THE GOVERNMENT MINUTE

in response to the

REPORT OF
THE PUBLIC ACCOUNTS COMMITTEE
No. 68

of July 2017

18 October 2017

THE GOVERNMENT MINUTE IN RESPONSE TO THE PUBLIC ACCOUNTS COMMITTEE REPORT NO. 68 DATED JULY 2017

REPORT ON THE RESULTS OF VALUE FOR MONEY AUDITS (Report No. 68)

Chapter 2 – Monitoring of charitable fund-raising activities

The Government accepts the views and recommendations made by the Audit Commission (Audit) and the Public Accounts Committee (PAC) on the monitoring of charitable fund-raising activities and has taken follow-up actions as appropriate. The progress made is reported below.

Administration of public subscription permits for charitable fund-raising activities

2. Under the authority of Section 4(17)(i) of the Summary Offences Ordinance (Cap. 228), the Social Welfare Department (SWD) may issue Public Subscription Permits (PSPs) for charitable fund-raising activities conducted in public places. At present, SWD processes PSP applications for conducting flag days and general charitable fund-raising activities in accordance with the aforementioned provision, and the scope of charitable fund-raising activities regulated include any collection of money on-the-spot, or sale or exchange for donations of badges, tokens or similar articles.

3. Regarding the charitable fund-raising activities regulated under the aforementioned Ordinance, SWD always strives to maintain a balance between public interests and the fund-raising needs of charitable organisations with a view to safeguarding the interests of the general public/donors whilst not stifling the fund-raising by charitable organisations (especially small-scale organisations) for their operation and service development. Apart from the formulation and continued promotion of the "Reference Guide on Best Practices for Charitable Fund-raising Activities" (Reference Guide) and the "Guidance Note on Internal Financial Controls for Charitable Fund-raising Activities" (Guidance Note), SWD also strengthens the monitoring of the charitable fund-raising activities through administrative means by imposing the vetting eligibility criteria of PSP and the related permit conditions.

4.   Over the years, SWD has been proactively reviewing the regulatory measures and the permit conditions for charitable fund-raising activities. Since April 2014, SWD has required PSP applicants for organising general charitable fund-raising activities to possess a three-year track record of charitable activities and to submit their annual financial statements for the past three years for vetting. In vetting the applications for PSP, SWD will cautiously consider their manpower and financial management situations in order to determine the capability of the applicant organisations in carrying out the fund-raising activities prescribed in the PSPs. Currently, SWD stipulates more than 20 permit conditions which clearly set out the order and discipline that need to be maintained during the charitable fund-raising activities approved under PSPs, as well as the financial accountability of the permittees, with the aim of enhancing the transparency and accountability of charitable fund-raising activities.

Publicising cases of repeated/serious delay in submission of audited reports

5.   To tackle those cases of repeated non-compliance with PSP condition on timely submission of audit reports, apart from continuing to enforce the prevailing follow-up mechanism (i.e. including the issue to the non-compliant permittee a reminder/warning letter, the inclusion of such permittee in the withholding list, etc.), SWD has been actively studying the "publicising mechanism" in response to the Audit's recommendation. In this connection, SWD has set up a working group under the Lotteries Fund Advisory Committee (LFAC), which is deliberating on how to define serious/repeated non-compliance with PSP conditions and the related "publicising mechanism", and will seek legal advice from the Department of Justice on the proposed "publicising mechanism". The "publicising mechanism" being devised is expected to be implemented by the end of 2017.

Expenses/"administration costs" for general charitable fund-raising activities

6.   At present, PSP conditions do not prescribe restriction on the ratio of expenses incurred for general charitable fund-raising activities mainly because of the diverse nature, scale and modus operandi of such activities. It is rather difficult to set an across-the-board ceiling for administrative expenses for all general charitable fund-raising activities. Though LFAC did not set an objective ceiling for administrative expenses in the 2016 review, it had agreed to explore the feasibility of defining the scope of "administration costs" relating to charitable fund-raising activities, and started to liaise with the sector in early 2017. SWD had also consulted the Hong Kong Council of Social Service (HKCSS) on the feasibility of defining the "administration costs" as recommended by the Audit. The working group under LFAC is studying and consolidating the feedback received on the matter as well as actively exploring the feasibility of setting a ceiling on administrative expenses for general charitable fund-raising activities with a nature and pattern similar to that of flag days.

Fine-tuning the accounting requirements

7.   SWD accepts the recommendation of the Audit and has started the discussion with stakeholders, particularly the Hong Kong Institute of Certified Public Accountants (HKICPA), in preparation for revising the PSP conditions regarding the auditing of accounts to specifically require the permittees to prepare the income and expenditure account of the charitable fund-raising activity on an "accrual basis". In this connection, SWD has been consulting the working group under LFAC, HKCSS and the sector. It is estimated that the proposed revision of the PSP conditions will come into effect in 2018 the earliest. SWD will also continue to collaborate and communicate closely with HKICPA, with a view to examining the tasks of a Certified Public Accountant engaged, including the need to ascertain whether donation income has been deposited in the permittee's appropriate bank accounts within a reasonable time.

Administration of lottery licences for charitable fund-raising activities

8.   The Home Affairs Department (HAD) attaches great importance to the monitoring of lottery licences granted under the Gambling Ordinance (Cap. 148) to ensure licensees' compliance with licence conditions and proper use of lottery proceeds on the approved purposes. HAD also strives to enhance the transparency and accountability of lottery events that it has already implemented all recommendations of Audit and PAC in relation to lottery licences, including –

    (a)   a full review on all cases with outstanding documents from lottery licensees;

    (b)   enhancement of the Licensing Information System to generate exception reports to facilitate timely monitoring by HAD staff on whether licensees have complied with licence conditions;

    (c)   provision of further guidance to facilitate licensees' compliance with the licence condition that the use of net proceeds should be accounted for in the financial statement;

    (d)   new measures to facilitate public access to the income and expenditure statement of a lottery event on the website of the Office of the Licensing Authority; and

    (e)   a review of manpower situation to ensure compliance of licensees in relation to licence conditions and rules.

Enforcement actions against non-compliance cases

9.　　　　HAD will continue to step up its monitoring efforts against cases of non-compliance with lottery licence conditions, including follow-up actions on cases of late submission of necessary documents upon completion of a lottery event and timely issue of written reminders and warnings.　Cases of serious non-compliance will be referred to the Police for enforcement action.

Administration of temporary hawker licences for fund-raising activities involving on-street selling

10.　　　　The main purpose for the Food and Environmental Hygiene Department (FEHD) to issue a temporary hawker licence (THL) is to regulate the sale of commodities in public places to ensure that it is conducted in a hygienic manner and will not cause nuisances such as obstruction.　Regarding the recommendations of Audit and the PAC, FEHD will consider, as far as practicable and legally viable, introducing new licensing conditions and administrative measures in respect of the safekeeping of the funds raised from fund-raising activities, financial accountability and the purpose of fund-raising, so as to further enhance the transparency and accountability of fund-raising activities involving on-street sale of commodities.　The new measures are expected to be implemented in December 2017 and include, among others, the following –

(a)　　requiring a tax-exempted charitable organisation or a non-profit-making organisation that has been granted 12 THLs within 12 months to submit an application form, should it wish to apply for the 13th THL, together with a financial report audited by a certified public accountant registered with HKICPA.　The report should disclose to FEHD the statements of income and expenditure accounts of fund-raising activities involving the sale of commodities covered by the previous 12 licences.　Otherwise, the application will not be considered temporarily.　The measure of requiring submission of an audited financial report is also applicable to subsequent THL applications made to FEHD within the relevant period but the total number of THLs granted shall still be restricted to 20;

(b)　　requiring licensees to display notices/banners to state the purpose of fund-raising when organising the fund-raising activity involving sale of commodities;

(c)　　reminding applicants, through administrative measures, to provide secure and sealed boxes for collecting, storing and safekeeping properly the funds raised from the sale of commodities; and

(d)   updating the THL application form and notice to applicants (including the online version) to make it clear to the applicants that, when organising fund-raising activities involving on-street sale of commodities, they should, apart from applying for a THL, make reference to the Reference Guide issued by SWD and ensure that the requirements imposed under the legislation administered by other Government departments in relation to the activity have been observed.

Enforcement actions against cases of non-compliance

11.   FEHD staff will conduct compliance inspections at locations where THLs were issued to ensure licensees' compliance with the relevant licence conditions and take appropriate follow-up or enforcement action against illegal hawking activities in accordance with departmental guidelines. Moreover, FEHD has reminded inspection officers to properly maintain the inspection records. Also, FEHD will work with relevant departments to further study the technical concerns and specific operational arrangements involved in the sharing of enforcement information and the taking of concerted action against repeated "no-show" cases.

The Way Forward

Law Reform Commission Report on Charities

12.   The Law Reform Commission (LRC) made recommendations on the regulation of charitable organisations and charitable fund-raising activities in its Report in December 2013. The recommendations touch upon the duties and responsibilities of a number of Government bureaux and departments (B/Ds). The Home Affairs Bureau (HAB) has been assigned to co-ordinate inputs from relevant B/Ds to formulate a response to LRC's recommendations for the Government's overall consideration.

13.   According to the LRC Report, there are four major deficiencies in the existing regulatory framework, namely the out-dated definition of charitable purpose; lack of a coherent system for the registration of charities; inconsistent standards or requirements on governance, accounting and reporting by charities; and limited control of charitable fund-raising activities. To address these deficiencies, LRC has made a number of recommendations which mainly include providing a statutory definition of charitable purpose; establishing and maintaining a register of charitable organisations by a single bureau or department; holding the same bureau or department responsible for co-ordinating the work of regulating charitable organisations and charitable fund-raising activities which are now under the purview of different B/Ds; and enhancing some administrative measures on regulating and monitoring charitable fund-raising activities.

14.   LRC's original proposal was to establish a single authority (e.g. an independent charity commission) to co-ordinate the regulation of charitable organisations, develop a registration system and implement the above measures. However, LRC also pointed out in its Report that, the findings of the public consultation revealed that no consensus in the community has been reached on the establishment of a single authority. Many charitable organisations even objected to the proposal. In this regard, LRC suggested that an independent charity commission should not be set up at this stage, and instead a register of charitable organisations be established and maintained by a single government department.

15.   Relevant B/Ds, upon consultation, all agreed that it would be a highly complicated issue for the existing government B/Ds to implement the measure of requiring charitable organisations to register in the absence of a new independent regulatory authority. Views and feedback of the public and various stakeholders should be taken into account. The measure also involves a considerable amount of work on, among others, policy co-ordination. HAB will expedite its co-ordination work so that a response to LRC's recommendations can be formulated for Government's consideration as soon as possible.

Government's efforts to enhance the transparency and accountability of charitable fund-raising activities

16.   Relevant B/Ds noted that one of the key rationales behind the recommendations made by LRC was to enhance the transparency of charitable organisations so as to protect the interests of donors. Therefore, they agreed that the feasibility of the administrative measures recommended by LRC to regulate and monitor charitable fund-raising activities should be considered first. To this end, HAB convened various inter-departmental meetings to co-ordinate with the departments concerned (including the Efficiency Unit, FEHD, HAD, the Lands Department (LandsD), the Office of the Government Chief Information Officer and SWD) to further explore the feasibility of the recommended measures. Apart from taking into account the recommendations from LRC, the departments concerned have made reference to the suggestions in the Audit Report for monitoring charitable fund-raising activities and the views of PAC. To enhance the transparency of fund-raising activities appealing to the public for donations, the departments agreed to further examine the implementation of the following measures –

Current scope of monitoring charitable fund-raising activities

(a)   SWD promulgated the Reference Guide and updated the Guidance Note in 2004, which provided general guidance in areas such as donors' rights, fund-raising practices and financial accountability of charitable organisations. The Reference Guide has been uploaded

onto SWD's website for voluntary adoption by charitable organisations to enhance the transparency and public accountability of charitable fund-raising activities. SWD has been promoting the Reference Guide for voluntary adoption by charitable organisations through different channels (e.g. by issuing invitation letters/e-mails from time to time). Since the requirement by SWD from April 2017 for PSP applicants to indicate on the application forms whether they would adopt the Reference Guide, more and more applicant organisations have replied that they would adopt the Reference Guide. SWD also liaised with the Inland Revenue Department and HKCSS in July 2017 to solicit their assistance to further promote the Reference Guide, with a view to enhancing the recognition and adoption of the principles and spirit of the Reference Guide among the charitable organisations. Meanwhile, SWD has promoted the Reference Guide on HKCSS's "WiseGiving" webpage and appealed to the charitable organisations to adopt the Reference Guide;

(b)   taking the Reference Guide as a basis, relevant B/Ds are now working together to study whether it can be made applicable to different types of charitable fund-raising activities, including the three types of activities that require a permit or a licence, as well as other new modes of fund-raising;

(c)   the publicity for the enhanced Reference Guide will be strengthened to encourage organisations to make reference to the best practices for charitable fund-raising activities in organising their activities. Promotion efforts will also be stepped up in the community so that the public may refer to such best practices in the Reference Guide and easily assess the performance of various charitable organisations in their fund-raising activities and to gain a better understanding of the rights and interests of donors;

Co-ordination among government departments

(d)   a one-stop platform will be provided for the application arrangements before fund-raising activities are held, for enquiries about relevant information on approved fund-raising activities and for the monitoring work after those activities. The relevant measures include –

    (i)   exploring ways to optimise the existing approval arrangements for various charitable fund-raising licence or permit applications so that the applicant organisation does not need to submit a separate application to LandsD for the use of the

government land concerned (i.e. similar to the existing arrangements for lottery licences, in which the licensing authority will seek the advice of LandsD on the proposed use of government land by the applicant); and

(ii) exploring the feasibility of accepting one-stop applications through electronic means such as smart forms to facilitate licence or permit applications made to various approving departments by the organisation through one single electronic platform;

Public inspection about information on charitable fund-raising activities

(e) ways will be explored to enhance the design of the charitable fund-raising activities webpage on the "GovHK" portal ("GovHK" fund-raising activities portal) to make the information on approved fund-raising activities more accessible to the public;

(f) ways will be explored to enhance the layout design of existing licences or permits to help the public identify whether a fund-raising activity has been approved by the government department concerned and add a QR code on those documents to facilitate their connection to the "GovHK" fund-raising activities portal. Furthermore, ways will be studied to improve the layout design of the "GovHK" fund-raising activities portal to be connected through a QR code to make the web search page more user-friendly for public's easy identification and inspection of the information on approved fund-raising activities;

(g) the feasibility of uploading the required financial reports or income and expenditure statements relating to the approved charitable fund-raising activities to the "GovHK" fund-raising activities portal will be studied to facilitate public scrutiny upon completion of those activities. At present, HAD has uploaded the income and expenditure statements of approved lottery events received for the past year to its departmental webpage for public inspection; and

(h) the services of the existing 1823 Hotline will be enhanced to facilitate public enquiries about information on approved charitable fund-raising activities and handle public complaints relating to charitable fund-raising activities. It is expected that the relevant services will be available in 2018.

17.   The above measures involve various considerations in terms of resources, additions and amendments to the conditions of licences or pemits, staff training, technology enhancement, etc. Relevant B/Ds are actively pursuing the issues and will study carefully the specific arrangements.

Progress made in implementing Audit's and PAC's recommendations

Encl. 1

18.   A summary of the latest progress in the implementation of the specific recommendations of Audit and the PAC is at Enclosure 1.

Chapter 3 – Management of squatter and licensed structures

19.   The Government generally welcomes the views from the Audit, and accepts the recommendations made by the Audit and the issues highlighted by the PAC Report regarding management of squatter and licensed structures (S&L structures).

Monitoring of S&L structures

20.   While the LandsD has, since 22 June 2016, implemented a series of measures to strengthen squatter control including tightened measures against unauthorised new extension completed after the said date and use of unmanned aerial systems to step up investigations, information gathering, enforcement and monitoring, LandsD has further reviewed the relevant issues and identified areas for improvement. LandsD has been taking follow-up actions to implement the necessary improvement measures.

21.   LandsD has already reviewed the existing patrol and inspection system of all district Squatter Control Offices and formulated improvement measures to strengthen the effectiveness of monitoring and enforcement actions. LandsD aims at putting in place the new system as soon as possible and is arranging additional resources for the purpose.

Rates, government rent and licence fees on S&L structures

22.   The Rating and Valuation Department (RVD) is following up on the Audit's recommendations in collaboration with LandsD. LandsD has provided part of the information on S&L structures, and will continue to provide further information in batches. In August 2017, RVD completed the rating assessments of the 18 licensed structures identified in the Audit Report. RVD will assess other outstanding licensed structures by phases taking into account resource deployment and work priority.

23.   RVD is also conducting a broader sample check on the assessment status of about 500 squatter structures. Upon completion of the broader sample check, RVD will formulate an appropriate follow-up plan for the 260 000 squatter structures.

