001);
 - (b) the cases of non-compliance and irregularities revealed by the latest audit review have highlighted the lack of a culture among RTHK staff to comply with applicable regulations, guidelines and procedures; and
 - (c) RTHK had not given sufficient priority to strengthening its internal control and risk management;
- notes that:
 - (a) the Secretary for Commerce, Industry and Technology agrees that it is imperative to put in place a corporate culture conducive to compliance in RTHK;

- (b) RTHK has recently taken positive actions to review internal audit effectiveness and to set up with the ICAC an ongoing Steering Committee;
- (c) RTHK is conducting staff consultation regarding the adoption of “compliance” as one of the core competencies under a proposed new staff appraisal system being developed; and
- (d) the Director of Broadcasting has set up a high-level internal audit team, headed by a Chief Treasury Accountant seconded to RTHK, to closely monitor the effectiveness of internal control measures and the full implementation of the audit recommendations, and to make recommendations to continue to foster a corporate culture of compliance;

Strategic planning and performance management

- expresses serious concern that:
 - (a) although inadequacies in RTHK’s budgetary control system had been identified in the audit review of October 2001, there were still significant budget variances observed in the SRU’s review in March 2005 and in the latest audit review; and
 - (b) without a formal strategic plan as a basis for systematic performance measurement and reporting, it is difficult for RTHK to demonstrate to all stakeholders its success in achieving its strategic goals, particularly in fulfilling the role as a public service broadcaster (PSB);
- expresses concern that:
 - (a) in the absence of a formal strategic plan/business plan framework to underpin resources management, an effective mechanism for aligning individual radio/TV programmes with RTHK’s strategic goals and objectives is lacking;
 - (b) unauthorised budget overruns might undermine the effectiveness of RTHK’s financial controls and resource management; and
 - (c) no systematic benchmarking of RTHK against overseas PSBs has yet been conducted and, in the absence of such benchmarking information, it is difficult for stakeholders to assess RTHK’s performance in isolation;

- notes that:
 - (a) the Secretary for Commerce, Industry and Technology agrees that the compilation of an annual plan by RTHK is a useful strategic planning tool and RTHK needs a formal strategic planning framework;
 - (b) RTHK has taken a number of improvement measures on budgetary control of TV programmes during 2005 and early 2006;
 - (c) actions are being taken to implement the SRU's recommendations to improve RTHK's budgetary control system on TV programmes as soon as possible;
 - (d) RTHK is actively considering adopting "management of resources" as one of the core competencies under a proposed new staff appraisal system being developed; and
 - (e) RTHK has agreed with the audit recommendations on systematic performance measurement and reporting in paragraph 3.35 of the Director of Audit's Report and is taking action to implement these recommendations; and

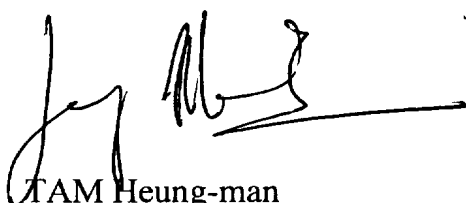
Follow-up action

- wishes to be kept informed of the progress made in implementing the various audit recommendations.

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



Philip WONG Yu-hong
(Chairman)



TAM Heung-man
(Deputy Chairman)



LAU Kong-wah



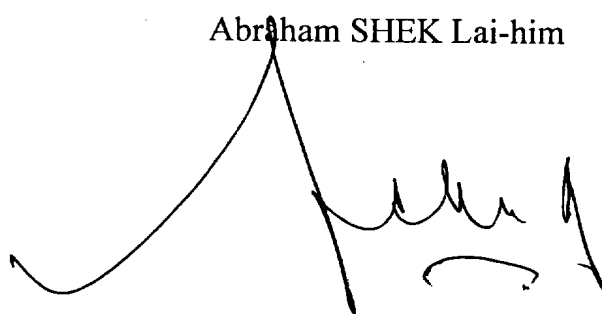
Andrew CHENG Kar-foo



Abraham SHEK Lai-him



Jeffrey LAM Kin-fung



Albert Jinghan CHENG

27 June 2006

**CHAPTERS IN THE DIRECTOR OF AUDIT'S REPORT NO. 46
DEALT WITH IN THE PUBLIC ACCOUNTS COMMITTEE'S REPORT**

**Director of
Audit's Report
No. 46**

**P.A.C.
Report No. 46**

<u>Chapter</u>	<u>Subject</u>	<u>Chapter</u>
1	Collection of fines imposed by Magistrates' Courts	1
3	Maintenance of public marine facilities	2
4	Management of the government fleet	3
5	Provision of public museum services	4
7	RTHK: financial control and resource management	5
8	RTHK: governance and strategic management	6

**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. *(L.N. 214 of 2005)*

(3A) The chairman and 2 other members shall constitute a quorum of the committee. *(L.N. 214 of 2005)*

(3B) In the event of the temporary absence of the chairman and deputy chairman, the committee may elect a chairman to act during such absence. *(L.N. 214 of 2005)*

(3C) 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 give a casting vote. *(L.N. 214 of 2005)*

(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) *(Repealed L.N. 214 of 2005)*

(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)**

Hon Joseph WONG Wing-ping, GBS, JP	Secretary for Commerce, Industry and Technology
Mr Francis HO Suen-wai, JP	Permanent Secretary for Commerce, Industry and Technology (Communications and Technology)
Mr Eddie CHEUNG Kwok-choi	Principal Assistant Secretary for Commerce, Industry and Technology (Communications and Technology)
Mr CHU Pui-hing, JP	Director of Broadcasting
Mr CHEUNG Man-sun	Assistant Director of Broadcasting (Public Affairs Television)
Mr TAI Keen-man	Assistant Director of Broadcasting (Radio)
Mr Johnny MING Wai-yu	Controller of Production Services, Radio Television Hong Kong
Mr Gabriel LAU Chung-yin	Senior Treasury Accountant, Radio Television Hong Kong
Mr Raymond NG Sek-fai	Deputy Director of Broadcasting

**Introductory Remarks by
Chairman of the Public Accounts Committee,
Dr Hon Philip WONG Yu-hong, GBS,
at the First Public Hearing of the Committee
on Monday, 8 May 2006**

Good morning, ladies and gentlemen. Welcome to the Public Accounts Committee's public hearing relating to Report No. 46 of the Director of Audit on the results of value for money audits, which was tabled in the Legislative Council on 26 April 2006.

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 Government's accounts and the results of value for money audits of the Government and those organisations which receive funding from the Government. The consideration by the Committee of the Director's reports involves gathering evidence relevant to the facts contained in the Director's reports, so that the Committee may draw conclusions and make 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 the 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 reports follows an established process of public hearings where necessary, internal deliberations and publication of the Committee's report. The Committee has an established procedure for ensuring that the 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 form its views on those facts, followed by a process of formulating its conclusions and recommendations to be included in its report. In accordance with Rule 72 of the Rules of Procedure of the Legislative Council, the Committee is required to make its report on the Director's report to the Legislative Council within three months of the date at which the Director's report is laid on the Table of the Council. Before then, we will not, as a committee or individually, be making any public comments.

In addition, to enhance the integrity of the Committee and its work, members of the Committee have recently formalised their agreement on confidentiality as a written confidentiality undertaking. We agree that, in relation to the consideration of the Director's reports, we will not disclose any matter relating to the proceedings of the Committee that is classified as confidential, which shall include any evidence or documents presented to the Committee, and any information on discussions or deliberations at our meetings, other than at meetings held in public. We also agree to take the necessary steps to prevent disclosure of such matter either before or after the Committee presents its report to the Council, unless the confidential classification has been removed by the Committee.

Following a preliminary study of Report No. 46, the Committee has decided, in respect of three chapters in the Report, to invite the relevant public officers to appear before the Committee and answer our questions.

I should like to mention here that, according to the arrangements agreed between the Committee, the Administration and the Director of Audit in 2000, departments should not speak or confirm the audit investigations before tabling of the Director of Audit's report and, after tabling of the report but before public hearings, departments may only respond to press enquiries and should refrain from initiating publicity to counter the audit findings.

It has come to the Committee's attention that prior to and after Report No. 46 was tabled, there has been a large amount of media coverage of the matters dealt with by the Report. Some of the coverage provided details of certain contents of the Report in advance of the Report being made public upon tabling at the Council. There has also been coverage, appearing after the Report was made public, which contains a wide range of comments on certain details of the Report by public officers which go beyond mere response to media enquiries.

The Committee is dismayed at the leakage of the contents of the Report as well as some of the comments that were attributed to public officers. The Committee has therefore written to the Chief Secretary for Administration and urged him to ensure that the agreed arrangements will be observed to facilitate the work of the Committee. I also urge all the witnesses invited to our hearings to facilitate our work by refraining from making any public comment on the Director's reports until we have completed our consideration and published our conclusions.

I now proceed to the public hearing this morning, which is on Chapter 7 of Report No. 46 concerning the financial control and resource management of RTHK.



土木工程拓展署署長

Director of Civil Engineering
and Development

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7 June 2006

(By Fax : 2537 1204)

Clerk, Public Accounts Committee
Legislative Council
Legislative Council Building
8 Jackson Road
Central
Hong Kong
(Attn.: Ms Miranda HON)

Dear Ms HON,

**The Director of Audit's Report on the
results of value for money audits (Report No. 46)**

Chapter 3 : Maintenance of public marine facilities

Thank you for your letter of 24 May 2006.

The Port Maintenance Information System (PMIS) was launched in February 2006. Information related to the maintenance of marine facilities may now be retrieved more readily. We are conducting a review on the enhancements required to the System in the light of the Audit recommendations. Such enhancements will include the capturing of the results of visual inspections and detailed investigations, and the generation of management information for formulating comprehensive and effective preventive maintenance strategies for different types of piers. We expect that the PMIS, with the proposed enhancements, will be fully functional by the end of 2006.

A soft copy of this response (in Microsoft Word format) in both English and Chinese is being forwarded to you separately as requested.

Yours faithfully,



(John S V CHAI)
Director of Civil Engineering and Development

c.c. Director of Audit
PW (CR) AD/AUD/PAC

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Our Ref : GD/C/A/74
Your Ref : CB(3)/PAC/R46

6 June, 2006

Ms Miranda Hon,
Clerk
Public Accounts Committee
The Legislative Council

Dear *Miranda,*

**The Director of Audit's Report on the
results of value for money audits (Report No. 46)**

Chapter 4: Management of the government fleet

I refer to your letter under reference seeking MD's timetable for implementing the various recommendations set out in the captioned Audit Report.

I have tabulated the recommendations from paragraphs 2.8 to 6.12 providing a brief of the Recommendation, the Actions to be taken and the Time Schedule. These are attached in English and Chinese for your further action. Soft copies have also been sent.

Please contact the undersigned for any further information.

Yours sincerely,

(Roger Tupper)
Director of Marine

cc Director of Audit (Fax: 2583 9063)
CAS(PMLDU), EDLB (Fax: 2523 0290)

We are One in Promoting Excellence in Marine Services
同心協力，促進卓越海事服務

Action Plan to Report No. 46 of the Director of Audit

Report Reference	Recommendations	Actions to be Taken/Taken	Time Schedule
2.8	<p>Audit <i>recommends</i> that the Director of Marine should:</p> <p>(a) critically consider adopting the revised manning scale in the MD's fleet operation; and</p> <p>(b) draw up an implementation plan, taking into account the MD's manpower position, for applying the revised manning scale.</p>	<ul style="list-style-type: none"> ➤ The recommendation involves reducing the present crew of one Senior Launch Master (SLM) or Launch Master (LM) and two Launch Assistants (LAs) per vessel to either two SLMs or LMs per vessel. Test trials have been conducted and proved this proposal to be viable both from the operational and safety standpoint. ➤ The implementation of the proposal will reduce head count by 33%. However, to achieve this, MD needs to create additional SLM/LM posts to offset Launch Assistants (LAs) in the establishment. No additional resource is needed and there will be some savings. ➤ A plan is being drawn up to implement the recommendation while giving due consideration to the need to rationalize the reserve pool as a priority under D of A recommendation 2.19 and outsourcing demands from users, both which may affect the implementation progress. ➤ Two MD launches will be outsourced in 2006/07 and 2007/08 respectively. In the meantime, MD will prepare a detailed proposal to commence the rationalization of crew in 2007/08. ➤ 	<p>The rationalization plan is expected to start in 2007/08 and be completed in eight years having due regard to the Government policy to deal with surplus staff through redeployment and/or natural wastage.</p>

2.19	<p>Audit <i>recommends</i> that the Director of Marine should:</p> <p>(a) critically review his manpower resources in the reserve pool to make sure that it is not over-staffed and that the crew staff in the pool are always gainfully employed;</p> <p>(b) if it is found that there are surplus crew staff in the reserve pool, draw up an action plan to deal with the surplus staff; and</p> <p>(c) in consultation with the relevant government departments/organizations, critically review the optimum manning arrangement for MD crewed vessels, particularly those listed in paragraphs 2.14 and 2.17.</p>	<p>To resolve this issue:</p> <ul style="list-style-type: none"> ➤ MD has stepped up communication with user departments to better ascertain users' demands well in advance of the changes to the deployment of vessels. ➤ A rolling five-year plan has been drawn up and reviewed annually to ensure the balance of manpower in the reserve pool. ➤ This will be achieved before crew rationalization commences. ➤ The surplus situation will improve when a promotion exercise is carried out in June this year. 	Complete in 2007/08.
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2.25	<p>Audit has <i>recommended</i> that the Director of Marine should:</p> <ul style="list-style-type: none"> (a) closely monitor the utilization of MD crewed fleet; (b) take prompt action to deal with vessels with low utilization rates. Such action may include, for example, reviewing the justifications for retaining all five "Standby/Spare" operation vessels mentioned in paragraph 2.23(a) and promoting the wider use of "Tin Hau" within the Government (see para. 2.23(b)); and (c) take appropriate action to gainfully employ those crew staff for vessels with low utilization to perform other duties, especially when their vessels are idle (e.g. the two explosive carriers of the CEDD). 	<ul style="list-style-type: none"> ➤ End users of vessels have the responsibility to manage and deploy vessels under their control. The cooperation of the users is necessary to improve the utilization of the vessels. ➤ The followings actions are taken by MD to help users in improving the utilization of their vessels: <ul style="list-style-type: none"> ■ Records generated by the Government Fleet Operation Management Information System (GFOMIS) about the location of each vessel every minute during its operation are sent to the users on a monthly basis to enhance their management capability; ■ Users are met regularly to discuss their plans on the utilization of their vessels and, if necessary, to make adjustments to our outsourcing plan to suit the operation need of the client departments. ■ The launch MD112 will be transferred to AFCD and will reduce one standby launch. ■ Issue a circular to all departments and bureaus promulgating the usefulness of "Tin Hau". 	Immediate and ongoing
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3.11	<p>Audit has <i>recommended</i> that the Director of Marine should:</p> <p>(a) require maintenance workshop supervisors to prepare monthly summaries, in similar manner as the four "hull and deck" workshops;</p> <p>(b) include supervisors' estimates of manhours required for individual work assignments in the monthly summaries;</p> <p>(c) conduct regular cost comparisons to evaluate the cost-effectiveness of in-house maintenance work and assess the potential for further outsourcing; and</p> <p>(d) keep the staffing position of the workshops under review, assess if there are still surplus staff and take appropriate actions to redeploy them to work areas where they will be gainfully employed.</p>	<p>➤ Government Fleet Information System* (GFIS) will be modified to include the recording of work assignments for all workshops in GFD. Supervisors will be required to record their estimates of manhours required for individual work and the actual manhours spent in completing it in GFIS. (*GFIS is a computer system that records maintenance and authenticates the procedures of maintenance work, procurement and issue of spare parts for maintenance.)</p> <p>➤ A project team has been set up to carry out cost comparisons of in-house maintenance work with that of the private sector. Plans will be made when the outsourcing is found to be a better option.</p> <p>➤ The staffing position of the workshops is reviewed annually. When an insufficiency of staff is observed in one area re-training of staff from surplus areas is considered. A current example is the retraining of five artisans in carpentry workshops to provide staff for crane and fork-lift operations.</p>	<p>End of 2006</p> <p>End of 2006</p> <p>Immediate and ongoing</p>
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4.6	<p>Audit has <i>recommended</i> that the Director of Marine should:</p> <p>(a) for various types of maintenance work, ascertain if term contracts are the more cost-effective means of outsourcing vis-à-vis one-off contracts;</p> <p>(b) ascertain the reasons leading to the limited use of term contracts in the MD; and</p> <p>(c) explore how the MD can make better use of term contracts for its vessel maintenance work, including drawing up a plan for using more term contracts.</p>	<p>➤ A project team has been set up to:</p> <ul style="list-style-type: none"> ■ investigate the use of term contracts on various types of maintenance work; ■ find out the reasons leading to the limited use of term contracts; and ■ recommend plans to enhance the use of term contracts for vessels maintenance. 	End of 2006
4.11	<p>Audit has <i>recommended</i> that the Director of Marine should critically review the desirability of continuing the existing arrangement of providing workshops free of charge to selected contractors, taking into account that this may result in unfair competition, and explore alternative options to the provision of workshops free of charge.</p>	<p>➤ MD has conducted a review on the current system used in allocating workshops to approved contractors. Views gathered from contractors indicated that the majority of them are willing to pay a reasonable rent for the use of the workshops.</p> <p>➤ MD will liaise with Government Property Agency (GPA) to set a lease rate of workshops at GD and explore the ways of charging rental fees for workshops from interested approved contractors.</p>	End of 2006

