

**SUPPLEMENTAL REPORT OF THE
PUBLIC ACCOUNTS COMMITTEE
ON
REPORT NO. 69 OF THE DIRECTOR OF AUDIT
ON
THE RESULTS OF
VALUE FOR MONEY AUDITS**

May 2018

P.A.C. Report No. 69A

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Introduction

The Establishment of the Committee The Public Accounts Committee is established under Rule 72 of the Rules of Procedure of the Legislative Council of the Hong Kong Special Administrative Region, a copy of which is attached in *Appendix 1* to this Report.

2. **Membership of the Committee** The following Members are appointed by the President under Rule 72(3) of the Rules of Procedure to serve on the Committee:

Chairman : Hon Abraham SHEK Lai-him, GBS, JP

Deputy Chairman : Hon Kenneth LEUNG

Members : Hon Paul TSE Wai-chun, JP
Hon Steven HO Chun-yin, BBS
Hon LAM Cheuk-ting
Hon SHIU Ka-fai
Hon Tanya CHAN

Clerk : Anthony CHU

Legal Adviser : YICK Wing-kin

Procedure

The Committee's Procedure The practice and procedure, as determined by the Committee in accordance with Rule 72 of the Rules of Procedure, are as follows:

- (a) the public officers called before the Committee in accordance with Rule 72 of the Rules of Procedure, shall normally be the Controlling Officers of the Heads of Revenue or Expenditure to which the Director of Audit has referred in his Report except where the matter under consideration affects more than one such Head or involves a question of policy or of principle in which case the relevant Director of Bureau of the Government or other appropriate officers shall be called. Appearance before the Committee shall be a personal responsibility of the public officer called and whilst he may be accompanied by members of his staff to assist him with points of detail, the responsibility for the information or the production of records or documents required by the Committee shall rest with him alone;
- (b) where any matter referred to in the Director of Audit's Report on the accounts of the Government relates to the affairs of an organisation subvented by the Government, the person normally required to appear before the Committee shall be the Controlling Officer of the vote from which the relevant subvention has been paid, but the Committee shall not preclude the calling of a representative of the subvented body concerned where it is considered that such a representative could assist the Committee in its deliberations;
- (c) the Director of Audit and the Secretary for Financial Services and the Treasury shall be called upon to assist the Committee when Controlling Officers or other persons are providing information or explanations to the Committee;
- (d) the Committee shall take evidence from any parties outside the civil service and the subvented sector before making reference to them in a report;
- (e) the Committee shall not normally make recommendations on a case on the basis solely of the Director of Audit's presentation;
- (f) the Committee shall not allow written submissions from Controlling Officers other than as an adjunct to their personal appearance before the Committee; and

Procedure

- (g) the Committee shall hold informal consultations with the Director of Audit from time to time, so that the Committee could suggest fruitful areas for value for money study by the Director of Audit.

2. **Confidentiality undertaking by members of the Committee** To enhance the integrity of the Committee and its work, members of the Public Accounts Committee have signed a confidentiality undertaking. Members agree that, in relation to the consideration of the Director of Audit's reports, they will not disclose any matter relating to the proceedings of the Committee that is classified as confidential, which shall include any evidence or documents presented to the Committee, and any information on discussions or deliberations at its meetings, other than at meetings held in public. Members also agree to take the necessary steps to prevent disclosure of such matter either before or after the Committee presents its report to the Council, unless the confidential classification has been removed by the Committee.

3. A copy of the Confidentiality Undertakings signed by members of the Committee has been uploaded onto the Legislative Council website.

4. **The Committee's Report** This Report contains the Public Accounts Committee's supplemental report on Chapter 1 of Report No. 69 of the Director of Audit on the results of value for money audits which was tabled in the Legislative Council on 22 November 2017. Value for money audits are conducted in accordance with the guidelines and procedures set out in the Paper on Scope of Government Audit in the Hong Kong Special Administrative Region - 'Value for Money Audits' which was tabled in the Provisional Legislative Council on 11 February 1998. A copy of the Paper is attached in *Appendix 2*. The Committee's Report No. 69 was tabled in the Legislative Council on 7 February 2018.

5. **The Government's Response** The Government's response to the Committee's Report is contained in the Government Minute, which comments as appropriate on the Committee's conclusions and recommendations, indicates what action the Government proposes to take to rectify any irregularities which have been brought to notice by the Committee or by the Director of Audit and, if necessary, explains why it does not intend to take action. It is the Government's stated intention that the Government Minute should be laid on the table of the Legislative Council within three months of the laying of the Report of the Committee to which it relates.

Committee Proceedings

Meetings The Committee held a total of three meetings and three public hearings in respect of the subjects covered in this Report. During the public hearings, the Committee heard evidence from a total of 12 witnesses, including one Director of Bureau and two Heads of Department. The names of the witnesses are listed in *Appendix 3* to this Report.

2. **Arrangement of the Report** The evidence of the witnesses who appeared before the Committee, and the Committee's specific conclusions and recommendations, based on the evidence and on its deliberations on the relevant chapter of the Director of Audit's Report, are set out in Part 4 below.

3. The video and audio record of the proceedings of the Committee's public hearings is available on the Legislative Council website.

4. **Acknowledgements** The Committee wishes to record its appreciation of the cooperative approach adopted by all the persons who were invited to give evidence. In addition, the Committee is grateful for the assistance and constructive advice given by the Secretary for Financial Services and the Treasury, the Legal Adviser and the Clerk. The Committee also wishes to thank the Director of Audit for the objective and professional manner in which he completed his Report, and for the many services which he and his staff have rendered to the Committee throughout its deliberations.

A. Introduction

The Audit Commission ("Audit") conducted a review of the administration of lump sum grants ("LSGs") by the Social Welfare Department ("SWD").

2. Hon Abraham SHEK Lai-him, Hon Paul TSE Wai-chun and Hon SHIU Ka-fai declared that they were directors and/or advisers to a number of non-governmental organizations ("NGOs") which might have received LSGs or other subventions from SWD. Hon Steven HO Chun-yin declared that one of his family members worked in SWD.

Background

3. SWD is responsible for developing and co-ordinating welfare services in Hong Kong. It provides subventions to NGOs for the provision of welfare services to the public.

4. Before January 2001, subventions were provided to NGOs through the conventional subvention system, under which SWD paid NGOs for the actual costs incurred in the delivery of recognized welfare services. In January 2001, a LSG subvention system was rolled out as a major revamp of the provision of funding to NGOs. NGOs receiving subventions under the conventional subvention system might voluntarily opt for LSG subvention system.¹

5. LSG subvention is provided on an NGO basis. The annual amount of LSG subvention to an NGO is the sum of staff salaries, provision for provident funds and other charges (e.g. administrative expenses, utilities and overtime allowance), minus NGO's fee income recognized by SWD. Under the LSG subvention system, NGO management has the autonomy and flexibility in the deployment of subvention resources to meet the service needs.

¹ In 2016-2017, of the 170 NGOs receiving subventions from SWD, 165 (97%) were under LSG subvention system, while the other five (3%) NGOs remained in the conventional subvention system.

6. An NGO can retain unspent LSG subvention in a reserve (i.e. the LSG Reserve) to meet future spending. The cumulative reserve (separate from Provident Funds ("PF") Reserve² and Holding Account balances³) is capped at 25% of the annual operating expenditure (excluding expenditure for provident funds) of the subvented services of the NGO. Any amount above the 25% cap is subject to claw-back and should be returned to the Government. The LSG Reserve can be used at the discretion of the NGO on the Funding and Service Agreement ("FSA") activities and FSA related activities.

7. SWD draws up an FSA for each service that a service unit of an NGO provides. FSA defines the welfare service to be provided by an agreement service unit ("ASU"). It also stipulates the Output Standards and Outcome Standards to be achieved by an ASU, Essential Service Requirements ("ESRs") to be met by ASUs, the need to observe the 16 Service Quality Standards ("SQSs"),⁴ and the need to follow the requirements laid down in the LSG Manual⁵ and LSG Circulars. NGOs are also required to adopt the best practices laid down in the Best Practice Manual ("BPM") developed under the auspices of the LSG Steering Committee ("LSGSC") with members appointed by the Labour and Welfare Bureau ("LWB") to monitor the implementation of LSG subvention system and identify areas for improvement.

8. In January 2008, an LSG Independent Review Committee ("IRC") was appointed by LWB to review the LSG subvention system with a view to assessing its overall effectiveness and identifying scope for improvement. In December 2008, IRC submitted its report and made 36 recommendations on ways to improve the LSG subvention system.⁶ In April 2009, the LSG Independent Complaints Handling Committee ("Complaints Handling Committee") was set up to handle LSG-related complaints that could not be satisfactorily addressed at the NGO level.

² The PF Reserve can only be used for PF contributions. For details regarding the calculation of provision for PF, see paragraph 1.12(b) of the Director of Audit's Report ("Audit Report").

³ To facilitate NGOs to achieve their financial viability and to honour contractual commitments to "Snapshot Staff" after the cessation of the Tide-Over Grant in 2006-2007, SWD withheld the claw-back of the LSG Reserve above the 25% cap for three years from 2004-2005 to 2006-2007. The cumulative LSG Reserve as at 31 March 2007 was kept in an account known as Holding Account of individual NGOs and they may use such balances for Funding and Service Agreement ("FSA") activities and FSA related activities. For details regarding Tide-Over Grant, see paragraph 1.14 of the Audit Report.

⁴ See paragraph 1.18(c) and Appendix B of the Audit Report for details of the 16 SQSs.

⁵ The LSG Manual is uploaded onto the website of SWD (<https://www.swd.gov.hk>).

⁶ See paragraph 6.2 and Appendix E of the Audit Report for details of the 36 recommendations made by IRC.

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9. In the 10-year period from 2007-2008 to 2016-2017, LSG subventions had doubled from \$6.3 billion to \$12.5 billion. In 2016-2017, LSG subventions granted to the 165 NGOs ranged from \$79,000 to \$1,121 million. As at 31 March 2017, SWD drew up FSAs for 2 691 ASUs of the 165 NGOs. Of the 2 691 ASUs, 717 (27%) ASUs were providing elderly services, 508 (19%) ASUs were providing family and child welfare services, 1 179 (44%) ASUs were providing rehabilitation services, and 286 (10%) ASUs were providing youth and corrections services.

The Committee's Report

10. The Committee's Report sets out the evidence gathered from witnesses. The Report is divided into the following parts:

- Introduction (Part A) (paragraphs 1 to 14);
- Financial monitoring (Part B) (paragraphs 15 to 36);
- Self-assessment of service quality by non-governmental organizations (Part C) (paragraphs 37 to 53);
- Monitoring of service delivery by Social Welfare Department (Part D) (paragraphs 54 to 73);
- Governance and management matters (Part E) (paragraphs 74 to 89);
- Review of lump sum grant subvention system (Part F) (paragraphs 90 to 94); and
- Conclusions and recommendations (Part G) (paragraphs 95 to 97).

Public hearing

11. The Committee held three public hearings on 12 December 2017, 13 January and 2 March 2018 respectively to receive evidence on the findings and observations of the Director of Audit's Report ("Audit Report").

Submissions from the welfare sector

12. The Committee has received a total of five submissions from NGOs and the welfare sector and a submission from a Legislative Council ("LegCo") Member giving views on the LSG subvention system. While the Committee welcomes members of the public to give views on the subject under investigation, the Committee has followed the established practices that this Report only contains evidence obtained from witnesses at the public hearings as well as written submissions from witnesses providing supplementary information to their evidence.

Speech by Director of Audit

13. **Mr David SUN Tak-kei, Director of Audit**, gave a brief account of the subject at the beginning of the Committee's public hearing held on 12 December 2017. The full text of his speech is in *Appendix 4*.

Opening statement by Director of Social Welfare

14. On behalf of Dr LAW Chi-kwong, Secretary for Labour and Welfare, **Ms Carol YIP, Director of Social Welfare** made an opening statement at the beginning of the Committee's public hearing held on 12 December 2017, the summary of which is as follows:

- the Administration accepted the recommendations contained in the Audit Report and would take the key follow-up actions as below:
 - (a) examining NGOs' LSG Reserves and their audited financial statements to ascertain their ongoing financial viability;
 - (b) discussing with NGOs the new implementation method on the disclosure of emoluments of NGOs' staff in the top three-tiers in light of the promulgation of relevant guidelines as set out in the Circular Memorandum issued by the Administration Wing in March 2003 ("the Memorandum");
 - (c) reminding NGOs to put in place adequate internal controls for minimizing the occurrence of irregularities, properly apportioning costs between FSA and non-FSA activities, exercising due care in conducting self-assessment and monitoring and reviewing their

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human resources management issue to enhance transparency and communication with staff; and

- (d) monitoring services with persistent underperformance and deliberating on appropriate follow-up measures and setting or reviewing Outcome Standards for ASUs;
- after implementation of the LSG subvention system, the Administration had provided additional one-off allocations of over \$4 billion and additional recurrent funding of over \$800 million to NGOs for implementing programmes for enhancing staff training and administrative support to NGOs, and had commissioned universities, consultants and social service agencies to conduct training programmes for strengthening the governance capabilities of the management of NGOs; and
- the Chief Executive had indicated in the Policy Agenda that the Administration would discuss with the social welfare sector on ways to optimize the LSG subvention system. In this connection, the Task Force for Review on Enhancement of Lump Sum Grant Subvention System ("the Task Force") was set up to conduct a review with the participation of stakeholders in the welfare sector. In conducting the review, the Administration would take into account the recommendations in the Audit Report.

The full text of the opening statement is in *Appendix 5*.

B. Financial monitoring

15. Referring to paragraph 1.12 of the Audit Report, the Committee enquired about the methodology in calculating the level of LSG subvention to NGOs, in particular the determination of "other charges" and whether the existing "top-down" approach was sufficient and appropriate in catering for different NGOs' operating needs.