Clearance of S&L structures

24.   Regarding clearance and slope safety issues related to S&L structures, the Government has adopted a series of measures to follow up on the Audit's recommendations.

25.   A summary of the progress in implementing the Audit's recommendations is set out at Enclosure 2.

Chapter 5 – Kai Tak Cruise Terminal

26.   The Government is committed to developing cruise tourism in Hong Kong and the Kai Tak Cruise Terminal (KTCT) is one of the major initiatives in achieving this policy objective. The Government agrees with the recommendations made by the Director of Audit regarding KTCT and the overall cruise tourism development in Hong Kong. The Tourism Commission (TC), together with relevant Government departments, has taken appropriate follow-up actions on the recommendations and has implemented most of the recommendations in full. The progress made is reported below.

Developing Hong Kong into a leading regional cruise hub

27.   The Government has put in a lot of efforts in promoting cruise tourism, driving ship calls to Hong Kong and hence increasing the utilisation of KTCT. In 2017-18, aligning with the Government's strategic direction to diversify cruise source markets focusing on strengthening Hong Kong's competitiveness in short and long haul markets through fly-cruise programme and deepening the penetration in Southern China, an additional provision of $16 million was allocated to the Hong Kong Tourism Board (HKTB) for introducing a series of initiatives to drive the growth of cruise tourism in Hong Kong, which include the continuation of the fly-cruise programme, collaboration with cruise lines in promotion in Southern China and enriching shore excursion products in Hong Kong.

28.   With the concerted efforts of TC, HKTB, the terminal operators and the trade, the number of ship calls and cruise passenger throughput in Hong Kong are expected to continue to grow in 2017. For KTCT in particular, it is expected that its number of ship calls will double its figure of 95 in 2016 to around 190 in 2017. It is expected that the cruise passenger throughput at KTCT will, likewise, see a noticeable growth in 2017.

29.   TC agrees with Director of Audit's observation that we should continue to monitor the progress made in achieving the economic benefits of the whole cruise industry in Hong Kong by 2023 as projected during the planning stage of KTCT. While TC will continue to closely monitor the performance of cruise tourism in Hong Kong through keeping track of the number of ship calls, passenger throughput and cruise passenger spending, we also have plans to conduct a mid-term assessment in 2018. We will make available the outcome of our mid-term assessment for the public including the Legislative Council once ready.

Monitoring Performance of Terminal Operator

30.   To ensure the terminal operator's full and strict compliance with all the requirements in the Tenancy Agreement, we have put in place a strengthened mechanism for compliance checking, which comprises more thorough checking and enhanced regular discussions. The strengthened mechanism has been proven to be effective in monitoring the compliance with the Tenancy Agreement, which is demonstrated, for example, through the timely submission of annual operation and maintenance reports by the terminal operator.

31.   Separately, the only remaining vacant shop at the rooftop of KTCT has now been leased out. For the shop (occupying an area of 2 196 m^2) which is suspending operation due to its own operational issues, the terminal operator has been making attempts to recover the vacant possession of the shop as soon as practicable. For the remaining six shops, five are in operation and the interior fitting-out works for the recently-leased shop is in progress. It is expected that the recently-leased shop will be ready for opening for business in end 2017.

Administrative issues

32.   As far as transport connectivity of KTCT is concerned, TC discussed with the Transport Department (TD) again in July 2017 the overall transport services provision of KTCT and has involved the terminal operator in the process. As a result, we have strengthened the franchised bus services and the mini bus services by extending the service hours with regard to the operations at KTCT since August 2017. TC would continue with this regular dialogue with TD with a view to improving the transport connectivity of KTCT on an on-going basis.

33.   Regarding the facilities of the terminal building, TC, the Electrical and Mechanical Services Trading Fund (EMSTF) and the Architectural Services Department (ArchSD) have taken measures to address the fault call cases of lifts/escalators and the water seepage/leakage issues respectively. We saw reduction in the number of fault call cases of lifts/escalators in the first half of 2017 to 16 (with five being equipment failure), a decrease of 36% from the 25 fault call cases (with five being equipment failure) during the first half of 2016. The total

number of seepage/leakage cases in the first half of 2017 was 29, which was 60% less than the situation in first half of 2016 (74 cases) and the majority of the cases (25 out of 29) were only minor seepage. ArchSD and EMSTF will continue to take forward suitable measures to improve the situation accordingly.

Progress of implementing Audit's recommendations

34. A summary of the latest progress made in implementing Audit's recommendations is at Enclosure 3.

Chapter 6 – Management of projects financed by the Lotteries Fund

35. The Government accepts all the recommendations from the Director of Audit regarding management of projects financed by the Lotteries Fund (LF) in his Report No. 68. The SWD is in liaison and discussion with relevant B/Ds to take forward Audit's recommendations and implement improvement measures. The progress is reported below.

Administration of funding applications

36. The time required for processing an LF grant application depends on the complexity of the application, the procedures required, the adequacy of the information submitted by the non-governmental organisation (NGO) and whether the consultation process with various stakeholders is smooth.

37. Since LF applications involve a wide scope and varying levels of complexity, the SWD needs to obtain sufficient information, communicate with relevant stakeholders and agree with the applicant NGOs on the feasibility of their proposals before endorsing the applications.

38. The SWD has taken measures to follow up on long-outstanding cases. In July and August 2017, the SWD met with the ArchSD and the Housing Department (HD) respectively on the follow-up actions concerned. The SWD also discussed with the stakeholders and briefed them on the planned follow-up actions, including expediting the progress of application processing and providing required assistance to applicant NGOs in a timely manner. The SWD also met with the representatives of the HKCSS in June, August and September 2017 to exchange views on the recommendations in the Audit Report. The SWD and the HKCSS will meet regularly to follow up on the progress of the various improvement measures, and discuss on the latest development of the LF and the assistance required by NGOs in submitting LF applications. Besides, the SWD briefed the NGOs receiving SWD subvention in October 2017 on the recommendations in the Audit Report, as well as the new initiatives in processing LF applications and following up on approved projects.

39.   To strengthen the management of the procedures of processing funding applications, the SWD had a working group meeting with the contractor in August 2017 to discuss the enhancement of the existing information system so as to reflect the actual processing time of individual applications. After system enhancement, the SWD will, based on the data on processing applications, analyse the average processing time for each of the procedures, with a view to devising the general average target time for the processing of applications.

40.   Regarding the progress of implementing the Special Scheme on Privately Owned Sites for Welfare Uses (Special Scheme), the Government has been closely monitoring its implementation, and assisting the applicant NGOs in taking forward their proposed projects as soon as possible. The Labour and Welfare Bureau (LWB) and the SWD conduct information exchange sessions with the applicant NGOs regularly, and have made further clarifications on and refinements to the various arrangements under the Special Scheme having regard to the views raised by NGOs at these sessions. The LWB and the SWD also enhance communication with the applicant NGOs by other means, including visiting the applicant NGOs and conducting on-site inspection and discussion on their respective projects, to identify the key issues and resolve them expeditiously in coordination with relevant B/Ds. The LWB and the SWD will continue to maintain close contact with the applicant NGOs to help implement their projects as soon as possible.

Administration of project implementation

41.   The SWD is implementing a series of measures in phases to strengthen the monitoring of the progress of approved LF projects, including requiring NGOs to submit timetables on estimated project milestones at the time of submission of their applications, to undertake to commence work related to the projects within a short period of time after securing funding approval, as well as to submit progress reports periodically.

42.   To ensure timely finalisation of project accounts after project completion to release the unpaid commitments which are no longer required for funding other LF projects, the SWD has issued written reminders to minor grant projects already completed or about to be completed, requiring the NGOs concerned to finalise the project accounts within a specified timeframe. This measure will be extended to major grant projects in the third quarter of 2017-18. The SWD will report the progress of individual approved projects to the LFAC periodically. In the event of relatively complicated projects or NGOs in need of assistance, the SWD will, as early as possible, liaise closely with relevant departments and/or management of the NGOs to discuss the solutions.

43.		Besides, the SWD discussed with the ArchSD and the HD in July and August 2017 respectively the proposals on providing more assistance to NGOs in engaging works consultants and on timely finalisation of project accounts after project completion. To facilitate and speed up the process for NGOs to engage Authorised Persons (APs), the SWD and the ArchSD agreed to apply the checklist for the hiring of APs, which serves to remind NGOs of the points to note when engaging consultants to meet the licensing requirements under the Residential Care Homes (Persons with Disabilities) Ordinance (Cap. 613), to other works projects financed by the LF. As for those long outstanding approved projects with repeated submissions by the NGOs, the ArchSD agreed that ad hoc meetings would be held with the NGOs/APs. This would facilitate better understanding of the difficulties encountered by the NGOs/APs and enable the ArchSD to clarify its requirements more effectively, thereby expediting the progress of the projects concerned. In addition, the SWD agreed with the HD on the methodology of finalising the costs of LF-funded projects entrusted to the HD within three years after commissioning of the facilities concerned.

44.		The SWD will discuss with the SWD-subvented NGOs the requirements for the NGOs receiving LF grants to submit project evaluation reports upon project completion and to conduct satisfaction surveys of stakeholders where necessary. When agreement has been reached, SWD will submit the proposals to the LFAC for consideration and endorsement. In addition, the SWD will start to publish the evaluation results of the experimental projects by NGOs on the SWD website from November 2017.

Governance and management issues

45.		The SWD has reviewed the cases concerning LFAC members' declaring potential conflicts of interest as mentioned in the Audit Report, and confirmed that no actual conflicts of interest were involved. Since the meeting on 19 January 2017, the LFAC has adopted the Two-tier Declaration System to enhance the management of potential conflicts of interest. The LFAC has also, since the meeting on 22 March 2017, started to make available a list of NGOs involved in the agenda items of each LFAC meeting for members' reference to facilitate their making of declarations.

Progress made in implementing Audit's recommendations

Encl. 4

46.		A	summary	of	the	progress	of	implementing	Audit's recommendations is set out at Enclosure 4.

Chapter 7 – Provision of dental services

47.   The Government accepts the Audit's recommendations, and, where feasible, has been actively implementing the recommendations. Progress made by the Department of Health (DH) and the Food and Health Bureau (FHB) in taking forward the recommendations is reported below.

Provision of promotive and preventive services

48.   The DH has already set up the attendance target for each target group to evaluate the effectiveness of programmes. Besides, DH has also adopted appropriate measures to encourage more kindergartens, nurseries and primary schools to actively participate in the oral health promotion programmes organised by the DH. As for the School Dental Care Service (SDCS), to encourage Primary six students' attendance at their scheduled appointments of the SDCS, the DH is exploring with the participating schools on the feasibility of providing round-trip transport for Primary six students to attend school dental clinics for annual dental check-up; and actively encouraging the participating students and their parents to make use of the Student Internet Service which includes an automatic appointment reminder service by email etc. The DH is also reviewing the SDCS annual enrolment fee of 2018-19 service year.

Provision of dental services for civil service

49.   The DH had taken various measures with a view to shortening the waiting time for dental services provided to civil service eligible persons (CSEPs) including conducting a survey to understand the reasons for CSEPs declining referrals to clinics with shorter waiting time for new cases, devising feasible implementation plans on reallocating resources of specialised and general dental services having regard to the service demand; and evaluating the effectiveness of the trial scheme to stop the intake of new cases. Separately, the preparatory work for setting up the new dental surgeries is underway. In order to meet the additional manpower requirements, DH had implemented appropriate measures, such as reviewing the starting salaries according to qualification, relaxing the language proficiency requirements of the posts, as well as making use of the Post-retirement Service Contract Scheme, so as to attract more dentists to join the DH.

Provision of specific dental services for the public

Emergency dental services for the public

50.   To enhance utilised rate, DH has stepped up effort to promote the service of the General Public Session at Kennedy Town Community Complex Dental Clinic (KTCCDC) and Kowloon City Dental Clinic (KCDC), including

handing out clinic's information leaflet to encourage the public who are unable to obtain disc quota from other government dental clinics to visit the KTCCDC and KCDC. With the above promotional effort, and following the provision of MTR service in Kennedy Town and Whampoa, the percentage of unutilised disc quota of KTCCDC has dropped from 25.2% (in 2015-16) to 13.9% (in 2016-17) and KCDC from 15.0% (in 2015-16) to 11.2% (in 2016-17). We anticipate that the percentage of unutilised disc quota will continue to decrease.

Outreach Dental Care Programme (ODCP)

51.   To actively encourage more residential care homes (RCHEs) and day care centres/units (DEs) to participate in ODCP, DH will continue to work with the SWD and those NGOs providing outreach dental services. At the same time, DH is looking into the reasons of non-participation of individual RCHEs and DEs in ODCP, with a view to drawing up feasible measures to enhance their participation rate. Besides, DH maintains close liaison with NGOs and regularly monitors progress of cases to ensure timely provision of dental treatments to the elders concerned.

Elderly Dental Assistance Programme

52.   Since the Community Care Fund launched the Elderly Dental Assistance Programme (the Programme), the FHB has been working with Organisation A to actively promote the Programme on various fronts to encourage more elders to join the Programme. Besides, the FHB continues to work out relevant measures with Organisation A to reduce the administration cost of the Programme. Also, to ensure the effective use of the subsidies under the Programme, Organisation A conducts surveys on cases regularly, records the results properly and takes appropriate follow up actions whenever required.

Attainment of oral health

53.   The Government's policy on dental care seeks to raise public awareness of oral hygiene and encourage proper oral health habits through promotion and education. The DH is now preparing to set up a working-level committee so as to invite academics and experts of dental public health specialty to form an expert group. The expert group will, taking into account the report of Oral Health Survey 2011 and the local situation, review and formulate appropriate oral health goals for the population of Hong Kong. The DH will also consider publishing the level of attainment against various oral health goals in the report of the Oral Health Survey 2021.

Encl. 5

54.   A summary of the latest progress in implementing the Audit's recommendations is at Enclosure 5.

Chapter 8 – The Language Fund

55.   The Government accepts all the recommendations from the Director of Audit regarding the Language Fund (LF) in his Report No. 68. The Education Bureau (EDB) has taken appropriate follow-up actions to take forward Audit's recommendations. The progress made is reported below.

Management of initiatives

56.   The Standing Committee on Language Education and Research (SCOLAR) has all along endeavoured to complement and supplement the efforts of the Government, other advisory bodies and stakeholders in language education by implementing research and development projects, enhancing professional development of language teachers, providing school-based support, and creating a facilitating language environment for our students as well as in the community.

57.   SCOLAR Secretariat will continue to provide comprehensive support in planning, implementing and managing the various initiatives funded by LF. Taking Audit's recommendations into consideration, it will further strengthen the management of initiatives by taking measures to ensure that requirements imposed on LF grantees are up-to-date and duly observed, proper monitoring of project progress and finance is in place, and review findings of projects that warrant SCOLAR's consideration are reported in a timely manner.

Governance and administrative issues

58.   SCOLAR Secretariat has implemented specific measures in response to the recommendations made by Audit with regard to the governance and administration of SCOLAR business.

Language proficiency of students and working adults

59.   SCOLAR would regularly assess the language proficiency of students and working adults through different means, such as thematic studies and regular surveys. Members will from time to time look into the changing needs of society and hence, the changing language demand on our students and the workforce, accord priorities and provide feedback regarding the use of LF to facilitate effective planning of language education policies. SCOLAR will continue to actively respond to new circumstances and findings with a view to further promoting biliteracy and trilingualism in Hong Kong.

Progress made in implementing Audit's recommendations

Encl. 6

60.　　　　A summary of the progress of implementing Audit's recommendations is at Enclosure 6.　As EDB has taken forward the Audit's recommendations, and the follow-up actions and improvement measures have either been completed or will be implemented on an on-going basis, we recommend deleting this part from the next progress report.

Monitoring of charitable fund-raising activities
Progress in the implementation of the recommendations of
the Audit Commission (Audit) and the Public Accounts Committee (PAC)

Para. No.	Audit's/PAC's Recommendations	Progress to Date
Part 2: Government's efforts to promote transparency and accountability of charitable fund-raising activities		

Para. 2.19 of the Audit Report	Audit has recommended that –
	
	(a) the Director of Social Welfare, the Director of Home Affairs and the Director of Food and Environmental Hygiene should –
	
	   (i) launch large-scale promotional programmes to enhance the awareness and recognition among the charitable organisations and the general public on the best practices for organising charitable fund-raising activities;
	
	   (ii) step up promotion efforts to encourage more charitable organisations in adopting the best practices for organising charitable fund-raising activities and endeavour to reach out to more organisations by seeking assistance from relevant bureaux/ departments (B/Ds) to provide their contact information;
	
	   (iii) incorporate more guidance on other forms of fund-raising activities in the publications of best practices for organising charitable fund-raising activities as far as
		The Home Affairs Bureau (HAB) convened various inter-departmental meetings to co-ordinate the efforts of the departments concerned (including the Efficiency Unit, the Food and Environmental Hygiene Department (FEHD), the Home Affairs Department (HAD), the Lands Department (LandsD), the Office of the Government Chief Information Officer (OGCIO) and the Social Welfare Department (SWD)) to explore the feasibility of the various administrative measures recommended by LRC to enhance the transparency of charitable fund-raising activities. During the process, the recommendations in the Audit Report and the views of PAC were also taken into account. The relevant measures involve various considerations in terms of resources, additions and amendments to the conditions of licences or permits, staff training, technology enhancement, etc. HAB is co-ordinating the efforts of the departments concerned to actively pursue the issues and will examine carefully the specific arrangements.
		