4.19	<p>Audit has <i>recommended</i> that the Director of Marine should provide clearer directions, by revising the MD's guidelines, to:</p> <ul style="list-style-type: none"> (a) help his inspecting staff determine the actions to be taken based upon the seriousness of the offences committed; and (b) elaborate on the circumstances where demerit points can be allotted to the contractors without prior verbal warning. 	<p>The recommended enhancements in the audit report to the Quality Performance Procedure Manual (QOP) on verbal warnings will help the inspecting staff to determine the seriousness of the offences and decide on the most appropriate actions. These recommendations will be incorporated into the QOP Manual which will be re-issued.</p>	End of 2006
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5.11	Audit has <i>recommended</i> that the Director of Marine should conduct a stock review to ascertain the reasons for the increased stock level and take appropriate measures to improve the stock position.	<ul style="list-style-type: none"> ➤ The number of stock items in store is directly related to the number of vessels maintained by MD. MD has a total number of 666 vessels in 2002 and 713 in 2005. The number of vessels has increased by 7% within these years ➤ At the time of the audit due to a programming error in the Computer System, there was a gradual increase in total stock items between 2002 and 2005 in computer reports. It was later found out that written-off items from retired vessels were also counted in the computer reports. ➤ This programming error has been corrected after the audit. The correct total number of stock items in 2002 and 2005 is 19154 and 19256 respectively showing an actual reduction of about 7% in stock items since 2002 despite the growth in the same percentage of vessels maintained by MD. 	Completed
5.17	<p>Audit has <i>recommended</i> that the Director of Marine should:</p> <p>(a) revise the stock valuation method by recording all spare parts that are procured with new vessels (Note 21) in the MD's inventory records; and</p> <p>(b) make appropriate adjustments in the MD's inventory records for those spare parts recorded at zero value.</p>	<ul style="list-style-type: none"> ➤ MD will continue to evaluate means to reduce the level of stock without impairing the maintenance efficiency. ➤ All stocks procured with new vessels will be recorded in GFIS at the purchase price. ➤ MD will adjust all inventory records currently recorded as zero value to the price at the time of delivery. 	<p>Immediate and ongoing</p> <p>Immediate and ongoing</p> <p>End of 2006</p>

Note 21: Audit notes that the unit prices for such spare parts are readily available in the delivery notes. If not available, the MD can consider tracing their unit prices to tender documents or contacting the shipbuilders direct to ascertain the prices.

6.5	<p>Audit has <i>recommended</i> that the Director of Marine should critically review the reasons for the extra downtime, with particular reference to downtime due to "waiting for spare parts" and "crew staff for sea trial not available", and take appropriate measures to reduce the downtime. Such measures include, for example, better stock management and making pre-arrangements for conducting sea trial on public holidays.</p>	<p>Waiting time for spare parts:</p> <ul style="list-style-type: none"> ➤ A statistical report is already produced every month to monitor and analyze the reasons leading to the requirement of extra downtime during maintenance. ➤ The percentage of extra downtime due to a long wait for spare parts is kept to below 25% of the total downtime of the vessels under maintenance. ➤ Spare parts that are used frequently will be kept in stock. ➤ Any significant increase in downtime due to this reason will be investigated with a view to resolving the problem identified. <p>Crew staff for sea trial not available:</p> <ul style="list-style-type: none"> ➤ MD has no problem in finding crew staff to man its own vessels for sea trial even on public holidays and will liaise with other user departments to make similar arrangements. 	Immediate and ongoing
6.12	<p>Audit has <i>recommended</i> that the Director of Marine should consider reporting additional key performance measures in the COR to reflect the extent to which the MD has met its programme aim of providing cost-effective marine transport services to government departments.</p>	<p>MD will meet the recommendations given in the audit report and increase the number of key performance indicators as suggested in the auditors report.</p>	End of 2006



康樂及文化事務署
Leisure and Cultural Services Department

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來函檔號 YOUR REF: CB(3)/PAC/R46

7 June 2006

Ms Dora WAI
Clerk
Public Accounts Committee
Legislative Council
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Dear Ms WAI,

**The Director of Audit's Report on the
results of value for money audits (Report No. 46)**

Chapter 5 - Provision of public museum services

Thank you very much for your letter dated 24 May on the above subject.
Further written information is attached for the consideration of the Public
Accounts Committee please.

(Gerard C C TSANG)
for Director of Leisure and Cultural Services

c.c. SHA (Attn : Mr Peter C K KWOK)
Director of Audit (Attn : Ms Grace LEE)

香港沙田排頭街一至三號康樂及文化事務署總部
Leisure & Cultural Services Headquarters, 1-3 Pai Tau Street, Sha Tin, Hong Kong.

Report No. 46 of the Director of Audit

Chapter 5 – Provision of public museum services

(a)(i) Action Plans by Various Museums to Clear Backlog Items

The accumulation of backlog items pending accession is mostly due to the large amount of donations received in recent years, in particular in the cases of the Hong Kong Heritage Museum, Hong Kong Museum of History and Hong Kong Film Archive. With limited staff resources, our priority of work has been accorded to front-of-house functions including the presentation of exhibitions, publication and educational activities. Stocktaking of backlog items pending accession would be implemented as follows :-

Hong Kong Museum of History

The accessioning of collection items normally requires basic conservation treatment including the cleaning of the artefacts, pest control treatment and stabilization of the fragile condition of field collection items. Preliminary research is also required to ascertain the provenance, dating, associated history, cultural significance, and a brief description of the artefact. Of the 257,780 items, about 200,000 items are old photographs on loan for a special subject study from the Hong Kong United Dockyard. Since they are not part of the permanent collection of the Hong Kong Museum of History they will not be accessioned. The remaining 57,780 items are scheduled to be accessioned in 4 years.

Hong Kong Heritage Museum

Accessioning of the backlog of 18,750 items of the Hong Kong Heritage Museum will be completed in 3 years.

Hong Kong Film Archive

The accessioning of items in the Film Archive basically involves checking of film reels, their cleaning and stabilization, identification of paper materials and input of data into the computer system for public access. These procedures are quite time consuming. It will take at least 4 years to clear the backlog of 430,000 items.

In order to facilitate the above registration work, plans are in hand to enlist the assistance of more university students as part of their museum internship studies in relevant subjects.

(a) (ii) Measures to Tighten the Control Over Collection Items Pending Accession

The museums will take the following procedures and measures to tighten the control over collection items pending accession:

1. Take overall snap-short photographs of each whole lot of collection items pending accession;
2. Assign a lot number for each lot of collection items in a dedicated Lots Register;
3. Register the lots. Details will include the receipt date, brief description of the lot, source, mode of acquisition, estimated quantity, estimated value if any, location of the lot and file reference;
4. Seal the lots and place them in secure storage;
5. Withdraw each lot for accessioning according to priority;
6. Inspect the condition of the items once every 4 months for lots pending accession.

A task group will be set up to monitor the implementation of the above measures in the museums and to explore ways to accelerate the task.

(b) Latest Development of the Central Museum Collection Repository and Interim Measures to Resolve the Storage Problem

We have critically reviewed the overall shortage of collection storage facilities and the storage needs for the ever-growing museum collections in the next 10 years. There is a genuine need to construct a Central Museum Collection Repository, not only to address the current serious shortfall, but to find a solution to the anticipated growth of collections in future. The proposed Central Museum Collection Repository project will involve the construction of an 8-storey purpose-equipped building

amounting to some 22,000 m² in floor area at Area 47 Mong Wing Street, Tuen Mun. We are drawing up the objective, scope of work and cost estimate on the project. Subject to resource allocation according to established procedures, we plan to have the new Central Repository completed by 2010.

As an interim measure, we will make use of 1,000 m² in floor area at Cornwall House in Quarry Bay from the Government Property Agency (GPA) to address the shortage problem. This will enable rearrangement of collection items to more suitable premises.

(c) Museum Publications

We will assess future demands of museum publications, consider disposal of some unsold items, and organize periodic sales. With regard to organizing sales, on 13 and 14, May during the occasion of the International Museum Day Hong Kong 2006, we launched a discount sale of LCSD's museum publications. During the sale, the standard 25% government discount was granted. 76 titles of publications were put up for sale and 7,375 copies were sold, with revenue amounting to \$338,715. This is equivalent to the reduction of a stock value of \$451,620. Similar sales will be arranged by late 2006 and at regular intervals in the future.

Since the current 25% discount on selling price and pre-paid arrangements for consignment which apply to all Government publications have not been sufficiently attractive to book distribution/sale agents, we are reviewing this requirement with a view to improving the overall arrangements for disposal of old museum publications in the market. With the approval of the FSTB, the Department is also working with reputable book distribution/sale agents on a new consignment arrangement to settle accounts on a monthly basis instead of pre-paid arrangement in order to widen the distribution outlets.

Other measures also include exploring the possibility to sell museum publications on the Internet through Hong Kong Post and the posting of the museum publication list on the website of individual museums. Arrangements have been made whereby art and history museum publications are available for sale at bookshops of the Hong Kong Heritage Museum, Hong Kong History Museum and the Hong Kong Museum of Art. Similarly, science publications will be available for sale

at the bookshops of the Hong Kong Science Museum and the Hong Kong Space Museum at the same time.

(d) Strategy for Boosting Patronage and Improving Museum Services

The Committee on Museums is studying the future development of public museums. The strategies for boosting patronage and improving museum services are among the issues being studied. The Committee is planning to submit its recommendations by the end of 2006. The Government would then consider its recommendations in formulating the strategies and working out the improvement measures.

We have been implementing various incentive schemes such as offering naming rights, private functions for donors/sponsors, etc. A major donor or sponsor of an exhibition will be entitled to hold a private reception inside the museum including private viewing of the museum exhibition with guided tours led by museum curators, in addition to the usual promotional acknowledgements.

In the meantime, we are planning to open for hire more museum facilities for holding private activities - such as wedding ceremonies and receptions. We are also studying on the possibility of opening the lecture halls of the Hong Kong Museum of Art and the Hong Kong Museum of History for hiring.

We have been reviewing the museums' opening hours from time to time. Trial schemes had been implemented in the past, but the attendance rate and cost-effectiveness for late closing were not satisfactory. We would consider extension of opening hours for special blockbuster exhibitions and events as deemed appropriate. Notable examples include the 24-hour opening of the Hong Kong Science Museum for the exhibition marking the visit of the astronaut Yang Liwei in November 2003, and the extension of the opening hours to 8:00 p.m. for the Impressionism exhibition in February to April 2005 at the Hong Kong Museum of Art. We are assessing the cost effectiveness of a proposal to extend the opening hours of the Hong Kong Museum of Art on Sundays from 6 pm to 8 pm in view of its proximity to the Hong Kong Cultural Centre so as to tie in with the timing of arts and cultural performances in the evening.

Statement by the Audit Commission

Preamble

The following statement is issued in response to public concerns over Chapter 7 “RTHK: financial control and resource management” and Chapter 8 “RTHK: governance and strategic management” of Report No. 46 of the Director of Audit.

Background of the audit

During the years 2002 to 2004, Audit noted some media reports on fraud cases involving RTHK employees. Since then, Audit closely monitored the development of these fraud cases. In March 2005, an employee of RTHK was convicted of fraud in relation to the awarding of RTHK contracts. The court judgement on this fraud case indicated potential problems of mismanagement in RTHK. In response to public concerns over the matter, and to help RTHK reduce the risks of recurrence of such cases, Audit considered it necessary to conduct a review of RTHK in July 2005. The audit was an independent review conducted in accordance with the Value for Money Audit Guidelines.

RTHK as a government department and a public service broadcaster

As always, in conducting a review of any audited entity, Audit takes into account the special nature of the entity’s business and the environment in which it is operating. In the case of RTHK, Audit fully recognises the fact that RTHK is a government department that serves the role of a public service broadcaster. Audit has also taken due consideration of the policies, rules and procedures under which RTHK is operating.

Irregularities identified by Audit

The audit revealed various irregularities in a number of major areas in RTHK. Whilst the amounts involved in individual cases identified by Audit may not be very large, these irregularities are a cause for concern, taking into account their nature, prevalence, and the risks that they posed to the proper use of public funds.

Nature of irregularities. RTHK’s activities are paid for by public funds and, as such, the public has high expectations of probity in the use of its resources. As a government department, RTHK should strictly follow all government policies, regulations, guidelines and procedures, unless specific exemptions are obtained from the relevant authorities. Irrespective of the amounts involved, as a matter of principle, non-compliance is undesirable. As can be seen in Chapter 7 and Chapter 8 on RTHK, the irregularities identified mainly related to non-compliance with government policies, regulations, guidelines and procedures.

Incidence of irregularities. Many of these cases of non-compliance in RTHK were not isolated cases. The past internal and external reviews of RTHK, as well as this audit review, have shown that such non-compliance is prevalent. Chapter 7 shows examples of non-compliance in many different areas in RTHK.

Financial materiality. The nature and prevalence of the identified irregularities pose risks to the proper use of public funds in RTHK. The amount of public funds exposed to such risks is considerable. For example, RTHK spent some \$50 million a year on payments to departmental contract staff and service providers, \$52 million a year on payments under the Technical Services Agreement, and \$198 million a year on production of TV programmes.

The way forward

As the audit review shows that there is a problem of compliance culture among RTHK staff with applicable policies, regulations, guidelines and procedures, Audit is duty-bound to point this out and suggest a way forward to tackle it. As pointed out in paragraph 2.26 of Chapter 8, Audit has recommended that the Director of Broadcasting should continue to foster a corporate culture of compliance with all applicable policies, regulations, guidelines and procedures in RTHK. The Director of Broadcasting agrees with the audit recommendation. Audit is pleased to note that RTHK has set up a high-level internal audit team to closely monitor the effectiveness of internal control measures and make recommendations to continue to foster a corporate culture of compliance.

8 May 2006
Audit Commission



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24 May 2006

Ms Miranda HON
Clerk
Public Accounts Committee
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road
Central, Hong Kong

[Fax No. 2537 1204]

Dear Ms Hon,

**The Director of Audit's Report on the
results of value for money audits (Report No. 46)**

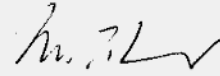
Chapter 7 — RTHK: financial control and resource management

Thank you for your letter of 20 May 2006. I refer to item (d) of your letter requesting a list of issues covered in previous reviews by Audit which have not been rectified by RTHK.

