

**REPORT OF THE  
PUBLIC ACCOUNTS COMMITTEE  
ON  
THE REPORTS OF THE DIRECTOR OF AUDIT  
ON  
THE ACCOUNTS OF THE GOVERNMENT OF  
THE HONG KONG SPECIAL ADMINISTRATIVE REGION  
FOR THE YEAR ENDED  
31 MARCH 2006  
AND THE RESULTS OF  
VALUE FOR MONEY AUDITS (Report No. 47)  
AND  
*SUPPLEMENTAL REPORT OF THE  
PUBLIC ACCOUNTS COMMITTEE  
ON  
REPORT NO. 46 OF THE DIRECTOR OF AUDIT  
ON  
THE RESULTS OF  
VALUE FOR MONEY AUDITS***

*February 2007*

*P.A.C. Report No. 47*

## CONTENTS

		<u>Paragraph</u>	<u>Page</u>
<b>Part 1</b>	<b>Introduction</b>		
	The Establishment of the Committee	1	1
	Membership of the Committee	2	1
<b>Part 2</b>	<b>Procedure</b>		
	The Committee's Procedure	1	2
	Confidentiality undertaking by members of the Committee	2 - 3	3
	The Committee's Report	4 - 6	3
	The Government's Response	7	4
<b>Part 3</b>	<b>Report of the Public Accounts Committee on Report No. 44 of the Director of Audit on the Results of Value for Money Audits <i>[P.A.C. Report No. 44]</i></b>		
	Laying of the Report	1	5
	The Government Minute	2 - 6	5 - 8
<b>Part 4</b>	<b>Report of the Public Accounts Committee on the Reports of the Director of Audit on the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2005 and the Results of Value for Money Audits (Report No. 45) <i>[P.A.C. Report No. 45]</i></b>		
	Laying of the Report	1	9
	The Government Minute	2 - 56	9 - 28

## CONTENTS

	<u>Paragraph</u>	<u>Page</u>
<b>Part 5</b>		
<b>Committee Proceedings</b>		
Consideration of the Director of Audit's Report	1	29
Meetings	2	29
Arrangement of the Report	3 - 4	29
Acknowledgements	5	29
<b>Part 6</b>		
<b>Observations of the Public Accounts Committee on the Report of the Director of Audit on the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2006</b>	1	30
<b>Part 7</b>		
<b>Chapter</b>		
Supplemental report on the Director of Audit's Report No. 46		
<hr/>		
<b>1. Collection of fines imposed by Magistrates' Courts</b>		
A. Introduction	1 - 3	31
B. Imposition and settlement of fines	4 - 21	31 - 38
C. Action on overdue fines	22 - 42	38 - 48
D. Execution of distress warrants by the Court Orders Section	43 - 59	48 - 52
E. Execution of non-payment warrants by the Police	60 - 70	52 - 56
F. Other issues relating to fines arising from moving offences and parking contraventions	71 - 86	56 - 63
G. The Committee's view on the work of the Judiciary Administrator and relevant departments in the collection of fines	87 - 88	63 - 64
H. Conclusions and recommendations	89	64 - 71

## CONTENTS

	<u>Paragraph</u>	<u>Page</u>
<u>Report on the Director of Audit's Report No. 47</u>		
<b>2. Administration of short term tenancies</b>	1 - 2	72
<b>3. Allocation of public rental housing flats</b>	1 - 5	73
<b>4. Four small and medium enterprise funding schemes</b>	1 - 4	74
<b>5. Hospital Authority: management of outstanding medical fees</b>		
A. Introduction	1 - 7	75 - 77
B. Use of public medical services by non-eligible persons	8 - 35	78 - 87
C. Collection of outstanding fees by hospitals	36 - 47	87 - 91
D. Collection of outstanding fees by the Hospital Authority Head Office	48 - 50	91 - 92
E. Measures to minimise need for recovery and write-off of fees	51 - 58	92 - 94
F. Conclusions and recommendations	59	94 - 98
<b>6. Hospital Authority and Social Welfare Department: management of medical fee waivers</b>		
A. Introduction	1 - 2	99
B. Processing of waiver applications	3 - 31	100 - 108
C. Management control on fee waivers	32 - 37	108 - 109
D. Provision of waiver service	38 - 42	109 - 111
E. Staff training and performance management	43 - 47	111 - 112
F. Conclusions and recommendations	48	112 - 116
<b>7. Implementation of minor works projects by the Home Affairs Department</b>	1 - 6	117

## CONTENTS

	<u>Page</u>
<b>SIGNATURES OF THE CHAIRMAN, DEPUTY CHAIRMAN AND MEMBERS OF THE COMMITTEE</b>	118
 <b>CHAPTERS IN THE DIRECTOR OF AUDIT'S REPORT NO. 47 DEALT WITH IN THE PUBLIC ACCOUNTS COMMITTEE'S REPORT</b>	 119
 <u>Appendix relating to Part 1: "Introduction"</u>	
<b>APPENDIX 1</b> Rules of Procedure of the Legislative Council of the Hong Kong Special Administrative Region	120 - 121
 <u>Appendix relating to Part 2: "Procedure"</u>	
<b>APPENDIX 2</b> 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'	122 - 124
 Appendices relating to Part 4: "Report of the Public Accounts Committee on the Reports of the Director of Audit on the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2005 and the Results of Value for Money Audits (Report No. 45) <i>[P.A.C. Report No. 45]"</i>	
<b>APPENDIX 3</b> Letter of 22 December 2006 from the Secretary for the Civil Service	125 - 126
<b>APPENDIX 4</b> Letter of 31 January 2007 from the Secretary for the Civil Service	127
<b>APPENDIX 5</b> Report on the progress of the Trial Scheme on the Provision of Infirmary Care Services for Elders in a Non-hospital Setting as at December 2006	128
<b>APPENDIX 6</b> Letter of 11 January 2007 from the Secretary for Housing, Planning and Lands	129 - 134
<b>APPENDIX 7</b> Action plan of the English Schools Foundation as at September 2006	135 - 138

## CONTENTS

### Page

#### Appendices relating to Part 5: “Committee Proceedings”

<b>APPENDIX 8</b>	Witnesses who appeared before the Committee	139 - 140
<b>APPENDIX 9</b>	Introductory remarks by the Chairman of the Public Accounts Committee, Dr Hon Philip WONG Yu-hong, GBS, at the first public hearing of the Committee on Tuesday, 28 November 2006	141 - 142

#### Appendices relating to Chapter 1 of Part 7: “Collection of fines imposed by Magistrates’ Courts”

<b>APPENDIX 10</b>	Letter of 24 May 2006 from the Judiciary Administrator	143 - 148
<b>APPENDIX 11</b>	Letter of 29 September 2006 from the Judiciary Administrator	149 - 156
<b>APPENDIX 12</b>	Letter of 23 May 2006 from the Director of Audit	157 - 160
<b>APPENDIX 13</b>	Letter of 24 May 2006 from the Commissioner of Police	161 - 169
<b>APPENDIX 14</b>	Letter of 30 September 2006 from the Commissioner of Police	170 - 176
<b>APPENDIX 15</b>	Letter of 15 January 2007 from the Judiciary Administrator	177 - 178
<b>APPENDIX 16</b>	Letter of 5 October 2006 from the Deputy Director of Public Prosecutions	179 - 185
<b>APPENDIX 17</b>	Letter of 15 January 2007 from the Commissioner of Police	186 - 188
<b>APPENDIX 18</b>	Letter of 6 December 2006 from the Deputy Director of Public Prosecutions	189 - 190
<b>APPENDIX 19</b>	Letter of 4 December 2006 from the Judiciary Administrator	191 - 192
<b>APPENDIX 20</b>	Letter of 24 May 2006 from the Director of Immigration	193 - 194
<b>APPENDIX 21</b>	Letter of 24 May 2006 from the Commissioner for Transport	195 - 200

## CONTENTS

	<u>Page</u>
<b>APPENDIX 22</b> Letter of 29 September 2006 from the Commissioner for Transport	201 - 203
<b>APPENDIX 23</b> Letter of 15 January 2007 from the Commissioner for Transport	204 - 205
<b>APPENDIX 24</b> Letter of 19 June 2006 from the Commissioner of Police	206 - 211
<b>APPENDIX 25</b> Letter of 4 July 2006 from the Acting Judiciary Administrator	212 - 216
<b>APPENDIX 26</b> Letter of 15 November 2006 from the Chief Secretary for Administration	217 - 218
 <u>Appendix relating to Chapter 3 of Part 7: “Allocation of public rental housing flats”</u>	
<b>APPENDIX 27</b> Letter of 19 December 2006 from the Director of Housing	219 - 228
 <u>Appendix relating to Chapter 4 of Part 7: “Four small and medium enterprise funding schemes”</u>	
<b>APPENDIX 28</b> Letter of 21 December 2006 from the Acting Director-General of Trade and Industry	229 - 238
 <u>Appendices relating to Chapter 5 of Part 7: “Hospital Authority: management of outstanding medical fees”</u>	
<b>APPENDIX 29</b> Supplementary information on “Management of Outstanding Medical Fees” provided by the Hospital Authority on 6 December 2006	239 - 252
<b>APPENDIX 30</b> Supplementary information on “Actions taken or being considered by the Hospital Authority in respect of the various audit recommendations” provided by the Hospital Authority on 6 December 2006	253 - 258
<b>APPENDIX 31</b> Opening statement made by the Secretary for Health, Welfare and Food at the public hearing on 7 December 2006	259 - 261

## CONTENTS

		<u>Page</u>
<b>APPENDIX 32</b>	Supplementary information relating to “Ageing analysis of fees owed by patients” provided by the Audit Commission on 24 November 2006	262
<b>APPENDIX 33</b>	Letter of 18 December 2006 from the Chief Executive of the Hospital Authority	263 - 272
<b>APPENDIX 34</b>	Letter of 30 December 2006 from the Chief Executive of the Hospital Authority	273 - 274
<b>APPENDIX 35</b>	Letter of 3 January 2007 from the Chief Executive of the Hospital Authority	275 - 283
<b>APPENDIX 36</b>	Letter of 30 November 2006 from the Secretary for Health, Welfare and Food	284 - 285
Appendices relating to Chapter 6 of Part 7: “Hospital Authority and Social Welfare Department: management of medical fee waivers” <hr style="border: 0.5px solid black; margin-top: 5px;"/>		
<b>APPENDIX 37</b>	Supplementary information relating to “Waivers granted on financial and non-financial grounds” provided by the Audit Commission on 24 November 2006	286
<b>APPENDIX 38</b>	Supplementary information relating to “Waivers granted on non-financial grounds” provided by the Audit Commission on 24 November 2006	287
<b>APPENDIX 39</b>	Letter of 18 December 2006 from the Chief Executive of the Hospital Authority	288 - 289
<b>APPENDIX 40</b>	Letter of 31 January 2007 from the Chief Executive of the Hospital Authority	290
Appendix relating to Chapter 7 of Part 7: “Implementation of minor works projects by the Home Affairs Department” <hr style="border: 0.5px solid black; margin-top: 5px;"/>		
<b>APPENDIX 41</b>	Letter of 20 December 2006 from the Director of Home Affairs	291 - 293
<b>ACRONYMS AND ABBREVIATIONS</b>		294 - 296



**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 the Reports of the Director of Audit on:

- the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2006; and
- the results of value for money audits (Report No. 47),

which were tabled in the Legislative Council on 15 November 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.       This Report also contains the Public Accounts Committee's supplemental report on Chapter 1 of 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 Committee's Report No. 46 was tabled in the Legislative Council on 12 July 2006.

6.       In addition, this Report takes stock of the progress of the action taken by the Administration on the recommendations made in the Committee's Report Nos. 44 and 45 and offers the Committee's views on the action taken. These are detailed in Parts 3 and 4 of this Report.

7.       **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.

**Laying of the Report** Report No. 44 of the Director of Audit on the results of value for money audits was laid in the Legislative Council on 20 April 2005. The Committee's subsequent Report (Report No. 44) was tabled on 6 July 2005, thereby meeting the requirement of Rule 72 of the Rules of Procedure of the Legislative Council that the Report be tabled within three months of the Director of Audit's Report being laid.

2. **The Government Minute** The Government Minute in response to the Committee's Report No. 44 was laid in the Legislative Council on 2 November 2005. A progress report on matters outstanding in the Government Minute was issued on 29 September 2006. The latest position and the Committee's further comments on these matters are set out in paragraphs 3 to 6 below.

### **Diesel vehicle emission controls**

*(Chapter 1 of Part IV of P.A.C. Report No. 44)*

3. The Committee was informed that:

#### Diesel vehicle inspection and maintenance programme

- to ensure that the dynamometer smoke tests were properly conducted and to avoid any malpractice such as engine tampering, the Environmental Protection Department (EPD) and the Transport Department (TD) had reviewed with the transport trades the standard adopted for checking the maximum engine power output in the smoke tests. The trades considered that the current standard was appropriate and they had great difficulties meeting any further tightened standard in view of the condition of the vehicles, in particular those pre-Euro ones. The EPD and TD would further liaise with the transport trades with a view to identifying a practicable solution and would maintain the current standard for maximum engine output check in the smoke tests for the time being;
- to guard against any engine tampering by the vehicle owners during the free acceleration smoke tests, the TD had installed five new tachometers to monitor the engine speed in these tests;
- the EPD and TD had completed the consultation with the transport trades that started in July 2005 on the proposal to tighten the TD's smoke opacity standard to that currently adopted by the EPD, viz. 50 Hartridge Smoke Units. The trades had no strong views and the TD was working on the legislative amendment with a view to tabling it in the Legislative Council in mid-2007. A grace period of six months would be allowed, and the new standard was expected to come into effect in early 2008;

Smoky vehicle control programme

- the EPD had consulted various transport trades on the feasibility of shortening the prescribed period of 14 working days to 12 working days for vehicle owners served with an emission testing notice to bring their vehicles for a dynamometer smoke test at one of the EPD's Designated Vehicle Emission Testing Centres. The vast majority of the trades objected to the proposal as they considered that 14 working days were already a tight time-frame. The EPD would negotiate further with the trades with a view to shortening the prescribed period as far as possible;

Use of liquefied petroleum gas (LPG)

- six petrol-cum-LPG filling stations were scheduled for operation in 2006 and four of them were already in service. The remaining two, one in Tai Po Kau and the other in Tung Chung, would be in operation by end 2006 and mid-2007 respectively. In future, as one of the land lease conditions, all new petrol filling stations would be required to provide LPG filling facilities provided that the safety requirements could be met; and
- the Electrical and Mechanical Services Department, together with the Planning Department, had completed a detailed site search for the construction of a new LPG terminal on Hong Kong Island, and concluded that there was no available site for the purpose for the time being. The concerned departments would keep in view of any change in circumstances.

4. The Committee wishes to be kept informed of the progress of the various courses of action taken by the Administration.

**The Postal Mechanisation System at the Air Mail Centre**

*(Chapter 2 of Part IV of P.A.C. Report No. 44)*

5. The Committee was informed that:

Strengthening the monitoring of the performance of the consultants/contractors

- the Post Office (PO) had put in place new departmental rules to strengthen the monitoring of the performance of consultants and contractors. Different levels of monitoring were clearly defined according to the values of the capital projects, including the setting up of steering committees and the close personal supervision of the Postmaster General for the new project to replace the Mechanised Letter Sorting System (MLSS) at the General Post Office (GPO) and the International Mail Centre (IMC), as well as other capital projects of a value exceeding \$1.3 million. For capital projects of a value at

or below \$1.3 million, supervision by a senior officer and detailed documentation of the progress and the rationale for project decisions made were required;

Contract specifications and retention of test records

- the PO had put in place new departmental rules stipulating, among other things, specifications of realistic and attainable contract requirements, strict adherence to contractual terms and conditions, and keeping of compliance test records for seven years. The circumstances under which the Government Logistics Department and the Department of Justice should be consulted were also clearly set out. The PO had followed such rules closely in drawing up the contract specifications for the replacement system of the existing MLSS at the GPO and the IMC, as well as for other capital projects;

Improving the performance and utilisation of the Postal Mechanisation System (POMS)

- the PO, with the assistance of the Electrical and Mechanical Services Department, had introduced a host of measures to optimise the performance of the POMS at the Air Mail Centre (AMC) over the past few years, and managed to bring its performance to a fairly high level in early 2005;
- in 2005-2006, the PO had further increased the utilisation of the system by 8% in the overall mail items processed. While the overflow rate and jam rate had increased very slightly as a result of greater utilisation, the read rate, error rate and throughput rate for mail items of the Integrated Mail Processor, as well as the throughput rate of the Packet Sorting Systems and Parcel Sorting Systems had all seen further improvement. All in all, with the various improvement measures and increased utilisation of the system, the PO was using the resources more efficiently;
- the PO had completed the study on the feasibility of utilising the spare capacity of the POMS in planning the replacement of the MLSS. While the spare capacity of the POMS was not large enough to reduce the number of the MLSS replacement machines required, the POMS would continue to be deployed as a backup for the sorting equipment in the GPO and the IMC, especially during peak periods. The Sorting Office Operations Committee chaired by a director of the PO would continue to exercise tight monitoring of the performance of the POMS; and

Payment checking procedures

- the PO had put in place new departmental rules, in the aspects of invoice certification, authorisation and payment schedules, to strengthen its financial monitoring and payment systems for capital projects of a value exceeding

\$100,000. The PO's internal audit team had been conducting audit checks on the payment records to ensure compliance.

6. The Committee wishes to be kept informed of further developments in improving the performance and utilisation of the POMS at the AMC.



**Laying of the Report** The Report of the Director of Audit on the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2005 and his Report No. 45 on the results of value for money audits were laid in the Legislative Council on 16 November 2005. The Committee's subsequent Report (Report No. 45) was tabled on 15 February 2006, thereby meeting the requirement of Rule 72 of the Rules of Procedure of the Legislative Council that the Report be tabled within three months of the Director of Audit's Report being laid.

2. **The Government Minute** The Government Minute in response to the Committee's Report No. 45 was laid in the Legislative Council on 10 May 2006. A progress report on matters outstanding in the Government Minute was issued on 29 September 2006. The latest position and the Committee's further comments on these matters are set out in paragraphs 3 to 56 below.

### **Hong Kong Harbour Fest**

*(Paragraphs 5 to 7 of Part 3 of P.A.C. Report No. 45)*

3. Regarding the disciplinary proceedings surrounding the Harbour Fest case, the Committee was informed that the appeal of the officer concerned to the Chief Executive (CE) was still being dealt with. The Administration would give an account of the outcome of the disciplinary proceedings to the Legislative Council after the appeal had been disposed of.

4. Noting that the position of the case had remained unchanged as that in January 2006 and in view of the long time taken to process the appeal, the Committee enquired:

- why the appeal had still not been concluded after more than one year;
- about the average time-frame for processing such appeals, and whether it was normal for the CE to take more than a year to process an appeal;
- when the appeal was expected to be concluded;
- about the actions that had been taken by the Administration since October 2005 to deal with the appeal; and
- as it had been reported that the officer concerned would reach the retirement age of 60 in two years' time, what the consequence would be if the appeal was concluded and the decision of the Secretary for the Civil Service was upheld after the officer had retired from the civil service.

5. The **Secretary for the Civil Service** informed the Committee, in her letter of 22 December 2006 in *Appendix 3*, that:

- the appeal in question had yet to be disposed of due to its complexity and the amount of information that required examination;
- in the last three years (from 2003-2004 to 2005-2006), the Administration took an average of two to three months to process an appeal against the ruling made in a disciplinary case under the Public Service (Administration) Order following completion of the necessary process (including hearing) by the Secretariat on Civil Service Discipline. The amount of time taken to process each appeal case varied and was usually proportionate to the complexity and specific circumstances of the case;
- effort was being made to complete processing of the appeal as soon as possible but the Administration was not able to advise when the appeal would be disposed of;
- since October 2005, the appeal authority had been examining the representations made by the officer concerned and other information on and issues relating to this appeal case; and
- the Administration expected that the appeal would have been disposed of well before the officer's retirement from the service.

6. In her letter of 31 January 2007 in *Appendix 4*, the **Secretary for the Civil Service** further informed the Committee that the CE had delegated the authority of handling the appeal to the Chief Secretary for Administration (CS). The CS had completed his deliberation and informed the officer concerned of the outcome on 26 January 2007. The **Secretary for the Civil Service** also stated that she would report to the Public Accounts Committee and the Legislative Council Panel on Public Service on the disciplinary proceedings and outcome as soon as practicable.

7. The Committee wishes to be kept informed of further development on the subject and the outcome of the disciplinary proceedings against the officer concerned.

**Provision of aquatic recreational and sports facilities**  
(Paragraphs 8 to 9 of Part 3 of P.A.C. Report No. 45)

8. The Committee was informed that:

Improving water quality of the gazetted beaches in Tsuen Wan District

- the Administration planned to implement Stage 2 of the Harbour Area Treatment Scheme (HATS) in two phases, subject to the acceptance by the community of the full recovery of the operational costs of the scheme through sewage charges. HATS Stage 2A would include the advancement of the disinfection facilities;
- the Drainage Services Department was still carrying out the Environmental Impact Assessment (EIA) study for advancing part of the disinfection facilities. The EIA study and the statutory EIA process under the Environmental Impact Assessment Ordinance were scheduled for completion in the first half of 2007. The Administration expected that the water quality of the gazetted beaches in Tsuen Wan would improve once the advanced disinfection facilities became operational;

De-gazetting of the Rocky Bay Beach

- the Leisure and Cultural Services Department (LCSD) planned to de-gazette the Rocky Bay Beach upon resolution of the land issue for returning the beach to the Lands Department by end 2006;

De-gazetting of the Kiu Tsui Beach on Sharp Island

- a private developer had once shown interest in developing the Sharp Island into a resort. The proposed development might affect the Kiu Tsui Beach. The LCSD would keep in view of the future development of the Sharp Island and consider de-gazetting the Kiu Tsui Beach when required;

Alignment of fees and charges of all swimming pool complexes

- the LCSD was reviewing the fee structure and evaluating the financial implications for the use of public swimming pools together with other recreational and sports facilities in one go;

Closing five non-heated outdoor swimming pool complexes in the urban areas in November each year

- the Eastern District Council (DC) and the Kowloon City DC had agreed to the proposal to open the Victoria Park Swimming Pool and the Kowloon Tsai Swimming Pool in the morning sessions only in November each year, as in

the case of the Kennedy Town Swimming Pool. The LCSD would follow up with the arrangement. In addition, having consulted the respective DCs, the LCSD had decided to close the Pao Yue Kong and Jordan Valley Swimming Pools in November each year; and

Swimming training courses

- the LCSD had conducted a review on the ratio of instructors to participants and the related financial implications of the Progressive Swimming Scheme. Based on the findings of the review, the LCSD had increased the size of swimming classes by one-third to enhance their cost-effectiveness. As a result, the programme fees collected for the scheme had fully covered the instructor cost. As regards the review of the fee level of swimming courses, the LCSD was conducting it as part of the overall review exercise on the fees and charges for recreation and sports programmes.

9. The Committee wishes to be kept informed of further development on the subject.

**University Grants Committee funded institutions - Governance, strategic planning and financial and performance reporting**

*(Paragraphs 3 to 4 of Part 4 of P.A.C. Report No. 45)*

10. The Committee was informed that:

Corporate governance of institutions

*Amendment to the University of Hong Kong Ordinance regarding the statutory roles of its Council and Court*

- the University of Hong Kong (HKU) would take forward the legislative amendments in accordance with the decision of the Court. The HKU planned to submit their legislative amendments to the Administration for consideration in or before mid-2007;

*Amendment to the City University of Hong Kong Ordinance*

- the City University of Hong Kong (Amendment) Bill 2006 had been introduced into the Legislative Council (LegCo) in October 2006. The Bill sought to change the structure of the Council of the City University of Hong Kong and reduce the total number of Council members. A bills committee was formed by the LegCo to study the Bill;

“Fitness for purpose” reviews on the governance structures of the other seven institutions

- the Hong Kong Baptist University (HKBU) had completed the “fitness for purpose” review on the governance structure and concluded that the University Court and Senate had been functioning effectively, and that the University Court and Council had been playing complementary roles in governing the University. Furthermore, the Senate, with its existing powers and duties, was fit for its purpose as the supreme academic body of the University. The HKBU Council had endorsed the final report on the Review in June 2006; and

Proposal to conduct periodic reviews of the effectiveness of governing bodies

- the HKBU had examined the issue under the final part of its review on governance structure, and decided that future reviews of its governance structure should be conducted on a need basis.

11. The Committee wishes to be kept informed of further development on the subject.

**University Grants Committee funded institutions - General administrative services**  
*(Paragraphs 5 to 6 of Part 4 of P.A.C. Report No. 45)*

12. The Committee was informed that:

Provision of senior staff quarters

*University Grants Committee (UGC) Working Group on Housing Arrangement After Deregulation of University Salaries*

- the Administration and the Secretary-General, UGC were examining the joint proposal put forward by the UGC-funded institutions regarding the funding arrangement of staff housing benefits after the deregulation of salaries. Subject to the outcome of their deliberations, the proposal would be submitted to the Working Group on Housing Arrangement After Deregulation of University Salaries for consideration; and

Student hostels

*Review of the existing policy on students’ grants and loans*

- the advisory committee that advised the Administration on the operation of the Local Student Finance Scheme had recommended that needy students

should be provided with an accommodation expenses loan. This would be considered in the context of a consultancy study on the establishment of a simpler, more viable and sustainable mechanism for setting and adjusting the levels of student financial assistance.

13. The Committee wishes to be kept informed of further development on the subject.

**University Grants Committee funded institutions - Staff remuneration packages and stipends**

*(Paragraphs 7 to 8 of Part 4 of P.A.C. Report No. 45)*

14. The Committee was informed that:

Pay structure

*Institutions' reviews of their pay structure*

- the University of Hong Kong (HKU) had completed the salary review for non-academic staff, and the HKU Council had approved the recommendations of the review in May 2006. The HKU would implement the recommendations, including the introduction of an across-the-board performance review and staff development system as well as the adoption of a broadband salary structure, by stages; and

*The Hong Kong Polytechnic University (PolyU)'s review on the effect of section 9(3)(c) of The Hong Kong Polytechnic University Ordinance and its proper application*

- the PolyU planned to submit the suggested legislative amendments to the Administration for consideration by the end of 2006.

15. The Committee wishes to be kept informed of further development on the subject.

**Financial performance of the Post Office**

*(Paragraphs 9 to 10 of Part 4 of P.A.C. Report No. 45)*

16. The Committee was informed that the revenue generation and other cost-cutting measures introduced by the Post Office (PO) had shown positive results. Increasing after-tax profits had been achieved since 2003-2004. In addition, the PO had also revised the postage rates of surface bulk bag service to all destinations and bulk posting of

lightweight items to Japan and Thailand to recover the service costs in August 2006. The Administration would continue to identify ways to respond to the challenges faced by the PO.

17. The Committee wishes to be kept informed of the results of the comprehensive review of postal policy and services.

**Provision of slaughtering facilities for supplying fresh meat**  
*(Paragraphs 11 to 12 of Part 4 of P.A.C. Report No. 45)*

18. The Committee was informed that:

- the consultancy study on the feasibility of modifying the Sheung Shui Slaughterhouse (SSSH) to cater for the increase in the slaughtering throughput of pigs was originally scheduled for completion in the second quarter of 2006. The Architectural Services Department, after reviewing the preliminary proposal, considered that the size of the proposed holding lairage inside the slaughterhouse boundary might not be large enough to cater for the additional capacity. There might be merits to examine the feasibility of increasing the capacity of the holding lairage by extending the annex building onto the adjoining government land to cater for the additional slaughtering throughput; and
- the completion date of the consultancy study had therefore been extended to early November 2006. The Food and Environmental Hygiene Department (FEHD) would consider the findings of the study and other related factors before making recommendations on the feasibility of centralising the slaughtering operation of livestock at the SSSH and the way forward.

19. The Committee wishes to be kept informed of the progress made in ascertaining the feasibility of centralising the slaughtering operation of livestock at the SSSH and the FEHD's recommendations on the way forward.

**Services provided by the Official Receiver's Office**  
*(Paragraphs 13 to 14 of Part 4 of P.A.C. Report No. 45)*

20. The Committee was informed that:

Consultancy study and fees of the Official Receiver's Office (ORO)

- the Bankruptcy (Amendment) Ordinance 2005 was expected to come into force after the corresponding subsidiary legislation was passed and the

administrative logistics were ready. They were expected to be completed in late 2006. The Ordinance would facilitate the outsourcing of debtor-petition summary bankruptcy cases (i.e. with assets not likely to exceed \$200,000) to private sector insolvency practitioners (PIPs) by the ORO; and

- after the implementation of the outsourcing, the ORO would review the fees and cost recovery rates. It would also consider the proposed “cab-rank” system and some form of authorisation of PIPs in the context of the evaluation of the implementation of the outsourcing arrangements in the future.

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

**Recoverability of the outstanding advances to the United Nations High Commissioner for Refugees**

*(Paragraphs 15 to 16 of Part 4 of P.A.C. Report No. 45)*

22. The Committee was informed that:

- the Administration had continued to urge the United Nations High Commissioner for Refugees (UNHCR) to make renewed efforts to appeal to the international community for donations with a view to settling the outstanding advances, which remained at \$1,162 million. The Security Bureau had written to the Head of Hong Kong Sub-office of the UNHCR again in March 2006 for this purpose. When meeting with the UNHCR representatives in April 2006, the Secretary for Security had urged the UNHCR to seek more resources on all fronts; and
- as the UNHCR was still facing budget constraints and other more pressing refugees and humanitarian issues, it was not optimistic that further donations could be sought for repaying the outstanding advances. Nevertheless, the Administration would continue to pursue repayment of the outstanding advances.

23. The Committee wishes to be kept informed of the action taken by the Administration in pressing the UNHCR to repay as soon as possible the outstanding advances to the Government of the Hong Kong Special Administrative Region.



**Footbridge connections between five commercial buildings in the Central District**  
(Paragraphs 17 to 18 of Part 4 of P.A.C. Report No. 45)

24. The Committee was informed that:

- as the column of the proposed footbridge linking Building I (i.e. Aon China Building) and Building II (i.e. Entertainment Building) would affect the station entrances/exits of the proposed Shatin to Central Link (SCL) of the Kowloon-Canton Railway Corporation (KCRC), KCRC had raised objection to the proposed footbridge during consultation; and
- the Administration was discussing with the railway corporations the implementation details of the proposed SCL Scheme in the context of the proposed rail merger. It would consider the way forward for the footbridge proposal in conjunction with the SCL Scheme.

25. The Committee wishes to be kept informed of the way forward for the footbridge proposal in conjunction with the SCL Scheme of the KCRC.

**Residential services for the elderly**

(Paragraphs 23 to 24 of Part 4 of P.A.C. Report No. 45)

26. The Committee was informed that the Administration aimed to come up, by the end of 2006, with detailed proposals on the trial scheme to provide infirm care places for medically stable elders in a non-hospital setting. In response to the Committee's enquiry about the details of the trial scheme, the **Director of Social Welfare** provided a progress report in December 2006 in **Appendix 5**. It stated that:

- the Elderly Commission (EC) and the Legislative Council Panel on Welfare Services (the Panel) had been consulted in late 2004 on the proposal to invite, through tender, suitable operators to launch a trial scheme to provide subsidised infirm care to medically stable infirm elders in a non-hospital setting;
- the EC and the Panel commented, among other things, that infirm elders to be taken care of under the trial scheme should receive proper medical services and support in a non-hospital setting. Taking into account the need for a closer interface between the operator of the proposed infirm care services and the Community Geriatric Assessment Team (CGAT), the Social Welfare Department (SWD) was working with the Hospital Authority on the medical package to be provided by the CGAT to the operator of the proposed services. The SWD was also finalising the tendering requirements and service specifications for the proposed infirm care services; and

- the SWD would update the Panel on the latest developments and details of the tendering exercise and the trial scheme in the second quarter of 2007.

27. The Committee wishes to be kept informed of further development on the subject.

### **Special Finance Scheme for small and medium enterprises**

*(Paragraphs 27 to 28 of Part 4 of P.A.C. Report No. 45)*

28. The Committee was informed that the Treasury had been processing claims for compensation with the assistance of the Department of Justice and the Hong Kong Monetary Authority as necessary. So far, 1,398 claims involving a total of \$325 million had been settled. Another 22 claims involving a total of \$12 million had been suspended from processing as requested by the participating lending institutions in view of active repayment by the borrowers. The Treasury was processing the remaining 34 cases involving a total of \$11 million.

29. The Committee wishes to be kept informed of further progress on the subject.

### **Small house grants in the New Territories**

*(Paragraphs 29 to 32 of Part 4 of P.A.C. Report No. 45)*

30. The Committee was informed by the Audit Commission in October 2006 that:

#### Review of small house policy

- in taking forward the small house policy review, the Housing, Planning and Lands Bureau (HPLB) had set up an inter-departmental Steering Committee to look into the various issues relating to the small house policy, including the social, economic and environmental development in the New Territories and the whole of Hong Kong since the introduction of the policy in 1972. Given the wide-ranging and complex issues involved, the Steering Committee had yet to formulate detailed proposals for consultation with the Heung Yee Kuk (HYK) and the community; and

#### Processing of small house grant applications

- a set of new procedures, agreed to by the HYK, to streamline the processing of small house applications through early classification of straightforward and non-straightforward categories, had been implemented by the Lands Department (Lands D) with effect from 1 July 2006. Under this new procedure, the Lands D's target was to process not less than 2,300

applications each year. The waiting time for commencing the processing of all new applications would be shortened to not more than one year.

31. The Committee was concerned that the position of the small house policy review had remained basically the same as that reported to the Committee in January 2006. The Committee therefore asked the Secretary for Housing, Planning and Lands:

- about the current progress of the review;
- whether the HPLB had formulated detailed proposals for consultation with the HYK and the community and, if so, what the details and timetable for consultation were; if not, what the expected time-frame for putting up the proposals was; and
- whether it was still feasible to complete the review of the small house policy and resolve the associated problems within the tenure of his office, as he had undertaken in December 2002.

32. The **Secretary for Housing, Planning and Lands**, in his letter of 11 January 2007 in **Appendix 6**, provided a progress report on the review of the small house policy.

33. Regarding the progress made so far, the report stated that a number of proposals had been implemented after consultation with the HYK, including:

- the new procedure for processing small house applications mentioned in paragraph 30 above;
- preventing prior arrangement for transfer or disposal of small house applicant's interest;
- new fire safety requirements for small houses; and
- putting on hold the Village Expansion Area (VEA) scheme pending the review of the small house policy.

34. The **Secretary for Housing, Planning and Lands** stated in the same letter that the following proposals were under discussion with the HYK or were being considered by the HPLB:

New procedures for handling objections

- taking into account the HYK's views, the Lands D had drawn up a set of procedures for resolving objections to small house applications. Under the proposed procedures, the Lands D would take the lead to handle all received objections. Consultation on the revised procedures was underway with the HYK;

Rationalisation scheme of unauthorised building works (UBWs)

- a working group had been set up to consider a rationalisation scheme of UBWs in New Territories Exempted Houses which included, among them, small houses. The subject was now under discussion with the HYK;

Increasing the development density of the VEAs

- given that land was scarce and in great demand for small house development, the HPLB was exploring whether the development density of the VEAs could be increased by allowing multi-storey development, thereby providing a greater number of residential units to meet demand. The HPLB was exploring internally within the Administration a pilot scheme for multi-storey development in two planned VEAs, i.e. the VEAs in Pai Tau and Sheung Wo Che in Shatin, and Ha Mei Sun Tsuen in Yuen Long; and
- the feasibility of this proposal had yet to be ascertained. While the planning and land aspects had briefly been studied, the engineering and financial aspects were subject to fuller examination. Feasibility studies, assessment of capital costs and formulation of financing arrangements between the Government and the concerned villagers had to be conducted for further examination. If the HPLB was to take this proposal forward, the HYK and the concerned villagers must be consulted on the operational and implementation aspects. Their views and acceptance were critical and essential before proceeding further.

35. The **Secretary for Housing, Planning and Lands** further stated that:

- there was a range of other issues which the inter-departmental Steering Committee had identified and considered in conducting its review. These included the legal and human rights implications, the sustainability issue, the land-use problems, environmental impacts and other practical and resources considerations inherent in and associated with the small house policy. These

were complex issues with far-reaching implications requiring further and careful deliberations within the Administration; and

- whilst resolute actions were being taken to pursue possible options for further discussion within the Administration, it remained premature at this juncture to forecast how soon the HPLB would be in a position to release more detailed proposals for consultation with the HYK and the community at large and to conclude the review.

36. The Committee wishes to be kept informed of further development on the review of the small house policy.

**Public markets managed by the Food and Environmental Hygiene Department**  
(Paragraphs 33 to 36 of Part 4 of P.A.C. Report No. 45)

37. The Committee was informed that:

Comprehensive review on the market stall vacancy rate of public markets

- the Food and Environmental Hygiene Department (FEHD) continued to carry out general improvement works and conduct promotional activities in selected public markets with a view to improving the trading environment in public markets. The general improvement works (including upgrading of drainage, lighting, ventilation and signage) at four markets (Yau Ma Tei Market, Tai O Market, Shui Wo Street Market and Lai Wan Market) would be completed by end 2006 while the works at four other markets (San Hui Market, Haiphong Road Temporary Market, Plover Cove Road Market and Hung Shui Kiu Temporary Market) were scheduled for completion in 2007. The estimated total cost for the above works was about \$156 million. The FEHD was also planning similar works in another 12 markets;
- in the first half of 2006, the FEHD had conducted in selected markets a number of promotional activities, such as the Chinese New Year festive decorations and performances, workshops on gardening/floral arrangements and seafood cooking, a roving exhibition on prevention of Japanese Encephalitis, and the Dessert Recipe Competition. Since July 2006, the FEHD had conducted a series of customer service training sessions tailor-made for market tenants to enhance their customer service skills;
- the survey on tracking the changes in public patronage of wet markets vis-à-vis other retail outlets had just been completed. The results of this survey and a previous survey on changes in customers' food purchasing habits suggested that markets continued to serve as the most favoured type of retail outlets for food purchase, and were the most frequently patronised

outlets for all types of food except “chilled poultry”, though slightly more customers were turning to supermarkets for shopping. The survey information helped understand the general trend on purchasing habit of customers, but could not provide concrete information on individual markets;

- as patronage of public markets depended on a number of factors, including some which were beyond the control of the Government (e.g. demographical changes in the catchment area following completion and demolition of residential estates, number of supermarkets and competing retail outlets selling wet/dry goods in the neighbourhood, price and quality of the goods sold by market tenants, etc.), the FEHD considered it not feasible to set a target market stall vacancy rate (MSVR) for individual markets. In future, the FEHD would continue to upgrade the hardware of individual markets and carry out promotion work as and when appropriate for individual public markets with a view to reducing their MSVRs;

#### Review of the demand for public market facilities

- the Health, Welfare and Food Bureau (HWFB) and the FEHD were conducting a review on wet market policy and would consult the Legislative Council and relevant stakeholders on any major findings and recommendations prior to implementation;

#### Study to identify markets that might merit closure and details of the HWFB’s rationalisation plan to be drawn

- the HWFB and the FEHD would identify markets that might merit closure and would consult the relevant stakeholders, including the affected stall tenants and District Councils, before drawing up the rationalisation plans; and
- in response to a request from the Food and Environmental Hygiene Committee (FEHC) of the Yau Tsim Mong DC (YTMDC), the FEHD had consulted the tenants of the Mong Kok Market on the proposal to close down the Market due to viability problems. However, most of the tenants did not support the proposal. The FEHC of the YTMDC was consulted again on 20 July 2006 on the closure proposal. While agreeing that the Market should be closed down, they considered that the FEHD should further enhance the package offered to the affected tenants. The FEHD would consult relevant bureaux/departments before deciding the way forward.

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

**Buildings Department's efforts to tackle the unauthorised building works problem**  
(Paragraphs 37 to 38 of Part 4 of P.A.C. Report No. 45)

39. The Committee was informed that:

The Coordinated Maintenance of Buildings Scheme (CMBS)

- the Buildings Department (BD) had taken enforcement action against those owners who had not taken action according to the advisory letters. As at end of May 2006, the BD had issued a total of 147 repair orders and 3,359 removal orders to uncooperative owners of the target buildings. The BD had also commenced compliance inspections since June 2006 in accordance with the expiry dates of the orders;
- as at July 2006, out of the 150 buildings, 39 had formed Owners' Corporations (OCs) and 34 had appointed Authorised Persons (including 16 of the 39 buildings with newly formed OCs) to commence the improvement works. So far, the repair works of three buildings had been completed. The Hong Kong Housing Society (HKHS) had also stepped up its efforts in providing technical support to the owners of these 150 target buildings, such as advising them of the procedures in forming OCs. In addition, financial assistance was offered to the owners through the HKHS's Building Maintenance Incentive Scheme to facilitate the formation of OCs and support the repair works; and
- the BD continued to adopt the new modality in the CMBS 2006 which had commenced in April 2006 and had been extended to cover another 153 target buildings. Similarly, the BD had issued advisory letters to the owners of these 153 target buildings informing them of the scope and nature of the improvement works required. The cases were being followed up by the HKHS and the relevant departments.

40. The Committee wishes to be kept informed of the progress of the various courses of action taken by the Administration.

**Planning and provision of public secondary school places**  
(Paragraphs 39 to 40 of Part 4 of P.A.C. Report No. 45)

41. The Committee was informed that the Direct Subsidy Scheme (DSS) school places accounted for about 5.8% of the total provision of places in public sector schools. The Education and Manpower Bureau would continue to monitor the development of DSS schools from time to time, including their enrolment situation and future development plan.

42. The Committee wishes to be kept informed of the development of the DSS schools, with particular attention to the trend and pattern of their enrolment.

**The acquisition and clearance of shipyard sites**

*(Paragraphs 41 to 42 of Part 4 of P.A.C. Report No. 45)*

43. The Committee was informed that:

Resumption and clearance of the North Tsing Yi shipyard site

- the Administration was considering how best to implement the recommendations. Given the fact that some tenants of short-term tenancies might have genuine financial difficulties in arranging for the demolition of their structures, there might be a need to exempt certain clearees from the self-demolition requirement on compassionate grounds. The relevant bureaux and departments were examining this matter. At the same time, the Lands Department was also exploring measures to better enforce the self-demolition requirement. Subject to the outcome of the foregoing exercises, the Director of Lands would amend the Lands Administration Office Instructions as recommended by the Director of Audit; and

Assessment of contamination at the Penny's Bay shipyard site

- the ex-lessee of the Penny's Bay shipyard site had made an application to the Lands Tribunal for a hearing to determine certain points of law, including the issue of whether the costs of decontamination of the site be taken into account in determining the ex-lessee's claim for compensation under the Foreshore and Sea-bed (Reclamations) Ordinance (Cap. 127). Following the hearing on 16 January 2006, the President of the Lands Tribunal had handed down his decision on 8 February 2006 that there should be a hearing to determine certain points of law as preliminary issues. Such hearing had been scheduled for 22 to 25 January 2007.

44. The Committee wishes to be kept informed of the progress of the various courses of action taken by the Administration.



## **Funding of tertiary education**

*(Paragraphs 43 to 44 of Part 4 of P.A.C. Report No. 45)*

45. The Committee was informed that:

### University Grants Committee (UGC)'s endeavours in benchmarking the cost of tertiary education

- the UGC's consultant was expected to submit its proposal to the UGC for consideration within 2006;

### Funding of self-financing activities

- the UGC was ascertaining the amount of overhead charges involved in student hostel operation and would examine how such charges should be dealt with in consultation with the institutions. The UGC aimed to complete the process by the end of 2007; and

### Refund of rates and government rents

- the Administration had studied the UGC's draft guidelines on the eligibility criteria for refund of rates and government rents. The UGC would consult the institutions on the draft guidelines and aimed to update the UGC Notes on Procedures accordingly by the end of 2006.

46. The Committee wishes to be kept informed of further development on the subject.

## **Government subsidies to the English Schools Foundation**

*(Paragraphs 47 to 48 of Part 4 of P.A.C. Report No. 45)*

47. The Committee was informed that the Administration would start substantive discussions with the English Schools Foundation (ESF) on a review of the subvention arrangements after the ESF had implemented its governance reform and put in place a sound governance structure. At this stage, the Government had not come up with any specific proposals.

48. The Committee wishes to be kept informed of further development on the subject.

## **Corporate governance and Headquarters administration of the English Schools Foundation**

*(Paragraphs 49 to 50 of Part 4 of P.A.C. Report No. 45)*

49. The Committee was informed that:

### Corporate governance

- in June 2006, the English Schools Foundation (ESF) approved the proposed amendments to The English Schools Foundation Ordinance so as to give effect to a new governance framework. The new framework would include the following features:
  - (a) a Board of Governors would be established in which parents, School Council Chairmen, Legislative Council (LegCo) Members and representatives of the wider community would form a substantial majority;
  - (b) there would be provisions to encourage members to attend Board meetings regularly. A code of conduct would also be drawn up requiring members to declare any interest; and
  - (c) Standing Committees would be established to audit the Foundation's management processes, to make recommendations on remuneration and terms and conditions of service for staff and to advise on a financial strategy. There would not be any employees sitting on the Audit Committee nor the Remuneration Committee;
- the ESF planned to introduce the amendments into the LegCo in the 2006-2007 legislative session by way of a private member's bill. The ESF also planned to make a new set of regulations under The English Schools Foundation Ordinance which would be laid before the LegCo for scrutiny. The ESF expected that the legislative proposals would address those key issues of concern raised by the Public Accounts Committee (PAC);
- as regards the other outstanding matters, the ESF had applied the revised remuneration package to teachers who had their contract renewal scheduled for September 2006, and would apply the revised remuneration package to the remainder of its teachers upon their contract renewal in September 2007. The review of the remuneration of senior staff and support staff had started. The ESF anticipated that the vacancy rate for staff quarters would be further reduced from 3% in March 2006 to an estimated 2.5% by March 2007. Moreover, a full review of the ESF's property holdings would be conducted under the guidance of the ESF's Finance Committee which was to be established under the revised Ordinance; and

Action plan

- the ESF had updated its action plan as at September 2006 (in *Appendix 7*). For most of the remaining recommendations of the PAC, full implementation was subject to the legislative amendments to be introduced into the LegCo.

50. The Committee wishes to be kept informed of further development on the subject.

**School administration of the English Schools Foundation**

*(Paragraphs 51 to 52 of Part 4 of P.A.C. Report No. 45)*

51. The Committee was informed that the English Schools Foundation planned to abolish the incentive allowances and would start implementing modern management structures in November 2006.

52. The Committee wishes to be kept informed of further development on the subject.

**Grant of land at Discovery Bay and Yi Long Wan**

*(Paragraphs 53 to 54 of Part 4 of P.A.C. Report No. 45)*

53. The Committee was informed that:

Site boundaries of Discovery Bay and Yi Long Wan development

- the implementation of practical measures to, during the construction period of a development, deter encroachments on Government land, and to monitor and identify for rectification such encroachments, would commence in early 2007; and
- following receipt of legal advice, the Director of Lands was considering the possible and pragmatic alternative options to resolve the land encroachment problems of the Yi Long Wan development. A decision on the way forward would be made and implemented shortly.

54. The Committee wishes to be kept informed of the progress of the various courses of action taken by the Administration.

**Development of a site at Sai Wan Ho**

*(Chapter 1 of Part 7 of P.A.C. Report No. 45)*

55. The Committee was informed that:

Granting of exempted and bonus gross floor area (GFA)

- an inter-departmental working group headed by the Buildings Department was conducting a review of the GFA concessions granted under the Buildings Ordinance and the need to impose a cap on such GFA concessions. The Government would consult various sectors before finalising the proposals.

56. The Committee wishes to be kept informed of the progress of the various courses of action taken by the Administration.

**Consideration of the Director of Audit's Report tabled in the Legislative Council on 15 November 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. 47 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. 47. The Administration's response has been included in this Report.

2. **Meetings** The Committee held a total of 14 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 17 witnesses, including one Director of Bureau and three Heads of Department. The names of the witnesses are listed in *Appendix 8* to this Report. A copy of the Chairman's introductory remarks at the first public hearing on 28 November 2006 is in *Appendix 9*.

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 7 of Part 7 below.

4. The audio record of the proceedings of the Committee's public hearings is available on the Legislative Council web site 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.

*Observations of the Public Accounts Committee on the Report of the Director of Audit on the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2006*

---

The Committee noted the Report of the Director of Audit on the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2006.

## **A. Introduction**

The Audit Commission (Audit) conducted a review to examine the collection of fines imposed by Magistrates' Courts. The review focused on the following areas:

- imposition and settlement of fines;
- action on overdue fines;
- execution of distress warrants by the Court Orders Section;
- execution of non-payment warrants by the Hong Kong Police Force (Police); and
- other issues relating to fines arising from moving offences and parking contraventions.

2. The Committee held two public hearings on this subject in May 2006 to receive evidence from witnesses, i.e. the Judiciary Administrator, the Deputy Director of Public Prosecutions, the Acting Commissioner of Police and the Commissioner for Transport, on the findings and observations of the Director of Audit's Report (Audit Report). However, the witnesses had not prepared themselves adequately when attending the hearings and were not able to provide the information sought by the Committee on some of the issues raised. The Committee therefore decided to defer a full report on the subject and allow more time for the Judiciary Administrator, the Department of Justice (D of J), the Police and the Transport Department (TD) to work out how they would implement some of the audit recommendations. As requested by the Committee, the witnesses provided progress reports on the implementation of the various audit recommendations within their respective purview at the end of September 2006.

3. The evidence taken by the Committee at the public hearings and thereafter is set out in the ensuing paragraphs.

## **B. Imposition and settlement of fines**

*Audit recommendation in paragraph 2.6 of the Audit Report concerning notice of payment of fines*

4. According to paragraphs 2.6 and 2.7 of the Audit Report, the Judiciary Administrator agreed with the audit recommendation concerning issuing notices to offenders who were allowed to pay fines within a period to inform them of the amount and due date of fines as well as the consequences of non-payment. The Committee enquired

about the progress made by the Judiciary Administrator in implementing this recommendation.

5. **Miss Emma LAU Yin-wah, Judiciary Administrator**, said that:

- there were two main types of payment orders made in open court, namely, immediate payment orders (the defendant was ordered to pay the fine forthwith) and payment orders (the defendant was not required to pay the fine forthwith but was ordered to pay within a certain period or to pay by instalments). These two types of orders were conveyed orally to the defendants by Magistrates in open court. Therefore, the defendants should be well aware of the payment details. At present, immediate payment orders constituted about 70% of all payment orders. In most of the cases, payments under the immediate payment orders were made on the same day the fines were imposed; and
- in the light of the audit recommendation, the Judiciary Administration (JA) was designing a written payment notice, which would set out the payment details, for defendants who were not required to pay the fines forthwith. The JA would discuss with all Magistrates' Courts with a view to adopting the same arrangement across the board within the next few months.

6. In her letter of 24 May 2006 in *Appendix 10*, the **Judiciary Administrator** informed the Committee that the JA planned to implement the above audit recommendation on 1 June 2006.

7. In the progress report provided in her letter of 29 September 2006 in *Appendix 11*, the **Judiciary Administrator** informed the Committee that since 1 June 2006, payment notices had been issued to offenders who were allowed time to pay fines or to pay fines by instalments.

*Table 2 in paragraph 2.8 of the Audit Report concerning settlement of fines*

8. Table 2 in paragraph 2.8 of the Audit Report indicated that there was an upward trend in the number of cases of outstanding payment of fixed penalty fines relating to moving offences and parking contraventions as well as the total outstanding amount of such fines from 2002-2003 to 2005-2006. It appeared to the Committee that the increase in the number of cases and the total outstanding amount between 2004-2005 and 2005-2006 was particularly large when compared to the years 2002-2003 to 2004-2005. The Committee asked:



- whether this was the case and the causes for such a phenomenon; and
- about the number of cases of outstanding payment as well as the total outstanding amount of fixed penalty fines relating to moving offences and parking contraventions due in each year from 2002-2003 to 2005-2006, together with the respective percentages, as at 31 March of the same year.

9. **Mr Benjamin TANG, Director of Audit**, advised the Committee in his letter of 23 May 2006, in *Appendix 12*, that:

- Table 2 showed the extent of settlement of fines as at 31 December 2005, including the number of cases of outstanding payment and the total outstanding amount in respect of fixed penalty fines relating to moving offences and parking contraventions due in each financial year from 2002-2003 to 2005-2006. For those fines due in earlier financial years, a larger percentage of fines would be settled as a result of recovery action taken (e.g. the execution of distress warrants and non-payment warrants) over a longer period. Therefore, as at 31 December 2005, the number of cases of outstanding payment and the total outstanding amount in respect of fines due in each financial year from 2002-2003 to 2005-2006, including those relating to moving offences and parking contraventions, showed an upward trend. To illustrate the point that an increasing percentage of fines would be settled as time went by, an analysis of the settlement of fixed penalty fines relating to moving offences and parking contraventions due within the financial year 2003-2004 was given in Appendix A to his letter; and
- for fixed penalty fines relating to moving offences and parking contraventions due in each financial year from 2002-2003 to 2005-2006, the number of cases of outstanding payment as well as the total outstanding amount of the above fines, together with the respective percentages, as at 31 March of the same financial year was given in Appendix B to his letter.