		Besides, SWD will continue to promote the Reference Guide for voluntary adoption by charitable organisations through different channels (e.g. via SWD's website; issuing invitation letters/e-mails; production of publicity items, etc.). SWD has also taken the following measures in enhancing the understanding and recognition of the best practices for charitable fund-raising

Para. No.	Audit's/PAC's Recommendations	Progress to Date
	practicable; and (iv) consider stepping up or renewing publicity efforts to raise public awareness of the one-stop finder service on charitable fund-raising activities on the government portal "GovHK". (b) the Director of Social Welfare should – (i) conduct a review of the effectiveness of the Reference Guide on Best Practices For Charitable Fund-raising Activities (Reference Guide) to evaluate the extent of achieving the Government's objective of enhancing transparency and accountability of charitable fund-raising activities in public places; and (ii) review and update the Reference Guide and the Guidance Note on Internal Financial Controls for Charitable Fund-raising Activities (Guidance Note) in light of the changed circumstances. (c) Audit has recommended that the Secretary for Home Affairs should take into consideration the recommendations in (a) and (b) in co-ordinating inputs from relevant B/Ds for the Government's consideration of the response to the recommendations of the Law	activities – (a) reminded non-governmental organisations (NGOs) during the briefing session held on 8 March 2017 in respect of the new Public Subscription Permit (PSP) regulatory measures with effect from July 2017 that PSP applicant organisations would be required to indicate on the application forms whether they would adopt the Reference Guide; and (b) recommended relevant B/Ds to consider whether the Reference Guide could be applicable to the charitable fund-raising activities under their purviews. Since the requirement by SWD from April 2017 for PSP applicants to indicate on the application forms whether they would adopt the Reference Guide, more and more applicant organisations have replied that they would adopt the Reference Guide. Applicant organisations have also been requested to state the reasons for partially adopting or not adopting the Reference Guide. SWD will look into and consolidate those feedbacks with an aim to evaluate the effectiveness of the Reference Guide. In addition, SWD liaised with the Inland Revenue Department and the Hong Kong Council of Social Service (HKCSS) in July 2017 to solicit their assistance to further promote the Reference Guide, with a view to enhancing the recognition and adoption of the principles and spirit of the Reference Guide among the charitable organisations. Meanwhile, SWD has promoted the Reference Guide on the HKCSS' "WiseGiving" webpage

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	Reform Commission (LRC).	and appealed to the charitable organisations to adopt the Reference Guide. SWD will review and update the Reference Guide and the Guidance Note as and when necessary, and has been in consultation with relevant B/Ds and professional bodies (e.g. the Hong Kong Institute of Certified Public Accountants (HKICPA)) over the contents of the two documents. Meanwhile, SWD will conduct a briefing session for NGOs in October 2017 on the measures to be implemented to follow up on the recommendations of the Audit and the PAC, and will take the opportunity to promote the Reference Guide again.
Page 17 of the PAC Report	PAC suggested that the Administration should consider introducing a symbol, which was easily recognisable in the form of a logo or badge, for display by holders of charitable fund-raising licences and permits during charitable fund-raising activities for identification by members of the public.	The relevant B/Ds are exploring ways to enhance the layout design of the existing licence or permit, and studying the feasibility of introducing an easily recognisable symbol to help the public identify whether a fund-raising activity has been approved by the government department concerned. Moreover, relevant B/Ds are exploring ways to add a QR code on a licence or a permit to facilitate their connection to the charitable fund-raising activities webpage on the "GovHK" portal ("GovHK" fund-raising activities portal) for public's easy identification and inspection of approved fund-raising activities. SWD has since July 2017 issued PSPs with fine-tuned layout design for general charitable fund-raising activities in public places. The permittees are also required to adopt the "fund-raisers badges" and the "tags for donation collection tools", both in the format

Para. No.	Audit's/PAC's Recommendations	Progress to Date
		specified by SWD, so as to facilitate the public's identification of fund-raising activities approved by the department.
Page 43 of the PAC Report	PAC urged SWD to expedite the assessment of the applicability of the Reference Guide to the charitable fund-raising activities which currently do not require a permit or a licence from the Administration.	The current Reference Guide issued by SWD provides general guidelines on donors' right, fund-raising practices and the financial accountability of charitable organsiations. Taking the Reference Guide as a basis, relevant B/Ds are now working together to study whether it can be made applicable to different types of charitable fund-raising activities, including the three types of activities that require a permit or a licence, as well as other new modes of fund-raising. Afterwards, relevant B/Ds will also strengthen the publicity for the enhanced Reference Guide, encouraging organisations to make reference to the best practices for charitable fund-raising activities in organising their activities. Promotion efforts will also be stepped up in the community so that the public may refer to such best practices in the Reference Guide and make easy assessment of the performance of various charitable organisations in their fund-raising activities and to gain a better understanding of the rights and interests of donors.
Page 43 of the PAC Report	PAC urged HAB to consider formulating other measures to enhance the monitoring of charitable fund-raising activities, in particular new modes of fund-raising with a view to upholding accountability and transparency for the donations received through these activities and protecting the public from unscrupulous practices.	
Page 44 of the PAC Report	PAC urged HAB to – (a) co-ordinate SWD, HAD and FEHD to consider standardising the requirements on governance, accounting, reporting and disclosure of information by charities in relation to charitable fund-raising activities under the purview of the respective departments; and (b) co-ordinate SWD, FEHD and	Relevant B/Ds are exploring ways to provide a one-stop platform for the application arrangements before fund-raising activities are held, for enquiries about relevant information on approved fund-raising activities and for the monitoring work after those activities. The relevant measures include – (a) exploring ways to streamline the existing approval arrangements for various charitable fund-raising

Para. No.	Audit's/PAC's Recommendations	Progress to Date
	LandsD to consider Audit's recommendation of providing a one-stop service to streamline the processing and approvals of charitable fund-raising activities involving on-street selling.	licence or permit applications so that the applicant organisation does not need to submit a separate application to LandsD for temporary occupation of the government land concerned (i.e. similar to the existing arrangements for lottery licences, in which the licensing authority will seek the advice of LandsD on the application for temporary occupation of government land by the applicant); and (b) exploring the feasibility of accepting one-stop applications through electronic means such as smart forms to facilitate licence or permit applications made to various approving departments by the organisation through a single electronic platform.
Page 45 of the PAC Report	PAC urged HAB to – (a) expedite the discussion to work out the enhancements to the one-stop finder and "1823" Hotline; and (b) co-ordinate SWD, HAD and FEHD to step up publicity efforts to raise public awareness of the one-stop finder.	Relevant B/Ds are exploring ways to enhance the design of the "GovHK" fund-raising activities portal to make the information on approved fund-raising activities more accessible to the public. In addition, relevant B/Ds are exploring ways to enhance the services of the existing 1823 Hotline to facilitate public enquiries about information on approved charitable fund-raising activities and handle public complaints relating to charitable fund-raising activities. It is expected that the relevant services will be available in 2018.
Page 46 of the PAC Report	PAC urged SWD, FEHD, LandsD and HAD to step up enforcement actions against cases of non-compliance with the conditions and requirements stipulated in the charitable fund-raising licences and permits.	Apart from the department's continuous commitment to enforce the prevailing follow-up mechanism, SWD has been studying the "publicising mechanism" as recommended by Audit. In this connection, the SWD has set up a working group under the Lotteries Fund

Para. No.	Audit's/PAC's Recommendations	Progress to Date
		Advisory Committee (LFAC), which is deliberating on how to define serious/repeated non-compliance with PSP conditions and how to devise the related "publicising mechanism", as well as seeking legal advice of the Department of Justice (DoJ) on the mechanism. The "publicising mechanism" being devised is expected to be implemented by the end of 2017. SWD will brief NGOs on the proposal in October 2017 before its roll-out.
		HAD will continue to step up its monitoring efforts against cases of non-compliance with lottery licence conditions, including a follow-up to cases of late submission of necessary documents upon completion of lottery events and timely issue of written reminders and warnings. Cases of serious non-compliance will be referred to the Hong Kong Police Force (HKPF) for appropriate enforcement action.
		FEHD has requested and reminded its staff again to conduct compliance inspections at locations where temporary hawker licences (THLs) are issued and take appropriate follow-up action including enforcement action against illegal hawking activities in accordance with departmental guidelines.
		LandsD will conduct random inspections in the light of the actual situation and exchange information on enforcement action with relevant licensing departments regularly.
		To strike a fine balance between the operational constraints facing the fund-raising organisations and the effective use of public resources (i.e. temporary occupation of government

Para. No.	Audit's/PAC's Recommendations	Progress to Date
		land), it is agreed among the B/Ds concerned that there would be regular sharing/exchange of relevant information, including but not necessarily limited to cases of "repeated no-show without valid reasons". As the follow-up work will be carried out on an on-going basis, we suggest deleting this part from the next progress report.
Part 3: Administration of public subscription permits for charitable fund-raising activities		
Para. 3.25 of the Audit Report	Audit has recommended that the Director of Social Welfare should – *Processing of applications* (a) explore the feasibility of issuing more guidelines on the scope of the PSP under section 4(17)(i) of the Summary Offences Ordinance for reference by applicants, and in this connection seek further legal advice from the DoJ where appropriate; *Compliance with permit conditions* (b) step up enforcement actions on cases of repeated non-compliance with the permit conditions on submission of audited reports, such as considering publicising information on serious or repeated cases of non-compliance with permit conditions after warnings;	SWD completed the draft general guidelines on the scope of the PSP at the end of July 2017, and is now revising the draft having regard to the legal advice of the DoJ. It is anticipated that the finalised general guidelines could be uploaded onto the SWD's website within 2017 for the reference of the public. Apart from the department's continuous commitment to enforce the prevailing follow-up mechanism, SWD has been studying the "publicising mechanism" as recommended by Audit. In this connection, SWD has set up a working group under LFAC, which is deliberating on how to define serious/repeated non-compliance with PSP conditions and how to devise the related "publicising mechanism", as well as seeking legal advice of the DoJ on the mechanism. The "publicising mechanism" being devised is expected to be implemented

Para. No.	Audit's/PAC's Recommendations	Progress to Date
		by the end of 2017. SWD will brief NGOs on the proposal in October 2017 before its roll-out.
	(c) in collaboration with the Director of Food and Environmental Hygiene and the Director of Lands, explore the feasibility of sharing enforcement information on charitable fund-raising activities held in public places and taking concerted actions on repeated "no-show" cases without valid reasons;	To strike a fine balance between the operational constraints facing the fund-raising organisations and the effective use of public resources (i.e. temporary occupation of government land), it is agreed among SWD and the B/Ds concerned that there would be regular sharing/exchange of relevant information, including but not necessarily limited to cases of "no-show without valid reasons". As the recommendation has been implemented, we recommend that this part be deleted from the next progress report.
	(d) continue the efforts to remind permittees of the permit condition on displaying the permits prominently at the approved locations of the fund-raising activities;	SWD has always and will continue to remind permittees through various channels (e.g. routine communications during the course of processing applications or on-the-spot inspections, etc.) of the obligations to display the PSP prominently at the approved locations of the fund-raising activities. SWD has stipulated in the revised PSP conditions, effective from July 2017, that the permittees must display the original copy of the PSP prominently at the approved locations of the fund-raising activities. Presentation of the photocopy of the PSP (except the appendices) to the public by the fund-raisers engaging in moving-around solicitation is prohibited. As the recommendation has been implemented, we recommend that this part be deleted from the next progress report.

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	Monitoring of charitable fund-raising activities under PSPs	
	(e) explore the feasibility of defining the term "administration costs" with a view to setting an expenses ceiling for on-street general charitable fund-raising activities which are similar in nature to flag days;	Though the LFAC did not set an objective ceiling on the administrative expenses in the 2016 review, it had agreed to explore the feasibility of defining the scope of "administration costs" related to charitable fund-raising activities, and started to liaise with the sector concerned since early 2017. SWD had also consulted the HKCSS on the feasibility of defining the "administration costs" as recommend by Audit. The working group under LFAC is now studying and consolidating the feedbacks received on the matter as well as actively exploring the feasibility of setting a ceiling on administrative expenses for general charitable fund-raising activities with a nature and a pattern similar to that of flag days. SWD will consider the views of the sector concerned when drafting the proposal (e.g. to brief NGOs on the related Audit recommendation and collect their views in October 2017).
	(f) take measures to monitor permittees' compliance with the permit condition that net proceeds should be deposited into a bank account within 90 days from the last event day; (g) consider requiring permittees to prepare their income and expenditure statements of fund-raising activities on an accrual basis to ensure that all relevant income and expenditure are properly accounted for; and	SWD accepts the recommendation of Audit and has been preparing for the revision of PSP conditions regarding the auditing of account, which shall specifically require the permittees to prepare the income and expenditure account of the charitable fund-raising activity on an "accrual basis". In this connection, SWD has been consulting the working group under LFAC, the HKCSS and the sector and estimates that the proposed revision of the PSP conditions will come into effect in 2018 at the earliest.

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		A meeting between SWD and the HKICPA was held in early June 2017 with regard to the review of the Practice Note (PN) 850 issued by the latter ("Reporting on Flag Days and General Charitable Fund-raising Activities Covered by Public Subscription Permits issued by the Social Welfare Department").
		The prevailing PN850 mentions that, in general, the income and expenditure account would be prepared on an "accrual basis". The "recommended procedures" in Appendix I of the PN850 also requires that a Certified Public Accountant engaged should ascertain whether donation income are deposited in the permittee's own bank accounts within a reasonable time and reflected in the bank statements. SWD will continue to collaborate and communicate closely with HKICPA with respect to the possible updates to PN850 as well as examining the tasks of a Certified Public Accountant engaged by a permittee.
	(h) consider publicising on the SWD's website or the one-stop finder on "GovHK" key financial information (e.g. amount of funds raised, use of donation proceeds and percentages of expenses to gross proceeds) or providing website links to the audited reports of fund-raising activities to enhance transparency of such activities.	The relevant B/Ds have been considering the feasibility of uploading the audited reports or income and expenditure accounts of the approved charitable fund-raising activities after completion (required to be submitted by permittees/licensees) onto the "GovHK" fund-raising activities portal to facilitate public scrutiny.

Para. No.	Audit's/PAC's Recommendations	Progress to Date
Part 4: Administration of lottery licences for charitable fund-raising activities		
Para. 4.14 of the Audit Report	Audit has recommended that the Director of Home Affairs should –	HAD has implemented all recommendations relating to lottery licences in the Audit Report.
	(a) step up monitoring of licensees' compliance with the lottery licence conditions, including the timely submission of required documents upon completion of a lottery event, and consider taking suitable measures to deter cases of repeated late submission of documents;	HAD has already stepped up its efforts to monitor licensees' compliance with lottery licence conditions in submitting the required documents. It has also reviewed all cases of late submission of documents, issued written reminders and taken follow-up action. For cases of repeated late submission of documents, HAD will, apart from issuing written warnings, discuss with the organisations concerned for improvement. For serious or recalcitrant cases, HAD will consider refusing any applications from the same organisation in future. As the follow-up work will be carried out on an on-going basis, we suggest deleting this part from the next progress report.
	(b) enhance the Licensing Information System (LIS) to facilitate the monitoring of licensees' compliance with the lottery licence conditions;	LIS has been enhanced to generate exception reports for HAD staff to monitor in a timely manner cases of whether licensees have complied with licensing conditions and to pursue the outstanding cases.
	(c) provide more guidance to licensees and ensure their compliance with the condition that the use of net proceeds is accounted for in the financial statements; and	HAD has provided a sample of "Note to Account" as guidance for licensees to comply with licensing conditions by accounting for the use of net proceeds in the financial statements.