I provide at the Annex a summary of such issues raised in Chapters 7 and 8 of the Director of Audit's Report No. 46, which have not been fully addressed by RTHK despite previous reviews by Audit. You may wish to note that some progress has been made by RTHK in rectifying the irregularities but more needs to be done.

My response to items (a) to (c) of your letter will be provided to you separately. A Chinese translation of this letter will be forwarded to you shortly.

Yours sincerely,



(David M T LEUNG)
for Director of Audit

c.c. Secretary for Commerce, Industry and Technology (Fax: 2537 3210)
Permanent Secretary for Commerce, Industry and Technology
(Communications and Technology) (Fax: 2588 1421)
Director of Broadcasting (Fax: 2337 2403)
Secretary for Financial Services and the Treasury
(Attn.: Miss Amy TSE) (Fax: 2596 0729)

Issues which were covered in previous reviews by Audit	Irregularities identified in current audit
<p>CHAPTER 7 - RTHK: FINANCIAL CONTROL AND RESOURCE MANAGEMENT</p> <p>Part 2: Management of departmental contract staff (DCS) and service providers</p> <p><i>Efforts to rationalise the DCS structure</i></p> <p>As mentioned in paragraphs 2.40 to 2.43, in February 1997 Audit reported that RTHK employed a large number of DCS I and Category II service providers for prolonged periods of time (see para. 4.10 of Chapter 4 of the Director of Audit's Report No. 28). In November 1997, RTHK stated that it would adopt a phased approach to reduce the number of long serving DCS I and would regularise the employment of DCS III by appointing them on non-civil service contract terms.</p>	<p>Audit considers that the DCS structure should have largely been rationalised by 2006. Audit notes that the number of DCS I was indeed reduced from 120 as at April 1998 to 18 as at January 2006. However, because RTHK has continued to employ DCS III, the number of DCS III remained high, increasing from 120 as at January 1998 to 148 as at January 2006 (see para. 2.46 of Audit Report).</p>

<p style="text-align: center;">Issues which were covered in previous reviews by Audit</p>	<p style="text-align: center;">Irregularities identified in current audit</p>
<p>Part 4: Management of overtime (OT) work</p> <p><i>OT work performed under the Technical Services Agreement (TSA)</i></p> <p>As mentioned in paragraph 4.7, in March 1999, Audit conducted a review of the management of TSA services by government departments and the cost-effectiveness of the Government's spending under the TSA (see Chapter 7 of the Director of Audit's Report No. 32). Regarding OT work of the TSA staff in RTHK, Audit highlighted an urgent need for RTHK to minimise OT payments, and recommended that RTHK should:</p> <ul style="list-style-type: none"> (a) ascertain whether there was a genuine need for TSA staff to work OT; (b) find ways (e.g. by a staff rotation schedule) of ceasing the practice of setting Sundays as rest days for the TSA staff; and (c) examine whether there was scope for re-scheduling the working hours of the TSA staff to match with the work requirement in order to reduce OT work to the minimum. <p><i>OT work performed by RTHK staff</i></p> <p>In October 2001, Audit conducted a review of RTHK's performance and resource management (see Chapter 8 of the Director of Audit's Report No. 37). Regarding management of OT work, Audit identified scope for improvement in the following areas (see para. 5.5 of the 2001 Audit Report):</p> <ul style="list-style-type: none"> (a) the need to use time-off as the normal recompense for OT work (see paras. 5.6 to 5.9 of the 2001 Audit Report); 	<p>Although RTHK has, since the 1999 audit, taken various measures to reduce OT payments under the TSA, Audit's recent review has found that there is scope for RTHK to further reduce OT payments (see para. 4.8). In particular, Audit has found that there is a need for RTHK to:</p> <ul style="list-style-type: none"> (a) ensure that OT work is strictly unavoidable and kept to a minimum (see paras. 4.15 to 4.18); (b) re-schedule rest days of TSA staff to better match with work requirements (see paras. 4.19 and 4.20); and (c) improve work scheduling to better utilise the TSA manpower resources (see para. 4.21). <p>While recognising RTHK's efforts in reducing expenditure on OT allowances, Audit's recent review has identified areas that require RTHK's attention and further action (see para. 4.26), including:</p> <ul style="list-style-type: none"> (a) certification of journey details in vehicle logbooks (see paras. 4.29 to 4.33);

<p style="text-align: center;">Issues which were covered in previous reviews by Audit</p>	<p style="text-align: center;">Irregularities identified in current audit</p>
<ul style="list-style-type: none"> (b) the need to accurately report the times film crews return to RTHK after performing outdoor duties (see paras. 5.10 to 5.16 of the 2001 Audit Report); and (c) the need to ensure compliance with Civil Service Regulation (CSR) 667 (see paras. 5.17 to 5.19 of the 2001 Audit Report). 	<ul style="list-style-type: none"> (b) OT work of drivers during meal breaks (see paras. 4.34 to 4.38); (c) OT work of drivers for buying newspapers (see paras. 4.39 to 4.41); and (d) Checking of OT work registers (see paras 4.45 and 4.46).
<p>Part 5: Stores and procurement matters</p> <p><i>Procurement of goods and services</i></p> <p>Regarding procurement of services, the 2001 audit of RTHK's performance and resource management found that (see para. 4.4 of the 2001 Audit Report):</p> <ul style="list-style-type: none"> (a) following a study by the Corruption Prevention Department of the Independent Commission Against Corruption, RTHK had been implementing various improvement measures to strengthen its procurement procedures (see paras. 4.5 to 4.7 of the 2001 Audit Report); and (b) there is further scope for improvement in RTHK's procedures for hiring film crews, which included: <ul style="list-style-type: none"> (i) non-compliance with the requirement of obtaining written quotations (see paras 4.11 to 4.13 of the 2001 Audit Report); (ii) checking of availability of suppliers (see paras 4.14 and 4.15 of the 2001 Audit Report); and (iii) jobs not awarded to the suppliers with the lowest charges (see paras 4.16 to 4.20 of the 2001 Audit Report). 	<p>As mentioned in paragraph 5.5, the Government Logistics Department (GLD)'s system survey report of August 2005 revealed various irregularities in RTHK's supplies functions. The weaknesses highlighted by the GLD mainly related to RTHK's procurement of goods and services (see para. 5.6(a) to (f) for details).</p>

<p>Issues which were covered in previous reviews by Audit</p>	<p>Irregularities identified in current audit</p>
<p>CHAPTER 8 - RTHK: GOVERNANCE AND STRATEGIC MANAGEMENT</p> <p>Part 3: Strategic planning and performance management</p> <p><i>Need for a sound budgetary control mechanism</i></p> <p>As mentioned in paragraph 3.16, in October 2001, Audit reviewed the performance and resource management of RTHK and identified areas for improvement in its budgetary control system. These included the need to keep formal records of budget revisions and the need to input revised budget data into the costing system for budgetary control purposes (see PART 3 of the 2001 Audit Report for details).</p> <p><i>Need for a systematic performance measurement and reporting system</i></p> <p>As mentioned in paragraph 3.25, the 2001 audit of the performance and resource management of RTHK revealed inadequacies in RTHK's performance measurement and reporting. Audit recommended that RTHK should devise suitable performance indicators for reporting in the Controlling Officer's Report (COR) its achievements and how it was fulfilling the role of a public service broadcaster (PSB). In response to Audit's recommendations, RTHK included</p>	<p>As mentioned in paragraph 3.17, in March 2005, the System Review Unit (SRU) of RTHK completed a system review on resource management, including a review of the effectiveness of the remedial measures taken in response to Audit's findings in 2001. Among other observations, the SRU noted that, based on its analysis of budget variances in 2003-04, no improvement was observed in the control of budget variances.</p> <p>Audit's recent review of the budget variances of TV programmes in 2004-05 and 2005-06 (up to November 2005) has found that the budget variances are still significant and there is scope for further improvement (see paras. 3.19 to 3.23 for details).</p> <p>Audit's recent review has found that there is still room for improvement in a number of areas, including:</p> <p>(a) assessing RTHK's success in fulfilling its role as a PSB (see paras. 3.26 and 3.27);</p>

Issues which were covered in previous reviews by Audit	Irregularities identified in current audit
<p>various key performance indicators in its COR. Audit also recommended that RTHK should accord priorities to international benchmarking, in order to seek productivity improvement (see para. 2.17 of the 2001 Audit Report).</p>	<p>(b) international benchmarking (see para. 3.28); and</p> <p>(c) evaluation of TV programmes (see paras. 3.29 to 3.34).</p>

Public Accounts Committee Public Hearing
Report No. 46 of the Director of Audit
Chapter 7
Radio Television Hong Kong: Financial Control and Resource Management
Response from RTHK

RTHK acknowledges the need to address certain procedural shortcomings identified in the Director of Audit's Report and will endeavour to make continuous improvements. Over the last few years, several reviews have been conducted by various government agencies and the recommendations they made have already been implemented progressively, including the improvement of administrative procedures and strengthening of staff training and development. Last year, we invited representatives from ICAC's Corruption Prevention Department and the Treasury to conduct thematic workshops which were all well-received by our colleagues. Steady improvement has been and will continue to be made.

In value for money terms, RTHK has sustained its efforts in augmenting its production despite successive reductions in funding allocation and staffing over the last five years. From 2000/01 to 2004/05, the allocation to RTHK was trimmed cumulatively by \$70 million, i.e. 13.7%. In the same period, the total number of full-time employees in RTHK decreased by 9.5% from 831 to 752. Nevertheless, when compared with 2000/01, the programme output in TV and radio productions recorded an increase of 14% and 2% respectively by 2004/05. At the same time, amidst budget cuts, we have further developed our new media services through internal resource redeployment.

Over the last eight years, television programmes produced by RTHK have consecutively scored the highest rating in the TV Programme Appreciation Index Surveys. Last year, the quality of its television and radio programmes was again well-recognized through the attainment of more than 50 international and local awards. Recent opinion surveys also indicate that over 70% of the respondents feel satisfied with RTHK's services and productions.

RTHK management has also made strenuous efforts to strengthen the supervision of overtime work. From 2000/01 to 2004/05, the expenditure on staff overtime allowance has decreased from \$4.3 million to \$1.1 million.

In the same period, the department also witnessed a decrease in expenditure relating to the services provided under the Technical Services Agreement from \$82 million to \$52 million.

On revenue generation, RTHK has licensed 60 hours of its archived TV programmes into VCD/DVD formats for sale in the market, thereby bringing in more than \$1 million to the General Revenue. Another tendering exercise, initiated in April this year and closing in mid-June, will invite bidders to engage in the licensing of 188 hours of RTHK archives.

A Chief Treasury Accountant from the Treasury has already reported for duty. She will be joined by a Senior Auditor seconded from the Audit Commission in June. They will assist in further strengthening our internal audit mechanism, with a view to improving the monitoring of financial control and resource management, and implementing the Audit report's recommendations. The team will report to the Director of Broadcasting direct.

4 May 2006



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24 May 2006

Ref : RTHK/CR 12/38 III

Ms Miranda HON
Clerk, Public Accounts Committee
Legislative Council Building
8 Jackson Road
Central, Hong Kong

Dear Ms Hon,

**The Director of Audit's Report
on the results of value for money audits (Report No. 46)**

Chapter 8 – RTHK : governance & strategic management

As requested, the draft action plan drawn up by the Chief Treasury Accountant seconded to RTHK has been sent to you via e-mail to cwyywong@legco.gov.hk.

Yours sincerely,

(J M Gardner)
for Director of Broadcasting

P.S. e-mail copies of the draft work plan also to :
Maurice KW LOO/CITB/POO/HKSARG
Eddie CHEUNG/CTB/HKSARG
Amy WC TSE/FB/HKSARG
Benjamin KB TANG/AUD/SARG

Systems Review Unit
Draft Action Plan on Audit Commission's Recommendation Items

Part I - Audit Report No. 46 Chapter 7

	Items	Action Plan
Management of DSC/Service Providers		
1.	Fee scale table for DCS/Service Providers	<p>(a) Review and agree on Management's action plan on the implementation of all the recommendations relating to fee scale table.</p> <p>(b) SRU to assist and give advice, monitor progress, review any new guidelines, etc. Ensure staff are adequately briefed on the new guidelines and procedures.</p> <p>(c) Compliance test after implementation.</p>
2.	Maintenance of attendance records of DCS/service providers	<p>(a) Review Management's actions to tighten controls over attendance and OT records for DCS/service providers.</p> <p>(b) SRU to comment on the adequacy of procedures, guidelines and forms.</p> <p>(c) Ensure staff, including the CAU staff and new joiners,</p>

	Items	Action Plan
		<p>are adequately briefed on the procedures and their strict enforcement.</p> <p>(d) Compliance test after implementation.</p>
3.	Practice of seeking covering approval	<p>(a) Agree on Management's actions to discourage the practice of seeking covering approval. Review the need to revise relevant internal circular/IOM.</p> <p>(b) Ensure staff, including the CAU staff and new joiners, are adequately briefed on the requirements and their strict enforcement.</p> <p>(c) Comment on the monitoring procedures and review the progress of improvement.</p>
4.	System of checking payments	<p>(a) Review the existing payment checking procedures and comment on their adequacy to detect any irregularities.</p> <p>(b) Ensure concerned staff are reminded on the need to process payment requests carefully.</p>

	Items	Action Plan
5.	Efforts to rationalize the DCS structure	Take note of the migration timetable set by Management. Review the progress of the migration exercise and note any staff morale issues.
Management of Outsourcing Activities		
6.	Compliance with the terms of outside broadcast (OB) contracts	(a) Ensure and comment on Management's actions to closely monitor the provision of OB services in accordance with the terms of the contract. (b) Conduct compliance test.
7.	Conflict of interest	(a) Review the progress of arrangements made by Production Services Division (PSD) to address the conflict of interest issues, including those related to using TSA staff doing OB work during their rest time and some of the TSA staff are required to work continuously for more than 12 hours. (b) Ensure the issues are properly taken care of in the new contracts and in future operational and contract monitoring arrangements.
8.	Scope for reducing outsourcing of outside broadcast work through better use of TSA	Review the progress of arrangements made by PSD to address the issues.

	Items	Action Plan
Management of Overtime Work		
9.	Overtime work performed under the TSA	<p>SRU will focus the review on the terms and arrangements on the provision of technical services under the new contract, which will take effect in 10/2006. In particular, pay attention to the following:-</p> <ul style="list-style-type: none"> (a) Monitoring procedures on the actual usage of services and contract performances. (b) Payment procedures and control. (c) Staff training is in place regarding the new procedures and control. <p>Regarding OT payments under the existing TSA contract - Review the progress of arrangements made by PSD to address the issues.</p>
10.	Use of departmental transport and drivers' OT claim policies	<ul style="list-style-type: none"> (a) Review and ensure proper guidelines or policies are in place regarding use of departmental transport and OT claim.

	Items	Action Plan
		<ul style="list-style-type: none">(b) Ensure all drivers and users are reminded on the guidelines or policies.(c) Conduct compliance test.(d) Check Driver A's vehicle logbook is now properly checked and certified.(e) Check that Management has taken actions to strengthen the supervisory control over the use of Driver A's vehicle.(f) Check that Management has investigated into the cases relating to discrepancies between Driver A's vehicle log book and the actual in/out records at depot and drivers' OT work during meal breaks. SRU to provide advice when required and ensure necessary follow-up actions are taken.(g) Evaluate the actions taken regarding the arrangement of newspaper delivery and assess their cost effectiveness.