*Figure 1 in paragraph 2.12 of the Audit Report concerning write-offs of fines*

10. According to paragraph 2.11 of the Audit Report, there was no time limit on the distress warrants and non-payment warrants. Recovery action would commence if recovery of the outstanding fines in any write-off cases appeared possible at a later date. Figure 1 in paragraph 2.12 revealed that there were no write-off of fines relating to moving offences and parking contraventions in the years 2001-2002 to 2004-2005, whereas the write-off of such fines in 2005-2006 amounted to \$30.5 million. The Committee asked:

- about the reasons for not writing off fines between 2001-2002 and 2004-2005;
- for a breakdown of the \$30.5 million of fines written off in 2005-2006, indicating the number of cases involved in each year from 2002-2003 to 2005-2006 and the reasons for writing off the fines. In addition, of the \$30.5 million, the amount of fines that could be recovered after they had been written off; and
- among the \$30.5 million, the amount that could be recovered in the next few months.

11. **Mr TANG King-shing, Acting Commissioner of Police**<sup>1</sup>, said that the reason for not writing off fines between 2001-2002 and 2004-2005 was probably due to the transfer of the power of writing off fines from the Secretary for Financial Services and the Treasury to the Commissioner of Police in 2000. As the Police had now devised the procedures for exercising this delegated power, it would write off fines on an annual basis. He would provide the figures requested by the Committee after the public hearing.

12. The **Commissioner of Police** provided, in Appendix A to his letter of 24 May 2006 in *Appendix 13*, details of the breakdown of the \$30.5 million written off in 2005-2006 as uncollectible fines relating to moving offence and parking contraventions. He also stated that:

- the sum of \$30.5 million covered a total of 28,330 cases for which the notices of fines had originally been issued during the period from April 1996 to March 2000 but payment had remained outstanding in 2005. During the period from April 1996 to March 2000, a total of 7,306,317 fixed penalty tickets had been issued. The 28,330 cases only represented a very small percentage of the fines that should be collected during the period;
- the reason for writing off fines was in line with the government policy and practice to be prudent, for accounting purpose, to write off long outstanding fines for which the chance of recovery was very low; and
- after the debts had been written off, recovery actions would still continue. If there were non-payment warrants or distress warrants in respect of the cases, the warrants would remain valid. According to the latest figures, of the \$30.5 million, a total of \$1.3 million for 1,433 cases had been recovered after they had been written off in 2005. A breakdown of the amount and the number of cases were provided in Appendix A to his letter. The Police would provide updated figures to the Committee in a few months' time.

---

<sup>1</sup> Mr TANG King-shing took up the appointment as Commissioner of Police on 16 January 2007.

13. Regarding the reasons for not writing off fines between 2001-2002 and 2004-2005, the **Commissioner of Police** stated in the same letter that:

- when the power of writing off fines was transferred to the Police in 2000, the Secretary for Financial Services and the Treasury had already written off the fines which had originally been due in 1995-1996;
- there was no restriction, under Financial Circular No. 6/2000 or any other regulations, on the period of time that an outstanding fine should be considered as non-recoverable and write-off action should be initiated. The Police had not authorised any write-offs during the years 2001-2002 to 2004-2005 because it had adopted a prudent and cautious manner in dealing with outstanding fines. Moreover, it had taken time to establish the procedures and policy for exercising the delegated power to write off fines; and
- in 2005, the Police accepted a lapse of five years to be a reasonable period for acknowledging that the chance of recovering the outstanding fines was low and write-off action should be initiated. It had written off a total of \$30.5 million of outstanding fines originally due in 1996-1997 to 1999-2000. From 2006 onwards, the Police would conduct an annual exercise to write off fines that had been outstanding for more than five years.

14. In the progress report provided in his letter of 30 September 2006 in **Appendix 14**, the **Commissioner of Police** advised the Committee that, of the \$30.5 million of fines written off in 2005-2006, \$0.5 million of fines for 738 cases had been recovered in the past four months. In total, \$1.8 million of fines for 2,171 cases had been recovered so far. The Police would continue to make effort to recover the remaining sum.

15. Noting that there was no time limit on the distress warrants and non-payment warrants, the Committee sought clarification on the following:

- whether a distress warrant or non-payment warrant would lapse after the respective outstanding fine(s) had been written off by the Police; and
- after the Police had written off an outstanding fine, whether the record of such outstanding fine would be deleted from the records used by the TD for the purpose of issuing driving or vehicle licences.

16. **Mr Blake D M Hancock, Chief Superintendent (Traffic) of the Hong Kong Police Force**, stated that:

- a warrant would not be automatically withdrawn after the outstanding fines had been written off. It would only be withdrawn if there was evidence that it could not be executed or if the defaulter had passed away; and
- after an outstanding fine had been written off, the record of such outstanding fine would not be automatically deleted from the Case and Summons Management System (CASEMAN), a system where the TD relied on in the processing of driving and vehicle licensing applications. As such, the TD would still be able to identify the defaulter from the information available on the CASEMAN when he/she approached the TD for such applications.

*Audit recommendations in paragraph 2.16 of the Audit Report concerning the CASEMAN and paragraph 2.17 concerning performance monitoring and reporting*

17. The Committee noted from paragraphs 2.14 to 2.19 of the Audit Report that the major computerised system involved in the collection of fines was the CASEMAN operated by the JA. This system provided useful information for the planning, directing and monitoring of the collection of fines. The information included the settlement rate of fines as well as the number and amount of outstanding distress warrants and non-payment warrants. The Judiciary Administrator agreed with the audit recommendation in paragraph 2.16 to consider ways, in consultation with the initiating departments, to make better use of the CASEMAN for the provision of information to manage the collection of fines. The Judiciary Administrator also agreed with the audit recommendation in paragraph 2.17 to consider ways to enhance performance monitoring and reporting in respect of the collection of fines.

18. In response to the Committee's enquiry about the progress made in implementing the above audit recommendations, the **Judiciary Administrator** said at the public hearing that discussions with the relevant departments on the matters would start very soon. The implementation timetable would depend on the complexity of the new requirements put forward by the departments and the changes that needed to be made to the CASEMAN.

19. The Committee requested the Judiciary Administrator to expedite the discussions with the relevant departments and provide a progress report on the implementation of the two audit recommendations in three months' time.

20. In the progress reports provided in her letters of 29 September 2006 and 15 January 2007 (in *Appendix 15*), the **Judiciary Administrator** informed the Committee that:

- regarding the audit recommendation in paragraph 2.16 of the Audit Report, as the responsibility of collecting outstanding fines rested primarily with the respective government prosecuting agencies, the JA would not comment on what better ways might be taken by them to manage the collection of fines. However, the JA operated the CASEMAN for managing and processing cases heard in Magistrates' Courts, and was prepared to provide such relevant information to the prosecuting departments and agencies on request;
- the JA had met with the CASEMAN user departments and agencies, requesting them to propose ways to make better use of the CASEMAN and to set out their requirements. Out of the 31 CASEMAN users, nine had suggested ways to make use of the CASEMAN information. A list of the nine users was provided in the Annex to her letter. In summary, these users had requested the JA to generate regular reports to them on outstanding fines and warrants;
- the JA had examined the feasibility of making enhancements to the CASEMAN so as to generate the reports requested by the nine users, and had found such enhancements feasible. The JA had provided these users with the relevant information in relation to their respective summonses, as at 2 January 2007. Such information would continue to be provided on a quarterly basis; and
- as regards the audit recommendation in paragraph 2.17 of the Audit Report, the JA had introduced performance indicators since 1 September 2006 in enhancing performance monitoring and reporting on the collection of fines. Target completion times were set on:
  - (a) submitting warrants to Magistrates for action within seven working days upon receipt of the same;
  - (b) forwarding the warrants to the Court Orders Section of the JA for execution within three working days after signing of the same by the Magistrates;
  - (c) requesting further information from initiating prosecuting agencies after unsuccessful execution attempts within seven working days upon the Magistrates' directions; and
  - (d) making further attempts after supply of additional information within seven working days upon the Magistrates' directions.

21. On the audit recommendation in paragraph 2.17 of the Audit Report, **Mr John Richard Reading, Deputy Director of Public Prosecutions**, supplemented in the progress report provided in his letter of 5 October 2006, in *Appendix 16*, that:

- the effective role of D of J staff was to appear in Court, when instructions were received from the Police, after the time and date had already been fixed by the Court; and
- similarly, when distress warrants were sought in respect of penalties for non-moving offences, the role of D of J staff was to appear in Court on the date and at the time specified in the instructions from the Police.

### C. Action on overdue fines

*Audit recommendation in paragraph 3.16(a) of the Audit Report concerning the 14-day grace period for the generation of distress warrants and non-payment warrants*

22. The Committee noted from paragraphs 3.2(a), 3.16(a) and 3.19 of the Audit Report that, for offences other than moving offences and parking contraventions, the CASEMAN generated distress warrants and non-payment warrants for fines which had been overdue for 14 days. The Judiciary Administrator had agreed to consider the audit recommendation to shorten the 14-day grace period. The Committee enquired about the progress made in implementing the recommendation.

23. The **Judiciary Administrator** replied at the public hearing that the JA intended to complete a comprehensive review, within three months, of the 14-day grace period for the generation of distress warrants and non-payment warrants. Therefore, she was not able to inform the Committee at this stage whether and when the audit recommendation would be implemented.

24. In response to the Committee's request, the **Judiciary Administrator** provided the following further information in her letter of 24 May 2006:

- the JA had just started the review. In conducting the review, reference was made to the payment patterns of the fines in question. After the public hearing, the JA had produced some initial data on the payment patterns of fines in respect of offences other than moving and parking contraventions for the period from 1 April 2005 to 31 March 2006. The payment pattern was provided in the Annex to her letter. The preliminary findings were:
  - (a) of a total of 157,351 such cases for the period from April 2005 to March 2006, fines in 141,354 cases (90%) had been paid on or before the due date of payment. In other words, fines in 15,997 cases (10%) had not been paid on or before the due date;

- (b) of the 15,997 cases in which fines had not been paid on or before the due date, fines in 12,318 cases (77%) had been paid on or before the 14th day after the due date; and
- (c) of the remaining 3,679 cases with outstanding payment, fines in 1402 cases (i.e. a further 9% of the 15,997 cases) had been paid on or before the 23rd day after the due date, which was the average lead time between the due date of the fine and the date on which a warrant was issued as indicated in paragraph 3.6 of the Audit Report; and
- the JA intended to collect similar data on the payment patterns of the fines in question for two more periods covering 1 April 2003 to 31 March 2004 and 1 April 2004 to 31 March 2005, and other relevant dates if appropriate, to facilitate a more comprehensive review in this regard. The JA intended to complete the review within three months.

25. In the progress report provided in her letter of 29 September 2006, the **Judiciary Administrator** advised the Committee that:

- the JA had reviewed the payment patterns of the defaulters of 2003-2004, 2004-2005 and 2005-2006 to assist it in assessing the possible benefit of the proposed shortening of the 14-day period. The findings were:
  - (a) out of 152,734 cases from April 2003 to March 2004, fines in 89% of the cases (135,299 cases) had been paid on or before the due dates. Out of the remaining 17,435 late payment cases, fines in 66% (11,485 cases) had been paid before the expiry of the 14-day period after the due dates;
  - (b) out of 161,004 cases from April 2004 to March 2005, fines in 88% of the cases (141,695 cases) had been paid on or before the due dates. Out of the remaining 19,309 late payment cases, fines in 63% (12,211 cases) had been paid before the expiry of the 14-day period after the due dates; and
  - (c) out of 157,351 cases from April 2005 to March 2006, fines in 90% of the cases (141,354 cases) had been paid on or before the due dates. Out of the remaining 15,997 late payment cases, fines in 77% (12,318 cases) had been paid before the expiry of the 14-day period after the due dates; and
- in the light of the payment patterns of the fines for the period from April 2003 to March 2006, the JA was of the view that the 14-day grace period between the due dates of fines and the generation of distress warrants and non-payment warrants by the CASEMAN should be maintained since a majority of defendants who had not paid the fines on or before the due date had paid up

during the 14-day grace period. The JA would, however, keep under review the payment patterns on an annual basis to see if there were grounds for shortening the grace period should there be significant changes to the payment patterns.

*Audit recommendation in paragraph 3.16(b) of the Audit Report concerning the progress of the General Offices in processing distress warrants and non-payment warrants*

26. The Committee noted from paragraphs 3.8, 3.16(b) and 3.19 of the Audit Report that the Judiciary Administrator had agreed with the audit recommendation that the JA should closely monitor the progress of the General Offices of Magistrates' Courts in processing distress warrants and non-payment warrants, e.g. setting a target on the time allowed for the submission of cases to Magistrates for consideration. The Committee enquired about the progress made in implementing this audit recommendation.

27. The **Judiciary Administrator** responded at the public hearing that measures, adopting information technology as far as possible, would be explored to enhance the monitoring of the progress in processing distress warrants and non-payment warrants.

28. In the progress report provided in her letter of 29 September 2006, the **Judiciary Administrator** said that the JA had reviewed the distress warrants processing progress and set a target time for submission of appropriate cases to Magistrates for consideration since 1 September 2006.

*Case 1 cited in paragraph 3.12 and Appendix A of the Audit Report concerning the issue of multiple distress warrants*

29. The Committee noted from paragraph 3.12 of the Audit Report that, for Defaulter B2 mentioned in Case 1 (see Appendix A of the Audit Report), distress warrants were issued 20 months after the defaulter had committed the first parking contravention, when the total amount of outstanding fixed penalty and court cost had accumulated to over \$50,000. The Committee asked:

- why distress warrants had not been issued earlier; and
- whether the outstanding fixed penalty and court cost of over \$50,000 due from Defaulter B2 had been recovered; if not, the reasons for that.

30. The **Acting Commissioner of Police** and the **Judiciary Administrator** did not have the requested information on hand. They undertook to provide the relevant details to the Committee after the public hearing.



31. The **Commissioner of Police** provided the following information in his letter of 24 May 2006:

- Case 1 met neither the criterion mentioned in paragraph 3.4(a) of the Audit Report that the ownership of the offending vehicle had been transferred nor the criterion in paragraph 3.4(b) of the Report that the vehicle licence of the offending vehicle had expired for two years. It was the criterion in paragraph 3.4(c) of the Report, i.e. the total amount of outstanding fixed penalty and court cost due from the defaulter had accumulated to over \$50,000, which triggered the mechanism for the issue of distress warrants to the defaulter; and
- the first ex parte court order had been issued against the defaulter on 20 January 2003 for parking contraventions committed in October 2002. Additional ex parte court orders had been issued to him thereafter for subsequent tickets. On 29 March 2004, the 45th to 48th ex parte court orders had been issued simultaneously against the defaulter. The 47th application triggered a distress warrant when the total amount of outstanding fixed penalty and court cost due from him had accumulated to over \$50,000. The 48th ticket had then followed the same legal process. As a result, two distress warrants had been issued against the defaulter on 9 June 2004 and 11 June 2004 respectively.

32. The **Judiciary Administrator** advised in her letter of 24 May 2006 that:

- as these parking contravention cases were civil in nature, applications for execution of distress warrants were made to the Magistrates' Courts by the D of J on behalf of the Police. The bailiffs had made three attempts at two different addresses to execute the five distress warrants on Defaulter B2 between September 2004 and January 2005. In all three attempts, the doors of the two premises were locked and the attempts were regarded as unsuccessful. The court had directed, on 13 January 2005, to stay the execution; and
- the fixed penalty and court cost payable by Defaulter B2 were still outstanding, according to the information in the CASEMAN as at 23 May 2006.

*Audit recommendation in paragraph 3.17(a) of the Audit Report concerning the criteria for application of distress warrants*

33. According to paragraphs 3.13 and 3.17(a), Audit considered that for parking contraventions, distress warrants should be issued in a timely manner so as to increase the recovery rate of outstanding fixed penalty and court cost. The D of J should, in

consultation with the Police, consider reviewing the existing criteria for application of distress warrants. The Committee asked about the progress made in implementing the audit recommendation.

34. The **Acting Commissioner of Police** said at the public hearing that as the existing criteria for application of distress warrants had been in use for a long time, it was opportune to carry out a review to see if any of the criteria should be revised with a view to improving the recovery rate of outstanding fines. The Police had just started the review of the matter with the D of J.

35. In response to the Committee's enquiry about the direction of the review, the **Commissioner of Police** advised in his letter of 24 May 2006 that:

- under the present mechanism, the most effective means to enforce payment of outstanding parking fines was the TD's control in refusing renewal of annual vehicle licence under the defaulter's name. In the majority of cases, after the defaulters had been informed of their outstanding fines when applying for renewal of licences in the TD, they would pay the fines to the Judiciary so that they could renew their licences;
- in cases where defaulters failed to settle the outstanding fines, the fines would be accumulated and distress warrants would be issued when any one of the criteria for applying distress warrants was met. Currently, the criteria for applying distress warrants relating to parking contravention were as follows:
  - (a) the ownership of the offending vehicle had been transferred (i.e. the criterion in paragraph 3.4(a) of the Audit Report);
  - (b) the vehicle licence of the offending vehicle had expired for two years (i.e. the criterion in paragraph 3.4(b) of the Audit Report); or
  - (c) the total amount of outstanding fixed penalty and court cost due from the defaulter had accumulated to over \$50,000 (i.e. the criterion in paragraph 3.4(c) of the Audit Report);
- under criterion (b), if the defaulter did not renew the vehicle licence of the offending vehicle, outstanding fixed penalty and court cost would accumulate for more than two years before application of distress warrants. After consultation with the D of J and the TD, the Police had proposed that criterion (b) be revised from when "the vehicle licence of the offending vehicle had expired for two years" to "as soon as the vehicle licence expired". With such revision, all cases of outstanding parking fines should be addressed upon expiry of the defaulters' vehicle licences; and

- regarding criterion (c), a review of the existing threshold of \$50,000 would be conducted pending more statistics and information about the impact on the number of warrants if the threshold were to be revised. The following points would be taken into consideration in reviewing the threshold:
  - (a) under the current rate of parking fines of \$320, in case of non-payment, an ex parte court order of \$1,080 (i.e. \$320 (fine) + \$320 (penalty) + \$440 (court cost)) would be issued to the defaulter. With the existing threshold of \$50,000, a distress warrant would be issued to a defaulter when a total of 47 court orders of parking fines had been issued on him/her. The review would consider whether the threshold was set at too high a level. At present, there were only a few cases in a year of which the warrants were issued because of this criterion. The majority of warrants (about 500 to 600 annually) were issued when they met either criterion (a) or criterion (b);
  - (b) since vehicle licences had to be renewed annually, it might not be cost-effective to issue distress warrants to defaulters with a relatively small amount of fines, knowing that most defaulters would pay the outstanding fines upon their renewal of vehicle licences in the TD; and
  - (c) the purpose of criterion (c) should be restricted to tackling really serious cases which warranted earlier recovery actions before the expiry of the defaulters' vehicle licences. It was, therefore, reasonable to set the threshold at a relatively high level.

36. In the progress reports provided in his letters of 30 September 2006 and 15 January 2007 (in *Appendix 17*), the **Commissioner of Police** informed the Committee that:

Criterion (b)

- system modification of the CASEMAN was not required. The TD was in the process of upgrading its computer system from VALID III to VALID IV. The modification required of the TD's system could only be made after the full development of the VALID IV project in August 2007;
- the Police would continue to discuss with the D of J, the JA and the TD the implementation details for the revision of criterion (b), with a view to implementing the change after August 2007;

Criterion (c)

- under the present mechanism, the TD would refuse renewal of annual vehicle licence under the name of the defaulter with outstanding parking fines. As such, most defaulters, after their applications for renewal of licences had been refused by the TD, would pay the outstanding parking fines to the Judiciary so that they could have their licences renewed in the TD. Taking into consideration this effective means of collecting outstanding parking fines, the estimated costs of executing distress warrants by the JA and the workload of the Police in processing the warrants, the Police was of the view that it would not be cost-effective to issue a distress warrant for only a small amount of fine. The Police thus proposed that the threshold be revised from \$50,000 to \$5,000. With the proposed threshold of \$5,000, a distress warrant would be issued to a defaulter when a total of five court orders of \$1,080 each (i.e. \$320 (fine) + \$320 (penalty) + \$440 (court cost)) had been issued on him/her;
- based on the figures as at 20 December 2006, there were about 630 defaulters with outstanding parking fines between \$5,000 and \$50,000 and, if the threshold were lowered to \$5,000, distress warrants had to be issued to them. Both the D of J and the JA had no objection to the proposed threshold;
- same as criterion (b), system modification of the CASEMAN was not required, but the modification required of the TD's system could only be made after the full development of the VALID IV project in August 2007; and
- the Police would continue to discuss with the D of J, the JA and the TD the implementation details for setting the new threshold, with a view to implementing the change after August 2007.

*Audit recommendation in paragraph 3.18 of the Audit Report concerning the threshold of \$1,500 for issuing warrants relating to moving offences*

37. The Committee noted from paragraphs 3.5, 3.14 and 3.18 of the Audit Report that, for moving offences, the procedures for issuing distress warrants and non-payment warrants were similar to those for offences other than moving offences and parking contraventions. However, there was an additional criterion that the CASEMAN would generate a warrant only when the total amount of outstanding fixed penalty and court cost due from a defaulter had exceeded \$1,500. Because of the additional criterion, warrants for moving offences were not issued in a timely manner. To improve the situation, Audit recommended that the Commissioner of Police should review whether it was necessary to maintain the existing threshold of \$1,500. The Committee asked:

- whether the \$1,500 threshold was the only criterion for issuing warrants in respect of moving offences;

- about the rationale for setting the threshold for issuing warrants relating to moving offences at \$1,500;
- given that one of the criteria for application of distress warrants relating to parking contraventions was “the total amount of outstanding fixed penalty and court cost due from the defaulter had accumulated to over \$50,000”, why there was such a great difference between the two thresholds, i.e. \$1,500 and the \$50,000; and
- about the timing and direction of the review regarding the \$1,500 threshold.

38. The **Acting Commissioner of Police** said at the public hearing that the \$1,500 threshold had been in place for a long time. He did not know the rationale for establishing such a threshold. The Police would take the lead to conduct a review of the threshold of \$1,500. In reviewing the threshold, the cost implication would be taken into consideration. He supplemented, in his letter of 24 May 2006, that:

Whether the \$1,500 threshold was the only criterion

- such threshold was the only criterion for issuing warrants in respect of moving offences;

Reasons for the great difference between the two thresholds

- the Police could not trace the history about the setting of the two thresholds. Audit’s review also could not ascertain which department(s) had established such thresholds and the basis of them. There might be a number of considerations contributing to the difference between the two thresholds. One of the considerations could be the difference in the process and cost of recovery actions for the two categories of fines. Moreover, the thresholds might be set for different purposes in the process of recovery actions;
  - (a) *For distress warrants with threshold of \$50,000 relating to parking contraventions*
    - (i) in executing a distress warrant relating to parking contraventions, a bailiff of the Judiciary would seize the goods and chattels of the defaulter at the latter’s address to the limit that the value of the seized items would cover the outstanding fines and the cost of seizure. The defaulter would be allowed to pay the outstanding fines and the cost of seizure within five days. Otherwise, the seized items would be sold by public auction. The sales proceeds would be used to settle the outstanding fines and the cost of seizure; and

- (ii) under the present mechanism, the major means to enforce payment of outstanding parking fines was the TD's control in refusing renewal of annual vehicle licence under the defaulter's name. Since vehicle licences had to be renewed annually, it was definitely the most economical way to recover the outstanding parking fines upon expiry of the vehicle licences. It was reasonable to guess that the threshold of \$50,000 was purposely set at a high level to screen only those really serious cases that warranted earlier actions before the renewal of the licences; and
- (b) *For non-payment warrants with threshold of \$1,500 relating to moving offences*
  - (i) for non-payment warrants relating to moving offences, the Police would take actions to arrest the defaulter. Upon the arrest of the defaulter, he/she would normally be bailed to appear in Court; and
  - (ii) fines for moving offences were imposed on the drivers and the TD would refuse the renewal of driving licences of the defaulters. However, driving licences would normally be renewed every 10 years, the control on renewal would not be an effective means for recovering the outstanding fines. For this reason, the major means of recovery action was the issuance of non-payment warrants. As such, the threshold for issuing non-payment warrants was set at a relatively low level justifiable by cost-effectiveness of the recovery actions;

Timing and direction of the review regarding the \$1,500 threshold

- currently, the majority of the moving offence tickets issued were in the category of \$450. In case of non-payment, upon issue of an ex parte court order, the amount of penalty could be up to \$1,340 (i.e. \$450 (fine) + \$450 (penalty) + plus \$440 (court cost if applicable)). With the present threshold of \$1,500, for penalty tickets of \$450 or below, non-payment warrants would only be issued on offenders with two outstanding court orders. Whereas for penalty tickets of over \$450, non-payment warrants might be issued on offenders with one outstanding court order; and
- it was possible to consider removing the existing threshold of \$1,500, which would result in non-payment warrant being issued for every outstanding case of fines relating to moving offences. However, there would be implication on resources and cost-effectiveness. The Police would, in consultation with the D of J, review the existing criterion of issuing non-payment warrants relating to moving offences.

39. In the progress report provided in his letter of 30 September 2006, the **Commissioner of Police** informed the Committee that:

- after careful consideration, the Police was of the view that the existing threshold of \$1,500 could be removed;
- system modification of the CASEMAN was not required, but the modification required of the TD's system could only be made after the full development of the VALID IV project in August 2007; and
- the Police would continue to discuss with the D of J, the JA and the TD the implementation details for the removal of the threshold, with a view to implementing the change after August 2007.

*Audit recommendation in paragraph 3.17(b) of the Audit Report concerning multiple applications for distress warrants*

40. Paragraph 3.9 of the Audit Report revealed that, for the same defaulter, several applications for distress warrants for parking contraventions were very often made to different Magistrates' Courts which had issued the related ex parte court orders. At present, three Magistrates' Courts were designated for handling moving offences and parking contraventions. Therefore, three applications could be made for the same defaulter. In paragraph 3.17(b) of the Report, Audit recommended that the D of J should, in consultation with the Commissioner of Police and the Judiciary Administrator, consider redesigning the process for application of distress warrants in order to avoid multiple applications for distress warrants in respect of the same defaulter in different Magistrates' Courts. The Committee enquired about the progress made in this regard and the changes that needed to be made to the CASEMAN if the process for application of distress warrants were to be redesigned.

41. The **Acting Commissioner of Police** said at the public hearing that the Police would start discussions with the D of J and the JA very soon to see how the audit recommendation could be taken forward. During the process, they would, among other things, identify what changes to the CASEMAN would be required if the recommendation were to be adopted.

42. The **Deputy Director of Public Prosecutions** informed the Committee in his letters of 5 October 2006 and 6 December 2006 (in *Appendix 18*) that:

- in regard to the limited role played by the D of J in the process, the D of J's present complement of staff would be in a position to deal with any variations in the procedure, whether that involved reducing the number of courts at which warrants were issued, or whether it involved an increase in the number of warrants to be issued because of a lowering in the present threshold; and

- after discussions among the D of J, the Police and the JA, the D of J had proposed that applications for such warrants be made at the designated court of the area in which the defaulter's registered address was located, irrespective of the court at which the order for payment was made. As such, all applications for distress warrants in respect of the same defaulter would be made at the same court, i.e. the court nearest to the defaulter's place of abode.

#### **D. Execution of distress warrants by the Court Orders Section**

##### *Paragraph 4.15 of the Audit Report concerning time lag in obtaining information from prosecuting departments*

43. The Committee noted from paragraph 4.15 of the Audit Report that, where the execution of a distress warrant was unsuccessful, it might be necessary to enquire of the prosecuting department for additional information, e.g. whether the company defaulter had another address and whether it had been/was being wound up. There were nine cases in the audit sample where the General Offices of Magistrates' Courts had to seek additional information about the company defaulters from the prosecuting departments. For these nine cases, there was generally a long time lag for the General Offices to receive replies from the prosecuting departments. Audit considered that there was a need for the General Offices to follow up with the prosecuting departments in case the replies were not received within a reasonable time. The Committee asked how the JA would take forward this recommendation.

44. The **Judiciary Administrator** said at the public hearing that she shared Audit's view and would follow up the matter with the prosecuting departments. In response to the Committee's further enquiry as to when the General Offices would put the proposed course of action into practice, the **Judiciary Administrator** stated, in her letter of 24 May 2006, that:

- on the time lag in receiving information from the prosecuting departments, the JA noted that it was stated in paragraph 4.15 of the Audit Report that "Audit considers that it is reasonable to expect that the prosecuting departments should respond promptly to the General Offices on the additional information requested.". The JA agreed with this view; and
- it was, however, noted that Audit had also stated in the same paragraph that "There is a need for the General Offices to follow up with the prosecuting departments in case the replies are not received within a reasonable time.". The JA would consult the major prosecuting departments with a view to devising practicable measures to enable that prompt responses would be provided to the General Offices. The JA aimed to complete this within three months.



45. In the progress report provided in her letter of 29 September 2006, the **Judiciary Administrator** said that the JA agreed with Audit that the prosecuting departments/agencies should respond promptly to requests, and urged that this point should be made to the prosecuting departments/agencies. As far as the JA was concerned, it would follow up with the prosecuting departments/agencies if replies were not received after two months from the date of the request for additional information.

*Audit recommendation in paragraph 4.18(a) of the Audit Report concerning cost of execution of distress warrants*

46. The Committee noted from paragraphs 4.11, 4.12 and 4.18(a) of the Audit Report that execution of distress warrants involved cost, the major portion of which was the staff costs of bailiffs and possession guards. As costing information would be useful for the JA's management in assessing the cost-effectiveness of the work of bailiffs, Audit recommended that the Judiciary Administrator should estimate the cost of execution of distress warrants for assessing the cost-effectiveness of the work of bailiffs.

47. In response to the Committee's enquiry about the action taken by the JA in respect of the above audit recommendation, the **Judiciary Administrator** said, in her letter of 24 May 2006, that the JA aimed to complete an estimate of the cost of execution of distress warrants within six months.

48. In her letter of 4 December 2006 in **Appendix 19**, the **Judiciary Administrator** stated that the JA had completed the costing exercise. As regards a visit performed by a bailiff for the purpose of executing a distress warrant for which no seizure was made, the average cost was about \$394. In the case for which a seizure was made, the average cost was about \$513.

*Audit recommendation in paragraph 4.18(b) of the Audit Report concerning target time on execution of distress warrants*

49. The Committee noted from paragraphs 4.14 and 4.18(b) of the Audit Report that timely attempts to execute a distress warrant would improve the rate of successful execution. Therefore, Audit recommended that the Judiciary Administrator should consider setting a target time on the execution of distress warrants by bailiffs, particularly the target time of the first attempts. This target could serve as a control measure to ensure the execution of distress warrants within a reasonable time. It could also assist in the planning and monitoring of the staff resources deployed for the execution of distress warrants.

50. In response to the Committee's enquiry about the plan of the JA in taking forward the above audit recommendation, the **Judiciary Administrator** said, in her letter of 24 May 2006, that the JA would consider setting a target time, within three months, on the execution of distress warrants by the bailiffs, particularly the target time of the first attempt.

51. In the progress report provided in her letter of 29 September 2006, the **Judiciary Administrator** informed the Committee that the JA accepted the audit recommendation. With effect from 1 September 2006, the JA had set a target time of 10 working days for making the first attempt of execution of distress warrants after receipt of the warrants by the Court Orders Section.

*Audit recommendation in paragraph 4.18(c) of the Audit Report concerning the need to execute distress warrants at places where defaulters was conducting business*

52. The Committee noted from paragraph 4.17 of the Audit Report that the General Offices of Magistrates' Courts issued a standard memorandum to the prosecuting departments requesting them to provide further information on the "present/new/updated address" of the company defaulter when the execution of a distress warrant was unsuccessful. However, it was not clear whether the "present/new/updated address" of the company was identical to the business address. In paragraph 4.18(c) of the Report, Audit recommended that, where the execution of a distress warrant relating to a company defaulter had been unsuccessful, the Judiciary Administrator should require the General Offices to:

- specify clearly in the memorandum to the prosecuting departments that they should provide the current business address of the company defaulter within a reasonable time; and
- forward the information obtained from the prosecuting departments to the Court Orders Section for further attempt of the execution of the distress warrant at the address where the company defaulter was conducting business.

53. In response to the Committee's enquiry about the JA's plan in following up the recommendation, the **Judiciary Administrator** stated, in her letter of 24 May 2006, that the JA had implemented the recommendations regarding the refinement of wording used in the memorandum issued to the prosecuting departments.

54. In the progress report provided in her letter of 29 September 2006, the **Judiciary Administrator** advised that:

- the current memorandum to the prosecuting departments had been revised since 1 June 2006 to specify clearly the provision of the current business address of the company defaulter; and

- the JA agreed to take follow-up action after receipt of further information from the prosecuting departments on further execution attempts but, as a prerequisite, such further attempts had to be made in accordance with the Magistrates' directions, if any.

*Audit recommendation in paragraph 4.24 of the Audit Report concerning deployment of possession guards for execution of distress warrants*

55. The Committee noted from paragraphs 4.22 and 4.23 of the Audit Report that Audit had examined the feasibility of adopting the practice that a bailiff did not need to be accompanied by a possession guard when attempting to execute distress warrants relating to offences other than parking contraventions. The results of Audit's analysis suggested that, in the execution of a distress warrant relating to offences other than parking contraventions, it might not be necessary for the bailiff to be accompanied by a possession guard. Hence, Audit recommended in paragraph 4.24 of the Report that the Judiciary Administrator should review the existing practice.

56. In response to the Committee's enquiry on the feasibility of the audit recommendation, the **Judiciary Administrator** said at the public hearing that the JA agreed to review the existing practice in the light of operational experience and the circumstances of individual cases. It would report the progress to the Committee in a few months' time.

57. In the progress report provided in her letter of 29 September 2006, the **Judiciary Administrator** stated that the JA had reviewed the practice and decided that a bailiff would not be accompanied by a possession guard in normal circumstances when attempting the execution of such warrants. The revised practice had come into operation since 3 July 2006.

*Table 8 in paragraph 4.22 of the Audit Report concerning success rate of execution attempts of distress warrants*

58. Table 8 in paragraph 4.22 of the Audit Report indicated that 6,735 attempts had been made to execute distress warrants relating to parking contraventions and offences other than parking contraventions. The success rate of execution attempts of distress warrants relating to parking contraventions was only 2%. The Committee asked:

- under what circumstances the execution of a distress warrant relating to parking contravention would be considered unsuccessful, e.g. the number of attempts that had to be made before the execution was regarded as unsuccessful;
- the number of cases involved in the 6,735 execution attempts; and

- the reasons for the unsuccessful execution attempts of distress warrants relating to parking contraventions.

59. The **Judiciary Administrator** said at the public hearing that she would provide the information after the hearing. The **Judiciary Administrator's** letter of 24 May 2006 provided the following details:

- the circumstances under which the execution of a distress warrant relating to parking contraventions was considered unsuccessful were:
  - (a) the door of the premises was locked and nobody responded to the bailiff's calls;
  - (b) the bailiff was satisfied that no such defaulter was trading or residing at the premises;
  - (c) the bailiff was satisfied that no goods and chattels belonging to the defaulter were available for seizure; and
  - (d) the bailiff found that the goods and chattels were of insufficient value to cover the cost of seizure;
- if the first attempt was unsuccessful, the applicant (in this case the Police) would be informed of the execution result. A second or further attempt would be made upon receiving further request and/or information from the Police;
- the 6,735 execution attempts involved 4,751 cases; and
- the reasons for the unsuccessful execution attempts of distress warrant relating to parking contraventions were mainly those set out in (a) to (d) above.

## **E. Execution of non-payment warrants by the Police**

*Audit recommendation in paragraph 5.17 of the Audit Report concerning Immigration Department (ImmD)'s watch list*

60. The Committee noted from paragraphs 5.15 to 5.17 of the Audit Report that, as at 31 December 2005, there were 236 defaulters for each of whom five or more warrants had been issued and whose outstanding fines totalled \$2.9 million. Audit considered that an effective measure for the execution of non-payment warrants was to place the names of the defaulters concerned on the ImmD's watch list. This measure could be especially effective for apprehending defaulters who had large amounts of outstanding fines and could not be

located by other means. Audit recommended that the Commissioner of Police should, in consultation with the Director of Immigration, consider the feasibility of placing on the ImmD's watch list the names of those defaulters for whom non-payment warrants had been issued and who had large amounts of outstanding fines.

61. The Committee also noted the Director of Immigration's response in paragraph 5.19 of the Audit Report that the ImmD stood ready to join hands with the relevant parties in implementing the audit recommendation.

62. The Committee asked, in the ImmD's view, how the audit recommendation could be implemented. The **Director of Immigration** replied in his letter of 24 May 2006, in *Appendix 20*, that:

- the ImmD was prepared, upon request of the Police, to intercept payment defaulters of serious cases at control points and quickly hand them over to the Police; and
- the ImmD was also prepared to accept legislative amendments to the prescribed Form 29 [warrant for apprehension issued under section 101A(1)(b) of the Magistrates Ordinance] to have the apprehension power extended to immigration officers at control points for handing the defaulters over to police officers for follow-up action.

63. The Committee also noted the Commissioner of Police's response to the audit recommendation, in paragraph 5.18(a) of the Audit Report, that the current agreement between the Police and the ImmD was to include only persons wanted for an arrestable offence in the ImmD's watch list for stop and arrest action. The non-payment of fines was not normally regarded as an arrestable offence and was not within the current ambit for inclusion in the watch list.

64. In response to the Committee's enquiry on the feasibility of implementing the audit recommendation, the **Acting Commissioner of Police** said at the public hearing that notwithstanding the above agreement, the Police would conduct a review, in consultation with the ImmD and the D of J, to see if certain categories of defaulters, e.g. those with a large number of warrants and/or with large amounts of outstanding fines, should be placed on the ImmD's watch list, having regard to the practice of other government departments, e.g. the Inland Revenue Department. He undertook to provide the Committee with details of the review in a few months' time.

65. The **Commissioner of Police** supplemented in his letter of 24 May 2006 that the Police was in the process of consulting the D of J and the ImmD on the following issues:

- the propriety of the definition of serious cases of payment defaulters;
- the setting of the threshold, whether it should be determined by the number of warrants or the total amount of fines, to trigger the mechanism;
- the legal basis to include only those exceeding the threshold in the watch list;
- the proportionality of the suggested measure on human rights consideration; and
- other issues, such as resource implication, management of control points and acceptance by the public.

66. In his letters of 30 September 2006 and 15 January 2007, the **Commissioner of Police** informed the Committee of the following progress:

- according to the D of J's advice, a warrant for non-payment of fines did not prohibit the subject of the warrant from leaving Hong Kong. As such, the ImmD could not refuse a person who was the subject of such a warrant departure clearance if he held a valid travel document. Nevertheless, the ImmD had the administrative power to include any person, such as the subject of a non-payment warrant, in a watch list and might intercept him/her at a control point and asked him/her to wait for the Police for the execution of the warrant;
- the ImmD had proposed to include defaulters with five or more non-payment warrants in a watch list. The Police shared the ImmD's view that defaulters having five or more non-payment warrants were worthy of particular actions when the Police's consistent efforts to arrest them by other means had been unfruitful and the chances to recover the outstanding fines were slim. The Police was also of the view that it would be appropriate to include only defaulters having five or more non-payment warrants in the watch list at the initial stage of implementation, taking into account freedom of travel and the likely inconvenience imposed on the defaulters. The Police would review the arrangement after it had been implemented for 12 months; and
- the views of all Police Districts where the immigration control points were located had been sought on the proposed measure. The Police was now working out the operational procedures with the ImmD. It was estimated that the operational procedures would be devised before end of March 2007.

*Audit recommendation in paragraph 5.12 of the Audit Report concerning ways to improve execution of non-payment warrants*

67. According to paragraphs 5.7 and 5.8 of the Audit Report, of the 40 defaulters in the audit sample, there were eight defaulters for whom 57 non-payment warrants had been issued and were still outstanding as at 31 December 2005. Of the 27 apprehension attempts at the defaulters' addresses, 22 (81%) were made during office hours. Of the five second apprehension attempts at the defaulters' addresses, four (80%) were made during the same period as the first attempts. In paragraph 5.12 of the Report, Audit recommended that the Commissioner of Police should explore ways to improve the execution of non-payment warrants. These might include the following measures:

- asking police officers to call at the addresses of defaulters, before and after office hours; and
- drawing up a checklist for use by police divisions for making enquiries of the addresses of defaulters.

68. The Committee also noted the response of the Commissioner of Police to the above audit recommendation, in paragraph 5.13(a) of the Audit Report, that in cases where the initial attempts were unsuccessful, the warrants would be referred to the Patrol Sub-units and their apprehension attempts would not be limited to any period of a day. In this connection, the Committee requested to be provided with:

- more information relating to the Police's execution of outstanding non-payment warrants, in particular for those cases where five or more warrants had been issued against the same defaulter; and
- the timing of the execution attempts carried out by the Police and the success rates of attempts carried out in different periods of a day.

69. The **Commissioner of Police** provided the following supplementary information in his letter of 24 May 2006:

- of the eight defaulters for whom 57 non-payment warrants had been issued, two defaulters had been arrested and a total of 19 warrants had been executed. Repeated attempts in different periods of the day had been made to locate the six other defaulters at their last known addresses but was to no avail. Further enquiries had been made to check if they had other addresses. Their particulars had also been entered into the Police's list of wanted persons. The Police's actions to locate the six defaulters were ongoing;

- the Police did not keep statistics relating to the timing of the execution attempts carried out by the Police and the success rates of attempts carried out in different periods of a day. Alternatively, the Police had conducted a data sampling exercise on the successful execution of 2,830 non-payment warrants relating to traffic offences on 1,495 defaulters between February and April 2006, so as to study the rates of successful execution in different periods of a day. The findings were in Appendix B to his letter;
- during the period, a total of 1,495 defaulters were arrested. Warrants of 894 defaulters (59.8%) were executed between 0900 and 1700 hours; warrants of 350 defaulters (23.4%) were executed between 1700 and 2400 hours; and warrants of 251 defaulters (16.8%) were executed between 2400 and 0900 hours; and
- of the 1,495 defaulters, 68 defaulters had five or more warrants. Statistics of these defaulters were similar to the overall figures. Among these 68 defaulters, warrants of 32 defaulters (47%) were executed between 0900 and 1700 hours; warrants of 21 defaulters (30.9%) were executed between 1700 and 2400 hours; and warrants of 15 defaulters (22.1%) were executed between 2400 and 0900 hours.

70. In the progress report provided in his letter of 30 September 2006, the **Commissioner of Police** advised that:

- all police officers performing warrant execution duties had been reminded of the practical need to conduct visits outside regular office hours with a view to increasing the success rate of executing the warrants; and
- a standard checklist for warrant execution had been introduced for use in all police divisions to standardise the actions of warrant execution as well as facilitating the Divisional management in monitoring the actions that had been taken and the timing when the attempts had been made. The Police Headquarters would check to ensure that the procedures for warrant execution had been properly followed.

#### **F. Other issues relating to fines arising from moving offences and parking contraventions**

*Audit recommendation in paragraph 6.7 of the Audit Report concerning court cost for ex parte court orders*

71. The Committee noted from paragraphs 6.4 and 6.5 of the Audit Report that the D of J had advised in May 2005 that, following the repeal of section 69 of the Magistrates Ordinance, a magistrate no longer had the power to award costs under section 3A of the



Fixed Penalty (Criminal Proceedings) Ordinance (the Ordinance). Orders (to pay court cost) made under section 3A of the Ordinance during the period January 1997 to May 2005 were ultra vires. The D of J was considering amending section 11 of the Costs in Criminal Cases Ordinance (this provision replaced section 69 of the Magistrates Ordinance although in different terms) to enable costs to be awarded under section 3A of the Ordinance. Audit's findings revealed that, on average, about 2,000 moving offence ex parte court orders were issued a month in 2004-2005. On this basis, it was estimated that the revenue implications of not collecting the court cost amounted to about \$0.9 million a month. In paragraph 6.7 of the Report, Audit recommended that the D of J should expedite action to introduce the necessary legislative amendments so that court cost could be imposed for moving offence ex parte court orders.

72. In response to the Committee's enquiry about the progress made in introducing the necessary legislative amendments, the **Deputy Director of Public Prosecutions** said at the public hearing that the D of J was in the process of drafting the legislative amendments.

73. In the progress report provided in his letter of 5 October 2006, the **Deputy Director of Public Prosecutions** advised that the proposed legislation to empower Magistrates to award costs when making orders under section 3A and 3B of the Fixed Penalty (Criminal Proceedings) Ordinance (Cap. 240) would be included in an Omnibus Bill, which was expected to be presented to the Legislative Council within the 2006-2007 session.

*Audit recommendations in paragraphs 6.13(a), 6.13(b) and 6.14 of the Audit Report concerning the use of dishonoured cheques to circumvent the TD's control measures*

74. Case 5 cited in paragraph 6.11 of the Audit Report revealed that a defaulter had repeatedly used dishonoured cheques to circumvent the TD's control measures. During the period June 2001 to May 2005, the defaulter had used dishonoured cheques in eight instances to pay traffic fines so that he could perform vehicle licensing/transfer transactions. Audit recommended in paragraph 6.13(b) of the Audit Report that the Commissioner for Transport should consider taking action against those defaulters who had renewed their driving or vehicle licences by using dishonoured cheques to pay traffic fines. The Committee:

- asked if the defaulter mentioned in Case 5 was a company or a person;
- requested for a chronology of the defaulter's payment records, which should indicate whether he/she had settled the outstanding payments after the respective cheques had been dishonoured, as well as the defaulter's vehicle licensing/transfer transactions;

- asked about the reasons why the defaulter could perform vehicle licensing/transfer transactions despite his successive non-payment of outstanding fines; and
- asked the TD to seek legal advice on whether the driving or vehicle licences issued to a defaulter could be voided if it was proved that the licence(s) had been obtained by means of dishonoured cheques.

75. **Mr Alan WONG Chi-kong, Commissioner for Transport**, said at the public hearing and in his letter of 24 May 2006, in *Appendix 21*, that:

- the TD and the JA had searched the relevant records and the findings were as follows:
  - (a) the defaulter was of the same person;
  - (b) a chronology of the defaulter's payment records and vehicle licensing/transfer transactions was provided in the Annex to his letter; and
  - (c) the defaulter had made cheque/cash payment to settle the outstanding traffic fines on or before the date he applied for transfer of ownership of vehicle or renewal of vehicle licence. At the time the defaulter applied for vehicle/driving licence renewal/transactions, he might have shown the receipt issued by the Magistrates' Court as proof of settlement of traffic fines or the computer system indicated that the outstanding fines were paid; and
- as to whether the Commissioner for Transport could void the vehicle/driving licence issued to a defaulter who had settled the traffic fines by a dishonoured cheque, the legal advice was that the fact that the cheque issued by the defaulter was not honoured did not affect the validity of the driving/vehicle licence. As the Commissioner had acted lawfully in issuing/renewing the vehicle/driving licence, the licence could not be void or invalid under the law.

76. In view of the severity of Case 5, it appeared to the Committee that the case should be referred to the relevant departments for investigation. The Committee asked:

- whether the JA had ever referred cases of dishonoured cheque payment for traffic fines to the Police for investigation and prosecution; and
- whether the referral of Case 5 had been done and to which department; if not, the reasons for that.

77. The **Judiciary Administrator** replied at the public hearing and in her letter of 24 May 2006 that:

- according to the information contained in the CASEMAN, the defaulter of Case 5 had made two payments on 12 May 2005 and 1 December 2005 respectively. All the outstanding fines concerned had been settled; and
- the JA had not referred cases of dishonoured cheque payment for traffic fines to the Police for investigation and prosecution. However, the General Office of Magistrates' Courts had been keeping the Police informed of cases involving dishonoured cheque payment for traffic fines.

78. In the progress report provided in her letter of 29 September 2006, the **Judiciary Administrator** stated that:

- the JA maintained that criminal investigations and prosecutions were matters for the Police. That said, the JA would ensure that cases of dishonoured cheques would be referred to the Police in accordance with their criteria; and
- the JA would provide the Police with pertinent information on the incidents of dishonoured cheques and the outstanding traffic fines concerned. Such information would be copied to the TD which would inform the Police whether a vehicle licensing/transfer transaction had taken place after the purported payment.

79. The Committee asked about the action that would be/had been taken by the TD in implementing the audit recommendation in paragraph 6.13(a) of the Audit Report that the Commissioner for Transport should, in consultation with the Judiciary Administrator, introduce measures to ensure that defaulters could not use dishonoured cheques to circumvent the control measures that barred them from using the TD's licensing and vehicle registration services.

80. The **Commissioner for Transport** said at the public hearing that the TD agreed with the audit recommendation, and would review the existing practice in the next few months with a view to ensuring that defaulters could not use dishonoured cheques to circumvent the TD's control measures.

81. In his letters of 29 September 2006 in *Appendix 22* and 15 January 2007 in *Appendix 23*, the **Commissioner for Transport** informed the Committee that:

- he had reviewed the workflow in handling applications from persons who used cheques to settle outstanding traffic fines and then obtained licensing and vehicle registration services from the TD;

- a new arrangement had been implemented on 27 November 2006, under which licensing applications from applicants who chose to settle their traffic fines by cheques would be processed after seven working days in order to allow sufficient lead time for clearance of cheque payments;
- the new arrangement was made known to the public through press release and posting of notice at TD's licensing offices and the Account Offices of Magistrates' Courts. This arrangement had been working well and was generally accepted by the public; and
- the TD believed that, with the implementation of the new arrangement, defaulters would no longer be able to use dishonoured cheques to circumvent the control measures and obtain driving or vehicle licences from the TD.

*Table 13 in paragraph 6.19 of the Audit Report concerning defaulters with outstanding parking fines*

82. Table 13 in paragraph 6.19 of the Audit Report revealed that, as at 31 December 2005, there were 4,679 defaulters who had outstanding parking fines of over \$2,000. Among these 4,679 defaulters, there were 77 who each had outstanding parking fines of over \$100,000. The Committee asked:

- about the reasons why the 77 defaulters had such a large amount of outstanding parking fines; and
- whether their outstanding parking fines were accumulated over a long period of time and, if so, the periods of time taken to accumulate to this amount.

83. The **Commissioner of Police** stated in his letter of 19 June 2006, in **Appendix 24**, that:

- a copy of the table summarising the details of the 74 defaulters who had outstanding parking fines of over \$100,000 as at 12 June 2006 was in Appendix A to his letter. As for the reasons for these defaulters to have accumulated such a large amount of outstanding fines, the Police's observations were as follows:
  - (a) in majority of the cases, the defaulters had taken only one year or a period within two calendar years to accumulate such a large amount of fines and abruptly no additional fines had been accumulated thereafter. Given that under the present mechanism, the TD would refuse renewal of annual vehicle licences under a person's name if he had outstanding fines, it was reasonable to believe that the defaulters had contravened

numerous parking offences and received a large number of fixed penalty tickets during the one-year period when their annual vehicle licences were still valid. Since the defaulters were unable to renew their vehicle licences, no more fines had been accumulated after the expiry of their licences;

- (b) the majority of the cases met neither criterion (a) that the ownership of the offending vehicle had been transferred nor criterion (b) that the vehicle licence of the offending vehicle had expired for two years. It could be inferred that it was criterion (c) that the total amount of outstanding fines had accumulated to over \$50,000 to trigger the mechanism for the issue of distress warrants to the defaulters. Although distress warrants had already been issued when the total amount of fines was over \$50,000, the defaulters could still drive their vehicles and receive more and more fixed penalty tickets before their vehicle licences expired. This explained why a number of distress warrants had been issued on the defaulters; and
  - (c) since the majority of the distress warrants on the defaulters had not been successfully executed by the Bailiff Office, a large amount of outstanding fines had been accumulated as the number of court orders and unexecuted distress warrants on the defaulters piled up;
- based on the further information provided by the JA and the Police's records, he had looked into the cases of the seven most serious defaulters (defaulter nos. 32, 36, 37, 46, 47, 70 and 72 referred to in Appendix A) who each had more than \$300,000 outstanding fines, with a view to obtaining more evidence to substantiate the above observations of the Police. The findings were summarised at Appendix B to his letter. It was worth noting that:
- (a) for six out of the seven defaulters, all fixed penalty tickets were issued during the one-year period when their vehicle licences were still valid and each of them had only one vehicle. Only one defaulter (defaulter no. 37) had a small portion of fixed penalty tickets that were issued within one month after the expiry of the vehicle licences of his two vehicles;
  - (b) for all seven defaulters, it was criterion (c) that the total amount of outstanding fines had accumulated to over \$50,000 to trigger the mechanism for the issue of the first distress warrant when their vehicle licences were still valid; and
  - (c) all distress warrants on the seven defaulters were unsuccessfully executed;

- the above findings corroborated the Police's observations; and
- the proposed revision of criterion (b) from when "the vehicle licence of the offending vehicle had expired for two years" to "as soon as the vehicle licence expired" would not be an effective measure against these serious defaulters as distress warrants had already been issued on them when their vehicle licences were still valid. For criterion (c), a reduction of the threshold of \$50,000 would trigger the mechanism for the issue of distress warrants to the defaulters at an earlier stage. However, the deterrent effect on these serious defaulters should not be significant as they could still drive their vehicles and receive more and more fixed penalty tickets before their vehicle licences expired. He believed that any changes to the existing criteria for application of distress warrants could not effectively reduce the large amount of outstanding fines imposed by courts in these cases if the success rate of the execution of distress warrants by the Bailiff Office remained at the present level.