Para. No.	Audit's/PAC's Recommendations	Progress to Date
	(d) take measures to facilitate public access to the lottery accounts.	With effect from June 2017, the income and expenditure statements and review reports of lottery events submitted by licensees have been uploaded onto HAD's webpage. Members of the public can also request access to these documents by making a reservation and/or ask for a copy at a charge. As the recommendations in (b) to (d) above have been completed, we suggest deleting these parts from the next progress report.
Page 50 of the PAC Report	PAC urged HAD to review the manpower to ensure compliance of the licensees with the licence conditions and requirements.	HAD has reviewed the manpower to ensure compliance of the licensees with the licence conditions and requirements. LIS upon enhancement will also help relieve the pressure on manpower. As the follow-up action will be carried out on an on-going basis, we suggest deleting this part from the next progress report.
Part 5: Administration of THLs for fund-raising activities involving on-street selling		
Para. 5.14 of the Audit Report	Audit has recommended that the Director of Food and Environmental Hygiene should – (a) consider improving administrative measures for monitoring on-street selling activities for charitable fund-raising purposes covered by THLs;	As regards the safekeeping of the funds raised from fund-raising activities involving on-street sale of commodities and measures to enhance the accountability of charitable fund-raising activities and to safeguard the right to know of the public, FEHD will impose new licensing conditions which require licensees to display notices/banners to state the purpose of fund-raising during their fund-raising activities involving the sale of commodities. FEHD will also remind applicants, through administrative measures, to

Para. No.	Audit's/PAC's Recommendations	Progress to Date
		provide secure and sealed boxes for collecting, storing and safekeeping properly the funds raised from the sale of commodities. FEHD expects that the above measures will be implemented in December 2017.
	(b) take measures to ensure licensees' compliance with the administrative measure on submission of audited accounts upon issue of more than 12 THLs within 12 months;	FEHD will introduce new administrative measures, requiring any tax-exempted charitable organisations and non-profit-making organisations that have been granted 12 THLs within 12 months to submit an application form, should they wish to apply for the 13th THL, together with a financial report audited by a certified public accountant registered with HKICPA. The report should disclose to FEHD the statements of income and expenditure accounts of fund-raising activities involving the sale of commodities covered by the previous 12 licences. If the organisation fails to submit an audited account report, its new application will not be considered until the required audited account report has been duly submitted. The measure of requiring submission of an audited account report is also applicable to subsequent THL applications made to FEHD within the relevant period but the total number of THLs granted shall still be restricted to 20.
	(c) remind FEHD staff to document the justifications for issuing THLs in exceptional cases;	FEHD has reminded its staff to properly document the justifications for issuing THLs in exceptional cases. As the follow-up work on this recommendation has been carried out, we suggest deleting this part from the next progress report.

Para. No.	Audit's/PAC's Recommendations	Progress to Date
	(d) take measures to ensure that – (i) inspections on compliance with the licence conditions are carried out in accordance with laid-down guidelines; (ii) inspection records are properly maintained; and (iii) regulatory actions are taken against cases of non-compliance; and	FEHD has requested and reminded its staff again to conduct compliance inspections at locations where THLs are issued and take appropriate follow-up action including enforcement action against illegal hawking activities in accordance with departmental guidelines. FEHD staff are also required to follow the guidelines to record the inspection findings and the follow-up action taken and report the situation to their supervisors. As the follow-up work on this recommendation has been carried out, we suggest deleting this part from the next progress report.
	(e) work in collaboration with the Director of Social Welfare and the Director of Lands to – (i) facilitate applicants in meeting related licensing requirements for fund-raising activities involving on-street selling in public places; and (ii) consider providing a one-stop service to streamline the processing and approvals of fund-raising activities involving on-street selling.	FEHD will continue to work with relevant departments on streamlining the existing approval arrangements for charitable fund-raising licence or permit applications so that the applicant organisation does not need to submit a separate application to LandsD for the use of the government land concerned, thus reducing the workload of the applicant. Furthermore, the feasibility of accepting one-stop applications through electronic means such as smart forms will be studied to facilitate licence or permit applications made to various approving departments by the organsiation through an electronic platform.
Part 6: Way Forward		
Para. 6.11 of the Audit Report	Audit has recommended that Secretary for Home Affairs should – (a) expedite the consultation with relevant B/Ds with a view to formulating a response to all the recommendations of the LRC Report; and	The recommendations made by LRC in its Report on Charities are related to the terms of reference of a number of Government B/Ds. HAB has been assigned to co-ordinate inputs from relevant B/Ds to produce a response to LRC's recommendations for the Government's overall consideration.

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	(b) take into account the areas for improvement identified in this Audit Report (such as enhancing the transparency and accountability of charitable fund-raising activities, and improving the co-ordination of the licensing departments in their licensing and monitoring of these activities), in co-ordinating inputs from relevant B/Ds for formulating a response to the LRC's recommendations for the Government's consideration.	Given that the recommendations in the LRC Report carry significant implications on charities in Hong Kong in terms of their operation, various B/Ds need to consider these recommendations in a thorough and careful manner.

In co-ordinating inputs from relevant B/Ds, HAB will make reference to the recommendations for enhancing the monitoring of charitable fund-raising activities in the Audit Report and the PAC Report.

HAB will expedite the relevant co-ordination work to work out a response to LRC's recommendations as soon as possible for Government's consideration. |
| Page 42 of the PAC Report | The PAC urged HAB to –

(a) expedite the consultation with relevant B/Ds with a view to formulating a substantive response to all recommendations in the LRC Report; and

(b) take into account the areas for improvement identified in the PAC Report and the Audit Report in co-ordinating inputs from relevant B/Ds for formulating a substantive response to LRC's recommendations with a concrete timetable for action. | |

Management of squatter and licensed structures
Progress of implementing Audit's Recommendations

Para. No.	Audit's Recommendations	Progress to Date
Part 2: Monitoring of Squatter and Licensed Structures		
2.42 (a) to (l)	Audit has recommended that, in monitoring squatter structures, the Director of Lands should – (a) take appropriate enforcement actions on Squatter Structures (SS structures) A1, A2, B1, B2, C2, D, E, F1, F2, G, H and I as well as the 48 SS structures located along the seafront in Kowloon in a timely manner;	The LandsD has taken the following measures – (a) There are about 136 SS structures currently occupied for commercial purposes along the concerned seafront in Kowloon. The Squatter Control (Hong Kong & Lei Yue Mun) Office (SC(HK & LYM)) of LandsD has, since August 2016, commenced detailed checking of the said 136 structures against the Squatter Control Record (SCR). Inspection has not been completed yet due to strong resistance encountered from occupants and local community. Meanwhile, LandsD is formulating an action strategy to handle cases with irregularities, taking into account any genuine difficulties encountered by the occupants and local sentiments.
	(b) require Squatter Control Offices (SCOs) to maintain management information on the number of cases arising from different sources leading to identifying non-compliant SS structures;	(b) Since the introduction of strengthened SC measures on 22 June 2016, all SCOs are required to maintain complaint registers containing information on the source of identifying non-compliant SS structures. As the recommendation will be implemented on an on-going basis, we recommend deleting this part from the next progress report.

Para. No.	Audit's Recommendations	Progress to Date
	(c) take measures to prevent recurrence of delays in taking enforcement actions due to unclear responsibilities among different LandsD units;	(c) The concerned sections are Squatter Control Unit (SCU) and Clearance Unit. In the past, there has been grey area in delineation of work relating to eviction of occupiers who occupied a structure which has once been vacated and boarded up in Non-Development Clearance projects. LandsD has reviewed and redefined the duties and responsibilities of the two units so as to prevent recurrence of delays in taking enforcement actions in future. As the recommendation has been implemented, we recommend deleting this part from the next progress report.
	(d) strengthen actions on SS structures associated with repeated complaints and LandsD warning letters;	(d) Since June 2016, Bi-monthly Case Monitoring Meeting (CMM) and Bi-monthly Case Monitoring Report (CMR) have been implemented to enhance the effectiveness of monitoring SC cases. Each individual case with source of case, action taken and follow-up action would be recorded. Furthermore, the Squatter Control Action Work Flowchart was devised in September 2016 as part of the squatter control instructions to set out clearly the actions required and the timeline. As the recommendation has been implemented, we recommend deleting this part from the next progress report.
	(e) expedite actions to inspect the 77 SS structures located along the seafront at which SS Structures G, H and I situate;	(e) Please refer to response at (a) above.

Para. No.	Audit's Recommendations	Progress to Date
	(f) take measures to ensure that any breakdown of a check-point electronic device is repaired in a timely manner;	(f) All SCOs have been reminded to take measures to ensure that any breakdown of a check-point electronic device is repaired in a timely manner. As the recommendation has been implemented, we recommend deleting this part from the next progress report.
	(g) based on available staff resources, formulate an inspection programme for every inspection team covering all SS structures within an inspection area over a certain period of time;	(g) LandsD has already reviewed the existing patrol and inspection system of all district SCOs and formulated improvement measures to strengthen the effectiveness of monitoring and enforcement actions. LandsD aims at putting in place the new system as soon as possible.
	(h) take measures to ensure that each SCO maintains a complaint register;	(h) All SCOs have now maintained complaint registers. As the recommendation has been implemented, we recommend deleting this part from the next progress report.
	(i) take measures to ensure that SCOs include all outstanding cases in the bi-monthly CMRs;	(i) LandsD has reminded case officers to include all confirmed non-compliant cases in the CMRs within two weeks, and will continue to ensure that SCOs include all outstanding cases in the CMRs within the designated timeframe. As the recommendation will be implemented on an on-going basis, we recommend deleting this part from the next progress report.
	(j) conduct a review of the effectiveness of the squatter structure monitoring system and consider implementing an improved system, which includes, for example, the following salient features –	(j) For routine patrols, SCOs patrol squatter areas regularly by visual inspection with emphasis on work-in-progress cases, and take immediate control and enforcement actions in case irregularity/ works-in-progress is detected.

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	(i) each inspection team should be assigned to monitor designated SS structures within an inspection area for ensuring compliance with the SC Policy; (ii) based on the available staff resources, an inspection programme should be formulated for each inspection team such that each SS structure is subject to inspection within a specified period of time, with the inspection interval being determined taking into account the risks of non-compliance with the SC Policy; (iii) details of each SS structure in the 1982 Survey Records should be uploaded onto a computer database which would be used to check against each SS structure during an inspection; (iv) details of and irregularities observed during each inspection, with photographs, should be recorded in the database for future reference, together with details of follow-up actions taken; (v) details of public complaints and B/D referrals relating to	On the other hand, when a report/complaint/referral from other government departments is received, SCOs will carry out in-depth investigation with internal inspection and on-site measurement of the structure under complaint. Since the announcement of the strengthened SC measures on 22 June 2016, SC numbers will be deleted for extensions completed after 22 June 2016 and no rectification will be allowed. Unmanned aerial systems and aerial photogrammetry technology are deployed to identify breaches committed after 22 June 2016. For other cases, i.e. extension before 22 June 2016, warning letters will be issued to occupiers/landowners for rectification if a beach is confirmed. If an occupier/landowner fails to complete the rectification works before the specified deadline, SCO will cancel the relevant SC records and carry out enforcement action. Since LandsD's announcement of various strengthened measures on 22 June 2016, SCOs are required to hold bi-monthly CMMs to come up with a way forward for each individual case and details are recorded into the CMR for follow-up. The CMR is also required to be submitted to Squatter Control (Headquarters) for monitoring. The said monitoring system makes sure that all patrol teams report and follow up on breaches promptly. LandsD has reviewed the existing patrol and inspection system of all district SCOs and formulated improvement measures on the matter

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	individual SS structure should be recorded in the database, together with details of follow-up actions taken; and (vi) periodic management reports should be generated to highlight SS structures not having been inspected for a specified period of time, and long-outstanding cases where follow-up actions on irregularities have not been completed within a specified period of time;	to strengthen the effectiveness of monitoring and enforcement actions. LandsD aims at putting in place a new system as soon as possible. LandsD is considering the suggestion of digitalising the paper-based SCRs and setting up the SCR database equipped with query and analysis functions to support rapid response and decision making by SCOs to facilitate the implementation of SC Policy and its compliance.
	(k) consider providing hand-held computers storing the inspection programmes and details of each SS structure to facilitate the inspection teams' inspections as well as recording and updating onto the database results of inspections and follow-up actions taken; and	(k) LandsD has promulgated SC instructions in September 2016 to set out clearly the SC actions and the related timeframes. The introduction of a new computer-based system will involve considerable resources in terms of manpower and time. Meanwhile, as mentioned in paragraph 2.42(j) above, LandsD is considering the proposed initiative to implement the SCR database to maintain the digitised SCRs with a view to assisting the field staff of SCOs in carrying their daily operations more effectively.
	(l) strengthen guidance to operation staff on following up and dealing with long-outstanding non-compliant cases.	(l) Since LandsD's announcement of various strengthened measures on 22 June 2016, SCOs are required to hold bi-monthly CMMs to come up with a way forward for each individual case and details are recorded into the CMR for follow-up. The CMR is also required to be submitted to Squatter Control (Headquarters) for monitoring. The said monitoring system makes sure

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		that all patrol teams report and follow up on breaches promptly.
		As the recommendation will be implemented on an on-going basis, we recommend deleting this part from the next progress report.
2.54 (a) to (f)	Audit has recommended that, in monitoring licensed structures, the Director of Lands should – (a) take effective measures to ensure that licensed structures comply with licence conditions; (b) take effective enforcement actions on Licensed Structures A and B in a timely manner; (c) take measures to cancel a Government Land Licence (GLL) upon the death of a licensee being made known to the LandsD if there is no approved transfer of the GLL; (d) in collaboration with the Director of Immigration, ascertain whether any of the GLL licensees has passed away and take necessary licence enforcement actions; (e) consider implementing an improved system for monitoring licensed structures, which includes, for example, the following salient features – (i) based on the available staff resources, an inspection programme should be formulated for each District Lands Office	LandsD will pursue the idea of asking DLOs to set up District Review Boards to consider the following – (1) upon the death of a GLL licensee made known to the DLO and if there is no approved transfer of licence, to ensure such case be brought to the District Review Board for considering appropriate follow-up actions. If necessary, DLOs should check with the Immigration Department on the death-record of the licensee; and (2) to review workload based on the available staff resources in order to formulate an inspection programme such that each licence is subject to inspection within a specified period of time, with the inspection interval being determined taking into account the risks of non-compliance with the licence conditions. Periodic management reports should be generated to highlight GLLs not having been inspected for a specified period of time, and long-outstanding cases where follow-up actions on irregularities have not been completed within a specified period of time for monitoring purpose. For Licensed Structure A, on resuming enforcement action by the DLO concerned, the licensee removed the rooftop structure and reinstated the same to the permitted dimension in April 2017.

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	(DLO) such that each licensed structure is subject to inspection within a specified period of time, with the inspection interval being determined taking into account the risks of non-compliance with the licence conditions; (ii) details of each licensed structure and its licence conditions should be uploaded onto a computer database which would be used to check against each licensed structure during an inspection; (iii) details of and irregularities observed during each inspection, with photographs, should be recorded in the database for future reference, together with details of follow-up actions taken; (iv) details of public complaints and B/D referrals relating to individual licensed structure should be recorded in the database, together with details of follow-up actions taken; and (v) periodic management reports should be generated to highlight licensed structures not having been inspected for a specified period of time, and long-outstanding cases	For Licensed Structure B, the cancellation letter was issued on 17 March 2017 with the effective date on 17 July 2017. SCU has been asked to resume squatter control action on the subject structure which is a surveyed squatter structure. The introduction of a new computer-based system will involve considerable resources which LandsD will take into account when considering an improved system.

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	where follow-up actions on irregularities have not been completed within a specified period of time; and (f) consider providing hand-held computers storing the inspection programmes and details of each licensed structure to facilitate the inspection teams' inspections as well as recording and updating onto the database results of inspections and follow-up actions taken.	
Part 3: Rates, Government Rent and Licence Fees on Squatter and Licensed Structures		
3.11	Audit has recommended that the Director of Lands should provide the Commissioner of Rating and Valuation with information of all pertinent squatter and licensed (S&L) structures for the latter to assess and charge rates and government rent where appropriate.	Since July 2017, LandsD has been providing by phases the "Squatter Control Survey Plans" and "Squatter Structures Survey Forms" to the Rating and Valuation Department (RVD). As the recommendation will be implemented on an on-going basis, we recommend deleting this part from the next progress report.
3.12 (a) to (b)	Audit has recommended that the Commissioner of Rating and Valuation should – (a) take actions to charge rates on licensed structures covered under 18 GLLs identified by Audit; and (b) based on information on squatter and licensed structures (S&L structures) provided by the LandsD, take actions to charge rates and government rent on	(a) In August 2017, the RVD completed the rating assessments of the 18 GLLs identified in the Audit Report. As the recommendation has been implemented, we recommend deleting this part from the next progress report. (b) Since July 2017, LandsD has started sending information on GLLs that have not been provided to RVD before. RVD has commenced the charging of rates on the unassessed

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	pertinent S&L structures, and recover rates and government rent on such structures for which charging has been omitted in the past.	licensed structures by phases, with priority given to structures of a relatively higher rateable value. Since July 2017, LandsD has started providing the addresses, locations and boundaries of squatter structures standing on private land to RVD. RVD is conducting a broader sample check on the assessment status of about 500 squatter structures. RVD targets to complete the broader sample check by the end of 2017. Upon completion of the broader sample check, RVD will formulate an appropriate follow-up plan for the 260 000 squatter structures.
3.25 (a) to (b)	Audit has recommended that the Director of Lands should – (a) expedite actions on conducting a review of the GLL fee levels; and	(a) Having regard to the fact that new GLLs have seldom been granted since mid-1970s; and that the current items and levels of licence fees prescribed in the Land (Miscellaneous Provisions) Ordinance (Cap. 28) were set around that time and might no longer be appropriate for current day circumstances, LandsD will conduct an overall review of the license fee charging mechanism for GLLs including the fee items and fee levels. The review will take into consideration relevant factors such as uses, categorisation of locations, relationship to rental levels in the open market, impact on livelihood, administrative costs etc. Given that there still remain a significant number of GLLs (over some 15 000) subject to such fees, the review will also cover the fee charging and payment as well as other associated arrangements for

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		the implementation of any revised fees. The Development Bureau will work with LandsD on the review and any legislative amendments required to take forward the review recommendations.
	(b) ascertain non-domestic GLLs suitable for conversion into short-term tenancies (STTs), and take conversion actions in a timely manner.	(b) Given the significant number of GLLs, the idea of pursuing wholesale conversion of these GLLs into STTs would not only require substantial resources but would also require major diversion of LandsD's attention from other priority matters such as land control actions against illegal occupation of government land, patrol and control actions against registered squatters, lease enforcement actions against unauthorised structures on private agricultural land, and lease enforcement actions against unauthorised uses in industrial buildings posing safety hazards to the public. LandsD prefers a pragmatic approach, under which it will continue to process conversion of individual GLLs to STTs where specific circumstances render such conversion appropriate and will pursue the review of GLL fee levels as per para 3.25(a) above with a view to ensuring that GLLs are charged an appropriate level of rent having regard to the current arrangements for STTs.
Part 4: Clearance of Squatter and Licensed Structures		
4.14 (a) to (b)	Audit has recommended that the Director of Lands should, in carrying out a clearance operation for S&L structures in future – (a) take measures to ensure that only eligible households affected by the clearance	(a) Written instructions have been laid down and disseminated to all staff of Clearance Unit on 3 July 2017.

