

本署檔號 OUR REF. : SWD 6/720/2016 Pt.5
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16 June 2017

By Fax (2543 9197) and email

Mr Anthony CHU
Clerk to Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Mr CHU,

Public Accounts Committee
Consideration of Chapter 1 of the Director of Audit's Report No. 68
Government's support and monitoring of charities

Thank you for your letter dated 29 May 2017. Our reply to the issues raised therein is as follows –

(I) Lease M

Surplus derived from the facilities and subvention for subvented services
[Response to question at para. 3(a)]

Grantee M is required under the land lease to conduct the facilities in accordance with the relevant Ordinances and Regulations in all respects to the satisfaction of the then Director of Buildings and Lands. As mentioned at paragraph 3.13 of Report No. 68 of the Director of Audit, pursuant to a letter of June 1989 issued by the then Director of Buildings and Lands, approval was given to allow surplus derived from the facilities operated by Grantee M to be used towards the improvement and/or extension of all charitable services provided by Charity M. The land grant condition does not require the surplus derived from the facilities to be used for adjustment of the amount of subvention granted to Charity M by the Social Welfare Department (SWD) for the operation of the subvented services.



(II) **Lease N**

Statements of accounts of income-generating facilities [Response to question at para. 4(a)]

After 1997-98, SWD obtained the statements of accounts of Grantee N's income-generating facilities for the following years –

Year	Date of receipt
1998-1999	22 July 1999
1999-2000	4 July 2000
2000-2001	9 July 2001
2001-2002	8 June 2002
2002-2003	10 April 2003

Management Committee [Response to question at para. 4(b)]

Please refer to **Annexes 1 to 3** for the scope, terms of reference and membership of the Management Committee.

According to the record of minutes of the meetings of the Management Committee, Grantee N held five meetings from 1993 to 1998, as follows –

- 1st meeting: 29 September 1993
- 2nd meeting: 14 September 1995
- 3rd meeting: 17 September 1996
- 4th meeting: 30 September 1997
- 5th meeting: 1 December 1998

According to our records, SWD held a meeting with Grantee N in September 1999 to discuss the subvention reduction arrangement and confirmed with Grantee N to withhold part of the reimbursement of the government rent and rates amounting to \$1.47 million each year for 1997-98, 1998-99 and 1999-2000, i.e. totalling \$4.41 million, to Grantee N.

The Home Affairs Bureau took over from SWD the management of Grantee N in 2000. SWD has not been involved in the related management work since then.



Subvention reduction [Response to question at para. 4(c)]

As mentioned in paragraph 3.15(d) of Report No. 68 of the Director of Audit, after repayment of the development costs by Grantee N, continued subvention of Grantee N's activities by SWD would have regard to the level of income from the project. The facilities in the development commenced operation in 1994. In 1997, after considering a number of factors, including Grantee N's income, expenditure and budget, loan repayment situation, cashflow and the financial situation of the income-generating facilities, SWD negotiated with Grantee N and withheld part of the government rent and rates subsidy in respect of the welfare facilities operated on the site, totalling \$1.1 million, for 1994-95, 1995-96 and 1996-97 from its reimbursement of government rent and rates to Grantee N, as an interim arrangement for initial reduction of recurrent subvention.

In 1999, after examining Grantee N's financial situation from 1995-96 to 1997-98, SWD found that Grantee N had operating surpluses. On this basis, SWD envisaged that there was room for further reduction in its subvention to Grantee N. After discussion with Grantee N, SWD withheld part of the reimbursement of the government rent and rates amounting to \$1.47 million each year for 1997-98, 1998-99 and 1999-2000, i.e. totalling \$4.41 million, to Grantee N.

Canteen, western restaurant and lounge [Response to question at para. 4(d) and (e)]

The operation of hostel and canteen on the site by Grantee N is permitted under the land grant condition of Lease N. According to the information provided by Grantee N, the restaurant at the basement of the headquarters commenced operation in July 1994. According to Lease N, the headquarters portion should include an assembly hall, gymnasium, offices, shop of Grantee N, hostel, dormitory, canteen, staff quarters and such other ancillary accommodation and facilities as approved by the Director of Social Welfare. As for the western restaurant and the lounge on the mezzanine floor, they have commenced operation since October 1993 and August 1995 respectively and, as part of the hostel, can be open to the public.