84. The **Acting Judiciary Administrator** said in her letter of 4 July 2006, in **Appendix 25**, that the JA had examined the results of executing the distress warrants by bailiffs against the seven most serious defaulters referred to in the Commissioner of Police's letter of 19 June 2006. The JA's findings and observations on each of the seven cases were provided in the attachment to her letter.

*Audit recommendation in paragraph 6.22 of the Audit Report concerning seizure of vehicles to recover outstanding fines*

85. The Committee noted from paragraphs 6.20 and 6.22 of the Audit Report that, in the execution of writs of fieri facias, bailiffs had carried out seizure of vehicles belonging to the judgment debtors. Audit recommended that for cases where vehicle owners had large amounts of outstanding parking fines and for whom distress warrants had been issued, the D of J should, in consultation with the Court Orders Section, consider seizing their vehicles so as to recover the outstanding fines. The Committee asked whether the Judiciary Administrator would:

- implement the audit recommendation to seize defaulters' vehicles where the situation warranted; and
- consider outsourcing the execution of distress warrants relating to parking contraventions, especially those cases involving seizure of the defaulters' vehicles; if not, why not.

86. The **Judiciary Administrator** replied at the hearing and in her letter of 24 May 2006 that:

- in executing distress warrants relating to parking contraventions, the bailiffs could seize the defaulters' vehicles if the applicant, i.e. the Police, would provide:
  - (a) proof from the vehicle registration records of the TD that the vehicles were properties of the defaulters;
  - (b) information on the location of the defaulters' vehicles; and
  - (c) the necessary resources to carry out a seizure; and
- the bailiffs could effectively carry out a seizure if the above means and resources were provided. The JA would, therefore, not consider outsourcing this function.

**G. The Committee's view on the work of the Judiciary Administrator and relevant departments in the collection of fines**

87. While the Judiciary Administrator and relevant departments had/would put in place measures to address the problems identified by Audit which fell within their respective purview, the Committee was concerned that at present no department was responsible for coordinating the efforts of various departments in collecting fines. As a matter of fact, it appeared to the Committee that some of the problems revealed by Audit were attributable to the lack of effective coordination and communication among the Judiciary Administrator and relevant departments, resulting in a loss of public money. The Committee had therefore written to the Chief Secretary for Administration drawing his attention to this problem and requesting him to designate a bureau or department to oversee and coordinate the efforts of the Judiciary Administrator and relevant departments in the collection of fines.

88. The **Chief Secretary for Administration** replied in his letter of 15 November 2006, in **Appendix 26**, that:

- the Judiciary Administrator and relevant departments had accepted all the audit recommendations and started or planned for their implementation. The Administration believed that, following implementation of the recommendations, communication and coordination among the departments concerned should improve. There was thus no need for devising a specific arrangement or mechanism for coordinating the collection of fines; and

- that said, the Administration did appreciate the need for regular reviews to track implementation of the recommendations of Audit and the Public Accounts Committee, assess the effectiveness of the improvement measures and identify room for further measures for improvement. To this end, the Financial Services and the Treasury Bureau would coordinate the necessary reviews amongst the Judiciary Administrator and relevant departments.

## **H. Conclusions and recommendations**

89. The Committee:

- expresses dissatisfaction that the Judiciary Administrator, Acting Commissioner of Police, Commissioner for Transport and Deputy Director of Public Prosecutions, who attended the public hearings on this subject in May 2006, had not prepared themselves adequately when attending the hearings and were not able to provide the information sought by the Committee on some of the issues raised. As a result, the Committee's consideration of the relevant Director of Audit's Report (Audit Report) was delayed;
- considers that some of the problems relating to the collection of fines revealed in the Audit Report were attributable to the lack of effective coordination and communication among the departments concerned, resulting in a loss of public money;
- notes the Chief Secretary for Administration's view that there is no need to devise a specific arrangement or mechanism for coordinating the collection of fines imposed by Magistrates' Courts. Instead, the Financial Services and the Treasury Bureau (FSTB) will coordinate amongst the Judiciary Administrator and relevant departments regular reviews to track the implementation of the recommendations of the Audit Commission and the Public Accounts Committee concerning collection of fines, assess the effectiveness of the improvement measures and identify room for further measures for improvement;
- strongly urges that:
  - (a) the FSTB should coordinate with the Judiciary Administrator and relevant departments to conduct a review in one year's time to assess the effectiveness of the measures for improving the collection of fines; and
  - (b) apart from the regular reviews coordinated by the FSTB, the Chief Secretary for Administration should designate an existing bureau or department to oversee and coordinate the efforts of the Judiciary Administrator and relevant departments in the collection of fines;



### Imposition and settlement of fines

- expresses serious concern that:
  - (a) where orders to pay fines are imposed by magistrates in open court, defendants are not informed in writing of the amount of the fine, the payment due date, the payment method, and other payment information; and
  - (b) information for planning, directing and monitoring the collection of fines is not provided on a regular basis to the management of the initiating departments concerned;
- notes that:
  - (a) since 1 June 2006, the Judiciary Administration has implemented a new measure that payment notices are issued to offenders who are allowed time to pay fines or to pay fines by instalments;
  - (b) after consulting the users of the Case and Summons Management System (CASEMAN), nine users have requested the Judiciary Administration to provide them with regular information on default payments. The Judiciary Administration has provided these users with relevant information in relation to their respective summonses and will continue to provide such information on a quarterly basis; and
  - (c) in response to the audit recommendation in paragraph 2.17 of the Audit Report, the Judiciary Administration has introduced performance indicators since 1 September 2006 to enhance performance monitoring and reporting on the collection of fines;

### Action on overdue fines

- expresses serious concern that:
  - (a) there was an average time lag of 23 days between the due date of the fine and the date when a warrant for offences other than moving offences and parking contraventions was issued;
  - (b) for the same defaulter, several applications for distress warrants for parking contraventions are very often made to different Magistrates' Courts which have issued the related ex parte court orders;
  - (c) there were cases in which distress warrants for parking contraventions were not issued in a timely manner according to the existing criteria; and

- (d) because of the additional criterion that warrants relating to moving offences are issued only when the total amount of outstanding fines has exceeded \$1,500, warrants of this kind are not issued in a timely manner;
- notes that:
  - (a) after reviewing the payment patterns of the fines for the period from April 2003 to March 2006, the Judiciary Administration considers that the 14-day grace period between the due dates of fines and the generation of warrants by the CASEMAN should be maintained. It will keep under review the payment patterns on an annual basis to see if there are grounds for shortening the grace period should there be significant changes to the patterns;
  - (b) the Judiciary Administrator has reviewed the processing of warrants and set a target time for submission of appropriate cases to Magistrates for consideration since 1 September 2006;
  - (c) after discussions among the Department of Justice, the Hong Kong Police Force (Police) and the Judiciary Administration regarding the audit recommendation in paragraph 3.17(b) of the Audit Report concerning multiple applications for distress warrants, the Department of Justice has proposed that applications for such warrants be made at the designated court of the area in which the defaulter's registered address is located, irrespective of the court at which the order for payment was made. As such, all applications for distress warrants in respect of the same defaulter will be made at the same court, i.e. the court nearest to his place of abode;
  - (d) regarding the criteria for application of distress warrants relating to parking contraventions:
    - (i) the Commissioner of Police has agreed to revise the criterion from when "the vehicle licence of the offending vehicle has expired for two years" to "as soon as the vehicle licence expires". The change is expected to be implemented after August 2007; and
    - (ii) the Police, the Department of Justice and the Judiciary Administration have agreed to revise the existing threshold from \$50,000 to \$5,000. The change is expected to be implemented after August 2007; and
  - (e) the Commissioner of Police has agreed to remove the existing threshold of \$1,500 for the issue of warrants relating to moving offences. The change is expected to be implemented after August 2007;

Execution of distress warrants by the Court Orders Section

- expresses serious concern:
  - (a) a large number of distress warrants were outstanding as at 31 December 2005 notwithstanding that attempts had been made for their execution;
  - (b) a significant amount of fines is due from a small number of persistent defaulters with more than five outstanding distress warrants;
  - (c) no costing exercise on the execution of distress warrants had been carried out;
  - (d) while the time lag between the receipt and the first execution attempt of distress warrants has been shortened due to a decrease in caseload, there is a risk that the time lag will be prolonged if the caseload increases again; and
  - (e) where the execution of a distress warrant relating to a company defaulter has been unsuccessful, there was generally a long time lag for the General Offices of Magistrates' Courts to receive replies on additional information about the defaulter from the prosecuting departments;
- notes that the Judiciary Administration:
  - (a) has completed a costing exercise on the execution of distress warrants in November 2006;
  - (b) has set a target of 10 working days for making the first attempt of the execution of distress warrants after receipt of the warrants by the Court Orders Section with effect from 1 September 2006; and
  - (c) will follow up with the prosecuting departments concerned if replies are not received after two months from the date of the request for additional information about defaulters. It will also take follow-up action after receipt of additional information on further execution attempts from the prosecuting departments in accordance with the Magistrates' directions, if any;
- strongly urges:
  - (a) the prosecuting departments to respond promptly to the General Offices of Magistrates' Courts on the requests for additional information about defaulters; and

- (b) the Judiciary Administrator to ensure that the General Offices will promptly follow up with the prosecuting departments concerned if replies are not received and after receipt of additional information on further execution attempts;

Execution of non-payment warrants by the Police

- expresses serious concern that:
  - (a) a large number of non-payment warrants were outstanding as at 31 December 2005 notwithstanding that attempts had been made for their execution;
  - (b) a significant amount of fines is due from a small number of persistent defaulters with more than five outstanding non-payment warrants; and
  - (c) in making enquiries about the addresses of defaulters, only one out of the 11 police divisions concerned made use of a checklist of government departments and utilities companies which could provide such information;
- notes that:
  - (a) the Commissioner of Police:
    - (i) has reminded all police officers performing warrant execution duties of the need to conduct visits outside regular office hours with a view to increasing the success rate of executing the warrants; and
    - (ii) has introduced a standard checklist for warrant execution for use in all police divisions to standardise the actions of warrant execution as well as facilitating the Divisional management in monitoring the actions that have been taken and the timing of the attempts made; and
  - (b) the Director of Immigration has agreed to include defaulters with five or more non-payment warrants in the Immigration Department (ImmD)'s watch list and intercept them at the control points for action by the Police. The Police is now working out the operational procedures with the ImmD. It is estimated that the operational procedures will be devised before end of March 2007;

Other issues relating to fines arising from moving offences and parking contraventions

- expresses dismay that:
  - (a) on average, about 2,000 moving offence ex parte court orders were issued a month in 2004-2005, and the estimated revenue implications of not collecting the court cost amount to about \$0.9 million a month;
  - (b) there were cases where defaulters used dishonoured cheques to circumvent the control measures implemented by the Transport Department to enforce payment of outstanding traffic fines;
  - (c) the total amount of dishonoured cheque payments for traffic fines during the period 2000-2001 to 2005-2006 (up to 31 December 2005) was \$4.6 million; and
  - (d) there were about 4,700 vehicle owners who repeatedly committed parking contraventions and ignored the payment of fines, each with more than \$2,000 outstanding parking fines as at 31 December 2005;
- notes that:
  - (a) the proposed legislation to empower Magistrates to award costs when making orders under section 3A and 3B of the Fixed Penalty (Criminal Proceedings) Ordinance (Cap. 240) will be included in an Omnibus Bill, which is expected to be presented to the Legislative Council within the 2006-2007 session;
  - (b) the Commissioner for Transport has reviewed the workflow in handling applications from persons who use cheques to settle outstanding traffic fines and then obtain licensing and vehicle registration services from the Transport Department. A new arrangement was implemented on 27 November 2006, under which licensing applications from applicants who choose to settle their traffic fines by cheques will be processed after seven working days in order to allow sufficient lead time for clearance of cheque payments; and
  - (c) the Judiciary Administrator will ensure that cases of dishonoured cheques will be referred to the Police in accordance with the latter's criteria. The Judiciary Administration will provide the Police with pertinent information on the incidents of dishonoured cheques and the outstanding traffic fines concerned, and copy such information to the Transport Department;

- strongly urges the Judiciary Administrator, in cases where the defaulters are vehicle owners who have large amounts of outstanding parking fines, to proactively use seizure of the defaulters' vehicles as a means of recovering the outstanding fines; and

Follow-up actions

- wishes to be kept informed of:
  - (a) the outcome of the review on the effectiveness of the measures for improving the collection of fines, which should be supported by quantitative information showing the actual improvements made;
  - (b) the decision of the Chief Secretary for Administration regarding the designation of an existing bureau or department to oversee and coordinate the efforts of the Judiciary Administrator and relevant departments in the collection of fines;
  - (c) the progress made in implementing the proposal concerning multiple applications for distress warrants in respect of the same defaulter;
  - (d) regarding the criteria for application of distress warrants relating to parking contraventions, the progress made by the Police in changing from when "the vehicle licence of the offending vehicle has expired for two years" to "as soon as the vehicle licence expires", and adjusting downwards the existing threshold from \$50,000 to \$5,000;
  - (e) the progress made by the Police in removing the existing threshold of \$1,500 for the issue of warrants relating to moving offences;
  - (f) the actions taken by the prosecuting departments to ensure that they will respond promptly to the General Offices of Magistrates' Courts on the requests for additional information about defaulters;
  - (g) the actions taken by the Judiciary Administrator to ensure that the General Offices will promptly follow up with the prosecuting departments concerned if replies are not received and after receipt of additional information on further execution attempts;
  - (h) the progress made in implementing the arrangement to include defaulters with five or more non-payment warrants in the ImmD's watch list and intercept them at the control points for action by the Police, and the result of the review on the arrangement after it has been implemented for 12 months;

- (i) the progress made in introducing into the Legislative Council the Omnibus Bill which will include the proposed legislation to empower Magistrates to award costs when making orders under section 3A and 3B of the Fixed Penalty (Criminal Proceedings) Ordinance (Cap. 240); and
- (j) the measures adopted by the Judiciary Administrator, in cases where the defaulters are vehicle owners who have large amounts of outstanding parking fines, to ensure that seizure of the defaulters' vehicles is proactively used as a means of recovering the outstanding fines.

The Committee held a public hearing on 28 November 2006 to receive evidence on this subject. It also sought and received some additional information from the witnesses after the public hearing.

2. To allow itself more time to consider the various issues raised in the Director of Audit's Report and the additional information provided by the witnesses, the Committee has decided to defer a full report on this subject.



The Committee noted that the Audit Commission had conducted a review to examine the economy, efficiency and effectiveness of the allocation of public rental housing (PRH) flats by the Housing Department (HD).

2. The Committee noted that the HD agreed with all the audit recommendations and had initiated actions to address the audit issues, namely, those relating to:

- handling of applications for the allocation of PRH flats;
- reservation of PRH flats;
- provision of housing for senior citizens;
- provision of interim housing flats and accommodation in transit centres; and
- letting of less popular flats.

3. The Committee did not hold any public hearing on this subject. Instead, it asked for a written response to its enquiries about the latest progress of the actions taken by the HD.

4. The **Director of Housing** provided, in his letter of 19 December 2006 in *Appendix 27*, a progress report to the Committee.

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

The Committee noted that the Audit Commission had conducted a review on the efficiency and effectiveness of four small and medium enterprise (SME) funding schemes, namely, the SME Export Marketing Fund, the SME Training Fund, the SME Loan Guarantee Scheme and the SME Development Fund.

2. The Committee did not hold any public hearing on this subject. Noting that the Trade and Industry Department had generally agreed with the audit recommendations set out in paragraphs 2.30, 3.22, 4.28 and 5.19 of the Director of Audit's Report, the Committee asked for a written response on the progress in implementing the recommendations.

3. The **Acting Director-General of Trade and Industry** provided, in his letter of 21 December 2006 in *Appendix 28*, a progress report to the Committee.

4. The Committee notes the reply of the Acting Director-General of Trade and Industry and wishes to be kept informed of the progress made in implementing the various audit recommendations.

## **A. Introduction**

The Audit Commission (Audit) conducted a review to examine the economy, efficiency and effectiveness of the management of outstanding fees by the Hospital Authority (HA). The review focused on the following areas:

- collection of outstanding fees by hospitals;
- collection of outstanding fees by the Hospital Authority Head Office (HAHO);
- use of public medical services by non-eligible persons (NEPs); and
- measures to minimise need for recovery and write-off of fees.

2. **Mr Shane Solomon, Chief Executive of the HA**, provided the following supplementary information to the Committee prior to the public hearing:

- a document outlining a five-year overview of the HA's efforts on fee collection, the actions taken by the HA to enhance fee collection, and further measures being considered by the HA to enhance fee collection (*Appendix 29*); and
- a table summarising the actions taken or being considered by the HA in respect of the various audit recommendations (*Appendix 30*).

3. **Dr Hon York CHOW Yat-ngok, Secretary for Health, Welfare and Food**, made an opening statement at the Committee's public hearing. The full text of his statement is in *Appendix 31*. In gist, he said that:

- the Government's healthcare policy was to safeguard and promote the general public health of the community as a whole and to ensure the provision of medical and health services for the people of Hong Kong. No one would be denied adequate medical care due to lack of means;
- it was the onus of every Hong Kong resident to pay for the comparatively nominal fees for the very expensive medical services they had used, which were heavily subsidised at about 96% of the full cost. As for NEPs, they could have access to public medical services. However, they had to pay fees set on a full-cost recovery basis;
- regarding obstetrics services, public hospitals would give priority to providing the necessary services to local expectant mothers;

- in the light of the surge in demand for obstetrics services by the local public and NEPs, the HA had already taken a number of relief measures with a view to relieving the work pressure of frontline healthcare staff; and
- the HA was considering making it a requirement for all NEP pregnant women to receive antenatal checking and make necessary registration at Hong Kong public healthcare institutions within certain specified time-frame. Otherwise, there was no guarantee that the HA would be able to provide them with the necessary services, including demand for obstetric services referred from the accident and emergency (A&E) departments.

4. The **Chief Executive of the HA** also made an opening statement at the public hearing. In summary, he said that:

- the fee income of the HA had increased significantly in recent years. As shown in the five-year overview of the HA's efforts on fee collection, the fee income in 2005-2006 was approximately \$1.6 billion, which had more than doubled the fee income in 2001-2002, which was approximately \$0.77 billion. At the end of 2001-2002, the proportion of outstanding fees stood at 16%, which had declined to 8% at the end of 2005-2006. This demonstrated an improvement in fee collection of the HA in the past few years;
- the fees written off by the HA in 2005-2006 amounted to \$43.9 million. Of this amount, \$35.3 million related to fees owed by NEPs. It revealed that the key problem area was the non-payment of medical fees by NEPs. The HA had already introduced a number of measures to address the problem. These measures included requiring NEP patients to pay a deposit of \$33,000 upon admission to hospitals, issuing bills to NEP patients more frequently during their hospitalisation period and distributing bills at wards, and providing more efficient and convenient payment methods such as Octopus, EPS, PPS and credit cards, etc;
- the HA appreciated the need to take stronger actions to tackle the problem of non-payment of medical fees. Hence, it had proposed a series of improvement measures for consideration by the HA Board at its meeting on 21 December 2006. These measures were set out in the supplementary information provided to the Committee; and
- it was hoped that after implementing the proposed measures and other improvement initiatives suggested by the Director of Audit, a clear message would be given to NEPs that government subsidy was targeted at benefiting local residents only. They must pay their fees after using the HA's services. For local residents, they must also settle their fees with the HA after using its services. If they had financial difficulties in paying the fees, they should apply for a fee waiver under the medical fee waiver mechanism.

5. The Committee enquired about the relationship between the \$130.4 million of fees owed by patients in 2006 (given in Figure 2 in paragraph 1.8 of the Audit Report) and the 43.9 million of fees written off in 2005-2006 (given in Table 2 in paragraph 1.10 of the Report). The **Chief Executive of the HA** explained that:

- the \$130.4 million was a snapshot figure, which was the amount of cumulative fees owed by patients as at 31 March 2006. These outstanding fees were not bad debts. The figure of \$130.4 million would reduce when payments were made by patients. Table 1 in paragraph 1.9 of the Audit Report showed the overdue periods of these outstanding fees; and
- the 43.9 million was not a cumulative figure. It was the total amount of fees written off by the HA, i.e. bad debts, for the year 2005-2006.

6. According to the ageing analysis of fees owed by patients as at 31 March 2006 set out in Table 1 in paragraph 1.9 of the Audit Report, the bills which had been outstanding for 12 to 24 months, 24 to 36 months and over 36 months accounted for 6%, 2% and 1% of all outstanding bills respectively. At the Committee's request, **Mr Benjamin TANG, Director of Audit**, provided a further breakdown of the 877 bills which had been outstanding for more than 36 months, in **Appendix 32**. The Committee noted from Table 1 that \$118.8 million (91%) of the \$130.4 million of outstanding fees had been outstanding for not more than 12 months. As several months had lapsed since 31 March 2006, the Committee enquired whether the situation had improved.

7. The **Chief Executive of the HA** replied at the public hearing and in his letter of 18 December 2006 in **Appendix 33** that:

- compared to 31 March 2006, the ageing situation of fees owed as at 30 November 2006 remained more or less the same. The portion of debts aged below six months had improved slightly from 72% to 73% in terms of the number of bills, while declining from 74% to 71% in terms of the actual amount. The increase in the level of fees owed by patients from \$130.4 million to \$152 million (an increase of 16.6%) was in line with the 20% increase in the corresponding fee income from \$1,607.7 million to \$1,929.3 million (annualised) during the period; and
- there were a number of reasons for non-payment of medical fees for a long period of time. While some patients deliberately defaulted on payments, there were also unfortunate cases where the patients had no family or relative and had stayed in the hospitals for a long time due to serious illnesses. Some of them had passed away during the hospitalisation period. The HA was usually unable to collect fees from these patients.

## **B. Use of public medical services by NEPs**

8. Noting that the HA was considering making it a requirement for all NEP pregnant women who planned to give birth in Hong Kong to receive antenatal checking and make necessary registration at Hong Kong public healthcare institutions within certain specified time-frame. The Committee asked whether such a proposed requirement would give a message to NEPs, in particular Mainland pregnant women, that they would be provided with one-stop obstetric services in Hong Kong, thus attracting more NEPs to come to Hong Kong for childbirth.

9. The **Secretary for Health, Welfare and Food** said that:

- if NEPs' demand for public obstetric services increased, the fee income of the HA would increase correspondingly. Therefore, the HA was willing to provide services to them as long as the number of NEP expectant mothers giving birth in Hong Kong was restricted to a level that could be supported by the local healthcare system. To facilitate better service planning, the HA was assessing how the increasing demand for obstetric services would affect public hospitals. Depending on the projected demand, the HA might expand its obstetric and neonatal services as required;
- local pregnant women using public obstetric services would normally seek antenatal checking at public healthcare institutions within the first three months of pregnancy. This could help the HA forecast local residents' demand for obstetric services. However, a large number of Mainland pregnant women using the HA's services had little or no antenatal care at all. Some of them even sought last-minute hospital admission through the A&E departments before delivery. This had exerted much pressure on public hospitals and had also resulted in increased risks of difficult labour for the mothers, unrecognised congenital anomalies for the babies and infection for frontline healthcare workers; and
- under the proposed arrangement, if NEP pregnant women failed to comply with the requirement to make prior arrangements with local public healthcare institutions, there would be no guarantee that the HA would provide them with the necessary services. Such requirement should be able to deter NEP pregnant women from seeking last-minute hospital admission through the A&E departments, or not obtaining proper antenatal care during pregnancy. It could also safeguard the health of NEP mothers, their babies and frontline healthcare workers, and enable the HA to better plan its services, thereby ensuring that the services to local pregnant women would not be affected.

10. The Committee sought clarification as to whether NEP expectant mothers who sought hospital admission through the A&E departments would be denied medical care if they had not received antenatal checking or had not registered at Hong Kong public healthcare institutions as required. If that would be the case, the Committee questioned whether the requirement would go against the Government's policy that no one would be denied adequate medical care due to lack of means.

11. The **Secretary for Health, Welfare and Food** said that:

- the Government would continue to uphold the policy that no one would be denied adequate medical care due to lack of means. However, such policy should be applied to Hong Kong residents only, as local taxpayers' money should benefit local residents rather than NEPs. While NEPs could have access to public medical services in Hong Kong, they had to pay fees set on a full-cost recovery basis, or at a level higher than the cost. The HA would ensure that local expectant mothers would be given priority over NEPs in the use of obstetric services in public hospitals; and
- that said, the HA would provide medical treatment to NEPs on humanitarian grounds in acute cases. Such treatment would, however, not be provided on a long-term basis. The HA would issue bills to the patients as soon as their condition became stable. If the patients failed to settle the payment, it was not necessary and not possible for the HA to continue providing treatment to the patients until they were fully recovered. Like many public healthcare institutions in other countries, the HA had no responsibility to provide non-emergency treatment to NEPs if they did not pay the fees.

12. Given the increasing demand for obstetric services and the fact that the duration of stay of in-patients was unpredictable, the Committee asked how the HA could ensure that local expectant mothers would be provided with proper and priority obstetric services.

13. The **Secretary for Health, Welfare and Food** and the **Chief Executive of the HA** responded that:

- it was a common practice for hospitals to leave some leeway for emergency cases. Under normal circumstances, hospitals would redeploy internal resources to provide the necessary services to patients in need. However, in the event that a hospital could not spare the capacity to treat a patient, it would arrange the patient to be transferred to another hospital, public or private, for proper and timely treatment. The HA was discussing with private hospitals ways to further enhance communication and coordination between the public and private sectors with a view to making the most effective use of available resources for obstetric services; and

- upon the introduction of the proposed requirement for NEP pregnant women to make prior arrangements with local public healthcare institutions, the HA would be in a better position to assess the demand for obstetric services by NEPs and to make appropriate preparations accordingly. The HA would ensure that sufficient places were reserved for priority use by local expectant mothers, provided that they had sought antenatal care at local public healthcare institutions.

14. In response to the Committee's question as to whether Mainland expectant mothers who had received antenatal checking at private hospitals in Hong Kong or hospitals in the Mainland would be guaranteed the provision of obstetric services by the HA, the **Secretary for Health, Welfare and Food** answered in the negative. He reiterated that any NEP who wished to use the obstetric services provided by the HA should undergo antenatal checking and make the necessary registration at the public healthcare institutions in Hong Kong, such as the hospitals managed by the HA and the health centres/clinics managed by the Department of Health. The HA would not guarantee the provision of the necessary services to NEPs who had not complied with this requirement.

15. The Committee noted from paragraph 1.12 of the Audit Report that both the HAO and hospitals had taken continuous action to improve the collection of outstanding fees. One of the new initiatives was the issuance of bills by hand to patients at hospital wards. In this connection, the Committee asked:

- why the HA did not require patients to pay the fees before leaving the hospitals; and
- whether defaulters of medical fees were required to pay an interest on the outstanding amount.

16. The **Chief Executive of the HA** said that:

- in-patients were reminded by HA staff on a regular basis that they should pay the medical fees before they leave the hospitals. Some patients deliberately chose to be discharged from hospitals after the Shroff Offices had closed so as to avoid payment. To prevent patients from using this as an excuse for not paying, the HA was considering utilising the A&E departments to collect fees; and
- the HA was also considering penalising defaulters by requiring them to pay an administrative charge for late payments. Such charge could also serve as an incentive to encourage early payments.



17. The Committee enquired whether the HA would consider adopting other measures, such as those adopted by the Inland Revenue Department in the collection of late tax payments, in order to achieve a stronger deterrent effect against non-payment. The Committee also asked whether the HA would explore with the relevant departments, such as the Police and the Immigration Department, the possibility of preventing NEPs with outstanding medical fees from leaving Hong Kong, in particular the frequent defaulters.

18. The **Secretary for Health, Welfare and Food** replied that:

- the existing legislation did not provide for preventing people with outstanding medical fees from leaving Hong Kong;
- NEPs who owed medical fees to the HA could be divided into two broad categories. Patients of the first category were those who deliberately refused to pay, while patients of the second category were those who genuinely had financial difficulties;
- for the first category, the HA had already put in place a number of measures with a view to ensuring the collection of outstanding fees from them. Such measures included requiring them to pay a deposit upon admission to hospitals, find a guarantor to guarantee their stay at the hospital, and settle payment by credit card; and
- as regards the second category, the HA had worked with such relevant agencies as consulates and charitable bodies to arrange to send the patients back to their home countries for further treatment and, if possible, to enforce payment of outstanding fees from them. Nevertheless, the HA had not been successful in each of these cases. It would continue to explore, within the legislative framework, effective measures to deal with such cases.

19. The **Chief Executive of the HA** supplemented that:

- there was no single measure which could effectively solve the problem of non-payment of NEPs. Hence, the HA had introduced a series of improvement measures and was considering further measures to address the problem. The measures being considered included deferring the submission of birth data to the Birth Registry for NEPs until their outstanding fees had been settled, and engaging reputable international debt collection agency(ies) to pursue the collection of bad debts from high-risk NEPs; and
- a more stringent measure being considered by the HA was that NEPs with outstanding fees would be treated only if their condition was life threatening, and all other treatments (such as specialist out-patient attendances and elective in-patient admissions) would not be provided until their outstanding

fees had been settled. It was expected that, with this measure, the amount of outstanding fees owed by NEPs would decline.

20. In his letters of 30 December 2006 in **Appendix 34** and 3 January 2007 in **Appendix 35**, the **Chief Executive of the HA** informed the Committee that the HA Board, at its meeting on 21 December 2006, had endorsed the following measures to enhance the collection of medical fees:

- introducing an administrative charge for late payments in the second quarter of 2007, subject to clearance on legal implications and direction from the Health, Welfare and Food Bureau (HWFB);
- deferring, up to 42 days in accordance with the legal requirement under the Births and Deaths Registration Ordinance, the submission of birth data to the Birth Registry for NEPs until their outstanding fees had been settled. The measure would be implemented with effect from the first quarter of 2007; and
- both eligible persons (EPs) and NEPs with outstanding fees would be treated only if their condition was life threatening, and all other treatments would not be provided until their outstanding fees had been settled. The measure would be implemented by the end of the first quarter of 2007.

21. The Committee noted from paragraph 1.10 of the Audit Report that fees which remained unsettled after recovery action by hospitals were written off according to authority delegated by the HA Board. The Committee enquired:

- whether the length of time for writing off outstanding medical fees was standardised across hospitals; and
- if not, whether the HA would consider standardising the practice of hospitals in this regard.

22. The **Chief Executive of the HA** informed the Committee at the public hearing and in his letter of 3 January 2007 that:

- the reason for not standardising the length of time for writing off medical fees was that the time needed for recovering outstanding fees varied from case to case. In order to maximise the chance of recovery, it was considered appropriate to leave it to the judgment of individual hospitals to decide on the length of time for writing off outstanding fees; and

- cluster performance on write-offs and major problem cases had been incorporated in monthly management reports. The HA would introduce more key performance indicators and benchmarks in the first quarter of 2007 to monitor the performance of hospitals in this regard.

23. Noting that the HA was considering engaging reputable international debt collection agency(ies) to pursue the collection of bad debts from high-risk NEPs, the Committee asked:

- about the circumstances under which the collection of NEP debts was to be pursued by the debt collection agency(ies), e.g. the amount of bad debts and the overdue periods; and
- given the complex environment and the large geographical area in the Mainland, how the HA could ensure that the debt collection agency(ies) was/were capable of collecting debts from Mainland defaulters.

24. The **Chief Executive of the HA** said at the public hearing and in his letter of 18 December 2006 that:

- the proposed measure of engaging reputable international debt collection agency(ies) would be considered by the HA Board on 21 December 2006; and
- if the proposal was supported by the Board, the HA would conduct a detailed assessment of the proposed measure taking into account the costs, benefits and risk factors. The engagement of international debt collection agency(ies) would be conducted through open tender. Key criteria for tender evaluation would include history of the company, its background, reputation, business strategies, management team, operation mode, staff profile, information security, technology employed and clientele etc. as well as the costs of providing the service.

25. The Committee expressed doubts about the effectiveness of using international debt collection agency(ies) to collect bad debts, as it was difficult to accurately assess the chance of success in recovering such debts. Moreover, some NEPs might genuinely be unable to afford the high medical fees.

26. The **Chief Executive of the HA** responded that:

- past experience suggested that those NEPs who were most likely to fall under the “high-risk” category were the long-stay patients who had a stroke or a car accident during their stay in Hong Kong. They neither had taken out

insurance to cover their medical costs, nor had any family member or relative in Hong Kong to support them. These NEPs were definitely not the targets for intense debt collection; and

- there were a lot of defaulters each with \$50,000-odd bad debts, amounting to a total of approximately \$270 million in the past five years. These defaulters were the targets for more intense debt collection. That said, the HA would conduct a cost-benefit assessment before deciding whether further resources should be deployed to recover these bad debts. Professional debt collection agencies would be able to assess at an early stage how much of a debt would be collectible and the cost involved. Such information could facilitate the HA in deciding whether debt collection work should be further pursued.

27. The **Chief Executive of the HA** informed the Committee, in his letter of 30 December 2006, that:

- at the HA Board meeting on 21 December 2006, a number of Board members had expressed reservations about the effectiveness of the proposed measure of engaging reputable international debt collection agency(ies) to pursue the collection of bad debts from high-risk NEPs and its implication on the reputation of the HA; and
- after deliberation, the Board agreed that the HA management should explore the cost-effectiveness of the proposed measure and report back to the Board for further consideration by the end of the third quarter of 2007.

28. The Committee noted from paragraph 4.6 of the Audit Report that an array of measures to address the problem of increased use of public medical services by NEPs had been proposed and deliberated by the Legislative Council Panel on Health Services. However, most of the measures had not yet been taken further as they were considered ineffective to address the problems, difficult to implement, or having legal implications. Only the two measures mentioned in paragraphs 4.7 and 4.8 of the Report had been adopted for implementation.

29. As regards the measure in paragraph 4.8 of the Audit Report, the Committee noted that the HWFB had reported to the Panel on Health Services in June 2005 that it was exploring the viability of amending the law so that a visitor who had yet to settle his fees with the HA could be prevented from re-entering Hong Kong. In January 2006, it was decided that the HWFB would complete the drafting instructions for the necessary legislative amendments for reporting to the Panel before June 2006. Paragraph 4.10 of the Report revealed that the HWFB had re-considered the proposed measure of preventing NEP defaulters from re-entering Hong Kong since January 2006, but a decision had not yet been

reached as to whether the measure should be implemented by legislation or through administrative means. The Committee:

- questioned why the Administration had still not taken a decision on the proposed measure; and
- asked about the progress that had been made in pursuing the proposed measure.

30. The **Secretary for Health, Welfare and Food** said at the public hearing and in his letter of 30 November 2006, in *Appendix 36*, that:

- the Administration had considered, under different legislative frameworks, how the proposed measure should be taken forward. Given that it was not easy to pursue the measure under the existing legislative frameworks, the Administration would require more time to conduct a detailed study of the matter; and
- the Administration was very concerned about the implications of the increasing use of obstetric services by Mainland women on Hong Kong people. It was deliberating how best to take forward the proposal in the context of the package of fee recovery improvement initiatives to be implemented by the HA, and would report the progress to the Panel on Health Services. However, he was unable to give an implementation timetable for the proposed measure.

31. Regarding the measure in paragraph 4.7 of the Audit Report, the Committee noted that, since 1 September 2005, the HA had implemented a package fee of \$20,000 for NEPs using obstetric services. One of the objectives of the package was to deter the use of public medical services by NEPs. However, Table 17 in paragraph 4.3 of the Report revealed that the fees owed by NEPs had increased from \$61.3 million as at 31 March 2005 to \$74.1 million as at 31 March 2006. The Committee asked how the HA could demonstrate that the obstetric package was effective in achieving its intended objectives.

32. The **Secretary for Health, Welfare and Food** stated that:

- before the implementation of the package fee of \$20,000 for NEPs using obstetric services, hospitalisation was charged at \$3,000 per day, which was not set on a cost recovery basis. The HA had to subsidise NEP pregnant women using Hong Kong's public hospital services. Some NEP pregnant women had intentionally sought hospital admission for delivery through the A&E departments after midnight in order to pay less; and

- after the implementation of the \$20,000 package, which was set on a full-cost recovery basis, the HA was able to recover the medical costs from NEPs. Records showed that although the amount of outstanding fees owed by NEP mothers had increased, the number of NEP mothers who defaulted on payment had not increased. The increase in the amount of outstanding fees owed by NEP mothers was due to the increase in the fees charged for their use of obstetric services. This demonstrated that the \$20,000 obstetric package was effective in preventing a large number of NEP pregnant women from flocking to Hong Kong to give birth. The HA was considering increasing the obstetric package fee in the near future in order to further improve the situation.

33. In his letter of 18 December 2006, the **Chief Executive of the HA** supplemented that, with the introduction of the \$20,000 obstetric package in September 2005, the number of delivery cases involving NEPs using public obstetric services had dropped by 15% from 13,699 to 11,673 between the 12-month period immediately preceding and after the implementation of the package fee, i.e. September 2004 to August 2005 versus September 2005 to August 2006.

34. The Committee noted that the HA Board had decided, at its meeting on 21 December 2006, to increase the obstetric package fee from \$20,000 to \$39,000 for booked cases and \$48,000 for non-booked cases from the first quarter of 2007. The fee increase aimed to remove the financial incentives for NEP expectant mothers to access public hospital services, while the differential rates set for booked and non-booked cases aimed to encourage them to seek antenatal care during the course of pregnancy.

35. The Committee referred to Audit's observation in paragraph 4.16 of the Audit Report that, for the benefits of Mainland visitors and to minimise the incidence of bad debts arising from hospitalisation, the HWFB needed to promote the idea that Mainland visitors should have travel insurance to cover medical expenses during their stay in Hong Kong. The Committee asked whether the Secretary for Health, Welfare and Food had liaised with the Commissioner for Tourism on Audit's suggestion. In reply, the **Secretary for Health, Welfare and Food** said that:

- the HWFB was liaising with the Tourism Commission and the travel industry to work out ways to promote the idea that visitors from other countries should have travel insurance to cover their medical expenses during their stay in Hong Kong; and
- the HWFB would also liaise with Mainland authorities on the idea of travel insurance for Mainlanders' visit to Hong Kong. Publicity materials, such as leaflets and posters, introducing the healthcare system in Hong Kong would be provided to relevant Mainland authorities for distribution to Mainlanders

who applied to travel to Hong Kong. Mainlanders would be informed in the publicity materials that the medical fees in Hong Kong were expensive, so they were advised to take out insurance to cover their medical expenses during their stay in Hong Kong.

### **C. Collection of outstanding fees by hospitals**

36. Paragraph 2.3(a) of the Audit Report stated that, for long-stay patients, interim medical bills were issued ranging from two to seven days (depending on individual hospital's circumstances) for NEPs and every 14 days for EPs. At the time of discharge from hospital, a patient was given a discharge form. He needed to bring the form to the Shroff Office of the hospital to settle all outstanding fees. The Committee asked:

- whether the settlement of medical fees at the Shroff Office was a required procedure when a patient was discharged from hospital, and whether there were any measures in place for HA staff to stop patients with outstanding fees from leaving the hospital. If there was no such procedure or measures, whether the HA would consider introducing measures to ensure that a patient would settle all outstanding fees before discharge. For example, follow-up medical appointments would only be given after the settlement of all medical fees; and
- whether additional manpower resources would be required if HA staff had to perform fee collection work before patients were discharged. If this was the case, what additional staff would be required and whether such measure was expected to be cost-effective.

37. The **Chief Executive of the HA** replied that:

- HA staff had been trying very hard to get patients to settle their payment before discharge. However, they were not empowered to stop patients with outstanding medical fees from leaving the hospital. As such, they could not force patients to pay. In practice, most patients did pay before discharge;
- to enhance the collection of fees, the HA was issuing bills to NEP patients more frequently during their hospitalisation period and distributing bills at wards. Some patients were discharged from hospitals after the operating hours of the Shroff Offices. To facilitate these patients to settle their bills before discharge, the HA was considering utilising the A&E departments to collect an extended range of fees; and
- the cost of implementing the measure of collecting fees from patients before discharge would be significant. To relieve the pressure on the already very busy clinical staff, in particular midwives, the HA had to recruit additional

supporting staff to perform the fee collection function and other non-nursing duties. The HA was conducting cost-benefit exercises on a number of proposed measures, including outsourcing the HA's debt collection service, to ascertain if they were worth pursuing.

38. The Committee was informed by the **Chief Executive of the HA** in his letters of 30 December 2006 and 3 January 2007 that the HA Board had endorsed, at its meeting on 21 December 2006, utilising the A&E departments to collect an extended range of fees and deposits with effect from the first quarter of 2007.

39. Paragraph 2.5 of the Audit Report revealed that the process of recovering outstanding fees was lengthy and time-consuming. It involved issuing a final bill to the patient within three days from the date of discharge, issuing a final notice to the patient 21 days after the issuance of the final bill, making telephone calls to the patient 21 days after the issuance of the final notice, and forwarding the unsettled cases to the HAHO normally six months upon the issuance of the final bill for further action, including taking legal action against the patient. Paragraph 2.16 of the Audit Report further revealed that, on average, hospitals made the first telephone calls to the patients to recover outstanding fees 97 days after they were discharged from hospitals. In 49 (43%) of 115 cases with proper records indicating that the hospitals had telephoned the patients, the hospitals took more than 90 days to make the first telephone calls to the patients.

40. It appeared to the Committee that the long time taken in the process might have further delayed the recovery of outstanding fees and reduced the chance of success in collecting the fees, in particular for NEPs after they had left Hong Kong. It asked whether the HA would consider streamlining the existing fee recovery process so that outstanding fees could be collected faster, including:

- issuing a final bill to the patient on the date of discharge, instead of within three days from the date of discharge as stated in paragraph 2.5(a) of the Audit Report;
- making telephone calls to the patient immediately after the issuance of the final notice (i.e. 24 days after the date of discharge), instead of 21 days after the issuance of the final notice (i.e. 45 days after the date of discharge) as stated in paragraph 2.5(c) of the Audit Report; and
- shortening the time-frame for forwarding the unsettled cases to the HAHO for further action, instead of forwarding them to the HAHO six months upon the issuance of the final bill (i.e. four and a half months after making telephone calls to the patient).



41. The **Chief Executive of the HA** said that:

- due to limitations of the existing computer systems, the HA could not issue final bills to patients if they were discharged from hospitals after 5:00 pm. Under the circumstances, final bills would be issued within three days after the date of discharge when the reconciliation process had been completed;
- the HA agreed that the fee recovery process should be streamlined. Through modifications to the computer systems and implementation of other improvement measures, the HA aimed to shorten the time-frame for making telephone calls to patients from 45 days to 14 days. Moreover, final bills were targeted to be issued on the date of discharge or on the day following the discharge, instead of within three days after discharge; and
- as more resources were available at hospitals than that at the HAHO, hospitals should shoulder greater responsibility in the collection of outstanding fees from their patients. If their efforts were in vain, the unsettled cases should be forwarded to the HAHO for further action. The new time-frame for forwarding such cases to the HAHO was within four months, instead of six months, after the issuance of final bills.

42. According to paragraph 2.19 of the Audit Report, the HA agreed that there was room for further improvement in the recording of the details of telephone calls made to patients after discharge. The guidelines regarding the specific number of telephone calls to be made within specific time-frame would be incorporated into a circular on debt recovery. The Committee enquired about the details of the guidelines, in particular the time-frame within which the number of calls were to be made.

43. In his letter of 18 December 2006, the **Chief Executive of the HA** provided a copy of the HA's prevailing guidelines on making telephone calls to patients after discharge from hospitals. The guidelines were extracted from the HAHO Accounting Circular on "Guidelines on Debt Recovery and Write-off Procedures". He said that the HA would further tighten the guidelines, including:

- *for (i) 4(a) of the Guidelines*

lowering the outstanding bill amount for which follow-up call was required after issuance of the final bill; and

- *for (ii) 10(b) of the Guidelines*

shortening the time limit of making all follow-up calls to within 60 days from the issuance of the final notice.

44. Paragraph 2.9 of the Audit Report stated that some hospitals had developed their own initiatives to improve the collection of fees. The Committee asked whether:

- the communication among hospitals and clusters was insufficient and how it could be enhanced; and
- the good initiatives developed and adopted by individual hospitals would be implemented in all hospitals.

45. The **Chief Executive of the HA** replied at the public hearing and in his letter of 3 January 2007 that:

- the finance directors of all hospitals and other staff members responsible for debt collection had attended meetings on a regular basis to discuss measures to improve the collection of fees and to share good practices at both the management and working levels. Hospitals were working together to see how the initiatives adopted by individual hospitals could be implemented in all hospitals; and
- the HA would continue to actively evaluate good initiatives and promote their implementation among clusters, taking into account the circumstances of individual hospitals. A number of good practices and initiatives of individual hospitals had been implemented across the board. An example was the distribution of bills to patients at hospital wards. The new initiatives and other enhanced debt collection measures adopted had been promulgated in an accounting circular issued to all hospitals.

46. Paragraph 2.26 of the Audit Report revealed that some hospitals allowed patients to settle medical fees by instalments. Of the five hospitals visited by Audit, Hospitals B, C and D had adopted such a practice. Paragraph 2.27 of the Report further revealed that, as at 31 January 2006, patients had failed to pay the scheduled instalments in 81 (74%) of the 110 instalment cases approved by Hospital C. The Committee therefore asked:

- whether payment by instalments could be made use of to evade payment, and under what circumstances hospitals would allow patients to pay their fees by instalments; and
- whether the HA had laid down procedures for dealing with applications for payment of fees by instalments, and recovery of fees when patients had defaulted on instalment payments. If no procedure had been laid down, whether the HA would exercise better control in this regard.

47. The **Chief Executive of the HA** said that:

- to prevent patients from evading payment, payment by instalment would only be allowed in exceptional circumstances, e.g. where the outstanding amount was very large. Approval for such applications was made at cluster level. Although partial payment allowed flexibility in the recovery of fees, it entailed significant administrative work and, based on past experience, the chance of full recovery was remote; and
- the HA would incorporate specific guidelines and assessment procedures in a circular on debt recovery for allowing partial payment under exceptional circumstances, taking into consideration the administrative work involved.

#### **D. Collection of outstanding fees by the HAHO**

48. According to paragraph 3.41 of the Audit Report, only two staff members (i.e. the Accounting Supervisor and Clerk II) at the HAHO level were more actively involved, spending about 50% and 70% of their time, in the collection of outstanding fees. They had to deal with a large number of unsettled cases (42,000 in 2005-2006) including undertaking all sorts of recovery actions which were often laborious and time-consuming. The Committee asked whether the HA would deploy more staffing resources to perform fee collection work, with a view to reducing the workload of the two staff members and enhancing the operational efficiency of the collection work.

49. **Ms Nancy TSE, Director (Finance), HA**, informed the Committee at the public hearing and in the letter of 3 January 2007 that:

- upon receipt of the 42,000 cases, the HAHO had made an assessment as to whether it would be cost-effective to take legal action. As a large number of the unsettled cases forwarded to the HAHO were high-volume low-dollar cases, the number of cases which had eventually been referred to the Legal Department of the HA (LDHA) for instituting legal action was in the region of 2,000; and
- the HA appreciated the work pressure faced by the fee collection team in the HAHO. The HA was reviewing the manpower requirement of the team, taking into account the tightened debt recovery procedures and the option of outsourcing the debt collection service.

50. In response to the Committee's further enquiry on the criteria for taking legal action, the **Director (Finance), HA**, said that:

- the amount of debts involved would be a factor of consideration in deciding whether legal action should be taken. If a debt involved a large amount, the HA would also take into account the nature of the case. If the chance of success in recovering the fees by legal means was slim, as in the case of long-stay NEP patients who had passed away during hospitalisation, legal action would not be taken. The HAHO fee collection team would discuss with the LDHA the follow-up actions for unsettled cases where necessary; and
- the HA was planning to introduce performance pledges on the time-frame for submitting unsettled cases to the LDHA and for the LDHA to revert to the fee collection team on the cases.

#### **E. Measures to minimise need for recovery and write-off of fees**

51. The Committee noted from paragraph 5.4 of the Audit Report that, for the five years ended 31 August 2006, about 161,000 EPs and 37,000 NEPs had defaulted on payment of medical fees. Some of these patients had repeatedly defaulted on payments. This was evidenced by the figures shown in Table 19 in paragraph 5.3 of the Report. As far as EPs were concerned, there were 3,884 patients with six to 10 cases of defaulted payment, 846 patients with 11 to 15 cases, 305 patients with 16 to 20 cases and 340 patients with over 20 cases. The Committee asked:

- about the background of the patients concerned, the type of medical treatment sought and the length of time involved; and
- whether the HA had followed up on the reasons for the non-payment of these patients and adopted measures to prevent them from not paying.

52. The **Chief Executive of the HA** replied at the public hearing and in his letters of 18 December 2006 and 3 January 2007 that:

- the defaulted payments of EPs for the four selected categories, namely six to 10 cases, 11 to 15 cases, 16 to 20 cases and over 20 cases, were composed of cases with fees written off during the five years ended 31 August 2006 (amounting to \$4.9 million) and those with fees owed to the HA as at 31 August 2006 (amounting to \$8 million). Of the cases with fees owed to the HA, 82% had been settled up to 10 December 2006, i.e. within three and a half months. In particular, over 94% of ambulatory service cases had been settled;

- an analysis of the cases of defaulted payment for the four selected categories indicated that more than 50% of the patients were over 50 years old. For the cases that remained unsettled as at 10 December 2006, A&E cases accounted for 40% and in-patient cases accounted for 35%. A large group of the patients were elderly persons suffering from chronic illnesses which required frequent visits to HA clinics and emergency admission to HA hospitals; and
- the HA had enhanced its computer systems to prompt registration staff to remind defaulters/patients to settle their outstanding bills when they returned for services. The outstanding amount would be printed on out-patient receipts to serve as further reminders to patients. Such measure would enable the HA to promptly identify the frequent defaulters for taking timely debt recovery action.

53. The Committee asked whether the Administration agreed that, to effectively address the problem, it was more important for the HA to be able to differentiate those who were able to pay but did not pay from those who were genuinely unable to pay, rather than just reminding defaulters to pay.

54. The **Secretary for Health, Welfare and Food** responded that:

- EPs using the HA's services should have the ability to pay the fees. Otherwise, they should have applied for a fee waiver under the medical fee waiver mechanism; and
- the HA appreciated the need to prevent patients with outstanding fees, in particular the frequent defaulters, from continuing to use the HA's services. It had therefore put forward a proposed measure that patients with outstanding fees would be treated only if their condition was life threatening, and all other treatments would not be provided until their outstanding fees had been settled. This measure should be more effective for tackling the problem.

55. The Committee asked about the basis of the statement made by the Secretary for Health, Welfare and Food that "EPs using the HA's services should have the ability to pay the fees". The **Chief Executive of the HA** stated in his letter of 18 December 2006 that:

- under the current Government's policy, no one would be denied adequate medical care due to lack of means. To ensure that this policy was followed, patients who were recipients of Comprehensive Social Security Assistance (CSSA) were eligible to obtain full waiver of public medical fees or charges upon presentation of a valid medical waiver issued specifically for CSSA recipients. Patients, who were not CSSA recipients but had financial

difficulties in paying the medical fees and charges, could apply for fee waiving with the Medical Social Workers (MSWs) of the Social Welfare Department and the HA. The MSWs would assess the applications with due consideration given to the financial, social and medical conditions of the applicants in accordance with established guidelines; and

- information leaflet on the waiving mechanism was available for the public at all Medical Social Services Units of HA hospitals, as well as on the HA's website. In addition, the HA's debt collection guidelines required hospital staff, including staff of Accounts Office and Shroff Offices, to advise public ward patients who indicated financial difficulties to approach the MSWs for assistance.

56. The Committee noted from paragraphs 5.15 and 5.23 of the Audit Report that incorrect addresses had prevented medical bills from being delivered, resulting in write-off of medical fees. An audit analysis of the reasons for hospitals to forward 42,000 unsettled cases to the HAHO for follow-up indicated that 7,736 (18%) cases had incorrect addresses provided by patients. The HA had acknowledged the usefulness of obtaining address proof from patients. It would devise measures to improve the accuracy of patients' addresses. The Committee asked, in cases where the HA had encountered difficulties in confirming the addresses of patients from the Mainland, whether the HA would sought the assistance of Mainland authorities.

57. The **Secretary for Health, Welfare and Food** answered in the affirmative. He said that, apart from Mainland authorities, the assistance of the governments of other jurisdictions would also be sought in confirming the addresses of NEP patients, where necessary. This practice would continue.

58. The **Chief Executive of the HA** added that the HA was fully aware that incorrect addresses had prevented medical bills from being delivered and had resulted in write-off of medical fees. As such, the HA had introduced a new requirement under which patients would be requested to produce an address proof upon admission to hospitals.