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	operation are referred to the HD for PRH re-housing; and	Endorsement must be sought before referral to the Clearance Housing Unit of HD for flat allocation in the following manner – (i) if it is satisfied that there is adequate documentary proof, Clearance Officer will prepare a minute to seek, via Assistant Manager/Clearance, Manager/Clearance's endorsement of the eligibility for re-housing before referral; and (ii) for doubtful cases, Manager/Clearance should submit the case with justification to Senior Manager/Clearance for consideration. If considered necessary, a meeting may be convened to discuss the cases. As the recommendation has been implemented, we recommend deleting this part from the next progress report.
	(b) take measures to ensure that all structures covered by the clearance operation are identified during pre-clearance surveys.	(b) Enhancement measures have been adopted to minimise the chance of having structures omitted in pre-clearance surveys (PCSs), including the – (i) increase in number of unobtrusive surveys (conducted with relevant parties such as SCU and DLO) prior to PCSs in order to enable all the participants to familiarise with the areas to be cleared; and (ii) deployment of adequate time and manpower for PCSs.

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		As the recommendation has been implemented, we recommend deleting this part from the next progress report.
4.33	Audit has recommended that the Secretary for Development and the Director of Civil Engineering and Development should monitor and periodically inform Legislative Council (LegCo) of the progress of implementing upgrading works for government man-made slopes and natural terrain posing landslide risks to S&L structures.	The Civil Engineering and Development Department (CEDD) will report the progress of implementing related study and upgrading works for government man-made slopes and natural terrains affecting squatters in the Controlling Officer's Report starting from the financial year 2018-19. As this recommendation will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.
4.34	Audit has recommended that the Director of Buildings should strengthen actions on private slopes for which the required upgrading works specified in Dangerous Hillside Orders (DHOs) have not been satisfactorily carried out over a long period of time.	Apart from continuing with the current enforcement actions with respect to private slopes with outstanding DHOs, the Buildings Department (BD) has taken the following measures to strengthen efforts in this respect – (a) a DHO Monitoring Committee chaired by the Deputy Director of Buildings has been set up to regularly monitor the progress of these DHOs; and (b) the consultancy procurement procedures have been streamlined with a view to shortening the lead time in initiating the required upgrading works which private owners have failed to deliver (i.e. default works) and thus enhance efficiency of those default works. Meanwhile, BD will continue the following enforcement actions with respect to private slopes with outstanding DHOs –

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		(a) closely monitor the progress of cases with remedial works being undertaken by owners. If the owners delay commencement of the required slope upgrading works without reasonable excuse, BD will instigate prosecution against them in accordance with the Buildings Ordinance. BD will, if necessary, consider carrying out the default works and recover the cost plus supervision charge and a surcharge from the owners concerned;
		
		(b) closely monitor the progress of default works undertaken by the default works consultants and BD contractors;
		
		(c) in collaboration with partnering organisations and relevant Government departments, facilitation measures have been put in place to provide assistance to the owners in need as follows –
		
		   (i) owners of eligible buildings may apply for financial assistance in the form of grants and/or loans under the Integrated Building Maintenance Assistance Scheme administered by the Urban Renewal Authority, as well as the Building Safety Loan Scheme managed by BD;
		
		   (ii) BD in collaboration with the Geotechnical Engineering Office of the CEDD will continue to provide timely technical assistance to relevant owners to facilitate their early compliance with the DHOs; and
		
		   (iii) assistance from the HAD will be sought if necessary and BD's

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		in-house social service team will be deployed to assist the owners to comply with the DHOs as needed. BD will liaise with the LandsD to facilitate owners' applications for permission to enter and execute slope upgrading works in adjoining government land; and (d) take prosecution actions against owners of non-compliant orders as necessary. As the measures will be implemented on an on-going basis, we recommend deleting this part from the next progress report.

Kai Tak Cruise Terminal
Progress of implementing Audit's Recommendations

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Part 2: Developing Hong Kong into a leading regional cruise hub		
Achievement of the expected economic benefits brought by the cruise industry		
2.15 (a) 2.15 (b)	Tourism Commission (TC) should, as soon as the Kai Tak Cruise Terminal (KTCT) has gathered sufficient operational experience, conduct a mid-term assessment on the progress made by the cruise industry in achieving the expected economic benefits and the prospect of realizing the expected benefits by 2023. TC should submit the results of the mid-term assessment of the economic benefits to LegCo when ready.	TC monitors closely the performance of the cruise tourism in Hong Kong through keeping track of the key parameters of the economic benefits brought by the cruise industry, namely, the number of ship calls, cruise passenger throughput and cruise passenger spending. TC also has plans to conduct a mid-term assessment using the key parameters in 2018. The outcome of the mid-term assessment will be made available for the public including the LegCo once ready.
Driving ship calls to Hong Kong		
2.20 (a)	TC should take further measures to drive more ship calls to KTCT.	The Government has put in a lot of efforts in promoting cruise tourism and encouraging more cruise deployments to Hong Kong which would also drive more ship calls to KTCT. In 2017-18, aligning with the Government's strategic directions to diversify cruise source markets with the foci on strengthening Hong Kong's competitiveness in short and long haul markets through fly-cruise programme and deepening the penetration in Southern China, an additional provision of $16 million was allocated to the Hong Kong Tourism Board (HKTB) for introducing a series of initiatives to drive the growth of cruise tourism in Hong Kong, which include the continuation of the fly-cruise programme, collaboration with cruise lines in promotion in Southern China and enriching the shore excursion products in Hong Kong.

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		In addition, HKTB will continue with its existing initiatives, including marketing co-operation with cruise lines and the "Asia Cruise Cooperation/Asia Cruise fund".
		TC has also urged the terminal operator of KTCT to continue with its marketing efforts overseas to attract international cruise lines for more ship call bookings at KTCT.
		As the recommendation is being implemented on an on-going basis, we recommend deleting this part from the next progress report.
2.20 (b)	TC should monitor the effectiveness of the measures taken and step up the efforts to drive more ship calls to KTCT where necessary.	With the concerted efforts of the Government, HKTB, the terminal operator and the trade, the number of ship calls at KTCT in 2017 is expected to increase to around 190, which would be a double of the figure of 95 in 2016.
		TC will continue to review the effectiveness of the initiatives on an on-going basis and will further step up the measures as appropriate.
		As the recommendation is being implemented on an on-going basis, we recommend deleting this part from the next progress report.
Part 3: Monitoring the performance of terminal operator		
Vibrancy of KTCT		
3.14 (a)	TC should urge the terminal operator to continue its efforts to lease out the unlet ancillary commercial areas at KTCT.	TC has urged the terminal operator to continue with its efforts to lease out the remaining vacant shop of the ancillary commercial areas as soon as possible.
		As at present, all the seven shops of the ancillary commercial areas at KTCT have

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		been leased out and occupied, with the sub-lease of the last remaining vacant shop commenced on 1 August 2017. It is expected that the shop, now with fitting-out works in progress, will be ready for opening for business in end-2017. As the recommendation has been implemented, we recommend deleting this part from the next progress report.
3.14 (b)	TC should keep in view the process of the winding-up petitions against the sub-tenant of the two shops with terminated sub-tenancy and urge the terminal operator to take action to lease out the vacant shops on the second floor as soon as they are available after the completion of the legal proceedings.	TC urged the terminal operator in May 2017 again to take actions to lease out the shop on the second floor as soon as vacant possession is recovered. The terminal operator has also been requested to provide updates to TC from time to time. As at now, the legal proceedings are on-going and the terminal operator is not yet able to recover the vacant possession of the shop. That notwithstanding, the terminal operator has conducted site visits with potential sub-tenants from time to time with a view to expediting the process of identifying a sub-tenant as soon as the shop is available. As the recommendation has been implemented, we recommend deleting this part from the next progress report.
3.14 (c)	TC should, regarding the shop recently used as an office and training centre, urge the terminal operator to endeavour to lease it out after the current sub-tenancy for purposes that can best attract visitors or serve the cruise passengers.	TC urged the terminal operator in May 2017 again to make its best endeavour to lease out the shop for purposes that can best attract visitors or serve cruise passengers after the current sub-tenancy. In the meantime, retail elements have been introduced in the shop concerned. As the recommendation has been implemented, we recommend deleting this part from the next progress report.

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3.14 (d)	TC should continue to urge the terminal operator to promote the use of KTCT as a venue for non-cruise events.	TC has urged the terminal operator to continue to promote the use of KTCT as an event venue, including active participation in trade shows. Between August and September 2017, there were three non-cruise events that took place at KTCT. As the recommendation is being implemented on an on-going basis, we recommend deleting this part from the next progress report.

Performance monitoring of the terminal operator

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3.23 (a)	*Service Pledges* TC should ensure that the service pledges on the performance of the terminal operator are approved by the TC.	The existing set of service pledges were discussed and approved at the KTCT Management Committee meeting on 14 May 2014. TC reaffirmed such approval at the Management Committee meeting on 10 February 2017. TC will ensure that the approval of future service pledges will be explicitly documented. As the recommendation has been implemented, we recommend deleting this part from the next progress report.
3.23 (c) 3.23 (d)	TC should ensure that comprehensive service pledges covering all major areas of operation and management of the KTCT are set to facilitate the monitoring of the performance of the terminal operator. TC should review the service pledges on the performance of the terminal operator periodically to ensure that they are meaningful, challenging and achievable.	The terminal operator has submitted in mid-August 2017 an expended set of service pledges which now covers all major areas of operation and management of the KTCT. This expanded set of service pledges includes the vehicular arrangements at the terminal, embarkation and disembarkation arrangements for turnaround call passengers and engagement with the tourism trade (i.e. those areas identified in the Audit Report). It was endorsed at the Management Committee on 29 August 2017 and the compliance of this new set of service pledges will be reported at the annual

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		operation and maintenance report for 2018. We have requested the terminal operator to conduct annual review of the service pledges for the Management Committee's endorsement starting from 2018. As the recommendation has been implemented, we recommend deleting this part from the next progress report.
3.23 (b)	*Tenancy Agreement Compliance* TC should ensure that the terminal operator complies with all the requirements under the Tenancy Agreement, including submitting the annual reports on compliance with the service pledges in a timely manner.	TC has put in place a strengthened mechanism for compliance checking through more thorough checking and regular discussions with the terminal operator on a quarterly basis, so as to ensure the terminal operator's full and strict compliance with all the requirements under the Tenancy Agreement. The strengthened mechanism has been put in place for about six months with two compliance meetings conducted so far. It has been proven to be effective in monitoring the terminal operator's compliance with the Tenancy Agreement. As found from the recent checks, there was no non-compliance of the Tenancy Agreement observed. TC will continue with this compliance checking mechanism on an on-going basis. The annual report on compliance with the service pledges in 2016 was submitted in a timely manner. As the recommendation has been implemented, we recommend deleting this part from the next progress report.

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Part 4: Administrative Issues		
Transport Connectivity		
4.8 (a)	TC should urge the terminal operator to – (i) discuss with the shopping malls near Mass Transit Railway stations to encourage more malls to provide mall shuttle bus services to KTCT; and (ii) discuss with the shopping mall that is encountering problems in providing shuttle bus services in order to help maintain their services as far as possible.	TC has again urged the terminal operator to encourage more shopping malls to provide mall shuttle bus services to KTCT. According to the terminal operator, the existing shuttle bus services provided by the two shopping malls are sufficient to meet the demand of the cruise passengers. That notwithstanding, efforts are being made by the terminal operator and discussions have been held between the terminal operator and potential shopping malls for launching more mall shuttle bus services, subject to commercial viability and a mutually agreed plan. TC has also urged the terminal operator to discuss with the mall which might have encountered problems in continuing with the provision of the said services earlier to see if the problems still existed. The terminal operator has met with the management of the shopping malls who remained keen to operate the free shuttle services. The Government departments concerned (i.e. Transport Department (TD) and the HKPF) confirmed that there had been no complaint regarding the mall shuttle services in the past two years. As the recommendation has been implemented, we recommend deleting this part from the next progress report.
4.8 (b)	TC should, in consultation with the TD and the terminal operator, make contingency planning for the discontinuation of the mall shuttle bus services.	TC met with TD in July 2017 to discuss the issue of free mall shuttle services, amongst others, and agreed on the contingency plan in the event of discontinuation of mall shuttle services. The contingency plan is that in the event

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		that one of the existing free mall shuttle service routes ceased operations, the remaining one would step up the level of services; and the daily franchised bus services of KMB Route No. 5R could be strengthened to cover the service gap if necessary. As the recommendation has been implemented, we recommend deleting this part from the next progress report.
4.8 (c)	TC should discuss with the TD to improve the franchised bus service.	TC has been working closely with TD on enhancing the franchised bus service in view of the latest development and passenger demand of KTCT. At the request of TC through TD, the franchised bus service operator of the Route No. 5R (KMB) has, further to the extension of service hours since April 2017 to cover Sunday mornings on a trial basis, extended the service hours on a trial basis to cover the evenings of Fridays to dovetail with the embarkation/ disembarkation time of passengers of a cruise ship which calls at KTCT regularly every Friday evening since August 2017 to test out the demand for the extended services. Separately, TD is planning for a new franchised bus route in 2018, connecting Kowloon Tong MTR station with KTCT. As the recommendation has been implemented, we recommend deleting this part from the next progress report.
4.8 (d)	TC should urge the terminal operator to encourage the other cruise companies to provide chartered ferry services.	TC has urged the terminal operator to encourage cruise lines to consider using chartered ferry services as an additional mode of transportation for their guests. As at today, cruise lines consider that the land transport services provided by them are

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		more cost effective. That said, cruise lines will continue to keep the option of providing chartered ferry services open. As the recommendation has been implemented, we recommend deleting this part from the next progress report.
4.8 (e)	TC should, in collaboration with the terminal operator, review whether more taxi pick-up points can be made available for boarding during peak hours.	TC has requested the terminal operator to review the current arrangement of taxi pick-up points and continue to keep in view the on-site situation and provide more pick-up points if situation warrants. According to TC's observations, the terminal operator has been exercising flexibilities to provide sufficient taxi pick-up points and at some points in time, up to nine pick-up points were in use simultaneously. As the recommendation has been implemented, we recommend deleting this part from the next progress report.
4.8 (f)	TC should ensure that the traffic management plan is updated regularly by the terminal operator and is approved by TC.	The terminal operator submitted an updated traffic management plan in February 2017 and the updated plan was approved by TC in May 2017. The terminal operator has also been requested to review the need to update the traffic management plan annually. As the recommendation is being implemented on an on-going basis, we recommend deleting this part from the next progress report.
4.8 (g)	TC should, in collaboration with the terminal operator, continue to critically review the overall transport arrangement to ensure that effective and efficient transport services are provided.	TC meets with TD regularly (the most recent one in July 2017) to critically review and discuss the public transport services demand of KTCT and to explore areas of improvements. As a result of the recent meeting in July 2017, franchised bus and minibus services were further

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		strengthened.
		TC will continue to engage the terminal operator, TD and relevant parties through the KTCT Management Committee and other suitable forum to exchange views and to review the transport arrangements from time to time to ensure that effective and efficient transport services are provided at KTCT.
		As the recommendation is being implemented on an on-going basis, we recommend deleting this part from the next progress report.
Usage of KTCT facilities		
4.16 (a)	TC should urge the terminal operator to endeavour to let out the video wall.	TC has urged the terminal operator to step up its efforts in trying to let out the video wall and to keep up with its good maintenance to ensure its proper functioning. The terminal operator has appointed a media company as its sole advertising agent for the video wall, with effect from 1 July 2017.
4.16 (b)	TC should also ensure the use of video wall by other government departments for promotion of Hong Kong tourism and the Government's events and activities.	
4.16 (c)	TC should monitor the proper functioning of the video wall regularly and ensure that repair work for the video wall is carried out in a timely manner.	TC has invited the Information Services Department (ISD) to consider the use of the video wall for Government publicity. ISD has started using the video wall for publicity purposes since June 2017.
		TC will continue to monitor the use and proper functioning of the video wall on an on-going basis.
		As the recommendation is being implemented on an on-going basis, we recommend deleting this part from the next progress report.