	Items	Action Plan
11.	Checking of overtime work registers	Ensure more regular checks on the OT work registers are performed by the Finance & Resources Unit.
Stores and Procurement Matters		
12.	Procurement of goods and services	<p>(a) Review and agree on the Management's action plan in following up the implementation of the recommendations in the GLD's system survey report. Follow up progress and assess their effectiveness.</p> <p>(b) Check compliance of the measures taken to ensure sound system of procurement of goods and services is in place.</p> <p>(c) Ensure regular training and communication / support are provided to staff involved in procurement activities and to enforce compliance culture among these staff.</p>
13.	Management of stores and inventory	<p>Review and monitor the progress of actions to address all the issues raised in the Audit Report on inventory management and control. In particular,</p> <p>(a) All staff concerned are reminded on the need of strict compliance of the requirements, guidelines and timetable for checking inventories and the need for keeping proper</p>

	Items	Action Plan
		<p>inventory records.</p> <p>(b) Ensure prompt actions are taken to follow up all the outstanding stock verifications.</p> <p>(c) Enforce proper inventory control over store items on long-term loan.</p> <p>(d) Results of investigations on the cause of discrepancies are analysed. Note their implications on control. Ensure discrepancies are properly handled and resolved and improvement measures are taken to address any control weaknesses identified.</p>
14.	Handover of inventories kept by TSA	<p>(a) Review the progress of stocktaking of TSA inventories and ensure discrepancies are worked out in good time.</p> <p>(b) Review the progress and assessment of the indemnity required.</p>
Entertainment Expenses		
15.	Claims for reimbursement of entertainment expenses, entertainment for programme liaison, entertainment	(a) Review and ensure that clear guidelines and policies are in place and communicated on claiming various kinds of

	Items	Action Plan
	involving only government staff and need to economise on official and programme-related entertainment	<p>entertainment expenses and the handling of exceptional cases.</p> <p>(b) For entertainment for programme liaison, ensure the guidelines have taken into account the views sought from FSTB.</p> <p>(c) Ensure all staff are reminded on the rule that entertainment attended only by government staff should not be charged to public funds. Also, staff should be reminded to economise on official and programme-related entertainment.</p> <p>(d) Review and comment on Management's actions to tighten the control and monitoring of these procedures and policies.</p> <p>(e) Check compliance of the procedures and policies.</p>
16.	Spring receptions	Compliance test on documentation and justification for future spring receptions organized.

	Items	Action Plan
Management of Sponsorship		
17.	Sponsorship in kind	<p>(a) Review and ensure detailed guidelines on the handling of various categories of sponsorship in kind are promulgated, taking into account the results of review with CITB on the guidelines.</p> <p>(b) Ensure the guidelines are properly communicated to the staff concerned.</p> <p>(c) Review the implementation of centralizing the acceptance of permitted sponsorship in kind. Comment on the management information reporting on sponsorship in kind for effective monitoring.</p> <p>(d) Compliance test after implementation.</p>
18.	Sponsored visits	<p>(a) The CSB and CITB's policies and guidelines should be strictly adhered to and enforced. Review with Management on any doubtful cases and ensure Management has sought clarifications from CSB and CITB.</p>

	Items	Action Plan
		<p>(b) Ensure staff are reminded on the policies and guidelines.</p> <p>(c) Review management information reporting on the acceptance of sponsored visits for effective monitoring.</p> <p>(d) Compliance test after implementation.</p>

	Items	Action Plan
Compliance Culture and Internal Control		
19.	Need to enhance internal control	Management to continually review the adequacy of existing internal controls, taking into account the assessment of RTHK's major control risks. SRU would provide assistance through their system and maintenance reviews, in particular, throughout its work on the various aspects mentioned in this Action Plan.
20.	Need to foster a compliance culture	<p>Review Management's actions to continually foster a compliance culture in RTHK. Through these actions, Management should at least:</p> <ul style="list-style-type: none"> (a) Inform all staff of the need for compliance and monitoring. (b) Brief staff on corporate values and codes of conduct. (c) Address good governance as a priority. <p>SRU to keep monitoring the progress of improvement</p>

	Items	Action Plan
		throughout its audit work. Alert Management on non-compliance cases and raise recommendations for improvement.
Strategic Planning and Performance Management		
21.	Need for a formal strategic planning framework	Review Management's actions to put in place a formal strategic planning framework. Give advice or comment when appropriate.
22.	Need for a sound budgetary control mechanism	Follow up the implementation on Audit's recommendations to improve budgetary control system.
23.	Need for a systematic performance measurement and reporting system, international benchmarking and evaluation of TV programmes	Review Management's actions to devise suitable performance indicators and their reporting and benchmarking mechanism. Give advice or comment when appropriate.



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8 June 2006

Ref. : (4) in RTHK/CR 12/38 IV

Clerk, Public Accounts Committee

(Attn. : Ms Dora WAI)

Legislative Council Building

8 Jackson Road

Central

Hong Kong

BY FAX AND EMAIL

Dear Ms Wai,

**The Director of Audit's Report on the
results of value for money audits (Report No. 46)**

Chapter 8 – RTHK: governance and strategic management

As requested, the latest progress made by the SRU in implementing the various actions set out in the action plan, vide your letter of 6th June 2006, is set out in the papers attached and also sent by email to cwywong@legco.gov.hk.

Yours sincerely,

(Kenneth WOO)
for Director of Broadcasting

Encl.

P.S. e-mail copies to :

Maurice K W LOO/CITB/POO/HKSARG

Eddie CHEUNG/CTB/HKSAR

Amy W C TSE/FB/HKSARG

Benjamin K B TANG/AUD/SAR

Reply to PAC's query of 6.6.2006:

The SRU has made good progress in assisting and monitoring the implementation of the various actions set out in the Action Plan. The Chief Treasury Accountant now heading the SRU has commented that RTHK's management and staff have given positive responses in implementing the actions.

Noteworthy progress made so far is listed below:-

Items
Fee scale table for DCS/Service Providers <ul style="list-style-type: none">● A Steering Group and sub-working groups have been set up to improve the fee scale table and implement the recommendations made by Audit Commission.● Contract Request Form is being revised to allow for documentation on basis in determining the fee.
Practice of seeking covering approval <ul style="list-style-type: none">● Programme Division Working Groups have been set up to revisit areas for operational improvement and flexibility.
Efforts to rationalize the DCS structure <ul style="list-style-type: none">● The migration proposal of the remaining 18 DCS I staff to NCSC framework is being worked out with consultation from CSB.● Preparation work for the migration of Cat III to NCSC in progress and a benchmarking exercise for Cat. III pay scale is being conducted.
Compliance with the terms of outside broadcast contracts <ul style="list-style-type: none">● Contract monitoring procedures have been strengthened. Contractors are required to provide the list of personnel who attended the productions and RTHK will check on the personnel deployed on monthly basis.
Use of departmental transport and drivers' OT work <ul style="list-style-type: none">● Strengthened supervision on Driver A and the various controls over the use of departmental transport and drivers' OT work.● The supply and delivery of newspapers for the newsrooms in early morning has been outsourced to a contractor on a trial basis for 3 months with effect from 1.6.2006. Performance has been satisfactory. Subject to review of the arrangement after one-month's operation, RTHK will launch a formal tendering exercise to outsource the service on a longer-term basis.

Items
<p>Procurement of goods and services</p> <ul style="list-style-type: none"> ● An implementation plan to follow up GLD's recommendations is developed and has been cleared with GLD. Some minor issues are being followed up with GLD.
<p>Handover of inventories kept by TSA</p> <ul style="list-style-type: none"> ● Memo sent to FSTB to seek their advice on compensation of the disputed items. Reply is being awaited.
<p>Claims for reimbursement of entertainment expenses, entertainment for programme liaison, entertainment involving only government staff and need to economise on official and programme-related entertainment</p> <ul style="list-style-type: none"> ● FRU issued a memo to all Sections/Units to remind policies on prior approval, spending limits, guest requirements, tips, personal accountability for non-compliance, etc.
<p>Sponsorship in kind</p> <ul style="list-style-type: none"> ● A working group has been formed to review the sponsorship issues. Proposal is being worked out for discussion with CITB on relaxing guidelines. ● Standard forms for recording the acceptance of sponsorship in kind have been prepared. The records have been centralized and reviewed by CPOs of the respective divisions.
<p>Sponsored visits</p> <ul style="list-style-type: none"> ● DAU issued a memo to all Sections/Units to clarify policy and emphasize the need to seek prior approval.
<p>Need to foster a compliance culture</p> <ul style="list-style-type: none"> ● DB issued a letter to all staff and an All Staff Meeting was held to address the need for compliance. ● Treasury has agreed to arrange 2 workshops on financial control in Q2 and Q3 of this financial year.

Agenda for Finance Committee Meeting
To be held on Wednesday 24th March 1982

SUMMARY OF PART II

<u>Item No.</u>	<u>Head of Expenditure</u>	<u>Purpose</u>	<u>Supplementary provision required</u>
A.147 (p.1) IN E3/38	RECOMMENDATION OF THE ESTABLISHMENT SUB-COMMITTEE	To seek approval of the recommendation at Encl. <u>4</u> .	-
II B.221 (p.2) N 75/2/ 2 II	HEAD 160 - RADIO TELEVISION HONG KONG Subhead 100 Freelance staff	To seek approval of - (a) basic conditions of employment for departmental contract staff; and (b) the change in title of Subhead 100 "Freelance staff" in the 1982-83 draft Estimates to "Departmental contract staff".	-

Item B.221 HEAD 160 - RADIO TELEVISION HONG KONG
(FIN 75/2/2 Subhead 100 Freelance staff
11)

Members are invited to approve -

- (a) basic conditions of employment for departmental contract staff for Radio Television Hong Kong (RTHK), as set out in this agenda item; and
- (b) the change in title of Subhead 100 "Freelance staff" under Head 160 Radio Television Hong Kong in the 1982-83 draft Estimates to "Departmental contract staff".

Introduction

On 23rd December 1981, Members considered agenda item A.98 which sought approval for supplementary provision of \$3,178,000 to -

- (a) enable the fees payable to certain freelance staff to be increased with effect from 1st August 1981; and
- (b) meet an increase in expenditure arising from the temporary employment of freelance staff for programme production.

2. Arising from that agenda item Members raised a number of questions and did not approve the item. Members requested -

- (a) a full explanation as to why the 214 new posts mentioned in the agenda item were created;
- (b) details of a sample contract for freelance staff with a full statement of the terms and conditions;

/ (c) a ...

- (c) a full explanation of the increased workload referred to in the agenda item;
- (d) an examination of the present staffing level with a view to identifying possible economies; and
- (e) an explanation of why it is considered necessary to maintain parity between the freelance fees and equivalent civil service salaries, and why it is necessary to consider backdating any adjustment.

3. Questions (a) and (c) in paragraph 2 above are related. The new posts were created between April 1980 and December 1981, mainly to enable the weekly output of television public affairs programmes to be increased; a significant increase in television public affairs output was not feasible without additional staff. The 1979-80 output was four hours 43 minutes, and this rose to nine hours 12 minutes in 1981-82 - an increase of 95%. The Government's policy substantially to increase output also meant a commitment to greater variety and higher quality of programmes, without which RTHK's consistently high ratings could not be achieved or maintained. In addition to discussion and drama programmes and documentaries, RTHK has recently produced a series of competition/variety shows to publicise industrial safety, services for the handicapped and the District Administration Scheme. Compared to programmes in the past which were mainly studio-based, these new programmes require more research and consultations, more sophisticated camera and lighting techniques, frequent changes of cast, props and background and more location filming, requiring a higher use of manpower.

4. An increase in posts for the Radio Division was also necessary, to enable RTHK to -

- (a) reshape its five radio channels to give each a distinct purpose - Radio 1 (Chinese) and Radio 3 (English) for news and current affairs, Radio 2 (Chinese) for popular music and government messages, Radio 4 for arts and fine music, and Radio 5 for minority programmes and the BBC World Service;

/(b) increase ...

- (b) increase the range and improve the quality of public affairs programmes on both English and Chinese channels; and
- (c) strengthen editorial supervision of news and public affairs.

Encl. 5

5. As regards paragraph 2(b), a sample contract for freelance staff is at Enclosure 5. This contract was approved by Civil Service Branch in July 1978. RTHK is currently reviewing the wording of this sample contract in consultation with the Legal Department and the Civil Service Branch. Members will note that employment is offered on month to month terms and there are provisions to cover copyrights and outside work. Freelance staff do not receive fringe benefits.

6. As regards paragraph 2(d), a full scale establishment review of RTHK started on 8th March 1982 and a report will be presented to the Establishment Sub-Committee of Finance Committee in June or July 1982.

7. As regards paragraph 2(e), the problem of setting appropriate fees for freelance staff is considered fully in later paragraphs.

8. As a result of Members' questions, a full review of the arrangements for engaging freelance staff has been carried out, and certain proposals are now made in this agenda item.

Definition of freelance staff

9. There is some confusion as to what is meant by "freelance staff". Strictly speaking, the term should be applied only to casual artists, disc jockeys, script-writers, contributors and researchers whose services are engaged for a specific purpose in the production of particular programmes. Such freelance staff are paid a fee for their services and not a salary. Their cost is a proper charge on the Programmes vote (Head 160 Subhead 101 in the 1982-83 draft Estimates). It is intended that the term should, in future, be applied only to such staff.

10. The engagement of freelance staff so defined should be left to the discretion of the Director of Broadcasting. Within the funds available in the Programme vote, he should be in a position to engage freelance staff as and when required, and to pay the going market rate necessary to obtain their services.

/11. The ...

11. The problem which was the subject of the agenda item on 23rd December 1981, and which gave rise to Members' questions, had to do with staff employed on contract because of vacancies in the approved establishment. These are not freelance staff, and it is intended that in future they should be referred to as "departmental contract staff". In the 1982-83 draft Estimates a new subhead has been included to meet the expenses of employing departmental contract staff - this subhead has been incorrectly entitled "Freelance staff" (Head 160 Subhead 100 in the 1982-83 draft Estimates), and it is proposed that this title should now be changed to "Departmental contract staff".

Need for departmental contract staff

12. RTHK is in the competitive broadcasting business, and has an operational need to recruit staff at short notice faster than government procedures ordinarily allow. It is therefore necessary for RTHK to be able to employ staff before they can be actually appointed to posts in the civil service. This also has the advantage of enabling the person concerned to be better assessed as to his or her suitability for appointment to a post, and thus helps in the process of normal civil service selection procedures.

13. Having regard to this, it is proposed that in future the employment of departmental contract staff should be strictly related to the number of vacancies in the approved establishment of posts in the Programme Officer grade. It will be necessary, therefore, before departmental contract staff are engaged, to justify the creation of a post in the Programme Officer grade in the normal way.

14. In effect, the employment of departmental contract staff will normally be temporary pending the completion of formal appointment procedures to the vacant post. There may exceptionally be instances where someone is employed as departmental contract staff but, for valid reasons, is not suitable for eventual appointment to the post, and in these cases the employment on departmental contract staff terms will tend to be of longer duration.

15. Departmental contract staff will be restricted to those employed to perform the duties normally appropriate to ranks in the Programme Officer grade, and their numbers in each rank will not exceed the number of vacancies in that rank.

/Conditions ...

Conditions of employment

16. It is proposed that the Director of Broadcasting should have the authority to employ departmental contract staff on any point in the pay scale for the appropriate rank in the Programme Officer grade. The contract will stipulate the fixed point, and will be on month to month terms. There will be no scale as such, and no annual increments.

17. In normal circumstances, it is not envisaged that departmental contract staff will remain on contract for more than a year in any individual case. Should this happen, however, the Director of Broadcasting should have the authority to review the fixed point of salary, and to move it up or down on the appropriate pay scale, having regard to his updated assessment of the value of the person concerned - this review would be carried out on the anniversary of the person's first employment.

18. The contract will not provide for any fringe benefits such as quarters, housing allowances, education allowances, medical and dental benefits or passages. In effect, therefore, the cost of contract staff will be less than for a civil servant appointed to a post.

19. As the fixed point salary in any individual case will be determined by reference to the Master Pay Scale, it is proposed that it should be automatically revised when the Master Pay Scale is revised - for example as a result of a pay trend survey adjustment. These arrangements would start with effect from 1st April 1982.

20. Members are invited to approve the proposed arrangements set out in paragraphs 13 to 19.

21. This item has been placed on Part II of the Agenda because of the need to introduce the proposed new arrangements with effect from 1st April 1982. The inconvenience caused to Members is regretted.