## **F. Conclusions and recommendations**

59. The Committee:

### Collection of outstanding fees by hospitals

- expresses concern that:
  - (a) on average, hospitals made the first telephone calls to the patients 97 days after they were discharged from hospitals;

- (b) in 85% of the 42,000 unsettled cases forwarded to the Hospital Authority Head Office (HAHO) in 2005-2006, the time span for forwarding the cases to the HAHO for further action was more than six months, and in 29% of the cases, it was more than 12 months; and
  - (c) the long time span for hospitals to forward unsettled cases to the HAHO might have delayed further action to be taken by the HAHO against defaulters;
- notes that the Hospital Authority (HA):
- (a) has implemented the audit recommendations mentioned in paragraphs 2.10, 2.18, 2.24 and 2.29 of the Director of Audit's Report (Audit Report); and
  - (b) will implement the following measures to further enhance the collection of medical fees in public hospitals:
    - (i) utilising the accident and emergency departments to collect an extended range of fees and deposits with effect from the first quarter of 2007;
    - (ii) installing self-service payment kiosks at selected venues in the first quarter of 2007; and
    - (iii) allowing payment at automatic teller machines and convenience stores with effect from the third quarter of 2007;

Collection of outstanding fees by the HAHO

- expresses concern that:
- (a) the HAHO posted write-offs of unsettled cases to the accounting records before approval for write-offs from delegated authority had been obtained;
  - (b) on average, the HAHO filed a claim with the Small Claims Tribunal (SCT) 270 days after receipt of warning letter by the patient, and applied for a writ of Fieri Facias to enforce an SCT judgment 149 days after the date of the SCT judgement;
  - (c) apart from applying for a writ of Fieri Facias, the HAHO rarely used other methods of debt recovery;

- (d) in some cases reviewed by the Audit Commission (Audit), where arrangements had been made with the patients to settle the outstanding fees, the HAHO had not taken early action to finalise the cases;
  - (e) in some cases reviewed by Audit, the time span for seeking legal advice on fee recovery by the HAHO was long;
  - (f) in some private patient cases, the amounts of deposits were insufficient to cover the hospital fees;
  - (g) to deal with the large number of unsettled cases, only two staff (i.e. the Accounting Supervisor and Clerk II) at the HAHO were actively involved in collection of outstanding fees; and
  - (h) the HA had not published any performance indicators relating to the efficiency and effectiveness of its fee collection work;
- notes that the HA:
- (a) has implemented the audit recommendations mentioned in paragraphs 3.8, 3.18, 3.26, 3.38 and 3.46 of the Audit Report; and
  - (b) is reviewing the manpower requirement of the HAHO collection team, taking into account the tightened debt recovery procedures and the option of outsourcing the debt collection service;

Use of public medical services by non-eligible persons (NEPs)

- expresses serious concern that:
- (a) as at the end of the financial years 2003-2004 to 2005-2006, on average, fees owed by NEPs accounted for 55% of the total amount of fees owed by HA patients;
  - (b) during the financial years 2003-2004 to 2005-2006, of the \$121.6 million of fees written off by the HAHO, \$95.8 million (79%) related to fees owed by NEPs; and
  - (c) the Health, Welfare and Food Bureau (HWFB) had yet to decide the way to implement the proposed measure of preventing a visitor who had not settled his fees with the HA from re-entering Hong Kong;
- notes that the HA:
- (a) found that the obstetric package was effective in rectifying some of the problems identified, but needed modifications to further address the problems;



- (b) has decided to increase the obstetric package fee from \$20,000 to \$39,000 for booked cases and \$48,000 for non-booked cases from the first quarter of 2007. The fee increase aims to remove the financial incentives for NEP expectant mothers to access public hospital services, while the differential rates set for booked and non-booked cases aim to encourage them to seek antenatal care during the course of pregnancy; and
  - (c) will defer the submission of birth data to the Birth Registry for NEPs until their outstanding fees have been settled, with effect from the first quarter of 2007;
- notes that the Secretary for Health, Welfare and Food:
- (a) has given an assurance that local expectant mothers would be given priority in the use of obstetric services in public hospitals;
  - (b) will report to the Legislative Council Panel on Health Services the progress concerning the proposal of preventing a visitor who has not settled his fees with the HA from re-entering Hong Kong, as the Administration is still deliberating how best to take forward the proposal in the context of the package of fee recovery improvement initiatives to be implemented by the HA; and
  - (c) is liaising with the Tourism Commission on the audit recommendation mentioned in paragraph 4.17 of the Audit Report concerning travel insurance for Mainlanders' visit to Hong Kong;

Measures to minimise need for recovery and write-off of fees

- expresses concern that:
- (a) for the five years ended 31 August 2006, about 161,000 eligible persons (EPs) and 37,000 NEPs had defaulted on payment of fees, amounting to \$99 million and \$223 million respectively, with some of these patients having frequently defaulted on payments;
  - (b) hospitals did not have adequate measures to help identify frequent defaulters;
  - (c) although the HA had considered imposing a surcharge on overdue fees, up to the end of June 2006, no further progress was made; and
  - (d) while the HA had taken initiatives to improve the accuracy of address records of patients, a large amount of outstanding fees was written off due to incorrect addresses;

- notes that the HA:
  - (a) has implemented the audit recommendations mentioned in paragraphs 5.9, 5.13 and 5.22 of the Audit Report;
  - (b) will introduce an administrative charge for late payments in the second quarter of 2007, subject to clearance on legal implications and direction from the HWFB; and
  - (c) will consider collecting deposit payment from EPs for hospital stay at a later stage, depending on the effectiveness of other measures; and

Follow-up actions

- wishes to be kept informed of:
  - (a) the outcome of the HA's review of the manpower requirement of the HAHO collection team;
  - (b) the HA's decision on the various proposed new measures to improve the collection of medical fees in public hospitals; and
  - (c) the progress made in implementing other audit recommendations.

## **A. Introduction**

The Audit Commission (Audit) conducted a review to examine the economy, efficiency and effectiveness of the Social Welfare Department (SWD) and the Hospital Authority (HA) in managing the medical fee waiver system (Waiver System). The review focused on the following areas:

- processing of waiver applications;
- management control on fee waivers;
- provision of waiver service; and
- staff training and performance management.

2. At the Committee's public hearing, **Mr Shane Solomon, Chief Executive of the HA**, made an opening statement. In summary, he said that:

- the Waiver System was introduced in 1994 and strengthened in April 2003 when the medical fees were increased;
- the Waiver System should support vulnerable groups, including low-income, chronically ill and elderly patients who had little income or assets, to receive the services which carried major financial risks to them. At the same time, the HA supported the Director of Audit's view that the Waiver System should not be abused. Ultimately, the task was to strike a balance between ensuring that vulnerable groups could get access to services while the system was not abused. As such, both the income of the patients involved and the cost of the services to those patients had to be considered. The assessment criteria should be objective, transparent and diligently applied; and
- since the issuance of the Director of Audit's Report (Audit Report), actions had been taken to tighten the Waiver System, including introducing further guidelines and training since October 2006, setting up a post-approval checking team in the first quarter of 2007, enhancing the computer system to allow on-line checking of the validity of patients' Comprehensive Social Security Assistance (CSSA) status, checking high-risk cases by supervisors, and implementing a 1% supervisory checking of approved waiver cases. The first 1% checking had been completed in October 2006.

## B. Processing of waiver applications

3. At the Committee's request, **Mr Benjamin TANG, Director of Audit**, provided the following supplementary information in respect of paragraph 2.31 of the Audit Report:

- the amount and percentage of waivers granted on financial and non-financial grounds respectively (in *Appendix 37*); and
- a breakdown of waivers granted on non-financial grounds, referred to in Table 6 of paragraph 2.31, into full waivers and partial waivers (viz. 75%, 50% or 25% waivers) (in *Appendix 38*).

### Granting of waivers on financial grounds

4. According to paragraph 2.18 of the Audit Report, patients were required to submit proof of household income and assets to the Medical Social Workers (MSWs) for waiver assessment. However, as revealed in paragraphs 2.19 and 2.20, among the audit sample cases relating to applications from non-CSSA recipients who had declared that they had incomes and assets, 46% did not have copies of their financial documents kept in the case files. There was no document trail of what financial records the MSWs had checked. The practices of the MSWs in the documentation of financial proof were also not standardised. Noting that the SWD and the HA had taken steps to improve the Waiver System by, among others, issuing a revised set of Operational Guidelines in March 2006, the Committee enquired whether:

- the above inadequacies had been addressed since the issuance of the revised Operational Guidelines; and
- there was any monitoring mechanism in place to reinforce compliance with the Operational Guidelines.

5. **Mr SIT Tung, Assistant Director (Rehabilitation and Medical Social Services), SWD**, responded that:

- with a view to standardising the MSWs' practices in documenting financial proof, the Operational Guidelines had specified that the MSWs should document in the Assessment Form for Waiving of Medical Charges (the Assessment Form) the checking of financial documents and specify the types of documents checked. If the financial documents could not be provided for checking, the MSWs should ask the patients to explain the reasons. The MSWs would then exercise their professional judgement to decide whether waivers should be granted. If the application was approved, the MSWs would document the reasons for accepting the patients' self-declaration in lieu of documentary proof. Copies of patients' financial documents would only be kept for cases warranting special attention;

- as regards monitoring, supervisors of the MSWs in the HA and the SWD had been required to check 1% of all waiver cases on a regular basis. The supervisors also periodically reviewed the patients' case files handled by the MSWs to ensure compliance with the Operational Guidelines; and
- further training had been provided to the MSWs to ensure compliance with the Operational Guidelines.

6. The Committee pointed out that if the MSWs only kept copies of patients' financial documents for cases warranting special attention, copies of the financial documents for most other cases would not be available for checking by the MSWs' supervisors. The Committee asked whether this practice should be improved.

7. The **Assistant Director (Rehabilitation and Medical Social Services), SWD**, replied that:

- for normal cases where the copies of financial documents were not kept in the case files, the types of documents checked were recorded in the Assessment Form to facilitate subsequent checking by supervisors. The MSWs also recorded the patients' personal background, financial condition and the peculiarities of the cases in the respective case files, which served as additional information for supervisory checking; and
- for dubious cases, the supervisors, in conducting supervisory checking, might request the MSWs to obtain and keep copies of the relevant documents on file should the patient apply for waiver again.

8. According to paragraphs 2.22 and 2.24 of the Audit Report, audit review of the copies of bank passbooks/statements kept in 106 waiver case files revealed that in five cases, the passbooks showed less than three months' transactions. In another six cases, only the bank statements for the month immediately before the date of application were submitted by the patients. Moreover, large or unusual transactions were detected in four cases, but there was no record indicating that the MSWs concerned had sought clarification from the patients about the transactions. The Committee asked:

- why the MSWs had not paid attention to and conducted checks on those irregularities; and
- whether the problems were caused by a shortage of manpower, lack of skills or negligence on the part of the MSWs in processing waiver applications.

9. In response, **Mr Paul TANG Kwok-wai, Director of Social Welfare**, said that:

- the MSWs had been exercising prudence and due diligence in assessing waiver applications. They were capable of handling waiver applications;
- the SWD had reviewed the individual cases identified by Audit and considered that they did not involve negligence on the part of the staff. The problems identified mainly concerned omissions or inadequacy in documentation;
- having regard to the views of some MSWs that the guidelines in this respect were not clear and specific enough, more detailed guidelines had been issued to facilitate waiver processing and avoid recurrence of similar situations. The SWD would continue to remind the MSWs to follow the revised Operational Guidelines and provide on-going training to the MSWs; and
- as regards manpower, the SWD agreed with the audit recommendation that more clerical support could be provided to the MSWs to assist them in the preparatory work in processing waiver applications.

10. Regarding those cases with unusual transactions, the Committee enquired whether there were guidelines on how such cases should be handled before Audit had identified the problem. It also asked why the MSWs did not seek clarification on the four cases with large or unusual deposits in the patients' bank passbooks which were withdrawn within a short period of time.

11. The **Director of Social Welfare** said that:

- before the issuance of the revised Operational Guidelines, in assessing a patient's financial position, the MSWs had focused on checking whether the patient's latest account balance as shown in the bank passbooks/statements had exceeded the asset limit for waivers;
- the SWD agreed with Audit's observation that even though a patient's asset had not exceeded the limit, the MSWs should beware of unusual transactions made within a short period of time and ask the patients to explain such transactions; and
- apart from issuing more specific guidelines, case scenarios had also been incorporated into the Frequently Asked Questions (FAQs) for the MSWs' reference and to facilitate their processing of waivers.

12. **Dr CHEUNG Wai-lun, Director (Cluster Services), HA**, supplemented that:

- continuous improvement was necessary for all systems. Hence, the Operational Guidelines would be reviewed from time to time, having regard to the views of the MSWs, the problems they encountered during daily operation and the changing circumstances;
- a set of FAQs had been issued by the SWD and the HA in August 2006, listing out sample case scenarios to illustrate how to interpret the specific guidelines; and
- more training would be provided to ensure that the MSWs understood the principles and assessment criteria for granting waivers.

13. As mentioned by the Chief Executive of the HA and in paragraph 2.29(b) of the Audit Report, as a measure to safeguard proper handling of waiver applications, supervisors of the MSWs had been required by the revised Operational Guidelines issued in March 2006 to retrieve a minimum of 1% of the waiver records for checking at least every six months, apart from regular review of patients' cases. The Committee asked:

- why supervisory checking of only 1% of the cases was considered adequate for safeguarding proper handling of waiver applications, and whether this would be effective in detecting dubious cases; and
- whether the 1% cases were selected randomly or according to certain criteria.

14. The **Chief Executive of the HA** and the **Director (Cluster Services), HA**, responded that:

- in 2005-2006, a total of 102,725 waiver cases were processed. In view of the large number of cases and the considerable time and efforts required for reviewing the financial records and other documents, it was considered appropriate to select 1% of the cases (i.e. approximately 1,000 cases) for checking by the MSWs' supervisors, who also had to perform other professional duties. From these cases, the supervisors should be able to identify irregularities and problems in the processing of waivers and suggest improvements as appropriate; and
- the cases selected for checking were normally high-risk cases, such as waivers of large amounts or those without sufficient supporting documents.

15. Noting that the first 1% supervisory checking had been completed by October 2006, the Committee enquired about the result of the review.

16. In his letter of 18 December 2006 in *Appendix 39*, the **Chief Executive of the HA** informed the Committee that:

- the first exercise which covered waivers issued during the period from April to September 2006 had been completed. A total of 489 cases from 32 Medical Social Services Units (MSSUs) in both the HA and the SWD had been reviewed. Among these cases, 16 cases required further improvement in documentation, though the assessment and recommendation made by the MSWs in these cases were in order;
- the exercise revealed that some of the MSWs had not provided complete or accurate information in the Assessment Form, e.g. no applicant's signature, no entry of date of previous full assessment conducted, wrongly copying the relative's name as well as inconsistencies between recommendation and the assessment result in the Assessment Form and e-waiver record; and
- the MSWs concerned had been advised to provide complete and accurate information relating to their processing of waiver applications and input accurately the assessment results and recommendations in the e-waiver system. In addition, periodic briefing sessions and training on waiving guidelines would be conducted for the MSWs to enhance their performance in granting waivers.

17. As the 1% supervisory checking, which served as an important monitoring mechanism, was only introduced since March 2006, the Committee asked why it had not been conducted earlier.

18. The **Director of Social Welfare** replied that:

- the SWD and the HA had been monitoring the operation of the Waiver System regularly. The Operational Guidelines had in fact been revised in 2003 and subsequently in 2005 and 2006, in the light of actual operational experience of the frontline workers; and
- it was noted in the latest review that sometimes documentations obtained or checked by the MSWs were not adequate. As such, more specific guidelines had been issued and a supervisory checking was also considered necessary for tightening the control.



Granting of waivers on non-financial grounds

19. The Committee noted from paragraph 2.36 of the Audit Report that 49% of the MSWs who responded to the audit surveys had encountered problems or difficulties in granting waivers on non-financial grounds. They considered that the Operational Guidelines were not clear or specific and many non-financial factors were too broad and non-measurable. In view of the problems reported by the MSWs, the Committee wondered whether there were needy patients who were not granted the appropriate amount of waivers and hence could not pay the medical fees. The Committee therefore asked whether among those cases which had been granted partial waivers, there were any cases with defaulted payment of fees.

20. **Ms Ivis CHUNG, Chief Manager (Allied Health) (Deputising), HA, and the Director (Cluster Services), HA,** said that:

- over 80% of the waiver cases granted on non-financial grounds in 2005-2006 were full waivers and hence the patients concerned already received medical treatment free of charge; and
- as for partial waivers, the MSWs would decide on the percentage of waivers to be granted taking into account the patients' financial situation. If the patients considered the partial waivers granted to them not acceptable, they would further discuss their case with the MSWs. In the end, most of them should be able to pay the partially waived medical fees.

21. The **Chief Executive of the HA** supplemented, in his letter of 18 December 2006, that there were a total of 2,591 partial waivers granted on non-financial grounds for 4,829 cases/attendances in 2005-2006. Among these cases/attendances, there were 73 write-off cases/attendances with a total write-off amount of \$34,468, and 80 outstanding cases/attendances with an outstanding amount of \$105,315.

22. The Committee was aware that some patients had defaulted payment of medical fees instead of applying for waivers. It therefore asked:

- whether the Waiver System was too complicated and inconvenient to applicants, e.g. individual members of a household had to apply for waivers separately; and
- whether the SWD and the HA would consider reviewing the whole system to increase its efficiency and facilitate the patients in applying for waivers.

23. The **Director of Social Welfare** and the **Assistant Director (Rehabilitation and Medical Social Services)**, **SWD**, explained that members of a household were regarded as different applicants and had to apply for waivers separately. However, the MSWs would be able to check with the SWD information on the applicants' family background so that time and efforts in checking such information could be saved. Consideration would be given to streamlining the procedures for granting waivers to members of the same household.

24. The **Director (Cluster Services)**, **HA**, supplemented that the Waiver System aimed at providing public subsidy to the needy people so that they could get prompt medical treatment. While the Waiver System should not be so complicated as to hinder accessibility to services, the responsible officers should conduct waiver assessments rigorously to ensure that public funds were properly disbursed.

#### Granting of waivers to non-eligible persons (NEPs)

25. Paragraph 2.43 of the Audit Report revealed that, of the 27 audit sample cases relating to granting of waivers to the NEPs, the MSWs could only obtain proof of income or assets in two out of nine cases with reported financial resources outside Hong Kong. For the other 18 cases, the NEPs did not report any financial resources, nor had the MSWs enquired about the existence of such resources.

26. The Committee asked:

- why the MSWs had not ascertained the financial resources of the NEPs, notwithstanding that the MSWs were required under the Operational Guidelines to conduct financial and non-financial assessments for each NEP application, including asking the applicants to provide information on their financial resources outside Hong Kong;
- whether there were practical difficulties in asking the NEPs, who resided in the Mainland or other countries, to provide financial documents and in verifying the authenticity and completeness of the documents; and
- whether the NEPs giving birth in Hong Kong would be granted waivers if they met the criteria.

27. The **Director (Cluster Services)**, **HA**, replied that:

- there could be practical difficulties for the NEPs to provide financial proof in some cases. Under such circumstances, the MSWs might exercise their professional judgement and discretion to grant one-off waivers to them,

usually for the purpose of emergency treatment. For other cases, patients had to provide all the necessary information for financial assessment; and

- according to the Operational Guidelines, non-local pregnant women were not eligible for waivers.

#### Granting of waivers exceeding \$7,000

28. The Committee noted from paragraphs 2.55 and 2.56 of the Audit Report that the MSWs had been delegated the authority to waive fees not exceeding \$7,000. For fees exceeding \$7,000 but not more than \$250,000, the cases should be submitted to the Director (Finance) of the Hospital Authority Head Office (HAHO) or above for approval after endorsement by the Hospital Chief Executive. The Chief Executive of the HA could approve waivers up to \$1 million in each case. Paragraph 2.57 of the Audit Report revealed that in some cases relating to waiving of fees exceeding \$7,000, the MSWs had granted waivers before obtaining approval from the proper authority. The Committee asked how the HA would improve the control on handling waivers exceeding \$7,000.

29. The **Director (Cluster Services), HA**, responded that:

- the approval process had not been satisfactory. Some MSWs had issued waiver certificates before obtaining approval from a higher authority, or even without obtaining the proper approval. The approval process by the HAHO or above also took a long time;
- to improve the situation, the HA had revised the arrangements to ensure that waiver certificates would no longer be issued to patients for cases with fees exceeding \$7,000 before approval from the HAHO was obtained. Specific timeline for obtaining approval at different levels had been set to speed up the approval process; and
- the HA would also consider if it was necessary to revise the \$7,000 limit in view of the increase of fees in the past few years.

30. The Committee further referred to the problem of MSWs granting several waivers repeatedly, with each waiver covering an amount not exceeding \$7,000, without the approval of a higher authority, as revealed in paragraph 2.59 of the Audit Report. The Committee asked how this could be dealt with.

31. The **Director (Cluster Services), HA**, explained that there had been some confusion regarding the definition of the \$7,000 limit, i.e. whether it referred to one application or one treatment. It was now clarified that the \$7,000 limit referred to a whole

treatment, and this was further illustrated in the FAQs. With such clarification, the situation of granting several waivers each with an amount not exceeding \$7,000 could be avoided.

### **C. Management control on fee waivers**

32. According to paragraphs 3.5 to 3.7 of the Audit Report, many MSWs considered that the Waiver System might be subject to abuse, and additional measures were needed to help minimise such risks. The Committee asked whether the SWD and the HA would consider developing a strategic approach for tackling fraud and abuse.

33. The **Chief Executive of the HA** informed the Committee that a post-approval checking team comprising three persons would be set up in the first quarter of 2007 to check about 1,000 high-risk cases per year, including waivers granted on non-financial grounds and waivers of a 12-month duration, in order to prevent and detect fraud and abuse cases.

34. It appeared to the Committee that if the new monitoring mechanism only focused on checking the documents submitted by patients, it might not be rigorous enough for guarding against cases of potential fraud and abuse. The Committee also asked whether the checking would cover waivers granted to the NEPs and, if so, how the check would be conducted, especially for those NEPs who were not living in or had already left Hong Kong.

35. The **Director (Cluster Services), HA**, explained that:

- the existing Waiver System relied mainly on the honesty of the patients who were required to provide complete and accurate information and documents for assessment by the MSWs. However, under the self-declaration system, patients were required to sign a declaration and undertaking on the Assessment Form, which contained a warning against providing knowingly false information and stressed the legal consequences of doing so;
- there should not be much incentive for patients to provide false or incomplete information as medical services for eligible persons (EPs) were heavily subsidised by the Government and they only had to pay a small amount of medical fees;
- in setting up the post-approval checking team, the HA had drawn on the experience of the special investigation team of the CSSA Scheme of the SWD. It had also made reference to the measures adopted by the SWD for random checking, data-matching and fraud investigation. As such, not only would

records be checked, but home visits would also be conducted by the team. The applicants' consent would be obtained for the team to check their bank records and verify their information against that in other databases to detect possible abuse cases. If substantiated cases of fraud and abuse were found, they would be reported to the Police for further action;

- the post-approval checking would include waivers granted to the NEPs who were not living in or had already left Hong Kong, although the HA envisaged that there might be practical difficulties for the team to follow up those cases; and
- while the setting up of a post-approval checking team would serve as a deterrent to potential fraud and abuse cases, it was more important to maintain a rigorous assessment system to prevent fraud and abuse at the stage of application, during which the MSWs would ask questions, check the necessary documents and request the applicants to provide more detailed information if necessary.

36. As revealed in paragraphs 3.16 to 3.18 of the Audit Report, although the amount of fees waived for CSSA recipients was significant, only a small percentage of the CSSA waiver cases were selected by the HA for the SWD's manual checking of the eligibility status of patients. The Committee noted from paragraphs 3.23 and 3.24 that the SWD and the HA would actively pursue the electronic verification of the validity of the status of patients and upgrade the electronic verification to on-line verification as soon as the system enhancement of both the SWD and the HA was completed. The Committee enquired about the progress made in this respect.

37. The **Chief Executive of the HA** responded in his letter of 31 January 2007, in **Appendix 40**, that the SWD and the HA considered on-line verification of the validity of the CSSA status of patients a better solution as patients' status could be verified on the spot. The SWD and the HA were in the process of upgrading their systems to on-line electronic verification. The system enhancement was targeted for completion by mid-2007.

#### **D. Provision of waiver service**

38. The Committee recognised that the MSWs performed a key role in linking up the medical and social services to facilitate patients' recovery and rehabilitation in the community. However, as observed by Audit, the MSWs had spent a substantial amount of time on preparatory work for processing waiver applications. According to paragraph 4.3 of the Audit Report, only 19 of the 41 MSSUs had enlisted the help of clerical staff for preparatory work. The Committee asked whether the SWD and the HA would actively pursue the audit recommendations in paragraph 4.7 of the Audit Report to:

- evaluate the need for and the cost-effectiveness of extending the use of clerical staff in processing waiver applications, so that the MSWs would be able to invest more time in the provision of professional services; and
- review whether, in the long run, a specialised team should be responsible for processing waivers on financial grounds.

39. The **Director of Social Welfare** replied that:

- currently some MSSUs of the SWD were provided with clerical staff by the HA to assist in the preparatory work for waiver processing. The SWD would consider extending the clerical support to other MSSUs of the SWD, taking into account the manpower provision in the MSSUs and other resource implications;
- under the Waiver System, medical fees could be waived on financial and non-financial grounds. For some cases, if waivers could not be granted on financial grounds, the MSWs could exercise their professional judgement to see if waivers could be granted on non-financial grounds. It would be desirable for the MSWs, who had been following up the patients' cases, to assess and process waiver applications on both grounds as they had a better understanding of the patients' circumstances; and
- the SWD would consider whether, in the long run, a specialised team should be set up, having regard to manpower requirements and availability of resources.

40. The **Director (Cluster Services), HA**, responded that:

- the HA agreed in principle with the audit recommendations on providing more clerical assistance to relieve the workload of the MSWs; and
- in conducting waiver assessment for non-CSSA recipients, many applications on financial grounds were inter-mingled with social problems and might require direct professional input or social work intervention. Non-financial factors had to be considered together with financial grounds during the assessment process. Hence, it might not be a desirable arrangement for the patients if the assessment was to be conducted by two different teams. The HA would need to review the work flow and consider the operational experience to see how resources could be better utilised.

41. The Committee noted Audit's observations in paragraphs 4.11 to 4.13 of the Audit Report that the CSSA Medical Waiver Certificate (CSSA Certificate), an A-4 sized document, was inconvenient to carry and could be easily torn or worn off. Many CSSA recipients, when asked to present their Certificates at the Shroff Office of the HA hospitals, were unable to present the Certificates, most often claiming that they forgot to bring them. Given the significant number of waivers granted to these CSSA recipients, the Committee asked whether the SWD would consider exploring other more convenient means to show the CSSA status of patients, such as by using a card in the size of a Hong Kong Identity Card, especially before the on-line enquiry of CSSA status was available.

42. The **Director of Social Welfare** stated that:

- the SWD and the HA were now enhancing the computer system and the on-line enquiry was expected to be ready for use in the first half of 2007. Once the on-line system was in place, the patients would not be required to present their CSSA Certificates. Hence, it was not necessary to consider using another form of CSSA Certificate; and
- the SWD and the HA would step up efforts in implementing the on-line system for verification of the CSSA status of patients.

#### **E. Staff training and performance management**

43. As revealed in paragraph 5.4(c) of the Audit Report, 31% of the MSWs who responded to the audit surveys considered that training on processing of waiver applications was inadequate. The Committee asked whether special training had been provided to the MSWs to enhance their sensitivity, knowledge and skills in conducting the waiver assessments, especially those relating to assessment on financial grounds.

44. The **Director of Social Welfare** said that the MSWs had been provided with training to better equip them with the necessary skills and knowledge in processing waiver applications. In particular, training on conducting assessment on financial grounds was provided by holding sharing workshops with the SWD staff handling CSSA applications.

45. The **Chief Manager (Allied Health) (Deputising), HA**, added that:

- training had been provided to the frontline MSWs since the issuance of the March 2006 Operational Guidelines, including training on how to check the applicants' income and assets, as well as the types of documents to be verified; and

- to prepare for the setting up of the post-approval checking team, the HA had made reference to the practices of other departments, such as the SWD, in order to learn more about the techniques in conducting searches from various sources to cross-check the information provided by patients, and in detecting and following up potential fraud or abuse cases.

46. The Committee understood from paragraph 5.12 of the Audit Report that the SWD and the HA adopted different practices in conducting supervisory checking of the MSWs' work. For example, not all MSWs sought the endorsement of their supervisors before granting NEP waivers, or EP waivers on non-financial grounds or of a 12-month duration. The review arrangements, such as the extent of checking, the basis of selection and the timing of checking, also varied. The Committee asked whether standardised supervisory control would be put in place for observation by both the SWD and the HA.

47. The **Chief Manager (Allied Health) (Deputising), HA**, responded that:

- since the introduction of the revised Operational Guidelines in 2006, a series of training sessions had been conducted for the MSWs to ensure standardised practice and to enhance supervisory control over the granting of waivers; and
- according to the above Guidelines, the MSWs should seek prior endorsement from their supervisors before granting NEP waivers and the supervisors should conduct checking on all approved EP waivers either recommended on non-financial grounds or of a 12-month duration.

## **F. Conclusions and recommendations**

48. The Committee:

- notes that:
  - (a) the audit review had identified scope for further improvement in the medical fee waiver system (Waiver System) managed by the Social Welfare Department (SWD) and the Hospital Authority (HA); and
  - (b) the SWD and the HA have taken steps to improve the Waiver System, including the issuance of a revised set of Operational Guidelines in March 2006 and a set of "Frequently Asked Questions" (FAQs) in August 2006;
- notes the assurance given by the Director of Social Welfare and the Chief Executive of the HA to continue reviewing and revising the Operational Guidelines and the FAQs, and improving the Waiver System;



Processing of waiver applications

- expresses concern that:
  - (a) the audit sample examination revealed various inadequacies in the financial assessment of waiver applications conducted by the Medical Social Workers (MSWs), in particular, clarification was not sought from the patients about unusual transactions in their bank passbooks;
  - (b) in the case of waivers granted on non-financial grounds, the audit sample examination revealed inadequacies in the MSWs' non-financial assessment (e.g. no documentation of the justifications for granting waivers to the patients whose financial resources had significantly exceeded the financial limits for granting waivers);
  - (c) audit surveys indicated that some MSWs had encountered problems or difficulties in granting waivers on non-financial grounds;
  - (d) the audit sample examination revealed that, in some waiver cases which were related to waivers granted to non-eligible persons (NEPs), the MSWs had not ascertained the financial resources of the NEPs;
  - (e) the audit sample examination revealed cases with waivers exceeding \$7,000 whereby the MSWs had granted waivers before obtaining approval from the proper authority; and
  - (f) the audit sample examination revealed a few long-stay patient cases whereby waivers were granted repeatedly, with each waiver covering a period of three months, so that the granting of waivers did not require the approval of a higher authority;
- notes that the SWD and the HA:
  - (a) have implemented the audit recommendations mentioned in paragraphs 2.28, 2.39, 2.46, 2.52, 2.61 and 2.65 of the Director of Audit's Report (Audit Report);
  - (b) have completed the 1% supervisory check on waiver cases in October 2006 to detect doubtful cases and check the accuracy of information recorded in the Assessment Forms for Waiving of Medical Charges and of the records in the computer system; and
  - (c) will conduct periodic briefing sessions and training on waiving guidelines for the MSWs;

Management control on fee waivers

- expresses concern that:
  - (a) audit surveys indicated that many MSWs considered that the Waiver System might be subject to different degrees of potential abuse, and additional measures were needed to minimise the risk of fraud and abuse of the System;
  - (b) the SWD and the HA had not developed a strategic approach for tackling fraud and abuse of the Waiver System;
  - (c) despite that the amount of fees waived for Comprehensive Social Security Assistance (CSSA) recipients was significant, only a small percentage of the CSSA waiver cases were selected by the HA for the SWD's manual checking of the eligibility status of patients; and
  - (d) audit surveys indicated that many Medical Social Services Unit (MSSUs) had not been subject to internal audits on the waiving of fees;
- notes that the SWD and the HA:
  - (a) have agreed to implement the audit recommendations mentioned in paragraphs 3.11 and 3.28 of the Audit Report; and
  - (b) are upgrading the SWD's and the HA's systems to on-line electronic verification, so that the validity of the CSSA status of patients can be verified on the spot. The system enhancement is targeted for completion by mid-2007;
- notes that the HA will set up, in the first quarter of 2007, a post-approval checking team which will check about 1,000 high-risk cases each year, in order to prevent and detect fraud and abuse of the Waiver System;

Provision of waiver service

- expresses serious concern that:
  - (a) the time spent by the MSWs on preparatory work constitutes a significant proportion of their time spent on processing a waiver application; and
  - (b) while enlisting the help of clerical staff would enable the MSWs to have more time for carrying out their professional role and would bring about financial savings due to reduced staff cost, only 19 MSSUs had enlisted such help;

- expresses concern that although CSSA recipients are entitled to full waiver of fees upon presentation of their CSSA Medical Waiver Certificates (CSSA Certificates) to hospitals' Shroff Offices, a significant proportion of waiver cases handled by the MSWs were related to CSSA recipients who were unable to present their CSSA Certificates at the time of medical appointment;
- notes that the SWD and the HA have agreed to implement the audit recommendation mentioned in paragraph 4.7 of the Audit Report, including:
  - (a) evaluating the need for and the cost-effectiveness of extending the use of clerical staff in processing waiver applications, taking into account the manpower provision in the MSSUs; and
  - (b) reviewing whether, in the long run, the provision of waiver service, in particular the assessment of a patient's financial condition, could be separated from the major duties of the MSWs and be carried out by a specialised team;
- urges the Director of Social Welfare and the Chief Executive of the HA to:
  - (a) actively consider extending the use of clerical staff to assist the MSWs in processing waiver applications; and
  - (b) expedite the review on the provision of waiver service by a specialised team;

#### Staff training and performance management

- expresses serious concern that some MSWs in the audit surveys considered that the training on processing of waiver applications provided to them was inadequate;
- expresses concern that:
  - (a) the MSSUs adopted different practices in the supervisory check of waivers granted by the MSWs;
  - (b) in the HA's MSSUs, with the exception of one MSSU, regular management review of patients' cases had not been conducted;
  - (c) although the SWD undertook to monitor the effectiveness of the performance pledge on the granting of waivers and report the progress annually, this had not been done; and

- (d) the HA had not set any performance standards and targets for the provision of the waiver service;
- notes that the SWD and the HA:
  - (a) have agreed to implement the audit recommendations mentioned in paragraphs 5.19 and 5.25 of the Audit Report;
  - (b) have provided on-going training to the MSWs to further equip them with the necessary skills and knowledge in processing waiver applications. In particular, training on conducting assessment on financial grounds was provided by holding sharing workshops with the SWD staff handling CSSA applications; and
  - (c) have held a series of training sessions since the issuance of the revised set of Operation Guidelines in March 2006 to enhance and standardise the supervisory control over the granting of waivers;
- urges the Director of Social Welfare and the Chief Executive of the HA to continue to assess the training needs of the MSWs and provide them with appropriate training; and

Follow-up action

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

The Committee noted that the Audit Commission had conducted a review on the implementation of minor works projects by the Home Affairs Department (HAD).

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 the audit recommendations in paragraph 2.24(c) and (d) of the Director of Audit's Report (Audit Report) that the HAD should keep the District Working Groups (DWGs) and Steering Committees (SCs) informed of any significant project cost increase and the reasons thereof, and provide full, relevant and significant information to the DWGs and SCs when submitting project proposals for their consideration. In response, the HAD had undertaken to consider revising the format of the progress report to show both the original and the revised estimated cost of a project, and to apprise members of the DWGs and SCs of any projects having significant cost increases with reasons. The Committee also noted from paragraph 2.25(c) of the Audit Report that for projects such as footpaths, access roads and piers, the HAD would consider providing information on the expected utilisation of the facilities and the availability of similar facilities in the vicinity for members' reference. The Committee enquired about the latest progress in this regard.

4. Noting that the HAD had agreed with the audit recommendations in paragraph 3.25 of the Audit Report concerning the new pier in Sham Tseng, the Committee asked for an update of the progress made so far, particularly on the need to maintain two piers at Angler's Beach, taking into account the views from the Civil Engineering and Development Department and the Transport Department.

5. The Committee also enquired whether remedial action had already been taken by the Islands District Office to remove the sand from the footpath at Shek Pai Wan to ensure safe passage of pedestrians and emergency vehicles, as mentioned in paragraph 5.15(c) of the Audit Report.

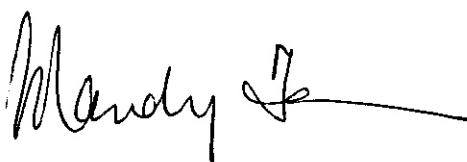
6. The **Director of Home Affairs** responded to the Committee's enquiries in her letter of 20 December 2006, in *Appendix 41*. The Committee took note of the information provided therein.

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

---



Philip WONG Yu-hong  
(Chairman)



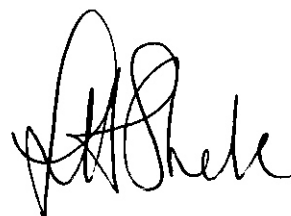
TAM Heung-man  
(Deputy Chairman)



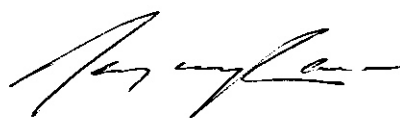
LAU Kong-wah



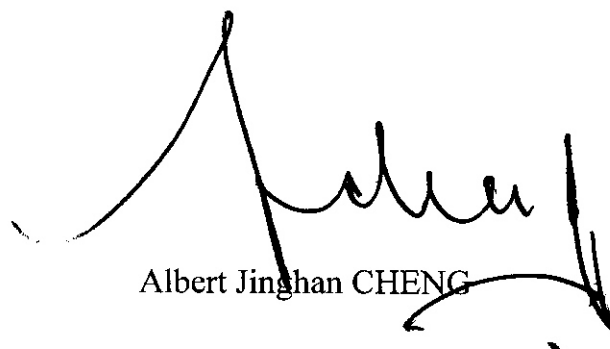
Andrew CHENG Kar-foo



Abraham SHEK Lai-him



Jeffrey LAM Kin-fung



Albert Jinghan CHENG

19 January 2007

**CHAPTERS IN THE DIRECTOR OF AUDIT'S REPORT NO. 47  
DEALT WITH IN THE PUBLIC ACCOUNTS COMMITTEE'S REPORT**

---

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

**P.A.C.  
Report No. 47**

<u>Chapter</u>	<u>Subject</u>	<u>Chapter</u>
1	Collection of fines imposed by Magistrates' Courts	1

**Director of  
Audit's Report  
No. 47**

<u>Chapter</u>		
2	Administration of short term tenancies	2
3	Allocation of public rental housing flats	3
4	Four small and medium enterprise funding schemes	4
5	Hospital Authority: management of outstanding medical fees	5
6	Hospital Authority and Social Welfare Department: management of medical fee waivers	6
7	Implementation of minor works projects by the Home Affairs Department	7

**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.

政府總部  
公務員事務局  
香港中環雪廠街11號  
中區政府合署西座



CIVIL SERVICE BUREAU  
GOVERNMENT SECRETARIAT  
WEST WING  
CENTRAL GOVERNMENT OFFICES  
11 ICE HOUSE STREET  
HONG KONG

本函檔號 Our Ref.: (78) in SF (1) to CSBCR/DC/18/04

來函檔號 Your Ref.:

電話號碼 Tel. No.: 2810 3153

傳真號碼 Fax No.: 2804 6422

電郵地址 E-mail Address: csbts@csb.gov.hk

網址 Homepage Address: <http://www.csb.gov.hk>

22 December 2006

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

Dear Ms HON,

### **Follow-up to Public Accounts Committee Report No. 42**

#### **Hong Kong Harbour Fest**

Your letter dated 14 December 2006 on the captioned subject refers.  
The Administration's response to the questions raised therein is set out below –

- (a) The appeal in question has yet to be disposed of due to its complexity and the amount of information that requires examination.
- (b) In the last three years (from 2003/04 to 2005/06), the Administration took an average of 2 to 3 months to process an appeal against the ruling made in a disciplinary case under the Public Service (Administration) Order following completion of the necessary process (including hearing) by the Secretariat on Civil Service Discipline. The amount of time taken to process each appeal case varies and is usually proportionate to the complexity and specific circumstances of the case.

- (c) Effort is being made to complete processing the appeal as soon as possible. We are, however, not able to advise when the appeal will be disposed of.
- (d) The appeal authority has been examining the representations made by the officer concerned and other information on and issues relating to this appeal case. As mentioned above, this appeal is complex and there is a large amount of information that requires examination.
- (e) We expect the appeal would have been disposed of well before the officer's retirement from the service.

Yours sincerely,



(Mrs Rosanna Ure)  
for Secretary for the Civil Service

c.c. Director of Audit

政府總部  
公務員事務局  
香港中環雪廠街11號  
中區政府合署西座



CIVIL SERVICE BUREAU  
GOVERNMENT SECRETARIAT  
WEST WING  
CENTRAL GOVERNMENT OFFICES  
11 ICE HOUSE STREET  
HONG KONG

本函檔號 Our Ref.: SF (1) to CSBCR/DC/18/04

來函檔號 Your Ref.:

電話號碼 Tel. No.: 2810 3153

傳真號碼 Fax No.: 2804 6422

電郵地址 E-mail Address: csbts@csb.gov.hk

網址 Homepage Address: <http://www.csb.gov.hk>

31 January 2007

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

Dear Ms HON,

**Follow-up to Public Accounts Committee Report No. 42**

**Hong Kong Harbour Fest**

Your letter dated 29 January 2007 on the captioned subject refers.

The Chief Executive delegated the authority of handling the appeal to the Chief Secretary for Administration, and the latter has completed his deliberation and informed the civil servant concerned of the outcome on 26 January 2007. The Secretary for the Civil Service was informed of the outcome on the same day. She will report to the Public Accounts Committee and the LegCo Panel on Public Service on the disciplinary proceedings and outcome as soon as practicable.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Rosanna Ure".

(Mrs Rosanna Ure)  
for Secretary for the Civil Service

c.c. Director of Audit

### **Progress of the Trial Scheme on the Provision of Infirmity Care Services for Elders in a Non-hospital Setting**

At present, subsidised infirmity care services are provided in hospitals under the Hospital Authority (HA). The Director of Audit recommended in Chapter 5 of his Report No. 38 in 2002 in respect of residential services for the elderly that the Administration should consider whether infirmity care should be provided in the welfare setting instead of in the hospital setting.

We consulted the Elderly Commission (EC) and the Legislative Council Panel on Welfare Services (Panel) in late 2004 on our proposal to invite through tender suitable operators to launch a trial scheme to provide subsidised infirmity care to medically stable infirm elders in a non-hospital setting. Among other things, the EC and the Panel commented that infirm elders to be taken care of under the trial scheme should receive proper medical services and support in a non-hospital setting. Taking into account the need for a closer interface between the operator of the proposed infirmity care services and the Community Geriatric Assessment Team (CGAT), SWD is working with HA on the medical package to be provided by the CGAT to the operator of the proposed services. Also, SWD is finalising the tendering requirements and service specifications for the proposed infirmity care services. We will update the Panel on the latest developments and details of the tendering exercise and the trial scheme in the second quarter of 2007.

Social Welfare Department  
December 2006



香港特別行政區政府

The Government of the Hong Kong Special Administrative Region

房屋及規劃地政局

香港花園道美利大廈

電話號碼 TEL NO: 2848 2266

傳真號碼 FAX NO: 28453489

本局檔號 Our Ref. HPLB(L) 35/05/206

來函檔號 Your Ref. CB(3)/PAC/CS(44&45)



Housing, Planning and Lands  
Bureau

Murray Building,  
Garden Road, Hong Kong

**URGENT BY FAX**

11 January 2007

Ms Miranda Hon  
Clerk, Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central

Dear Ms Hon,

**Follow-up to Public Accounts Committee Report No. 39  
Small House Grants in the New Territories**

We refer to your letter of 15 December 2006 on the above subject.

Attached please find a paper setting out the progress in respect of the review being undertaken by our Bureau on the Small House Policy in the New Territories.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Diane W.", followed by a long horizontal line extending to the right.

(Miss Diane Wong)  
for Secretary for Housing, Planning and Lands

c.c. Director of Lands

## **Progress Report on the Review of the New Territories Small House Policy**

### **Purpose**

This paper sets out the progress in respect of the review of the Small House Policy.

### **Background**

2. The Small House Policy was introduced in 1972. Under the Policy, an eligible male indigenous villager (IV) over the age of 18<sup>1</sup> may apply for permission to erect for himself once during his lifetime a Small House within his own village. He can either apply for a Building Licence to build a Small House on his own land, or a Private Treaty Grant on Government land, if available, at a concessionary premium.

3. The Small House Policy was introduced in 1972 with the main objectives to improve rural housing standard by encouraging the construction of better village houses, and to preserve the cohesion of the indigenous communities. At that time, about 60% of the buildings in the rural New Territories were temporary or unlawful houses.

### **The Review**

4. Since the implementation of the Small House Policy, the community at large and the rural setting have changed significantly with new town developments. Urbanisation, development of infrastructures and road networks, and improvement in rural housing standards have narrowed the differences between the rural and urban areas and between the New Territories and other parts of Hong Kong. The application of the Policy in the context of the present-day land-use planning and against

---

<sup>1</sup> For the purpose of the Small House Policy, eligible indigenous villagers refer to those persons who are descended through the male line from a resident of a recognized village in 1898 in the New Territories.

the objective of optimisation of land resource has given rise to new issues.

5. In December 2002, the Secretary for Housing, Planning and Lands (SHPL) informed the Public Accounts Committee of his plan to review the Small House Policy in a comprehensive manner and identify suitable options for resolving those problems associated with the Policy. As part of the review process, the Heung Yee Kuk (HYK) would be consulted and hopefully some tentative conclusions could be reached with the Kuk for further consultation with the community at large. To take forward the review, an Inter-departmental Steering Committee has been set up under the Housing, Planning and Lands Bureau to look into the various issues relating to this Policy.

### **Progress made**

6. A number of proposals have been formulated by the Administration and, after consultation with the HYK, been put into implementation. Some details are set out as follows –

(a) New procedures for processing Small House Applications

A set of new procedures, agreed to the HYK, to streamline the processing of Small House applications through early classification of straightforward and non-straightforward categories has been implemented by the Lands Department (LandsD) with effect from 1 July 2006. Under this new procedure, LandsD's target is to process not less than 2 300 applications each year. The waiting time for commencing the processing of all new applications will not exceed one year.

(b) Preventing prior arrangement for transfer or disposal of Small House applicant's interest

With the agreement of the HYK, the lease conditions of a Small House grant have stipulated the requirement made on

the part of the applicant that there is no prior arrangement for transfer or disposal of the applicant's beneficial interest in the land under application.

(c) New Fire Safety Requirements for Small Houses

We have reviewed the application of the requirement for Emergency Vehicular Access on Small House applications, taking into account the physical and geographical constraints of New Territories villages. A set of new fire safety requirements has been put in place since 1 July 2006, under which fire safety alternatives would be accepted for Small House applications with practical constraints meeting the original EVA requirements.

(d) Village Expansion Areas (VEAs)

The Village Expansion Area (VEA) scheme was introduced in 1981 to provide for better planning of village developments and to cater for the housing needs of the indigenous villagers who do not own land. So far, 36 VEAs providing a total of 1,962 Small House sites have been developed. In addition, the Wo Yi Hop VEA in Tsuen Wan is undergoing formation works for completion in around end 2007 while another 10 VEAs projects are at various planning stages. The VEA scheme has been put on hold pending the review on the Small House Policy.

7. There are other proposals which we have formulated and are under discussion with the HYK. Some details are as follows –

(a) New Procedures for Handling Objections

Taking into account HYK's views, LandsD has drawn up a set of procedures for resolving objections to Small House applications. Under the proposed procedures, LandsD would take the lead to handle all received objections. Consultation on the revised procedures is underway with the HYK.

(b) Rationalization scheme of Unauthorized Building Works (UBWs)

A working group has been set up to consider a rationalization scheme of UBWs in New Territories Exempted Houses which include, among them, Small Houses. The subject is now under discussion with the HYK.

8. Given that land is scarce and is in great demand for Small House development, we are exploring whether the development density of the VEAs could be increased by allowing for multi-storey development, thereby providing a greater number of residential units to meet demand. We are exploring internally within the Administration a pilot scheme for multi-storey development in two of the planned VEAs as referred to in paragraph 6(d) above. These two VEAs, which are in Pai Tau and Sheung Wo Che in Shatin and Ha Mei Sun Tsuen in Yuen Long, have already included in the Public Works Programme and land has been resumed. They are located at the fringe areas of new towns and are readily served with basic infrastructures.

9. We wish to emphasize that this is purely an internal desk-top exercise, the feasibility of which has yet to be ascertained. While the planning and land aspects have briefly been studied, the engineering and financial aspects are subject to fuller examination. Feasibility studies, assessment of capital costs and formulation of financing arrangements between the Government and the concerned villagers have to be conducted for further examination. If we are to take this proposal forward, we must consult the HYK and the concerned villagers on the operational and implementation aspects. Their views and acceptance are critical and essential before proceeding further.

10. There is a range of other issues which the Inter-departmental Steering Committee has identified, and considered, in conducting its review. These include the legal and human rights implications, the sustainability issue, the land-use problems, environmental impacts and other practical and resources considerations inherent in and associated

with the Small House Policy. These are complex issues with far-reaching implications requiring further and careful deliberations within the Administration.

### **Timetable**

11. The wide range of considerations that we have to weigh up in the deliberation process and the complexity of the issues surrounding the comprehensive review are such that the exercise is necessarily time-consuming. Whilst resolute actions are being taken to pursue possible options for further discussion within the Administration, it remains premature at this juncture to forecast how soon we would be in a position to release more detailed proposals for consultation with the HYK and the community at large and to conclude the comprehensive review.

**Housing, Planning and Lands Bureau**  
**January 2007**

**Corporate governance and Headquarters administration of the English Schools Foundation**

**Action Plan of the English Schools Foundation in response to the Report of the Public Accounts Committee as at September 2006**

	<b>Recommendations of the PAC</b>	<b>Response from the ESF to the PAC</b>	<b>Action plan as prepared in May 2005</b>	<b>Responsible party</b>	<b>Forecast completion/ comments (Position as at September 2006)</b>	<b>Remarks</b>
I.	<b>Corporate governance</b>					
a.	To adopt measures to ensure that external members would constitute a majority at each of the respective meetings of the Foundation and the ExCom;	This was agreed and had formed the basis of the work of the Governance Force.	Agreed in principle by Foundation Meeting on 9 December 2004.		Review of Governance: Majority of external members would be required at Board Meetings and the ExCom would be abolished under the draft bill to amend the ESF Ordinance.	
b.	To issue reminders to the related organisations if the attendance rates of their representatives at Foundation meetings were low;	Agreed: reminder would be issued before Foundation meetings.	By June 2005.		Review of Governance: Members who did not attend would be deemed to have resigned under the new Regulation to be made.	
c.	To amend the Regulations of the ESF to the effect that ESF staff members of ExCom would abstain from voting on matters concerning ESF staff benefits at	To be considered by Governance Task Force.	Governance Reform Task Force to consider (b), (d) and (e) by April 2005 and to publish a	ExCom	Review of Governance: Board members would be required to declare any interest and not to vote on a matter in which they were	

	<b>Recommendations of the PAC</b>	<b>Response from the ESF to the PAC</b>	<b>Action plan as prepared in May 2005</b>	<b>Responsible party</b>	<b>Forecast completion/ comments (Position as at September 2006)</b>	<b>Remarks</b>
	its meetings; and  d. To consider repealing section 10(2) of the ESF Ordinance so that subsidiary legislation in the form of regulations made under the Ordinance was required to be published in the Gazette and tabled in the LegCo.	To be considered by Governance Task Force.	consultation paper by May 2005. Foundation to consider the reform in June 2005.		direct beneficiary under a Code of Conduct to be drawn up under the new Regulation.  New Remuneration and Terms and Conditions Committee would not have staff members.  Section 10(2) of the ESF Ordinance would be repealed. Future Regulations would have to be presented to LegCo.	
2.	<b>Financial management</b>  To adopt a more prudent method of budgeting and avoid relying on bank overdraft.	The ESF had stated that no commercial organisation would deny itself access to credit which could help maximise value for shareholders.				



	<b>Recommendations of the PAC</b>	<b>Response from the ESF to the PAC</b>	<b>Action plan as prepared in May 2005</b>	<b>Responsible party</b>	<b>Forecast completion/ comments (Position as at September 2006)</b>	<b>Remarks</b>
3.	<p><b>Staff remuneration and recruitment</b></p> <p>a. The ESF should take into consideration Audit's findings on the remuneration of the teaching staff of the seven largest private international schools, and immediately conduct a review of the remuneration packages of its senior staff with a view to ensuring that they were broadly in line with those of similar posts in other local educational organisations;</p> <p>b. The membership of the RSG should not be drawn from ESF's own teaching and non-teaching staff; and</p>	<p>The ESF had established an RSG to conduct a review of remuneration packages in local international schools and in countries from which the ESF recruited teaching staff.</p> <p>The ESF had stated that the remuneration packages of its senior staff:</p> <p>(a) had been reviewed by its Pay Review Body; and</p> <p>(b) would be within the purview of RSG.</p> <p>The ESF had stated that RSG's membership was agreed by ExCom and reflected the need for transparency for all stakeholders. ExCom would decide on pay levels.</p>	<p>Actioned (regarding the establishment of RSG)</p> <p>RSG to report in July 2005.</p>	<p>RSG/ExCom</p> <p>ExCom</p>	<p>With the remuneration review for teaching staff completed and implemented in November 2005, the review for the senior staff had started and would be completed as soon as possible.</p> <p>Membership of the Remuneration Committee would be made independent of the teaching and non-teaching staff, as would be specified in the new Regulation.</p>	

	<b>Recommendations of the PAC</b>	<b>Response from the ESF to the PAC</b>	<b>Action plan as prepared in May 2005</b>	<b>Responsible party</b>	<b>Forecast completion/ comments (Position as at September 2006)</b>	<b>Remarks</b>
	c. The ESF should implement as soon as possible new remuneration packages on newly recruited teaching staff, and on existing teaching staff over a period of time, taking into account the effects of the new remuneration packages on their financial commitments.	To be considered by RSG.	Actioned.	RSG/ExCom	The new remuneration package was implemented in November 2005. It covered all newly recruited teaching staff and existing teaching staff with expiring contracts.  The package would be implemented for the remaining teaching staff in November 2006 when their contracts would be due for renewal.	
4.	<b>Staff housing and medical benefits</b>  The ESF should formulate a policy and a plan for disposing of its surplus staff quarters.	The ESF had stated that the ExCom of the Foundation would review carefully the audit recommendation in paragraph 5.31(a), having regard to the long-term needs of the ESF and the financial security conferred by the ownership of such fixed assets.	To submit a paper in respect of audit recommendations in paragraph 5.31(a) and (b) to ExCom by June 2005.	ExCom	The review would be conducted in 2007.	