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4.16 (d) 4.16 (e)	TC should review whether the current temporary use of the two spare Onshore Power Supply system plant rooms by the Electrical and Mechanical Services Trading Fund (EMSTF) represents the optimal use. TC should, in the light of the result of the review, seek the Government Property Agency (GPA)'s assistance, if necessary, and put the two plant rooms, or part thereof as appropriate, to optimal use.	The spaces reserved for installation of the onshore power supply system are being put to gainful use by the EMSTF as its maintenance workshop. TC completed a review on the use of the spaces in August 2017, having regard to the limited accessibility and other circumstances (including the need to protect the integrity of the statutory restricted area as well as the limitations of the reserved spaces). It was concluded that the existing use by EMSTF as maintenance workshop should be an optimal use. The findings have been circulated to GPA who made no other comments. As the recommendation has been implemented, we recommend deleting this part from the next progress report.
Monitoring the performance of contractor on facility management services		
4.23 (a)	TC should take action to ensure that yearly reports are submitted by the contractor in a timely manner.	Although the contract on facility management services has not specified the deadline for the submission of the yearly report, TC has made it a requirement for the contractor on facility management services to submit the yearly reports within three months after the end of the period covered. The yearly report covering the period of 1 June 2016 to 31 May 2017 has been submitted on time in July 2017. As the recommendation has been implemented, we recommend deleting this part from the next progress report.

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4.23 (b)	TC should consider setting guidelines and checklists for joint site inspections to ensure effective monitoring of the quality of services provided by the contractor.	TC has agreed with the facility management services contractor on a set of guidelines and a checklist for joint site inspection. The checklist has been used for joint site inspection conducted since April 2017 and TC would take follow-up actions on any item receiving a low score. These measures ensure that the joint site inspections are carried out in a way that is effective in monitoring the quality of the services provided by the contractor.
4.23 (c)	TC should ensure that joint site inspections are carried out in a way that is effective in monitoring the quality of the services provided by the contractor.	As the recommendation has been implemented, we recommend deleting this part from the next progress report.
Maintenance of KTCT facilities		
4.32 (a)	TC should ensure that EMSTF submits half-yearly performance reports in a timely manner, and include in the reports the actual performance.	TC has reminded EMSTF to continue with its timely submission of the half-yearly performance reports in January and July of each year. EMSTF has also agreed to include information on the actual performance of the engineering systems at KTCT to TC in such report.
		TC has made it a practice that the half-yearly report will be discussed and reviewed at the regular half-yearly Service Level Agreement Review meetings to ensure the reports will be submitted and reviewed in a timely manner. The last report, with information on the actual performance of the engineering systems, was discussed at the meeting in July 2017.
		As the recommendation has been implemented, we recommend deleting this part from the next progress report.

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4.32 (b)	TC should, in collaboration with the Architectural Services Department (ArchSD), take effective measures to address the water leakage and seepage problem.	At the request of TC, ArchSD has drawn up various measures with specific programme timeline to mitigate the water seepage and leakage issues. ArchSD will take the lead to take forward the measures in conjunction with relevant stakeholders.
4.32 (c)	TC should monitor the effectiveness of the action taken to address the water leakage and seepage problem and, if necessary, step up the action.	The total number of seepage/leakage cases in the first half of 2017 was 29, which was 60% less than the number of cases in first half of 2016 (74 cases), and the majority of the cases (25 out of 29) in the first half of 2017 were minor seepage cases.

As the recommendation is being implemented on an on-going basis, we recommend deleting this part from the next progress report. |
| 4.32 (d) | TC should, in collaboration with the EMSTF, take effective measures to address the problem of lifts/escalators fault cases. | TC has been working closely with EMSTF to reduce the number of fault call cases through (i) improving the operation environment of the lifts/escalators; and (ii) educating users on the proper use of lifts and escalators.

EMSTF also provided enhancement trainings and ad-hoc training, in addition to basic operator trainings, to the terminal operator and the facility management services contractor.

It is observed that the number of fault call cases in the first half of 2017 was reduced to 16 (with five being equipment failure), a decrease of 36% from the 25 fault call cases (with five being equipment failure) during the first half of 2016. |
| 4.32 (e) | TC should monitor the effectiveness of the action taken to address the problem of repeated fault cases of lifts/escalators and, if necessary, step up the action. | As the recommendation is being implemented on an on-going basis, we recommend deleting this part from the next progress report. |

Para. No.	Audit's Recommendations	Progress to Date
Attendance at Advisory Committee on Cruise Industry (ACCI) meetings		
4.40 (a)	TC should take measures to improve the attendance rates of ACCI members with low attendance records.	Starting from April 2017, TC has informed individual ACCI members of their attendance record when sending out meeting invitations to serve as a reminder of the importance of participation at meetings. For members who cannot make themselves available for the meetings, TC has offered to arrange conference calls and has invited their written comments so that they could still contribute to the meetings. At the recent ACCI meeting held in August 2017, conference call had been arranged for overseas member to participate in the discussion of the meeting. As the recommendation has been implemented, we recommend deleting this part from the next progress report.
4.40 (b)	TC should, in future, give due consideration to the attendance records of members at ACCI meetings when considering their reappointments.	TC will continue to closely monitor members' attendance and participation at ACCI, and would consider this as one of the factors for future re-appointments. As the recommendation is being implemented on an on-going basis, we recommend deleting this part from the next progress report.
Strategic planning		
4.45 (a)	TC should establish a strategic planning mechanism for formulating strategies and initiatives of developing Hong Kong into a leading regional cruise hub.	TC has a clear strategic planning mechanism involving regular consultation of our strategic directions with the ACCI, and formulation of strategic initiatives based on such strategic directions as promulgated every year in the Government's Policy Addresses, Policy Agendas as well as Budget Speeches.

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		In early 2017, apart from engaging the ACCI, TC has already extended the engagement to include the Tourism Strategy Group (with representatives from the travel trade, major attractions and hotel sectors) on the latest development of cruise tourism in Hong Kong, as well as the Government's strategic initiatives in promoting cruise tourism development. TC has plan to extend the consultation of the strategic directions to cover more tourist attractions, hotels and the retail sector in the process of formulating the strategic directions and plan for 2018. In August 2017, TC has already kick-started the process of engaging various stakeholders for updating the strategic directions. As the recommendation is being implemented on an on-going basis, we recommend deleting this part from the next progress report.
4.45 (b)	TC should develop a Strategic Plan incorporating elements such as strategic objectives, strategic directions and strategic actions.	Please refer to the above progress regarding paragraph 4.45 (a). The various strategies and initiatives would be consolidated into a single document entitled "Strategic Plan for Cruise Tourism" for release in 2018.
4.45 (c)	TC should review and update the Strategic Plan periodically to take into account changes in the cruise industry.	TC will continue to review and update the strategic plan regularly in the light of the latest development of the cruise tourism market and to map out the suitable strategic initiatives. As the recommendation is being implemented on an on-going basis, we recommend deleting this part from the next progress report.

Management of projects financed by the Lotteries Fund
Updated progress of implementing Audit's Recommendations

Para. No.	Audit's Recommendations	Progress to Date
Part 2: Administration of funding applications		
Para. 2.15 (a)	In processing application for Lotteries Fund (LF) grants, the Director of Social Welfare should take measures to ensure that an LF-funded project will not commence without obtaining funding approval for the project.	Regarding the funding issue in Case 1, the SWD had a detailed discussion with the Financial Services and the Treasury Bureau and the ArchSD on the funding arrangements in respect of welfare facilities to be constructed by developers in future, and clarified that a mechanism was in place on the assessment and control of the estimated construction costs for similar projects, with a view to ascertaining that funding approval would be obtained before execution of the land grants concerned. The SWD will also continue to liaise with the LandsD closely and request the LandsD to provide information on the latest progress of the land grants in respect of related developments. The ArchSD will advise on the breakdowns of the estimated construction costs of the welfare facilities on the basis of the technical schedules to facilitate consideration of the funding applications in question. As improvement measures will be implemented on an on-going basis, we recommend deleting this part from the next progress report.
Para. 2.15 (b)	In processing application for LF grants, Director of Social Welfare should identify long-outstanding cases where the NGOs have difficulties in meeting funding requirements and provide necessary assistance for them.	The SWD has taken/will take the following measures to follow up on the long-outstanding cases – (a) in July and August 2017, the SWD met with the ArchSD and the Housing Department (HD) respectively to discuss the follow-up actions on identified outstanding cases,

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Para. 2.15 (c)	In processing application for LF grants, Director of Social Welfare should strengthen measures on following up long-outstanding cases and remove from the SWD database those no longer in need of LF grants.	including expediting the progress of processing some long-outstanding cases and reviewing their feasibility;
Para. 2.15 (d)	In processing application for LF grants, Director of Social Welfare should consider a revised application involving a significant change of scope as a new application.	(b) as to the works projects proposed by NGOs, the SWD has all along assigned designated officers to follow up on the proposals submitted by different NGOs and maintained close contact with the service units concerned, so as to provide them with the needed support. The SWD has also been exploring with the ArchSD new measures to assist NGOs in meeting the application requirements more effectively. For example, the SWD and the ArchSD agreed to apply to other projects the reference checklist currently provided to NGOs running residential care homes for persons with disabilities, which serves to remind NGOs of the points to note when engaging consultants to meet the licensing requirements under the Residential Care Homes (Persons with Disabilities) Ordinance (Cap. 613);
Para. 2.15 (f)	In processing application for LF grants, Director of Social Welfare should strengthen measures with a view to processing grant applications within the target completion time of 9 months for major grants and 4 months for minor grants.	(c) the SWD exchanged views with the representatives of the HKCSS in June, August and September 2017 on the recommendations in the Audit Report. The SWD and the HKCSS will meet regularly to follow up on the progress of the various improvement measures, and discuss on the latest development of the LF and the assistance required by NGOs when making LF applications. Besides, the SWD briefed the NGOs receiving SWD subvention in October 2017 on the recommendations in the Audit Report and the SWD's new measures in processing LF applications and following up on approved projects;

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		(d) in view that some NGOs tend to supplement in several rounds their incomplete information, or delay replying/submitting the relevant supplementary information, the SWD plans to implement a "deadline of reply" in late 2017 to expedite the processing of applications. For example, for minor grant applications, applicant NGOs would be required to reply to SWD's enquires within one month. After discussing with relevant departments and the welfare sector, the SWD will explore the feasibility of setting a "deadline of reply" for major grant applications; and
		(e) the SWD had a working group meeting with the contractor in August 2017 to discuss the enhancement of the existing information system of the LF. The meeting discussed preliminarily the enhancement of functions to reflect the actual time of processing individual applications, including considering –
		(i) how to record the time required for individual application procedures and the measures to monitor more effectively the progress of processing applications;
		(ii) how to determine the time for collection of a full set of information required for each application, on the understanding that the SWD plans to start counting the processing time of an application upon collection of the required information from

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		the applicant NGO; and (iii) whether an application can be classified and regarded as a new application for the purpose of counting the processing time, where there have been substantial changes to the project scope in the vetting process.
Para. 2.15 (e)	In processing application for LF grants, Director of Social Welfare should take measures to ensure the accuracy of data in SWD database.	The SWD has put in place a mechanism to enhance the accuracy of data input since September 2017, and will conduct random checking to ensure that the classification of cases is in order. As improvement measures will be implemented on an on-going basis, we recommend deleting this part from the next progress report.
Para. 2.15 (g)	In processing application for LF grants, Director of Social Welfare should consider promulgating performance pledges on the time of processing applications for LF grants.	The SWD preliminarily expects that the enhanced functions of the information system of the LF can come into operation in 2019, including enhanced reporting features of the system to facilitate the SWD to keep track of the progress of individual applications and approved projects. When the system has commenced operation, the SWD will, based on the data on processing applications, analyse the average processing time for each of the procedures, with a view to devising the general average target processing time for different types of applications.
Para. 2.27	Secretary for Labour and Welfare and Director of Social Welfare should sustain and strengthen actions to coordinate with the applicant organisations and related B/Ds with a view to implementing projects under the Special Scheme	The Government, when seeking the approval of the Finance Committee of the LegCo to transfer $10 billion to the LF to implement the Special Scheme, and subsequently reporting to the Panel on Welfare Services of the LegCo on the progress of the Special Scheme, stated

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	on Privately Owned Sites for Welfare Uses (the Special Scheme) as early as possible.	clearly that the technical feasibility of the preliminary proposals submitted by the applicant NGOs would be subject to confirmation and the details would be adjusted in the light of the discussions with the SWD and the comments from other departments on the development parameters of the sites. The progress of the proposed projects would depend on a number of factors, including the location of the site and the surrounding environment, public and transport facilities, the terms of the land lease and the restriction imposed by the Outline Zoning Plans on the use and development density, the feedback of local consultation, the distribution of existing services and the supply and demand of the proposed services, etc. As a result, the implementation time varies from one project to another. The Government has been closely monitoring the implementation of the Special Scheme, and assisting the applicant NGOs in delivering their projects as soon as possible. Since the launch of the Special Scheme, the SWD has held several meetings with the applicant NGOs to refine their proposals and address the issues of mutual concern. The Labour and Welfare Bureau (LWB) and the SWD have conducted six information exchange sessions with the applicant NGOs, and made further clarifications on and refinements to the various arrangements under the Special Scheme having regard to the views raised at these sessions. These arrangements can help the applicant NGOs handle the required procedures for carrying out expansion, redevelopment or new development under their projects and speed up the work flow. LWB and SWD have also maintained communication with

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		the applicant NGOs by other means, including visiting the applicant NGOs and conducting on-site inspection and discussion on their respective projects, to identify the key issues and resolve them expeditiously in coordination with relevant B/Ds. The LWB and the SWD will continue coordinating with the applicant NGOs their submission of the required information and applications in respect of each project to relevant departments, and convening inter-departmental meetings on a need basis to help the applicant NGOs resolve technical and other related issues, with a view to expediting the implementation of the projects.
		As at mid-September 2017, one project under the Special Scheme was completed and commenced service. Five projects are expected to be completed by 2018-19. In addition, LF grants were approved for nine projects to conduct technical feasibility studies. One of these projects completed the technical feasibility study in November 2016 and received an LF grant for hiring consultants to proceed with detailed design, tender and works contract administration, etc. The SWD will support NGOs to apply for grants in this financial year for conducting technical feasibility studies having regard to the progress of individual projects, with a view to expediting the implementation of the projects concerned.
Part 3: Administration of project implementation		
Para. 3.19 (a)	In administering LF-funded project implementation, Director of Social Welfare should take measures to provide assistance to NGOs of so LF-funded projects to commence works in a timely manner.	The SWD will implement in phases a series of measures as endorsed by the LFAC in January 2017 to strengthen the monitoring of the progress of LF-funded projects. These measures include – (1) since early 2017, the SWD has

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Para. 3.19 (b)	In administering LF-funded project implementation, Director of Social Welfare should in collaboration with the Director of Architectural Services, strengthen actions on providing necessary assistance to NGOs on engaging works consultants.	required NGOs to submit timetables on estimated project milestones at the time of submission of their applications. NGOs receiving grants have to undertake to commence work related to the projects within a short period of time after securing funding approval; and (2) NGOs receiving grants need to submit periodic progress reports on their projects, including whether the works have commenced or have been completed, and follow up on the items requiring assistance. Starting from September 2017, if individual projects cannot be implemented as planned, the SWD will ask the NGOs concerned to submit full justifications and revise project schedules with updated expenditure estimates. Meanwhile, the SWD discussed with the ArchSD in July 2017 measures to assist NGOs in engaging qualified construction consultants and follow up on the approved LF projects. To facilitate and speed up the process for NGOs to engage Authorised Persons (APs), the SWD and the ArchSD agreed to apply the checklist for the hiring of APs, which serves to remind NGOs of the points to note when engaging consultants to meet the licensing requirements under the Residential Care Homes (Persons with Disabilities) Ordinance (Cap. 613), to other works projects financed by the LF. As for those long outstanding approved projects with repeated submissions by the NGOs, the ArchSD agreed that ad hoc meetings would be held with the NGOs/APs. This would facilitate better understanding of the difficulties encountered by the NGOs/APs and enable the ArchSD to clarify its requirements more effectively