RADIO TELEVISION HONG KONG

To:

Date:

Sir/Madam,

Radio Television Hong Kong has the pleasure of offering you employment. Details are as follows:—

Position:

Section:

Effective date of Service:

Duty hours per week:

Salary per month:

2. You will be responsible to the head of the above-mentioned Section for the performance of such duties as are assigned to you from time to time. Your Section Head will provide you with a detailed description of duties.

3. This appointment is terminable at one month's notice, or on payment of one month's salary in lieu of notice, by either party.

4. I should be grateful if you would confirm your acceptance of the offer by completing and returning the lower portion together with the original letter within 7 days as from the date of this letter. This offer will lapse on the expiry of the 7 days in question unless the time for acceptance is extended by me.

Yours faithfully,

(
for Director of Broadcasting

ACCEPTANCE

Date:

The Director of Broadcasting,
Broadcasting House,
Broadcast Drive,
Kowloon.
Dear Sir,

I refer to your letter of offering employment to me as a freelance contract staff and have pleasure in accepting it. I agree to abide by the terms and conditions stated in your said letter of offer and also hereunder:—

- * 1. All copyright that may subsist in the work i.e. subject to the assignment shall vest with the Crown.
- * 2. RTHK is entitled to use or rebroadcast recorded programmes without payment of a repeat fee.
- * 3. During the validity of this contract I shall not undertake any other employment which could give rise to a conflict of interest, without first obtaining the written approval of the Director of Broadcasting.
- * 4. The appointment is terminable at one month's notice, or on payment of one month's salary in lieu of notice, by either party.

Signed

Name in Capitals

Address

* Delete whichever is inappropriate

香港電台

敬啓者：茲擬聘請 台端在本台任職，詳情如下：

職位：

部門：

就任日期：

每週工作時間：

每月薪金：

台端須向上述部門之主管負責，執行所指派之職務。職務範圍，該主管將有詳細指示。

任何一方辭職或解僱，須預先一個月通知，或以一個月薪金代替通知。

倘 台端接納聘請，請於本函發出日期之七日內將「接納聘請書」部份填妥，與本函正本一同交回。除非本人延長期限，否則七日過後，此聘請即告無效。

此致

廣播處長

謹啓

(代行)

一九 年 月 日

接納聘請書

敬啓者：

來函敬悉。本人願意接受聘請為香港電台之合約職員，並

同意遵照 台端所列及以下所載之條件：

- * (一)有關電台所指派之工作之一切版權，全屬政府所有。
- * (二)香港電台有權使用或重播錄音或錄影節目而毋須繳付任何費用。
- * (三)在本合約之有效期間內，本人未獲得廣播處長之書面許可前，決不兼任其他任何會引致利益衝突之工作。
- * (四)任何一方辭職或解僱，須預先一個月通知或以一個月薪金代替通知。

(* 刪去不適用者)

簽 名：

姓名正楷：

地 址：

一九 年 月 日

Half-yearly Progress Report on Follow-up Action
on the Government Minute

(Position as at 31.03.2000)

(Extracted)

**7-8 of Part III of PAC Report No. 31 - Employment of departmental contract staff
(FIN L/M F25/97)**

Since 1 October 1996, the number of Category I departmental contract staff (DCS), i.e. full time staff held against vacancies in the Programme Officer grade establishment, has been reduced by 64% from 143 to 52. With the freeze on recruitment to the civil service and the new policy on employment of non-civil service contract staff, Radio Television Hong Kong (RTHK) has withheld further replacement of these staff by civil servants. RTHK now employs non-civil service contract staff to meet new operational requirements on a short term basis, as necessary.

RTHK has ceased to employ new Category II DCS who do not fall within the definition of the category i.e. freelance engaged in artistic or creative work, such as disc jockeys, actors, presenters, script-writers. As at 31 March 2000, the number of Category II DCS was 22.

As regards the full-time Category III DCS, i.e. temporary employees who do not fall within the definition of Category I or II, RTHK will regularize their employment by appointing them on non-civil service contract terms. This exercise, involving about 130 staff, will be phased over a six-month period, with the first batch to be completed in May/June 2000 and the whole exercise by December 2000.

As positive actions have been taken to address the concerns of the Public Accounts Committee (PAC), we recommend to delete this item.



RADIO TELEVISION HONG KONG

香港電台

Broadcasting House
30 Broadcast Drive,
Kowloon, Hong Kong.

香港九龍廣播道三十號廣播大廈

Hong Kong Island News Studios
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新聞部港島辦事處

香港金鐘政府合署四十七樓

Post Box : P.O. Box 70200 Kowloon Central Post Office

郵政信箱 九龍中央郵政信箱七〇二〇〇號

E-mail : rthk@hk.super.net

電子郵件

Fax : (852) 2338 0279

傳真機

Telephone :

電話

(852) 2339 6330

26 May 2006

Ref. : RTHK/CR 12/38 II

Ms Miranda HON
Clerk, Public Accounts Committee
Legislative Council Building
8 Jackson Road
Central
Hong Kong

BY FAX : 2537 1204

Dear Ms HON,

**The Director of Audit's Report on the
results of value for money audits (Report No. 46)**

Chapter 7 – RTHK: financial control and resource management

As requested, the additional information PAC requires is set out in the papers attached and also sent via email to cwywong@legco.gov.hk.

Yours sincerely,

(J.M. Gardner)
for Director of Broadcasting

P.S. Email copies also to :

Maurice K W LOO/CITB/P00/HKSARG

Eddie CHEUNG/CTB/HKSAR

Amy W C TSE/FB/HKSARG

Benjamin K B TANG/AUD/SAR

- (a) (1) RTHK has complied with the conditions of employment set for its Departmental Contract Staff (DCS), as approved by the FC in 1982. The conditions of employment as stipulated in the notes on decisions of the FC meeting held on 24.3.1982 are revisited as below:
- (i) Director of Broadcasting should have the authority to employ DCS on any point in the pay scale for the appropriate rank in the Programme Officer grade;
 - (ii) Director of Broadcasting should have the authority to review the fixed point of salary of DCS staff who remain on contract for more than a year, and to move it up or down on the appropriate pay scale, having regard to his updated assessment of the value of the person concerned;
 - (iii) The DCS contract will not provide for any fringe benefits such as quarters, housing allowances, education allowances, medical and dental benefits of passages; and
 - (iv) The pay level of DCS will be automatically revised when the Master Pay Scale is revised.
- (2) RTHK's operational need to recruit staff at short notice faster than government procedures allow was recognized by the FC and approval was therefore given for RTHK to employ DCS, subject to the following conditions:
- (i) The employment of departmental contract staff should be strictly related to the number of vacancies in the approved establishment of posts in the Programme Officer grade; and
 - (ii) DCS will be restricted to those employed to perform the duties normally appropriate to ranks in the Programme Officer grade, and their numbers in each rank will not exceed the number of vacancies in that rank.
- (3) In adherence to the above conditions, DCS Cat I staff in RTHK have always been held against Programme Officer Grade **civil service vacancies in corresponding ranks**.
- (4) The 1982 FC paper has also clearly stipulated that the employment of DCS will *normally* be temporary pending the completion of formal appointment procedures to the vacant post. It also states that there may exceptionally be instances where someone is employed as departmental contract staff but, for valid reasons, is not suitable for eventual appointment to the post, and in these cases the employment on departmental contract staff terms will tend to be of longer duration.
- (5) In our review on the employment of DCS in 1998, we agreed to adopt a phased approach in reducing the number of such long serving DCS Cat I staff. **Annex I** shows that the number of DCS Cat I staff has been reduced by **92%** from 234 in 1982 to **18 in 2006**. Due to the intermittent civil service recruitment freezes imposed since April 1999 and the staffing mix proposal as recommended in a department's consultancy study on a five-year strategic plan (i.e. it is considered desirable for RTHK, in the long run, to maintain a mixture of civil servants, contract staff and service providers in equal proportions), RTHK was unable to convert the remaining 18 DCS to the permanent establishment. With the review of the Public Service Broadcasting now underway, it is also not timely to convert them to permanent terms. As part of our ongoing efforts to regularize the contract staff system here, we are attempting to migrate them to the NCSC framework by the end of June 2006.

- (6) **As RTHK has never introduced any changes to the conditions of employment for its DCS Cat. I, there has never been any requirement for it to inform the FC.**
- (b) (1) In 1998, in response to a discussion paper worked out by RTHK on the review of the employment of DCS, our policy bureau advised that we should rectify cases where DCS had already been employed for a prolonged period of time by **either offering them permanent employment terms or fixed contract terms of, say, two to three years.** Subsequently, with the civil service recruitment freeze in 1999, the option of offering them permanent employment terms was ruled out. RTHK has properly followed the policy bureau's advice by offering the remaining DCS Cat I fixed contract terms. These DCS Cat I contracts were thereafter renewed annually based on operational considerations and subject to the approval by the Standing Committee of Contract Staff (SCOCS) which comprises senior management of the department as members. **In short, the existing 18 DCS Cat I staff have all been on one-year contract terms for more than one year.**
- (c) A Working Group on Fee Scale Review has been set up in RTHK with the objectives to improve and implement the recommendations made by the Audit Commission.
- (1) The Working Group will review and streamline the job types and fee ranges for individual job titles. It will also launch benchmarking exercises against the civil service pay scale and, if impractical, against the going market rate and document the basis for such comparison.
- (2) The Working Group will try to develop guidelines to help staff to apply the different tiers in the fee scale table. It will further enhance the mechanism to document how the staff have determined the tiers and the pay to be offered to DCS/ service providers.

This is a complicated exercise expected to be completed by the end of the year. The revised Fee Scale Table could be implemented early in 2007 after being endorsed by RTHK's Standing Committee on Contract Staff and Service Providers.

- (d) There are provisions in the Outdoor Broadcasting contracts, that is, for City Forum and for Church Services, as listed below:

(1) For City Forum:

**Part I, Terms of Tender:
Contractors' Performance Monitoring**

Tenderers are advised that should they be awarded the contract their subsequent performance will be monitored and may be taken into account when their future tenders are evaluated. A tender will be rejected if by the tender closing date, the tenderer is under suspension from tendering for RTHK tenders.

**Part II, General Conditions of Contract:
Default**

If the Contractor shall fail to carry out all or any of the Services provided for in the Contract within the Contract period or such extended period as may be agreed in accordance with clause 1(b) hereof, the Government may at its absolute discretion terminate the whole or any part of the Contract by notice in writing to the Contractor, but

without prejudice to any claims by the Government for breach of Contract including but not limited to its right of Government to assign the balance of the uncompleted Services to another contractor or contractors whereupon the Contractor shall be liable for any sums so incurred in excess (hereinafter called 'any excess') of the Contract price.

Part III, Tender Specifications:

Penalty

RTHK reserves the right to deduct 10% of the total contract costs in case the service provided failed to provide the booked service, or the service level provided failed to meet the Generic Code of Practice on Television Technical Standards. Contract may be terminated without any compensation when three written warnings are served on poor service.

(2) For Church Services:

Part I, Terms of Tender:

Contractors' Performance Monitoring

(as above)

Part II, General Conditions of Contract:

Default

(as above)

Part III, Tender Specifications:

Penalty

RTHK reserves the right to deduct 10% of the total contract costs in case the service provided failed to provide the booked service, or the service level provided failed to meet the Radio Code of Practice on Technical Standards. Contract may be terminated without any compensation when three written warnings are served on poor service.

- (e) (1) With effect from 24 April 2006, Driver A has been required to park the vehicle in Broadcasting House, RTHK Headquarters, after his day's duties. This practice is in line with the arrangements for all vehicles in the department and is considered an effective measure as regards the supervisory control over the use of the vehicle. The arrangement will be reviewed in 6 months' time having due regard to operational considerations, efficiency, supervision of staff attendance, etc.
- (2) To further strengthen supervision of the driver and the use of the vehicle, the main user of the vehicle has also been certifying the vehicle logbook since November 2005. The Departmental Transport Officer also regularly inspects the driver's attendance record, vehicle logbook record and overtime work register, in the same way as is required for all other drivers in the Transport Section, and where necessary, cross-checks the journey record with the tunnel record.
- (3) When the main user of the vehicle takes leave or attends overseas duty visits, Driver A will be encouraged to take time-off-in-lieu or leave. Otherwise, he will be gainfully deployed to perform other driving duties.
- (f) (1) Normally, **Driver A works until about 1930 hours**. However, on some occasions, when the main user is required to attend official evening functions, the driver may remain on duty till as late as 2300 hours.

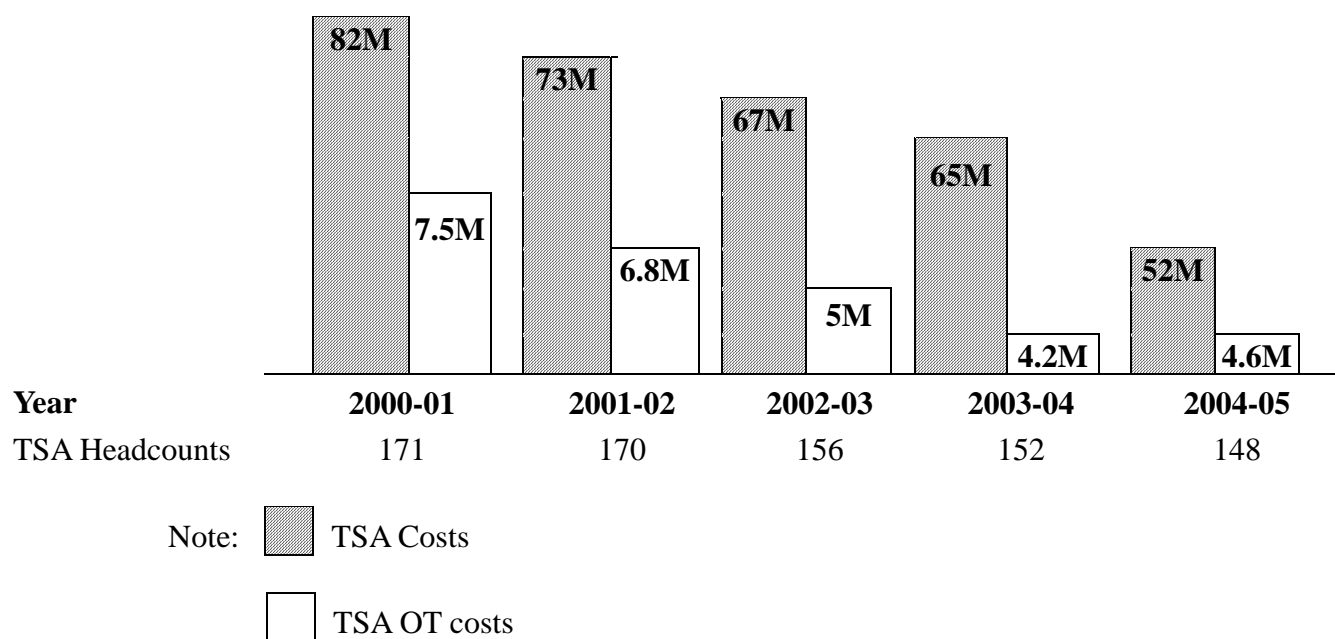
- (2) The off-duty time for Driver A was at the time when he finished his work after driving his vehicle back to Kwai Chung Depot, including properly parking his vehicle, completing vehicle logbooks, conducting routine cleaning and inspection of the vehicle, etc.
- (g)
- (1) Our records show that the vehicle logbooks concerned used to be certified by the Departmental Transport Officer (DTO) starting May 2000. When the former DTO took over the post in mid-June 2001, he was told by his predecessor to continue certifying the vehicle logbooks but he found that there was not any departmental guideline or instruction requiring him to do so. He also considered that he was not the appropriate officer to certify the logbooks on behalf of the main user of the vehicle as he did not have any information about the latter's daily journeys. With reference to other departments' practices, he thought that if the main user did not certify the logbooks himself, it was more appropriate for his personal secretary to do so.
 - (2) In late October 2002, he assisted in reviewing the departmental guidelines on the use of departmental vehicles. The DTO claims he took the opportunity to ask Driver A to have the vehicle logbooks properly completed and certified, in accordance with the draft administrative circular which was finally promulgated in October 2003, but there is no written record of this. He thereafter stopped certifying the vehicle logbooks.
 - (3) As regards the rationale for his actions, the DTO concerned has advised that he respected the senior officers in the department and saw no need to raise any query on the journey records. The DTO, however, supplemented that he had taken adequate measures to counter-check the accuracy of details entered in the logbooks. He usually assigned an Assistant Clerical Officer in the Transport Section to make reference to all related records, including attendance books, duty roster, vehicle logbooks, fuelling records and tunnel records in preparing the monthly overtime allowance claims, and to report to him any irregularities spotted.
 - (4) The DTO's explanation is believed to be truthful. It is regrettable that when the DTO found that the vehicle logbooks had not still been certified months later, he did not take action to have this rectified, e.g. bringing the issue up to his supervisors, thereby resulting in the logbooks not having been certified for 3 years.
- (h) A summary of measures taken by RTHK since 1999 to reduce OT payments under the TSA is as follows:
- (1) Considerable efforts were made by RTHK to control the overall TSA annual expenditure, TSA headcount and OT. There was a need to balance TSA headcount and OT. The attached bar chart at **Annex II** shows the reduction of TSA headcount and OT over the years, after 1999.
 - (2) Through liaison with TSA contractor, a floating (irregular) rest-day scheme was introduced by TSA contractor in 1999 in line with the audit report recommendation, to cease the practice of setting of Sundays as rest days.
 - (3) RTHK outsourced certain TSA work (Outdoor Broadcasting ie OB for City Forum, soccer, horse racing, church services) to reduce OT under the TSA and to reduce TSA costs. These were first implemented in 2000.
 - (4) Procedures were introduced in RTHK Accounting Circular No. 4/2002 "Overtime Payment to PCCW under the TSA", dated June 13, 2002. This covers control requirements,

pre-approval procedures, application, documentation and budgetary control, etc. In addition, the operating divisions monitor their OT usage. For example Radio Division uses a table to track the monthly OT usage of each operations unit. TSA contractor provides monthly OT data (table and chart) for RTHK.