16. **Director of Social Welfare** replied at the public hearing on 12 December 2017 and supplemented in her letter dated 5 January 2018 (*Appendix 6*) that:

- LSG subvention was calculated on the basis of the provisions covered by the traditional subvention system (including recognized staff

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salaries and recognized other charges, minus the recognized fee income);⁷

- for calculation of "other charges", it broadly covered operating expenses such as administrative expenses, programme expenses etc., and was based on the following benchmark: the level of provisions for the service before the introduction of LSG subvention system; operating expenses of identical or similar services; additional provisions required to meet the special needs of individual service units; reference to service experience drawn from pilot schemes or views from the welfare sector;
- prior to 2012-2013, "other charges" provisions were adjusted annually according to price movements of "other purchases of goods and services" made by the Government. Having collected the views of the welfare sector and obtained the endorsement of LSGSC, SWD adopted changes to the Composite Consumer Price Index as the basis of annual adjustments to "other charges" provisions from 2012-2013 onwards;
- the Administration had been reviewing the service needs and views from the welfare sector from time to time with a view to adjusting the LSG subvention and provided subsidies and supportive measures for subvented NGOs; and
- subvented NGOs were notified by SWD in writing on 22 May 2009 that in exceptional and justifiable cases, applications might be made by NGOs to advance "other charges" provision of the year. To date, no such applications had been received from NGOs.

17. The Committee sought details of and explanation for the additional recurrent funding of \$470 million provided for NGOs in 2014-2015, and the target outcomes to be achieved (paragraph 1.14(e) of the Audit Report). **Director of Social Welfare** replied at the public hearing on 12 December 2017 and supplemented in her letter dated 5 January 2018 (*Appendix 6*) that:

- starting from 2014-2015, the Administration had allocated additional recurrent funding of \$470 million to NGOs, with details as follows:

⁷ Details of calculation of the LSG subvention are set out in paragraphs 2.4 to 2.10 of the LSG Manual and paragraph 1.12 of the Audit Report.

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- (a) Central Administrative Support (additional recurrent funding of about \$160 million) was aimed at assisting all subvented NGOs to enhance their human resources and financial management, improve their administrative efficiency by applying information technology, strengthen administrative support to cope with new statutory requirements and those of Government guidelines and strengthen internal control, etc.;
- (b) Supervisory Support (additional recurrent funding of about \$130 million) was aimed at providing frontline social workers with supervision and training, guiding instructions on the handling of more complicated cases (e.g. cases involving risks, violence or attracting media concern), as well as service collaboration with other professionals, Government departments and relevant stakeholders in the provision of services for enhancing the quality of frontline services. The additional funding would result in a creation of over 150 supervisory positions equivalent to the social work officer rank in NGOs;
- (c) Paramedical Support (additional recurrent funding of about \$130 million): IRC recognized that those NGOs having the need to employ paramedical staff faced great difficulty in catching up with their rising pay trends, and that NGOs must offer better remuneration packages in order to attract and retain these staff. Since 2009, SWD had channelled additional funding from the Lotteries Fund to organizations in need under a pilot scheme, which covered a total of 15 ranks including nurses, physiologists, occupational therapists, speech therapists and clinical psychologists, to assist subvented NGOs in providing additional salaries and Mandatory Provident Fund contributions for paramedical staff, or hiring of paramedical services for provision of services subsidized by SWD.

The additional funding was an extended measure of the pilot scheme to regularize the initiative for organizations to formulate long-term plans with ease, and make flexible adjustment to the salaries of paramedical staff. Such additional funding for paramedical service support would also be included in new services to be launched in the future; and

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- (d) other charges (additional recurrent funding of about \$48 million) was aimed at supporting NGOs to cope with inflation, especially in areas such as food prices and insurance for employees.

18. In reply to the Committee's enquiry about the number of NGOs that required claw-back and the amount of claw-backs in the past five years (see paragraph 6 above on situations which require claw-back from NGOs), **Director of Social Welfare** provided the relevant statistics in her letter dated 5 January 2018 (*Appendix 6*) as follows:

<u>Year</u>	<u>Number of NGOs⁸</u>	<u>Total amount of reserve refunded / to be refunded⁸ (\$ million)</u>
2011-2012	23	16.6
2012-2013	17	10.8
2013-2014	17	12.7
2014-2015	30	50.9
2015-2016	34	41.6

19. As regards the reserves managed by NGOs as mentioned in paragraphs 2.2 to 2.7 of the Audit Report, the Committee sought the following information:

- requirements on the format of reserves held in the LSG Reserve, the Holding Account and the PF Reserve;
- as the PF Reserve could be used for special contributions to award "non-Snapshot Staff", measures taken by SWD, if any, to prevent its depletion; and
- according to paragraph 2.3(b)(ii) of the Audit Report, the PF Reserve would arise due to the surplus of 1.8% (6.8% - 5%) in provision, how the "6.8%" figure was calculated and any plan to review its appropriateness.

⁸ The number of NGOs and the amount of reserve that should be refunded to the Government had been calculated based on a preliminary review conducted by SWD on the Annual Financial Reports submitted by individual NGOs. The data might be amended subject to subsequent supplemental information.

20. **Director of Social Welfare** replied at the public hearing on 12 December 2017 and supplemented in her letter dated 5 January 2018 (*Appendix 6*) that:

- according to paragraph 2.32 of the LSG Manual, an amount of cash equivalent to the LSG Reserve (including that kept in the Holding Account) must be kept in a separate interest-bearing account with a bank licensed in Hong Kong. NGOs might invest surplus funds in their LSG Reserve in form of bank deposits, bonds or certificates of deposit in Hong Kong dollars based on the investment framework specified in paragraph 2.33 of the LSG Manual. Paragraph 2.40(a) of the LSG Manual stipulated that the PF Reserve could only be used for PF commitments in the future. If necessary, SWD would request NGOs to explain how the LSG Reserve and the PF Reserve were kept;
- as part of their own governance and human resources deployment, NGOs might adjust the percentage of PF contributions for "non-Snapshot Staff" and disburse special contributions to reward staff for their good performance; and
- in order to ensure NGOs joining the LSG subvention system had adequate funds to honour their contractual commitment to "Snapshot Staff" (i.e. serving staff as at 1 April 2000) in terms of PF contribution rates (with the employer's contribution rate at 5%, 10% or 15% depending on the length of service), PF provisions were calculated by the Government on an actual basis. For "non-Snapshot Staff" (those employed after 1 April 2000), PF provisions were calculated at 6.8% of the mid-point salaries of the recognized notional staff establishment, a rate determined by the Government on the basis of the average PF contribution rate of the sector at the time, so that NGOs might draw up their own PF policy as appropriate in accordance with their human resources policy and financial position. The Administration embarked in November 2017 on a review on the enhancement of the LSG subvention system. One of the areas under the proposed scope of the review was to examine the benchmark for PF provisions.

21. In reply to the Committee's enquiry regarding statistics relating to participation of NGOs in various PF schemes, **Director of Social Welfare** replied at the public hearing on 12 December 2017 that the Administration did not collect the relevant information. She replied in her letter dated 5 January 2018 (*Appendix 6*) that based on the Annual Financial Reports ("AFRs") of NGOs for 2015-2016, their

total expenditure on PF contribution for "Snapshot" and "non-Snapshot" staff were about \$390 million and \$450 million respectively.

22. The Committee noted from paragraph 2.4 of the Audit Report that total reserves kept by NGOs had risen from \$3.4 billion as at 31 March 2012 to \$4.7 billion as at 31 March 2016 and sought the following information:

- reasons for the rise and measures taken to monitor NGOs' use of their LSG Reserves, especially those NGOs that had accumulated huge amount of reserves;
- NGOs' compliance with Level One guidelines of BPM on the use of their LSG Reserves and whether NGOs had sought consent for exemption with strong justifications in case of non-compliance; and
- whether using the LSG Reserve for incentive payment to staff was in compliance with the principle of fair, reasonable, proper and effective use of reserves by NGOs.

23. **Director of Social Welfare** replied at the public hearing on 12 December 2017 and supplemented in her letter dated 5 January 2018 (*Appendix 6*) that:

- all NGOs with over \$100 million in their LSG Reserves as at 31 March 2016 (shown in Table 5 in paragraph 2.4 of the Audit Report) were large NGOs. Given that they provided more subvented services, the level of reserves retained would be relatively higher;
- BPM set out the requirements⁹ on the management and use of the LSG Reserve. NGOs were reminded by SWD on a yearly basis to submit their BPM self-assessment checklists. The details and requirements for implementation were set out in BPM with stipulation of follow-up if an NGO did not comply with Level One guidelines in the workflow for implementation, including if the NGOs persistently failed to comply with Level One guidelines, the case would be submitted to LSGSC for discussion and recommendation for follow-up action;

⁹ Both "Maximized Use of the LSG Reserve" and "Status of the LSG Reserve" are Level One guidelines.

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- self-assessment checklists for 2016-2017 which reported the implementation of BPM as at 31 March 2017 had been submitted by NGOs before 31 October 2017. According to the self-assessment checklists, the number of NGOs which had implemented Level One guidelines was as follows:
 - (a) "Maximized Use of LSG Reserve" - 158 NGOs (96%);
 - (b) "Status of LSG Reserve" - 161 NGOs (98%);
 - (c) "Use of PF Reserve" - 153 NGOs (93%);
 - (d) "Status of PF Reserve" - 162 NGOs (98%);
 - (e) "Salary Adjustment" - 163 NGOs (99%);
 - (f) "Composition, Duties and Responsibilities on Handling Complaints at Different Levels" - 163 NGOs (99%); and
 - (g) "NGOs' Policies and Procedures on Complaints Handling" - 163 NGOs (99%);
- initial information suggested that all NGOs were capable of implementing all Level One guidelines. As such, it was not necessary for any NGO to apply for exemption;
- with respect to the use of reserves as incentive payments, under the LSG subvention system, NGOs might determine the salaries/remuneration and fringe benefits for their staff with reference to factors such as their respective human resources policies and financial positions, on the premise that service quality could be maintained and regulations stipulated in FSAs could be complied with. NGOs might reward and retain their staff by means of providing incentive payments or cash allowance as part of employees' remuneration packages; and
- while NGOs were allowed to flexibly deploy LSG subventions (including the LSG Reserve), they had to comply with the following requirements:

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- (a) NGOs should ensure that the organizations were directly accountable to SWD and the public for the proper and prudent use of public funds. It was the responsibility of NGOs' governing boards and management to maintain proper control of LSG, ensure that the use of LSG met the requirements and objectives set out in FSAs and complied with the conditions spelt out in the LSG Manual, and spent LSG for the intended purposes in the most cost-effective manner;
- (b) NGOs should have clear human resources management policies and programmes in respect of pay and reward systems; and
- (c) according to the requirements set out in paragraphs 4.14 to 4.19 of the LSG Manual, NGOs should disclose their AFRs and their Review Reports on Remuneration Packages for Staff in the Top Three Tiers ("RRs") unless it met one or more of the specified exemption criteria¹⁰ through specified channels for public scrutiny. Since June 2017, SWD had either uploaded AFRs of NGOs and RRs (if applicable) on SWD's website, or provided links to the webpages of the NGOs. If the increments of the remuneration packages for staff in the top three-tiers (incentive payments or cash allowance inclusive) exceeded appropriate levels, SWD would require an explanation from the NGOs concerned or even arrange a meeting with their governing boards/management committees to request the NGOs to make adjustment.

24. Referring to paragraph 2.13 of the Audit Report, 14 NGOs had incurred deficits for three consecutive years, of which eight of them depleted their reserves by end 2014-2015. The Committee enquired about:

¹⁰ According to paragraph 4.17 of the LSG Manual, NGOs are exempted to review and disclose annually the remunerations of its top three-tier staff if it meets one or more of the following criteria:

- (a) receiving subventions and subsidies of less than \$10 million a year from SWD;
- (b) receiving 50% or less of the NGOs' total operating income from SWD; or
- (c) with the top three-tier positions of the NGO funded entirely by the NGO's income from sources other than the Government.

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- reasons for the NGOs having incurred large or persistent LSG deficits and follow-up actions taken, especially in monitoring their financial viability;
- whether services offered by NGOs in deficit were affected and details regarding SWD's monitoring of their service delivery; and
- latest figures on NGO's LSG operating situation and actions taken, if any, for those still with the deficit problem.

25. **Director of Social Welfare** replied at the public hearing on 12 December 2017 and supplemented in her letter dated 5 January 2018 (*Appendix 6*) that:

Reasons for NGOs to incur huge or persistent LSG operating deficits and follow-up actions

- according to the information provided by the NGOs involved, they incurred LSG operating deficits for a particular year or consecutive years due to the following reasons: the need to allocate funding to cover non-recurrent expenses under special or emergency circumstances, a tide-over period for services or manpower (e.g. more employees' salaries had exceeded the mid-point salary), staff wastage lower than the anticipated level, recruiting or retaining staff by higher salaries with reference to the market situation, etc. They had strategically used the LSG Reserve/NGOs' overall reserves to meet the needs of subvented services and maintained service quality;
- to determine that NGOs could provide subvented services as requested in a sustainable and stable manner under sound financial position, SWD would continue to review their financial positions regularly based on AFRs and annual audited financial statements submitted by NGOs, and ascertain whether or not any improvements had been made for persistent deficits with reasons, and follow up on a need basis;

Impact of LSG deficits on service performance

- apart from requiring NGOs' periodic submission of quarterly statistical reports and annual self-assessment reports, SWD would also conduct visits to all subvented NGOs in every monitoring cycle (one cycle every three years) and conduct review visits or surprise visits to selected subvented service units in order to assess and monitor their

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service performance. Besides, to review the service quality, SWD would conduct on-site assessment at service units operating new services, and service units with alleged or suspected problematic performance. For any non-compliance identified, the NGOs concerned would be required to submit improvement plans, and the progress of which would be monitored by SWD;

- according to the information obtained by SWD, the service performance of the 14 NGO with LSG operating deficits as indicated in Tables 7 and 8 in paragraph 2.13 of the Audit Report was not affected by the operating deficits;

Measures for monitoring the financial soundness of NGOs with operating deficits

- SWD would continue to conduct regular reviews on AFRs and annual audited financial statements submitted by NGOs to ascertain their financial soundness;
- as shown in Tables 7 and 8 in paragraph 2.13 of the Audit Report, the 14 NGOs which had incurred operating deficits for three consecutive years from 2013-2014 to 2015-2016 still had considerable amounts of the LSG Reserve (including the holding account balances) or overall reserve. These deficit situations could be properly dealt with by using the LSG Reserve, and NGOs should formulate their own governance and accountability frameworks to determine the use of the LSG Reserve (paragraphs 2.37 to 2.41 of the LSG Manual);
- if NGOs anticipated financial difficulty, their boards should have thorough deliberation and informed SWD in advance, so that remedial measures could be taken as appropriate before the NGOs exhausted their reserves (paragraph 3.20 of the LSG Manual);
- if NGOs were incurring persistent and huge deficits or mobilizing a large sum of reserve in the operation of LSG-subvented services, SWD would, in the light of the circumstances, take different actions, such as:
 - (a) conduct interviews with the boards/management committees to ascertain the underlying reasons, including NGOs' overall income in addition to subventions from SWD; give advice, conduct reviews and request NGOs to submit financial reports, financial projections and follow-up plans, where necessary, in order for

NGOs to continue the provision of subvented services as required while maintaining a healthy financial position;

- (b) consider submitting the cases to LSGSC for deliberation and recommendation on follow-up plans. Based on the circumstances of the cases and the recommendations from LSGSC, SWD would determine the follow-up actions, such as issuing warning letters to NGOs, and conducting interviews with NGOs' boards for explanations. If NGOs persistently failed to make improvement, SWD did not rule out the possibility of imposing penalties on the advice of LSGSC; and
 - (c) encourage NGOs to conduct actuarial or relevant financial studies using the Social Welfare Development Fund. So far, 11 NGOs had received funding allocations to conduct actuarial studies and relevant study projects. NGOs provided with funding were required to report on the progress and effectiveness of their projects on an annual basis. Upon completion of the projects, SWD would collect NGOs' experience gained in conducting the actuarial studies, and would actively encourage these NGOs to share their findings with other NGOs;
- one of the areas under the proposed scope of the review on the enhancement of the LSG subvention system embarked in November 2017 was to examine NGOs' financial positions and planning so that services would be provided through sustainable and effective use of resources; and

Latest information on NGOs' deficits

- LSG surplus/(deficit) and overall reserve¹¹ for 2016-2017 of the 14 NGOs were as follows:

¹¹ An NGO's overall reserve was the cumulative amount of reserve after taking into account the NGO's overall operating surplus/deficit. The figures reported above were extracted from the Audited Financial Statements for 2016-2017 submitted by the NGOs listed.