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

Miss Emma LAU Yin-wah, JP	Judiciary Administrator
Mr Augustine CHENG Luk-san, JP	Deputy Judiciary Administrator (Operations)
Mr John Richard Reading, SC	Deputy Director of Public Prosecutions
Mr TANG King-shing	Acting Commissioner of Police  Commissioner of Police (from 16 January 2007)
Mr Blake D M Hancock	Chief Superintendent (Traffic), Hong Kong Police Force
Mr Alan WONG Chi-kong, JP	Commissioner for Transport
Miss LUI Ying	Assistant Commissioner for Transport/Administration and Licensing
Dr Hon York CHOW Yat-ngok, SBS, JP	Secretary for Health, Welfare and Food
Mr Patrick NIP Tak-kuen, JP	Deputy Secretary for Health, Welfare and Food (Health) 1
Ms Ernestina WONG	Principal Assistant Secretary for Health, Welfare and Food (Health) 2
Mr Shane Solomon	Chief Executive of the Hospital Authority
Ms Nancy TSE	Director (Finance), Hospital Authority
Mr Paul TANG Kwok-wai, JP	Director of Social Welfare
Mr SIT Tung	Assistant Director (Rehabilitation and Medical Social Services), Social Welfare Department
Mr FONG Kai-leung	Chief Social Work Officer (Rehabilitation and Medical Social Services), Social Welfare Department

Dr CHEUNG Wai-lun

Director (Cluster Services),  
Hospital Authority

Ms Ivis CHUNG

Chief Manager (Allied Health)  
(Deputising), Hospital Authority

**Introductory Remarks by  
Chairman of the Public Accounts Committee,  
Dr Hon Philip WONG Yu-hong, GBS,  
at the Public Hearing of the Committee  
on Tuesday, 28 November 2006**

Good morning, ladies and gentlemen. Welcome to the Public Accounts Committee's public hearing relating to Report No. 47 of the Director of Audit on the results of value for money audits, which was tabled in the Legislative Council on 15 November 2006.

2. 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.

3. 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.

4. Following a preliminary study of Report No. 47, the Committee has decided, in respect of three chapters in the Report, to invite the relevant public officers and parties concerned to appear before the Committee and answer our questions. We have, apart from this morning's hearing, also set aside the afternoon of 7 December 2006 for the other public hearings.

5. I now proceed to the public hearing this morning, which is on Chapter 2 of Report No. 47 concerning the administration of short term tenancies.



本處檔號 OUR REF: SC/CR/15/1/69  
來函檔號 YOUR REF: CB(3)/PAC/R46  
電話 TEL: 2825 4211

By fax : 2537 1204  
By e-mail : cwywong@legco.gov.hk

圖文傳真 FAX: 2530 2648

24 May 2006

Clerk, Public Accounts Committee  
Legislative Council  
8 Jackson Road  
Hong Kong

(Attn.: Ms. Dora Wai)

Dear Ms Wai,

**The Director of Audit's Report on the  
Results of Value for Money Audits (Report No. 46)**

**Chapter 1 – Collection of Fines Imposed by Magistrates' Courts**

I refer to your letter of 17 May 2006 and provide the additional information requested by the Public Accounts Committee in the following paragraphs.

**(a) The Audit Recommendation in Paragraph 3.16(a)**

2. At paragraph 3.16(a) of the captioned Report, Audit has recommended that the Judiciary Administration should, for offences other than moving offences and parking contraventions, keep under review and, where appropriate, consider shortening the 14-day grace period between the due date of fines and the generation of distress warrants and non-payment warrants by the CASEMAN (emphasis added).

3. The Judiciary Administration has just started the review. In conducting the review, we are going to make reference to the payment patterns of the fines in question. During the past week or so, we have so far

been able to produce some initial data on the payment patterns of fines in respect of offences other than moving and parking contraventions for the period from 1 April 2005 to 31 March 2006. The preliminary findings are as follows:

- (a) Of a total of 157,351 such cases for the period from April 2005 to March 2006, 141,354 cases (i.e. 90%) were paid on or before the due date of payment. In other words, 15,997 cases (i.e. 10%) were not paid on or before the due date;
- (b) Of the 15,997 cases which were not paid on or before the due date, 12,318 cases (77%) were paid on or before the 14<sup>th</sup> day after the due date; and
- (c) Of the remaining 3,679 cases with outstanding payment, 1402 cases (i.e. a further 9% of the 15,997 cases at (b) above) were paid on or before the 23<sup>rd</sup> day after the due date, (i.e. the average lead time between the due date of the fine and the date when a warrant was issued as indicated at paragraph 3.6 of the Audit Report).

The payment pattern is set out at the Annex.

4. The Judiciary Administration intends to collect similar data on the payment patterns of the fines in question for two more periods covering (i) 1 April 2004 to 31 March 2005; and (ii) 1 April 2003 to 31 March 2004, and other relevant date, if appropriate, to facilitate a more comprehensive review in this regard. We intend to complete the review within three months.

**(b) Paragraph 3.12 – Payment regarding Defaulter B2 involved in parking contravention cases**

5. As these parking contravention cases were civil in nature, applications for execution of distress warrants were made to the Magistrates' Courts by the Department of Justice on behalf of the Police. The bailiffs made three attempts at two different addresses to execute the five distress warrants on Defaulter B2 between September 2004 and January 2005. In all three attempts, the doors of the two premises were locked. The attempts were regarded as unsuccessful. The court directed on 13 January 2005 to stay the execution



6. The fixed penalty and court cost payable by Defaulter B2 are still outstanding, according to the information in CASEMAN as at 23 May 2006.

7. On the time lag in receiving information from prosecuting departments, we note that Audit has stated in paragraph 4.15 of the captioned Report that "Audit considers that it is reasonable to expect that the prosecuting departments should respond promptly to the general offices on the additional information requested." We agree with this view.

8. It is however noted that Audit has also stated that "There is a need for the general offices to follow up with the prosecuting departments in case (emphasis added) the replies are not received within a reasonable time." The Judiciary Administration will consult the major prosecuting departments with a view to devising practicable measures to enable that prompt responses will be provided to the general offices. We aim to complete this within three months.

**(c) Paragraph 4.18 – Cost of execution of distress warrants and setting of target time**

9. The Judiciary Administration aims to complete an estimate of the cost of execution of distress warrants, as recommended in paragraph 4.18 (a), within six months.

10. The Judiciary Administration will consider setting a target time on execution of distress warrants by the bailiffs, particularly the target time of the first attempt, as recommended in paragraph 4.18 (b), within three months.

11. The Judiciary Administration has implemented the recommendations in paragraph 4.18 (c) regarding the refinement of wording used in the memorandum issued to the prosecuting departments.

**(d) Success rate of execution attempts of distress warrants relating to parking contraventions**

12. The circumstances under which the execution of a distress warrant relating to parking contraventions is considered unsuccessful are mainly those noted by the Director of Audit in paragraph 4.5 of his Report, viz

- (a) the door of the premises is locked and nobody responds to the bailiff's calls;

- (b) the bailiff is satisfied that no such defaulter is trading or residing at the premises;
- (c) the bailiff is satisfied that no goods and chattels belonging to the defaulter are available for seizure; and
- (d) the bailiff finds that the goods and chattels are of insufficient value to cover the cost of seizure.

13. If the first attempt is unsuccessful, the applicant, in this case the Police, would be informed of the execution result. A second or further attempt would be made upon receiving further request and/or information from the Police.

14. The 6,735 execution attempts involved 4,751 cases.

15. The reasons for the unsuccessful execution attempts of distress warrant relating to parking contraventions are mainly those noted by the Director of Audit in paragraph 4.5 of his Report, and are repeated at paragraph 12(a) to (d) above.

**(e) Paragraph 6.11 – Case 5 in Appendix D**  
**Paragraph 6.16 – Dishonoured cheques**

16. According to the information contained in CASEMAN, Case 5 made two payments on 12 May 2005 and 1 December 2005 respectively. All the outstanding fines concerned have been settled.

17. The Judiciary Administration has not referred cases of dishonoured cheque payment for traffic fines to the Police for investigation and prosecution. However, it should be noted that the General Office of the Magistrates' Courts concerned has been keeping the Police informed of cases involving dishonoured cheque payment for traffic fines.

**(f) Proposed outsourcing the execution of distress warrants relating to parking contraventions**

18. In executing distress warrants relating to parking contraventions, the bailiffs can seize the defaulters' vehicles if the applicant (i.e. the Police) will provide :

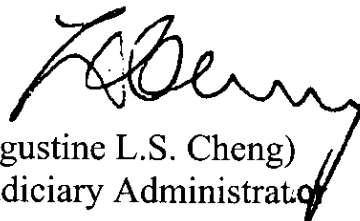
- (a) proof from the vehicles registration records of the Transport Department that the vehicles are properties of the defaulters;
- (b) information on the location of the defaulters' vehicles; and
- (c) the necessary resources to carry out a seizure.

19. The bailiffs can effectively carry out a seizure if the above means and resources are provided. The Judiciary Administration would not therefore consider outsourcing this function.

**(g) Other Matters**

20. At paragraph 2.6 of the captioned Report, Audit has recommended that the Judiciary Administration should consider issuing notices to offenders who are allowed to pay fines within a period to inform them of the amount and the due date of fines, and the consequences of non-payment. The Judiciary Administration now plans to implement this recommendation on 1 June 2006.

Yours sincerely,

  
(Augustine L.S. Cheng)  
for Judiciary Administrator

Encl

c.c. Deputy Director of Public Prosecutions  
Commissioner of Police  
Deputy Commissioner of Police (Operations)  
Commissioner for Transport  
Secretary for Financial Services and the Treasury (Attn.: Miss Amy Tse)  
Director of Audit

**Payment position on fines relating  
to offences other than moving offences and parking contraventions  
for the period from 1.4.2005 to 31.3.2006  
(Audit recommendation 3.16(a))**

	Cases	Percentage of cases settled over cases due %	Percentage of cases settled over cases not paid on or before due date %	Accumulative Percentage %
No. of cases due	157,351			
No. of cases paid on or before due date	141,354	90		
No. of cases not paid on or before due date	15,997	10		
No. of cases paid on the 1st day after due date	3,450	2.2	21.6	21.6
2nd day after due date	1,677	1.1	10.5	32.1
3rd day after due date	1,349	0.9	8.4	40.5
4th day after due date	977	0.6	6.1	46.6
5th day after due date	850	0.5	5.3	51.9
6th day after due date	838	0.5	5.2	57.1
7th day after due date	788	0.5	4.9	62
8th day after due date	523	0.3	3.3	65.3
9th day after due date	371	0.2	2.3	67.6
10th day after due date	331	0.2	2.1	69.7
11th day after due date	315	0.2	2	71.7
12th day after due date	262	0.2	1.6	73.3
13th day after due date	265	0.2	1.7	75
14th day after due date	322	0.2	2	77
No. of cases paid during the grace period	12,318	7.8	77	
15th day after due date	187	0.1	1.2	78.2
16th day after due date	180	0.1	1.2	79.4
17th day after due date	166	0.1	1	80.5
18th day after due date	149	0.1	1	81.5
19th day after due date	171	0.1	1.1	82.5
20th day after due date	191	0.1	1.2	83.7
21st day after due date	177	0.1	1.1	84.8
22nd day after due date	96	0.1	0.6	85.4
23rd day after due date	85	0.1	0.5	86
No. of cases paid from 15th to 23rd day	1,402	0.9	9	
No. of cases paid from 1st to 23rd day	13,720	8.7	86	

香港司法機構  
司法機構政務處



JUDICIARY ADMINISTRATION  
JUDICIARY  
HONG KONG

本函檔號 OUR REF: SC/CR/15/1/69  
來函檔號 YOUR REF: CB(3)/PAC/R46  
電 話 TEL: 2825 4211

By fax : 2537 1204  
By e-mail : cwywong@legco.gov.hk

圖文傳真 FAX: 2530 2648

29 September 2006

Clerk, Public Accounts Committee  
Legislative Council  
8 Jackson Road  
Hong Kong  
(Attn.: Ms. Dora Wai)

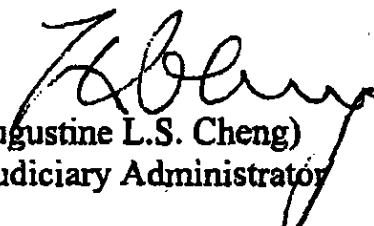
Dear Ms Wai,

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

**Chapter 1 – Collection of Fines Imposed by Magistrates' Courts**

I refer to your letter of 12 June 2006 and enclose a progress report on the implementation of the Audit recommendations in respect of the Judiciary Administration.

Yours sincerely,

  
(Augustine L.S. Cheng)  
for Judiciary Administrator

**Encl**

c.c. Deputy Director of Public Prosecutions  
Commissioner of Police  
Deputy Commissioner of Police (Operations)  
Commissioner for Transport  
Secretary for Financial Services and the Treasury (Attn.: Miss Amy Tse)  
Director of Audit

**Director of Audit's Report No. 46: Chapter 1**  
**Collection of fines imposed by Magistrates' Courts**

**Progress Report with Further Information**  
**to the Public Accounts Committee on Implementing**  
**the Audit Recommendations concerning the Judiciary Administration**

**Background**

1. Various kinds of fines are imposed by law and a great majority of fines arise from cases heard in the Magistrates' Courts. Payment of the fines is required to be made at the Accounts Offices of the Magistrates' Courts.
2. The Judiciary Administration operates a computerized Case and Summons Management System (CASEMAN) for managing and processing cases heard in Magistrates' Courts. It records case details, hearing results and fine payments. It is therefore capable of producing data and information in relation to the payment of fines which prosecuting departments/agencies may find useful in discharging their responsibilities in the collection of fines, and the Judiciary Administration would consider providing such relevant information and appropriate assistance to the prosecuting departments/agencies on request. In this regard, the Director of Audit made certain recommendations concerning the Judiciary Administration and the Judiciary Administration has been considering how these recommendations could be taken forward.

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

**Imposition and Settlement of Fines: Paragraph 2.6**

3. Audit has recommended that the Judiciary Administrator should consider *issuing notices to offenders who are allowed to pay fines within a period* to inform them of the amount and the due date of fines, and the consequences of non-payment.
4. The Judiciary Administration agrees with the Audit recommendation. Since 1 June 2006, payment notices have been issued to offenders who are allowed time to pay fines or to pay fines by instalments.

**Imposition and Settlement of Fines: Paragraph 2.16**

5. Audit has recommended that the Judiciary Administrator should, in consultation with *the initiating departments, consider ways to make*

***better use of the CASEMAN*** for the provision of information to manage the collection of fines.

6. As the responsibility of collecting outstanding fines rests primarily with respective government prosecuting agencies, the Judiciary Administration will not comment on what better ways may be taken by them to manage the collection of fines. However, the Judiciary Administration operates the CASEMAN for managing and processing cases heard in Magistrates' Courts. The Judiciary Administration is prepared to provide such relevant information to the prosecuting departments/agencies on request.

7. The Judiciary Administration has met with the CASEMAN user departments and agencies, requesting them to propose ways to make better use of the CASEMAN and to set out their requirements.

8. Out of the 31 CASEMAN users, nine have suggested ways to make use of the CASEMAN information. A list of these nine users is attached. In summary, these users have requested the Judiciary Administration to generate regular reports to them on outstanding fines and warrants.

9. The Judiciary Administration has examined the feasibility of making enhancements to the CASEMAN so as to generate the reports requested by the respective departments. The Judiciary Administration has found such enhancements feasible, and the necessary work will take about two months to complete. The Judiciary Administration would start work on enhancing the system in October 2006, with a view to providing the first batch of reports to these CASEMAN user departments by the end of 2006.

#### Imposition and Settlement of Fines: Paragraph 2.17

10. Audit has recommended that the Judiciary Administrator and the D of J should consider ***ways to enhance performance monitoring and reporting in respect of the collection of fines.***

11. The Judiciary Administration has introduced performance indicators since 1 September 2006 in enhancing performance and monitoring reporting on collection of fines. The target completion times are set on:

- (a) submitting warrants to Magistrates for action within 7 working days upon receipt of the same;

- (b) subsequent forwarding the warrants to the Court Orders Section for execution within 3 working days after signing of the same by the Magistrates;
- (c) requesting further information from initiating prosecuting agencies after unsuccessful execution attempts within 7 working days upon the Magistrates' directions; and
- (d) making further attempts after supply of additional information within 7 working days upon the Magistrates' directions.

Action on Overdue Fines: Paragraph 3.16 (a)

12. Audit has recommended that the Judiciary Administrator should, for offences other than moving offences and parking contraventions, keep under review and, where appropriate, consider ***shortening the 14-day grace period between the due date of fines and the generation of distress warrants and non-payment warrants*** by the CASEMAN.

13. The Judiciary Administration has reviewed the payment patterns of the defaulters of 2003-04, 2004-05 and 2005-06 to assist it in assessing the possible benefit of the proposed shortening of the 14-day period.

14. The findings are:

- (a) Out of 152,734 cases from April 2003 to March 2004, 89% of the cases (i.e. 135,299 cases) were paid on or before the due dates. Out of the remaining 17,435 late payment cases, 66% (i.e. 11,485 cases) were made before the expiry of the 14-day period after the due dates;
- (b) Out of 161,004 cases from April 2004 to March 2005, 88% of the cases (i.e. 141,695 cases) were paid on or before the due dates. Out of the remaining 19,309 late payment cases, 63% (i.e. 12,211 cases) was made before the expiry of the 14-day period after the due dates; and
- (c) Out of 157,351 cases from April 2005 to March 2006, 90% of the cases (i.e. 141,354 cases) were paid on or before the due dates. Out of the remaining 15,997 late payment cases, 77% (i.e. 12,318 cases) was made before the expiry of the 14-day period after the due dates.

15. In the light of the payment patterns of the fines for the period from April 2003 to March 2006, the Judiciary Administration is of the



view that the 14-day grace period between the due dates of fines and the generation of distress warrants and non-payment warrants by the CASEMAN should be maintained since a majority of defendants who did not pay the fines on or before the due had paid up during the 14-day grace period. The Judiciary Administration will, however, keep under review the payment patterns on an annual basis to see if there are grounds for shortening the grace period should there be significant changes to the patterns.

#### Action on Overdue Fines: Paragraph 3.16 (b)

16. Audit has recommended that the Judiciary Administrator should ***closely monitor the progress of the General Offices in processing distress warrants and non-payment warrants*** (e.g. setting a target on the time allowed for the submission of cases to magistrates for consideration).

17. Without repeating paragraph 11 above, the Judiciary Administration has reviewed the distress warrants processing progress and set a target time for submission of appropriate cases to Magistrates for consideration since 1 September 2006.

#### Time Lag in Obtaining Information from Prosecuting Departments: Paragraph 4.15

18. Audit has considered that it is reasonable to expect that the prosecuting departments should respond promptly to the General Offices on the additional information requested. But it has also stated that there is a need for the ***General Offices to follow up with the prosecuting departments in case the replies are not received within a reasonable time.***

19. The Judiciary Administration agrees with Audit that the prosecuting departments/agencies should respond promptly to requests, and urge that this point should be made to the prosecuting departments/agencies. As far as the Judiciary Administration is concerned, we will follow up with the prosecuting departments/agencies concerned if replies are not received after two months from the date of the request for additional information.

#### Execution of Distress Warrants by the Court Orders Section: Paragraph 4.18 (a)

20. Audit has recommended that the Judiciary Administrator should ***estimate the cost of execution*** of distress warrants for assessing the cost-effectiveness of the work of the bailiffs.

21. As indicated in the last reply, the Judiciary Administration has started work in this regard and will provide the estimate in November 2006.

Execution of Distress Warrants by the Court Orders Section: Paragraph 4.18 (b)

22. Audit has recommended that the Judiciary Administrator should consider *setting a target time on the execution of distress warrants by bailiffs*, particularly the target time of the first attempts.

23. The Judiciary Administration has accepted the recommendation. With effect from 1 September, the Judiciary Administration has set a target time of 10 working days for making the first attempt of the execution of distress warrants after receipt of the warrants by the Court Orders Section.

Execution of Distress Warrants by the Court Orders Section: Paragraph 4.18 (c)

24. Audit has recommended that the Judiciary Administrator should where the execution of a distress warrant relating to a company defaulter has been unsuccessful, require the General Offices to: (i) specify clearly in the memorandum to the prosecuting departments that they should *provide the current business address of the company defaulter* within a reasonable time; and (ii) forward the information obtained from the prosecuting departments to the Court Orders Section *for further attempt* of the execution of the distress warrant at the address where the company defaulter is conducting business.

25. In relation to Paragraph 4.18(c)(i) of the Report, the current memorandum to the prosecuting departments has been revised since 1 June 2006 to specify clearly the provision of the current business address of the company defaulter.

26. In relation to Paragraph 4.18(c)(ii) of the Report, the Judiciary Administration agrees to the taking of follow-up action after receipt of further information from the prosecuting departments on further execution attempts but, as a prerequisite, such further attempts have to be made in accordance with the Magistrates' directions, if any.

Execution of Distress Warrants by the Court Orders Section: Paragraph 4.24

27. Audit has recommended that the Judiciary Administrator should *review the existing practice that a bailiff is accompanied by a possession*

***guard*** when attempting the execution of distress warrants relating to offences other than parking contraventions.

28. The Judiciary Administration has reviewed the practice and decided that a bailiff will not be accompanied by a possession guard in normal circumstances when attempting the execution of distress warrants relating to offences other than parking contraventions. The revised practice came into operation on 3 July 2006.

**Other Issues Relating to Fines Arising from Moving Offences and Parking Contraventions: Paragraph 6.14**

29. Audit has recommended that the Judiciary Administrator should consider ***referring cases of dishonoured cheque payment*** for traffic fines to the Police ***for investigation and prosecution***.

30. The Judiciary Administration maintains that criminal investigations and prosecutions are matters for the Police. That said, the Judiciary Administration will ensure that cases of dishonoured cheques will be referred to the Police in accordance with their criteria. In this regard, the Judiciary Administration will provide the Police with pertinent information on the incidents of dishonoured cheques and the outstanding traffic fines concerned. Such information will be copied to the Transport Department which will inform the Police whether a vehicle licensing/transfer transaction has taken place after the purported payment.

Judiciary Administration

September 2006

**CASEMAN User Departments which have requested for provision of information for managing collection of fines**

1. Agricultural, Fisheries & Conservation Department
2. Environmental Protection Department
3. Food & Environmental Hygiene Department
4. Hong Kong Police Force
5. Inland Revenue Department
6. Companies Registry
7. Fire Services Department
8. Leisure & Cultural Services Department
9. Planning Department



審計署  
香港灣仔  
告士打道七號  
入境事務大樓  
二十六樓

Audit Commission  
26th Floor  
Immigration Tower  
7 Gloucester Road  
Wanchai, Hong Kong

圖文傳真 Facsimile : 2583 9063

電話 Telephone : 2829 4303

本署檔號 Our Ref.: UB/BAR/PAC/46

**Urgent By Fax**

來函檔號 Your Ref.: CB(3)/PAC/R46

23 May 2006

Clerk, Public Accounts Committee  
(Attn: Ms Dora WAI)  
Legislative Council Secretariat  
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 1: Collection of fines imposed by Magistrates' Courts**

Thank you for your letter of 18 May 2006 requesting me to provide additional information to facilitate the Public Accounts Committee's consideration of the subject. The information you requested is set out seriatim below:

- (a) Table 2 shows the extent of settlement of fines **as at 31 December 2005**, including the number of cases of outstanding payment and the total outstanding amount in respect of fixed penalty fines relating to moving offences and parking contraventions **due in each financial year from 2002-03 to 2005-06**. For those fines due in earlier financial years, a larger percentage of fines would be settled, as a result of recovery action taken (e.g. the execution of distress warrants and non-payment warrants) over a longer period. Therefore, as at 31 December 2005, the number of cases of outstanding payment and the total outstanding amount in respect of fines due in each financial year from 2002-03 to 2005-06, including those related to moving offences and parking contraventions, showed an upward trend. To illustrate the point that an increasing percentage of fines would be settled as time goes by, an analysis of the settlement of fixed penalty fines relating to moving offences and parking contraventions due within financial year 2003-04 is given in Appendix A; and

- 
- (b) for fixed penalty fines relating to moving offences and parking contraventions due in each financial year from 2002-03 to 2005-06, the number of cases of outstanding payment as well as the total outstanding amount of the above fines, together with the respective percentages, as at 31 March of the same financial year is given in Appendix B.

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

Yours sincerely,



(Patrick LEUNG)  
for Director of Audit

Encls.

c.c. Judiciary Administrator  
Deputy Director of Public Prosecutions  
Commissioner of Police  
Deputy Commissioner of Police (Operations)  
Commissioner for Transport  
Secretary for Financial Services and the Treasury (Attn: Miss Amy TSE)

## Appendix A

### Settlement of fixed penalty fines relating to moving offences and parking contraventions due within financial year 2003-04

	Number of cases		Amount of fines	
	(Number)	(Percentage)	(\$ million)	(Percentage)
Due within financial year 2003-04 (a)	50,928	100%	58.0	100%
Settlement from 1.4.2003 to 31.3.2004	36,898	72.5%	41.7	71.9%
Settlement from 1.4.2003 to 31.3.2005	43,605	85.6%	49.6	85.5%
Settlement from 1.4.2003 to 31.12.2005 (b)	45,051	88.5%	51.3	88.4%
Outstanding as at 31.12.2005 (c) = (a) – (b)	5,877	11.5%	6.7	11.6%

*Source: Judiciary records and Audit analysis*

*Remarks: The figures shown in the first, fourth and fifth rows of the above table agree with those shown in Table 2 of Chapter 1 in respect of fixed penalty fines relating to moving offences and parking contraventions due within financial year 2003-04.*

**Fixed penalty fines relating to moving offences and parking contraventions  
due in each financial year from 2002-03 to 2005-06 and  
outstanding as at 31 March of the same financial year**

	Number of cases			Amount of fines		
	Due within financial year	Outstanding as at 31 March of financial year		Due within financial year	Outstanding as at 31 March of financial year	
	(Number)	(Number)	(Percentage)	(\$ million)	(\$ million)	(Percentage)
2005-06	63,683	17,157	26.9%	61.7	16.7	27.1%
2004-05	51,165	14,328	28.0%	59.1	16.7	28.3%
2003-04	50,928	14,030	27.5%	58.0	16.3	28.1%
2002-03	53,560	14,687	27.4%	60.6	16.9	27.9%

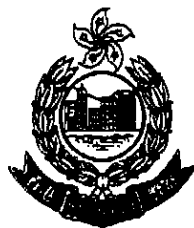
*Source: Judiciary records and Audit analysis*



香港警察總部

香港軍器廠街

警政大樓



HONG KONG POLICE  
HEADQUARTERS

ARSENAL HOUSE  
ARSENAL STREET  
HONG KONG

本署檔號 OUR REF : (85) in CP/IA 20/10/2 SF (15) 05-06

來函檔號 YOUR REF : CB(3)/PAC/R46

電話號碼 TEL NO : 2860 2445

圖文傳真 FAX NO : 2200 4342

24 May 2006

Clerk to Public Accounts Committee  
(Attn : Ms Dora WAI)  
Legislative Council Secretariat  
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 1 - Collection of fines imposed by Magistrates' Courts**

Thank you for your letter of 17 May 2006 requesting us to provide additional information to facilitate Public Accounts Committee's consideration of the above subject. The information is set out below :-

**(a) Direction of the review to be carried out by the Administration on the existing criteria for application of distress warrants relating to parking contraventions**

Under the present mechanism, the most effective means to enforce payment of outstanding parking fines is Transport Department's (TD) control in refusing renewal of annual vehicle licence under the defaulter's name. In majority of cases, after the defaulters were informed about their outstanding fines when applying for renewal of licences in TD, they would pay the fines to the Judiciary so that they can renew their licences in TD.

In cases the defaulters fail to settle the outstanding fines, the fines will be accumulated and distress warrants will be issued for execution when any one of the criteria for applying distress warrants is met. Currently, the criteria for applying distress warrants relating to parking contravention are as follows:-

- (a) the ownership of the offending vehicle has been transferred;
- (b) the vehicle licence of the offending vehicle has expired for two years; or
- (c) the total amount of outstanding fixed penalty and court cost due from the defaulter has accumulated to over \$50,000.

Under criterion (b), if the defaulter does not renew the vehicle licence of the offending vehicle, outstanding fixed penalty and court cost would accumulate for more than 2 years before application of distress warrants. After consultation with Department of Justice and Transport Department, the Police proposes criterion (b) be revised from when the vehicle licence of the offending vehicle has expired for two years to **as soon as the vehicle licence expires**. With the revision of criterion (b), all cases of outstanding parking fines should be addressed upon expiry of the defaulters' vehicle licences.

Regarding criterion (c), a review of the existing threshold of \$50,000 will be conducted pending more statistics and information about the impact on the number of warrants if the threshold is to be revised. The following points will be taken into consideration in the review of the threshold of \$50,000:-

- Under the current rate of parking fines of \$320, in case of non-payment, an ex parte court order of \$1,080 (i.e. \$320 (fine) + \$320 (penalty) + \$440 (court cost)) will be issued to the defaulter. With the existing threshold of \$50,000, a distress warrant would be issued to a defaulter when a total of 47 court orders of parking fines have been issued on him. The review will consider whether the threshold of \$50,000 is at a too high level. At present, there are only a few cases in a year of which the warrants are issued because of this criterion. The majority of warrants (about 500 to 600 annually) are issued as they meet either criterion (a) or criterion (b).
- Since vehicle licences have to be renewed annually, it may not be cost effective to issue distress warrants to defaulters with a relatively small amount of fines, knowing that most defaulters would pay the outstanding fines upon their renewal of vehicle licences in TD.
- The purpose of criterion (c) should be restricted to tackle really serious cases which warrant earlier recovery actions before the expiry of the defaulters' vehicle licences and it is reasonable to set the threshold at a relatively high level.

**(b) (i) Breakdown of the \$30.5 million of fines relating to moving offences and parking contraventions written off in 2005-06**

Breakdown for the \$30.5 million written off in 2005-06 as uncollectible fines relating to the moving offence and parking contraventions is detailed at the **Appendix A**.

The sum of \$30.5 M covered a total of 28,330 cases for which fines were originally issued during the period from April 1996 to March 2000 but payment remained outstanding in the year 2005. During the period from April 1996 to March 2000, in total 7,306,317 fixed penalty tickets were issued and 28,330 cases therefore represented a very small % of the number of fines to be collected during the period.

**(ii) Reason for writing off**

The reason for writing off fines is in line with the government policy and practice to be prudent for accounting purpose to write off long outstanding fines for which the chance of recovery is very low.

**(iii) Recovery actions after writing off**

After writing off of the debts, recovery actions will still continue. If there are non-payment or distress warrants on the cases, the warrants will remain valid. According the latest figures, of the \$30.5 M, in total \$1.3 M for 1,433 cases had been recovered, after they had been written off in year 2005. Breakdown of the amount and no. of cases is shown in the **Appendix A**.

**(c) Reasons for not writing off fines between 2001-02 and 2004-05**

When the power of writing off fines was transferred to the Police in year 2000, Secretary for Financial Services and the Treasury had actioned the writing off up to fines originally due in 1995-96.

There is no restriction on the period of time should an outstanding fine be considered as non-recoverable and the writing off action be initiated under Financial Circular No. 6/2000 or any other regulations. The Police did not authorise any writing offs during the years 2001-02 to 2004-05 because the department was prudent and cautious and had taken time in setting the procedures and policy for exercising the delegated power.

In year 2005, the Police accepted a lapse of 5 years to be a reasonable period in acknowledging that the chance of recovering the outstanding fines is low and writing off action should be initiated and had written off a total amount of outstanding fines of \$30.5 M originally due in 1996-97 to 1999-2000.

Thereafter from year 2006 and onwards, the Police will conduct annual exercise in writing off fines that have been outstanding for more than 5 years.

**(d) (i) Whether the \$1,500 threshold is the only criterion for issuing warrants in respect of moving offences.**

Yes, the \$1,500 threshold is the only criterion for issuing warrants in respect of moving offences.

**(ii) Reasons for the great difference between the two thresholds, i.e. \$1,500 and \$50,000.**

The Police cannot trace the history about the setting of the two thresholds. Audit's review also could not ascertain which department(s) had made such thresholds and the basis of them. There may be a number of considerations contributing to the difference between the two thresholds. One of the considerations can be the difference in process and cost of recovery actions for the two categories of fines. Also the thresholds may be set for different purposes in the process of recovery actions.

**For distress warrant with threshold of \$50,000 relating to parking contraventions**

In executing a distress warrant relating to parking contraventions, a bailiff of the Judiciary will seize the goods and chattels of the defaulter at the latter's address to the limit that the value of the seized items will cover the outstanding fines and the cost of seizure. The defaulter is allowed to pay the outstanding fines and the cost of seizure within 5 days. Otherwise, the seized items will be sold by public auction. The sales proceeds will be used to settle the outstanding fines and the cost of seizure.

As explained in our reply to (a), under the present mechanism, the major means to enforce payment of outstanding parking fines is TD's control in refusing renewal of annual vehicle licence under the defaulter's name. Since vehicle licences have to be renewed annually, it is definitely the most economical way to recover the outstanding parking fines upon expiry of the vehicle licences. It is reasonable to guess the threshold of \$50,000 for applying distress warrants is purposely set at a high level to screen only those really serious cases that warrants earlier actions before the renewal of the licences.

For non-payment warrant with threshold of \$1,500 relating to moving offences

For non-payment warrants relating to moving offences, Police will take actions to arrest the defaulter. Upon the arrest of the defaulter, he will normally be bailed to appear in court.

As fines for moving offences are imposed on the drivers, TD will also refuse the renewal of driving licences of the defaulters. However, driving licences will normally be renewed every 10 years, the control on renewal will not be an effective means for recovery of the outstanding fines. For this reason, the major means of recovery action is the issue of non-payment warrants. As such, the threshold for issuing non-payment warrants is set at relatively low level justifiable by cost effectiveness of the recovery actions.

**(iii) Timing and direction of the review regarding the \$1,500 threshold.**

Currently the majority of the moving offence tickets issued are in the category of \$450. In case of non-payment, upon issue of an ex parte court order, the amount of penalty can be up to \$1,340 (i.e. \$450 (fine) + \$450 (penalty) + plus \$440 (court cost if applicable)). With the present threshold of \$1,500, for penalty tickets of \$450 or below, non-payment warrants will only be issued on offenders with two outstanding court orders. Whereas for penalty tickets of over \$450, non-payment warrants may be issued on offenders with one outstanding court order.

It is possible to consider to remove the existing threshold of \$1,500, which would result in non-payment warrant being issued for every outstanding case of fines relating to moving offences. However there will be implication on resources and cost effectiveness and the Police will in consultation with Department of Justice review the existing criterion of issuing non-payment warrants relating to moving offences.

**(e) The reason why the distress warrants were issued 20 months after the defaulter had committed the first parking contravention.**

In the particular case mentioned in paragraph 3.12 of the Audit Report, it met neither criterion (a) that the ownership of the offending vehicle had been transferred nor criterion (b) that the vehicle licence of the offending vehicle had expired for two years. It was criterion (c) that the total amount of outstanding fixed penalty and court cost has accumulated to over \$50,000 to trigger the mechanism for the issue of distress warrants to the defaulter.

The first exparte court order was issued against the defaulter on 2003-01-20 for parking contraventions committed in October 2002. Additional exparte court

orders were issued to him thereafter for subsequent tickets. On 2004-03-29, the 45<sup>th</sup> to 48<sup>th</sup> ex parte court orders were issued simultaneously against the defaulter. The 47<sup>th</sup> application triggered a distress warrant when the total amount of outstanding fixed penalty and court cost due from the defaulter has accumulated to over \$50,000. The 48<sup>th</sup> ticket then followed the same legal process. As a result, two distress warrants were issued against the defaulter on 2004-06-09 and 2004-06-11 respectively.

**(f) (i) Up-to-date position of the cases of the 8 defaulters for whom 57 non-payment warrants had been issued**

2 defaulters have been arrested and a total of 19 warrants were executed. Repeated attempts in different periods of the day have been made to locate the 6 other defaulters at their last known addresses but to no avail. Further enquiries have been made to check if they have other addresses. Their particulars have also been entered into the Police's list of wanted persons. Police's actions to locate the 6 defaulters are ongoing.

**(ii) Information relating to the timing of the execution attempts carried out by the Police and the success rates of attempts carried out in different periods of a day**

The Police does not keep statistics relating to the timing of the execution attempts carried out by the Police and the success rates of attempts carried out in different periods of a day.

Alternatively, the Police had conducted a data sampling exercise on the successful execution of 2,830 non-payment warrants relating to traffic offences on 1,495 defaulters between February and April 2006 to study the rates of successful execution in different periods of a day. Please see the table at **Appendix B** for the results of the exercise.

During the period, a total of 1,495 defaulters were arrested. Warrants of 894 defaulters (59.8%) were executed between 0900 and 1700 hours; warrants of 350 defaulters (23.4%) were executed between 1700 and 2400 hours; and warrants of 251 defaulters (16.8%) were executed between 2400 and 0900 hours.

Of the 1,495 defaulters, 68 defaulters had 5 or more warrants. Statistics of these defaulters are similar to the overall figures. Among these 68 defaulters, warrants of 32 defaulters (47%) were executed between 0900 and 1700 hours; warrants of 21 defaulters (30.9%) were executed between 1700 and 2400 hours; and warrants of 15 defaulters (22.1%) were executed between 2400 and 0900 hours.

- (g) A review, in consultation with Immigration Department and the Department of Justice, to see if certain categories of defaulters should be placed on the Immigration Department's watch list**

In considering Audit Commission's recommendation, the Police is in the process of consulting Department of Justice and Immigration on the following issues:-

- (i) The propriety of the definition of serious cases of payment defaulters;
- (ii) The setting of the threshold, whether it should be determined by the number of warrants or the total amount of fines, to trigger the mechanism;
- (iii) Legal basis to include only those exceeding the threshold in the watch list;
- (iv) The proportionality of the suggested measure on human right consideration; and
- (v) Other issues, such as resources implication, management of control points and acceptance by the public.

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

Yours sincerely,



(Mrs. Kitty CHENG)  
for Commissioner of Police

c.c. Judiciary Administrator  
Deputy Director of Public Prosecutions  
Commissioner of Transport  
Director of Immigration (paragraph (g) is relevant)  
Secretary for Financial Services and the Treasury (Attn: Miss Amy TSE)  
Director of Audit

**Appendix A****Breakdown of traffic fines written off in 2005-06**

Year when the Court Orders were issued	No. of cases	Outstanding fines and fixed penalties	Outstanding court cost	Total
Apr 96 – Mar 97	8,483	\$5,412,720	\$3,717,062	\$9,129,782
Apr 97 – Mar 98	6,550	\$4,189,920	\$2,882,640	\$7,072,560
Apr 98 – Mar 99	8,142	\$5,210,890	\$3,580,130	\$8,791,020
Apr 99 – Mar 00	5,155	\$3,298,702	\$2,268,960	\$5,567,662
	28,330	\$18,112,232	\$12,448,792	\$30,561,024

**Breakdown of fines remaining outstanding after written off in 2005-06 as at 2006-05-20**

Year when the Court Orders were issued	No. of cases	Outstanding fines and fixed penalties	Outstanding court cost	Total
Apr 96 – Mar 97	8,187	\$5,225,840	\$3,587,080	\$8,812,920
Apr 97 – Mar 98	6,063	\$3,880,320	\$2,668,360	\$6,548,680
Apr 98 – Mar 99	7,867	\$5,034,890	\$3,461,330	\$8,496,220
Apr 99 – Mar 00	4,780	\$3,059,130	\$2,103,960	\$5,163,090
	26,897	\$17,200,180	\$11,820,730	\$29,020,910

**Breakdown of fines recovered after written off in 2005-06 as at 2006-05-20**

Year when the Court Orders were issued	No. of cases settled	Percentage of cases settled	Amount of fines* recovered	Percentage of fines recovered
Apr 96 – Mar 97	296	3.5%	\$316,440	3.5%
Apr 97 – Mar 98	487	7.4%	\$421,200	6.0%
Apr 98 – Mar 99	275	3.4%	\$267,780	3.0%
Apr 99 – Mar 00	375	7.3%	\$340,360	6.1%
	1,433	5.1%	\$1,345,780	4.4%

\* There are some cases where the Court had ordered a different fine/Court Cost to be paid or imprisonment in lieu of payment.



**Appendix B**

**Successful Execution of Traffic Arrest Warrants**  
**For the period from 1 February 2006 to 30 April 2006**

Hours	No. of Traffic Warrants Executed	No. of Defendant Arrested	No. of Defendants Arrested with 5 or more warrants*
0900 – 1700	1,612 (57.0%)	894 (59.8%)	32 (47.0%)
1700 – 2400	685 (24.2%)	350 (23.4%)	21 (30.9%)
2400 – 0900	533 (18.8%)	251 (16.8%)	15 (22.1%)
Total	2,830 (100%)	1,495 (100%)	68 (100%)

\* 68 defaulters, out of the 1,495 defaulters arrested during the period, had 5 or more warrants

香港警察總部

香港軍器廠街

警政大樓



**HONG KONG POLICE  
HEADQUARTERS**

ARSENAL HOUSE

ARSENAL STREET

HONG KONG

本署檔號 OUR REF : (67) in CP/IA 20/10/2 SF (15) 05-06 Pt II

來函檔號 YOUR REF : CB(3)/PAC/R46

電話號碼 TEL NO : 2860 2445

圖文傳真 FAX NO : 2200 4342

30 September 2006

Clerk, Public Accounts Committee  
(Attn : Ms Dora WAI)  
Legislative Council Secretariat  
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 1 - Collection of fines imposed by Magistrates' Courts**

I refer to your letter of 12 June 2006 and would like to provide the attached Police's progress report on the implementation of the recommendations raised in the above audit report for your reference.

Should you require further information, I shall be happy to assist.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Kitty Cheng'.

(Mrs. Kitty CHENG)  
for Commissioner of Police

c.c. Judiciary Administrator  
Deputy Director of Public Prosecutions  
Commissioner for Transport  
Director of Immigration  
Secretary for Financial Services and the Treasury  
Director of Audit

**Chapter 1 – Collection of fines imposed by Magistrates' Courts**  
**Issues for response by Commissioner of Police**  
**(PAC's letter to CP dated 12 June 2006 (Ref.: CB(3)/PAC/R46))**

	<i>Audit recommendation</i>	<i>Department responsible and its reply</i>	<i>Information to be provided to PAC by 30.9.2006</i>	<i>Progress</i>
<b>Part 2: Imposition and settlement of fines</b>				
1.	<p><u>Audit findings in Figure 1 of paragraph 2.12 of Audit Report</u></p> <p>\$30.5 million of fines relating to moving offences and parking contraventions imposed by Magistrates' Courts were written off in 2005-06 (up to 31.12.2005).</p>		<p>Of the \$30.5 million of fines written off, the amount that can be recovered by 30.9.2006.</p>	<p>Of the \$30.5 million of fines written off in 2005-06, \$0.5 million of fines for 738 cases have been recovered in the past 4 months. In total, \$1.8 million of fines for 2,171 cases have been recovered so far. Police will continue to make effort to recover the remaining sum.</p>

	<i>Audit recommendation</i>	<i>Department responsible and its reply</i>	<i>Information to be provided to PAC by 30.9.2006</i>	<i>Progress</i>
<b>Part 3: Action on overdue fines</b>				
2.	<p><u>Para 3.17(a) of Audit Report</u></p> <p>For parking contraventions, the Department of Justice (D of J) should, in consultation with CP, consider reviewing the existing criteria for application of distress warrants as set out in para 3.4. They are:</p> <p>(a) the ownership of the offending vehicle has been transferred;</p> <p>(b) the vehicle licence of the offending vehicle has expired for two years; or</p> <p>(c) the total amount of outstanding fixed penalty and court cost due from the defaulter has accumulated to over \$50,000.</p>	<p><u>CP's letter of 24.5.2006</u></p> <p>(a) after consultation with D of J and Transport Department, the Police proposes that criterion (b) be revised from when "the vehicle licence of the offending vehicle has expired for two years" to "as soon as the vehicle licence expires"; and</p> <p>(b) regarding criterion (c), a review of the existing threshold of \$50,000 will be conducted pending more statistics and information about the impact on the number of warrants if the threshold is to be revised.</p>	<p>Timetable for revising criterion (b).</p> <p>Timing and/or outcome of the review, and implementation details where appropriate.</p>	<p>(a) For criterion (b), the Police has requested JA and TD to advise on the timing when the modifications of their computer systems for the revision could be made. JA has said that system modification of CASEMAN for the revision of criterion (b) is not required. TD is in the process of upgrading its computer system from VALID III to VALID IV. The vendor of TD's VALID IV project advised that the system modification for the revision of criterion (b) could be made after full development of VALID IV project in August 2007.</p> <p>The Police would continue to discuss with DoJ, JA and TD the implementation details for the change of criterion (b), with a view to implementing the change after August 2007.</p> <p>(b) For criterion (c), the Police considers that the existing threshold of \$50,000 could be adjusted downwards. When reviewing lowering the threshold, the workload implication as well as the cost of execution of distress warrants to be worked out by JA in November 2006 would be considered.</p> <p>Same as criterion (b), JA said that system modification of CASEMAN for a revision of criterion (c) is not required. The vendor of TD's VALID IV project has advised that the system modification for the revision of criterion (c) could be made after full development of VALID IV project in August 2007.</p>

	<i>Audit recommendation</i>	<i>Department responsible and its reply</i>	<i>Information to be provided to PAC by 30.9.2006</i>	<i>Progress</i>
				The Police would continue to discuss with DoJ, JA and TD the setting of the new threshold, with a view to implementing the change after August 2007.
3.	<p><u>Para 3.18 of Audit Report</u></p> <p>CP should review whether it is necessary to maintain the existing requirement that for moving offences, the total outstanding amount of fixed penalty and court cost due from a defaulter must exceed \$1,500 before applying for a warrant.</p>	<p><u>CP's letter of 24.5.2006</u></p> <p>The Police will, in consultation with D of J, review the existing criterion of issuing non-payment warrants relating to moving offences.</p>	<p>Timing and/or outcome of the review, and implementation details where appropriate.</p>	<p>After careful consideration, the Police is of the view that the existing threshold of \$1,500 could be removed.</p> <p>JA has said that system modification of CASEMAN for a revision of the \$1,500 threshold is not required. The vendor of TD's VALID IV project has advised that the system modification for the revision could be made after full development of VALID IV project in August 2007.</p> <p>The Police would continue to discuss with DoJ, JA and TD the implementation details for the removal of the threshold, with a view to implementing the change after August 2007.</p>

	<i>Audit recommendation</i>	<i>Department responsible and its reply</i>	<i>Information to be provided to PAC by 30.9.2006</i>	<i>Progress</i>
<b>Part 5: Execution of non-payment warrants by the Police</b>				
4.	<p><u>Para 5.12 of Audit Report</u></p> <p>CP should explore ways to improve the execution of non-payment warrants.</p>	<p><u>CP's letter of 24.5.2006</u></p> <p>At PAC's request, information relating to the timing of the execution attempts carried out by the Police and the success rates of attempts carried out in different periods of a day were provided.</p> <p><u>Note:</u> How the Police would improve the execution of non-payment warrants was not mentioned in CP's letter.</p>	<p>Progress report on the implementation of the recommendation.</p>	<p>All police officers performing warrant execution duties have been reminded of the practical need to conduct visits outside regular office hours with a view to increasing the success rate of executing the warrants.</p> <p>A standard checklist for warrant execution has been introduced for use in all police divisions to standardize the actions of warrant execution as well as facilitating the Divisional management in monitoring what actions have been taken and the timing when the attempts are made. Police HQs will check to ensure that the procedures for warrant execution have been properly followed.</p>

	<i>Audit recommendation</i>	<i>Department responsible and its reply</i>	<i>Information to be provided to PAC by 30.9.2006</i>	<i>Progress</i>
5.	<p><u>Para 5.17 of Audit Report</u></p> <p>CP should, in consultation with the Director of Immigration, consider the feasibility of placing on the Immigration Department (ImmD)'s watch list the names of those defaulters for whom non-payment warrants have been issued and who have large amounts of outstanding fines.</p>	<p><u>CP's letter of 24.5.2006</u></p> <p>The Police is in the process of consulting D of J and ImmD on a number of issues, e.g. the propriety of the definition of serious cases of payment defaulters and the proportionality of the suggested measure on human right consideration, etc.</p> <p><u>Director of Immigration's letter of 24.5.2006</u></p> <p>ImmD is prepared, upon request of the Police, to intercept payment defaulters of serious cases at control points and quickly hand them over to the Police. Alternatively, ImmD is also prepared to accept legislative amendments to the prescribed Form 29 [warrant for apprehension issued under Section 101A(1)(b) of the Magistrates Ordinance, Cap. 227] to have the apprehension power extended to immigration officers at control points for handing over to police officers for follow-up action.</p>	<p>Outcome of the consultation, and implementation details where appropriate.</p>	<p>DoJ has advised that a warrant for non-payment of fines does not prohibit the subject of the warrant from leaving Hong Kong. As such, the ImmD cannot refuse a person who is the subject of such a warrant departure clearance if he holds a valid travel document. Nevertheless, ImmD has the administrative power to include any person (such as the subject of a non-payment warrant) in a watch list; and may intercept him at a control point and ask him to wait for the Police for the execution of the warrant.</p> <p>ImmD has proposed to include defaulters with five or more non-payment warrants in a watch list and intercept them at the control points. The Police agrees that defaulters having five or more non-payment warrants are worthy of particular actions when Police's consistent efforts to arrest them by other means have been unfruitful and the chances to recover the outstanding fines are slim. The Police is also of the view that it would be appropriate to include only defaulters having five or more non-payment warrants in the watch list at the initial stage of implementation taking into accounts freedom of travel and likely inconvenience imposed on the defaulters. The Police will review this arrangement after it has operated for 12 months.</p> <p>The Police will continue to liaise with DoJ and ImmD on the protocol and implementation date of the proposed measure.</p>



香港司法機構  
司法機構政務處



JUDICIARY ADMINISTRATION  
JUDICIARY  
HONG KONG

本函檔號 OUR REF: SC(CR) 15/1/69

來函檔號 YOUR REF: CB(3)/PAC/R46

電話 TEL: 2825 4211

圖文傳真 FAX: 2530 2648

By Fax: 2537 1204

E-mail: cwywong@legco.gov.hk

15 January 2007

With Chinese Translation

Clerk to Public Accounts Committee  
Legislative Council  
8 Jackson Road  
Hong Kong  
(Attn.: Ms. Dora Wai)

Dear Ms. Wai,

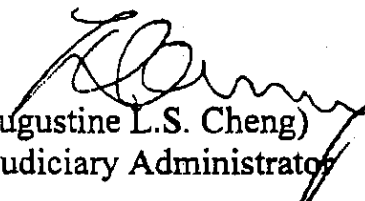
**The Director of Audit's Report on the  
Results of value for money audits (Report No. 46)**

**Chapter 1 – Collection of fines imposed by Magistrates' Courts**

I write further to my letter of 4 December 2006 in respect of the Audit recommendation in paragraph 2.16 of the Report concerning the provision of CASEMAN information to the prosecuting departments on their request to help them manage the collection of fines.

In my earlier progress report, it was stated that nine CASEMAN users had requested the Judiciary Administration to provide them with regular information on default payments. I would like to inform you that the Judiciary Administration has provided relevant information (as at 2 January 2007) to these nine users in relation to their respective summonses. Such information will be provided to them on a quarterly basis.

Yours sincerely,

  
(Augustine L.S. Cheng)  
for Judiciary Administrator

c.c. Deputy Director of Public Prosecution  
Commissioner of Police (Attn. Mrs. Kitty Cheng)  
Commission for Transport  
Secretary for Financial Services and the Treasury  
(Attn. Miss Amy Tse)  
Director of Audit

**律政司  
刑事檢控科**

香港金鐘道 66 號  
金鐘道政府合署高座 5 樓  
圖文傳真：852-2877 0171



**DEPARTMENT OF JUSTICE  
Prosecutions Division**

5/F., High Block  
Queensway Government Offices  
66 Queensway, Hong Kong

Fax: 852-2877 0171

By Fax & By Post  
(Fax No. 2537 1204)

本司檔號 Our Ref:

來函檔號 Your Ref:

電話號碼 Tel. No.: 2867 2266

5 October, 2006

**Ms. Dora Wai,  
Clerk to the 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 1 – Collection of Fines imposed by the Magistrates Courts.**

Firstly, my apologies for not meeting your deadline of 30 September – unfortunately, a court case in which I have been involved, overran to this week, and consequently, I was not able to complete my reply in time.

