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25 July 2013

Mr Derek LO  
Clerk to Panel on Economic Development  
Legislative Council Secretariat  
Legislative Council Complex  
1 Legislative Council Road  
Central

Dear Mr LO,

**Panel on Economic Development**

**Follow-up to meeting on 22 November 2010**

**“Review of the operation of the Travel Industry Council of Hong Kong”**

The Travel Industry Council of Hong Kong informed members at the captioned meeting that it would conduct a value-for-money audit (audit) and undertook to report to this Panel upon the completion of the audit. We enclose the relevant information note for Members' reference.

Yours sincerely,



(Miss Ann CHAN)

for Commissioner for Tourism

c.c. (with enclosure)

Mr Joseph TUNG

Executive Director, Travel Industry Council of Hong Kong (Fax: 2510 9945)

## **Legislative Council Panel on Economic Development**

### **Findings on the Value-for-money Audit on the Operation of the Travel Industry Council of Hong Kong**

#### **Purpose**

At the meeting of 22 November 2010, the Travel Industry Council of Hong Kong (TIC) informed members that it would conduct a value-for-money audit (audit) and undertook to report to this Panel upon the completion of the audit. This paper outlines the relevant findings.

#### **Background**

2. Under the existing two-tier regulatory regime of the tourism sector in Hong Kong, the TIC is responsible for trade self-regulation, including the promulgation of codes of conduct and directives, as well as maintaining a disciplinary mechanism to handle breaches of the codes and directives by member agents. With the changing market needs and rising public expectations on the regulatory work of the trade, the TIC has been striving to enhance its work efficiency and transparency. The TIC therefore decided in April 2010 to engage an independent auditing organisation to conduct an audit on the operation of the TIC, with a view to identifying areas where the TIC could further improve in its operation, and in turn achieve higher efficiency and effectiveness in the utilisation of its resources.

#### **Scope of the Audit and Key Recommendations**

3. The audit was carried out in four phases during the period from December 2010 to May 2012. The scope, findings and key recommendations of the audit are set out below.

##### ***A. Phase 1 Audit***

4. Phase 1 of the audit was carried out during the period from December 2010 to March 2011. The scope of the audit covered governance and administrative matters of the TIC. The findings showed that while the TIC is a trade association and a self regulatory body at the same time, both the Board of Directors and the TIC in general had done a good job in striking a balance

between the dual roles. The audit report made recommendations on 17 low-risk and 7 medium-risk items, which covered the composition of the TIC Board and its committees and the arrangements in endorsing matters; means through which documents are issued; drafting of policies and procedures for budgeting purposes; revisiting and redefining the responsibilities among the Board, various committees and the Executive Office; and performing regular update of the staff grading and entry point salary guidelines.

### ***B. Phase 2 Audit***

5. Phase 2 of the audit was carried out during the period from May to June 2011. The scope covered membership services of the TIC (including administration of training courses, seminars and forums; administration of the Continuing Professional Development (CPD) Scheme for Tourist Guides; and promotion of fellowship among members) and public relations (including promotion of trade image and members' relations with the public; consumer education and publicity campaigns; and contingency handling). The audit report showed that there was no major concern or risks identified in the two areas. It made recommendations on three low-risk issues, including the data input and verification of attendance information of CPD Scheme for Tourist Guides; conducting sample checks of the media used for publicity of the levy scheme and regular surveys after organising promotion activities and campaigns; and establishment of policies and procedures for the membership services and the public relations processes to provide a consistent set of guidelines to staff members.

### ***C. Phase 3 Audit***

6. Phase 3 of the audit was carried out during the period from November 2011 to January 2012. Its scope covered the internal processes adopted for the monitoring, investigating and handling enquiries. Having reviewed the existing control framework, the audit report made seven recommendations, among which four were rated as low-risk and two as medium-risk. The recommendations included the monitoring of advertisements; handling of cases of non-compliance with TIC rules; and administration of spot checks for inbound tour groups. Besides, only the existing mechanism for handling complaint cases from outbound travellers was rated as high-risk in the audit report. The reason for the rating was due to the relatively long waiting time for complaint cases to be heard by the Consumer Relations Committee (CRC) and the resultant backlog of cases. On this, the audit report's recommendations included increasing the meeting frequency of the CRC to

shorten the waiting time of cases pending the CRC's decision; imposing a reasonable administration fee for complaint cases referred to the CRC so as to minimise potential abuse of the complaints handling system; and establishing formal guidelines on handling of groundless complaints by the TIC Executive Office.

#### ***D. Phase 4 Audit***

7. Phase 4 of the audit was carried out during the period from March to May 2012. It focused on reviewing the registration processes / sub-processes of various businesses undertaken by the TIC as well as its controls. The processes reviewed included admission and registration of travel agents as members; registration of tour escorts and issuance of Tour Escort Passes (TEPs); registration of tourist guides and issuance of Tourist Guide Passes (TGPs); registration of outbound tours; registration of tour confirmation agreements of Mainland inbound tours and registration of shops. The audit report made recommendations on six low-risk issues, including establishment of formal guidelines for handling Association Membership applications; further enhancement of the revalidation process for membership renewal; further enhancement of the CPD requirements for the renewal of TEPs and TGPs; enhancement of the existing mechanism for registration of inbound tours from the Mainland; further enhancement of the controls over the application or renewal process to address the possible risk of cash misappropriation at the point of cash receipt; and strengthening the controls over posting of information on the TIC website.

#### **Improvement Measures**

8. In view of the recommendations raised in the audit reports, the TIC has implemented appropriate remedial measures where practicable and completed follow-up actions on most of the recommendations. As regards recommendations concerning the organisation and reporting structure, composition and appointment of the TIC Board and its committees; attendance of TIC Board and Committee members, management of conflict of interest, etc., the TIC decided to consider them after the completion of the review of the operation and regulatory framework of the tourism sector in Hong Kong by the Government. There were also a few recommendations (for example, increasing the meeting frequency of the CRC and imposing administration fee for complaint cases referred to the CRC) which could not be adopted due to the resources constraints of the TIC and its actual operation.

## **Conclusion**

9. Overall speaking, there was no major concern identified in terms of TIC's internal control in all of the four phases of the audit. The TIC had all along been taking a very serious and proactive approach in addressing the issues identified in the audit. The audit findings found that the internal control measures taken by the TIC to ensure compliance with the policies and procedures currently in place were, on the whole, satisfactory. The audit report also expressed appreciation of the auditing organisation on the quick response and efforts shown by the TIC Executive Office to implement the appropriate remedial measures in the operations, for example, implementing maker-checker function and formalising its policies and procedures.

10. Members are invited to note the above.

**Tourism Commission  
Commerce, Industry and Tourism Branch  
Commerce and Economic Development Bureau  
July 2013**