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NGOs	NGOs' LSG surplus/(deficit) for 2016-2017¹² (\$)	Overall reserve of NGOs for 2016-2017 (\$)
NGO 1	(2,876,193)	29,938,812
NGO 2	546,348	31,983,328
NGO 3	(38,368)	9,845,764
NGO 4	(1,116,905)	55,276,356
NGO 5	(855,793)	282,465,489
NGO 6	(5,969)	15,638,326
NGO 7	(65,805)	14,803,437
NGO 8	290,260	6,032,418
NGO K	(7,040,982)	449,637,576
NGO 9	(8,632,250)	96,712,042
NGO 10	(8,674,653)	174,297,192
NGO 11	(2,220,739)	3,603,930,914
NGO 12	644,183	6,755,797
NGO 13	(110,319)	2,485,369

26. Referring to paragraph 2.14 and Table 9 of the Audit Report, the Committee enquired about:

- reasons for increase in staff emoluments exceeding \$500,000 from 2014-2015 to 2015-2016 for NGO K, and whether the NGO's LSG deficit in the years mentioned was mainly attributable to such increase;
- ratios of the number of staff having annual emoluments exceeding \$500,000 to the NGO's establishment and total expenditure on staff annual emoluments exceeding \$500,000 to the NGO's operating income under the purview of Secretary for Labour and Welfare/Director of Social Welfare; and
- whether staff emoluments of NGO K which accounted for 70% and 72% of their total expenditure in 2014-2015 and 2015-2016 respectively were normal as compared with other NGOs, and actions taken by SWD if the ratio was considered too high.

¹² The figures above were provided by the NGOs in their 2016-2017 AFRs. They were subject to further review by SWD.

27. **Director of Social Welfare** replied at the public hearing on 12 December 2017 and supplemented in her letter dated 5 January 2018 (*Appendix 6*) that:

- based on the information provided by NGO K, a number of staff members in NGO K received annual emoluments ranging from \$500,000 to \$600,000 between 2014-2015 and 2015-2016 as a result of reference to civil service salary adjustments and yearly increments. During this period, the NGO did not employ significantly more staff with annual emoluments exceeding \$500,000. As indicated by the relevant information, the increase in expenditure on staff emoluments might be one of the reasons for its operating deficits;
- staff with annual emoluments exceeding \$500,000 made up 17% of all subvented staff in NGO K in 2014-2015, and 27% in 2015-2016. The expenditure on emoluments for staff with annual emoluments exceeding \$500,000, as a percentage of the NGO's operating income from LWB and SWD, was about 37% in 2014-2015 and 52% in 2015-2016; and
- normally, about 80% of NGOs' recurrent expenditure would be on the personal emoluments of staff. This proportion might vary in respect of different NGOs for various reasons, such as seniority of staff and types of services provided by NGOs. If the services operated by an NGO were in high demand for staff, the proportion of personal emoluments to recurrent expenditure would also be higher. In the case of NGO K, its staff emoluments accounting for about 70% or 72% of the total expenditure were not particularly high.

28. Referring to paragraphs 2.18 to 2.26 of the Audit Report regarding the disclosure of NGO's senior staff emoluments, the Committee enquired about:

- reasons for the long deferment of some six years in implementing the disclosure requirement as required under the Memorandum;
- a chronology of communications between SWD, the Administration Wing and the Financial Services and the Treasury Bureau ("FSTB") in clarifying the calculation of the "50% income threshold" requirement;
- justifications for SWD to continue adopting its current calculation of the "50% income threshold" requirement despite that SWD's calculation was at variance with the intents of the Memorandum;

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- whether SWD had consulted LWB when clarifying with the Administration Wing and FSTB on the calculation of the "50% income threshold" in 2013 and 2017;
- as SWD's calculation of the "50% income threshold" would reduce the number of NGOs required for disclosing their senior staff emoluments, actions taken by SWD/LWB to maintain transparency in senior staff emoluments of NGOs; and
- whether there were difficulties for NGOs to apportion operating income of NGOs in accordance with different policy portfolios and timeline for adopting the new calculation method.

29. **Secretary for Labour and Welfare** and **Director of Social Welfare** replied at the public hearings on 12 December 2017 and 13 January 2018 and supplemented in their letters dated 5 January and 8 February 2018 (*Appendices 6 to 8*) that:

Reasons for delay in implementing the Memorandum

- when the Memorandum was promulgated in 2003, the LSG subvention system had just been introduced for a short period of time. Taking into account the need to amend the LSG Manual in order to implement the guidelines as set out in the Memorandum, and that any amendment to the LSG Manual must be based on a consensus between SWD and the welfare sector, SWD did not implement the guidelines in the Memorandum immediately in 2003;
- one of the recommendations made by IRC was that SWD should consult NGOs with a view to implementing the Government guidelines on the monitoring of remunerations of senior executives in subvented bodies (i.e. the Memorandum). Having considered the consensus built in the process of the review, it was discussed and agreed at a meeting of LSGSC in January 2010 that SWD should, in accordance with the guidelines as set out in the Memorandum, inform subvented NGOs of the relevant arrangement in writing and request them to submit their RRs for 2009-2010;
- SWD was of the view that it was still necessary to reach a consensus (over the criteria, method of assessment and channels of disclosure,

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etc.) with more than 160 NGOs of varied scales before actual implementation;

SWD sought advice from the Administration Wing and FSTB

- in response to the concerns and questions raised by LegCo Members in 2013 about how the Government would monitor the remuneration of senior executives of subvented bodies, SWD saw the need to seek advice on the consistency among various Government bureaux/departments ("B/Ds") in administering the guidelines in the Memorandum and on other relevant matters, including privacy of the individual, public interest, whether SWD and other B/Ds had a common understanding of the exemption criteria in relation to the "50% income threshold", and how B/Ds should make their own arrangements under these exemption criteria. In this connection, SWD consulted the Administration Wing in writing in June 2013;
- the communication processes between SWD, the Administration Wing and FSTB in 2013 were listed chronologically in the table below. In general, the content of verbal discussions between SWD and other B/Ds was either recorded or followed up in writing;

Date	Content
24 June 2013	SWD consulted the Administration Wing via a memo.
12 July 2013	SWD followed up with the Administration Wing on the phone.
19 July 2013	In response to the clarification sought by SWD on whether the exemption criteria it had adopted were in line with the guidelines as stated in the Memorandum, the Administration Wing replied in an e-mail asking SWD to seek advice from FSTB.
31 July 2013	SWD staff reported to his senior officers by e-mail that FSTB was contacted for enquiry about the "50% income threshold". FSTB advised that it would need more time to consider the matter.

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- in the light of the concerns of the public and LegCo Members at the end of 2016 about how the Government would monitor the remuneration of senior executives of subvented bodies, SWD sought clarification from the Administration Wing by e-mail again in January 2017 on the basis for determining the "50% income threshold";
- in May 2017, the Administration Wing conveyed the advice on the method of determining the "50% income threshold" to SWD, i.e. Directors of Bureaux should look at the percentages of the operating income relating to the subvented bodies that received subventions from the B/D for its responsible service/policy area, and determine whether those subventions accounted for more than 50% of the operating income of the subvented bodies in that specific service/policy area. The Administration Wing would carry out a survey to find out the current practice and opinions of the implementation of the guidelines from all B/Ds to confirm if the Memorandum needed updating, or whether some of the execution details should be clarified. Taking into account the time needed to discuss the arrangement with a large number of NGOs and any possible updating/revision on the guidelines arising from the survey conducted by the Administration Wing on the implementation of the guidelines, SWD expected that the calculation method of the "50% income threshold" in accordance with the Administration Wing's advice could be implemented for reporting in the fourth quarter of 2018 to reflect NGOs' positions in 2017-2018;
- while LWB was aware of and involved in the discussion of SWD's implementation of the relevant guidelines, there was no record showing that LWB and SWD had deliberated on the calculation method of the "50% income threshold" prior to the implementation, and there was no record showing that LWB and SWD had deliberated on the issue before SWD sought advice from the Administration Wing and FSTB in 2013 and 2017;

SWD's understanding of calculating the "50% income threshold"

- the determination of the "50% income threshold" was based on: *"all subvented bodies which receive more than 50% of their operating income from the Government should review their senior staff's number, ranking and remuneration"* and *"for a multi-disciplinary organisation providing services which fall under programme areas of different Directors of Bureaux, a Director of Bureau would be responsible for*

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that part of the review report covering those senior staff who operate services under his/her policy purview".¹³ On the basis of the above provisions, it was SWD's understanding at that time that to determine whether the "50% income threshold" was met for an NGO, the NGO's operating income received from SWD should be divided by the operating income of the NGO as a whole;¹⁴

Enhancing public accountability on NGOs' senior staff emoluments

- NGOs were required under relevant guidelines to disclose their AFRs and RRs (where applicable) through designated channels. NGOs' reports had been uploaded onto SWD's website from June 2017 onwards to facilitate public access. In addition, the Task Force appointed by LWB and chaired by Director of Social Welfare was planning to examine how to increase transparency in the management of subvented NGOs with a view to further enhancing their public accountability;

Difficulties in using the Administration Wing's calculation method of the "50% income threshold"

- from an audited financial statement submitted by an NGO, SWD could only collect information about the income of the NGO as a whole and the total subvention from SWD. There was no figure showing its total income in the welfare purview, and the NGO's income was not categorized according to source or programme area on the financial statement. At present, the presentation of an annual financial statement of an NGO as a whole as audited by a certified public accountant registered under the Professional Accountants Ordinance (Cap. 50) was not standardized. As such, if the calculation method of

¹³ See paragraphs 6(a) and 14 of the Memorandum and paragraph 7(a) of a relevant LegCo Brief dated 25 February 2003 contained in *Appendix 6*.

¹⁴ Upon SWD's enquiry on the calculation of the "50% income threshold" requirement in January 2017, the Administration Wing conveyed the following advice to SWD in July 2017:

- (a) in determining whether a subvented body should be subject to the review and report requirement, the relevant Director of Bureau/Controlling Officer should look at the part of the operating income relating to the subvented service under his/her purview. SWD's prevailing practice had been at variance with the intents of the Memorandum; and
- (b) the responsibility for administering the Memorandum rested with the relevant Director of Bureau and any departure from the Memorandum should be justified.

See paragraph 2.24 of the Audit Report.

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the "50% income threshold" was revised, NGOs would be required to adapt and change the way in which their income was reported; and

- with the development of diversified services and the growth of collaboration projects (such as medical-social collaboration projects), many NGOs were involved in the operation of services beyond the welfare purview (such as healthcare and education services) while receiving sums of money from different policy bureaux, government departments and the public. How each sum should be defined as belonging to the welfare purview or otherwise would affect whether an NGO was exempted from submitting a RR.

30. The Committee enquired about the progress of the survey conducted by the Administration Wing on the implementation of the Memorandum and whether SWD had considered alternative mechanism in requiring NGOs to disclose senior staff emoluments to enhance transparency.

31. **Secretary for Labour and Welfare** and **Director of Social Welfare** replied at the public hearings on 12 December 2017 and 13 January 2018, and **Director of Social Welfare** supplemented in her letters dated 5 January and 8 February 2018 (*Appendices 6* and *8* respectively) that:

- in early October 2017, the Administration Wing issued a questionnaire to all relevant bureaux to understand and collect their views on how they implemented the guidelines in the Memorandum, and had received their returns by the end of the same year. The information collected was now being collated and analyzed, and further information was being sought from individual bureau as necessary;
- after the Administration Wing decided whether it would update, revise or clarify the relevant guidelines in its Memorandum, SWD would discuss with subvented organizations on amending the relevant rules and guidelines in the LSG Manual, as well as the details for the implementation of the new guidelines or arrangements;
- apart from the mechanism for requesting subvented organizations to submit RRs in accordance with the relevant guidelines in the Memorandum, all NGOs subvented by SWD were required to submit the Self Assessment Report on Remuneration Packages for Staff in the Top Three Tiers to SWD annually. Besides, NGOs were also required

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to include in their AFRs the number of posts and expenditure information of staff with individual annual emoluments exceeding \$700,000 paid under LSG;

- according to paragraphs 4.14 to 4.19 of the LSG Manual, a formal public accountability framework was required to be in place for NGOs to disclose their AFRs and RRs (if applicable) as submitted to SWD, so that they would be accountable to the public for the use of public funds:
 - (a) posting up the relevant information prominently on the notice board(s) at the Central Administration Units/ Head Offices;
 - (b) uploading the relevant information onto NGOs' websites;
 - (c) reporting the relevant information in NGOs' annual reports;¹⁵ or
 - (d) publishing the relevant information through special circular(s), newsletter(s) or other means; and
- SWD had, since June 2017, established hyperlinks to the websites of AFRs of subvented NGOs or uploaded onto SWD's website the relevant reports, so as to facilitate the public's access to these reports and to enhance the NGOs' transparency and public accountability.