— 2. I enclose a progress report in respect of this department's implementation of the Audit recommendations.

Yours sincerely,

(John Reading, SC)  
Deputy Director of Public Prosecutions

c.c.

Commissioner of Police [Attention Mrs. Kitty Cheng]

Judiciary Administrator [Attention Mr. Augustine Cheng]

Commissioner for Transport [Attention Ms. Lui Ying]

Director of Audit

Secretary for Financial Services and the Treasury [Attention Miss Amy Tse].

**Director of Audit's Report No. 46: Chapter 1**  
**Collection of Fines imposed by Magistrates' Courts**

**Progress Report to the Public Accounts Committee on the  
implementation of the Director of Audits recommendations within the  
Department of Justice.**

**Background**

Court Prosecutors appear before Magistrates to obtain orders [in respect of moving traffic offences] under sections 3A and 3B of the Fixed Penalty (Criminal Proceedings) Ordinance (Cap. 240) ['FPCP Ord.'], and Law Clerks [from the Department of Justice] appear before Magistrates to obtain orders [in respect of parking offences] under section 16 of the Fixed Penalty (Traffic Contraventions) Ordinance, Cap. 237. Should it be necessary, in the event of non-payment of the sums ordered to be paid under sections 3A or 3B, to apply for a distress warrant under section 23 of Cap. 237 then a Law Clerk will appear before the Magistrate to apply for the warrant.

**Applying for an order under section 16 of Cap. 237 and sections 3A or 3B of Cap. 240.**

2. The role played by our Law Clerks is demand driven in the sense that information in respect of non-payment of fixed penalties for parking offences are received by the department's Fixed Penalty Unit *from the Police*. By this time, a hearing date has already been fixed *by the Court*, and the details of that date will be included in the document<sup>1</sup> received from the Police. The Fixed Penalty Unit will then prepare a form entitled *Application for Court Order*. A Law Clerk from the Fixed Penalty Unit will appear in court at the appointed time to apply for the order.

3. If the fixed penalty relates to a moving traffic offence then the Police, having arranged a hearing date via CASEMAN, will file an application form [Pol. 676] and supporting documents with the Court. Thereafter the

---

<sup>1</sup> Exparte application for an order to pay the Fixed Penalty together with an additional penalty [Pol. 137].

Senior Court Prosecutor at the Court will receive from the Court, a copy of the Pol. 676, and a Court Prosecutor will be assigned to apply for the order.

**Applying for a distress warrant, after non-payment of the penalty and additional penalty.**

4. The procedure for applying for a distress warrant for the non-payment of penalties and costs *for parking offences* [see section 23 of Cap. 237] is as set out in paragraph 3.3. of the Report, i.e. upon receipt of information *from the Police* this department will apply for a distress warrant in respect of the non-payment of penalties for parking offences, on the date specified in the information, which has already been fixed by *the Court*, and our Law Clerk will appear to apply for the warrant on that day.

5. As I understand it, although section 10A of Cap. 240 does provide for applications for distress warrants in respect of non-payment of penalties for moving offences, non-payment warrants [rather than distress warrants] are invariably sought in respect of these penalties. This department plays no part in applications for arrest warrants, which are sought *by the Police*, directly from *the Court*.

**Court's power to award costs in respect of applications for orders under sections 3A and 3B of the FPCP Ord.**

6. Whilst there are *no* dedicated costs provisions in Cap. 240 relevant to orders under section 3A and 3B, prior to the enactment of the Costs in Criminal Cases Ordinance, Cap. 492 ['CCC Ord.'], in 1996, because of the decision of the Court of Appeal *R. v. Chan Yu-nam* [1987] HKLR 805, Magistrates were empowered to awards costs in respect of these orders in accordance with section 69 of the Magistrates Ordinance, Cap. 227. Section 69 was repealed in 1996 with the enactment of the CCC Ord., and the provision which purported to replace section 69, namely, section 11 of the CCC Ord. was in different terms so that the Court of Appeal's interpretation of section 69 was not applicable to the new section [i.e. section 11]. There exists no other provision which provides Magistrates with the power to apply for costs when orders under sections 3A and 3B of the FPCP Ord. are made.

**Progress**

7. The progress of implementation of the Director of Audit's recommendations, in so far as it effects this department, is detailed on the attached schedule.

\* \* \*

## Chapter 1 – Collection of fines imposed by Magistrates' Courts

(For response by Deputy Director of Public Prosecutions)

	<i>Audit recommendation</i>	<i>Department responsible and its reply</i>	<i>Information to be provided to PAC</i>
<b>Part 2 : Imposition and settlement of fines</b>			
1.	<p><u>Para 2.17 of Audit Report</u></p> <p>The Judiciary Administrator (JA) and the Department of Justice (D of J) should consider ways to enhance performance monitoring and reporting in respect of the collection of fines.</p>	<p><u>Paras 2.18 and 2.19 of Audit Report</u></p> <p>JA agrees with the audit recommendation. The Deputy Director of Public Prosecutions has no objection to the audit recommendation.</p>	<p>The extent to which the DoJ can participate in monitoring the collection of fines is limited by the procedure as detailed in the progress report. The effective role of DoJ staff is to appear in court, when instructions are received from the police, after the time and date have already been fixed by the Court. Similarly, when distress warrants are sought in respect of penalties for non-moving offences, the role of DoJ staff is to appear in Court on the date and at the time specified in the instructions from the police.</p>
<b>Part 3 : Action of overdue fines</b>			
2.	<p><u>Para 3.17(a) of Audit Report</u></p> <p>For parking contraventions, the Department of Justice (D of J) should, in consultation with CP, consider reviewing the existing criteria for application of distress warrants as set out in para 3.4. They are:</p> <p>(a) the ownership of the offending vehicle has been transferred;</p> <p>(b) the vehicle licence of the offending vehicle has expired for two years; or</p> <p>(c) the total amount of outstanding fixed penalty and court cost due from the</p>	<p><u>CP's letter of 24.5.2006</u></p> <p>(a) after consultation with D of J and Transport Department, the Police proposes that criterion (b) be revised from when "the vehicle licence of the offending vehicle has expired for two years" to "as soon as the vehicle licence expires"; and</p> <p>(b) regarding criterion (c), a review of the existing threshold of \$50,000 will be conducted pending more statistics and information about the impact on the number of warrants if the threshold is to be revised.</p>	<p>These matters have been discussed with the Police, and we will continue to discuss them when it is necessary; however the role played by the DoJ in regard to the matters, is limited. There appears to be no legal impediment in respect of either proposal. It would seem that TD will need to upgrade its computer system in order to be able to accommodate proposal (a), and some computer adjustment, perhaps within the Judiciary, will also be required in respect of proposal (b). Of course, there are cost implications here, which will need to be addressed.</p>



	defaulter has accumulated to over \$50,000.		
3.	<p><u>Para 3.17(b) of Audit Report</u></p> <p>For parking contraventions, D of J should, in consultation with the Commissioner of Police and JA, consider redesigning the process for application of distress warrants in order to avoid multiple applications for distress warrants in respect of the same defaulter in different Magistrates' Courts.</p>	<p><u>Para 3.20 of Audit Report</u></p> <p>The Deputy Director of Public Prosecutions agrees with the audit recommendation in general terms.</p> <p><u>At the hearing</u></p> <p>The Deputy Director of Public Prosecutions said that the matter was being discussed among D of J, the Police and the Judiciary Administration.</p>	<p>This matter has been discussed by relevant departments, and I understand that certain proposals will be put forward by JA, following those discussions. In regard to the limited role played by DoJ in the process, our present compliment of staff will be in a position to deal with any variations in the procedure, whether that involves reducing the number of courts at which warrants are issued, or whether it involves an increase in the number of warrants to be issued, because of a lowering in the present threshold.</p>
<b>Part 6 : Other issues relating to fines arising from moving offences and parking contraventions</b>			
4.	<p><u>Para 6.7 of Audit Report</u></p> <p>D of J should expedite action to introduce the necessary legislative amendments so that court cost can be imposed for moving offence ex parte court orders.</p>	<p><u>Para 6.8 of Audit Report</u></p> <p>The Deputy Director of Public Prosecutions agrees with the audit recommendation in general terms.</p> <p><u>At the hearing</u></p> <p>The Deputy Director of Public Prosecutions said that D of J was in the process of drafting the legislative amendments.</p>	<p>Draft drafting instructions to empower Magistrates to award costs when making orders under section 3A and 3B of Cap. 240, are with the Law Draftsman, and it is anticipated that the proposed legislation will be included in an Omnibus Bill which will be presented to LegCo within the forthcoming session.</p>

**香港警察總部**

香港軍器廠街

警政大樓



**HONG KONG POLICE  
HEADQUARTERS**

ARSENAL HOUSE

ARSENAL STREET

HONG KONG

本署檔號 OUR REF : (28) In CP/LA 20/10/2 SF (15) 05-06 Pt III

來函檔號 YOUR REF : CB(3)/PAC/R46

電話號碼 TEL NO : 2860 2445

圖文傳真 FAX NO : 2200 4342

15 January 2007

Clerk, Public Accounts Committee  
(Attn : Ms Dora WAI)  
Legislative Council Secretariat  
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 1 - Collection of fines imposed by Magistrates' Courts**

I refer to your letter of 27 October 2006 and would like to provide the following information for the Public Accounts Committee's reference -

- (a) Progress regarding the review of the existing threshold of \$50,000 for application of distress warrants relating to parking contraventions (Paragraphs 3.4(c) and 3.17(a) of Audit Report refer)

Under the present mechanism, Transport Department (TD) would refuse renewal of annual vehicle licence under the name of the defaulter with outstanding parking fines. As such, most defaulters, after their applications for renewal of licences have been refused by

TD, would pay the outstanding parking fines to the Judiciary so that they could have their licences renewed in TD. Taking into consideration this existing effective means of collecting outstanding parking fines, the estimated costs of executing distress warrants by Judiciary Administrator (JA) and the Police workload in processing the warrants, I am of the view that it would not be cost effective to issue a distress warrant for only a small amount of fine. I thus propose the threshold be revised from \$50,000 to \$5,000. With the proposed threshold of \$5,000, a distress warrant would be issued to a defaulter when a total of 5 court orders of \$1,080 each (i.e. \$320 (fine) + \$320 (penalty) + \$440 (court cost)) have been issued on him.

Based on figures as at 20 December 2006, there are about 630 defaulters with outstanding parking fines between \$5,000 and \$50,000 and if the threshold is lowered to \$5,000, we would have to issue distress warrants to them. Department of Justice (DoJ) has indicated that it has no problems with the proposed threshold of \$5,000. JA also has no objections to the proposed threshold.

As mentioned in my previous letter of 30 September 2006, the vendor of TD's VALID IV project has advised that system modification for the revision could only be made after full development of VALID IV project in August 2007.

The Police would continue to discuss with DoJ, JA and TD the implementation details for the setting of the new threshold, with a view to implementing the change after August 2007.

- (b) Progress regarding the proposed measure of including defaulters with five or more non-payment warrants relating to moving offences in the Immigration Department (ImmD)'s watch list and intercepting them at control points for action by the Police  
(Paragraph 5.17 of the Audit Report refers)

All Police Districts where the immigration control points are located have been canvassed for their views on the proposed measure. The Police are now working out the operational procedures with ImmD. It is estimated that the operational procedures would be completed before end March 2007.

Should you require further information, I shall be happy to assist.

Yours sincerely,



(Mrs. Kitty CHENG)

for Commissioner of Police

c.c. Judiciary Administrator  
Deputy Director of Public Prosecutions  
Commissioner for Transport  
Director of Immigration  
Secretary for Financial Services and the Treasury  
Director of Audit

**律政司  
刑事檢控科**

香港金鐘道 66 號  
金鐘道政府合署高座 5 樓  
圖文傳真：852-2877 0171



5/F., High Block  
Queensway Government Offices  
66 Queensway, Hong Kong  
Fax: 852-2877 0171

本司檔號 Our Ref:  
來函檔號 Your Ref:  
電話號碼 Tel. No.: 2867 2266

6 December, 2006

By Fax : 2537 1204  
By email : cwywong@legco.gov.hk

Chinese translation to follow

Clerk to the Public Accounts Committee,  
Legislative Council,  
8 Jackson Road,  
HONG KONG.

(Attention Ms. Dora Wai)

Dear Ms. Wai,

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

I refer to the Judiciary Administrator's letter of 4 December, and to your subsequent telephone conversation with the writer.

2. On the issue of multiple applications for distress warrants, there have been various discussions and exchanges of correspondence between the Police, the Judiciary Administrator's office and myself.

3. By way of background, the court at which an order for the payment of a fine, additional penalty and any costs will be made, will be determined by the location in which the offence was committed; so that if the offence occurred in the New Territories the court order will be obtained at Shatin Magistracy, if in Kowloon, at Kowloon City Magistracy, and if on Hong Kong Island, at Eastern Magistracy. Distress warrants are currently issued by the same court at which the order for payment was made. Of course the defaulter may live in an entirely different area, and any distress warrant that is issued in the event of non-payment of the sums in court order, will be executed at the defaulter's registered address.

4. Accordingly, it is proposed that applications for distress warrants be made at the designated court for the area in which the defaulter's registered address is located, irrespective of the court at which the order for payment was made. This will mean that when a defaulter has more than one outstanding fine etc., even though the orders for payment may have been made at different courts, that for the purposes of securing the issue of a distress warrant, all applications will be made at the same court i.e. the court nearest to his place of abode.

5. I understand from my discussions with the Judiciary Administrator that, because of the need, in some instances, to move files from one court to another, the processing time for initiating proceedings in respect of those cases, may be lengthened. Further, some adjustment of CASEMAN to facilitate the use of the registered addresses of defaulters, for determining the court at which the distress warrant proceedings will be held, will be necessary.

Yours sincerely,



(John Reading, SC)  
Deputy Director of Public Prosecutions

C.C.

Commissioner of Police

[Attention Mrs. Kitty Cheng] - Fax no. 2200 4342

Judiciary Administrator

[Attention Mr. Augustine Cheng] - Fax no. 2530 2648

Secretary for Financial Services and the Treasury

[Attention Miss Amy Tse] - Fax no. 2147 5239

Commissioner for Transport - Fax no. 2511 4158

Director of Audit - Fax no. 2583 9063

Internal

Ms. Teresa Tang SLC I.

香港司法機構  
司法機構政務處



JUDICIARY ADMINISTRATION  
JUDICIARY  
HONG KONG

本函檔號 OUR REF: SC/CR/15/1/69  
來函檔號 YOUR REF: CB(3)/PAC/R46  
電話 TEL: 2825 4211  
圖文傳真 FAX: 2530 2648

By fax : 2537 1204  
E-mail : cwywong@legco.gov.hk

4 December 2006

With Chinese Translation

Clerk to Public Accounts Committee  
Legislative Council  
8 Jackson Road  
Hong Kong

(Attn.: Ms. Dora Wai)

Dear Ms. Wai,

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

**Chapter 1 – Collection of fines imposed by Magistrates' Courts**

Thank you for your letter of 27 October 2006. I provide additional information as follows:

**(a) Para. 2.16 – Enhancement to the CASEMAN**

2. We will inform the PAC of the progress made in this regard by 15 January 2007 as requested.

**(b) Para. 3.17(b): Multiple applications for distress warrants**

3. The Department of Justice and the Police, in consultation with the Judiciary Administration, have identified an option to tackle this issue. We understand that the Department of Justice will advise the Public Accounts Committee of the details of this option in its progress report.

**(c) Para. 4.18(a): Estimation of the cost of execution of distress warrants**


4. In our reply dated 29.9.2006, we said that we would provide an estimate in November 2006. We have completed the costing exercise.

5. As regards a visit performed by a bailiff for the purpose of executing a distress warrant for which no seizure is made, the average cost is about \$394.

6. In the case for which a seizure is made, the average cost is about \$513.

7. We are passing this information to the Commissioner of Police in connection with his review of the existing threshold of \$50,000 as recommended by the Director of Audit in para. 3.17(a) of the report. We will assess the workload implications for the bailiffs having regard to the proposals of the Police.

Yours sincerely,

  
(Augustine L.S. Cheng)  
for Judiciary Administrator

c.c. Deputy Director of Public Prosecution  
Commissioner of Police (Attn. Mrs. Kitty Cheng)  
Commission for Transport  
Secretary for Financial Services and the Treasury  
(Attn. Miss Amy Tse)  
Director of Audit





電話 2829 383

傳真號碼: 2824 1675

覆函請註明本處檔號

In reply please quote this ref: QA 2481 Pt.14

入境事務處  
Immigration Department

Clerk  
Public Accounts Committee,  
Legislative Council Secretariat,  
Legislative Council Building,  
8 Jackson Road, Central, Hong Kong.

24 May 2006  
Fax: 2537 1204

Dear Sir,

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

**Chapter 1 – Collection of fines imposed by Magistrates' Courts**

Thank you for your letter of 17 May 2006 addressed to the Director of Immigration. I am authorized to reply on his behalf.

Our view is sought as to how the Immigration Department (ImmD) is going to assist in implementing the audit recommendation relating to collection of fines imposed by Magistrates' Courts. I wish to reiterate that ImmD is prepared, upon request of the Police, to intercept payment defaulters of serious cases at control points and quickly hand them over to the Police. Alternatively, ImmD is also prepared to accept legislative amendments to the prescribed Form 29 [warrant for apprehension issued under Section 101A(1)(b) of the Magistrates Ordinance, Cap. 227] to have the apprehension power extended to immigration officers at control points for handing over to police officers for follow-up action.

Yours Truly,

David Chiu

for Director of Immigration

c.c.

PS for S (Attn: Mr Stanley Ying)	[Fax : 2877 0636]
Judiciary Administrator (Attn: Mr Augustine Cheng)	[Fax : 2530 2648]
Department of Justice (Attn: Mr John Reading)	[Fax : 2520 2397]
Commissioner of Police (Attn: Mrs Kitty Cheng)	[Fax : 2866 2579]
Deputy Commissioner of Police (Operations)	[Fax : 2866 2579]
CSP Crime Support (Attn: Mr Ng Kam-wing)	[Fax : 2527 6687]
Commissioner for Transport (Attn: Mrs Margaret Chan)	[Fax : 3101 5561]
S for FS and T (Attn: Miss Amy Tse)	[Fax : 2596 0729]
Director of Audit (Attn: Mr Anthony Suen)	[Fax : 2583 9063]



**運輸署**

**Transport Department**

APPENDIX 21

OUR REF.: LHC 15/5  
YOUR REF.: CB(3)/PAC/R46  
TEL.: 2829 5206  
FAX: 2511 4158

24 May 2006

Clerk,  
Public Account Committee,  
(Attn. Ms Dora WAI)

Dear madam,

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

I refer to your letter of 18 May 2006 and would like to provide additional information in the ensuing paragraphs.

As for Case 5 cited in paragraph 6.11 of the Report, Transport Department and the Judiciary Administrator have searched the relevant records and the findings are-

- (a) the defaulter is of the same person;
- (b) a chronology of the defaulter's payment records and vehicle licensing/transfer transactions is at Annex; and
- (c) the defaulter made cheque/cash payment to settle the outstanding traffic fines on or before the date he applied for transfer of ownership of vehicle or renewal of vehicle licence. At the time the defaulter applied for vehicle/driving licence renewal/transactions, he could either show the receipt issued by the Magistrates' Court as proof of settlement of traffic fines or the computer system indicated that the outstanding fines were paid.

With reference to the members' enquiry on whether the Commissioner for Transport could void the vehicle/driving licence issued to a defaulter who settled the traffic fines by dishonoured cheque, the legal advice is that, the cheque issued by the defaulter is not honoured does not affect the validity of the driving/vehicle licence. As the Commissioner has acted lawfully in issuing/renewing the vehicle/driving licence, the licence cannot be void or invalid under the law.

Should you need further information, we shall be happy to assist.

Yours sincerely,



(Miss LUI Ying)  
for Commissioner for Transport

Encl.

c.c. Judiciary Administrator  
Deputy Director of Public Prosecutions  
Commissioner of Police  
Deputy Commissioner of Police (Operations)  
Secretary for Financial Services & the Treasury (Attn : Miss Amy TSE)  
Director of Audit

Internal

PVLP  
CL

**Case 5****A chronology of the defaulter's payment and vehicle licensing/transfer transactions**

	Date	Cases Involved		Payment to Magistrates' Account Office	Transaction in TD	Existing Payment Status
		Case No.	Fine Amount \$			
1.	June 2001	STP 16735/00	1,080	Cheque payment of \$8,640 on 22.6.2001(which was later found dishonoured)	Transfer of ownership for vehicle 1 on 23.6.2001 (transferred in)	Paid on 1.12.05
		STP 16784/00	1,080			"
		STP 3211/01	1,080			"
		SPP 2071/01	1,080			"
		SPP 2302/01	1,080			"
		SPP 3280/01	1,080			"
		SPP 7101/01	1,080			"
		SPP 7655/01	1,080			"
2.	October 2001	STP 16735/00	1,080	Cheque payment of \$10,800 on 27.10.2001(which was later found dishonoured)	Transfer of ownership for vehicle 1 on 27.10.2001 (transferred out)	Paid on 1.12.05
		STP 16784/00	1,080			"
		STP 3211/01	1,080			"
		SPP 2071/01	1,080			"
		SPP 2302/01	1,080			"
		SPP 3280/01	1,080			"
		SPP 7101/01	1,080			"
		SPP 7655/01	1,080			"
		KCP 2289/01	1,080			"
		STP 7634/01	1,080			"
3.	February 2002	STP 16735/00	1,080	Cheque payment of \$14,040 on 11.2.2002 (which was later found dishonoured)	Licence renewal for vehicle 2 on 15.2.2002	Paid on 1.12.05
		STP 16784/00	1,080			"
		STP 3211/01	1,080			"
		SPP 2071/01	1,080			"
		SPP 2302/01	1,080			"
		SPP 3280/01	1,080			"
		SPP 7101/01	1,080			"

	Date	Cases Involved		Payment to Magistrates' Account Office	Transaction in TD	Existing Payment Status
		Case No.	Fine Amount \$			
		SPP 7655/01	1,080			"
		KCP 2289/01	1,080			"
		STP 7634/01	1,080			"
		STP 14561/01	1,080			"
		STP 15042/01	1,080			"
		STM 13326/01	1,080			"
4.	September 2002	STP 16735/00	1,080	Cheque payment of \$14,040 on 5.9.2002 (which was later found dishonoured)	Transfer of ownership for vehicle 3 on 6.9.2002 (transferred in)	Paid on 1.12.05
		STP 16784/00	1,080			"
		STP 3211/01	1,080			"
		SPP 2071/01	1,080			"
		SPP 2302/01	1,080			"
		SPP 3280/01	1,080			"
		SPP 7101/01	1,080			"
		SPP 7655/01	1,080			"
		KCP 2289/01	1,080			"
		STP 7634/01	1,080			"
		STP 14561/01	1,080			"
		STP 15042/01	1,080			"
		STP 4669/02	1,080			Paid on 12.5.05
5.	May 2003	STP 16735/00	1,080	Cheque payment of \$17,280 on 26.5.2003 at Tsuen Wan Magistracy (receipt No. 006975) (The cheque was later found dishonoured)	(a) Transfer of ownership for vehicle 4 on 26.5.2003 (transferred out) (b) Licence renewal for vehicle 5 on 26.5.2003	Paid on 1.12.05
		STP 16784/00	1,080			"
		STP 3211/01	1,080			"
		SPP 2071/01	1,080			"
		SPP 2302/01	1,080			"
		SPP 3280/01	1,080			"
		SPP 7101/01	1,080			"
		SPP 7655/01	1,080			"
		KCP 2289/01	1,080			"
		STP 7634/01	1,080			"
		KCP 8710/02	1,080			"

	Date	Cases Involved		Payment to Magistrates' Account Office	Transaction in TD	Existing Payment Status
		Case No.	Fine Amount \$			
		STP 14561/01	1,080			"
		STP 15042/01	1,080			"
		STP 4669/02	1,080			Paid on 12.5.05
		STP 10132/02	1,080			Paid on 12.5.05
		STM 13326/01	1,080			Paid on 1.12.05
6.	November 2003	STP 16735/00	1,080	Cheque payment of \$17,280 on 26.11.2003 (which was later found dishonoured)	Licence renewal for vehicle 3 on 27.11.2003	Paid 1.12.05
		STP 16784/00	1,080			"
		STP 3211/01	1,080			"
		SPP 2071/01	1,080			"
		SPP 2302/01	1,080			"
		SPP 3280/01	1,080			"
		SPP 7101/01	1,080			"
		SPP 7655/01	1,080			"
		KCP 2289/01	1,080			"
		STP 7634/01	1,080			"
		KCP 8710/02	1,080			"
		STP 14561/01	1,080			"
		STP 15042/02	1,080			"
		STP 4669/02	1,080	(Payment of \$2,160 on 12.5.05 by cash at Shatin Magistracy)		Paid on 12.5.05
		STP 10132/02	1,080			Paid on 12.5.05
		STM 13326/01	1,080			Paid on 1.12.05
7.	January 2005	STP 16735/00	1,080	Cheque payment of \$15,120 on 13.1.2005 at Tsuen Wan Magistracy (receipt no. 43576011)	(a) Transfer of ownership for vehicle 3 on 13.1.2005 (transferred out) (b) Transfer of ownership for vehicle 6 and 7 on	Paid on 1.12.05
		STP 16784/00	1,080			"
		STP 3211/01	1,080			"
		SPP 2071/01	1,080			"
		SPP 2302/01	1,080			"
		SPP 3280/01	1,080			"
		SPP 7101/01	1,080			"
		SPP 7655/01	1,080			"
		KCP 2289/01	1,080			"

	Date	Cases Involved		Payment to Magistrates' Account Office	Transaction in TD	Existing Payment Status
		Case No.	Fine Amount \$			
		STP 7634/01	1,080			"
		KCP 8710/02	1,080			"
		STP 14561/01	1,080			"
		STP 15042/01	1,080			"
		STP 4669/02	1,080			Paid on 12.5.05
8.	May 2005	STP 16735/00	1,080	Cheque payment of \$17,280 on 12.5.2005 at Tsuen Wan Magistracy (receipt no. 41582099) (The cheque was later found dishonoured)	Transfer of ownership for vehicle 6 on 12.5.2005 (transferred out)	Paid on 1.12.05
		STP 16784/00	1,080			"
		STP 3211/01	1,080			"
		SPP 2071/01	1,080			"
		SPP 2302/01	1,080			"
		SPP 3280/01	1,080			"
		SPP 7101/01	1,080			"
		SPP 7655/01	1,080			"
		KCP 2289/01	1,080			"
		STP 7634/01	1,080			"
		KCP 8710/02	1,080			"
		STP 14561/01	1,080			"
		STP 15042/01	1,080			"
		STP 2343/05	1,080			"
		STP 2422/05	1,080			"
		STM 13326/01	1,080			"

**Note :**

- The defaulter settled all outstanding traffic fines on 1.12.05.
- No outstanding traffic fines are recorded under the defaulter's name.
- Two vehicles are currently registered under the defaulter's name.





Our Ref.: LHC 15/5  
Your Ref: CB(3)/PAC/R46  
Tel: 2829 5207  
Fax: 2511 4158

29 September 2006

Clerk,  
Public Accounts Committee  
(Attn: Ms Dora WAI)

Dear Ms Wai,

**The Director of Audit's Report on the  
Results of value for money audits (Report No. 46)  
Chapter 1 - Collection of fines imposed by Magistrates' Courts**

I refer to your letter of 12 June 2006 and would like to set out the progress of implementation of the audit recommendations made to the Commissioner for Transport on the above subject.

**Paragraph 6.13(a) of Audit Report**

*Commissioner for Transport should, in consultation with the Judiciary Administrator, introduce measures to ensure that defaulters cannot use dishonoured cheques to circumvent the control measures that bar them from using the Transport Department's licensing and vehicle registration services.*

**Progress**

The Commissioner for Transport has reviewed the existing workflow in handling applications from persons who use cheques to settle outstanding traffic fines and then obtain licensing and vehicle registration services from the Transport Department (TD) together with the Judiciary Administrator (JA), the Treasury, and other relevant parties. It has been agreed that JA will provide TD with payment information on the

settlement of traffic fines, and upon notice by the Treasury, update the information within 7 working days so that TD could know if a cheque payment has been dishonoured.

The existing workflow in TD for processing licensing applications will be revised to allow sufficient lead time for clearance of cheque payments. Applicants will be advised that their licensing applications will be processed after 7 working days, if they choose to settle their traffic fines by cheques. Alternatively, applicants can choose to pay the fines by cash or EPS. JA and TD are making the necessary modifications to their respective computer systems with a view to implementing the arrangements in November.

### **Paragraph 6.13(b) of Audit Report**

*Commissioner for Transport should consider taking action against those defaulters who have renewed their driving or vehicle licences by using dishonoured cheques to pay traffic fines.*

### **Progress**

According to the legal advice we have sought, dishonoured cheques issued by the defaulters do not affect the validity of the driving or vehicle licences issued by the Commissioner, and the licences issued cannot be retrieved or voided. We believe that with the implementation of the new arrangement mentioned above, defaulters would no longer be able to use dishonoured cheques to circumvent the control measures and obtain driving or vehicle licences from TD.

Please let us know if you need further information.

Yours sincerely,



(Miss Du Ying)  
for Commissioner for Transport

C.C.

Judiciary Administrator

Deputy Director of Public Prosecutions, Department of Justice

Commissioner of Police

Deputy Commissioner of Police (Operations)

Secretary for Financial Services and the Treasury (Attn: Miss Amy TSE)

Director of Audit

Internal

PVL

CL



**運輸署**

**Transport Department**

APPENDIX 23

Our Ref.: LHC 15/5  
Your Ref: CB(3)/PAC/R46  
Tel: 2829 5206  
Fax: 2511 4158

15 January 2007

Clerk,  
Public Accounts Committee  
(Attn: Ms Dora WAI)

Dear Ms Wai,

**The Director of Audit's Report on the  
Results of value for money audits (Report No. 46)  
Chapter 1 - Collection of fines imposed by Magistrates' Courts**

I refer to your letter of 27 October 2006 and would like to report progress of implementation of a new arrangement in respect of the audit recommendation made to the Commissioner for Transport on the above subject.

**Paragraph 6.13(a) of Audit Report**

*Commissioner for Transport should, in consultation with the Judiciary Administrator, introduce measures to ensure that defaulters cannot use dishonoured cheques to circumvent the control measures that bar them from using the Transport Department's licensing and vehicle registration services.*

**Latest Progress**

As previously reported on 29 September 2006, the Commissioner for Transport has reviewed the workflow in handling applications from persons who use cheques to settle outstanding traffic fines and then obtain licensing and vehicle registration services from the Transport Department (TD).

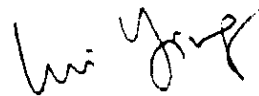
A new arrangement was implemented on 27 November 2006. Licensing applications from applicants who choose to settle their traffic fines by

cheques will be processed after 7 working days in order to allow sufficient lead time for clearance of cheque payments.

The new arrangement was made known to the public through issue of press release and posting of notice at TD's licensing offices and the Account Offices of Magistrates' Courts. This arrangement has been working well and is generally accepted by the public.

Should you need further information, we shall be happy to assist.

Yours sincerely,



(Miss Lui Ying)  
for Commissioner for Transport

c.c.

Judiciary Administrator

Deputy Director of Public Prosecutions, Department of Justice

Commissioner of Police

Deputy Commissioner of Police (Operations)

Secretary for Financial Services and the Treasury (Attn: Miss Amy TSE)

Director of Audit

香港警察總部  
香港軍器廠街  
警政大樓



HONG KONG POLICE  
HEADQUARTERS  
ARSENAL HOUSE  
ARSENAL STREET  
HONG KONG

本署檔號 OUR REF : (18) in CP/IA 20/10/2 SF (15) 05-06 Pt. II  
來函檔號 YOUR REF : CB(3)/PAC/R46  
電話號碼 TEL NO : 2860 2445  
圖文傳真 FAX NO : 2200 4342

19 June 2006

Clerk to Public Accounts Committee  
(Attn : Ms Dora WAI)  
Legislative Council Secretariat  
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 1 - Collection of fines imposed by Magistrates' Courts**

I refer to your letter of 6 June 2006 to Judiciary Administrator ("JA") requesting the latter to provide further information in connection with Table 13 of the above chapter of the report. In respect of the 77 defaulters who had outstanding parking fines of over \$100,000, PAC would like to know:

- (a) the reasons why they had such a large amount of outstanding fines;  
and
- (b) the periods of time taken to accumulate such amount.

On 13 June 2006, JA requested me to assist in answering part (a) and provided a table summarizing the details of the 74 defaulters who had outstanding parking fines of over \$100,000 as at 12 June 2006. A copy of the table is attached at **Appendix A** for your reference. I have examined the information of the table and my observations are as follows:

### **Reasons why the defaulters had such a large amount of outstanding fines**

- 1. The defaulters had contravened numerous parking offences and received a large number of fixed penalty tickets ("FPTs") during the one year period when their annual vehicle licences ("V/Ls") were still valid**

In the majority of cases, the defaulters took only one year or a period within two calendar years to accumulate such a large amount of fines and abruptly no additional fines were accumulated thereafter. Knowing that under the present mechanism Transport Department ("TD") would refuse renewal of annual V/L under a person's name if he has outstanding fines, it is reasonable to believe that the defaulters had contravened numerous parking offences and received a large number of FPTs during the one year period when their annual V/Ls were still valid. Since the defaulters were unable to renew their V/Ls, no more fines were accumulated after expiry of their V/Ls.

- 2. Total amount of outstanding fixed penalty and court cost had accumulated to over \$50,000 to trigger the mechanism for the issue of distress warrants to the defaulters**

The majority of cases met neither criterion (a) that the ownership of the offending vehicle had been transferred nor criterion (b) that the V/L of the offending vehicle had expired for two years. It could be inferred that it was criterion (c) that the total amount of outstanding fines had accumulated to over \$50,000 to trigger the mechanism for the issue of distress warrants to the defaulters. Despite distress warrants had already been issued when the total amount of fines was over \$50,000, the defaulters could still drive their vehicles and receive more and more FPTs before their V/Ls expired. This explains why a number of distress warrants had been issued on the defaulters.

- 3. Distress warrants on the defaulters were unsuccessfully executed.**

Since the majority of the distress warrants on the defaulters were not successfully executed by the Bailiff Office, a large amount of outstanding fines was accumulated as the number of court orders and unexecuted distress warrants on the defaulters piled up. As regards the reasons for the unsuccessful execution of the distress warrants and the actions that had been taken by the Bailiff Office on these unexecuted warrants, the answers would have to be provided by JA.

Based on the further information provided by JA and the Police's records, I have looked into the cases of the 7 most serious defaulters (each had more than \$300,000 outstanding fines), viz. defaulter nos. 32, 36, 37, 46, 47, 70 and 72, with a view to obtaining more evidences to substantiate my above observations. The findings are summarized at **Appendix B**. It is noted that:

- (i) For 6 out of the 7 defaulters, all FPTs were issued during the one year period when their V/Ls were still valid and each of them had only one vehicle. Only one defaulter (defaulter no. 37) had a small portion of FPTs that were issued within one month after expiry of the V/Ls of his two vehicles.
- (ii) For all 7 defaulters, it was criterion (c) that the total amount of outstanding fines had accumulated to over \$50,000 to trigger the mechanism for the issue of the first distress warrant when their V/Ls were still valid.
- (iii) All distress warrants on the 7 defaulters were unsuccessfully executed.

The above findings corroborate my observations.

Police is reviewing the existing criteria (b) and (c) for application of distress warrants relating to parking contraventions. For criterion (b), the proposed revision from when "the V/L of the offending vehicle has expired for two years" to "as soon as the V/L expires" would not be an effective measure against these serious defaulters as distress warrants had already been issued on them when their V/Ls were still valid. For criterion (c), a reduction of the threshold of \$50,000 would trigger the mechanism for the issue of distress warrants to the defaulters at an earlier stage. However, the deterrent effect on these serious defaulters should not be significant as they could still drive their vehicles and receive more and more fixed penalty and court cost before their V/Ls expired. Having considered the information of these 74 defaulters provided by JA, I believe that any changes of the existing criteria for application of distress warrants could not effectively reduce the large amount of outstanding fines imposed by courts in these cases if the success rate of the execution of distress warrants by the Bailiff Office remains at the present level.

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

Yours sincerely,



(Mrs. Kitty CHENG)

for Commissioner of Police

c.c. Judiciary Administrator  
Deputy Director of Public Prosecutions  
Commissioner of Transport  
Secretary for Financial Services and the Treasury (Attn: Miss Amy TSE)  
Director of Audit



**Case details of Table 13 in para. 6.19 of the Audit Report in respect of  
74 defaulters who each had parking outstanding fines of over \$100,000 as at 12.6.2006**

<b>Defaulter</b>	<b>Person/ Company (P/C)</b>	<b>No. of cases involved</b>	<b>Total outstanding amount \$</b>	<b>Period of time taken to accumulate the outstanding amount</b>	<b>No. of warrants issued</b>	<b>Payment status</b>
1	P	162	174,960	1997 - 1998	18	Unpaid
2	P	116	125,280	1997 - 1998	13	Unpaid
3	P	238	257,040	1997 - 1998	17	Unpaid
4	P	109	120,440	1998 - 1999 2001 - 2002	16	Unpaid
5	P	239	258,120	2000 - 2001	20	Unpaid
6	P	124	133,920	1995 - 1996	4	Unpaid
7	P	168	120,000	1993 - 1995	2	Unpaid
8	P	216	108,300	1993	5	Unpaid
9	P	116	125,280	2000	6	Unpaid
10	P	105	113,400	1996- 1997	3	Unpaid
11	P	193	208,440	1997 - 1998	9	Unpaid
12	P	179	193,320	1998	10	Unpaid
13	P	130	140,400	2003 - 2004	18	Unpaid
14	P	117	126,360	1999	5	Unpaid
15	P	232	249,600	1996 - 1997	13	Unpaid
16	P	164	177,120	1999 - 2000	5	Unpaid
17	P	200	100,100	1992 - 1993	7	Unpaid
18	P	168	181,440	2001	5	Unpaid
19	P	144	155,520	1996 - 1997	12	Unpaid
20	P	135	145,800	2000	7	Unpaid
21	P	93	100,440	1998 - 1999	4	Unpaid
22	P	270	205,200	1994-1995	5	Unpaid
23	P	99	106,920	2000 - 2002	20	Unpaid
24	P	125	135,000	2000	9	Unpaid
25	P	98	105,840	2002 - 2005	3	Unpaid
26	P	107	115,560	1999 - 2001	3	Unpaid
27	P	138	116,400	1994 - 1995	7	Unpaid
28	P	324	175,200	1992 - 1993	5	Unpaid
29	P	354	177,000	1991 - 1992	5	Unpaid
30	P	117	126,360	2000 - 2001	3	Unpaid
31	P	135	133,800	1994 - 1995	2	Unpaid
32	P	295	318,600	2000 - 2001	12	Unpaid
33	P	166	174,240	1995 - 1996	3	Unpaid
34	P	138	149,040	1998	6	Unpaid
35	P	132	142,560	1999 - 2000	4	Unpaid
36	P	301	325,080	2001	8	Unpaid

**Appendix A**

Defaulter	Person/ Company (P/C)	No. of cases involved	Total outstanding amount \$	Period of time taken to accumulate the outstanding amount	No. of warrants issued	Payment status
37	P	653	705,240	2000 - 2001	23	Unpaid
38	P	135	145,800	1996	6	Unpaid
39	P	115	124,200	1996	3	Unpaid
40	P	105	113,400	1998	5	Unpaid
41	P	103	111,240	1995 - 1996	14	Unpaid
42	P	118	127,440	1998	8	Unpaid
43	P	107	115,560	1995 - 1996	3	Unpaid
44	P	134	144,720	1995 - 1997	2	Unpaid
45	P	103	107,640	1994 - 1995	5	Unpaid
46	P	362	390,960	1998 - 1999	16	Unpaid
47	P	536	578,880	1996 - 1997	21	Unpaid
48	P	121	130,680	2001 - 2002	7	Unpaid
49	P	142	153,360	1997 - 1999	16	Unpaid
50	P	163	176,040	2000	8	Unpaid
51	P	150	162,000	1997 - 1998	15	Unpaid
52	P	160	172,800	2000 - 2001	5	Unpaid
53	P	100	108,000	2004 - 2005	9	Unpaid
54	P	97	104,760	2000 - 2001	13	Unpaid
55	P	120	129,600	2000 - 2001	11	Unpaid
56	P	128	129,120	1995	2	Unpaid
57	P	177	174,840	1995	5	Unpaid
58	P	180	194,400	2000 - 2001	6	Unpaid
59	P	126	136,080	1995 - 1996	6	Unpaid
60	P	102	110,160	1995 - 1997	9	Unpaid
61	P	165	104,760	1993 - 1994	4	Unpaid
62	P	94	101,520	1998	4	Unpaid
63	C	105	113,400	2002 - 2003	15	Unpaid
64	C	139	129,240	1994 - 1995	3	Unpaid
65	C	100	108,000	2003	12	Unpaid
66	C	112	117,600	1994 - 1996	4	Unpaid
67	C	113	116,040	1995 - 1996	3	Unpaid
68	C	138	149,040	1995 - 1996	8	Unpaid
69	C	234	252,720	2000	16	Unpaid
70	C	689	744,120	1997 - 1998	30	Unpaid
71	C	118	127,440	1998 - 2000	11	Unpaid
72	C	364	393,120	1998	9	Unpaid
73	C	202	192,720	1994 - 1995	4	Unpaid
74	C	116	118,560	1994 - 1995	3	Unpaid

**An analysis of 7 defaulters**  
**who had more than \$300,000 of outstanding parking fines as at 12.6.2006**

<b>Defaulter (Case reference)</b>	<b>Date of 1<sup>st</sup> Distress Warrant (Notes 1 &amp; 2)</b>	<b>Expiry date of V/L of offending vehicle (Notes 3 &amp; 4)</b>	<b>No. of FPTs issued within last valid V/L period (Note 5)</b>	<b>No. of FPTs issued after expiry of V/L (Note 6)</b>
Defaulter no. 32 (L/M 162/01)	2001-07-14	2002-01-31	311	0
Defaulter no. 36 (L/M 113/01)	2001-11-03	2001-11-29	301	0
Defaulter no. 37 (L/M 006/01)	2001-02-03	Vehicle 1: 2001-01-25 Vehicle 2: 2001-08-19	Vehicle 1: 200 Vehicle 2: 427	Vehicle 1: 15 Vehicle 2: 11
Defaulter no. 46 (L/M 226/98)	1998-09-05	1999-06-26	363	0
Defaulter no. 47 (L/M 241/96)	1996-08-10	1997-02-28	536	0
Defaulter no. 70 (L/M 316/97)	1997-12-06	1998-06-17	689	0
Defaulter no. 72 (L/M 055/98)	1998-07-04	1999-01-24	364	0

Note 1 : The 1<sup>st</sup> distress warrant was issued when the total amount outstanding fines had accumulated to \$50,000.

Note 2: All distress warrants on the 7 defaulters were not successfully executed.

Note 3: Each defaulter had only 1 offending vehicle, except defaulter no. 37 who had 2 offending vehicles.

Note 4: V/Ls of all offending vehicles were not renewed after the expiry dates.

Note 5: For defaulters nos 32 & 46, there were slight differences between no. of FPTs issued and no of outstanding cases in Appendix A. It is believed that the 2 defaulters might have paid a few FPTs.

Note 6: For defaulter no. 37, the FPTs were issued within one month after expiry of V/Ls concerned.

香港司法機構  
司法機構政務長用箋



JUDICIARY ADMINISTRATOR  
JUDICIARY  
HONG KONG

Tel. 電話 : 2825 4588

Fax. 圖文傳真 : 2530 2648

Our Ref. : SC(CR) 15/1/69  
Your Ref. : CB(3)/PAC/R46

By fax : 2537 1204  
By e-mail: cwywong@legco.gov.hk

4 July 2006

Clerk, Public Accounts Committee  
Legislative Council  
8 Jackson Road  
Hong Kong

(Attn.: Ms. Dora Wai)

Dear Ms. Wai,

**Report No. 46 of the Director of Audit**

**Chapter 1 – Collection of Fines Imposed by Magistrates' Courts**

With reference to the letter dated 19 June 2006 to you from the Commissioner of Police, copied to the Judiciary Administrator and others, I have examined the results of executing the distress warrants by our Bailiffs against the seven defaulters, viz. defaulter nos. 32, 36, 37, 46, 47, 70 and 72. I enclose our findings and observations.

You have also requested for further information similar to that attached to the Commissioner of Police's letter for the other 4,602 defaulters with outstanding fines amounting to \$2,001-\$5,000, \$5,001-20,000, \$20,001-\$60,000 and \$60,001-\$100,000. Such information is not readily available in CASEMAN, and we estimate that we would take about two months for our CASEMAN office to retrieve and collate the data. The steps involve:

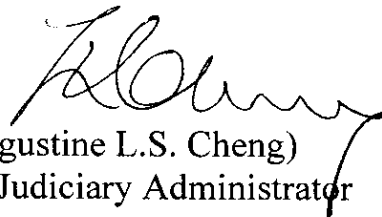
- (a) designing a computer programme to retrieve the data from CASEMAN and then generating the raw data in respect of the name, addresses, case numbers, distress warrant numbers and outstanding amounts of every defaulter;

- (b) grouping the defaulters with similar names and confirming they are the same person/company;
- (c) verifying the data by random checking;
- (d) consolidating and summarising the data having regard to the amount of fines, period of accumulation and number of cases involved; and
- (e) tabulating the information and making analyses.

I should be grateful if you would confirm that you would like us to proceed with obtaining further information on the 4,602 defaulters. In the meantime I have asked our CASEMAN office to get prepared for the necessary work.

I will forward to you shortly a Chinese translation of this letter.

Yours sincerely,



(Augustine L.S. Cheng)  
Acting Judiciary Administrator

Encl.

c.c. Deputy Director of Public Prosecutions  
Commissioner of Police  
Commissioner of Transport  
Secretary for Financial Services and the Treasury (Attn.: Miss Amy Tse)  
Director of Audit

**Execution of Distress Warrants against seven Defaulters  
with outstanding parking fines over \$100,000 each**

**Defaulter No. 32**

Between 13 November 2001 and 26 April 2002, the Bailiffs received 12 distress warrants for execution against this defaulter. The Bailiffs had made five attempts to execute these distress warrants at the address shown therein.

In one attempt, the door was locked and no body answered the door. In the other four attempts, the Bailiffs did not find property belonging to the defaulter for seizure. The Police were informed of the result of each execution attempt.

During the period of their attempts to execute the distress warrants, the Bailiffs had received directions from the court to stay the execution on six occasions.

The defaulter had gone bankrupt and the Police were so informed in March 2006.

**Defaulter 36**

Between 2 January 2002 and 17 February 2004, the Bailiffs received eight distress warrants for execution against this defaulter. The Bailiffs had made six attempts to execute these warrants at three different addresses as given in the distress warrants or provided additionally by the Police.

The Bailiffs found that one address was inaccurate after two attempts. At the second address, the Bailiffs found the premises locked with no one answering the door in two attempts, and were told by an occupier that there was no such defaulter in their third attempt. The Bailiffs made an attempt at the third address and the occupiers told them that there was no such defaulter. The Police were informed of the execution result of every attempt by the Bailiffs.

### **Defaulter 37**

Between 28 March 2001 and 18 November 2003, the Bailiffs received 23 distress warrants for execution against this defaulter. The Bailiffs had made two attempts to execute these distress warrants at two different addresses as given in the distress warrants or provided additionally by the Police. Both attempts were unsuccessful. In one attempt, the Bailiff found that there was no such address. In the other attempt, the Bailiff found that there was no such defaulter at the address. The Police were informed of the execution result of every attempt by the Bailiffs.

### **Defaulter 46**

Between 29 October 1998 and 27 May 1999, the Bailiffs received 16 distress warrants for execution against this defaulter. The Bailiffs had made ten attempts to execute these distress warrants at three different addresses as given in the distress warrants or provided additionally by the Police. The Bailiffs found that one address was a park. As regards the second address, the Bailiffs found that there was no such address. At the third address, the Bailiffs found the premises locked with no one answering the door in all their attempts. The Police were informed of the execution result of every attempt by the Bailiffs.

### **Defaulter 47**

Between 7 October 1996 and 20 October 1997, the Bailiffs received 21 distress warrants for execution against this defaulter. The Bailiffs had made two attempts to execute these distress warrants at two different addresses. The Bailiffs found that one address was incomplete and that there was no such defaulter at the second address. The Police were informed of the execution result of each attempt and they subsequently asked the Bailiffs to withhold further execution action.

**Defaulter 70**

Between 3 February 1998 and 29 December 1998, the Bailiffs received 30 distress warrants for execution against this defaulter. The Bailiffs had sent a letter to the defaulter demanding payment. The letter was returned by the Post Office with a remark "Moved". The Police were informed of this result and they subsequently asked the Bailiffs to take no further action.

**Defaulter 72**

Between 2 September 1998 and 5 January 1999, the Bailiffs received nine distress warrants against this defaulter. The Bailiffs had made three attempts to execute these distress warrants. In two attempts, the Bailiffs found the premises locked with no one answering the door. In the third attempt, the Bailiff found that the defaulter was unknown at the given address. The Police were informed of the execution result of each attempt.



香港特別行政區政府  
政務司司長辦公室



CHIEF SECRETARY  
FOR ADMINISTRATION'S OFFICE  
Government of the Hong Kong  
Special Administrative Region

15 November 2006

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

Dear Ms Hon,

Thank you for your letter of 24 October.

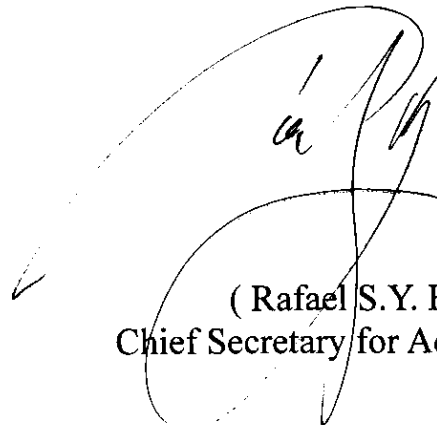
I would like to thank the Public Accounts Committee (PAC) for the effort in examining issues raised in Chapter 1 of Report No. 46 of the Director of Audit on "Collection of fines imposed by Magistrates' Courts".

As noted in the summary of progress attached to your letter, the Judiciary Administrator and relevant departments had accepted all of Audit's recommendations and started or planned for their implementation. We believe that, following implementation of the recommendations, communication and coordination among the departments concerned should improve. There is thus no need for devising a specific arrangement or mechanism for coordinating the collection of fines.

That said, the Administration does appreciate the need for regular reviews to track implementation of the recommendations of Audit and PAC accepted by the Administration, assess the effectiveness of the improvement measures and identify room for further measures for

improvement. To this end, the Financial Services and the Treasury Bureau will coordinate the necessary reviews amongst the Judiciary Administrator and relevant departments.

Yours sincerely,



( Rafael S.Y. HUI )  
Chief Secretary for Administration

c.c. Dr Hon Philip WONG Yu-hong, GBS  
Judiciary Administrator  
Commissioner of Police  
Commissioner for Transport  
Deputy Director of Public Prosecutions  
Secretary for Financial Services and the Treasury  
(Attn: Miss Amy Tse)  
Director of Audit



**By Fax and Despatch**

Your Ref. : CB(3)/PAC/R47  
Our Ref. : HD(H)APP/A 3/4/1  
Tel. No. : 2794 5233  
Fax No. : 2794 5060

19 December 2006

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

Dear Ms. Chu,

**The Director of Audit's Report on the  
results of value for money audits (Report No. 47)  
Chapter 3 : Allocation of public rental housing flats**

Thank you for your letter of 5.12.2006 requesting for progress of actions taken by Housing Department on the above-mentioned report for consideration by the Public Accounts Committee.

The latest progress of the actions taken by this Department in connection with paragraphs 2.23, 3.22, 4.14, 5.14, 5.20 and 6.21 of the Audit Report has been detailed at the **Annex** (both in English & Chinese). Please also note that specific actions taken by this Department to monitor the flat reservation position by the Urban Renewal Authority (para. 3.11 of the Audit Report refers) have been included in Annex.

Soft copy in both languages will be forwarded via e-mail accordingly.

