

**Meeting of the Legislative Council Public Accounts Committee
on 17 October 2017**

**Report No. 68 of the Director of Audit (Audit Report)
Chapter 4: Provision of district council funds for
community involvement projects**

Opening remarks by the Secretary for Home Affairs

Mr Chairman,

We thank the Audit Commission for the value for money audit on community involvement (CI) projects and its recommendations covering various aspects. We will fully co-operate with the Legislative Council Public Accounts Committee (PAC) in its hearing on this subject. We agree to the recommendations in general and have started work to enhance the funding allocation arrangements and the system of declaration of interests. Details of these follow-up work were given in our replies to the PAC's written enquiries.

2. The Home Affairs Department (HAD) has all along formulated provisions on avoidance of conflict of interests under the District Council (DC) Standing Orders on the basis of the guidelines for a two-tier reporting system devised in collaboration with the Independent Commission Against Corruption (ICAC).

3. All DC members declared interests according to the DC Standing Orders and the declarations have been uploaded to DC websites for public viewing. The first-tier declaration requires DC members to report their personal interests within one month from the commencement of their term. The interests in focus in the first-tier declaration is pecuniary interests. The DC member should provide update on any change in such interests within 14 days. The second-tier declaration requires that any DC member who has pecuniary or other interests in any matter handled by the DC concerned, or has links with the benefitted party or potential benefitted party, including matters

on tender, quotation and DC funds, must, as soon as practicable after being aware of it, declare such to the DC concerned prior to the discussion of the relevant matter.

4. In addition, the Manual on the Use of District Council Funds provides further guidance on the second-tier declaration, requiring that DC members shall make declarations on any conflict of interest which may be actual, potential or perceived. They should also refrain from having business dealings with any party associated with projects financed by DC funds.

5. The two-tier declaration system is well-established with the first-tier declaration covering a comprehensive range of interests under eight categories. Most members are familiar with this system and make declarations accordingly. We review the DC Standing Orders from time to time in consultation with the ICAC. In reviewing the declaration system in 2015, we updated the Registration Form on Personal Interests of Members of a District Council or its Committees (Registration Form) with reference to the Legislative Council's requirements for declaration of personal interests, and uploaded the Registration Forms of DC and Committee members to DC websites for public viewing.

6. In consideration of the recommendations in the Audit Report, we have further enhanced the relevant arrangements and systems, including the following -

- HAD has, in consultation with the ICAC, formulated guidelines on the “other declarable interests” under the first-tier declaration to facilitate DC members in making the first-tier declaration more comprehensively and accurately. For example, under this principle, DC and Committee members' holding of positions in the implementation parties of CI projects are regarded as “other

declarable interests” and should be declared.

- Regarding the second-tier declaration, we have requested DC Secretariats to remind, at every meeting or during circulation of papers, DC and Committee members to declare interests and the Chairpersons to make rulings on the interests declared and to record such rulings in the minutes of meetings. Under the current practice, minutes of meetings are uploaded to DC websites for public inspection.
 - We have also reminded secretariats of DC and Committees that matters shall be determined by circulation of papers only if the matter calls for urgent handling or the matter cannot be postponed to the next meeting.
 - HAD has worked with DC Secretariats to devise good practice in the handling of declaration of interests and making of rulings at meetings by DC and Committee Chairpersons. The good practice has been distributed to DCs for reference.
 - The Manual on the Use of District Council Funds provides for the principle for declaration of interests by DC and Committee members at DC and Committee meetings, which equally applies to Working Groups. Nevertheless, we will add the reference to “Working Groups” in the relevant parts in the DC Standing Orders so that the principle would be made more explicit to DC members.
 - HAD has implemented or will implement other recommendations in the Audit Report.
7. Chairman, the Director of Home Affairs, Director of Leisure and

Cultural Services and I will be happy to answer any questions from the Members on the recommendations in the Audit Report and our follow-up measures.

8. Thank you, Mr Chairman.