32. At the request of the Committee, **Director of Social Welfare** provided a sample of the proforma for RR of NGOs (*Appendix 9*) and a sample of AFR (*Appendix 10*). The Committee noted that information in AFR regarding the disclosure of senior staff emoluments in the top three-tiers of a relevant NGO was comparatively less informative than that required of under RR. NGOs were only required to disclose the number of posts and expenditure information of staff with individual annual emoluments exceeding \$700,000 paid under LSG in AFR. However, NGOs needed to set out in RR the up-to-date position in respect of the number, ranking and remuneration packages of staff at the top three-tiers, and also explain and justify any changes over the period covered.

¹⁵ Where a NGO publishes its annual report, AFR must be an integral part. If any NGO chooses not to provide AFR in its annual report, it has to upload the full set of the latest AFR onto its website, and specify the website address linking to AFR in its annual report.

33. With reference to paragraph 2.33 of the Audit Report, the Committee asked about the follow-up actions taken by SWD on the irregularities and internal control weaknesses of ASUs being identified, and the risk factors to be taken into account when formulating its risk-based inspections.

34. **Director of Social Welfare** replied at the public hearing on 12 December 2017 and supplemented in her letter dated 5 January 2018 (*Appendix 6*) that as far as advice on internal control was concerned, it was stated in paragraph 3.23 of the LSG Manual that NGOs should always ensure that adequate internal controls were in place having regard to the nature and size of their organization and the services provided. Advice on internal control procedures in respect of important financial activities had been provided by SWD as part of the subvention inspection process. SWD would require NGOs found to have internal control problems to take rectification actions and submit written replies to SWD as soon as possible (paragraph 4.10 of the LSG Manual). SWD would follow up on NGOs with inadequate internal control as appropriate and take into account various risk factors including the amount of subventions, number of service units, past performance on the compliance with SWD's subvention guidelines, NGOs' financial position, etc. in formulating plans for accounting inspections.

35. Regarding head office overheads apportionment of NGOs, the Committee enquired about:

- cost apportionment for NGOs I, J and K (paragraphs 2.39 and 2.40 of the Audit Report) and the follow-up actions taken;
- whether SWD was aware of the practices relating to the apportionment of salaries, emoluments and other charges by NGO H and G (paragraph 2.40 of Audit Report) and measures to be taken by SWD to enhance its monitoring role;
- the ratio of the Chief Executive Officer's salary to the NGO's operating income under the portfolio of SWD/LWB in Case 2 in paragraph 2.40 of the Audit Report; and
- whether NGOs, in particular small NGOs, encountered difficulties in apportioning expenses between FSA and non-FSA activities and assistance provided to these organizations.

36. **Secretary for Labour and Welfare** and **Mr KOK Che-leung, Assistant Director of Social Welfare (Subventions)** replied at the public hearings on 12 December 2017 and 13 January 2018 and **Director of Social Welfare** supplemented in her letters dated 5 January and 8 February 2018 (*Appendices 6 and 8* respectively) that:

Cost apportionment for NGOs I, J and K and NGOs H and G

- NGOs I, J and K held diverse views to the data analysis and conclusions of Audit. According to NGO I, their estimations showed that income from self-financing activities in 2015-2016 was far lower than the figure in Table 14 in paragraph 2.37 of the Audit Report; NGO J opined that the conclusion of self-financing activities having been subsidized by LSG was too simplistic without regard to the practice of resource sharing from a more macroscopic perspective; NGO K suggested that it had always been their practice to exclude some head office expenses (such as staff emoluments and other expenses) for individual non-FSA activities, i.e. such expenses had been excluded from AFRs. SWD would study the Audit Report and the views of NGOs in order to sort out the issues of apportioning overheads between FSA and non-FSA activities with a view to agreeing on a set of fair and effective criteria for cost apportionment, and would continue to discuss the issue with the sector and complete the relevant follow-up this year;
- with regard to Case 1 in paragraph 2.40 of the Audit Report, the NGO agreed to revise the proportion of cost apportionment between FSA and non-FSA activities in respect of the services provided by the central kitchen. This issue would also be discussed at the upcoming meeting of the NGO's management committee;
- with regard to Case 2 in paragraph 2.40 of the Audit Report, the NGO indicated that it had put in place an established mechanism for cost apportionment. If the costs incurred by a non-FSA unit could be clearly identified (e.g. costs relating to rents, rates and electricity charges as in the case), such costs would be allocated to the non-FSA unit. If the costs could not be clearly identified (e.g. water charges, artisan salaries and emoluments of Chief Executive Officer as in the case), the NGO would apportion the costs by requiring the non-FSA unit to pay an administrative fee to the head office. The relevant administrative fee would be reported as income in the LSG account;

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- the full-year expenditure on emoluments of NGO G's Chief Executive Officer in 2015-2016 (about \$1.57 million) was about 1.2% of the NGO's operating income from LWB and SWD for the year;

Difficulties in cost apportionment

- according to paragraph 3.3 of the LSG Manual, NGOs must ensure that proper books of account and other accounting records were kept for all transactions, separately identified into FSA activities and support services (including central administration and supervisory support), and non-FSA activities. Paragraph 2.37 of the LSG Manual also stipulated that LSG and the LSG Reserve were intended for operating expenditure for FSA or FSA related activities. SWD had a mechanism in place to review an NGO's AFR and audited annual financial statement as a whole and conducted LSG subvention inspection to review whether the use of subvention complied with SWD's requirements. SWD would require NGOs found to be non-compliant to take rectification actions and submit a written reply to SWD as soon as possible;
- in accordance with the Financial Circular No. 9/2004 on the "Guidelines on the Management and Control of Government Funding for Subvented Organisations", subvented organizations should keep a separate set of accounts for self-financing activities and ensure that there was no cross-subsidization of self-financing activities by subvented programmes in money or in kind;
- SWD had been answering questions from and offering advice and support to NGOs through designated liaison officers of the Subventions Branch, specified contact persons of the Finance Branch as well as the helpline in relating to their concerns about cost apportionment between FSA and non-FSA activities. SWD would, on the basis of the individual circumstances of the enquiring NGO, clarify the principle on cost apportionment and discuss the appropriate cost apportionment proposal with the NGO. SWD had also arranged meetings with the top management of all subvented NGOs in batches between June and October 2016, and deliberated on matters including the handling of cost apportionment issues. Moreover, guidelines would be prepared by SWD for their reference and use; and

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- SWD had been offering support to small NGOs on financial management as follows:
 - (a) a number of sharing sessions were organized for small NGOs between October 2009 and March 2012, covering topics such as financial management, subvention inspection, human resources management and corporate governance, with a view to assisting them in enhancing their governance and financial management;
 - (b) the Envisioning Programme on BPM, which also covered financial management, was organized for board members and management staff of all subvented NGOs between September 2015 and February 2016;
 - (c) a sum of over \$9.7 million was allocated from the Lotteries Fund to the Hong Kong Council of Social Service ("HKCSS") in early 2016 to implement the four-year NGOs' Governance Platform Project. Through collaboration with different professional sectors such as the Hong Kong Institute of Certified Public Accountants, the project was aimed at providing more training opportunities for the boards of directors of NGOs, building a more robust network and database, facilitating research studies, enhancing the sharing of experiences among NGOs, and innovating with and passing on knowledge about professional management so as to further enhance the overall corporate governance of NGOs; and
 - (d) if small NGOs encountered difficulties in apportioning central administration costs, SWD would provide support as appropriate through the designated liaison officer system under the Subventions Branch, as well as specified contact persons and the helpline of the Finance Branch.

C. Self-assessment of service quality by non-governmental organizations

37. According to paragraph 3.2 of the Audit Report, NGOs were required to submit to SWD self-assessment reports on the attainment of various indicators. The Committee asked how SWD would monitor and verify the figures in these reports to truly reflect the services of the relevant NGOs.

38. **Secretary for Labour and Welfare** replied at the public hearing on 13 January 2018 and **Director of Social Welfare** supplemented in her letter dated 8 February 2018 (*Appendix 8*) that:

- subvented services of the NGOs were monitored by SWD through the Service Performance Monitoring System. Under the system, FSAs on the subvented services were drawn up jointly between SWD and the NGOs to formulate service standards and assess service performance. NGOs should properly manage their service units to ensure compliance with FSA requirements, including ESRs, Output/Outcome Standards and SQSs;
- SWD issued letters to all subvented NGOs on a yearly basis, requiring them to comply with the requirements under Service Performance Monitoring System through conducting self-assessment and submitting self-assessment reports on whether their service units met ESRs, Output/Outcome Standards and SQSs under individual FSAs. Where there was non-compliance, the NGOs were required to submit action plans for improvement at the same time and implement the relevant measures. The self-assessment reports should be completed in a format prescribed by SWD;
- SWD would visit all subvented NGOs within each monitoring cycle (every three years) in the form of review visits or surprise visits to selected subvented service units, so as to assess and monitor their service performance by means such as reviewing their implementation records and relevant data;
- if non-compliance was found during the visits or in the reports submitted by the NGOs, the following measures would be taken by SWD:
 - (a) if inaccuracies were found in the self-assessment of Output/Outcome Standards, SWD would elucidate the understanding and definition of individual Output/Outcome Standards and the criteria for measuring such standards and, where necessary, prepare explanatory notes and/or guidelines to clarify the relevant assessment methods;

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- (b) SWD would in writing require the NGOs to make rectifications and examine their quality checking mechanism at the same time, in order to ensure accuracy in the statistics and reports prepared by the service units for submission to SWD; and
- (c) SWD would require the NGOs to submit action plans for improvement regarding the non-compliant areas and monitor the NGOs' implementation of improvement measures.

At the request of the Committee, **Director of Social Welfare** provided a copy of the forms relating to the self-assessment report and a sample of FSA in her letters dated 8 February and 9 April 2018 (*Appendices 8 and 11*) respectively for the Committee's reference.

39. With reference to Table 16 in paragraph 3.6 of the Audit Report, the Committee sought explanation on the overstatement of Output/Outcome Standards by NGOs B and F, reasons for the great discrepancy between the standard agreed in FSAs and the standard as reported by NGOs, and SWD's follow-up actions taken in this respect.

40. **Secretary for Labour and Welfare** replied at the public hearing on 13 January 2018 and **Director of Social Welfare** supplemented in her letter dated 8 February 2018 (*Appendix 8*) that:

- NGO B had attributed the error in data to mere human mistakes rather than a misunderstanding of the Output Standards. NGO B had subsequently strengthened its internal review mechanism after the incident; and
- the rather large discrepancy between the output reported by NGO B and the service standard was due to the following reasons:
 - (a) with the launch of the Home care service for persons with severe disabilities ("HCS") by SWD in March 2014, home-based services were provided for persons with severe disabilities living in the community. As the service recipients were not referred from the central waiting list, the NGO operator had to devote considerable time and manpower at the initial stage to establishing a liaison and referral network with hospitals, clinics, paramedical and allied health professions, other rehabilitation service and home care

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service units, patient self-help organizations, etc. As a result, it took time for the case numbers and output to build up;

- (b) the principal staff of the NGO operator's service team involved various professional disciplines (including physiotherapists, occupational therapists, nurses and social workers) and personal care workers, etc. The NGO had faced many difficulties and challenges in staff recruitment; and
- (c) as the service was still at a developing stage, SWD had been in discussion with various NGO operators to examine options for service enhancement and analyze the components and workflow for service provision. Both parties had confirmed that the definition and calculation method drawn up in the planning stage for service output had failed to cover the service hours of some direct services (e.g. pre-discharge and home-based professional assessment, home modifications, etc.) and indirect services (e.g. multi-disciplinary case conference for formulating and co-ordinating the treatment plan, training of personal care workers and therapy assistants for the provision of individualized care, arrangement of suitable treatment devices on a case-by-case basis, etc.) As a result, the data could not fully reflect the actual output of the NGO. SWD would follow up on these issues and adjust the calculation of service output for individual items.

41. The Committee further enquired about the mechanism for granting subvention to ASU B of NGO B and under what circumstances such mechanism would be adopted.

42. **Mr FONG Kai-leung, Assistant Director of Social Welfare (Rehabilitation and Medical Social Services)** replied at the public hearing on 13 January 2018 and **Director of Social Welfare** supplemented in her letter dated 8 February 2018 (*Appendix 8*) that as the utilization rate of HCS was lower than expected, SWD had reviewed the subvention arrangements for the service jointly with the NGO and revised the relevant FSAs, which came into effect in April 2015, in order to optimize the use of public funds. Under the revised arrangements, annual subventions (payable on a monthly basis) to the NGO were pegged to the caseload, as follows:

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- ASU would receive 50% of the subvention, if it attained less than 50% of the agreed caseload¹⁶ for the year;
- ASU would receive 75% of the subvention, if it attained 50% or above but less than 75% of the agreed caseload for the year; and
- ASU would receive 100% of the subvention, if it attained 75% or above of the agreed caseload for the year.

43. As regards NGO F, **Secretary for Labour and Welfare** replied at the public hearing on 13 January 2018 and **Director of Social Welfare** supplemented in her letter dated 8 February 2018 (*Appendix 8*) that:

- the target group of ASU J, a children and youth centre, was those between the age of 6 and 24. However, it had been used for organizing activities for children under 6 and retired men respectively from 2014-2015 to 2016-2017. Activities for participants not belonging to that age group were not normally regarded as FSA services. As the numbers of sessions and participants of the above activities were counted towards the total FSA output of the centre by NGO F, and there were also man-made calculation mistakes, the output was overstated as a result; and
- SWD would continue to follow up on the matter and reiterate to the NGO that it should ensure that usage of LSG was for providing FSA related activities, and report the service output/outcome in an accurate manner. NGO F would also be requested to revise the statistics of its relevant annual statements and submit them for SWD's inspection.