Yours truly,

  
(Mrs. Alice LO)  
for Director of Housing

Encl.

c.c. Director of Audit

**The Director of Audit's Report on the  
results of value for money audits ( Report No. 47 )  
Chapter 3 : Allocation of public rental housing flats**

**Summary of Audit Recommendations and  
Housing Department's Progress of Actions Taken  
(as at December 2006)**

<b>Audit Recommendations</b>	<b>Housing Department's Progress of Actions Taken</b>
<b>Part 2 - Handling of Applications for the Allocation of Public Rental Housing (PRH) Flats</b>	
<p><b>Verification of declared income and assets</b></p> <p>2.22 (a) to remind staff to critically examine bank books and bank statements produced by applicants and family members to ensure that their declared income and assets are correct.</p> <p>2.22 (b) to require applicants and family members to produce records of Mandatory Provident Fund (MPF) contributions and tax returns for checking at the time of the vetting interviews.</p> <p>2.22 (c) to consider keeping copies of bank books, bank statements, records of MPF contributions and tax returns produced by applicants and family members in the files of the Housing Department (HD) for future reference or further checking.</p>	<p>2.23 (a) to (d) All front-line interviewers were directed through meetings/discussions in September &amp; October 2006, to check thoroughly all bank documents produced by applicants in verifying their declared income/assets and to make proper file record to this effect. The requirement for applicants to declare updated information on income/assets at the respective estate offices at the time of intake will continue.</p> <p>In December 2006, we revised the list of documents which applicants must produce at the vetting interview, specifying that records of MPF contributions and tax returns, where applicable, are required documents.</p> <p>Interviewers were directed at staff meetings held since September 2006 to keep copies of bank statements on files whenever necessary. Guidelines in the guidebook for processing Waiting List (WL) Applications are being up-dated to include this requirement and will be published in January 2007. Also, a standard form for interviewers to record details of accounts checked has been used.</p>

<b>Audit Recommendations</b>	<b>Housing Department's Progress of Actions Taken</b>
<p><b>Delay in deleting the names of deceased persons</b></p> <p>2.22 (d) &amp; (e) to issue guidelines on the need to delete the names of deceased applications and deceased family members from the WL promptly, especially for applications under the elderly priority schemes; and</p> <p>to expedite deletion of the deceased persons from the WL application and ensure that after deletion such application is still eligible for allocation of a PRH flat, especially under the elderly priority schemes.</p>	<p>2.23 (e) to (h) All staff have been directed through team meetings since September 2006 to take prompt action to delete deceased persons from the WL. This requirement will be incorporated in the latest edition of the processing guidebook which is scheduled for issue in January 2007.</p> <p>Enhancement to the new computerized management information system (scheduled to be launched in late 2007) is being explored with a view to prompting processing staff for effecting deletions of deceased persons in a timely manner.</p>
<p><b>In-depth checking of selected applications</b></p> <p>2.22 (f) to require the Task Force to check the income, in addition to the assets, of applicants and family members in respect of the applications referred to it by the Allocation Section.</p>	<p>2.23 (i) HD's Public Housing Resources Management Sub-section (PHRMS) (formerly known as Task Force Against Abuses of Public Housing Resources) now carries out in-depth checking of both income and assets of PRH applicants and family members on cases referred to it by the Allocation Section.</p>
<p><b>Investigation cases referred to the Task Force</b></p> <p>2.22(g) to issue guidelines to ensure that the Allocation Section refers all suspicious cases to the Task Force for in-depth investigation.</p>	<p>2.23 (j) The Allocation Section has critically reviewed existing measures and practice of referring cases to the PHRMS for in-depth checking. The WL guidebook is being updated for issue in January 2007.</p>

Audit Recommendations	Housing Department's Progress of Actions Taken
<p><b>Prosecution of PRH applicants</b></p> <p>2.22(h) &amp; (i) to step up prosecution action against persons who knowingly make a false statement in an application for the allocation of a PRH flat; and</p> <p>to step up publicity efforts on the convicted cases to achieve a better deterrent effect.</p>	<p>2.23 (k) to (p)</p> <p>Prompt action on cases of knowingly making false statements has been taken and will continue to be taken.</p> <p>Training or experience-sharing opportunities are provided from time to time to interviewing staff on taking evidence and interview detection techniques.</p> <p>Press releases are issued to publicise convicted cases. Notices of convicted cases are posted up at prominent places at the Lok Fu Customer Service Centre.</p>
<b>Part 3 -Reservation of Public Rental Housing Flats</b>	
<p><b>Flats reserved by the Urban Renewal Authority (URA)</b></p> <p>3.10 The Director of Housing, in consultation with the URA, should</p> <p>(a) critically review the existing arrangement of reserving and forecasting the demand for PRH flats each year so as to reduce the vacant period of PRH flats reserved by the URA to a minimum; and</p> <p>(b) ensure that PRH flats not taken up by clearances are returned to the HA promptly.</p>	<p>3.11 (a) to (g)</p> <p>URA has stated that they are obliged to hold minimum sufficient number of rehousing flats to meet demand at various stages of clearance which normally takes two to four years to complete.</p> <p>Since October 2006, HD has stepped up monitoring by issuing monthly request to URA for reviewing their housing demand and releasing promptly unused flats for HA's disposal. A number of vacant flats have since been returned to HD.</p> <p>With a view to further enhancing the monitoring of flat reservation, HD and URA have agreed to hold meetings at senior management level on a quarterly basis to review reservation of flats by URA. Targets for examination will be those flats having been reserved for over 12 months. The first meeting has been arranged for January 2007.</p>

Audit Recommendations	Housing Department's Progress of Actions Taken
<p><b>Monitoring of flats reserved by estate offices</b></p> <p>3.21 (a) to ensure that the monitoring exercises of flats reserved by estate offices are carried out quarterly as stated in the Operation Manual of the Lettings Unit (LU).</p> <p><b>Release of flats reserved by estate offices</b></p> <p>3.21 (b), (c) &amp; (d) to ensure that estate offices submit to the LU all the confirmation and standard forms on the reserved PRH flats, all information on de-reservation of PRH flats submitted by estate offices is promptly updated, and to ensure that these flats are made available for letting.</p>	<p>3.22 (a) to (f) HD has reviewed and enhanced the monitoring mechanism for flats reserved by estate offices.</p> <p>Under the new mechanism, a monthly reminder memo is sent to estate staff for critically reviewing the flats having been reserved for over two months. If further reservation is required, Chief Manager's approval must be obtained and forwarded to LU by a specified deadline. If there is no positive indication of further retention by the deadline, de-reservation of flats will be arranged by LU without prior notification to estate staff, and the flats so released will immediately be made available for letting.</p> <p>To speed up the process and to overcome the possible mislaid of confirmation memo from estate office to LU, replying by "fax to e-mail" is required under the new arrangement.</p> <p>Following the launch of the new monitoring mechanism, a drop of flats reserved for estate use has been observed (370 flats in September 2006, 305 flats in October 2006 and 256 flats in November 2006).</p> <p>In order to alert estate staff to the financial impact of flat reservation, the rental loss due to flat reservation is listed so as to prompt staff's critical examination of their reservation requirement.</p>

Audit Recommendations	Housing Department's Progress of Actions Taken
<p><b>Flats withheld for major repairs</b></p> <p>3.21 (e) to expedite action to complete major repair works and release them for letting.</p>	<p>3.22 (g)</p> <p>For flats withheld from letting for major repair works, we have escalated the monthly monitoring system to the Chief Manager's level since September 2006 for ensuring early completion of the repair works and release of flats for letting.</p> <p>It is noted that there has been a progressive decrease of flats withheld for major repairs (157 flats in September 2006, 111 flats in October 2006).</p>
<p><b>Part 4 - Provision of Housing for Senior Citizens (HSC)</b></p>	
<p><b>High vacancy rate of HSC units</b></p> <p>4.13 (a) (b) (c) (d) The Director of Housing, in consultation with the HA, should:</p> <p>(a) formulate a long term strategy to address the problem of vacant HSC units;</p> <p>(b) closely monitor the overall vacancy position of HSC units and take expeditious action to reduce the number of vacant units, including the conversion of vacant HSC units into : (i) self-contained units for self-reliant elderly persons; (ii) PRH flats for eligible applicants; or (iii) other beneficial uses (such as non-domestic purposes);</p> <p>(c) continue to offer the vacant HSC units to other applicants on the WL for the allocation of PRH flats through normal allocation and the EFAS so as to make full use of these units;</p>	<p>4.14 (a) to (d)</p> <p>To address the high vacancy rate of HSC units, the Subsidized Housing Committee of the HA has approved on 21 July 2006 a long term plan to convert HSC units surplus to demand into normal PRH flats with a conversion target of 500 units per year. Suitable HSC units have been identified. The programme will start from this financial year.</p> <p>We will closely monitor the overall supply and demand of HSC units in the coming years. Vacant HSC units not included in the conversion programme will continue to be offered to applicants on the WL and in the Express Flat Allocation Scheme (EFAS) exercises. In the latest EFAS exercise, 878 HSC units have been selected by WL applicants and will be let out once the applicants have been verified having met all other criteria.</p>

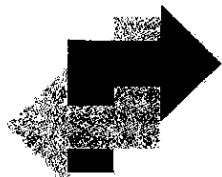


<b>Audit Recommendations</b>	<b>Housing Department's Progress of Actions Taken</b>
<p>(d) expedite action to let out the vacant area of 1,025 square meters on the sixth floor of Tin Chak Estate and put the vacant HSC units on the other floors of the premises to other beneficial uses.</p>	<p>The remaining vacant area on the sixth floor of the HSC at Tin Chak Estate will be let to three non-government organizations, namely the Caritas Hong Kong, St. James Settlement and Yang Memorial Methodist Social Service, with tenancies to commence in early 2007. Tin Chak Estate has been included in the first stage of the HSC conversion programme. We are examining the feasibility to convert the vacant units on the other floors of the premises to normal PRH units or other beneficial uses.</p>
<b>Part 5 - Provision of Interim Housing (IH) Flats and Accommodation in Transit Centres (TC)</b>	
<p><b>Registration of IH licensees on the WL</b></p> <p>5.13 (a) &amp; (b) to take effective measures to ensure that all IH licensees promptly apply for registration on the WL in accordance with the Estate Management Division Instruction; and</p> <p>to take prompt follow up action on all cancellation or withdrawal of registration cases on the WL.</p> <p><b>IH licensees ineligible for the allocation of PRH flats</b></p> <p>5.13 (c) &amp; (d) HD needs to ascertain the reasons for not requiring IH licensees to move out from the IH flats after staying for more than one year and review the justifications for exemption in each case. If no justifications for exemption exist, to take action to enforce the provisions in the Estate Management Division Instructions.</p>	<p>5.14 (a) &amp; (b) HD has taken effective measure to ensure all IH licensees apply for registration on the WL as required by the licensing requirement. We have recently sent registration teams to the IH estates to provide registration services to the IH residents. As at end November 2006, we have successfully registered 277 IH households on the WL. Those failing to respond within three months will be allowed to remain in the IH for a maximum period of 12 months only, and will be required to pay additional licence fees.</p> <p>5.14 (c) In addition to the tightening up measures above, we are critically reviewing the existing practices on IH management and new guidelines will be issued to our staff.</p>

<b>Audit Recommendations</b>	<b>Housing Department's Progress of Actions Taken</b>
<p><b>High vacancy rate of IH flats</b></p> <p>5.13 (e) HD needs to expedite action to explore the feasibility of:</p> <ul style="list-style-type: none"> <li>(i) implementing measures to reduce the number of vacant IH units; and</li> <li>(ii) converting the two old Kwai Shing East and Shek Lei (II) IH Estates into other beneficial uses.</li> </ul>	<p>5.14 (d) to (g) We will review the minimum number of IH flats required to meet operational needs, and take prompt action to convert the IH flats surplus to requirement into other beneficial uses. We are finalizing the way forward for Kwai Shing East and Shek Lei (II) IH estates, and proposals will be put forward to the HA in due course.</p>
<p><b>High vacancy rate of TCs</b></p> <p>5.19 (a) &amp; (b) to review the demand for temporary accommodation in the Po Tin TC and explore the feasibility of converting the surplus accommodation into other beneficial uses (e.g. Estate Management Offices).</p>	<p>5.20 (a) &amp; (b) We will keep in view the demand for temporary accommodation in TC and consider the conversion of surplus units in Po Tin TC accordingly.</p>
<p><b>Long period of stay of residents at TCs</b></p> <p>5.19 (c) to (f)</p> <ul style="list-style-type: none"> <li>(i) to expedite action to ascertain the eligibility of the residents staying at TCs for the allocation of PRH flats;</li> <li>(ii) to take prompt action to rehouse eligible residents to PRH/IH flats;</li> <li>(iii) to help ineligible residents to seek assistance from the SWD or non-government organizations for alternative/permanent accommodations;</li> <li>(iv) to expedite action to rehouse the eight residents at the Wong Chuk Hang TC so that the TC can be closed and</li> </ul>	<p>5.20 (c) to (e) We have expedited action to ascertain the eligibility of TC residents and to rehouse eligible residents to PRH/IH flats. We have also referred cases ineligible for rehousing to PRH/IH but with justifiable reasons to the SWD or non-government organizations for professional assistance.</p> <p>5.20 (f) Following the successful rehousing of all the remaining residents, the Wong Chuk Hang TC was closed at end September 2006, and the site will be returned to the Government in due course.</p>

<b>Audit Recommendations</b>	<b>Housing Department's Progress of Actions Taken</b>
returned to the Government as soon as possible.	
<b>Part 6 - Letting of Less Popular Flats</b>	
<p><b>Identification of less popular flats</b></p> <p>6.20 (a) &amp; (b)</p> <p>to introduce control measures to ensure that, before the launching of an EFAS exercise, all estate offices provide the necessary information about less popular flats to the Allocation Section, in particular those flats with unpleasant incidents or environmental factors or situated in less desirable locations, and to ensure all estate offices promptly submit the confirmation and standard forms on vacant flats with unfavourable factors to be allocated through the EFAS exercises, including the nil returns.</p>	<p>6.21 (a) &amp; (b)</p> <p>To avoid omission and/or delay of returns from estate staff, all estate offices are required to reply to LU, including nil returns, by a stated deadline. LU keeps a control register on the returns from the estate offices, and will take immediate follow-up action when a reply is overdue. Under this new arrangement, all estate offices were found having submitted their replies in good time in the latest EFAS exercise.</p>
<p><b>Acceptance of less popular flats by applicants on the WL</b></p> <p>6.20 (c) &amp; (d)</p> <p>to consider offering more chances to applicants to select less popular flats pooled for the EFAS exercises, and relaxing the allocation standard on flat size for less popular flats in warranted cases</p> <p>6.20 (e) – (f)</p> <p>to introduce more incentive schemes to attract applicants on the WL to select less popular flats in the EFAS exercises, and to step up publicity efforts to promote the benefits of obtaining a less popular flat.</p>	<p>6.21 (c) to (g)</p> <p>To facilitate a better acceptance rate of the less popular flats, we have planned that, in the next EFAS exercise to be held in 2007, applicants who fail to select a flat in the first round will be given a second chance to make another selection from those flats rejected by applicants in the first round. We will continue to exercise flexibility in relaxing the allocation standard on flat size for less popular flats in justified cases.</p> <p>We are putting together a proposal for introducing more incentives, which include offering four to six months' rent-free period, for tenants moving into units which have been</p>

Audit Recommendations	Housing Department's Progress of Actions Taken
	vacant for 12 months or more. We will step up publicity efforts when we introduce the enhanced EFAS exercise as mentioned above in 2007.
<p><b>Remedial actions to improve the conditions of less popular flats</b></p> <p>6.20 (g) to (j)</p> <p>to carry out modification works (e.g. toilets) to the less popular flats in warranted cases;</p> <p>to convert large-sized less popular flats into other beneficial uses; and</p> <p>to conduct survey to collect feedback for improvement on EFAS.</p>	<p>6.21 (h) to (m)</p> <p>The toilet modification scheme for one-person units in Po Tin Estate has been extended to other flat types in Po Tin and Tin Yan Estates.</p> <p>A further regional transfer exercise has been launched in October 2006 for letting of large-sized flats in Tuen Mun, Yuen Long and Tung Chung area. For vacant flats in Lung Tin Estate, we are examining the possibility of converting them into other uses.</p> <p>We have randomly enquired about 1,500 applicants attending the latest EFAS flat selection for their reasons for not selecting a flat. The findings will be taken into account in planning for the next EFAS.</p> <p>The findings of HD's survey on Waiting List applicants for PRH published in August 2006 also included a part on applicants' views on EFAS. Findings will be incorporated in the planning of the next EFAS.</p>



**Trade and Industry Department**  
**The Government of the Hong Kong Special Administrative Region**  
**香港特別行政區政府 工業貿易署**

Trade and Industry Department Tower, 700 Nathan Road, Kowloon, Hong Kong  
 香港九龍彌敦道 700 號工業貿易署大樓  
 Fax 圖文傳真 : (852) 2789 2491 Website 網址 : [www.info.gov.hk/tid](http://www.info.gov.hk/tid)

Your Ref : CB(3)/PAC/R47  
 Tel. No. : 2398 5302  
 Fax No. : 2789 2491

21 December 2006

Public Accounts Committee  
 Legislative Council  
 Legislative Council Building  
 8 Jackson Road  
 Central  
 Hong Kong  
 (Attn: Ms Serena Chu)

Dear Ms Chu,

**The Director of Audit's Report on the  
 results of value for money audits (Report No. 47)**

**Chapter 4: Four small and medium enterprise funding schemes**

Thank you for your letter of 5 December 2006.

I attach a table (in English and Chinese) setting out the progress made by the Trade and Industry Department in implementing the recommendations of the Audit Report. Soft copies will be sent to you via email.

Yours sincerely,

( Clement Leung )

Acting Director-General of Trade and Industry

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

Encl.



**Progress made by the Trade and Industry Department in  
Implementing the Recommendations as set out in  
the Director of Audit's Report (No. 47)**

**I. SME Export Market Fund (para. 2.30)**

<b>Audit Recommendation</b>	<b>Progress</b>
(a) Continue to improve the TID system and monitor the situation. The TID should assess the risk of abuse and, if necessary, take appropriate action to further strengthen the system.	<ul style="list-style-type: none"> <li>● To protect public expenditure, we have been improving the risk management and targeting approach over the years. For details, please refer to paragraph 2.31(b) of the Audit's Report.</li> <li>● We will continue to keep our control system under constant review and will make vigorous efforts to guard against potential abuses.</li> </ul>
(b) Re-examine some of the claims to identify obvious non-compliance cases and take action to recover the grants paid.	<ul style="list-style-type: none"> <li>● We are re-examining the 138 cases mentioned in Table 3 of paragraph 2.10 of the Audit's Report in which SMEs had submitted applications within one month of their business registration.</li> <li>● In respect of the two applications in which the SMEs had submitted applications on the same day of their business registration, no irregularity/abuse was found.</li> <li>● For the remaining 136 cases, re-examination is underway. So far, no irregularity/abuse has been identified.</li> </ul>
(c) Rectify the deficiencies of the TID computer system as soon as possible.	<ul style="list-style-type: none"> <li>● Enhancements to the computer system have been made to address the deficiencies identified and the excess grants of \$74,816 paid in all the 5 cases have been fully recovered.</li> </ul>

Audit Recommendation	Progress
(d) Regularly extract exceptional cases from the computer system for follow-up review.	<ul style="list-style-type: none"> <li>● We are running reports from the computer system to identify any exceptional cases for follow-up review on a regular basis.</li> </ul>
(e) Develop additional performance targets and indicators to help measure the extent to which the EMF has met its objectives.	<ul style="list-style-type: none"> <li>● We will include two additional indicators, i.e. "number of SME beneficiaries" and "amount of government grants" in the Controlling Officer's Report.</li> </ul>
(f) Set up a mechanism for collecting information from SMEs on the benefits they expect to gain from participating in the export promotion activities, and for monitoring the actual benefits gained.	<ul style="list-style-type: none"> <li>● We are considering the recommendation and will consult SMEC as appropriate.</li> </ul>
(g) Conduct at an opportune time an effectiveness review of the EMF.	<ul style="list-style-type: none"> <li>● We are considering the recommendation, and will consult SMEC as appropriate.</li> </ul>

## II. SME Training Fund (para. 3.22)

Audit Recommendations	Progress
<p>(a) Re-examine the paid claims under the STF to identify any obvious non-compliance cases (e.g. trainees claiming STF grants both as the employers and employees of the same SME) and take action to recover, if possible, any grants improperly obtained.</p>	<ul style="list-style-type: none"> <li>● We have re-examined all the paid claims involving trainees claiming STF grants both as employers and employees of the same SME (involving a total of 144 trainees). Findings as follows: <ul style="list-style-type: none"> <li>- 26 trainees (18%) had genuinely changed their employer/employee status at the time of different applications;</li> <li>- 89 trainees (62%) had obtained grants in the inappropriate category but the total grants obtained were within the ceiling of the appropriate category. Adjustments have been made in our records and no other follow-up action is required; and</li> <li>- 29 trainees (20%) had obtained grants in the inappropriate category and the total grants obtained had exceeded the ceiling of the appropriate category. We are now taking action to recover the excess grants of \$106,221.</li> </ul> </li> </ul>
<p>(b) Thoroughly examine the 3,100 outstanding grant applications as at the end of July 2006 to confirm that the claims for grants are proper.</p>	<ul style="list-style-type: none"> <li>● As applications processed after June 2004 had already been subjected to scrutiny under the "alert parameters" mechanism, we will focus on cases processed before June 2004 but pending reimbursement payments.</li> <li>● Since the thorough examination of the reimbursement applications in August 2006, two cases had been rejected as the trainees were not employers/employees of the applicants.</li> </ul>



Audit Recommendations	Progress
	<ul style="list-style-type: none"> <li>● Up to end November 2006, 1 040 cases are still pending as the trainees have yet to complete the training courses and submit reimbursement applications (these applications would have to be submitted to TID by 30 June 2007).</li> </ul>

### III. SME Loan Guarantee Scheme (para. 4.28)

#### Management of default risk

Audit Recommendation	Progress
(a) Regularly compile analyses of the loan default rates by various parameters (e.g. size, age and business nature of the SMEs) for risk management purpose.	<ul style="list-style-type: none"> <li>● We have included size, age and business nature of the SMEs as parameters to enhance the analysis of loan default rates.</li> </ul>
(b) Monitor closely the default rates of loans advanced by PLIs.	<ul style="list-style-type: none"> <li>● We are monitoring the default rates by PLIs on a weekly basis. In cases of concern, we shall contact the relevant PLI for clarification. If necessary, we will consider taking relevant actions (such as withholding issue of new guarantees to the PLI).</li> </ul>
(c) Assess the risks faced by the Government relating to the provision of loan guarantees to SMEs owned by the same major owners and take effective measures to address such risks.	<ul style="list-style-type: none"> <li>● According to the Supervisory Policy Manual issued by the Hong Kong Monetary Authority, PLIs should make cross-reference to related borrowers/guarantors to assess the loan risk. We believe that PLIs have considered relevant data on related borrowers/guarantors when assessing the loans. We will remind PLIs to comply with the requirement when handling SGS applications.</li> </ul>
(d) Collect information on details of the major owners of SMEs at the time of guarantee application, and implement checking procedures to help identify multiple government guarantees to be given to related SMEs owned by the same major owners.	<ul style="list-style-type: none"> <li>● We have requested the applicants to provide information of the major owners of SMEs at the time of guarantee application. If we find that there is/are related SME(s) already obtained guarantees under the scheme, we shall follow up to ascertain whether there is possible abuse in circumventing the guarantee ceiling.</li> </ul>

### Vetting of default claims

Audit Recommendation	Progress
(e) Conduct thorough vetting of the default claims before making compensation payments to PLIs. In particular, the TID should ensure that it has obtained adequate evidence to ascertain that the PLIs have carefully assessed the creditworthiness of the SMEs concerned.	<ul style="list-style-type: none"> <li>● We are carefully assessing each default claim to make sure that PLIs have exercised prudence and due diligence in assessing the loans. In cases of doubt, we will seek clarifications from PLIs. We will request access to PLIs' loan files if necessary.</li> </ul>

### Enhancing the impact of the SGS on the local economy

Audit Recommendation	Progress
(f)(i) Review whether the Government should devote more resources from the SGS to help SMEs in the service sector.	<ul style="list-style-type: none"> <li>● Together with the Small and Medium Enterprises Committee, we are now conducting a review on the scope and operation of the SGS with a view to assisting more SMEs in the service sector.</li> </ul>
(f)(ii) Take measures to ensure that only SMEs with substantive business operations in Hong Kong will receive assistance under the SGS.	<ul style="list-style-type: none"> <li>● If the SME applicant is established for less than 6 months, we will seek PLI's clarification on whether the SME concerned has substantive business operations in Hong Kong.</li> </ul>
(g) Follow up on the outcome of the implementation of the SGS (e.g. the number of additional local jobs created) to assess whether the targets on additional impacts are achieved.	<ul style="list-style-type: none"> <li>● We are considering the recommendation, and will consult SMEC as appropriate.</li> </ul>

## Assessing the effectiveness of the SGS

Audit Recommendation	Progress
(h) Develop additional performance targets and indicators, including outcome targets, that can adequately help stakeholders assess the efficiency and effectiveness of the SGS in meeting its objectives.	<ul style="list-style-type: none"> <li>● We will include two additional indicators, i.e. “number of applications received and processed” and “number of SME beneficiaries”, in the Controlling Officer’s Report.</li> </ul>
(i) Draw on overseas experiences in the performance measurement and reporting of similar schemes, with a view to setting targets on additional impacts of the SGS.	<ul style="list-style-type: none"> <li>● We are considering the recommendation, and will consult SMEC as appropriate.</li> </ul>

#### IV. SME Development Fund (para. 5.19)

Audit Recommendations	Progress
(a) Monitor the number of applications received closely, assess whether the SMEs' needs for support under the SDF have diminished and whether TID needs to take a more proactive approach to help support organizations identify potential projects.	● We have adopted a more proactive approach to publicise the scheme (e.g. issuing of invitation letters to industrial organizations and organization of briefing sessions). We have also conducted a series of meetings with interested parties to identify potential projects. We will also assess SMEs' needs from time to time and devise appropriate actions accordingly.
(b) Take measures to ensure that applicants always provide quantitative measurement on the adoption of their project results by the industry as required in the "SDF Guide to Application".	● While we will encourage applicants to provide quantitative measurements, the diverse nature of the project deliverables (e.g. reference books or websites providing information) may make it impracticable for all applicants to provide such information.
(c) Consider further publicising the results of funded projects through building up a central pool of useful information on the SME website of the TID.	● We have modernised the SDF webpage by including a summary of project results of the funded projects and providing hyperlinks to relevant websites. A new icon will also be added to the website of the Support and Consultation Centre for SMEs (SUCCESS) to facilitate the public in searching for SDF project results.
(d) Develop additional targets and indicators to help measure the extent to which the SDF has met its objectives.	● We will include "amount of government grants" as a new indicator in the Controlling Officer's Report.
(e) Set up a mechanism to monitor the achievements of the additional targets and indicators and conduct at an opportune time an effectiveness review of the SDF to assess the extent to	● We are considering the recommendation and will consult SMEC as appropriate.

Audit Recommendations	Progress
which it has met its objectives.	

# **Hospital Authority**

## **Management of Outstanding Medical Fees**

## Outline

1. 5-year overview of fees collection
2. Actions taken so far
3. Further measures being considered to enhance fee collection



## 1. 5-year Overview

- Defaulted payment of fees for the five years ended 31 August 2006

Number of cases in default	Number of patients (a)	Amount of fees in default			Average amount of fees in default per patient (e) = (d) / (a) (\$)
		Written off in the five years (b) (\$'000)	Outstanding as at 31 August 2006 (c) (\$'000)	Total (d) = (b) + (c) (\$'000)	
EPs	160,875	31,549	67,317	98,866	615
NEPs	36,624	122,962	100,028	222,990	6,089
EPs and NEPs	197,499	154,511	167,345	321,856	1,630

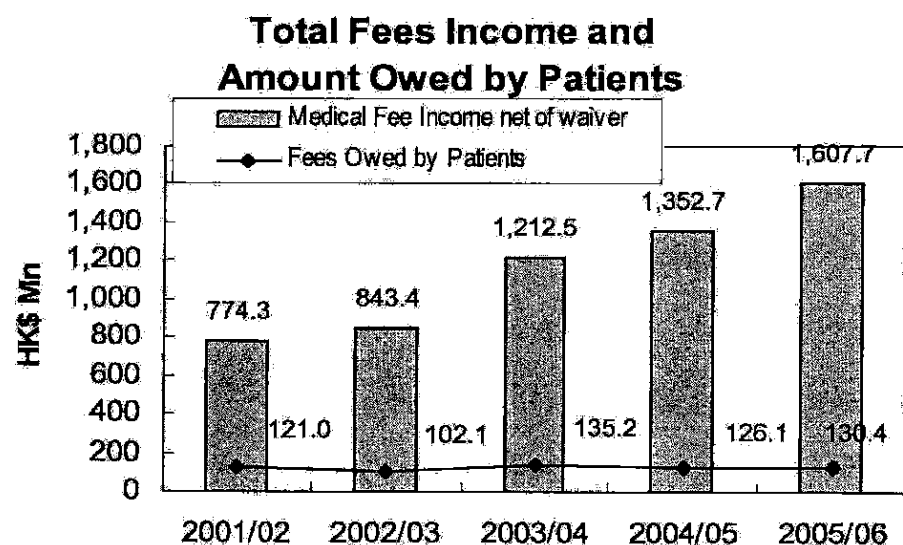
EPs: Eligible Persons

NEPs: Non-eligible Persons

*Source: Table 19 of Report No. 47 Of the Director of Audit (Chapter 5)*

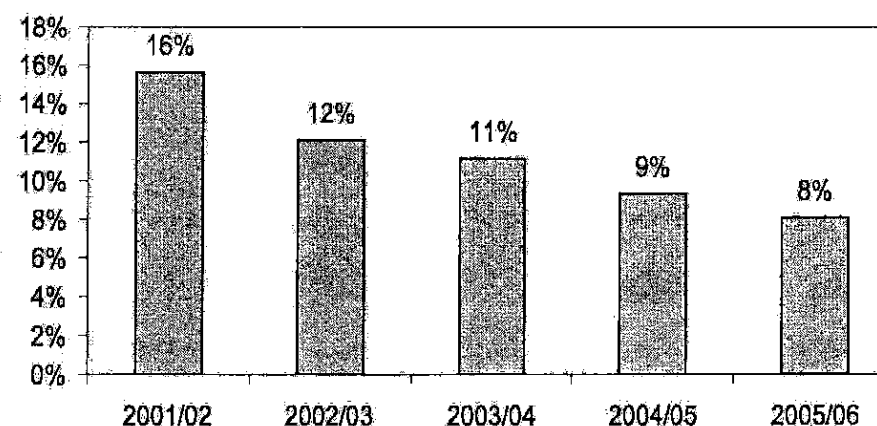
## 1. 5-year Overview (cont'd)

- Fees collection more than doubled in 5 years
- Fees owed at year end stays the same
- % of outstanding fees declines over the years



Year ended Mar 31	2001/02	2002/03	2003/04	2004/05	2005/06
Accounts Receivable Turnover	57 days	44 days	41 days	34days	30 days

### % Fees Outstanding at Year End

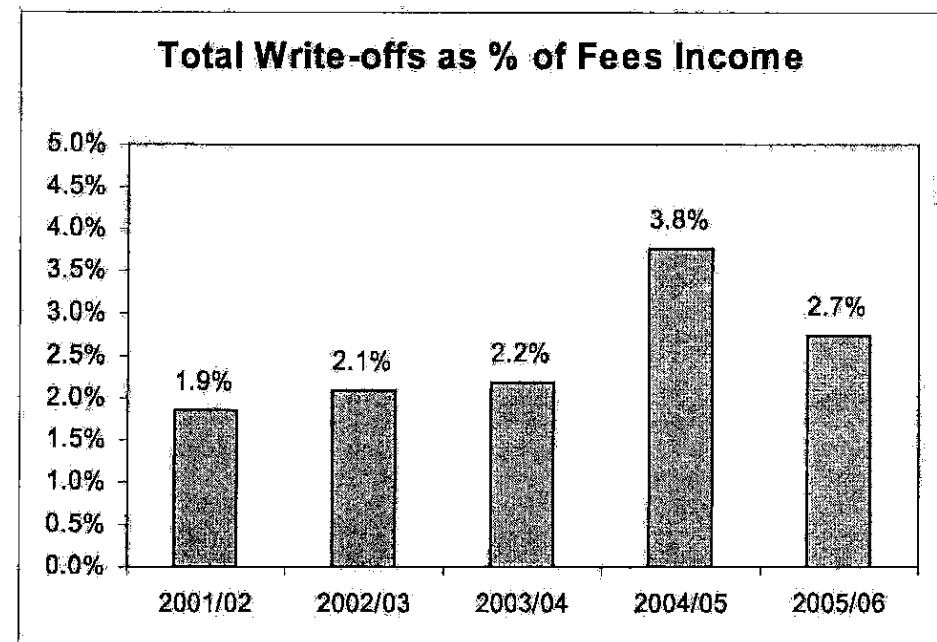
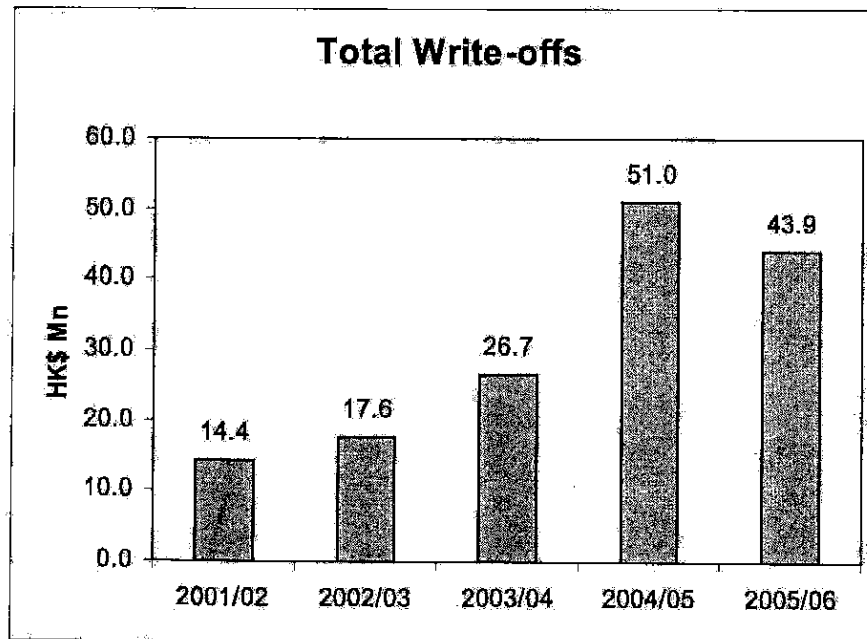


#### Aging Analysis of Fees Outstanding as at 31 March 2006:

Overdue (months)	<=3	>3-6	>6-9	>9-12	>12-24	>24	Total
As % of total income	4.2%	1.8%	0.9%	0.5%	0.5%	0.2%	8.1%

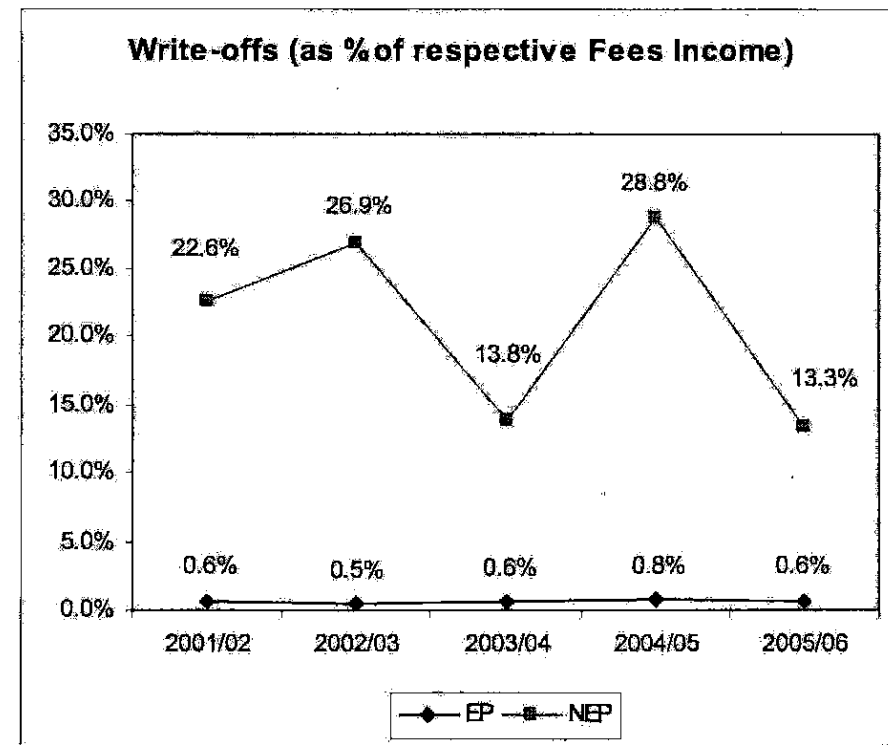
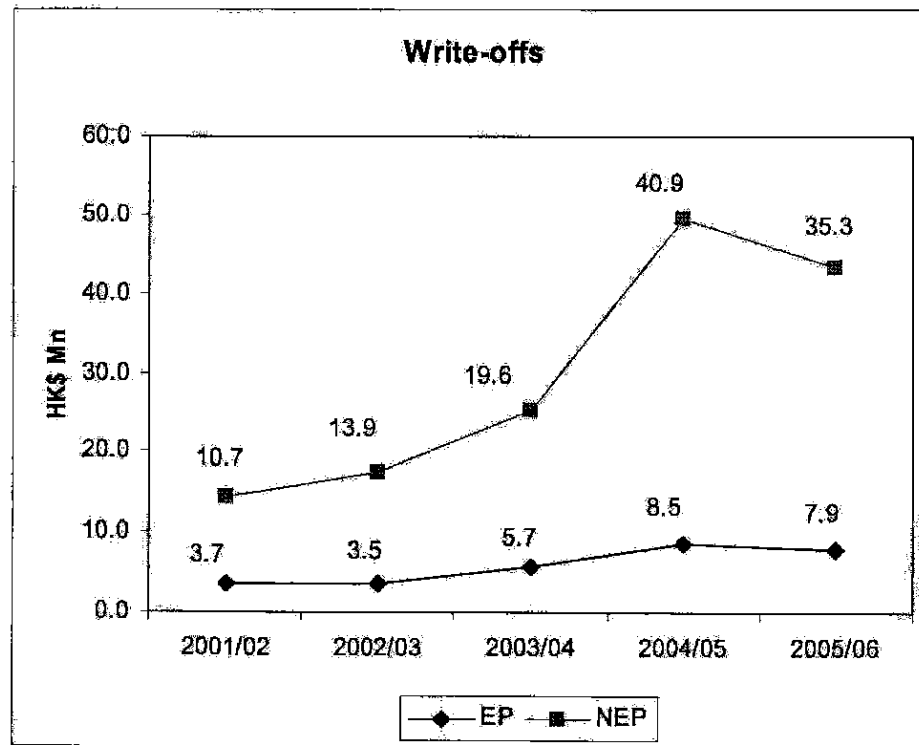
## 1. 5-year Overview (cont'd)

- But the amount and % of write-offs has increased, in response to:
  - Fee increase in 2003/04 (12 month lag to write-off)
  - Classification of non-resident spouses of Hong Kong residents as NEPs in April 2003
- There has been some progress in the last year in reducing write-offs (from \$51M to \$43.9M)

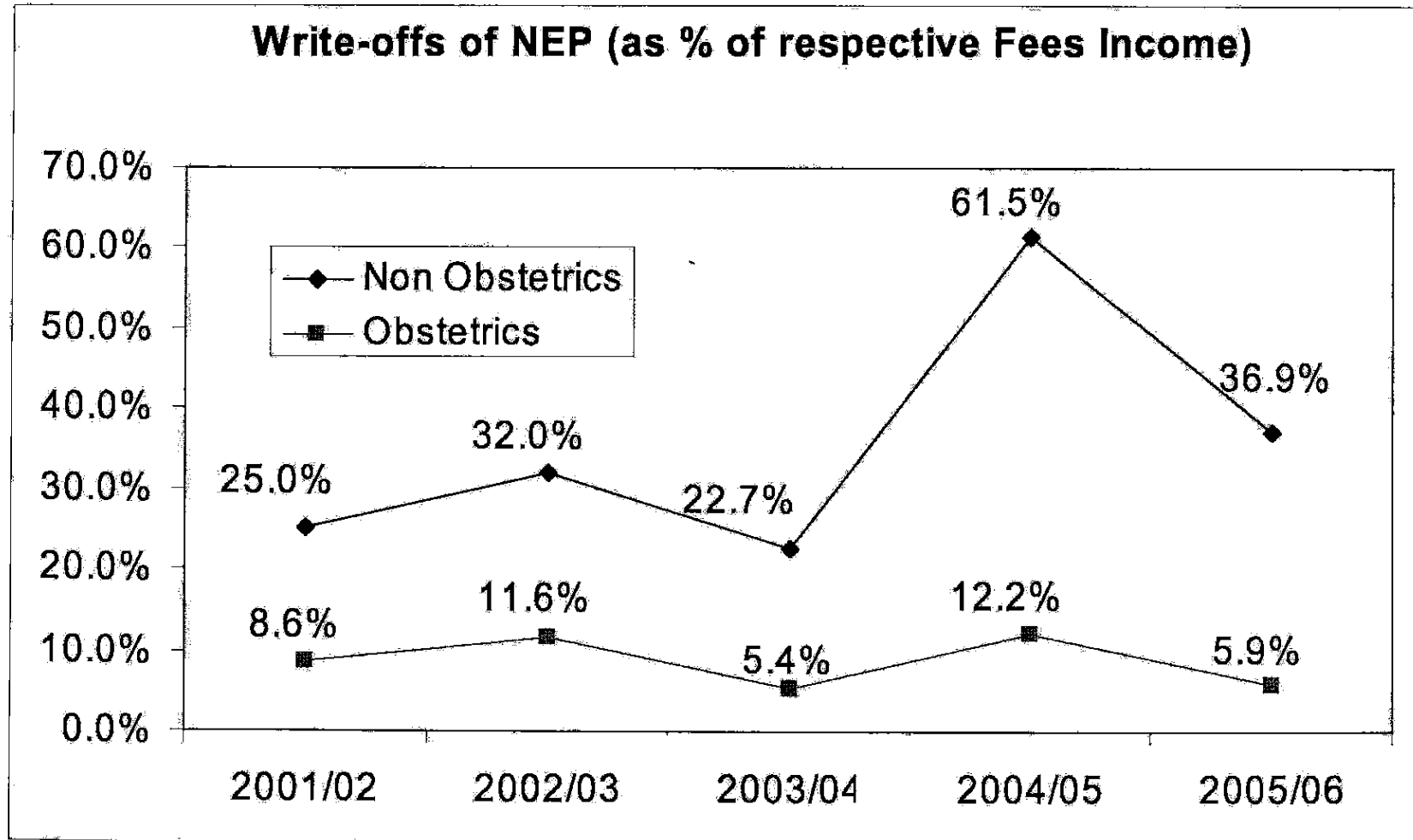


## 1. 5-year Overview (cont'd)

- Main problem is NEPs

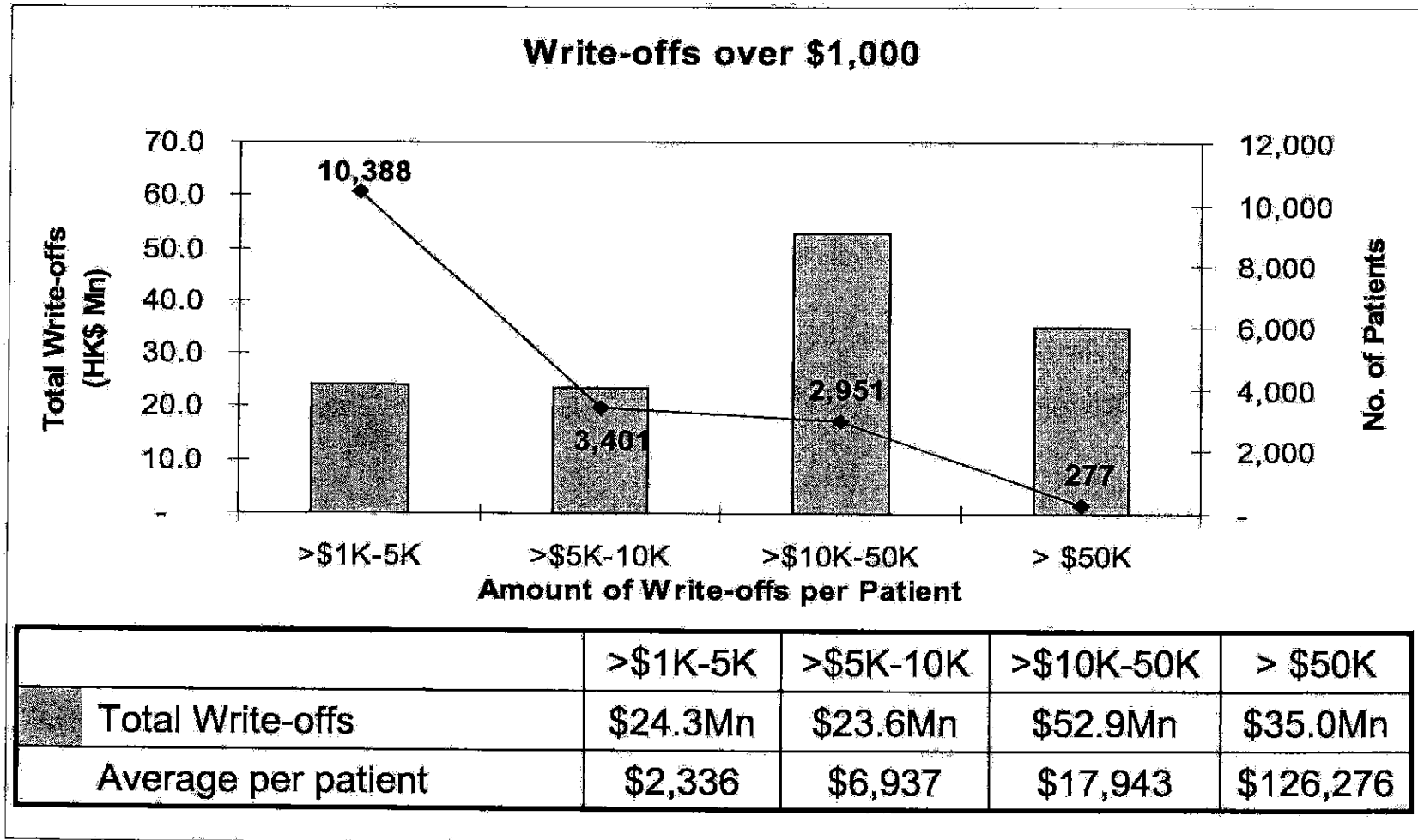


## 1. 5-year Overview (cont'd)



## 1. 5-year Overview (cont'd)

- More Beneficial to Target High-Value Debt



## 2. Action Taken So Far

- **To improve settlement of bills before discharge (pay before you leave)**
  - Request for address proof from inpatients upon admission
  - Collect deposit from NEPs and private patients upon admission except for emergency cases
  - Follow up for outstanding deposit before discharge
  - Increased deposit from \$19,800 to \$33,000 for NEPs
  - More frequent billing of NEPs than EPs
  - Distribute bills to patients in ward (in all major hospitals)
  - Remind inpatients verbally to pay before leaving the hospital. Reminder is also shown on the discharge note given to the patient upon discharge
  
- **More efficient payment methods**
  - Implemented various payment means such as EPS, PPS, Octopus, credit card (including Rmb pay card)
  - Accident & Emergency Department (24 hours services) collect NEP fees and deposits when shroff offices are closed

## 2. Action Taken So Far (cont'd)

### – To chase up persistent non-payers

- Issue final notices and final warning letters to patients with bills outstanding
- System prompts frontline staff to check patients with wrong address on their next visit to HA hospitals / clinics
- System prompts registration staff of outstanding fees and remind patients to pay upon their return for services
- Show outstanding bill amounts and reminder on outpatient receipts
- Take legal actions at the appropriate court level and execute judgement if necessary, taking into account of chance of success and cost effectiveness



### **3. Further Measures Being Considered To Enhance Fee Collection**

#### **A. Pre-hospitalisation / registration**

- Enforce request of address proof
- NEPs with outstanding bills will only be treated if a condition is life threatening and will be refused all other treatment (e.g. specialist outpatient attendances, elective inpatient admissions) until bills are settled. Application of this measure to EPs would be considered later

### **3. Further Measures Being Considered To Enhance Fee Collection (cont'd)**

#### **B. During hospitalisation**

- Tighten enforcement of deposit payment
- Staff to follow up on high cost/risk patients with outstanding bills at ward
- More frequent interim billing
- “Abandoned cases”
  - Introduce case management system
  - Work with appropriate agencies to arrange return to home countries
- To consider deposit payment for EPs

### **3. Further Measures Being Considered To Enhance Fee Collection (cont'd)**

#### **C. Upon discharge**

- Reinforce payment at discharge
- Provide bills in advance for after hours planned discharge
- Introduce surcharge / administration charge for late payments
- Introduce self-serviced payment kiosk

### **3. Further Measures Being Considered To Enhance Fee Collection (cont'd)**

#### **D. After discharge**

- Tighten timeframe for follow up actions
- Submit birth data to Birth Registry upon settlement of outstanding fees
- Consider outsourcing of debt collection function
- ATM + convenience store payment (tendering in progress)
- More KPI + benchmarks in Clusters Performance Report
- Tender for reputable international debt collection agency to pursue high risk NEP bad debts

6 December 2006

**Hospital Authority**  
**Director of Audit Report No. 47: Management of Outstanding Medical Fees**  
**Audit Recommendations and Actions Taken / Being Considered**

Para.	Audit Recommendation	Actions taken or being considered
2.10	<p>Audit notes the hospitals' initiatives to improve the collection of fees. In order to maximise the impact of these good initiatives in the Hospital Authority (HA), Audit has <i>recommended</i> that the Chief Executive, HA should:</p> <ul style="list-style-type: none"> <li>(a) further encourage hospitals to continue developing initiatives with a view to enhancing the efficiency of collection of fees;</li> <li>(b) evaluate the effectiveness of the hospitals' initiatives, taking into account different scales of operation and circumstances among hospitals; and</li> <li>(c) develop good practice guidelines from the hospitals' initiatives and help promote/disseminate such guidelines among all hospitals.</li> </ul>	<p>HA will continue to actively evaluate good initiatives identified and promote their implementation among clusters, taking into account individual hospital's situation. A number of hospitals' good practices/ initiatives have been adopted for HA-wide application:</p> <ul style="list-style-type: none"> <li>• Distribute bills to patients in wards</li> <li>• Seek doctor's advice on patient condition and request discharge plan for the patient</li> <li>• Ward staff would remind patient to pay before leaving hospital</li> <li>• Outpatient registration staff would remind patient to settle previous outstanding fees at their next visit to hospital</li> </ul> <p>These new initiatives and other enhanced debt collection measures adopted (discussed in the following sections) are promulgated in an accounting circular issued to hospitals.</p> <p>Tendering for payment at Automatic Teller Machines and convenience stores and introduction of self-service payment kiosk is underway.</p> <p>Measure being considered:</p> <ul style="list-style-type: none"> <li>• To utilise Accident &amp; Emergency Department to collect an extended range of fees and deposits. Necessary system changes requirement are already being reviewed</li> </ul>

Para.	Audit Recommendation	Actions taken or being considered
2.18	<p>Audit has <i>recommended</i> that the Chief Executive, HA should issue guidelines to hospitals on:</p> <p>(a) maintaining proper records of the details of telephone calls made to patients; and</p> <p>(b) the time-frame for hospitals to make telephone calls to patients.</p>	<p>Guidelines on the requirement to maintain details of telephone calls and specific timeframe for follow up calls have been established and issued to hospitals. The debt tracking function of the patient billing and collection system has also been enhanced to facilitate the recording of the details of telephone calls made to patients.</p>
2.24	<p>Audit has <i>recommended</i> that the Chief Executive, HA should take measures to ensure that hospitals forward unsettled cases to the Hospital Authority Head Office (HAHO) in a timely manner. These may include, for example, the issue of circulars to hospitals reminding them of the requirement and importance of forwarding the unsettled cases promptly to the HAHO.</p>	<p>Specific time-frame and frequency required of hospitals to submit unsettled cases to HAHO has been established and hospitals have been reminded of such requirement.</p> <p>Furthermore, hospitals are required to report to HAHO major potential problem cases (over \$300,000) on monthly basis so that early actions could be taken by HAHO, where necessary.</p>
2.29	<p>Audit has <i>recommended</i> that the Chief Executive, HA should devise and promulgate formal guidelines and assessment procedures for payment of fees by instalments, taking into account the cost-effectiveness of such arrangement.</p>	<p>The circular on debt recovery specifies that payment by instalment would only be considered under exceptional circumstances and after all possible recovery actions has been taken in general. Specific criteria are also laid out in this circular.</p>
3.8	<p>Audit has <i>recommended</i> that the Chief Executive, HA should issue guidelines to HAHO staff to ensure that unsettled fees are only written off from the accounting records after approval has been obtained.</p>	<p>The workflow has been revised to ensure that the write-off is recorded only after approval has been obtained.</p>

Para.	Audit Recommendation	Actions taken or being considered
3.18	<p>Audit has <i>recommended</i> that the Chief Executive, HA should:</p> <ul style="list-style-type: none"> <li>(a) consider increasing the number of warning letters to be issued;</li> <li>(b) to show the HA's determination of recovering outstanding fees of small amounts, consider issuing more warning letters to patients whose amounts owed are less than Category I debts; and</li> <li>(c) take measures to aggregate the total amount of outstanding fees owed by an individual defaulter in the HA's fee recovery action.</li> </ul>	<p>The enhanced requirements on the issuance of more warning letters and to aggregate total outstanding amounts for individual defaulters have been incorporated in the circular on debt recovery. Hospitals have been reminded of the enhanced requirements.</p>
3.26	<p>Audit has <i>recommended</i> that the Chief Executive, HA should:</p> <ul style="list-style-type: none"> <li>(a) take necessary measures to expedite the filing of claims with the Small Claims Tribunal (SCT); and</li> <li>(b) in addition to applying for a writ of Fieri Facias, explore the feasibility and cost-effectiveness of using other methods to recover judgment debts.</li> </ul>	<p>Measures have been taken to expedite the filing of claims with SCT which include deployment of additional staff. Time-frame of filing with SCT has also been stipulated in the circular on debt recovery.</p> <p>Legal actions will be taken at appropriate court level and executed judgement if necessary, taking into account the chance of success and cost effectiveness.</p>
3.38	<p>Audit <i>has recommended</i> that the Chief Executive, HA should:</p> <ul style="list-style-type: none"> <li>(a) take early action to finalise those cases where arrangements had been made with the patients to settle the outstanding fees;</li> <li>(b) consider setting a time-frame within which legal advice should be sought, if the unsettled cases cannot be satisfactorily dealt with by the HAHO; and</li> <li>(c) remind the Hospital Chief Executives (HCEs) to demand, if necessary, a higher amount of deposit from private patients in order to cover the estimated</li> </ul>	<p>Legal actions have been taken for the identified cases as appropriate, including issuance of demand letter and writ of summons.</p> <p>Specific time-frame of seeking legal advice on unsettled cases has been established.</p> <p>Deposit for private patients was increased in Nov 2004 from \$58,500 to \$60,000 and to \$100,000 for major operations, with discretion for HCE to charge higher deposit where necessary.</p>

Para.	Audit Recommendation	Actions taken or being considered
	hospital fees.	HCEs have been reminded to demand a higher amount of deposit from private patients taking reference to the estimated hospital fee.
3.42	Audit has <i>recommended</i> that the Chief Executive, HA should review the manpower requirement of the HAHO collection team, taking into account its workload and the need to maximise operational efficiency.	Individual hospitals are responsible for collecting medical fees and following up with patients with outstanding fees. Unsettled cases after final notice issued by hospitals will be forwarded to HAHO Finance for taking legal actions where appropriate. Manpower requirement at HAHO for follow up actions is being reviewed taking into account the tightened debt recovery procedures as well as the option of outsourcing the debt collection function.
3.46	Audit has <i>recommended</i> that the Chief Executive, HA should: (a) identify and develop more efficiency and effectiveness indicators to assess the performance of the HA's collection of outstanding fees; (b) set targets for the performance indicators developed; and (c) publish the result against the performance indicators and targets set.	Cluster performance on write offs and major problem cases are incorporated in monthly management reports.  Measure being considered: Introduction of more key performance indicators (KPIs) and benchmarks is being studied.
4.11	Audit has <i>recommended</i> that the Chief Executive, HA should continue to monitor closely the effectiveness of the obstetric package, and modify it where appropriate.	Measure being considered: Revision to the obstetric package is being studied taking into account findings from the Post Implementation review of the Non-Eligible Person (NEP) Obstetrics Package implemented in September 2005.