SWD does not have file record showing that Grantee N had consulted SWD on the application for the General Restaurant License for the restaurant. There is also no record in the minutes of the meetings of the Management Committee about the discussion on the operation of the restaurant, western restaurant and lounge.

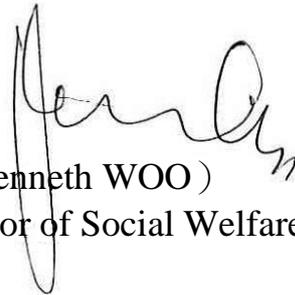


Monitoring mechanism [Response to question at para. 4(f)]

For Lease N, in accordance with the land lease condition concerned, SWD appointed a representative to attend the meetings of the Management Committee from 1993 to 1998. Besides, there is also record showing that a meeting was held between SWD and Grantee N in September 1999 to continue discussing the subvention reduction arrangement. Before HAB took over from SWD the management and subvention of uniformed groups in 2000, SWD monitored the uniformed group services provided by the grantee according to the prevailing Guide to Social Welfare Subventions, including review of service data information, service assessment visits and subvention inspection, etc.

If you have any enquiries, please feel free to contact the undersigned.

Your sincerely,



(Kenneth WOO)
for Director of Social Welfare

c.c.

Secretary for Labour and Welfare (fax no.: 2524 7635)

Secretary for Financial Services and the Treasury (fax no.: 2537 3210)

Commissioner of Inland Revenue (fax no.: 2877 1082)

Secretary for Home Affairs (fax no.: 2591 5536)

Director of Lands (fax no.: 2525 4960)

Registrar of Companies (fax no.: 2868 5384)

Commissioner of Police (fax no.: 2866 2579)

Secretary for Education (fax no.: 2810 7235)

Director of Audit (fax no.: 2583 9063)

21 June 1993

Director of Social Welfare
Social Welfare Department
7/F-9/F, Wu Chung House
197-221 Queen's Road East
Wanchai
Hong Kong

Dear Sir

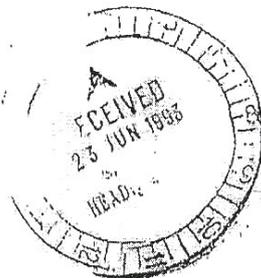
Section (11)(c) of the Special Conditions of Grant for the above mentioned Lot states that

"The Grantee shall establish a Management Committee comprising representatives of the [redacted], the Director of Social Welfare or his representatives and the Secretary for District Administration or his representatives to ensure the proper and efficient operation of the income generating facilities of the [redacted]."

In view of the occupation permit will be issued by the Authority shortly. I would be grateful if you could nominate the appropriate officers to sit in the Management Committee. A list of proposed committee members is attached for your reference.

Once I receive your nomination, a meeting will be arranged in the near future.

Yours faithfully



[redacted]
Encl

DRAFT

[REDACTED]
Management Committee
of
[REDACTED]

Chairman [REDACTED] (from Grantee N)

Members Director of Social Welfare or
his representative(s)

Secretary for Home Affairs or
his representative(s)

[REDACTED]

[REDACTED]

(Representatives of Grantee N)

Minutes Secretary [REDACTED] (from Grantee N)

(ENHQ7:MGTC_NM)

Management Committee of [REDACTED]

Terms of Reference

The Committee is established to ensure the proper and efficient operation of the income generating facilities of [REDACTED]
[REDACTED]

(ENHQ8:1MC_AGD)

Management Committee
of
[REDACTED]
Membership List for 1993/94

Chairman

[REDACTED]

Members

[REDACTED]

Representative of Director of Social Welfare

[REDACTED]

Representative of Secretary for Home Affairs

[REDACTED]

[REDACTED]

Minutes Secretary

[REDACTED]

(ENHQB:1MC_AGD)