44. According to SQS 11 in Appendix B of the Audit Report, the service unit had to adopt a planned approach to assessing and meeting service users' needs. The Committee enquired about SWD's measures to ensure that different NGOs were using a common and standard approach for assessing the same kind of service for easy monitoring and comparison purposes.

¹⁶ Caseload is defined as "the number of cases provided with social work intervention, including counselling and support service to the service users and their family members/carers".

45. **Mr LAM Ka-tai, Deputy Director of Social Welfare (Services)** replied at the public hearing on 13 January 2018 and **Director of Social Welfare** supplemented in her letter dated 8 February 2018 (*Appendix 8*) that SWD had formulated a set of criteria and assessment indicators for each SQS. The detailed descriptions were set out in the Assessment Matrix Reference Guide and the Implementation Handbook, and they had been uploaded onto SWD's website.¹⁷ NGOs were required to formulate, in accordance with the criteria and assessment indicators for each standard, relevant policies and procedures for its service units according to its circumstances, and the implementation details for each standard. During service performance visits, SWD would also examine the policy and procedural documents relating to the relevant SQSs as well as the relevant implementation records, so as to ensure that the service units meet the relevant requirements.

46. Referring to Case 3 in paragraph 3.6 of the Audit Report, the Committee enquired about measures adopted by SWD to avoid NGOs' misunderstanding and inaccurate reporting of Outcome Standards, and ways to prevent recurrence of similar incidents.

47. **Assistant Director of Social Welfare (Rehabilitation and Medical Social Services)** replied at the public hearing on 13 January 2018 and **Director of Social Welfare** supplemented in her letters dated 8 February 2018 (*Appendix 8*) that when SWD entered into a new FSA with NGO C in March 2017 for the period from 1 March 2017 to 29 February 2020, both parties agreed that the definition of the related Outcome Standards should be revised so as to better reflect the service performance of the NGO. As the new FSA came into effect in March 2017, the NGO was notified by SWD in the same month that it should either adopt the old definition of the Outcome Standards in preparing the full-year statistics of 2016-2017 (i.e. from April 2016 to March 2017) or not take into account the statistics of the last quarter of 2016-2017 (i.e. from January to March 2017) in preparing the full-year statistics. However, in reporting the full-year statistics of 2016-2017, NGO C mistakenly used the new definition of the Outcome Standards in calculating the statistics, thereby resulting in error in reporting the achievement of the related Outcome Standards. To prevent future occurrence of similar case, SWD had conducted meetings with NGO operators of various community rehabilitation day centres to find out the causes of error in similar situations, and would formulate

¹⁷ The Assessment Matrix Reference Guide and the Implementation Handbook can be accessed at the following hyperlinks respectively:
https://www.swd.gov.hk/en/index/site_ngo/page_serviceper/sub_serviceper/id_matrixtemplate/
https://www.swd.gov.hk/en/index/site_ngo/page_serviceper/sub_serviceper/id_sqshandbook/.

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guidelines for reference and compliance by the staff of various operators. SWD also requested the officers-in-charge of various units to review their workflows and strengthen control measures so as to prevent recurrence of similar mistakes.

48. The Committee noted that SWD would be flexible in handling an ASU of an NGO which did not conform with the required performance standards due to special reasons and their subvention amount would not be affected. The Committee asked about examples of such cases.

49. **Director of Social Welfare** replied in her letter dated 8 February 2018 (*Appendix 8*) that where there was non-compliance with ESRs, Output/Outcome Standards and service quality standards under individual FSAs, the NGO was required to submit action plan for improvement at the same time when it submitted its annual self-assessment reports and implement the relevant measures. After reviewing the self-assessment reports and the action plan submitted by the NGO, SWD would notify it in writing of whether its action plan was acceptable. Examples of such cases were set out in *Appendix 8*.

50. The Committee enquired about reasons for non-compliance of SQS 9¹⁸ by the six NGOs as depicted in Table 17 in paragraph 3.11 of the Audit Report, and follow-up actions taken by SWD to address the problem.

51. **Secretary for Labour and Welfare** replied at the public hearing on 13 January 2018 and **Director of Social Welfare** supplemented in her letter dated 8 February 2018 (*Appendix 8*) that upon enquiry, SWD understood that all six NGOs had already taken appropriate actions to follow up on the non-compliance cases. One of the cases might still take some time for the NGO to address, while for another case, the NGO held different opinions over the assessment made by Audit. Details on follow-up actions taken by NGOs regarding the non-compliance of SQS 9 was in *Appendix 8*. In addition, SWD had also reminded NGOs to strengthen training of their staff, so as to ensure that their service units provided a safe physical environment for their staff and service users.

¹⁸ SQS 9 states that "the service unit takes all reasonable steps to ensure that it provides a safe physical environment for its staff and service users".

52. Referring to Case 4 in paragraph 3.7 of the Audit Report, the Committee enquired whether SWD was aware of the different interpretation and definition of service outcomes (i.e. completion of training), and how SWD would ensure that NGOs were adopting evaluation methods that complied with the original intent of the objective listed in FSA.

53. **Assistant Director of Social Welfare (Rehabilitation and Medical Social Services)** replied at the public hearing on 13 January 2018 and **Director of Social Welfare** supplemented in her letter dated 8 February 2018 (*Appendix 8*) that:

- prior to the examination by Audit, SWD was not aware of NGO D's practice of regarding training as having been completed when service users had just completed 10% or more of the planned training sessions;
- apart from NGO D, other NGOs operating community rehabilitation day centres did not have the understanding as NGO D regarding completion of individual training plans. The attending therapists were of the opinion that a completed training and support plan was understood in their profession as having been completed in full, rather than in part;
- for NGO D, it would normally design training and support plans spanning from three months to a year for service users. Given the long treatment period, some service users were reluctant to attend follow-up treatment and assessment at the centre when their symptoms had improved. Therefore, it regarded some service users having completed only 10% of the plans as having "completed" the individual training and support plans;
- NGO D had pledged to make improvements by designing appropriate individual training and support plans with different symptoms taken into account, and complying with SWD's requirements on attainment of Output/Outcome Standards; and
- SWD would draw up guidelines jointly with the NGO operators for a clear interpretation of SWD's requirements on attainment of Output/Outcome Standards, in order to ensure a uniform understanding of the content of FSA and definition of terms therein.

D. Monitoring of service delivery by Social Welfare Department

54. Noting from the public hearing that SWD had previously withdrawn LSG subvention as the ultimate sanction, the Committee enquired about the circumstances under which SWD would instigate the withdrawal of LSG subvention from NGOs and asked for details of previous withdrawal case.

55. **Director of Social Welfare** replied at the public hearing on 2 March 2018 and supplemented in her letter dated 9 April 2018 (*Appendix 11*) that:

- according to paragraph 4.4(g) of the LSG Manual, if a subvented NGO obstructed Director of Social Welfare to exercise his/her authorities (e.g. accessing the records and accounts of the NGO, etc.) or failed to (i) achieve a reasonable standard of performance in accordance with the full requirements of FSAs; (ii) exercise reasonable and prudent financial management; or (iii) comply with the LSG rules and other subvention rules, SWD would withhold or terminate its social welfare subventions; and
- there was a precedent case in which an NGO, due to its internal governance problem, failed to operate according to its articles of association, and was unable to exercise its human resources management and financial management properly. Despite repeated advice and reminders given to its board, the NGO was unable to submit the financial statements and service performance reports to SWD as required. In the end, the NGO board confirmed that they were unable to make any rectifications and had no objection to SWD's withdrawal of the subvention. SWD subsequently allocated the affected subvented services to other subvented NGOs for continuation of operations.

56. The Committee enquired details about Case 5 in paragraph 4.3 of the Audit Report regarding the increase in the level of subvention provided to the concerned ASU although the ASU could not meet the required Output/Outcome Standards for the consecutive periods from 2012-2013 to 2016-2017.

57. **Mr FUNG Man-chung, Assistant Director of Social Welfare (Family and Child Welfare)** replied at the public hearing on 2 March 2018 and **Director of Social Welfare** supplemented in her letter dated 9 April 2018 (*Appendix 11*) that:

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- the concerned ASU had been providing subvented intercountry adoption service since 1986. SWD formulated the Output Standards in consultation with the NGO, taking into consideration service demand at that time, procedures required for intercountry adoption and past service performance of the NGO;
- amidst the social changes and advancement in medical technology, the number of children being placed for adoption had been decreasing. In addition, in accordance with the principle set out in the Convention on Protection of Children and Co-operation in Respect of Intercountry Adoption, the Contracting State should accord priority to placing children to families of the same cultural or ethnic background as far as possible. Therefore, suitable overseas adoptive homes should be identified through intercountry adoption only when there were no suitable local homes for the children waiting to be adopted;
- the majority of children waiting for intercountry adoption were children with special needs. This was challenging for NGOs providing intercountry adoption service as there were considerable difficulties to secure suitable overseas adoptive homes. Besides, the number of applications for intercountry adoption by relatives had been fluctuating, which led to the ASU's failure in meeting some of the Output Standards as stipulated in FSA in the past few years; and
- having regard to the fluctuating number of children available for adoption and the latest development of the adoption service, SWD and the NGO concerned had kept reviewing the NGO's service performance, exploring intervening strategies and extending the scope of service so as to enhance the adoption prospect of the children to be adopted. SWD had also revised FSA with the NGO, which had come into effect since 1 July 2017.

58. Referring to Table 21 in paragraph 4.10 of the Audit Report, the Committee enquired about:

- the basis for setting a higher level of performance standards for 2016-2017 despite the significant underperformance of the relevant ASUs in 2015-2016, and the updated situation of the ASUs' performance standards in 2017-2018;

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- reasons for the relevant ASUs not attaining the agreed performance standard, such the output standards "Total number of service sessions of rehabilitation training service provided by physiotherapists/occupational therapists in a year" and "Total number of service sessions of nursing care service provided by nurse/health care staff in a year" for ASU 16; and
- measures adopted by SWD to help the relevant NGOs to address the manpower shortage problem.

59. **Assistant Director of Social Welfare (Family and Child Welfare)** replied at the public hearing on 2 March 2018 and **Director of Social Welfare** supplemented in her letter dated 9 April 2018 (*Appendix 11*) that:

- as the utilization rate of HCS was lower than expected, SWD had reviewed the subvention arrangements for the service which came into effect in April 2015. Annual subventions (payable on a monthly basis) to the NGOs were pegged to the caseload attained.¹⁹ Since all service units had exceeded 75% of the agreed caseload at the end of 2015-2016, the allocation of subventions were at 100% level for 2016-2017 despite that all the service units could not achieve the expected level of performance in 2015-2016;
- compared with 2015-2016 and 2016-2017, all NGOs had achieved significant improvement in performance in 2017-2018 (up to December 2017). Details were provided in *Appendix 11*;
- reasons for service standards not being met were set out below:
 - (a) the NGOs had to devote considerable time and manpower at the initial stage to establish a liaison and referral network with hospitals, clinics, other rehabilitation service and other relevant organizations. It took time for the case numbers and output to build up;
 - (b) the principal staff of HCS involved various professional disciplines (including physiotherapists, occupational therapists, etc.) and there were considerable difficulties in staff recruitment; and

¹⁹ See paragraph 42 above on details of subvention based on the attainment of caseload.

- (c) SWD found out that the original definition of service output and calculation methods during the service planning stage could not fully cover certain service-related indicators and therefore the data collected could not fully reflect the actual output of the NGOs; and
- to address the shortage for medical staff problem, SWD had joined hands with universities and the Hospital Authority to launch professional training programmes for strengthening the manpower input of allied health and nursing professionals in subvented services, such as launching master programmes in Occupational Therapy and Physiotherapy and providing tuition fee sponsorship for students admitted by the NGOs to encourage them to join the social welfare sector. In addition, training programmes for nursing staff were launched by the Hospital Authority, with over 90% of the graduates had joined the social welfare sector. The Open University of Hong Kong was commissioned by SWD to provide 920 nursing training places in the four consecutive years since 2017-2018. Participants were required to sign an undertaking to work for two consecutive years in the social welfare sector upon completing the training programmes.

60. Referring to paragraph 4.14 of the Audit Report, the Committee sought explanation why support services, which were stated in service users' care plans, were not provided to users in some cases, and whether such reasons would be recorded in individual service users' case files.

61. **Mr FONG Kai-leung, Assistant Director of Social Welfare**²⁰ replied at the public hearing on 2 March 2018 and **Director of Social Welfare** supplemented in her letter dated 9 April 2018 (*Appendix 11*) that:

- regarding HCS and the Integrated support service for persons with severe physical disabilities ("ISS"), the major characteristic of the two services was the provision of case management for service users. The 24 cases (13 cases from ASU A and 11 cases from ASU B) examined by Audit were taken care of under case management by social workers, such as service coordination and matching, emotional

²⁰ Mr FONG Kai-leung attended the public hearings held on 12 December 2017 and 13 January 2018 in the capacity of "Assistant Director of Social Welfare (Rehabilitation and Medical Social Services).

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support, information giving, etc. Since the Audit Report had not put social work support under its definition of "support services", follow-up work and support delivered by social workers under case management had not been reflected in the Audit Report;

- some other reasons for not having received support services were as follows:
 - (a) family members/carers expressed no immediate service need but requested using the service whenever in need;
 - (b) family members/carers changed their mind and chose other services (e.g. hire of domestic helpers, day rehabilitation centres, etc.);
 - (c) service users were using other services or were not suitable to receive physiotherapy or occupational therapy services; and
 - (d) loss of contact with service users and family members/carers; and
- case managers should record situations where service users were unable to receive rehabilitation, nursing care and/or personal care services in their case files. SWD would work out guidelines to remind all NGOs to monitor and implement the relevant practice accordingly.

62. According to paragraph 4.19 of the Audit Report, there were delays in discharging service users. The Committee enquired whether guidelines would be issued relating to discharging of patients.

63. **Assistant Director of Social Welfare** replied at the public hearing on 2 March 2018 and **Director of Social Welfare** supplemented in her letter dated 9 April 2018 (*Appendix 11*) that reasons for the delay in discharging patients were summarized as follows:

- family members/carers expressed no immediate service need but requested using the service whenever in need;

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- service users were hospitalized or had to be admitted to hospitals frequently for treatment;
- service users were in unstable medical condition;
- loss of contact with service users and family members/carers; and
- it took time to wind up and complete the administrative work for closing the case or the case social worker had not closed the case in a timely manner.

