

(Translation)**Meeting of the Legislative Council Public Accounts Committee
on 6 May 2017****Report No. 68 of the Director of Audit
Chapter 1: Government's support and monitoring of charities****Opening remarks by the Secretary for Home Affairs**

Mr Chairman,

We are grateful to the Audit Commission for carrying out a value for money audit on Government's support and monitoring of charities and its various recommendations. The Legislative Council Public Accounts Committee (PAC) has selected this above topic for hearing, the relevant Government bureaux and departments will fully co-operate with the Commission to identify and implement effective and feasible recommendations as soon as possible, so as to enhance the transparency and accountability of charities.

2. The support to and the monitoring of charities involve the work of a number of bureaux and departments, so in addition to representatives from the Home Affairs Bureau (HAB), the Secretary for Financial Services and the Treasury, the Commissioner of Inland Revenue, the Director of Lands, the Director of Social Welfare and colleagues from other relevant bureaux and departments are all present at this hearing to jointly respond to the recommendations in the Audit Report and questions to be raised by PAC.

3. As mentioned in the Audit Report, the Law Reform Commission (LRC) published at the end of 2013 its Report on charities, the recommendations of which also involved the duties of a number of Government bureaux and departments. Since many recommendations in the LRC Report carry substantial implications on charities in Hong Kong in terms of their definition, approval criteria and their operation, bureaux and departments need to consider these recommendations thoroughly and carefully. HAB has been assigned to co-ordinate inputs from the relevant bureaux and departments in formulating responses to LRC's recommendations for the Government's overall consideration.

4. Since the release of the LRC Report on charities, HAB has convened two inter-departmental co-ordination meetings to consolidate views of various bureaux and departments on enhancing the monitoring of charitable organisations and explore ways to improve the procedures and arrangements for charities to apply for holding fund-raising activities. The recommendations in the LRC Report touch on relatively complicated issues, including providing statutory definition of "charitable organisations",

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establishing a registration system for charitable organisations, compiling a list of charitable organisations to be managed and maintained by one single bureau or department. In fact, as it is clearly pointed out in the LRC Report that the findings of the public consultation indicated that no consensus in the community had been reached on the proposed establishment of a single authority (for example, an independent charity commission) to regulate charitable organisations of different purposes, types and backgrounds. Many charitable organisations even objected to the proposal as they worried that the charity commission would be given too much power without proper check-and-balance. They also considered that the administration cost of the commission might be shifted to charitable organisations, thus increasing their financial burden. For the religious sector, they worried that the registration system would involve scrutiny of religious organisations' charitable work, which might lead to interference with religious doctrines and activities and undermine the freedom of religion as enshrined in the Basic Law. As a result, the LRC finally agreed that a charity commission should not be established at this stage, and recommended instead that it should only be a long-term goal for the Government to set up a charity commission or a single regulatory authority.

5. The implementation of LRC's recommendations on the regulatory framework in the absence of a single regulatory authority is a highly complicated issue. For example, at least nine bureaux and quite a number of executive departments are currently involved in the legislation, licensing and land allocation work relating to charitable organisations and their fund-raising activities. Substantial integration work on, among other things, policy co-ordination, resources allocation and even re-organisation may be required for the bureaux and departments to consolidate all the relevant legislation and powers before a single policy bureau or department could be designated to administer and carry out the work. More importantly, views and responses from the public and various stakeholders (including various types of charitable organisations) have to be taken into account. As it takes time for the Government to study thoroughly and deliberate carefully LRC's recommendations and the relevant issues, it would not be desirable to take a decision in haste.

6. Nevertheless, in order to strike an appropriate balance between safeguarding public interests and allowing proper function of charities, the Government has been attaching great importance to enhancing the transparency and accountability of charities as well as charitable fund-raising activities. In the light of the recommendations in the LRC Report, we are now exploring with the relevant departments some feasible administrative measures that may be introduced in the short term to enhance the transparency of charities and charitable fund-raising activities, so as to safeguard the public's right to information. Some of these measures are in line with the direction of recommendations in the Audit Report. When responding to the various parts of the Audit Report later, HAB and other relevant bureaux and departments will

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explain in detail those implemented or proposed improvement measures.

7. Meanwhile, HAB will continue to co-ordinate inputs from bureaux and departments with regard to their responses to LRC's recommendations for overall consideration by the Government. During this process, we will make reference to the recommendations in the Audit Report on improving the monitoring of charities and fund-raising activities as well as the advice of the PAC.

8. Professor K C CHAN, Secretary for Financial Services and the Treasury, and Ms Bernadette LINN, Director of Lands, will be speaking to PAC. After that, my colleagues and I will listen to Members' views and will be happy to answer any question. Thank you, Mr Chairman.