- (5) Through liaison with the TSA contractor, re-scheduling of technical maintenance for Radio and TV facilities was made to reduce OT and to improve operational cost-effectiveness.
- (6) Through liaison with TSA contractor, a multi-skilled (flexible) workforce arrangement was introduced by TSA contractor, to allow increased flexibility in scheduling TSA staff to reduce OT. Their staff were trained to take on different skill sets eg in TV production and staff could be moved for example from technical operations to engineering to minimize OT.
- (7) A TOIL (Time-Off In Lieu) system for compensating overtime work was introduced by the TSA contractor, at the request of RTHK. Thus helping to reduce OT payment.

Strength of DCS Cat I staff employed in RTHK

Date	No. of DCS Cat I
1/4/82	234
1/4/83	170
1/4/84	120
1/4/85	114
1/4/86	131
1/4/87	108
1/4/88	116
1/4/89	122
1/4/90	132
1/4/91	132
1/4/92	127
1/4/93	140
1/4/94	134
1/4/95	113
1/4/96	129
1/4/97	124
1/4/98	120
1/4/99	64
1/4/00	52
1/4/01	41
1/4/02	37
1/4/03	28
1/4/04	24
1/4/05	23
1/4/06	18





審計署
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告士打道七號
入境事務大樓
二十六樓

Audit Commission
26th Floor
Immigration Tower
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Wanchai, Hong Kong

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電話 Telephone : 2829 4251

本署檔號 Our Ref.: UB/BAR/PAC/46 Vol 2

來函檔號 Your Ref.: CB(3)/PAC/R46

27 May 2006

Ms Miranda HON
Clerk
Public Accounts Committee
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road
Central, Hong Kong

[Fax No. 2537 1204]

Dear Ms Hon,

**The Director of Audit's Report on the
results of value for money audits (Report No. 46)**

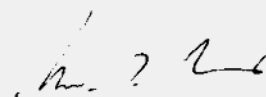
Chapter 7 — RTHK: financial control and resource management

Thank you for your letter of 20 May 2006.

I provide at Annexes 1 to 3 my response to items (a) to (c) of your letter.
Regarding item (d) of your letter, my response was provided to you in my letter of
24 May 2006.

A Chinese translation of this letter will be forwarded to you shortly.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'David M T Leung', with a stylized flourish at the end.

(David M T LEUNG)
for Director of Audit

c.c. Secretary for Commerce, Industry and Technology (Fax: 2537 3210)
Permanent Secretary for Commerce, Industry and Technology
(Communications and Technology) (Fax: 2588 1421)
Director of Broadcasting (Fax: 2337 2403)
Secretary for Financial Services and the Treasury
(Attn.: Miss Amy TSE) (Fax: 2596 0729)

**Audit's response to item (a) of PAC's letter of
20 May 2006, in which the PAC asked whether, according to the
Finance Committee (FC)'s decisions in March 1982, RTHK's departmental
contract staff (DCS) were allowed to remain on contract for more than a year**

1.1 The FC paper of 24 March 1982 states that:

"14. In effect, the employment of departmental contract staff will normally be temporary pending the completion of formal appointment procedures to the vacant post. There may exceptionally be instances where someone is employed as departmental contract staff but, for valid reasons, is not suitable for eventual appointment to the post, and in these cases the employment on departmental contract staff terms will tend to be of longer duration.

17. In normal circumstances, it is not envisaged that departmental contract staff will remain on contract for more than a year in any individual case. Should this happen, however, the Director of Broadcasting should have the authority to review the fixed point of salary, and to move it up or down on the appropriate pay scale, having regard to his updated assessment of the value of the person concerned – this review would be carried out on the anniversary of the person's first employment."

1.2 Based on the FC paper of 24 March 1982, Audit considers that, in **exceptional circumstances**, the Director of Broadcasting should have the authority to employ DCS on contract for more than a year.

1.3 The PAC may wish to note that in paragraphs 2.40 to 2.47 of Chapter 7 of the Director of Audit's Report No. 46, in February 1997 Audit reported that RTHK employed a large number of DCS I and Category II service providers for prolonged periods of time (see para. 4.10 of Chapter 4 of the Director of Audit's Report No. 28). In November 1997, RTHK stated that it would adopt a phased approach to reduce the number of long serving DCS I and would regularise the employment of DCS III by appointing them on non-civil service contract terms. Audit considers that the DCS structure should have largely been rationalised by 2006. Audit notes that the number of DCS I was indeed reduced from 120 as at April 1998 to 18 as at January 2006 (Note). However, because RTHK has continued to employ DCS III, the number of DCS III remained high, increasing

Note: *In paragraph 4.39 of Chapter 4 of the Director of Audit's Report No. 28 of February 1997, Audit found that the employment contracts for many DCS I were open-ended without stating the period of employment. RTHK has revised its terms of employment and disallowed the employment of DCS I for contractual periods of more than one year, but their employment is subject to annual review and renewal.*

from 120 as at January 1998 to 148 as at January 2006 (see para. 2.46 of Chapter 7 of the Director of Audit's Report No. 46).

Audit's response to item (b) of PAC's letter of 20 May 2006, in which the PAC asked Audit to confirm whether, based on the latest information provided by Company B regarding the years of experience of the outside broadcast (OB) production team on 27 February 2005, Company B would still be awarded the contract

2.1 As stated in paragraph 3.10 of Chapter 7 of the Director of Audit's Report No. 46, the average relevant experience of the crew members for the two episodes of City Forum on 20 and 27 February 2005 according to the experience profiles provided by Company B to Audit were 17.3 years and 12.9 years respectively. Audit noted that the average relevant experience of the crew members on the two episodes were considerably lower than the average of 19.3 years of experience for the eleven core members specified in the tender document.

2.2 Audit also noted that if Company B had used those crew members with an average of 12.9 years of experience (i.e. the OB production team on 27 February 2005) as the core members specified in the tender document, Company B would not have been awarded the contract based on the marking scheme for the tender (see para. 3.11(c) of the Audit Report).

2.3 RTHK pointed out at the public hearing that according to the latest information provided by Company B, the relevant experience of the crew members for the episode on 27 February 2005 was longer than that mentioned in paragraph 3.10 of the Audit Report. At Audit's request, RTHK confirmed with Company B that the average relevant experience of the crew members concerned was revised to 14 years (instead of 12.9 years), taking into account experience outside Company B. **The 14 years' experience was counted up to August 2004 (i.e. when the contract was extended by one year after it was awarded in August 2003).**

2.4 Assuming that the revised figure of 14 years of average relevant experience (as at August 2004) had been used by Company B in the tender submission, Company B might have been awarded the contract. However, if Company B had used those crew members of the OB production team on 27 February 2005 as core members in the tender submission on 4 August 2003, Audit considers that the average relevant experience of the members should have been only about 13 years (i.e. 14 years less 1 year) at that time. **Audit has re-calculated Company B's scores according to the marking scheme for the tender based on this revised figure of 13 years of average experience as at August 2003, and reached the same conclusion as stated in paragraph 3.11(c) of the Audit Report that Company B would not have been awarded the contract.**

2.5 That said, the PAC may wish to note that Audit's main concern in paragraphs 3.9 to 3.11 of the Audit Report is that the replacement of more than five of the

eleven core members specified in the contract in nearly all occasions (i.e. 46 of a total of 47 episodes in 2004-05) constituted a breach of the terms of contract. Audit selected two episodes (20 and 27 February 2005) as examples to assess the consequence of such a breach of contract. The average relevant experience of the crew members concerned was found to be considerably lower than the average experience for the eleven core members specified in the tender document (see para. 3.10 of the Audit Report). Given limited audit resources, and without ready access to Company B's records, Audit did not examine the other 44 cases (i.e. 46 episodes less 2 episodes).

2.6 Audit has recommended that the Director of Broadcasting should closely monitor the provision of OB services in order to ensure that the contractor fully complies with the terms of the contract (see para. 3.14(a) of the Audit Report). The Director of Broadcasting agrees with this audit recommendation and Company B confirms that it will provide the appropriate personnel for OB events in future (see para. 3.15 of the Audit Report).

Audit's response to item (c) of PAC's letter of 20 May 2006, in which the PAC sought Audit's view on RTHK's response at the public hearing that as the Technical Services Agreement (TSA) had not yet expired, there was little scope for requiring Company A to re-schedule the rest days of the TSA staff

3.1 Audit fully recognises that the current TSA was signed by the Government and Company A, and RTHK was only one of the user departments of the TSA.

3.2 As mentioned in paragraph 4.7 of Chapter 7 of the Director of Audit's Report No. 46, in March 1999 Audit conducted a review of the management of TSA services by government departments and the cost-effectiveness of the Government's spending under the TSA. The 1999 audit revealed that there was room for improvement in a number of areas, including the control of OT payment under the TSA in the Civil Aviation Department (CAD) and RTHK (see paras. 33 to 50 of Chapter 7 of the Director of Audit's Report No. 32). Audit recommended in March 1999 that both the Director of Civil Aviation and the Director of Broadcasting should (see para. 45 of Chapter 7 of the Director of Audit's Report No. 32):

- (a) ascertain whether there was a genuine need for TSA staff to work OT;
- (b) find ways (e.g. by a staff rotation schedule) of ceasing the practice of setting Sundays as rest days for the TSA staff; and
- (c) examine whether there was scope for re-scheduling the working hours of the TSA staff to match with the work requirement in order to reduce OT work to the minimum.

3.3 Although there are no specific provisions in the TSA governing the working hours and rest days of the TSA staff, since the 1999 audit, RTHK has been able to reduce OT payments under the TSA by taking various measures. As mentioned in paragraph 4.8 of Chapter 7 of the Director of Audit's Report No. 46, RTHK's OT payments under the TSA decreased by 39%, from \$7.5 million in 2000-01 to \$4.6 million in 2004-05. While recognising RTHK's efforts in reducing OT payments under the TSA, Audit's recent review has found that there is scope for RTHK to further reduce OT payments (see paras. 4.9 to 4.21 of the Audit Report). In particular, Audit's analysis of the rest days of TSA staff in RTHK for the period September 2004 to March 2005 showed that 39% of TSA staff still had their rest days on Sundays (see para. 4.19 of the Audit Report). Taking into account RTHK's work pattern (see para. 4.20 of the Audit Report), Audit has recommended that the Director of Broadcasting should urge Company A to consider re-scheduling the rest days on Sundays of TSA staff to better match with the work requirements (see para. 4.23(a)(iii) of the Audit Report).

3.4 It is relevant to point out that, in response to the audit recommendations mentioned in paragraph 3.2(b) and (c) above, the CAD reached an agreement with Company A to treat public holidays as normal working days, apart from curtailing the practice of setting Sundays as rest days for TSA staff and re-scheduling their working hours to minimise OT work (paragraph 47 of the Government Minute in response to the PAC Report No. 32 dated 13 October 1999 refers). Audit considers that, if Sundays had been treated as normal working days for TSA staff in RTHK, a smaller percentage (compared with 39% mentioned in para. 3.3 above) of TSA staff should have taken their rest days on Sundays.

3.5 Notwithstanding that the TSA has not yet expired, given that 39% of TSA staff in RTHK still had their rest days on Sundays (see para. 3.3 above), there is still scope for RTHK to further negotiate with Company A to re-schedule some of the rest days of TSA staff to better match with the work requirements on Sundays (which constitute about 20% of the TSA workload — see para. 4.20 of the Audit Report).



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6 June 2006

Ref. : (47) in RTHK/CR 12/38 III

Ms Miranda HON
Clerk, Public Accounts Committee
Legislative Council Building
8 Jackson Road
Central
Hong Kong

BY FAX and EMAIL

Dear Ms HON,

**The Director of Audit's Report on the
results of value for money audits (Report No. 46)**

Chapter 7 – RTHK: financial control and resource management

As requested, the additional information PAC requires vide your letter of 2nd June 2006, is set out in the papers attached and also sent email to cwywong@legco.gov.hk.

Yours sincerely,

(J.M. Gardner)
for Director of Broadcasting

Encl

P.S. e-mail copies to :

Maurice K W LOO/CITB/POO/HKSARG
Eddie CHEUNG/CTB/HKSAR
Amy W C TSE/FB/HKSARG
Benjamin K B TANG/AUD/SAR

Reply to the Public Accounts Committee on the Director of Audit's Report on the results of value for money audits (Report No. 46)

Question (a)

The number of DCS Cat III employed by RTHK in each year since January 1998 up to January 2006, as well as the respective numbers of DCS Cat I and Category II service providers (previously known as DCS II) employed by RTHK during the same period; and whether any DCS Cat I or Category II service providers had been transferred to DCS III during that period.

Answer

The number of DCS Cat I, Cat II service providers and DCS Cat III employed by RTHK since January 1998 up to January 2006 is set out below:

Position as at	No. of DCS Cat I	No. of Cat II service providers*	No. of DCS Cat III
1.1.2006	19	688	148 (35 full-time and 113 part-time)
1.1.2005	25	519	130 (46 full-time and 84 part-time)
1.1.2004	26	565	97 (43 full-time and 54 part-time)
1.1.2003	31	609	95 (36 full-time and 59 part-time)
1.1.2002	39	Not Available	Not Available
1.1.2001	44	Not Available	Not Available
1.1.2000	56	Not Available	Not Available
1.1.1999	79	Not Available	Not Available
1.1.1998	126	Not Available	Not Available

* Formerly called DCS Cat. II.

Remark: Our Form 9A system which is a centralized computer system for processing contracts and payment in respect of DCS Cat II and DCS Cat III was not fully rolled out until end of 2001. Many of the contracts in respect of DCS Cat II and DCS Cat III before this were maintained manually at Divisional level. As such, we are unable to provide accurate figures on the number of DCS Cat II and DCS Cat

III for the period from 1998 to 2002. Although it is mentioned in para. 2.46 of the Audit's Report No. 46 that the number of DCS Cat III as at January 1998 is 120, the figure was only an estimate based on the result of ad-hoc stock-taking exercises on the number of DCS Cat III staff employed by respective divisions / units. Several rounds of stock-taking exercises were conducted at the time in order to prepare for the large-scale migration exercises of full-time DCS Cat III to the NCSC framework in 2000 and 2001.