SWD had already spelt out clearly in the Service Specifications of HCS the policy and terms on exit of the service before the regularization of the service in March 2014. According to the requirement of SQS10 for subvented NGOs, service units needed to have the policy and procedures for entering and leaving the service. The relevant sections are extracted in *Appendix 11*.

64. With reference to SWD's response in paragraph 4.25(b) to (c) of the Audit Report regarding the provision of HCS and ISS services, the Committee sought more information about the progress and timeframe in implementing the improvement work.

65. **Assistant Director of Social Welfare** replied at the public hearing on 2 March 2018 and **Director of Social Welfare** supplemented in her letter dated 9 April 2018 (*Appendix 11*) that:

- with regard to providing more guidelines on the counting of cases into the caseloads, provision of support services in accordance with the agreed care plans and discharge of service users (paragraph 4.25(b) of the Audit Report), the task was expected to be completed around December 2018; and
- with regard to setting up a case cross-checking mechanism among the service operators of HCS and ISS to avoid service users receiving support services from the two services concurrently (paragraph 4.25(c) of the Audit Report), SWD had already reached an agreement with the NGOs that the applicants should give consent and authorization to allow the staff of the service units to liaise with service units providing similar service in the district to check and prevent the service users from using service of the same nature at the same time. Besides, the

applicants needed to make declaration upon application that they were not using any services of the same nature. Such measure had already been put in place since December 2017.

66. According to Case 7 in paragraph 4.27 of the Audit Report, Outcome Standards were included in the revised FSAs of three ASUs but not for another two ASUs which offered similar service. The Committee enquired about the reasons for the different arrangements; the number of other NGOs offering similar services as the five ASUs and whether they had incorporated Outcome Standards in their FSAs.

67. **Assistant Director of Social Welfare** replied at the public hearing on 2 March 2018 and **Director of Social Welfare** supplemented in her letter dated 9 April 2018 (*Appendix 11*) that:

- the current five ASUs providing refuge centre services for women had been receiving subventions from SWD since 1989, 1996, 2002, 2006 and 2009 respectively. Two of the ASUs commenced operation before the implementation of the LSG subvention system in 2001. Outcome Standards were not included when FSAs of these two ASUs were set. However, the ASUs were requested to provide information on two items to reflect service effectiveness when submitting the quarterly statistical information form, i.e. user satisfaction rate and the extent of enhancement in service users' basic skills in protecting themselves and their children upon leaving the centre;
- there was one service unit under an NGO which offered similar services since 2010. The two Outcome Standards mentioned above had been included in its FSA; and
- in September 2017, SWD reviewed FSAs of the two ASUs and deliberated with the service units concerned on the addition/revision of the Output Standards for enhancing the service monitoring of individual units. Two Outcome Standards had been newly added to FSAs of these two service units, which came into effect in April 2018.

68. The Committee asked about the action plan and timeframe for SWD to incorporate Outcome Standards into 2 209 FSAs which did not contain Outcome Standards as revealed in paragraphs 4.27 and 4.28 of the Audit Report.

69. **Director of Social Welfare** replied at the public hearing on 2 March 2018 and supplemented in her letter dated 9 April 2018 (*Appendix 11*) that SWD had already begun to set Outcome Standards for new ASUs. For existing ASUs, SWD would discuss with the NGOs concerned on setting Outcome Standards as appropriate when their FSAs were reviewed. Besides, the Task Force had proposed to review the area on "Mechanism for review of FSAs", and it would be examined in detail in the coming meetings of the Task Force (see paragraphs 93 and 94 below for the work of the Task Force).

70. Noting from Case 8 in paragraph 4.31 of the Audit Report that an ASU organized activities for non-target service users under the FSA, the Committee enquired about the reasons for that and actions taken by SWD to ensure that subvention resources were used effectively to deliver FSA related activities of the concerned ASU.

71. **Mrs Helen KWOK LI Ming-ye**, **Assistant Director of Social Welfare (Youth and Corrections)** replied at the public hearing on 2 March 2018 and **Director of Social Welfare** supplemented in her letter dated 9 April 2018 (*Appendix 11*) that:

- according to the FSA, in addition to core programmes, the ASU was also required to provide non-core programmes. Non-core programmes were aimed at attracting their target users, i.e. children and young people to go to the centres with their families, enable them to use their leisure time constructively, build up relationship between members and their families as well as build up community network. As such, apart from children and young people, people of other age groups, including family members and people in the community, could have the opportunity to join non-core programmes. While the number of programme sessions and attendances for non-core programmes were much higher than those for core programmes, the resources utilized for non-core programmes were much lower than those for core programmes;
- the concerned ASU conducted activities for non-target users, i.e. young children under the age of 6 and retired men from 2014-2015 to 2016-2017. The NGO considered that through providing services for young children, early intervention for children could be achieved for meeting the needs of the community. Besides, providing services for retired men could set up a platform for young people to enhance their

communication skills with elders and foster trans-generational harmony;

- in the last three financial years, records of SWD showed that the concerned ASU had fully met the performance standards as stipulated in the FSA. Although the NGO counted the service figures of non-service targets towards the output level of core programmes by mistake, the NGO was still able to meet the required output level after Audit's re-calculation; and
- SWD was examining the service information and output figures in connection with the services provided for young children under the age of 6 and retired men from 2014-2015 to 2016-2017 as submitted by the NGO. In the event of any subvented resources being deployed for non-FSA related activities, the NGO would be requested to apportion the costs in respect of rent, rates, utility charges and personal emoluments, etc. funded by social welfare subventions.

72. The Committee sought the reasons of mismanagement of emergency places by the relevant ASU in Case 9 in paragraph 4.31 of the Audit Report, and enquired about actions that had been/would be taken by SWD to ensure that the emergency service was optimally utilized by children in need.

73. **Assistant Director of Social Welfare (Family and Child Welfare)** replied at the public hearing on 2 March 2018 and **Director of Social Welfare** supplemented in her letter dated 9 April 2018 (*Appendix 11*) that:

- in 2011, the NGO operator of the concerned ASU shortened the maximum duration of stay of its emergency places from three months to six weeks, which led to repeated and frequent extension of stay for individual cases which were unable to secure alternative residential placement. In addition, the NGO did not specify a reasonable timeframe for the referring social workers to complete the required admission procedures for the children as soon as possible after confirming that there were vacant places (including obtaining the consent of the parents/guardians of the children, arranging medical examination for the children, etc.), which had undermined the service utilization of the emergency places. Besides, there was no mechanism in place to clearly require the referring social workers to submit relevant documents to ascertain that long-term welfare plans of the

children had been formulated as a reason to support the extension of stay when the applications were made;

- to improve the utilization of resources, the NGO had extended the maximum duration of stay of the emergency residential child care places from six weeks to three months with effect from 1 December 2017 after discussing with SWD. In order to improve the admission procedures of the emergency places, the NGO had taken intervening measures, including the requirement for the referring social workers to complete the required admission procedures for the children as soon as possible. If the referring social worker failed to arrange for the children to be admitted within 14 days, the residential places would be allocated to other children in need of the service. SWD had also requested the NGO to provide statistical return of the utilization of emergency residential child care places on a regular basis so as to monitor the utilization of the service; and
- SWD had maintained an established mechanism governing the extension of stay for the emergency residential child care places. To facilitate the processing of applications for extension of stay, the NGO had set out the requirements that the parental consent, endorsement of the long-term welfare plan of the child by the senior of the referring social workers and other relevant documents had to be provided by the referring social workers when the application for extension of stay was made.

E. Governance and management matters

74. Noting from paragraph 5.4 of the Audit Report that NGOs receiving LSG subvention were required to implement Level One guidelines of BPM by 30 June 2017, the Committee enquired about the implementation progress, actions taken by SWD to promote Level Two guidelines and follow-up actions if NGOs failed to follow Level One or Level Two guidelines of BPM.

75. **Secretary for Labour and Welfare** replied at the public hearing on 2 March 2018 and **Director of Social Welfare** supplemented in her letter dated 9 April 2018 (*Appendix 11*) that:

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- at present, all NGOs receiving LSG subventions had already implemented all items under Level One guidelines of BPM. During the three-year transition period (i.e. 2014-2015 to 2016-2017), each NGO was required to report to SWD its implementation progress by submitting to SWD by end of October of each year a self-assessment report;
- SWD had been encouraging NGOs to adopt Level Two guidelines. As at 31 March 2017, 153 NGOs had implemented all or some items of the Level Two guidelines, representing an increase of 7.7% as compared with the situation as at 31 March 2016 (i.e. 142 NGOs). SWD issued a letter to NGOs in April 2017 to share with them the implementation progress of BPM, and appealed to them to adopt Level Two guidelines. SWD would soon collate the checklists submitted by NGOs and arrange sharing sessions for NGOs on the good practices of Level Two guidelines with a view to encouraging NGOs to make reference to the good practices and develop suitable implementation plans; and
- workflow of BPM as shown in *Appendix 11* illustrated how SWD followed up with those NGOs not complying with Level One guidelines. According to BPM, if an NGO could not comply with Level One guidelines and persistently failed to make improvement, SWD would consider putting up the case to the LSGSC for consideration and making recommendations. SWD had all along encouraged NGOs to adopt Level Two guidelines as far as possible, and through submission of the self-assessment reports by NGOs, understood NGOs' implementation of this level of guidelines and collected their views.

76. The Committee asked about the follow-up actions taken by SWD in respect of the NGO which declined to follow Level One guidelines of BPM as depicted in paragraph 5.5(b) of the Audit Report.

77. **Director of Social Welfare** provided a table showing the follow-up actions taken by SWD against the NGO in chronological order in her letter dated 9 April 2018 (*Appendix 11*) as follows:

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Date	Content
October 2016	The NGO submitted the BPM checklist for 2015-2016. The checklist showed that it did not comply with Level One guidelines on the use of the PF Reserve for non-Snapshot Staff.
November 2016	SWD contacted the NGO to understand its reasons for not complying with the guidelines and the difficulties encountered, and reiterated that all NGOs had to implement all Level One guidelines by 2016-2017.
December 2016	SWD requested the NGO by e-mail to follow up the requirements of Level One guidelines.
August 2017	SWD contacted the NGO again to understand the progress of their implementation of Level One guidelines.
October 2017	SWD visited the NGO and met with their management to ensure that they understood how to fulfill the requirements of the BPM.
December 2017	The NGO's board endorsed and implemented all Level One guidelines.

78. Referring to paragraph 5.16 of the Audit Report, the proportion of board/committee members not attending any board/committee meetings was high, and there were cases where board/committee members with low attendance rates had been re-appointed to board/committees. The Committee enquired about:

- reasons for the above problems and role of SWD in this regard;
- how SWD could ensure that the management of the concerned NGOs exercised good governance; and
- assistance offered or guidelines provided on the appointment of board members to NGOs.

79. **Secretary for Labour and Welfare** replied at the public hearing on 2 March 2018 and **Director of Social Welfare** supplemented in her letter dated 9 April 2018 (*Appendix 11*) that:

- the NGOs concerned explained that some board members were unable to attend the meetings due to their busy schedules. Papers for the meetings would still be issued to those board members who could not attend the meetings, and they could review the documents and express their views through other channels. Some board members with low attendance rates were still re-appointed as they had made substantive contributions to the NGOs, for example, as leading fundraisers or professionals who could provide complimentary professional advice for NGOs' premises and service development; and
- in order to encourage NGOs to adopt good practice of corporate governance, relevant guidelines or templates on corporate governance of the Efficiency Office (formerly known as the Efficiency Unit), the Independent Commission Against Corruption and HKCSS had been listed in the LSG Manual and uploaded onto SWD's website. SWD had allocated more than \$9.7 million from the Lotteries Fund to HKCSS to launch a four-year project "NGOs' Governance Platform" to provide more exchange and training opportunities for NGOs' board of directors and further enhance the governance capacity of the NGOs.

80. The Committee asked about the actions taken by SWD to promote a wider adoption of "Guide to Corporate Governance for Subvented Organisations" published by the Efficiency Office and how SWD could monitor NGOs' adoption of good practices contained therein.

81. **Secretary for Labour and Welfare** replied at the public hearing on 2 March 2018 and **Director of Social Welfare** supplemented in her letter dated 9 April 2018 (*Appendix 11*) that to enhance corporate governance of the NGOs receiving LSG subventions as well as promoting their wider adoption of good practices on areas of declaration of interests, attendance of board/committee meetings and appointment of board/committee members, SWD would continue to encourage NGOs to adopt other good governance practices, including the "Guide to Corporate Governance for Subvented Organisations". As and when appropriate, SWD would share with the NGOs' boards good practices in the sector.

82. The Committee further enquired about the measures and follow-up actions taken by SWD/NGOs to improve the declaration of interests mechanism for their board/committee members to enhance transparency.

83. **Secretary for Labour and Welfare** replied at the public hearing on 2 March 2018 and **Director of Social Welfare** supplemented in her letter dated 9 April 2018 (*Appendix 11*) that to improve NGOs' management of conflicts of interest and enhance transparency, SWD would remind NGOs' boards and encourage them to (i) set out clearly the requirements for the avoidance of conflicts of interest, and the course of action to be taken when a member faced a real or apparent conflict of interest situation; (ii) consider adopting a "two-tier reporting system" whereby in addition to reporting conflicts of interest at board meetings as and when they arose, board members should disclose their general interests on appointment to the board and annually thereafter; and (iii) arrange making the declaration on a registration form, which should be made available for public inspection.

84. The Committee noted from Tables 31 and 32 in paragraphs 5.25 and 5.27 respectively of the Audit Report that staff turnover was high and enquired about:

- whether SWD/NGOs had compiled periodic statistics on staff turnover and ascertained reasons for the problem, e.g. conduct exit interviews with staff;
- how SWD would monitor the staff turnover problem to ensure sustainable development of the sector;
- as Audit revealed that job-related reasons were the main cause for staff leaving, SWD's measures to address the issues; and
- the statistics on wastage for the welfare sector in the past three years with breakdown by age, ranks, reasons for leaving and years of service of job holders.