Para.	Audit Recommendation	Actions taken or being considered
4.12	<p>Audit has <i>recommended</i> that the Secretary for Health, Welfare and Food should:</p> <p>(a) expedite the review of the implementation of the proposed measure to deal with NEPs who have not yet paid their fees; and</p> <p>(b) report the decision on the proposed measure to the Legislative Council Panel on Health Services.</p>	<p>HA has reinforced the stringent monitoring for NEPs, including:</p> <ul style="list-style-type: none"> <li>• identify NEPs at admission and collect deposit</li> <li>• closely monitor their payments of deposit and outstanding bills; and</li> <li>• when the patient's condition stabilises, provide the option to continue receiving treatment in HA as private patient or discharge to private hospitals</li> <li>• Increased deposit level from \$19,800 to \$33,000</li> <li>• Bill NEPs more frequently than Eligible Persons (EPs)</li> </ul> <p>In addition, HA has been working with appropriate agencies to assist NEPs to return to their home countries.</p> <p>Measures being considered:</p> <ul style="list-style-type: none"> <li>• Defer submitting information to the Birth Registry for NEP obstetrics patients until settlement of outstanding fees</li> <li>• Introduce case management system for "abandoned" cases who are often NEPs or potential EPs without identity proof</li> <li>• Tender for reputable debt collection agency to pursue high risk NEP bad debts</li> </ul>
4.17	<p>Audit has <i>recommended</i> that the Secretary for Health, Welfare and Food should, in consultation with the Commissioner for Tourism, consider taking measures to promote the idea that Mainland visitors should have travel insurance for their visit to Hong Kong.</p>	<p>The Health, Welfare and Food Bureau is in liaison with the Tourism Commission to follow up on this recommendation.</p>

Para.	Audit Recommendation	Actions taken or being considered
5.9	<p>Audit has <i>recommended</i> that the Chief Executive, HA should:</p> <p>(a) further enhance the HA system to help identify defaulters when they attend medical treatments or are admitted to hospitals; and</p> <p>(b) consider devising cost-effective measures, at an early date, to pursue settlement of outstanding fees from frequent defaulters.</p>	<p>Computer systems have been enhanced to prompt registration staff to remind defaulters/patients with outstanding bills for payment when the patients return for services.</p> <p>Outstanding bill amount would be printed on outpatient receipts to serve as further reminder to patients.</p> <p>Measures being considered:</p> <ul style="list-style-type: none"> <li>• NEPs with outstanding bills will only be treated if a condition is life threatening and will be refused all other treatment until bills are paid. Application of this measure to EPs will be considered later</li> <li>• A&amp;E charges must be paid in advance except for life-threatening situations</li> <li>• Consider deposit payment for EPs</li> </ul>
5.13	<p>Audit has <i>recommended</i> that the Chief Executive, HA should, in consultation with the Secretary for Health, Welfare and Food, expedite the HA review of the imposition of a surcharge on overdue medical fees, including imposing a surcharge on fee settlement by instalments.</p>	<p>Measure being considered:</p> <p>The legal implication of imposition of surcharge / administration charge is being studied.</p>
5.22	<p>Audit has <i>recommended</i> that the Chief Executive, HA should:</p> <p>(a) standardise hospitals' practices on address proof requirements by establishing a comprehensive set of guidelines for hospitals to follow;</p> <p>(b) ensure that hospitals follow the address proof guidelines established; and</p> <p>(c) work out how the verification of address records is to be implemented.</p>	<p>Request of address proof has been incorporated in the circular on debt recovery. The following actions would be taken :</p> <ul style="list-style-type: none"> <li>• Request of address proof from inpatients upon admission</li> <li>• Registration staff to request outpatients with identified wrong address to provide address proof when the patients next visit HA hospitals or clinics</li> </ul> <p>Measure being considered:</p> <p>Further strengthen the address proof requirement</p>

**Hearing of the Public Accounts Committee**

**Report No. 47 of the Director of Audit**

**Chapter Five – Hospital Authority :  
management of outstanding medical fees**

**Speaking Notes for the Secretary for Health, Welfare and Food**

Thank you, Chairman.

2. First of all, we appreciate that the Director of Audit notes and supports the Hospital Authority (HA)'s continuous action to improve the collection of outstanding medical fees.

3. Members could be reassured of the HA's commitment to improving continuously the management of outstanding medical fees and will consider further improvement measure as and when appropriate.

**The Healthcare Scene in Hong Kong**

4. While Mr Shane Solomon, Chief Executive of the Hospital Authority, will brief members on the measures that the HA has taken and will be taking, I would like to make a few points on policy issues.

5. Firstly, the Government's healthcare policy is to safeguard and promote the general public health of the community as a whole and to ensure the provision of medical and health services for the people of Hong Kong. No one will be denied adequate medical care due to lack of means.

6. Over the years, we have developed an enviable health care system. However, our public healthcare service is costly. In 2004-05, the expenditure on public health care services totaled \$30.2 billion and constituted 14.4% of the recurrent public expenditure. In terms of expenditure of the HA, it increased from \$14.5 billion in 1994-95 to \$27.8 billion in 2004-05.

7. Those receiving treatment in public hospitals should contribute their fare share of the services used by paying medical fees and charges. For Entitled Persons (EPs), that is, holders of the Hong Kong Identity Card; or children who are Hong Kong residents and under 11 years of age, they are required to pay nominal fees, for example, \$45 per attendance for general

out-patient services and \$100 per day for in-patient services. A fee waiver mechanism is in place to provide the needy patients with protection.

8. Against the above background, it is the onus of every Hong Kong residents to pay for the comparatively nominal fees for the very expensive medical services they have used, which are heavily subsidized at about 96% of the full cost.

### **Non-Entitled Persons**

9. Secondly, for Non Entitled Persons (NEPs), they could have access to public medical services. However, they have to pay fees set on a full-cost recovery basis.

10. As Chapter Five of the Report has noted, over the past few years, there has been a substantial increase in the number of NEPs using HA's services, in particular in-patient services. In line with the principle that government subsidy should be targeted at benefiting local residents only, the Government and the HA have been committed to addressing the issue of the surge in demand for hospital services by the NEPs. For example, since 1 September 2005, the HA has implemented a package fee of \$20,000 for NEPs using obstetrics services which is the first of its kind introduced in the HA.

11. Despite the measures taken, members may appreciate that there are inherent difficulties in collecting fees from NEPs. Fundamentally is the lack of a local residential address. Furthermore, most of the NEPs are acute cases admitted through accident and emergency (A&E) departments, hence hospitals are unable to collect deposits from them at the point of their admission. This has constituted indirectly the high proportion of bad debts from the NEPs. Nevertheless, the HA will continue to consider and introduce enhanced fee recovery measures.

### **Obstetrics Services**

12. Finally, I would like to say a few words about the obstetrics services in public hospitals which is a concern of members of the public recently. I wish to stress that our public hospitals will give priority to providing the necessary services to local expectant mothers. They should not worry about denial of access to such services in public hospitals at the time of delivery.

13. At the same time, in the light of the surge in demand for obstetrics services by the local public and NEPs, the HA has already taken a number of relief measures with a view to relieving the work pressure of frontline healthcare staff. The HA is also considering measures to strengthen support for obstetrics services, including dealing with midwives shortage. In this regard, I support the HA's appeal to those nurses with the necessary midwifery qualifications to help solve the surge in demand, in particular over the coming few months.

14. On a wider front, we are considering making it a requirement for all NEP pregnant women to receive antenatal checking and make necessary registration at Hong Kong public healthcare institutions within certain specified timeframe, otherwise, there is no guarantee that the HA will be able to provide them with the necessary services, including demand for obstetric services referred from the A&E departments. We will also liaise with Mainland authorities to see how the two places can complement each other in relieving pressure from the Mainland pregnant women on our healthcare services.

15. I now invite Mr Shane Solomon to brief members on relevant work of the HA.

## Supplementary information for Table 1 (in paragraph 1.9) of Chapter 5

Ageing analysis of fees owed by patients  
(31 March 2006)

Overdue period	Outstanding bills (Note)		Amount (Note)	
	(Number)	(Percentage)	(\$ million)	(Percentage)
≤ 3 months	41,515	53%	67.8	52%
> 3 to 6 months	15,038	19%	28.7	22%
> 6 to 9 months	9,823	12%	14.9	11%
> 9 to 12 months	5,180	7%	7.4	6%
> 1 to 2 years	4,996	6%	8.4	6%
> 2 to 3 years	1,226	2%	2.0	2%
> 3 to 4 years	623	0.8%	0.9	0.7%
> 4 to 5 years	130	0.1%	0.2	0.2%
> 5 to 6 years	87	0.1%	0.1	0.1%
> 6 to 7 years	15			
> 7 to 8 years	4			
> 8 to 9 years	5			
> 9 to 10 years	5			
> 10 to 11 years	3			
> 11 to 12 years	1			
> 12 to 13 years	4			
<b>Total</b>	<b>78,655</b>	<b>100%</b>	<b>130.4</b>	<b>100%</b>
<b>Note:</b> Most of the long outstanding fees (e.g. those that were outstanding for more than 3 years) had not been forwarded to the Hospital Authority Head Office (HAHO) for further action or write-off as at 31 March 2006. Audit has recommended that the Chief Executive, HA should take measures to ensure that hospitals forward unsettled cases to the HAHO in a timely manner (see paragraph 2.24 of the audit report).				

Source: HA records

24 November 2006



醫院管理局

HOSPITAL  
AUTHORITY

群策群力為病人·優質醫護滿杏林

Quality Patient-Centred Care Through Teamwork

Our Ref: (90) in FP2/FC/HAHO/I  
Yr Ref: CB(3)/PAC/R47

18 December 2006

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

(Attn: Ms Dora Wai)

Dear Ms Wai

**Public Accounts Committee's Public hearing on**  
**"Hospital Authority: Management of Outstanding Medical Fees"**  
**(Chapter 5 of the Director of Audit's Report No. 47)**

I refer to your letter of 12 December 2006 to Mr Solomon. I would like to enclose the English version of our responses to the information requested by the Public Accounts Committee at the public hearing on 7 December 2006. The Chinese version will be sent shortly under separate cover.

Yours sincerely

(Nancy Tse)  
for Chief Executive  
Hospital Authority

cc: Secretary for Health, Welfare and Food (Attn: Mr Patrick Nip)  
Secretary for Financial Services and the Treasury (Attn: Miss Amy Tse)  
Director of Audit (Attn: Mr Andrew Chiang)

en: Audit Report - HA Response.doc (19/7)

**Question (a)**

Regarding Table 1 in paragraph 1.9 of the Director of Audit's Report (Audit Report), whether the situation has improved since 31 March 2006.

**Reply:**

Table 1 in paragraph 1.9 of the report refers to the Aging Analysis of fees owed by patients as at 31 March 2006. Same analysis as at 30 November 2006 is attached below. Compared to 31 March 2006, the aging situation of fees owed as at 30 November 2006 remained quite similar. The portion of debts aged below 6 months improved slightly from 72% to 73% in terms of number of bills while declining from 74% to 71% in terms of amount. The increase in level of fees owed from \$130.4M to \$152M (+16.6%) was in line with the 20% increase in the corresponding fee income during the period from \$1,607.7M to \$1,929.3M (annualized).

**Aging analysis of fees owed by patients  
(30 November 2006)**

<b>Overdue period</b>	<b>Outstanding bills</b>			<b>Amount</b>		
	<b>30-Nov-06</b>		<b>31-Mar-06</b>	<b>30-Nov-06</b>		<b>31-Mar-06</b>
<b>(Number of months)</b>	<b>(Number)</b>	<b>(Percentage)</b>	<b>(Percentage)</b>	<b>(\$ million)</b>	<b>(Percentage)</b>	<b>(Percentage)</b>
< or = 3	45,310	52%	53%	74.1	49%	52%
> 3 to 6	17,889	21%	19%	33.8	22%	22%
> 6 to 9	9,871	11%	12%	17.1	12%	11%
> 9 to 12	5,420	6%	7%	12.6	8%	6%
> 12 to 24	6,054	7%	6%	9.4	6%	6%
> 24 to 36	1,421	2%	2%	3.2	2%	2%
> 36	1,116	1%	1%	1.8	1%	1%
<b>Total</b>	<b>87,081</b>	<b>100%</b>	<b>100%</b>	<b>152.0</b>	<b>100%</b>	<b>100%</b>



## Question (b)

A copy of the guidelines regarding the specific number of telephone calls to be made to patients after discharge within specific time-frame, as referred to in paragraph 2.19(a) of the Audit Report.

## Reply:

The following is the HA's prevailing guidelines on making telephone calls to patients after discharged from hospital, extracted from the Hospital Authority Head Office Accounting Circular No. 13/2006 "Guidelines on Debt Recovery and Write-off Procedures".

### (i) Follow-up calls after issuance of final bill

Office	Responsible Staff	Procedure
Shroff / Accounts Office	Shroff staff	4. Follow up with patient or next of kin by making at least 1 phone call for the following cases before issuance of final notice: (a) outstanding bill amount over the Category II <sup>(Note 1)</sup> debt limit, or (b) with undelivered mail, or (c) identified as problem case by hospital. Preferable if the patient or next of kin can commit a specific payment date. Monitor settlement status closely.

### (ii) Follow-up calls after issuance of final notice

Office	Responsible Staff	Procedure
Shroff / Accounts Office	Shroff staff	10. If bills remain outstanding after 14 days from issuance of final notice, contact patient or next of kin by phone for reminder and update PBRC <sup>(Note 2)</sup> on the details of follow-up call(s). If the outstanding bill amount is: (a) \$150 or below – optional base on availability of resource; (b) over \$150 but not exceeding the Category I <sup>(Note 1)</sup> debt limit – at least 1 phone call within 90 days from date of final notice; (c) over the Category I <sup>(Note 1)</sup> debt limit – at least 1 phone call within 60 days from date of final notice.

Note 1: The HA has internal guidelines which define the range of outstanding amounts of medical fees that constitutes Category I debts. Outstanding fees exceeding the maximum amount of Category I debt are considered Category II debts. For confidentiality reasons, these amounts are not disclosed in this reply.

Note 2: PBRC – The Patient Billing/Revenue Collection System

The HA is to further tighten the above guidelines, including

- (1) For (i) 4(a) above – lowering the outstanding bill amount for which follow-up call is required after issuance of final bill, and
- (2) For (ii) 10(b) above – shortening the time limit of making all follow-up calls to within 60 days from the issuance of final notice.

### Question (c)

Regarding Table 17 in paragraph 4.3 of the Audit Report:

- (i) a breakdown of the amount and percentage of fees owed by non-eligible persons (NEPs) from the Mainland as at 31 March 2004, 31 March 2005 and 31 March 2006 and, among such Mainlanders, the amount and percentage of fees owed by pregnant women who had used obstetric services in Hong Kong; and
- (ii) the number of cases and patients involved in the fees owed by eligible persons (EPs) as at 31 March 2004, 31 March 2005 and 31 March 2006.

#### Reply to (c) (i):

The breakdown of fees owed by all NEPs into obstetrics and other specialties as at 31 March of 2004, 2005 and 2006 are summarized below:

For the year ended	Obstetrics		Non-Obstetrics		Total NEPs	
	\$M	%	\$M	%	\$M	%
31 March 2004	15.4	19%	64.9	81%	80.3	100%
31 March 2005	16.6	27%	44.7	73%	61.3	100%
31 March 2006	32.9	44%	41.2	56%	74.1	100%
<b>Average for the 3 years</b>	<b>21.6</b>	<b>30%</b>	<b>50.3</b>	<b>70%</b>	<b>71.9</b>	<b>100%</b>

Further breakdown by NEPs from Mainland China is not readily available.

#### Reply to ( c ) (ii):

The number of cases and patients involved in the fees owed by eligible persons (EPs) as at 31 March 2004, 31 March 2005 and 31 March 2006 are as follows:

As at	No. of cases	No. of patients	Total for EPs (\$M)
31 March 2004	61,829	46,426	45.8
31 March 2005	58,721	44,025	48.5
31 March 2006	50,579	37,594	39.0

**Question (d)**

The number of in-patient cases involving NEPs from the Mainland who had accidents during their stay in Hong Kong as against the total number of in-patient cases of NEPs from the Mainland in the years 2003-2004 to 2005-2006.

**Reply:**

The number of NEPs admitted to public hospitals through the Accident and Emergency Departments (A&EDs) in the years of 2003-04, 2004-05 and 2005-06 are given in the table below. The Hospital Authority (HA) does not have readily available information on the proportion of cases involving NEPs from the Mainland who had accidents during their stay in Hong Kong.

	<u>No. of NEP Inpatients Admitted via A&amp;E</u>	<u>Total no. of NEP Inpatients</u>	<u>%</u>
2003/04	7,953	14,342	55%
2004/05	11,643	17,994	65%
2005/06	13,417	18,839	71%

**Question (e)**

According to paragraph 4.7 of the Audit Report, since 1 September 2005, the Hospital Authority (HA) has implemented a package fee of \$20,000 for NEPs using obstetric service. One of the objectives of the package is to deter the use of public medical services by NEPs. Table 17 in paragraph 4.3 of the Audit Report, however, revealed that the fees owed by NEPs had increased from \$61.3 million as at 31 March 2005 to \$74.1 million as at 31 March 2006. Please provide detailed information to demonstrate that the obstetric package is effective in deterring the use of public medical services by NEPs.

**Reply:**

The NEP obstetric package is effective in reducing the use of Obstetrics services in public hospitals by NEPs. With the introduction of this package charge in September 2005, the number of delivery cases for NEPs utilizing public obstetrics services dropped by 15% from 13,699 to 11,673 between the 12-month period immediately preceding and after the implementation of the package fee, i.e. September 2004 to August 2005 versus September 2005 to August 2006.

**Question (f)**

According to Table 19 in paragraph 5.3 of the Audit Report, there are 3,884 patients with six to 10 cases of defaulted payment, 846 patients with 11 to 15 such cases, 305 patients with 16 to 20 such cases and 340 patients with over 20 such cases. Please provide details of these cases, such as the background of the patients, the type of medical treatment sought and the length of time involved.

**Reply:**

The defaulted payments of Eligible Persons for the 4 selected categories, namely 6 to 10 cases, 11 to 15 cases, 16 to 20 cases and over 20 cases as disclosed in Table 19 in paragraph 5.3 of the Audit Report is composed of cases with fees written off during the 5 years ended 31 August 2006 (\$4.9M) and those with fees owed to HA as at 31 August 2006 (\$8M). Of the cases with fees owed to HA, 82% have been settled up to 10 December 2006 (i.e. within 3.5 months). In particular, over 94% of ambulatory service cases have been settled.

An analysis of the cases of defaulted payment for the 4 selected categories is at the Annex. The analysis indicated that more than 50% of the patients are over 50 years old. For the cases that remained unsettled as at 10 December 2006, Accident & Emergency (A&E) service accounted for 40% and inpatients accounts for 35%. A large group of the patients are elderly patients suffering from chronic illnesses which require frequent visits to HA clinics and emergency admission to HA hospitals.

Defaulted payments for five years ended 31 August 2006

Annex to (f)

No. of Default	No. of Patients	No. of Patient in each Age Group					Inpatient					Ambulatory *				Accident & Emergency			
		0-11	12-40	41-50	51-60	>60	No. of outstanding cases	No. of cases written off	Total no. of cases	Average no. of case per patient	Average Length of Stay (days)	No. of outstanding attendances	No. of attendances written off	Total no. of attendances	Average no. of attendance per patient	No. of outstanding attendances	No. of attendances written off	Total no. of attendances	Average no. of attendance per patient
6 to 10	3,884	109	1,140	480	605	1,550	2,502	3,813	6,315	2	18	14,468	838	15,306	4	2,266	4,485	6,751	2
11 to 15	846	17	286	135	139	259	948	1,540	2,488	3	26	5,244	314	5,558	7	797	1,781	2,578	3
16 to 20	305	7	121	48	47	82	482	752	1,234	4	36	2,310	125	2,435	8	581	1,134	1,715	6
over 20	340	5	123	63	72	77	1,099	1,980	3,079	9	31	4,525	250	4,775	14	1,046	2,600	3,646	11
Total	5,375	138	1,680	726	863	1,968	5,031	8,085	13,116	2	19	26,547	1,527	28,074	5	4,690	10,010	14,700	3
Total no. of cases/attendances settled as at 10 Dec 2006							2,762					24,925				2,089			
% settled							55%					94%				45%			

\* Ambulatory services include outpatients, community services and day hospital services.

**Question (g)**

It was mentioned by the Secretary for Health, Welfare and Food and the Chief Executive of HA at the hearing that EPs using medical services provided by HA should have the ability to pay the medical fees, as patients with financial difficulties should have applied for a fee waiver. The Committee would like to know the basis of this statement.

**Reply:**

Under the current Government's policy, no one will be denied adequate medical care due to lack of means. To ensure that this policy is followed, patients who are recipients of Comprehensive Social Security Assistance (CSSA) are eligible to obtain full waiver of public medical fees or charges upon presentation of a valid medical waiver issued specifically for CSSA recipients. Patients, who are not CSSA recipients but have financial difficulties in paying the medical fees and charges, can apply for fee waiving with Medical Social Workers (MSWs) of Social Welfare Department and HA. MSWs would assess the applications with due consideration given to the financial, social and medical condition of the applicants in accordance to the guidelines.

Information leaflet on the waiving mechanism is available for the public at all Medical Social Services Units of HA hospitals, as well as on the HA's internet. In addition, HA's debt collection guidelines requires hospital staff, including staff of Accounts Office and shroff, to advise public ward patients who indicate financial difficulties to approach MSWs for assistance.

**Question (h)**

It was mentioned at the hearing that HA was considering engaging international debt collection agencies to pursue the collection of bad debts from high risk NEPs. The Committee would like to know HA's decision on whether any debt collection agency will be engaged and, if so, the cost of engaging the agencies as well as the success rate in collecting the debts by the agencies in future.

**Reply:**

The proposed measure to engage international debt collection agencies to pursue the collection of bad debts from high risk NEPs would be considered by the HA Board at its meeting on 21 December 2006. Following the support by the Board, HA will conduct a detailed assessment of the proposed measure taking into account costs, benefits and risk factors. The engagement of international debt collection agency will be conducted through open tender. Key criteria for tender evaluation will include history of the Company, its background, reputation, business strategies, management team, operation mode, staff profile, information security, technology employed and clientele etc. as well as costs of providing the service.





醫院管理局

HOSPITAL  
AUTHORITY

群策群力為病人·優質醫護滿杏林

Quality Patient-Centred Care Through Teamwork

Our Ref: (92) in FP2/FC/HAHO/I  
Yr Ref: CB(3)/PAC/R47

30 December 2006

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

(Attn: Ms Dora Wai)

Dear Ms Wai,

The Director of Audit's Report  
on the results of value for money audits (Report No. 47)

Chapter 5 – Hospital Authority: management of outstanding medical fees

With reference to your letter of 21 December 2006, we would like to inform the Committee that the proposed measures to enhance fee collection were presented to the HA Board for consideration at its meeting on 21 December 2006. Members' endorsement has been obtained as follows:

- a) Defer submission of birth data to Birth Registry for Non-eligible Persons (NEPs) until outstanding fees are paid

HA will defer the submission of birth data to the Birth Registry for NEPs until settlement of outstanding fees up to 42 days in accordance with the legal requirement under the Births & Deaths Registration Ordinance. This measure will be implemented sometime in 1Q 2007.

- b) Eligible (EPs) and NEPs with outstanding bills will only be provided with emergency services

Eligible (EPs) and NEPs with outstanding bills will only be treated for emergency situations. All other treatments will not be provided. The enforcement of this policy would serve as deterrence to patients for defaulting on payment of their medical bills. This measure will be implemented by the end of 1Q 2007.

c) Introduce administrative charge for late payments

HA will introduce an administrative charge for late payments in line with the practice of other government departments. The initial charge of 5% will be imposed on bills overdue for 2 months after the issuance of final bill and 10% thereafter if outstanding for a longer period of time. This measure will be applicable to all patients and would encourage early settlement of bills. Subject to clearance on legal implications and direction from HWFB, the administrative charge will be implemented sometime in 2Q 2007.

d) Tender for reputable international debt collection agency to pursue high risk NEP debts

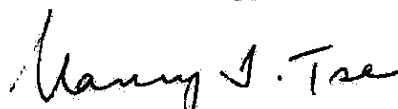
HA executives proposed to engage reputable professional firms to provide debt collection service for high risk NEP debts. A number of members expressed their reservations on the effectiveness of this measure and the implication on HA's reputation. After deliberation, it was agreed that the executives should explore the cost-effectiveness of engaging reputable international debt collection agency to pursue high-risk NEP bad debts and report back to the Board for further consideration. It is planned that the result of the assessment will be reported back to the HA Board by the end of 3Q 2007.

e) Deposit payment for EPs

Members decided that the idea of collecting deposit from EPs for hospital stay would be considered at a later stage, depending on the effectiveness of other measures.

Furthermore, regarding the measure on utilizing Accident and Emergency Departments to collect an extended range of fees and deposits, it was agreed at the internal operations meeting that 24 hours payment facilities will be provided at all Accident and Emergency Departments to patients in 1Q 2007.

Yours sincerely,



(Nancy Tse)  
for Chief Executive  
Hospital Authority

c.c. Secretary for Health, Welfare and Food (Attn: Mr. Patrick Nip)  
Secretary for Financial Services and the Treasury (Attn: Miss Amy Tse)  
Director of Audit (Attn: Mr Andrew Chiang)



醫院管理局  
HOSPITAL  
AUTHORITY

群策群力為病人·優質醫護滿杏林  
Quality Patient-Centred Care Through Teamwork

Our Ref: (93) in FP2/FC/HAHO/I  
Yr Ref: CB(3)/PAC/R47

3 January 2007

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

(Attn: Ms Dora Wai)

Dear Ms Wai

The Director of Audit's Report  
on the results of value for money audits (Report No. 47)

Chapter 5 – Hospital Authority: management of outstanding medical fees

Further to our letter of 30 December 2006 (Ref: (92) in FP2/FC/HAHO/I), we would like to furnish supplementary information to the Committee on the proposed measures to enhance fee collection. The audit recommendations of the subject report together with the implemented measures and actions being considered were summarized in the HA Paper No. AOM-P472. These actions were presented, discussed and endorsed by the HA Board at the meeting held on 21 December 2006. The summary together with the target dates of implementation of these actions are included in the attached annex for your reference.

Yours sincerely

(Nancy Tse)  
for Chief Executive  
Hospital Authority

Enc.

c.c. Secretary for Health, Welfare and Food (Attn: Mr. Patrick Nip)  
Secretary for Financial Services and the Treasury (Attn: Miss Amy Tse)  
Director of Audit (Attn: Mr Andrew Chiang)

**Hospital Authority**  
**Summary of Audit Recommendations and Actions Taken / Being Considered in response to**  
**Director of Audit Report No. 47 Chapter 5: Management of Outstanding Medical Fees**

Para.	Audit Recommendation	Actions taken or being considered	Target date of implementation
2.10	<p>Audit notes the hospitals' initiatives to improve the collection of fees. In order to maximise the impact of these good initiatives in the HA, Audit has <i>recommended</i> that the Chief Executive, HA should:</p> <p>(a) further encourage hospitals to continue developing initiatives with a view to enhancing the efficiency of collection of fees;</p> <p>(b) evaluate the effectiveness of the hospitals' initiatives, taking into account different scales of operation and circumstances among hospitals; and</p> <p>(c) develop good practice guidelines from the hospitals' initiatives and help promote/disseminate such guidelines among all hospitals.</p>	<p>HA will continue to actively evaluate good initiatives identified and promote their implementation among clusters, taking into account individual hospital's situation. A number of hospitals' good practices/ initiatives have been adopted for HA-wide application:</p> <ul style="list-style-type: none"> <li>• Distribute bills to patients in wards</li> <li>• Seek doctor's advice on patient condition and request discharge plan for the patient</li> <li>• Ward staff would remind patient to pay before leaving hospital</li> <li>• Outpatient registration staff would remind patient to settle previous outstanding fees at their next visit to hospital</li> </ul> <p>These new initiatives and other enhanced debt collection measures adopted (discussed in the following sections) are promulgated in an accounting circular issued to hospitals.</p> <p>Tendering for payment at Automatic Teller Machines (ATM) and convenience stores and introduction of self-service payment kiosk is underway.</p> <p>Measure being considered: To utilise Accident &amp; Emergency Department to collect an extended range of fees and deposits. Necessary system changes requirement are already being reviewed.</p>	<p>Already implemented</p> <p>Self-service payment kiosk will be installed at selected venues in 1Q 2007 and payment at ATM and convenience stores will be provided in 3Q 2007</p> <p>In 1Q 2007</p>

Para.	Audit Recommendation	Actions taken or being considered	Target date of implementation
2.18	Audit has <i>recommended</i> that the Chief Executive, HA should issue guidelines to hospitals on: (a) maintaining proper records of the details of telephone calls made to patients; and (b) the time-frame for hospitals to make telephone calls to patients.	Guidelines on the requirement to maintain details of telephone calls and specific timeframe for follow up calls have been established and issued to hospitals. The debt tracking function of the patient billing and collection system has also been enhanced to facilitate the recording of the details of telephone calls made to patients.	Already implemented
2.24	Audit has <i>recommended</i> that the Chief Executive, HA should take measures to ensure that hospitals forward unsettled cases to the HAHO in a timely manner. These may include, for example, the issue of circulars to hospitals reminding them of the requirement and importance of forwarding the unsettled cases promptly to the HAHO.	Specific time-frame and frequency required of hospitals to submit unsettled cases to HAHO has been established and hospitals have been reminded of such requirement.  Furthermore, hospitals are required to report to HAHO major potential problem cases (over \$300,000) on monthly basis so that early actions could be taken by HAHO, where necessary.	Already implemented
2.29	Audit has <i>recommended</i> that the Chief Executive, HA should devise and promulgate formal guidelines and assessment procedures for payment of fees by instalments, taking into account the cost-effectiveness of such arrangement.	The circular on debt recovery specifies that payment by instalment would only be considered under exceptional circumstances and after all possible recovery actions has been taken in general. Specific criteria are also laid out in this circular.	Already implemented

Para.	Audit Recommendation	Actions taken or being considered	Target date of implementation
3.8	Audit has <i>recommended</i> that the Chief Executive, HA should issue guidelines to HAHO staff to ensure that unsettled fees are only written off from the accounting records after approval has been obtained.	The workflow has been revised to ensure that the write-off is recorded only after approval has been obtained.	Already implemented
3.18	Audit has <i>recommended</i> that the Chief Executive, HA should: (a) consider increasing the number of warning letters to be issued; (b) to show the HA's determination of recovering outstanding fees of small amounts, consider issuing more warning letters to patients whose amounts owed are less than Category I debts; and (c) take measures to aggregate the total amount of outstanding fees owed by an individual defaulter in the HA's fee recovery action.	The enhanced requirements on the issuance of more warning letters and to aggregate total outstanding amounts for individual defaulters have been incorporated in the circular on debt recovery. Hospitals have been reminded of the enhanced requirements.	Already implemented

Para.	Audit Recommendation	Actions taken or being considered	Target date of implementation
3.26	<p>Audit has <i>recommended</i> that the Chief Executive, HA should:</p> <p>(a) take necessary measures to expedite the filing of claims with the SCT; and</p> <p>(b) in addition to applying for a writ of Fieri Facias, explore the feasibility and cost-effectiveness of using other methods to recover judgment debts.</p>	<p>Measures have been taken to expedite the filing of claims with SCT which include deployment of additional staff. Time-frame of filing with SCT has also been stipulated in the circular on debt recovery.</p> <p>Legal actions will be taken at appropriate court level and executed judgement if necessary, taking into account the chance of success and cost effectiveness.</p>	<p>Already implemented</p> <p>Already implemented</p>
3.38	<p>Audit <i>has recommended</i> that the Chief Executive, HA should:</p> <p>(a) take early action to finalise those cases where arrangements had been made with the patients to settle the outstanding fees;</p> <p>(b) consider setting a time-frame within which legal advice should be sought, if the unsettled cases cannot be satisfactorily dealt with by the HAHO; and</p> <p>(c) remind the HCEs to demand, if necessary, a higher amount of deposit from private patients in order to cover the estimated hospital fees.</p>	<p>Legal actions have been taken for the identified cases as appropriate, including issuance of demand letter and writ of summons.</p> <p>Specific time-frame of seeking legal advice on unsettled cases has been established.</p> <p>Deposit for private patients was increased from \$58,500 to \$60,000 and \$100,000 for major operations in Nov 2004, with discretion for HCE to charge higher deposit where necessary. HCEs have been reminded to demand a higher amount of deposit from private patients taking reference to the estimated hospital fee.</p>	<p>Already completed</p> <p>Already implemented</p> <p>Already implemented</p>

Para.	Audit Recommendation	Actions taken or being considered	Target date of implementation
3.42	Audit has <i>recommended</i> that the Chief Executive, HA should review the manpower requirement of the HAHO collection team, taking into account its workload and the need to maximise operational efficiency.	Individual hospitals are responsible for collecting medical fees and following up with patients with outstanding fees. Unsettled cases after final notice issued by hospitals will be forwarded to HAHO Finance for taking legal actions where appropriate. Manpower requirement at HAHO for follow up actions is being reviewed taking into account the tightened debt recovery procedures as well as the option of outsourcing the debt collection function.	Being considered
3.46	Audit has <i>recommended</i> that the Chief Executive, HA should: (a) identify and develop more efficiency and effectiveness indicators to assess the performance of the HA's collection of outstanding fees; (b) set targets for the performance indicators developed; and (c) publish the result against the performance indicators and targets set.	Cluster performance on write offs and major problem cases are incorporated in monthly management reports.  Measure being considered: Introduction of more KPIs and benchmarks is being studied.	Already implemented  In 1Q 2007
4.11	Audit has <i>recommended</i> that the Chief Executive, HA should continue to monitor closely the effectiveness of the obstetric package, and modify it where appropriate.	Measure being considered: Revision to the obstetric package is being studied taking into account findings from the post implementation review of the Non-Eligible Person (NEP) Obstetrics Package implemented in September 2005.	In 1Q 2007



Para.	Audit Recommendation	Actions taken or being considered	Target date of implementation
4.12	<p>Audit has <i>recommended</i> that the Secretary for Health, Welfare and Food should:</p> <p>(a) expedite the review of the implementation of the proposed measure to deal with NEPs who have not yet paid their fees; and</p> <p>(b) report the decision on the proposed measure to the Legislative Council Panel on Health Services.</p>	<p>HA has reinforced the stringent monitoring for NEPs, including:</p> <ul style="list-style-type: none"> <li>• identify NEPs at admission and collect deposit</li> <li>• closely monitor their payments of deposit and outstanding bills; and</li> <li>• when the patient's condition stabilises, provide the option to continue receiving treatment in HA as private patient or discharge to private hospitals</li> <li>• Increased deposit level from \$19,800 to \$33,000</li> <li>• Bill NEPs more frequently than EPs</li> </ul> <p>In addition, HA has been working with appropriate agencies to assist NEPs to return to their home countries.</p> <p>Measures being considered:</p> <ul style="list-style-type: none"> <li>• Tender for reputable debt collection agency to pursue high risk NEP bad debts</li> <li>• Defer submitting information to the Birth Registry for NEP obstetrics patients until settlement of outstanding fees</li> <li>• Introduce case management system for "abandoned" cases who are often NEPs or potential EPs without identity proof</li> </ul>	<p>Already implemented</p>          <p>Already implemented</p>          <p>Explore the cost effectiveness and to report back to the HA Board by the end of 3Q 2007 Sometime in 1Q 2007</p>          <p>Being considered</p>
4.17	Audit has <i>recommended</i> that the Secretary for Health, Welfare and Food should, in consultation with	The Health, Welfare and Food Bureau is in liaison with the Tourism Commission to follow up on this recommendation.	N.A.

Para.	Audit Recommendation	Actions taken or being considered	Target date of implementation
	the Commissioner for Tourism, consider taking measures to promote the idea that Mainland visitors should have travel insurance for their visit to Hong Kong.		
5.9	Audit has <i>recommended</i> that the Chief Executive, HA should: (a) further enhance the HA system to help identify defaulters when they attend medical treatments or are admitted to hospitals; and (b) consider devising cost-effective measures, at an early date, to pursue settlement of outstanding fees from frequent defaulters.	Computer systems have been enhanced to prompt registration staff to remind defaulters/patients with outstanding bills for payment when the patients return for services.  Outstanding bill amount would be printed on outpatient receipts to serve as further reminder to patients.  Measures being considered: <ul style="list-style-type: none"> <li>• NEPs with outstanding bills will only be treated if a condition is life threatening and will be refused all other treatment until bills are paid. Application of this measure to EPs will be considered later</li> <li>• Consider deposit payment for EPs</li> </ul>	Already implemented   Already implemented   By the end of 1Q 2007 and apply to both EPs and NEPs   Will be considered at a later stage, depending on the effectiveness of other measures
5.13	Audit has <i>recommended</i> that the Chief Executive, HA should, in consultation with the Secretary for Health, Welfare and Food, expedite the HA review of the imposition of a surcharge on overdue medical fees, including imposing a surcharge on fee settlement by instalments.	Measure being considered: The legal implication of imposition of surcharge / administrative charge is being studied.	Subject to clearance on legal implications and direction from HWFB, the administrative charge will be implemented sometime in 2Q 2007

Para.	Audit Recommendation	Actions taken or being considered	Target date of implementation
5.22	<p>Audit has <i>recommended</i> that the Chief Executive, HA should:</p> <p>(a) standardise hospitals' practices on address proof requirements by establishing a comprehensive set of guidelines for hospitals to follow;</p> <p>(b) ensure that hospitals follow the address proof guidelines established; and</p> <p>(c) work out how the verification of address records is to be implemented.</p>	<p>Request of address proof has been incorporated in the circular on debt recovery. The following actions would be taken:</p> <ul style="list-style-type: none"> <li>• Request of address proof from inpatients upon admission</li> <li>• Registration staff to request outpatients with identified wrong address to provide address proof when the patients next visit HA hospitals or clinics</li> </ul> <p>Measure being considered: Further strengthen the address proof requirement</p>	Already implemented



中華人民共和國香港特別行政區政府總部衛生福利及食物局  
Health, Welfare and Food Bureau  
Government Secretariat, Government of the Hong Kong Special Administrative Region  
The People's Republic of China

---

本函檔號 Our ref.: HWF CR 1/3921/06  
來函檔號 Your ref.: CB(3)/PAC/R47

電話號碼 Tel. No.: (852) 2973 8147  
傳真號碼 Fax No.: (852) 2521 0132

30 November 2006

Ms Dora Wai  
Public Accounts Committee  
Legislative Council Secretariat  
Legislative Council Building  
8 Jackson Road  
Central, Hong Kong  
(Fax: 2537 1204)

Dear Ms Wai,

**The Director of Audit's Report on the  
results of value for money audits (Report No. 47)**

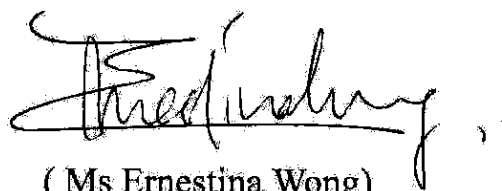
**Chapter 5 – Hospital Authority:  
management of outstanding medical fees**

Thank you for your letter of 22 November 2006 on the captioned subject.

In addition to the fee recovery improvement initiatives implemented by the Hospital Authority, the Administration has been exploring the viability of amending the law so that a visitor who had yet to settle his fees with the Hospital Authority can be prevented from re-entering Hong Kong.

We are deliberating within the Administration how best to take forward the proposed measure in the context the package of fee recovery improvement initiatives to be implemented by the Hospital Authority. We plan to report progress to the Panel on Health Services as soon as we are in a position to do so.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ernestina Wong', with a stylized flourish at the end.

( Ms Ernestina Wong)  
for Secretary for Health, Welfare and Food

c.c. Chief Executive, Hospital Authority  
Secretary for Security  
Secretary for Financial Services and the Treasury  
(Attn: Miss Amy Tse)  
Director of Audit

## Supplementary information for paragraph 2.31 of Chapter 6

**Waivers granted on financial and non-financial grounds  
(2005-06)**

Waivers granted on	Amount		Cases	
	(\$ million)	(Percentage)	(Number)	(Percentage)
Financial grounds	76.90	91 %	87,976	86 %
Non-financial grounds	8.00	9 %	14,749	14 %
<b>Total</b>	<b>84.90</b>	<b>100 %</b>	<b>102,725</b>	<b>100 %</b>

*Source: HA records*

*24 November 2006*

## Supplementary information for Table 6 (in paragraph 2.31) of Chapter 6

**Waivers granted on non-financial grounds  
(2005-06)**

Reason	No. of waivers				
	Full waiving	75% waiving	50% waiving	25% waiving	Total
To encourage treatment	3,857	22	245	96	4,220
The patient is an elderly person	2,900	56	427	195	3,578
Patients with chronic/terminal illness	1,316	28	386	263	1,993
To encourage social support	736	6	72	14	828
Frequent medical follow-up is required	521	8	159	89	777
Unemployment	676	6	26	19	727
Patients in the under-privileged group	545	2	27	16	590
Patients with a relationship problem	547	0	23	14	584
The patient is a disabled person	480	2	41	25	548
Patients on prolonged hospitalisation	271	11	85	64	431
Patients or their family members have to incur special expenses	260	10	78	25	373
Single parent with dependent children	88	0	9	3	100
<b>Total</b>	<b>12,197 (83%)</b>	<b>151 (1%)</b>	<b>1,578 (11%)</b>	<b>823 (5%)</b>	<b>14,749 (100%)</b>

Source: HA records

24 November 2006



醫院管理局  
HOSPITAL  
AUTHORITY

群策群力為病人・優質醫護滿杏林  
Quality Patient-Centred Care Through Teamwork

Our Ref: AHS / MSS / G / 06

18 December 2006

Clerk, Public Accounts Committee  
(Attn: Ms Serena Chu)  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Dear Ms Chu,

**The Director of Audit's Report on the  
Results of value for money audits (Report No.47)**

**Chapter 6: Hospital Authority and Social Welfare Department:  
Management of medical fee waivers**

Thank you for your letter dated 12 December 2006.

With regard to your enquiries, we would like to provide information as follows:

- (a) There were a total of 2,591 partial waivers granted on non-financial grounds for 4,829 cases / attendances in 2005/06. Among those cases / attendances, there are 73 write-off cases / attendances with a total write off amount of \$34,468 and there are 80 outstanding cases / attendances with outstanding amount of \$105,315.

(The 2,552 no. of partial waiver granted as quoted in the audit report under para 2.31 is updated as 2,591, as some more applications were confirmed after the data extraction exercise)

- (b) The first exercise of 1% supervisory check covered waivers issued during the period from Apr 2006 to September 2006. A total of 489 cases from 32 Medical Social Work Units (both HA and SWD) have been audited. Among these cases, there are 16 cases that have areas for further improvement in documentation, though the assessment and recommendation made by the Medical Social Workers (MSWs) in these



cases were in order. Key findings and follow up actions of the exercise are summarized below:

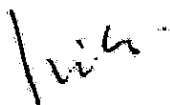
Key findings:

- The MSWs did not provide complete or accurate information in assessment form, e.g. lacking of applicant's signature, no entry of date of previous full assessment conducted, and wrongly copied the relative's name.
- Inconsistence between recommendation and the assessment result in the assessment form and e-waiver record.

Actions taken

- MSWs concerned have been advised to
  - provide complete and accurate information relating to their processing of waiver applications
  - input accurately the assessment results and recommendations in the e-waiver system
- Periodic briefing sessions and training on waiving guidelines will be conducted for MSWs to enhance their performance in granting waivers.

Thank you for your attention.

  
(Ms Ivis CHUNG)  
for Chief Executive  
Hospital Authority

c.c. Director of Social Welfare (Attn: Mr SIT Tung)



醫院管理局  
HOSPITAL  
AUTHORITY

群策群力為病人・優質醫護續杏林  
Quality Patient-Centred Care Through Teamwork

Our Ref: AHS / MSS / G / 06

31 January 2007

Clerk, Public Accounts Committee  
(Attn: Ms Serena Chu)  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Dear Ms Chu,

**The Director of Audit's Report on the  
Results of value for money audits (Report No.47)**

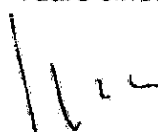
**Chapter 6: Hospital Authority and Social Welfare Department:  
Management of medical fee waivers**

Thank you for your letter dated 29 January 2007.

With regard to your enquiry, please note that Social Welfare Department and Hospital Authority considered on-line verification of validity of status of patients under Comprehensive Social Security Assistance a better solution with patient status verified on the spot. We are in the process of upgrading the systems to on-line electronic verification. Initial schedule for the enhancement of the systems has been prepared. The project is target for completion by mid 2007.

Thank you for your attention.

Yours sincerely,

  
(Ms Ivis CHUNG)  
for Chief Executive  
Hospital Authority

c.c. Director of Audit (Attn: Mr Andrew CHANG)  
Director of Social Welfare (Attn: Mr SIT Tung)

民政事務總署  
香港灣仔軒尼詩道一百三十號  
修頓中心二十九及三十樓



**HOME AFFAIRS DEPARTMENT**

29th and 30th Floors,  
Southern Centre,  
130 Hennessy Road,  
Wan Chai,  
Hong Kong.

本署檔號 Our Ref. L/M(2) to HAD HQII/16-5/23 (TC24/2006)  
來函檔號 Your Ref. CB(3)/PAC/R47  
電話 Tel: 2123 8300  
傳真 Fax: 2834 5103

**Urgent by fax: 2537 1204**

20 December 2006

Clerk to the Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

(Attn: Ms Serena Chu)

Dear Ms Chu,

**The Director of Audit's Report on the  
results of value for money audits (Report No. 47)**

**Chapter 7: Implementation of minor works projects  
By the Home Affairs Department**

I refer to your letter dated 6 December 2006 on the above.

The latest progress of the follow up actions taken are set out below please:

- (a) Paragraphs 2.24(c) and (d) and 2.25(c) of the Audit Report  
- Construction of a footpath at Peng Chau**

The Audit Report has recommended that Home Affairs Department (HAD) should keep the District Working Groups (DWGs) and Steering Committees (SCs) informed of any significant project cost increase and the reasons thereof and provide full, relevant and significant information to DWGs and SCs when submitting project proposals for their consideration. In this respect, we are revising the format of progress reports to DWGs and SCs to provide the relevant information.

For projects such as footpaths, access roads and piers, DOs will provide information on the expected utilization of the proposed facilities and the availability of similar facilities in the vicinity for DWG members' reference.

**(b) Paragraph 3.25 of the Audit Report**  
**- Improvement to a pier in Sham Tseng**

On 14 November 2006, HAD held a meeting with representatives from Transport Department, Marine Department and Civil Engineering and Development Department to review the existence of the two piers at Anglers' Beach. The meeting decided to further assess the cost effectiveness, amongst other relevant factors, of retaining the old pier. Regarding the new pier, Marine Department will conduct regular sounding survey and, if necessary, dredging work will be carried out to maintain the required water depth around the pier.

We will remind DOs that water depth and siltation should be assessed when designing new pier projects. Expert advice from Marine Department and Civil Engineering and Development Department would be obtained to ensure that the selected site is suitable for the purpose. Commissioner for Transport would also be consulted on the anticipated future traffic or other planned transport services in the area.

**(c) Paragraphs 5.14(c) and 5.15(c) of the Audit Report**  
**- Construction of a footpath on Lamma Island**

Islands District Office last removed the sand deposits on the concerned footpath in October 2006. It will continue to monitor the condition of the footpath and remove sand deposits as and when required.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Margaret Hsia', with a stylized flourish at the end.

(Ms Margaret Hsia)  
for Director of Home Affairs

c.c. Director of Audit  
Director of Civil Engineering and Development  
Commissioner for Transport  
Director of Marine

## ACRONYMS AND ABBREVIATIONS

---

A&E	Accident and emergency
AMC	Air Mail Centre
Audit	Audit Commission
Audit Report	Director of Audit's Report
BD	Buildings Department
CASEMAN	Case and Summons Management System
CE	Chief Executive
CGAT	Community Geriatric Assessment Team
CMBS	Coordinated Maintenance of Buildings Scheme
CS	Chief Secretary for Administration
CSSA	Comprehensive Social Security Assistance
CSSA Certificates	Comprehensive Social Security Assistance Medical Waiver Certificates
DC	District Council
D of J	Department of Justice
DSS	Direct Subsidy Scheme
DWGs	District Working Groups
EC	Elderly Commission
EIA	Environmental Impact Assessment
EPs	Eligible persons
EPD	Environmental Protection Department
ESF	English Schools Foundation
FAQs	Frequently Asked Questions
FEHC	Food and Environmental Hygiene Committee
FEHD	Food and Environmental Hygiene Department
FSTB	Financial Services and the Treasury Bureau
GFA	Gross floor area
GPO	General Post Office
HA	Hospital Authority
HAD	Home Affairs Department
HAHO	Hospital Authority Head Office
HATS	Harbour Area Treatment Scheme
HD	Housing Department
HKBU	Hong Kong Baptist University

## ACRONYMS AND ABBREVIATIONS

---

HKHS	Hong Kong Housing Society
HKU	University of Hong Kong
HPLB	Housing, Planning and Lands Bureau
HWFB	Health, Welfare and Food Bureau
HYK	Heung Yee Kuk
IMC	International Mail Centre
ImmD	Immigration Department
JA	Judiciary Administration
KCRC	Kowloon-Canton Railway Corporation
Lands D	Lands Department
LCSD	Leisure and Cultural Services Department
LDHA	Legal Department of the Hospital Authority
LegCo	Legislative Council
LPG	Liquefied petroleum gas
MLSS	Mechanised Letter Sorting System
MSSUs	Medical Social Services Units
MSVR	Market stall vacancy rate
MSWs	Medical Social Workers
NEPs	Non-eligible persons
OCs	Owners' Corporations
ORO	Official Receiver's Office
PAC	Public Accounts Committee
PIPs	Private sector insolvency practitioners
PO	Post Office
Police	Hong Kong Police Force
PolyU	Hong Kong Polytechnic University
POMS	Postal Mechanisation System
PRH	Public rental housing
SCs	Steering Committees
SCL	Shatin to Central Link
SCT	Small Claims Tribunal
SME	Small and medium enterprise
SSSH	Sheung Shui Slaughterhouse

## ACRONYMS AND ABBREVIATIONS

---

SWD	Social Welfare Department
TD	Transport Department
UBWs	Unauthorised building works
UGC	University Grants Committee
UNHCR	United Nations High Commissioner for Refugees
VEA	Village Expansion Area
Waiver System	Medical fee waiver system
YTMDC	Yau Tsim Mong District Council