During the period from January 1998 to 2006, 6 DCS Cat I were transferred to DCS Cat III. Due to the reason mentioned above, we are unable to provide accurate figures on the number of DCS Cat II / Cat II service providers transferred to DCS Cat III for the said period, but we believe that the number would not be too large.

Question (b)

The reason why the number of DCS Cat III employed by RTHK had increased from 120 as at January 1998 to 148 as at January 2006, despite the Administration's undertaking in March 2000 to complete conversion of the 130 full-time DCS Cat III to NCSC terms by end of 2000.

Answer

Definition of DCS Cat III in RTHK

First and foremost, for the sake of clarity, we wish to explain in practice that there are basically two categories of DCS Cat III staff in RTHK, namely

- (a) **"full-time" DCS Cat III** - they are (a) remunerated on a monthly basis; and (b) work for at least 44 conditioned hours per week; and
- (b) **"part-time" DCS Cat III** – they are all appointed on a short-term basis to meet ad-hoc and irregular programme needs. Most of them are not on a continuous contract of employment, i.e. they may work for either more than 18 hours per week but not exceeding 4 weeks, or work for less than 18 hours per week for any duration. They are usually remunerated on the bases of project, hour, session, programme or episode.

Conversion of full-time DCS Cat III to NCSC framework

2. Since the completion of RTHK's review on the continued employment of Departmental Contract Staff in 1997, **we have been committed to reducing the number of long serving and full-time DCS Cat III staff**, i.e. those in para 1(a). RTHK had thereafter completed the conversion of some 139 full-time DCS Cat III staff to the service-wide NCSC framework by end of 2000. From 2001 to 2006, RTHK has further regularized a total of 64 full-time DCS Cat III to the NCSC framework. The number of full-time DCS Cat III has been reduced to **25** as at **1.6.2006**.

Reason for the employment of full-time DCS Cat III

3. Before completely phasing out of the DCS Cat III structure, we still need to allow the appointment of full-time contract staff on DCS Cat III terms. There is an operational need for our programme producers to flexibly secure the required manpower to meet their production needs. Nevertheless, we have built in a well-established mechanism to control the number of full-time DCS Cat III and to cease their appointment on long-term basis. According to revised departmental policy implemented since 1 March 2006, the appointment period of DCS Cat III **is confined to less than 12-month period**. Exceptional approval, supported by strong justifications, has to be sought from the Deputy Director of Broadcasting if the appointment of full-time DCS Cat III lasts for more than 12 months. The appointment of full-time contract staff on DCS Cat III in this way can help to draw **a clear line of distinction** with those appointed on NCSC terms in that the appointment period of the former is clearly confined to a short-term basis of less than 1 year.

Reason for the increasing number of part-time DCS Cat III

4. Due to our unique operational requirement and nature of business, it has not been possible to *completely phase out* the DCS Cat III structure so far based on the considerations explained in para. 5 below. As stated in the Progress Report in respect of issues outstanding in the Government Minute of September 1997 and April 1998, RTHK would further explore the option to *reduce its dependence on "full time" DCS Categories II and III staff*. In parallel to keeping our undertaking in reducing the appointment of full-time DCS Cat III, we have kept appointing **part-time DCS Cat III**, i.e. those defined at para 1(b) above to meet ad-hoc and short-term programme production needs. The 148 DCS Cat III at January 2006 as stated in para.

2.46 of the Audit Report in fact consist of **113 part-time and 35 full-time DCS Cat III**. The increase in the overall figure of DCS Cat III from 120 as at January 1998 to 148 as at January 2006 is **thus mainly due to the increase in the number of part-time DCS Cat III**. These part-time DCS Cat III are subject to different contract durations, which may last from several days to six months, and are remunerated on different bases, such as project, hour, session, programme or episode. The statistics provided in the above table also show that there is an increasing demand for RTHK to employ part-time DCS Cat III amidst the challenges of cost cutting and freeze in recruiting civil service staff. This trend reflects our need to flexibly secure the required manpower to meet our fluctuating operational needs. Before the phasing out of the DCS Cat III structure can be completed, RTHK still needs some part-time workforce which affords more flexibility and cost-effectiveness for certain projects.

Prudent approach in phasing out part-time DCS Cat III

5. As mentioned in our initial response in para. 2.48 of the Audit Report, the pay packages, terms and benefits of these part-time DCS Cat III are completely different from those of the NCSC staff appointed on full-time and monthly-rated basis. It is a rare practice in other government departments to frequently appoint temporary staff of varying contract durations on part-time basis and remunerated them on different bases. Without any prevailing practice to follow and having regard to the fact that the operation of the NCSC staff scheme could not be said to have been fully matured in the first few years of its implementation, we needed to be very careful before deciding to completely phase out DCS Cat III lest it might hinder our operations. New employment packages distinctly different from those of the full-time DCS Cat III staff have to be worked out, often individually in the first instance, before migration can be effected.

Conclusion

6. Yet, please rest assured that RTHK has pledged to **completely rationalize DCS Cat III**, both part-time and full-time staff, to the NCSC framework **by end of December 2006**.

Question (c)

RTHK's comment on Audit's above conclusion.

Answer

The RTHK return used the date of the OB (27 February 2005) as the basis for calculation. Whereas, we note that Audit uses the contractual date (4 August 2003). RTHK does not have any further comments to offer on Audit's conclusion.

Question (d)

The minimum years of relevant experience required by RTHK in the tender specifications in respect of the provision TV OB services for the live coverage of "City Forum".

Answer

The minimum relevant experiences, ranging from 5 to 10 years depending on the job category, are shown in Appendix I.

Question (e)

Details of the marking scheme for the tender; the scores obtained by Company B in the different aspects of the marking scheme, including the average years of relevant experience of the core members, and those obtained by the second most competitive tenderer.

Answer

Details are shown in Appendices (I) and (II).

The total score obtained by Company B was 100 and that by Company C (the second most competitive tenderer) was 87.3. The experience of the core members is shown in Appendix I.

Question (f)

The reason why, despite the introduction of the floating rest-day scheme by the TSA contractor in 1999, 39% of TSA staff still had their rest days on Sundays during the period September 2004 to March 2005, as revealed in paragraph 4.19 of the Audit Report.

Answer

After the introduction of the floating rest-day scheme in 1999, there has been a

significant reduction of rest-days on Sundays. Now only 39% take Sunday as a rest day and this figure also includes TSA staff who work normal office hours, that is, with rest-days on Sundays e.g. senior engineers, store-men, etc.

Question (g)

Whether there any provisions in the TSA governing the rest days of TSA staff or specifying that their rest days have to be on Sundays and, if there are, what the details are.

Answer

There was no provision in the TSA, in relation to rest-days of TSA staff.

Posts	Minimum experience required (years)	Company "B" 08/2003	Marks/ Scores	Company "C" 08/2003	Marks/ Scores
Technical supervisor	10	26	21	30	25
Cameraman 1	5	23	23	18	18
Cameraman 2	5	21	21	20	20
Cameraman 3	5	23	23	26	26
Cameraman 4	5	14	14	21	21
Audioman 1	5	24	24	16	16
Audioman 2	5	10	10	14	14
Television Engineer	7	20	18	16	14
Video Tape Operator	5	12	12	12	12
Camera Control Unit Operator	5	14	14	11	11
Electrician Cum Lighting man	5	25	25	25	25
<i>(Average Experience, not required per se in tender evaluation)</i>		19.3		19.0	
Total Experience (Marks)			205		202
Normalized, to 100% (experience)			100		98.5
Experience score (max. 40%)			40		39.4
Pricing (HK\$)			443,900		556,600
Normalized, to 100% (pricing)			100		79.8
Pricing Score (max. 60 %)			60		47.9
Total Score (experience score +pricing score)			100		87.3

Tender Ref. RTHK 2/S/8/2003

TENDER SPECIFICATION**1. The Crew**

- 1.1 The contractor shall provide to RTHK one (1) Television Outside Broadcast (OB) production team. The OB team shall consist no less than eleven team members of the following job titles.

Technical Supervisor -----	one person
Cameraman -----	four persons
Audioman -----	two persons
Television Engineer -----	one person
Video Tape Operator -----	one person
Camera Control Unit Operator -----	one person
Electrician cum Lightingman -----	one person

The production team shall work from 0700 hr. to 1500 hr. every Sunday during the contractual period within Hong Kong Special Administrative Region.

- 1.2 The OB team shall operate and engineer RTHK's OB van, generator van, cameras, audio, public address system and other ancillary equipment.
(Key equipment list in Appendix I on page 25)
- 1.3 The services provided by the contractor shall be the live OB production of the 'City Forum' for the period from 1.9.2003 to 31.8.2004. The total estimated numbers of production session will be 46 episodes with a leeway of plus or minus 4 episodes. The quality and the professionalism of each team member shall meet the Commercial TV code of Production on Technical Standards.

2. Selection Criteria

- 2.1 Tenders who meet the criteria below are eligible for consideration in accordance with the marking scheme and evaluation described in para. 7 of the tender specification.

2.1.1 Technical supervisor



He shall have no less than ten years of TV production experience. He shall possess a sound technical and engineering knowledge of television outside broadcast production. He shall supervise and be responsible for all technical, engineering and operational aspects of both his team members and the production. He shall ensure the production to meet the Commercial TV code of Practice on Technical Standards.

2.1.2 Cameraman

He shall have no less than five years experience as a Cameraman. He shall possess the experience and technique to set up professional TV camera on tripod, tri-track and/or

Tender Ref. RTHK 2/S/8/2003

pedestal. He shall perform professional camera works and be able to move the camera on dolly and track. He shall provide all the required shots with fast response under the direction of a TV producer in the OB Van. He shall assist in set-up and pack-up of the whole OB production system other than camera works.

2.1.3 Audioman

He shall have no less than five years experience as an audioman. He shall process the expertise and technique to set up an audio system and public address system of a discussion panel of six to eight persons. He shall operate a wireless microphone system of two to four microphones. He shall operate a multi-channel audio mixer, playback equipment in the OB Van. He shall be able to perform various audio operations professionally such as, monitoring, mixing, balancing and recording. He shall be able to provide an adequate sound level for the floor audience of 100 by using RTHK's public address system. He shall perform and respond to the direction of a TV producer in the OB van. He shall assist in set-up and pack-up of the whole OB production system other than audio works.

2.1.4 Television Engineer

He shall have no less than seven years experience in television engineering. He shall process good electrical and electronic knowledge up to the level equivalent to the Diploma of the tertiary institutions in Hong Kong. He shall engineer the whole OB production system with the assistance of the other team members. He shall provide all necessary engineering supports including repairing on location, whenever there is any technical pitfall or severe engineering break down. He shall ensure the engineering to meet the Commercial TV code of Practice on Technical Standards. He shall overall in charge of the engineering set-up and pack-up of the whole OB production system.

2.1.5 Video Tape Operator

He shall have no less than five years experience as a video tape operator. He shall process good electrical and electronic knowledge up to the level equivalent to the Higher Certificate of the tertiary institutions in Hong Kong. He shall operate the video tape recorders in the OB van. He shall monitor the video and audio signal paths and ensure that such signals are in line with the broadcast standard for live transmission. He shall perform and respond to the director of a TV producer in the OB van. He shall assist in the engineering set-up and pack-up of the whole OB production system other than videotape operations.

2.1.6 Camera Control Unit (CCU) Operator

He shall have no less than five years experience as a camera control unit operator. He shall process good electrical and electronic knowledge up to the level equivalent to the higher Certificate of the tertiary institutions in Hong Kong. He shall operate the four camera control units in the OB van. He shall align and adjust the CCU with the four cameras to obtain a good signal balance and ensure that the video signals are in line with the broadcast standard. He shall perform and respond to the direction of a TV producer

Tender Ref. RTHK 2/S/8/2003

in the OB van. He shall assist in the engineering set-up and pack-up of the whole OB production system other than CCU operations.

2.1.7 Electrician cum Lightingman

He shall have no less than five years experience as an electrician and/or lightingman. He shall possess good electrical and lighting knowledge. He must be qualified as Electrician Licence B in the electrical industry in Hong Kong. He shall operate the RTHK generator van or other generator van provided. He shall provide electricity with appropriate sockets and cables to all production points in the OB location. He shall ensure proper safety measures on electricity consumption. He shall monitor smooth operation of the generator van. In case of cloudy weather, he shall set up sufficient lighting for production. He shall assist in the engineering set-up and pack-up of the whole OB production system other than electrical and lighting works.

2.1.8 Crew members name list (ref. attach)

The contractor shall provide the name list of the eleven core members of the production team. The contractor can replace no more than 5 members of the production team in each occasion.

3. Transportation

Transportation of equipment for the services shall be provided by RTHK traveling from RTHK's base to the location and returning to RTHK's base after completion of the services.

4. Equipment

- 4.1 The contractor is required to check out all the equipment necessary for the production early in the morning on each production day at RTHK's base and check in at RTHK's base after the completion of the services.
- 4.2 The contractor shall be responsible for the proper handling of all the equipment provided by RTHK for the production. RTHK reserved the right to acquire the repairing or replacement cost for the equipment, where improper handle/damage is arised.

5. Cancellation

- 5.1 The contractor shall accept without compensation or payment for cancellation of bookings made 24 hours in advance.
- 5.2 For cancellation of booking after the production team has reported to location for duty, 50% cancellation charge would be paid for the production crew.

6. Penalty

- 6.1 RTHK has the right to execute deduction of contract payment, in case of contractor can not provided the service to meet the Commercial TV code of Practice on Technical

Tender Ref. RTHK 2/S/8/2003

Standards. The penalty in each occasion will not exceed 10% of the contract awarded. In additional, written warning will be issued in case of the failure of service. If three written warnings have been accumulated, RTHK will terminate the contract without compensation for the remaining production session awarded.

7 Marking Scheme & Evaluation

7.1.1 Tenders conforming to the selection criteria specified in para. 2 above will be shortlisted for evaluation. Offers which fail to meet the selection criteria specified in para. 2 above will not be further considered.

7.1.2 Under the marking scheme, the experience of crew members provided and the price weightings will carry 40% and 60 % respectively.

7.1.3 The element of experience of crew members provided as a quality comparison for the services offered by tenders. The marking of the experience of crew members provided will be based on the formula (A) as listed:-

11 crew members which meet the minimum working experience as described in Para. 2 above will get 5 marks each respectively. Each additional year of working experience will offer one more mark respectively. The total marking of 11 crew members X 40 % will be the final score for working experience of crew members.

7.1.4 The element of price serves as price comparison for the services offered by tenders and is determined by the formula (b):-

$$60\% \times \frac{\text{Total contract value of the lowest eligible offer}}{\text{Total contract value of the offer being considered}}$$

7.15 The combined experience/price score will be determined by the formula C :-

Experience score [determined by formula (a)] + Price score [determined by formula (b)]

7.1.6 Order of priority, highest score come first, the first tenders in the list will be selected and will awarded as Contractor for the services so supplied.



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本署檔號 Our Ref.: UB/BAR/PAC/46

來函檔號 Your Ref.: CB(3)/PAC/R46

6 May 2006

Ms Miranda HON
Clerk
Public Accounts Committee
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road
Central, Hong Kong

[Fax No. 2537 1204]

Dear Ms Hon,

**The Director of Audit's Report on the
results of value for money audits (Report No. 46)**

Chapter 7 - RTHK: financial control and resource management

Thank you for your letter of 4 May 2006. I append below my response to the questions raised by the Public Accounts Committee.

Your question (a) regarding the three cases mentioned in paragraph 2.31 of the Audit Report in which prior approval was not sought for overtime (OT) work done, the rank(s) of the staff who applied for OT work and the authorising officers concerned.