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		and efficiently, thereby expediting the progress of the projects concerned. The SWD will continue to follow up with the ArchSD on this matter.
Para. 3.19 (c)	In administering LF-funded project implementation, Director of Social Welfare should, in collaboration with related B/Ds, take measures to ensure that works-project accounts are finalised in a timely manner after works completion, with a view to releasing unpaid commitments not required for LF projects for funding other projects.	Since September 2016, the SWD has started to issue written reminders to NGOs receiving minor grants in respect of their projects which have been completed or are about to be completed, requiring them to finalise the project accounts within a specified timeframe. Such arrangement will be extended to major grant projects in the third quarter of 2017-18. Besides, the SWD will report the progress of approved projects to the LFAC half-yearly. In the event of relatively complicated projects or NGOs in need of assistance, the SWD will, as early as possible, liaise closely with relevant departments (such as ArchSD) and/or management of the NGOs to discuss the solutions. The SWD started exploring with the ArchSD in July 2017 on how to implement the recommendations in the Audit Report, including discussing the different options and their feasibility with a view to finalising the project accounts timely after project completion. One of the agreed improvement measures conducive to timely finalisation of project accounts is to provide more assistance to NGOs in engaging APs as mentioned above. The SWD will continue to liaise with the ArchSD on other possible measures. In addition, in August 2017, the SWD and the HD started discussing the details of devising procedures to monitor the deadlines for finalisation of project accounts in respect of entrusted works projects. The HD agreed with the SWD on the methodology of finalising the costs

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		of such projects within three years after commissioning of the facilities concerned.
Para. 3.19 (d)	In administering LF-funded project implementation, Director of Social Welfare should in collaboration with NGOs and B/Ds, take measures to strengthen control over project expenditures to ensure correct charging of the expenditures.	The case (Case 6) involving problematic charging of project cost as mentioned in the Audit Report happened in early years. Since 2007, the Hong Kong Housing Authority (HKHA) has enhanced the computer system for handling payments, using the "Housing Construction Management Enterprise System" (HOMES) to record the funding approval and expenditure position of all on-going HKHA-funded and Government-funded projects. All relevant payments have to be processed through HOMES, which checks the respective user code, letters of intent and approved commitment amounts for individual projects. This system provides responsible officers with more comprehensive and updated information about the projects and their respective funding authorities, and thereby reduces the risk of wrong charging of expenditures. The system has also built in control against charges that may exceed the expenditure limit to prevent over-expenditure. As the follow-up action has been completed, we recommend deleting this part from the next progress report.
Para. 3.19 (e)	In administering LF-funded project implementation, Director of Social Welfare should take follow-up actions on long-outstanding cases and on the reimbursement of Project F expenditures of about $20,000 to the LF.	The SWD is actively following up on the long-outstanding projects. Regarding the expenditure of about $20,000 for Project F, the HKHA already refunded the amount to the LF in May 2017. As the follow-up action has been completed, we recommend deleting this part from the next progress report.

Para. No.	Audit's Recommendations	Progress to Date
Para. 3.19 (f)	In administering LF-funded project implementation, Director of Social Welfare should, in collaboration with the Government Property Administrator and the Director of Lands, expedite actions to follow up the assignment of the social centre for the elderly in Case 7 to the Government.	All along, the SWD has, through the GPA and the LandsD, been urging the developer to complete the assignment of the social centre for the elderly to the Government as soon as possible. After a number of written reminders from the GPA and the LandsD, the developer submitted a revised draft assignment document to the GPA on 19 May 2017. After vetting, the GPA informed the developer of the proposed revisions on 6 July 2017 and requested the developer to revise the document accordingly. The reply from the developer is pending. When the assignment document has been finalised between the GPA and the developer, the assignment procedure will be completed, and the SWD will be able to reimburse the project cost to the developer and finalise the relevant project accounts.
Para. 3.19 (g)	In administering LF-funded project implementation, Director of Social Welfare should consider requiring NGOs to submit to the SWD annual returns showing details and justifications of their board approvals for departures from the LF procurement requirements.	The SWD discussed with the HKCSS in June, August and September 2017 how to implement the recommendations in the Audit Report, and briefed the NGOs receiving SWD subvention in October 2017 on these recommendations and the SWD's new measures in processing LF applications and following up on approved projects. These measures include requesting NGOs to submit annual returns to the SWD on the details and justifications of their Boards' approvals for departures from the LF procurement requirements. After agreement between the SWD and NGOs has been reached, the proposals will be submitted to the LFAC for consideration and endorsement. It is preliminarily estimated that the measures concerned will be applicable to the procurements made in and after the fourth quarter of 2017-18.

Para. No.	Audit's Recommendations	Progress to Date
Para. 3.19 (h)	In administering LF-funded project implementation, Director of Social Welfare should maintain a summary register for advance payments under the LF showing the dates of advance payments and receiving documents to support related expenditures.	The SWD has already put in place a register providing a summary of the overall status of all related projects since March 2017. As improvement measures will be implemented on an on-going basis, we recommend deleting this part from the next progress report.
Para. 3.19 (i)	In administering LF-funded project implementation, Director of Social Welfare should consider requiring NGOs in receipt of LF grants to submit a project evaluation report after project completion, and to conduct satisfaction surveys of stakeholders where appropriate.	The SWD briefed the NGOs receiving SWD subvention in October 2017 on the recommendations in the Audit Report, including these two recommendations, and the SWD's new measures in processing LF applications and following up on approved projects. After agreement between the SWD and NGOs has been reached, the proposals will be submitted to the LFAC for consideration and endorsement. Thereafter, the SWD will clearly set out the requirements in the notification letters on funding approval.
Para. 3.19 (j)	In administering LF-funded project implementation, Director of Social Welfare should conduct an evaluation of the extent of achieving the objectives of experimental projects and publish the evaluation results on the SWD website.	The SWD will start to publish the evaluation results of LF-funded experimental projects on the SWD website from November 2017. As improvement measures will be implemented on an on-going basis, we recommend deleting this part from the next progress report.
Part 4: Governance and management issues		
Para. 4.18 (a)	Director of Social Welfare should strengthen measures to periodically remind LFAC members of the need to fully make declarations of potential conflicts of interest for agenda items discussed at LFAC meetings.	Since the meeting on 19 January 2017, the LFAC has started to adopt the Two-Tier Reporting System to enhance the management of potential conflicts of interest. Since the meeting on 22 March 2017, the LFAC Secretariat has started to make available a list of NGOs involved in the individual agenda items of each LFAC meeting for members'

Para. No.	Audit's Recommendations	Progress to Date
Para. 4.18 (b)	Director of Social Welfare should consider requiring the LFAC Secretariat to prepare a list of NGOs involved at each LFAC meeting for members' reference for making declarations of potential conflicts of interest.	reference to facilitate their making of declarations. Since the same meeting, the SWD has refrained from issuing to the LFAC members who are also paid executive staff members of NGOs the LFAC papers concerning the funding applications of their NGOs.
Para. 4.18 (c)	Director of Social Welfare should critically consider whether an LFAC member who is also a paid executive staff of an NGO needs to be issued relevant LFAC papers.	As improvement measures will be implemented on an on-going basis, we recommend deleting this part from the next progress report.
Para. 4.19	Secretary for Labour and Welfare should take into account any omission by an LFAC member in declaring potential conflicts of interest and his/her attendance at LFAC meetings when considering his/her suitability for re-appointment upon expiry of his/her term of appointment.	When re-appointing the four LFAC members in August 2017, Secretary for Labour and Welfare took into account the situation of individual members making declarations in the past and their attendance, including not re-appointing a member in consideration of the low attendance rate. As follow-up action has been completed, we recommend deleting this part from the next progress report.
Para. 4.27 (a)	In implementing a project under a contract in future, Director of Social Welfare should strengthen measures to ensure that a contractor completes tasks in a timely manner according to the time specified in the contract.	The OGCIO updated in February 2017 the Resources Estimation Guide (the Guide) on resources estimation for information technology (IT) projects. B/Ds are advised to take appropriate measures, such as making reference to the allocation ratio of technical manpower resources required at different stages of IT projects to achieve more accurate estimation of the required expenditures for manpower resources, staff training, system maintenance and acquisition of hardware and software equipment and consumables for IT projects. The Guide is applicable to both in-house development and outsourced IT projects on development of new systems or upgrading of existing systems.
Para. 4.27 (b)	In implementing a project under a contract in future, Director of Social Welfare should strengthen actions with a view to making accurate project cost estimates as far as possible.	

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		When implementing IT projects, the SWD will take appropriate measures in accordance with the Guide, such as strengthening business analysis, adopting effective tools for system analysis and design as well as decomposing large-scale projects into smaller sections by business processes and functions, to facilitate timely and effective implementation of IT projects. The SWD has also arranged for staff to attend training courses and briefing sessions in order to enhance their knowledge and skills in the management and development of IT projects.

As improvement measures will be implemented on an on-going basis, we recommend deleting this part from the next progress report. |

Provision of dental services
Progress in implementing the Audit's Recommendations

Para. No.	Audit's Recommendations	Progress to Date
Part 2: Provision of promotive and Preventive Services		
Para. 2.11	Audit has recommended that the Director of Health should –	
	(a) consider setting targets for attendance at activities of educational and publicity programmes involving physical participation of the target groups to facilitate measurement of the adequacy of the programmes and identifying room for improvement;	The attendance target has been set up for each target group. As this recommended measure will be implemented on an on-going basis, we recommend deleting this part from the next progress report.
	(b) explore means to encourage those kindergartens and nurseries, which have not enrolled in the Playland, to join the Playland so that more students could benefit from Playland activity sessions; and	Invitation letters to enroll in the Playland activity were sent to all kindergartens and nurseries by email or fax in May 2017. Playland booking was open from June 2017. Starting from August 2017, those who have not yet made their booking will be contacted by phone individually to encourage their participation in the Playland activity.
	(c) further promote the services of the Bright Smiles Mobile Classroom, with a view to maximizing its utilization and benefiting more schools.	In June 2017, invitation letters with a detailed description of the Bright Smiles Mobile Classroom (Oral Health Education Bus) service were sent to all primary schools which showed interest to join the activity. The booking of mobile classroom service for 2017-18 was open starting from 5 July 2017. As it takes time to have site visit for assessing the parking possibility of the Bus inside the school before a booking is made, the booking condition will be reviewed after the summer holiday. To maximize the utilisation of this service, the Department of Health (DH) will call those schools which have not made their booking to invite them to join this service.

Para. No.	Audit's Recommendations	Progress to Date
Para. 2.23	Audit has recommended that the Director of Health should –	
	(a) explore appropriate measures to encourage Primary six students' attendance at appointments of the School Dental Care Service (SDCS); and	Messages on promoting registration as online users of "Student Internet Service" and making use of the online services including electronic reminders for dental appointments have been included in the new enrolment forms, SDCS pamphlets, SDCS handbooks and appointment slips of 2017-18 service year.

Promotion leaflets for registration as online users have been distributed to all students of participating primary schools together with the enrolment forms of 2017-18 service year and in school dental clinics.

A school survey to explore their interest in provision and utilisation of chartered bus services for Primary five and Primary six students was completed on 16 June 2017, the results of which are being analysed. |
| | (b) in consultation with the Food and Health Bureau (FHB), determine whether the fees for the SDCS should be revised. | DH has started a costing exercise to review the SDCS annual enrolment fee of 2018-19 service year. |

Part 3: Provision of dental services for civil service eligible persons

Para. No.	Audit's Recommendations	Progress to Date
Para. 3.13	Audit has recommended that the Director of Health should –	
	(a) investigate the reasons for the increasing proportion of civil service eligible persons (CSEPs) declining referrals to other clinics with shorter waiting time for new cases and, taking into account the results of the investigation, explore the feasibility of shortening the	DH conducted a survey in seven dental clinics with a greater number of patients and longest waiting time for appointments with a view to understanding the reasons for CSEPs to decline referrals to other clinics with shorter waiting time for new cases. The majority of CSEPs indicated that they

Para. No.	Audit's Recommendations	Progress to Date
	waiting time for first-time dental appointments; (b) monitor the waiting time for subsequent dental appointments and take further action to shorten the waiting time as appropriate; (c) explore ways to further encourage CSEPs to switch to dental clinics with less demand for subsequent dental appointments; and (d) keep in view the results of the trial scheme to stop the intake of new cases at selected clinics, with a view to determining in a timely manner whether to extend the trial scheme to other clinics.	declined referrals to other dental clinics because the locations of their selected dental clinics were more convenient (e.g. near office or home). Having regard to the demand of dental clinics, DH is devising implementation plans on the reallocation of resources of specialised and general dental services with a view to shortening the waiting times of dental clinics with greater demand. DH has completed the review of the result of the trial scheme to stop the intake of new cases at two selected clinics. To further observe the effectiveness of the trial scheme, DH considers that the trial scheme should continue at the two clinics with no plan for extension for the time being.
Para. 3.18	Audit has recommended that the Director of Health should – (a) closely monitor the progress of the provision of new surgeries, and take prompt remedial action where warranted; and (b) continue to explore effective means to meet the manpower requirements for the new surgeries.	 The premises for setting up seven new dental surgeries were handed over by another government department to DH in July 2017. Preparatory work for setting up the new dental surgeries is underway. The renovation works of the dental surgeries have commenced in August 2017. It is expected that the new dental surgeries can commence operation in 2019. In order to attract more dentists to join the department, the DH may adjust, under the existing mechanism, the starting salaries of successful candidates by granting increments according to their qualifications as necessary. The DH may also, subject to the approval of the Civil Service Bureau, relax the language proficiency

Para. No.	Audit's Recommendations	Progress to Date
		requirements of some posts of dental officers so as to encourage more applications from individuals with the professional qualifications required. Apart from the annual recruitment exercise of civil servants, the DH also accepts applications from candidates with relevant professional qualifications for non-civil service contract posts all year round. In addition, the DH has also considered making use of other channels, such as the Post-retirement Service Contract Scheme, to engage eligible retired/retiring civil servants to continue their service on contract terms. Preparatory work in this regard has already commenced and a recruitment exercise will be launched as soon as practicable. As this recommended measure will be implemented on an ongoing basis, we recommend deleting this part from the next progress report.
Part 4: Provision of specific dental services for the public		
Para. 4.6	Audit has recommended that the Director of Health should explore ways to maximise the utilisation of General Public (GP) sessions to better meet the public demand with existing resources	Promotion among other clinics with GP sessions has been in place, i.e. by informing those who cannot get a disc to go to Kennedy Town Community Complex Dental Clinic and Kowloon City Dental Clinic for dental service. The details of related GP sessions in both clinics were given to other clinics with GP sessions for promotion. As this recommended measure will be implemented on an on-going basis, we recommend deleting this part from the next progress report.

Para. No.	Audit's Recommendations	Progress to Date
Para. 4.23	Audit has recommended that the Director of Health should –	
	(a) look into the reasons why many residential care homes/day care centres had declined the outreach dental services, and take measures to encourage their participation in the Outreach Dental Care Programme for the Elderly;	Starting from April 2017, DH has been liaising with individual residential care homes (RCHEs) and day care centres/units (DEs) to look into the reasons of their non-participation in Outreach Dental Care Programme (ODCP). It is expected that the exercise would be completed in the fourth quarter of 2017. DH will draw up feasible measures with a view to enhancing the participation rate of RCHEs and DEs based on the findings. Meanwhile, DH will continue to encourage more RCHEs and DEs to participate in ODCP.
	(b) ensure that each outreach dental team serves not less than 1 000 elderly persons as required by the Funding and Service Agreement;	DH will revise the list of RCHEs and DEs assigned to NGOs as and when necessary so as to enable the serving of not less than 1 000 elders per annum by each outreach dental team. As this recommended measure will be implemented on an on-going basis, we recommend deleting this part from the next progress report.
	(c) ascertain the underlying reasons why elderly persons who were physically fit had refused treatments under the Outreach Dental Care Programme for the Elderly;	Starting from April 2017, DH has been examining individual cases to find out reasons for refusal of treatment under ODCP of the physically fit elderly persons. It is expected that the results would be available in the fourth quarter of 2017.
	(d) take measures (e.g. enhancing promotional activities) to encourage elderly persons to receive necessary dental treatments;	DH has reminded the NGOs concerned to provide comprehensive professional advice on the benefits and risks of dental treatments to the elders after they have the dental check-up services, so as to encourage them to receive the necessary dental treatments.