85. **Secretary for Labour and Welfare** replied at the public hearing on 2 March 2018 and **Director of Social Welfare** supplemented in her letter dated 9 April 2018 (*Appendix 11*) that:

- human resources management, including recruitment and staff turnover, etc., fell within the realm of corporate governance of the

NGOs. The issue on "Staff turnover and vacancy condition" was one of the eight review areas proposed by the Task Force and would be examined in detail at the coming meetings of the Task Force (see paragraphs 93 and 94 below for the work of the Task Force);

- the Joint Committee on Social Work Manpower Requirements, comprising representatives of SWD and HKCSS, collected employment data of social work personnel to keep track of the manpower situation in social work field and published annual reports for the sector's reference to facilitate the manpower planning. The Joint Committee would provide the overview and projection of the demand and movement of manpower, including the trends of changes in the turnover rates of social workers in the past years. SWD had also subsidized HKCSS to publish the "NGOs Salary Survey Report" annually since 2003. The annual survey report showed the turnover rates of different grades of staff of the participating organizations in the year. Although there was no information on the reasons for staff departure, the report shared the measures on retaining staff as adopted in the sector. Besides, in order to grasp the manpower situation of frontline care workers of rehabilitation and elderly services in recent years, SWD conducted in mid-2017 a questionnaire survey to collect relevant information and shared the findings with the sector afterwards;
- staff turnover was subject to many factors, including remuneration packages, other employment opportunities, personal development and needs, etc. There was great variance in the turnover rates among different grades of staff/work types or different scales of NGOs. SWD would continue to monitor the performance of subvented services through the existing mechanism and provide suitable assistance to NGOs when needed;
- at present, SWD did not require NGOs to conduct exit interviews with departing staff or compile information on staff turnover. As such information was useful for NGOs in enhancing their corporate governance and human resources management, SWD would encourage NGOs to adopt these good management practices through appropriate channels; and
- according to the published figures of the Joint Committee, wastage rates of social work posts in 2013-2014, 2014-2015 and 2015-2016 were given in the following table. However, there was no statistical

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information regarding the job leavers' age, rank and reasons for leaving:

Year	Degree Posts Wastage Rate (%)	Diploma Posts Wastage Rate (%)	All Social Work Posts Wastage Rate (Note) (%)
2013-2014	4.7	8.0	4.2
2014-2015	4.6	6.5	2.8
2015-2016	5.1	9.0	3.4

Note: Figures have excluded cases switching between Diploma posts and Degree posts.

86. The Committee noted from paragraph 5.30 that pay scales were only established for some ranks in some NGOs, and there existed salary gap for the same ranks among different NGOs and the Government. The Committee enquired about the actions taken to address these issues.

87. **Secretary for Labour and Welfare** replied at the public hearing on 2 March 2018 and **Director of Social Welfare** supplemented in her letter dated 9 April 2018 (*Appendix 11*) that NGOs' human resources management, including the formulation of pay structure and benefits, was in the realm of corporate governance of NGOs. "Pay policies and pay scales" was one of the eight review areas proposed by the Task Force, and would be examined in detail in the coming meetings of the Task Force (see paragraphs 93 and 94 below for the work of the Task Force).

88. The Committee enquired about the progress in forging agreement among NGO management, the staff side and service users on the four outstanding items of BPM²¹ and the timeline for full implementation as revealed in paragraph 5.32(d) of the Audit Report.

²¹ The four outstanding items are related to human resources management covering staff remuneration policy, pay policy with clear salary structure and/or starting points, policy on the transfer of posts, renewal and termination of employment contracts and transparent and accountable decision making with regard to staff contracts. See paragraph 5.8 of the Audit Report for details.

89. **Director of Social Welfare** replied in her letter dated 9 April 2018 (*Appendix 11*) that the Working Group on Implementation Details of BPM, chaired by the Assistant Director of Social Welfare with members including NGOs' management, staff representatives, service user representatives and independent members, would continue to convene meetings with a view to forging consensus among the representatives for the four outstanding items. It was expected that the matters concerned would be submitted to LSGSC for discussion in the third quarter of 2018 followed by the incorporation of the items in BPM.

F. Review of lump sum grant subvention system

90. The Committee noted from paragraph 6.12 of the Audit Report that a member of the Complaints Handling Committee had not declared potential conflicts of interest and the minutes did not indicate that the Chairman had made decisions on the declarations as required. At the request of the Committee, **Director of Social Welfare** provided details regarding the Complaints Handling Committee, including its terms of reference, number and composition of membership, their background and the number of meetings held in the past three years in her letter dated 9 April 2018 (*Appendix 11*). The functions of the Complaints Handling Committee were:

- to receive LSG related complaints against welfare NGOs which could not be satisfactorily resolved at the NGO level;
- to handle LSG related complaints such as misuse of subventions, NGOs' management decisions that had a direct impact on service performance and non-compliance with service requirements; and
- to relay the Complaints Handling Committee's decisions and recommendations to SWD so that follow-up action might be taken by SWD as appropriate.

91. The Committee sought details of the case depicted in paragraph 6.12(a) of the Audit Report, and reasons of not recording the Chairman's decisions on the declaration of interests in the relevant minutes of meetings as pointed out in paragraph 6.12(b) of the Audit Report.

92. **Secretary for Labour and Welfare** replied at the public hearing on 2 March 2018 and **Director of Social Welfare** supplemented in her letter dated 9 April 2018 (*Appendix 11*) that:

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- the member of the Complaints Handling Committee in paragraph 6.12(a) of the Audit Report was the principal of a school under the NGO being complained. From July 2011 to November 2012, the member participated in reviewing the complaints lodged against the NGO in four meetings and took part in the discussions at two of the meetings. The member also participated in examining the investigation report on the complaint against a service unit of the NGO and endorsed that the complaint issues were not substantiated. Since the NGO's education and welfare services were independently run, the member was not aware of the potential conflicts of interest and therefore had not declared the potential conflicts of interest concerned;
- the Complaints Handling Committee had been requesting its members to declare their potential conflicts of interest or seeking the Chairman's ruling in accordance with the guideline for the "One-tier Reporting System" issued by the Home Affairs Bureau (*Appendix 11*). It also requested its members to complete the standard declaration form before each meeting to declare their potential conflicts of interest, and the Chairman would make decisions and arrangements on the members' declarations. At the Complaints Handling Committee meeting held on 20 September 2017, SWD reiterated to members the guideline and would re-circulate it to members for reference every year; and
- in the past, the Secretariat to the Complaints Handling Committee had followed up the decisions of the Chairman on the declaration of interests without recording the related information in the minutes of the meetings. Starting from the meeting held on 20 September 2017, the Secretariat would record such information in the minutes of the meeting.

93. The Committee enquired about the operational details of the Task Force as highlighted in paragraph 6.18 of the Audit Report including its terms of reference, its membership, timeline of and issues to be covered in the review.

94. **Director of Social Welfare** provided the terms of reference, membership list and the proposed scope of the review of the Task Force in her letter dated 9 April 2018 (*Appendix 11*). The Administration expected to consult the LegCo Panel on Welfare Services on the scope of the review proposed by the Task Force in May 2018. It was expected that the relevant review study would be completed within two years after the scope of the review was established.

G. Conclusions and recommendations

Overall comments

95. The Committee:

- affirms the contributions made by the social welfare sector in providing a wide range of services to meet the divergent needs of different social strata in Hong Kong. To this end, the role of the non-governmental organizations ("NGOs") to provide services to people in need is indispensable;
- notes that the lump sum grant ("LSG") subvention system was introduced in 2001 as a major revamp in the provision of public funding to NGOs. Under this system, the Social Welfare Department ("SWD") no longer imposes rigid and inflexible input controls on NGOs (e.g. staffing, salary structure and individual items of expenditure), but instead provides recurrent funding in a lump sum to offer greater autonomy and flexibility for NGOs to deploy resources and re-engineer their services to meet changing social needs in a timely manner;
- acknowledges that whilst NGOs are given the autonomy and flexibility under LSG in the deployment of subvention resources and retention of unspent surpluses²² to proactively respond to changing community needs, it is equally important from a value for money perspective that a proper and transparent accountability mechanism should be put in place to ensure proper and prudent use of public funds, with performance outcomes/standards clearly stipulated for effective evaluation and monitoring of service delivery by SWD and the public at large;
- stresses that SWD, as the government department responsible for developing and coordinating welfare services in Hong Kong, not only assumes a vital role to support and facilitate NGOs in the provision of

²² An NGO can retain unspent LSG subvention in a reserve to meet future spending. The cumulative reserve is capped at 25% of the annual operating expenditure (excluding expenditure for provident funds) of the subvented services of the NGO. Any amount above the 25% cap is subject to claw-back and should be returned to the Government. The reserve can be used at the discretion of the NGO on Funding and Service Agreement ("FSA") activities and FSA related activities.

public services, but should also fulfill an important duty to monitor the performance of service delivery, and ensure that NGOs are exercising prudent control on the use of public funds and upholding the principles of accountability and transparency on their deployment of subvention resources;

- considers that people are the most valuable asset for the welfare sector for the provision of quality services. Even though public resources should be optimally utilized to maximize outcomes, this principle should not be achieved at the expense of the remunerations and benefits of social welfare personnel. SWD should work closely with the welfare sector to devise a transparent remuneration policy with clear salary structure which is competitive enough to attract, recognize and retain talents, and to give due recognition to staff members of welfare sector for their sound experience and good performance;

Room for enhancement on the use of reserves

- expresses concern that, albeit the need for NGOs to retain reserves for future spending, introducing new and improved services for the public and meeting various contractual obligations on staff emoluments, total amount of reserves²³ retained by NGOs had risen by 38% from \$3.4 billion in 2011-2012 to \$4.7 billion in 2015-2016. It is crucial for SWD to keep in view NGOs' balances of reserves and remind them, as when necessary, the need to optimally utilize public resources to suit the present-day needs of service users and the public;
- expresses concern about the persistent LSG operating deficits incurred by some NGOs as revealed in the Director of Audit's Report ("Audit Report"). Fourteen of 31 NGOs which had LSG deficits in 2015-2016 had incurred deficits for three consecutive years from 2013-2014 to 2015-2016. Of these 14 NGOs, eight had depleted their LSG reserves by end 2014-2015 and financed their operations from other sources;
- considers that the persistent LSG deficit coupled with a depleted LSG reserve of an NGO might serve as a reminder for SWD to take a more proactive role and be alert to the NGO's possible financial viability issues, so that remedial measures could be taken as appropriate in a timely manner, such as reviewing more stringently and at more

²³ Total amount of reserves includes LSG Reserve, Holding Account and Provident Funds Reserve.

Administration of lump sum grants by the Social Welfare Department

frequent intervals its financial reports/statements and providing advice or taking necessary follow-up actions when needed;

- urges SWD to take measures to facilitate NGOs to optimally manage and utilize their reserves in compliance with the guidelines of the Best Practice Manual ("BPM")²⁴ and to review the financial reports and discuss with the NGOs concerned to ensure LSG deficits of NGOs would not affect the provision of quality services for the public;

Disclosure of senior staff emoluments to enhance transparency and accountability

- expresses dissatisfaction about the inadequacies of SWD and the Labour and Welfare Bureau ("LWB") in implementing the disclosure requirements²⁵ which are aimed at enhancing NGOs' transparency and accountability to the public, as evidenced by the following:
 - (a) SWD only implemented the disclosure requirements with effect from 2009-2010, a deferment of some six years as required under the Memorandum issued by Director of Administration in 2003 ("the Memorandum");
 - (b) SWD had not sought approval from LWB regarding the deferment which was contrary to the requirement of the Memorandum;

²⁴ According to the Level One guidelines of BPM which NGOs are expected to follow unless there are strong justifications not to do so, NGOs should maximize the use of the reserves in order to maintain or strengthen service delivery and implement strategic development plans, including building up a staff team with high quality. Also, NGOs are required to, through convenient, effective and timely channels, disseminate information about the reserves in a reader-friendly format to staff members and the public. Such information should include briefly a plan on how the reserves will be used in the future.

²⁵ In March 2003, Director of Administration issued a Circular Memorandum promulgating a set of guidelines for the control and monitoring of remuneration practices in subvented bodies by Directors of government bureaux and Controlling Officers of government departments. The guidelines require a subvented body to review and disclose annually in a Review Report the remunerations of its top three-tier staff unless it meets certain exemption criteria. The effective date for the implementation of the disclosure requirement was 1 April 2003.

Administration of lump sum grants by the Social Welfare Department

- (c) SWD's calculation of the "50% income threshold" requirement²⁶ deviated from the intents of the Memorandum,²⁷ which resulted in fewer NGOs being required to disclose their senior staff emoluments;
 - (d) SWD and LWB maintained their stance in adopting the existing way to calculate the "50% income threshold" even after clarifying with the Administration Wing and the Financial Services and the Treasury Bureau ("FSTB") that their calculation was not the intents of the Memorandum, and the responsibility for administering the Memorandum vested with the relevant bureau; and
 - (e) although NGOs receiving LSG subventions are required by SWD to disclose in their Annual Financial Statements the number of posts and expenditure information of staff with individual annual emoluments exceeding \$700,000 paid under LSG, such information is considered less informative, and it does not require NGOs to explain and justify any changes to the remuneration packages of the staff in the top three-tiers covered in the period;
- expresses grave concern about SWD's lax attitude and the serious delay in the process of seeking clarification with the Administration Wing and FSTB in the calculation of the "50% income threshold":
- (a) the effective date of implementing the disclosure requirements under the Memorandum was 1 April 2003, but SWD only sought clarification on the calculation of the "50% income threshold" with the Administration Wing and FSTB in 2013;

²⁶ One of the exemption criteria of disclosure is that the government subvention constitutes a proportion of 50% or less of the subvented body's operating income whereby the proportion is the average government subvention received in the past four years to the average operating income in the same period.