My response:

Case	Rank of claimants	Rank of approving officer
1	Production Assistant (DCS III staff)	Principal Programme Officer (PPO) (MPS 40 to 44)
2	Production Assistant (DCS III staff)	Senior Programme Officer (SPO) (MPS 34 to 39)
3	Production Assistant (DCS III staff)	PPO (MPS 40 to 44)

Your question (b) regarding paragraph 6.9 of the Audit Report on the (i) total amount of money involved in the 124 claims for reimbursement of official entertainment expenses, broken down into the respective total amounts involved in the 55 claims by the Director of Broadcasting and the 69 claims by other RTHK staff; and (ii) the rank(s) of the 69 RTHK staff concerned.

My response:

Claims by the Director of Broadcasting:

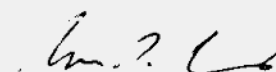
Number of claims	Amount (\$)
55	90,000

Claims by the 69 RTHK staff concerned and their ranks:

Rank of claimants	Number of claims	Amount (\$'000)
Assistant Director (D2)	20	31
Controller/Departmental Secretary (D1)	4	4
Chief Programme Officer (MPS 45 to 49)	24	105
PPO (MPS 40 to 44)	7	40
SPO (MPS 34 to 39)	9	57
Below SPO	5	63
Total	69	300

A Chinese translation of this letter will be forwarded to you shortly.

Yours sincerely,



(David M T LEUNG)
for Director of Audit

c.c. Secretary for Commerce, Industry and Technology
Director of Broadcasting
Secretary for Financial Services and the Treasury
(Attn: Mr Vincent CHUK)



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APPENDIX 19

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10 June 2006

Ref. : RTHK/CR 12/38 IV

Ms Miranda HON
Clerk, Public Accounts Committee
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BY FAX AND EMAIL

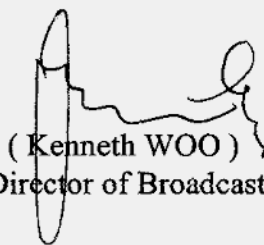
Dear Ms Hon,

**The Director of Audit's Report on the
results of value for money audits (Report No. 46)**

Chapter 7 – RTHK: financial control and resource management

As requested in your letter of 6 June 2006, the additional information PAC requires is set out in the papers attached and also sent via email to cwywong@legco.gov.hk.

Yours sincerely,



(Kenneth WOO)
for Director of Broadcasting

Encl.

P.S. e-mail copies to :
Maurice K W LOO/CITB/POO/HKSARG
Eddie CHEUNG/CTB/HKSAR
Amy W C TSE/FB/HKSARG
Benjamin K B TANG/AUD/SAR

Reply to the Public Accounts Committee
on the Director of Audit's Report
on the results of value for money audits (Report No. 46)

- (a) The percentage of TSA staff who had their scheduled rest days on Sundays during the period 6 June 2005 to 5 June 2006 is 32%. There has been a decrease when compared to the percentage during the period September 2004 to March 2005, as reported by Audit in paragraphs 3.20 and 4.19.
- (b) (i) Guidelines regarding the certification of the journey details in vehicle logbooks are set out in the following documents:
- (I) Para. 32 of Government Logistics Department's Standing Orders for Driving Government Vehicles (GLT 18A):
- "A driver is required to provide a daily record of his work by completing a vehicle logbook or other designated forms, and/or by inputting data into a data recording device depending on the instructions/requirements of individual departments."*
- (II) Para. 7 of Instructions in Vehicle Log Book (GF 100):
- "At the end of each journey, the officer using the car or authorizing the journey must sign his name followed by the designation of the post he holds in the signature column. The driver's signature will only be accepted for journeys between office and garage and at waiting points."*
- (ii) The logbook for the vehicle used mainly by the Director of Broadcasting used to be certified by the Departmental Transport Officer (DTO) since May 2000. Therefore, the Director of Broadcasting had all along been under the impression that the journey details entered therein had been properly certified, even after the issue of RTHK Administrative Circular No. 9/2003 in October 2003.

- (c) In relation to government guidelines or regulations on the parking location of a departmental vehicle after office hours, General Regulation 307 lays down that:

"Outside working hours all Government vehicles should be parked in a departmental garage or in a secure place off the public highway. It is the driver's responsibility to ensure that all doors and windows are closed and locked before leaving the vehicles."

- (d) (i) RTHK has maintained a two-tier system for settlement of expenses on entertainment incurred from official duties. The financial ceilings for entertainment expenses incurred under the first tier, i.e. "Official Entertainment", are \$250 and \$400 for lunch and dinner per head respectively. They refer to functions held at the corporate level. The ceilings follow those promulgated by the Director of Administration.

The second tier, "Programme-related Entertainment", requires that the spending limits should be set at \$250 and \$325 for lunch and dinner per head respectively, as promulgated in RTHK Accounting Circular No. 2/2003. Claims for entertainment incurred from programme production are settled under this arrangement. The financial limits are internally set and used to be approved annually by the former Finance Branch. However, since 16.5.95, the then Secretary for the Treasury has advised that there was no need to seek its approval.

The function held on 4 March 05 was held as a corporate event and therefore, the total expenses incurred could in principle be settled under the first tier, i.e. "Official Entertainment". As such, the upper limit of \$400 per head, which is in line with the financial ceiling set by the Director of Administration for dinner, was mentioned at the hearing held on 11 May 06.

- (ii) The financial ceilings for lunch per head incurred from "Official Entertainment" and "Programme-related Entertainment" have remained at \$250, and that for dinner per head incurred from "Official Entertainment" at the level of \$400, in line with the limits promulgated by the Director of Administration.

The only difference lies in the financial ceiling for dinner in the case of "Programme-related Entertainment". In this respect, RTHK considered in 2003 to upgrade the ceiling to \$400 to be in line with the limits promulgated by the Director of Administration. However, taking into account the financial environment of the government at that time, RTHK concluded at the time that it was not a good timing to increase the financial limit and decided that the ceiling for dinner should remain unchanged.

With a lapse of about 3 years since the last review, RTHK agrees that it is time to consider reviewing the internal financial ceilings on entertainment expenses, in line with the limits promulgated by the Director of Administration.

財經事務及庫務局
(庫務科)

香港下亞厘畢道
中區政府合署



FINANCIAL SERVICES AND
THE TREASURY BUREAU

Central Government Offices,
Lower Albert Road
Hong Kong

傳真號碼 Fax No. : 2596 0729

電話號碼 Tel. No. : 2810 2283

本函檔號 Our Ref. : FIN 75/7/3 Pt. 2

來函檔號 Your Ref. :

15 June 2006

Clerk to Public Accounts Committee
(Attn.: Ms Miranda Hon)
Legislative Council
Legislative Council Building
8 Jackson Road
Central, Hong Kong

Dear Ms Hon,

**The Director of Audit's Report on the
results of value for money audits (Report No. 46)**

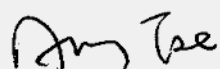
Chapter 7 – RTHK: financial control and resource management

I refer to the letter ref. (4) in RTHK/CR 12/38 IV dated 8 June 2006 from the Director of Broadcasting (D of B) to the Public Accounts Committee (PAC), reporting progress on various actions set out in the Action Plan drawn up by the System Review Unit of RTHK. Regarding the item “handover of inventories kept by TSA”, D of B reported that “memo sent to FSTB to seek their advice on compensation of the disputed items” and “reply is being awaited”.

We would like to supplement that the Financial Services and the Treasury Bureau issued a memo to D of B on 29 May 2006, seeking information and advice on, amongst others, the loss of their TSA inventories and Director of Audit's recommendation on the assessment of indemnity. We are indeed

awaiting the reply from D of B. Subject to the advice from D of B, we will work out with RTHK, and in consultation with relevant departments, an appropriate basis for assessing the indemnity. Members of the PAC may wish to note the updated position of the action taken by the Administration in this regard.

Yours sincerely,



(Miss Amy Tse)
for Secretary for Financial Services and the Treasury

c.c. Secretary for Commerce, Industry and Technology
Director of Audit
Director of Broadcasting

Internal
AA/SFST

財經事務及庫務局
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香港下亞厘畢道
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FINANCIAL SERVICES AND THE
TREASURY BUREAU
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Central Government Offices,
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本函檔號 Our Ref. : FIN 75/7/3 Pt.1
來函檔號 Your Ref. : CB(3)/PAC/R46

26 May 2006

Clerk to Public Accounts Committee
(Attn.: Ms Miranda Hon)
Legislative Council
Legislative Council Building
8 Jackson Road, Central
Hong Kong

Dear Ms Hon,

**The Director of Audit's Report on the
results of value for money audits (Report No. 46)**

Chapter 7: RTHK: financial control and resource management

Thank you for your letter dated 20 May 2006.

(a) RTHK's expenditure on official entertainment

The expenditure of RTHK on official entertainment is charged under Head 160 Subhead 000 Operational expenses. The financial provision under this subhead operates as a one-line vote, covering all recurrent expenditure of RTHK. As Controlling Officer, Director of Broadcasting is given autonomy and flexibility in deploying the funds within this subhead having regard to relevant rules and guidelines governing the proper use of resources. This is in line with the provision under section 12(2) of the Public Finance Ordinance that "a controlling officer shall be responsible and accountable for all expenditure from any head or subhead for which he is the controlling officer, and for all public moneys and government property in respect of the department or service for which he is responsible".

Given the diversity of business nature and variation in size of budget among different bureaux/departments, the funding requirement of each Controlling Officer for official entertainment varies. As a general principle, bureaux/departments should exercise strict economy when entertaining guests and avoid accusations of extravagance. However, it is incumbent upon the Controlling Officers to decide and account for the use of their entertainment expenses. The Financial Services and the Treasury Bureau(FSTB) is not in a position to determine whether the level of official entertainment expenses of an individual department is on the high or low side when compared to that of other government bureaux/departments.

(b) RTHK's organising six spring receptions a year

For the reasons stated above, the need for organising spring or annual receptions in RTHK is an operational matter for the Director of Broadcasting to decide having regard to the operational needs of the Department as well as the relevant rules and guidelines. As far as spring receptions are concerned, a general guideline that spring or annual receptions could only be held with full justifications is clearly set out in the circular issued by the Director of Administration in March 2003. It is not for FSTB to advise whether the number of spring receptions held by RTHK is appropriate or not.

Yours sincerely,



(Miss Amy Tse)
for Secretary for Financial Services
and the Treasury

c.c. Secretary for Commerce, Industry and Technology
Director of Audit
Director of Broadcasting

Internal
AA/SFST

政府總部
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CIVIL SERVICE BUREAU
GOVERNMENT SECRETARIAT
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10 June 2006

Ms Miranda HON
Clerk to Public Accounts Committee
Legislative Council
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Dear Ms HON,

**The Director of Audit's Report on the
results of value for money audits (Report No. 46)**

Chapter 7 – RTHK: financial control and resource management

Thank you for your letter of 6 June 2006.

RTHK wrote to this Bureau earlier seeking covering approval for acceptance of the sponsorship for the two visits to Taiwan in 2004. We took the matter on board since the answer to the question “whether approval would have been granted in 2004 if RTHK had consulted CSB before accepting the sponsorship” could have a bearing on what action should be taken in respect of any RTHK staff who might be held accountable for failing to follow the proper procedures in the first place.

The intimation that RTHK had obtained from SCS in May 2006 the covering approval sought is factually incorrect. Since the visits in question took place about two years ago, it has taken us a while to ascertain the circumstances and relevant data prevailing at the material time. It is only recently that we are in the position to take a view on the matter.


We have just informed RTHK of our view that approval would have been granted if RTHK had consulted this Bureau before accepting the sponsorship in 2004.

The Secretary for Commerce, Industry and Technology had earlier requested the Director of Broadcasting to submit a report by July 2006 after due investigation on –

- (a) whether disciplinary proceedings should be instituted against the staff concerned in respect of cases covered in the Director of Audit's Report No. 46; and
- (b) whether any managerial staff should take management responsibility and be held accountable.

Depending on the investigation findings and the recommendations of the Director of Broadcasting in his report, we stand ready to provide assistance to RTHK in taking appropriate follow-up actions, including the conduct of disciplinary proceedings, if necessary.

Yours sincerely,



(Christopher K B Wong)
for Secretary for the Civil Service

c.c. Secretary for Commerce, Industry and Technology
Permanent Secretary for Commerce, Industry and Technology
(Communications and Technology)
Secretary for Financial Services and the Treasury
Director of Broadcasting
Director of Audit

Public Accounts Committee Public Hearing
Report No. 46 of the Director of Audit
Chapter 8
Radio Television Hong Kong: Governance and Strategic Management
Response from RTHK

RTHK pledges to provide high quality public broadcasting services to the community, and at the same time exercise prudence in the use of public funds and comply with government rules and regulations.

In reviewing its operating systems and procedures, RTHK has implemented the recommendations made by various government agencies (including the Corruption Prevention Department of ICAC, Audit Commission, Civil Service Bureau, the Treasury and Government Logistics Department) and introduced various improvements. In addition, a Systems Review Unit was set up in April 2002 to strengthen internal control. Studies conducted by the Unit have covered a wide range of activities: from procurement of goods and services, management of services under the Technical Services Agreement (TSA), to management of stores and resource management.

Over the last few years, we have set up administration units in Divisions to achieve better segregation of duties, computerized our administrative and financial systems, updated internal circulars and guidelines, and regularly conducted workshops to strengthen staff training and development. All these improvements aim at achieving full compliance with government rules and regulations by staff.

At the corporate level, the RTHK management conducts an annual retreat early in the year to map out the strategic direction for the best development of the department. The Radio and Television Divisions then formulate their production plans for the year. RTHK also meets the policy bureau on a quarterly basis and submits management reports for the latter's perusal.

As regards budgetary control, RTHK prepares its estimates in four programme areas, namely radio, public affairs television, school educational television and new media. A number of TV productions recorded budget variance, some having overspent whilst others underspent. These variances were often to do with the everchanging media environment. Through internal redeployment of resources, the overall expenditure on TV production has, however, never exceeded the original estimates. In the light of the concern expressed in the Director of Audit's Report, the department will take positive action to examine the existing budget model

to monitor TV's spending with a view to developing a more responsive system.

Overall speaking, the department as a whole has been able to achieve savings over the last few years. From 2001/02 to 2004/05, savings amounting to \$64 million have been made. Last year, further savings of \$9.2 million were brought to account.

The Director of Audit's Report takes the view that some of RTHK's TV programmes scored a relatively low awareness level. For the record, in previous TV Programme Appreciation Index Surveys, RTHK's programmes always ranked second in terms of awareness level. Having regard to the department's mission to serve the public and at the same time cater for minority interests, there is a need to explore more measurements of the effectiveness of its output.

In evaluating our performance, there is a need to undertake more in-depth discussions on issues like corporatization, public participation and performance indicators. Through such discussions, more insight will be generated to help identify the way forward. RTHK will continue to consult members of the public through channels such as public hearings, opinion surveys, focus groups, programme hotlines, etc, to enable us to continue to provide a cost-effective and high quality broadcasting service.

4 May 2006

ACRONYMS AND ABBREVIATIONS

Audit	Audit Commission
Audit Report	Director of Audit's Report
CAD	Civil Aviation Department
CITB	Commerce, Industry and Technology Bureau
COR	Controlling Officer's Report
CSB	Civil Service Bureau
CSRs	Civil Service Regulations
CTA	Chief Treasury Accountant
C&T	Communications and Technology
DCS	Departmental contract staff
DTO	Departmental Transport Officer
FC	Finance Committee
FSTB	Financial Services and the Treasury Bureau
GLD	Government Logistics Department
ICAC	Independent Commission Against Corruption
KPI	Key performance indicator
LCSD	Leisure and Cultural Services Department
MD	Marine Department
NCSC	Non-civil service contract
OB	Outside broadcast
OT	Overtime work
PATV	Public Affairs Television
PMIS	Port Maintenance Information System
POs	Programme Officers
PPO	Principal Programme Officer
PSB	Public service broadcaster
RTHK	Radio Television Hong Kong
SCOCS	Standing Committee on Contract Staff and Service Providers
SCS	Secretary for the Civil Service
SRU	System Review Unit
TSA	Technical Services Agreement
TV	Television
VFM	Value-for-money