Para. No.	Audit's Recommendations	Progress to Date
		As this recommended measure will be implemented on an on-going basis, we recommend deleting this part from the next progress report.
	(e) closely monitor those cases for which treatments were yet to be provided under the Outreach Dental Care Programme for the Elderly, so as to ensure that necessary treatments are provided in a timely manner;	DH has urged the NGOs to start the necessary dental treatments for the elders concerned within four months upon DH's approval. DH regularly monitors the progress of cases to ensure that necessary treatments are provided to the elders in a timely manner. As this recommended measure will be implemented on an on-going basis, we recommend deleting this part from the next progress report.
	(f) remind NGOs of the need to accurately and promptly update records of dental services in the Dental Clinic Management System (DCMS);	DH has reminded the NGOs to accurately and promptly update records of dental services in the DCMS. Starting from October 2017, this requirement will also be included in the Funding and Service Agreement entered with the NGOs. As this recommended measure will be implemented on an on-going basis, we recommend deleting this part from the next progress report.
	(g) consider making use of the DCMS-Outreach Reporting Management Service (DCMS-ORMS) to substantiate NGOs' claims before making payments to them; and	Starting from December 2016, DH has been verifying the NGOs' claims against the records in the DCMS-ORMS. As this recommended measure will be implemented on an on-going basis, we recommend deleting this part from the next progress report.

Para. No.	Audit's Recommendations	Progress to Date
	(h) follow up closely the results of the claims review being carried out by the NGO concerned (see Case 1 in para. 4.22), and take prompt action to recover any payments for services that have not been provided.	DH recovered the deficit amount in April 2017 from the NGO concerned. As this recommended measure has been implemented, we recommend deleting this part from the next progress report.
Para. 4.38	Audit has recommended that the Secretary for Food and Health should – (a) take measures to encourage participation of elderly persons in the Elderly Dental Assistance Programme;	To encourage elders' participation, FHB has been working with Organisation A to enhance promotion of the Programme on various fronts. With the assistance of relevant departments, we have put up posters and distribute leaflets at public housing estates, elderly health centers and dental clinics that provide public dental service. Besides, Organisation A continues to keep close contact with the district service units through briefing sessions, sharing sessions, letters and emails to encourage participation of eligible elders in the Programme. To facilitate elders to join the Programme, the number of district service units responsible for assisting elders in making applications and dental appointments has increased from 179 (as at September 2016) to 188 (as at June 2017). Furthermore, to provide more choices for the elders, the number of participating private dentists has increased from 415 (as at September 2016) to 454 (as at June 2017), and the number of participating NGO dental clinics has increased from 57 (as at September 2016) to 62 (as at June 2017). The number of beneficiaries of the Programme

Para. No.	Audit's Recommendations	Progress to Date
		(only the completed cases are counted) has increased from 10 733 (as at September 2016) as reported in the Audit Report to 17 210 (as at June 2017).
	(b) improve the documentation of the justifications for not taking further action on cases with discrepancies identified in telephone surveys of elderly persons; and	FHB has already requested Organisation A to regularly report the results of the telephone surveys and conduct investigations on those cases with discrepancies identified. Upon careful scrutiny, justifications for those cases with no follow-up action will be properly documented by Organisation A. As this recommended measure will be implemented on an on-going basis, we recommend deleting this part from the next progress report.
	(c) work with Organisation A to further reduce the administration cost with a view to meeting the requirement set by the Community Care Fund.	Since the launch of the Programme, FHB has been monitoring the Programme's administration cost. At the first few years, the administration cost incurred which included set-up cost was high. Currently, the share of the administration cost has already been worked down from 18.8% (as at March 2016) as mentioned in the Audit Report to 11.3% (as at June 2017). We will continue our monitoring of the administration cost and work out relevant measures with Organisation A with a view to further reducing the administration cost.

Para. No.	Audit's Recommendations	Progress to Date
Part 5: Attainment of Oral Health		
Para. 5.7	Audit has recommended that the Director of Health should –	
	(a) conduct a review of the oral health goals;	DH is forming a working committee responsible for the setting up of an expert group. The expert group will be invited to evaluate the oral health goals for 2025 which were set some years ago. The updated oral health goals for 2025 will be formulated based on the evaluation result and the latest local condition.
	(b) review the conduct of oral health surveys in the future, taking into account the international good practices, the need to provide adequate coverage as well as other factors (e.g. availability of resources) relevant to the situation of Hong Kong; and	DH will form a working group to conduct the Oral Health Survey 2021 nearer the time.
	(c) to enhance public accountability and transparency, after reviewing the oral health goals, consider publishing the level of attainment against the goals.	The level of attainment against the goals will be published after the completion of the Oral Health Survey 2021.

The Language Fund
Updated progress of implementing Audit's Recommendations

Para. No.	Audit's Recommendations	Progress to date
PART 2: MANAGEMENT OF INITIATIVES		
Management of support measures to schools and teachers		
2.22 (a)	The Secretary for Education should take measures to improve evaluation studies (such as the scope and the timing) for future Language Fund (LF) schemes with a view to enhancing the applicability of their study findings.	The Standing Committee on Language Education and Research (SCOLAR) Secretariat, while noting the limitations, considered that adopting a case study approach in evaluation studies could provide detailed and contextual information for understanding the different processes, strengths and issues of schools under different conditions that could become references for schools with similar contexts. It will consider ways to improve the designs of evaluation studies for future schemes so as to enhance the applicability of the study findings.
2.22 (b)	In relation to the use of Putonghua as the medium of instruction for teaching the Chinese Language subject (PMIC), Secretary for Education should – (i) seek advice from SCOLAR and consider ways to facilitate schools adopting PMIC to implement the recommendations of the evaluative study of the PMIC Support Scheme; and (ii) conduct research which would provide more conclusive findings, and determine the way forward.	As advised by SCOLAR, the Education Bureau (EDB) will consolidate and disseminate good practices of schools under the PMIC Support Scheme through different platforms. EDB will also liaise with teacher education institutions to explore feasible options to enhance teachers' confidence and competence in PMIC. SCOLAR Secretariat will continue to collect relevant data to monitor the implementation of PMIC in schools in Hong Kong. Measures for collecting relevant data about the implementation of PMIC in schools in 2017/18 school year are being planned.

Para. No.	Audit's Recommendations	Progress to date
2.22 (c)	Secretary for Education should ensure that management information (e.g. the implementation progress and effectiveness) of LF schemes not administered by the SCOLAR Secretariat is reported to SCOLAR on a regular basis.	SCOLAR Secretariat has worked/will continuously work with relevant parties to ensure appropriate reporting of schemes not directly administered by SCOLAR Secretariat. For instance, the work progress of the Task Force of Language Support was reported to SCOLAR in September 2017; and the findings of the evaluation of the English Enhancement Scheme and Refined English Enhancement Scheme were submitted to SCOLAR Members in April 2017.
2.22 (d)	Secretary for Education should strengthen the project monitoring of future LF schemes by taking measures to – (i) ensure the timely submission of project reports (e.g. progress reports and final reports) by participating schools; (ii) ensure that unspent funds are returned to the Government in a timely manner; and (iii) assist schools in setting measurable targets as far as possible.	To ensure timely submission of relevant reports by participating schools and their returning unused funds the soonest practicable under the new Grant Scheme on Promoting Effective English Language Learning in Primary Schools for the 2017/18 to 2021/22 school years, SCOLAR Secretariat will implement the following measures – (a) issuing emails alongside with fax messages three months before and soon after the project completion date to request schools to submit the relevant reports within three months after completion of the project ; (b) flexibly deploying additional manpower, if feasible, to check the relevant reports from schools with a view to returning unused funds by the schools concerned the soonest practicable; and (c) assisting schools in preparing their school-based implementation plan including the setting of measurable targets to be attained as far as practicable.

Para. No.	Audit's Recommendations	Progress to date
2.22 (e)	Secretary for Education should take measures to encourage more applications for the Professional Development Incentive Grant Scheme for Language Teachers (PDIGS).	To encourage eligible teachers to apply for the subsidy, SCOLAR approved an increase of maximum subsidy from $50,000 to $62,500 per eligible teacher at its meeting held in June 2017. In addition, SCOLAR Secretariat will issue letters to relevant schools regularly to encourage eligible teachers to apply for the PDIGS.
2.22 (f)	Secretary for Education should review the level of funding earmarked for the PDIGS with a view to releasing excessive funding to the LF for support of other new initiative.	SCOLAR Secretariat conducted a review in the second quarter of 2017 and reported its findings to SCOLAR in June 2017. In light of the review findings, SCOLAR has approved to release $58.54 million, the projected unspent allocation of PDIGS, for other gainful uses.
Management of language education community projects		
2.35 (a)	Secretary for Education should ensure that the requirements promulgated in the Work Manual relating to checks and visits are up-to-date.	SCOLAR Secretariat has updated the relevant clauses and will from time to time review the requirements and make suitable updates to the Work Manual whenever needed.
2.35 (b)	Secretary for Education should update the Work Manual to promulgate guidelines on observation visits, specifying – (i) the selection criteria and the frequency for visits; and (ii) the requirement to conduct supervisory review on the visit results.	In carrying out observation visits for promotional projects, SCOLAR Secretariat considers several factors such as the nature of an activity, experience of a programme partner, potential impacts of an activity, etc. SCOLAR Secretariat has updated the relevant clauses and will from time to time review the applicability of relevant requirements and make suitable updates to the Work Manual whenever needed.
2.35 (c)	Secretary for Education should take measures to ensure timely submission of project reports by grantees.	If there is late submission of a project report, SCOLAR Secretariat will withhold the payment of the next instalment to the grantee concerned until the review of the submitted report is completed. Grantees are required to

Para. No.	Audit's Recommendations	Progress to date
		submit reports according to the schedule stipulated in an agreement. SCOLAR Secretariat will remind them of the submission deadlines one month in advance and send email reminders to grantees in case of late submission of reports.
2.35 (d)	Secretary for Education should take measures to ensure that expenditures charged to projects are proper.	Grantees are required to strictly adhere to the budget items as set out in the agreement and seek advance approval in case of doubt. SCOLAR Secretariat will continue to ensure that expenditures charged to projects are proper.
2.35 (e)	Secretary for Education should take measures to ensure that the grantees comply with the procurement requirements.	Grantees are required to strictly observe the procurement requirements as set out in an agreement and seek advance approval in case of doubt. SCOLAR Secretariat will continue to ensure that the requirements are complied with.
2.35 (f)	Secretary for Education should ensure that the requirements promulgated in the Work Manual relating to independent project evaluation are up-to-date and are complied with.	SCOLAR Secretariat has reviewed the requirements and will continue to ensure that such requirements promulgated for individual projects or in the Work Manual relating to evaluation are suitable and complied with.
2.35 (g)	Secretary for Education should take further measures to enhance the appeal of sponsorship projects.	To promote sponsorship projects, SCOLAR has announced the latest open call for proposals (projects for 2017/18) via various channels, including newspapers, the SCOLAR website, and the Government online portal. The number of applications has notably increased from seven for 2016/17 to 12 for 2017/18. SCOLAR Secretariat will continue to endeavour to encourage applications in the future.

Para. No.	Audit's Recommendations	Progress to date
Management of Research & Development projects		
2.40 (a)	Secretary for Education should take measures to ensure that recommendations subject to reservations or conditions, especially those concerning project costs, are clarified and followed up.	SCOLAR Secretariat conducted a review of the bottom-up Research & Development Projects in September 2016 and reported the outcomes and recommendations to SCOLAR in December 2016. With SCOLAR's endorsement, SCOLAR Secretariat revised the Guide to Applicants to make clearer the principles for allowable and unallowable costs and released it in March 2017 to assist applicants in preparing budget proposals and provide the basis for vetting of project proposals. SCOLAR Secretariat will ensure that qualified and conditional recommendations, if any, are distinguished from clear recommendations and are followed up accordingly.
2.40 (b)	Secretary for Education should document the results of the follow-up action to support the recommendations of the Vetting Committee.	SCOLAR Secretariat will duly document the results of the follow-up actions on recommendations.
PART 3: GOVERNANCE AND ADMINISTRATIVE ISSUES		
Governance of SCOLAR		
3.12 (a)	Secretary for Education should take measures to ensure that Declaration Forms on conflicts of interest are submitted by members in a timely manner, including – (i) sending out the Declaration Forms to appointees in good time before the membership term starts; and (ii) taking action (e.g. sending reminders to members) to follow up outstanding declarations.	SCOLAR Secretariat sent the forms of declaration of interests together with the appointment letters to the SCOLAR Members appointed for the present term of two years with effect from July 2017. All Members returned the completed declarations before commencement of office.

Para. No.	Audit's Recommendations	Progress to date
3.12 (b)	Secretary for Education should take measures to improve the attendance rates of SCOLAR members with low attendance records.	Whenever possible, SCOLAR Secretariat informs Members of the tentative meeting date of SCOLAR around three months in advance starting from the current term of SCOLAR. Reminders are issued to Members before a meeting.
3.12 (c)	Secretary for Education should take into consideration SCOLAR members' attendance records in deciding their reappointment.	EDB will continue to take into consideration a SCOLAR Member's attendance record as one of the various factors in considering future reappointment.
3.12 (d)	Secretary for Education should set out the rules on quorum requirements for working group meetings in the Work Manual.	There has all along been a quorum requirement for working group meetings, i.e. half of the total number of Members of the working group concerned. This requirement has been explicitly spelt out in the Work Manual.
3.12 (e)	Secretary for Education should endeavour to include non-official members from both the education sector and the community in all working groups as far as possible.	SCOLAR Secretariat will enlist Members' support so that each working group will contain a suitable number of Members representing both the education sector and the community.
Administrative issues		
3.25 (a)	Secretary for Education should step up efforts in developing suitable performance indicators for the LF and provide more details of the effectiveness of the LF in the progress reports to the LegCo.	SCOLAR Secretariat has already set certain performance targets for projects, including the number of beneficiaries and expected outcomes of activities/programmes and the budgets involved in the proposals submitted to SCOLAR. EDB will continue to consider how best to further improve LF's performance measurement and reporting as appropriate in launching various initiatives. Furthermore, EDB reported the progress and impact of various projects to LegCo Panel on Education in August 2017 through an information paper and will continue to do so hereafter.

Para. No.	Audit's Recommendations	Progress to date
3.25 (b)	Secretary for Education should expedite the closure of project accounts of completed/terminated initiatives with a view to releasing unspent earmarked funding to support other new initiatives.	The closure of project accounts hinges on several factors, e.g. submission of final report, settlement of all payment, acceptance of audited report, refund of unused balance from applicant school, etc., which may take time to complete. SCOLAR Secretariat will continue to take necessary follow-up actions to close the accounts of completed projects as soon as practicable.
3.25 (c)	Secretary for Education should report to SCOLAR the investment performance of the LF on a regular basis.	EDB reported the available balance of LF to LegCo Panel on Education in August 2017 and will continue such practice thereafter. SCOLAR Secretariat will also arrange to report the annual investment performance to SCOLAR on a regular basis.
3.25 (d)	Secretary for Education should endeavour to identify and fund more worthwhile initiatives with a view to enhancing the language proficiency of Hong Kong people.	As reported to LegCo Panel on Education in August 2017, SCOLAR has implemented various initiatives with a view to enhancing the language proficiency of Hong Kong people. SCOLAR will continue to identify, advise on and fund worthwhile initiatives to address the language needs of the society and individuals.

PART 4: LANGUAGE PROFICIENCY OF STUDENTS AND WORKING ADULTS

Language proficiency of students

Para. No.	Audit's Recommendations	Progress to date
4.5 (a)	Secretary for Education should monitor the Chinese and English language proficiencies of students and if necessary, seek advice from SCOLAR on the improvement measures.	SCOLAR will continue to advise on measures/initiatives for enhancing biliteracy and trilingualism of students in Hong Kong based on the findings of different researches and surveys being conducted.
4.5 (b)	Secretary for Education should seek advice from SCOLAR on the development of a set of assessment instruments for gauging Putonghua proficiency of students.	SCOLAR will continue to advise on different ways for gauging Putonghua proficiency of students based on the findings of different researches and surveys being conducted.

Para. No.	Audit's Recommendations	Progress to date
Language proficiency of working adults		
4.11	Secretary for Education should keep in view the results of the gap analysis study and the Thematic Household Survey to be conducted by the SCOLAR Secretariat on the English language proficiency of working adults and, in consultation with SCOLAR, take measures to facilitate working adults to assess how well their language proficiency meets the expectation of the employers.	SCOLAR has commissioned the Thematic Household Survey on the Use of Language in Hong Kong every three years since 2012 to identify the trends, patterns or gaps in language competencies (spoken and written Chinese and English) of different age groups. SCOLAR Secretariat is reviewing the implementation details of the coming Thematic Household Survey planned for commencement in early 2018. In additional, SCOLAR commenced the Gap Analysis Study in March 2017 for completion in the first half of 2018 with a view to examining the language competencies of employees and the language competencies expected by employers in Hong Kong. Findings of the Gap Analysis Study will be reported to SCOLAR when ready. Findings of the Thematic Household Survey and the Gap Analysis Study will help inform SCOLAR and EDB of the language competencies of working adults in Hong Kong.