²⁷ SWD's prevailing practice in calculating the "50% income threshold" and the calculation as intended by the Memorandum are compared below:

(a) SWD's existing calculation:

The NGO's operating income from SWD/Operating income of the NGO as a whole (in accordance with the NGO's audited consolidated financial statements) x 100%

(b) Calculation according to the intents of the Memorandum:

The NGO's operating income from SWD/Operating income of the NGO under the purview of Secretary for Labour and Welfare or Director of Social Welfare x 100%

Administration of lump sum grants by the Social Welfare Department

- (b) SWD had not effectively followed through the matter and did not keep proper records on the communications with the Administration Wing and FSTB. SWD only consulted the Administration Wing via a memo and followed up verbally over the phone in June and July 2013 respectively; and there was an e-mail sent by a SWD staff member to his senior officers in July 2013 reporting that FSTB was contacted for enquiry; and
- (c) no follow-up actions had been taken by SWD despite that FSTB gave a reply in July 2013 that it would need more time to consider the matter. It was only until January 2017 that SWD took up the matter again;
- notes that LWB and SWD will decide the way forward after the Administration Wing has completed its survey to confirm if the Memorandum needs updating or revising on some of the execution details, and will consult the welfare sector on the Administration Wing's calculation method in respect of the preparation of NGOs' Review Reports on the remunerations of their top three-tier staff as required under the Memorandum;

Apportioning of head office overheads by non-governmental organizations

- notes that according to LSG Manual and Financial Circular No. 9/2004 "Guidelines on the Management and Control of Government Funding for Subvented Organisations" issued by FSTB, NGOs should ensure that financial transactions are separately identified into Funding and Service Agreement ("FSA") and non-FSA activities and there should be no cross-subsidization of self-financing activities by subvented programmes in money or in kind;
- expresses concern that as revealed in the Audit Report, some NGOs had not apportioned the head office overheads between FSA and non-FSA activities or used an inappropriate basis for apportionment;
- considers that while it is important for NGOs to follow LSG Manual and other guidelines on the use of LSG subvention, SWD should enhance its communication with those NGOs which have encountered genuine difficulties in apportioning overheads between FSA and non-FSA activities, and offer advice taking into account actual circumstances of individual NGOs and the flexibility allowed for each NGO to deploy resources to meet the diversified needs of the society.

NGOs should not be discouraged by these guidelines from providing additional value-added services using the subvented resources but this should only be done on the principles that no additional resources are required and that the provision of FSA activities would not be affected;

- urges SWD to consider formulating a set of fair, effective and practical criteria on cost apportionment and providing guidelines for NGOs to follow;

Deficiencies in monitoring service quality

Self-assessment by non-governmental organizations

- acknowledges that NGOs' self-assessment mechanism, being an integral part of SWD's Service Performance Monitoring System, respects and honours the corporate governance of NGOs;
- expresses grave concern and dissatisfaction that SWD failed to effectively monitor the conduct of self-assessments by NGOs. Improper conduct of self-assessment might hinder SWD/NGOs' early detection of unsatisfactory performance and delay implementing necessary improvement measures. Cases of ineffective monitoring by SWD are as follows:
 - (a) there were cases of overstatement/understatement and miscalculation of Output/Outcome Standards reported by NGOs;
 - (b) basis and methodology used by NGOs offering the same service in measuring the Outcome Standards were different; and
 - (c) some NGOs did not observe the requirements laid down in NGOs' Service Quality Standards ("SQS") manuals in the implementation of SQSs;
- strongly urges SWD to follow up on cases with anomalies and provide guidelines to facilitate and enhance the conduct of self-assessment by NGOs, disseminate NGOs' good practices of self-assessment and ensure that NGOs observe the requirements laid down in their SQS manuals in the implementation of SQSs;

Monitoring of service delivery by Social Welfare Department

- expresses grave concern and dissatisfaction about SWD's inadequacies in monitoring service delivery by NGOs, which might hinder SWD and/or the related NGO to take timely actions to rectify the problems identified in service provision to users in need:
 - (a) Audit examined 20 Agreement Service Units ("ASUs")²⁸ that had underperformance in Output/Outcome Standards in three or more consecutive years between 2012-2013 and 2016-2017 and found that despite the submission of plans mapping out actions to be taken for improvement in each of the consecutive years, the underperformance persisted;
 - (b) in respect of the provision of Home care service for persons with severe disabilities ("HCS") and Integrated support service for persons with severe physical disabilities ("ISS"), there was significant underperformance of the required Output Standards for 2015-2016 and 2016-2017. There is room for improvement in the provision of services to users (e.g. provision of support services to users and discharge of patients); and
 - (c) there was a case in which of the five ASUs providing the same service, only three of them were required to attain Outcome Standards. Although the remaining two ASUs started to provide services since 2001 and SWD undertook to revise their FSAs in December 2016, Outcome Standards had still not been set and incorporated into their revised FSAs. In addition, of the 2 691 FSAs drawn up with ASUs as at 31 March 2017, 2 209 (82%) did not contain Outcome Standards;
- strongly urges SWD to:
 - (a) closely review those ASUs with persistent underperformance and devise with them appropriate follow-up measures;
 - (b) review underperformance of HCS and ISS services and improve their service delivery, especially on the provision of support services and the procedures on discharging patients;

²⁸ The 20 ASUs (of 14 NGOs) were selected by Audit from the self-assessment reports submitted by the 165 NGOs receiving LSG subventions in the period 2012-2013 to 2016-2017.

Administration of lump sum grants by the Social Welfare Department

- (c) discuss with the relevant NGOs on a timetable to set Outcome Standards for all existing ASUs; and
- (d) follow up on other cases with irregularities as revealed in the Audit Report;

Inadequacies in corporate governance and management

- acknowledges that to facilitate the monitoring of their work and the use of public money, NGOs are expected to be transparent in its operation by maintaining an accountability mechanism to SWD and the public. It is the responsibility of NGOs' board and management to monitor the proper use of LSG to meet the requirements and objectives set out in FSAs;

Corporate governance and accountability

- expresses grave concern and dissatisfaction about the following inadequacies in governance issues as revealed in the Audit Report, which might undermine the public's confidence in NGOs to uphold accountability and achieve good governance:
 - (a) NGOs have been given a transition period of three years (i.e. by 30 June 2017) to make arrangements for full implementation of Level One guidelines of BPM, while implementation of Level Two guidelines is on a voluntary basis. As at 31 March 2016, of the 165 and 154 NGOs which submitted their 2015-2016 self-assessment reports for Level One and Level Two guidelines respectively, only 59.4% and 24.7% of NGOs had fully implemented the respective guidelines. 7.8% of NGOs had not implemented any of the Level Two guidelines; and
 - (b) SWD has included "Guide to Corporate Governance for Subvented Organisations" in LSG Manual to help NGOs develop and maintain good practice in corporate governance. Audit review uncovered the following irregularities in board/committee members attending meetings, re-appointment of board/committee members and management of conflicts of interest:
 - (i) the proportion of board/committee members not attending any board/committee meetings was high;

- (ii) there were cases where board/committee members with low attendance rates had been re-appointed to the board/committee meetings. In one case, a board member and a committee member had been re-appointed despite the fact that they did not attend any meetings in the three years prior to the re-appointment; and
 - (iii) there were cases where some NGOs had not documented their procedures on requiring board/committee members to declare interests, had not used registration forms to record members' declaration of interests, and only required directorships of board members to be declared while other interests (e.g. pecuniary interests) were not so required;
- strongly urges SWD to follow up with those NGOs which are still in the process of implementing items under Level One guidelines, step up efforts in promoting Level Two guidelines and explore the possibility of mandating the compliance of good practices contained in the "Guide to Corporate Governance for Subvented Organisations" among NGOs so as to enhance their governance and accountability;

Problem of high staff turnover

- expresses grave concern and dissatisfaction about SWD's slow and inadequate actions to tackle the problem of high turnover of social work personnel in Hong Kong as evidenced by the following:
 - (a) the problem of staff turnover was notably on a rising trend. From the reports published by the Joint Committee on Social Work Manpower Requirements,²⁹ turnover of social work posts in Hong Kong from 2013-2014 to 2015-2016 has risen from 12.2% to 15.2%;

²⁹ The Joint Committee on Social Work Manpower Requirements is jointly set up by SWD and the Hong Kong Council of Social Service to undertake the collection and analysis of information on the demand and supply of social work personnel in Hong Kong with a view to keeping track of the manpower situation and facilitating manpower planning in the social work field.

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- (b) Audit examination of the six NGOs³⁰ showed that staff turnover from 2013-2014 to 2015-2016 ranged from 14% to 35%, and for some NGOs, staff turnover had increased over the period;
- (c) reasons for staff leaving as collected by Audit from the five NGOs showed that job-related reasons were the main cause for leaving by post-holders (i.e. job hunting, job nature and job conditions such as salaries); and
- (d) salary setting for some ranks of the six NGOs was not transparent. Pay scales had been established only for some ranks and some NGOs staff were paid below the mid-point salaries of Government's pay scales.

As the manpower problem would affect the provision of quality social services and the sustainable development of the sector, SWD should have taken a more proactive role in monitoring NGOs' staff turnover situation;

- strongly urges SWD to take a more proactive lead to address the problem of staff turnover of NGO by:
 - (a) collating relevant statistics from NGOs periodically and promulgating among NGOs the good practice of conducting exit interviews with leaving staff so as to better gauge the magnitude and underlying causes of the problem;
 - (b) reviewing the salary structures and pay scales of social welfare personnel to ensure that their remunerations and benefits are competitive enough to attract, recognize and retain talents, and taking measures to minimize the salary gap of same rank or position among different NGOs and the Government; and
 - (c) encouraging NGOs to maintain a stable and effective workplace and enhancing communication with staff on pay-related issues;

³⁰ In conducting the review, Audit visited six NGOs to examine their use of LSG subventions in general and covered matters including governance, delivery of services and financial arrangements.

Review of lump sum grant subvention system

Need to better manage potential conflicts of interest of Lump Sum Grant Independent Complaints Handling Committee

- is surprised and finds it unacceptable that a member of the LSG Independent Complaints Handling Committee ("Complaints Handling Committee"), being the head of a school run by an NGO being complained, declared no potential conflicts of interest in declaration forms prior to the holding of each of the four meetings held to deliberate seven complaints relating to the NGO. In two of the four meetings, the member had participated in discussions and in one of the meetings, the member had endorsed the results that the complaint was not substantiated. In addition, in 21 of the 31 meetings, Committee members had declared potential conflicts of interest, but none of the minutes of meetings indicated that the Chairman had made decisions on the declarations as required;
- expresses serious concern and finds it unacceptable that SWD, which provides support to the Complaints Handling Committee, lacks the sensitivity on matters relating to declaration of interests for members of the Complaints Handling Committee, bearing in mind that the Complaints Handling Committee is an important appeal mechanism in handling complaints lodged against NGOs and that the validity of rulings made by the Committee could be affected by failing to declare the actual or potential conflicts of interest concerned in process of considering or handling the relevant complaints, hence upholding the principles of transparency and accountability in the operations of the Complaints Handling Committee is of utmost importance;
- strongly urges SWD to take measures to strengthen the declaration of interests by members of the Complaints Handling Committee; remind the Chairman to make decisions on the interests declared by members and properly record all such decisions in the minutes of meetings;

Way forward for lump sum grant subvention system

- notes that as the last review of LSG was conducted more than 10 years ago in 2008 and there were voices in society and among stakeholders for another review, it is an opportune time to conduct a further review on the LSG subvention system. A Task Force has been set up to undertake the review; and

- recommends that the Task Force should take into considerations the following when undertaking the review:
 - (a) engaging different stakeholders including frontline staff and service users and gauging their views on how to enhance the subvention system;
 - (b) collating not only quantitative findings but also qualitative feedback and comments on how to improve service quality;
 - (c) reviewing the use of reserves by NGOs and to maintain an optimal balance between maximizing the use of subvention resources and maintaining NGOs' autonomy and flexibility in resources deployment to suit the present-day needs of the community;
 - (d) formulating a set of fair, effective and practical criteria for cost apportionment between FSA and non-FSA activities;
 - (e) devising improvement measures on the monitoring of service delivery and enhancing transparency and accountability for supervision by SWD and the public at large, and promoting the implementation of BPM guidelines and other useful guides on corporate governance;
 - (f) formulating staff remuneration policy with a clear salary structure, reviewing pay scale of different ranks and establishing communication channels with staff on pay-related issues;
 - (g) monitoring closely staff turnover problem in the welfare sector and devising long-term manpower planning to ensure sustainable development of the sector; and
 - (h) taking into account findings and recommendations made by the Committee and Audit in taking forward the review.

Specific comments

96. The Committee:

Financial monitoring

- expresses serious concern that:
 - (a) total amount of reserves retained by some NGOs was high. Overall reserves retained by one NGO for 2016-2017 amounted to \$3.6 billion.³¹ SWD should ensure that reserves kept by NGOs are put into gainful use at opportune times;
 - (b) in 2016-2017, of the 53 NGOs involving a total of 120 ASUs at which SWD's accounting inspections were planned to be conducted, inspections at six NGOs (11% of the 53 NGOs) involving a total of 21 ASUs (18% of the 120 ASUs) had not been conducted within 2016-2017 as planned;
 - (c) some irregularities (e.g. non-FSA items wrongly included in annual financial reports) and internal control weaknesses (e.g. in revenue collection and receipt) were commonly found in accounting inspections of ASUs of NGOs. Internal control weaknesses of ASUs of some NGOs had existed for a long period of time;
 - (d) there are other risk factors that SWD should consider in formulating its risk-based inspections (e.g. NGOs with persistent operating deficits);
 - (e) for the six NGOs visited by Audit, there were cases where the internal control procedures as set out in LSG Manual had not been properly followed; and

³¹ Information is provided in the audited financial statements submitted by the relevant NGO to SWD for 2016-2017, which includes LSG Reserve, the Provident Funds Reserve and those obtained from other services and operations. The NGO's accumulated reserves mainly came from its self-financing hostel and private education services, etc.

Administration of lump sum grants by the Social Welfare Department

- (f) the current fees and charges for subvented welfare services have been frozen at the existing level for some 18 years since 1997-1998;
- notes that:
 - (a) SWD will issue reminders to NGOs annually to remind them of their responsibility to ensure that adequate internal controls are in place;
 - (b) SWD will review regularly the fees and charges for subvented services, follow up the proposed fee adjustment in 2018-2019, and deliberate on the way forward; and
 - (c) Director of Social Welfare has agreed with Audit's recommendations in paragraphs 2.16, 2.27, 2.34, 2.41, 2.45 and 2.52 of the Audit Report;

Self-assessment of service quality by non-governmental organizations

- expresses grave concern and dissatisfaction that there was room for improvement in measuring the effectiveness of NGO services. For example, in measuring the service effectiveness upon completion of training of service users, of the 30 cases of service users examined by Audit, one NGO conducted clinical assessments of 14 cases via telephone only, instead of performing the assessments on site. Furthermore, the NGO regarded training as having completed when service users had completed 10% or more of the planned training sessions;
- notes that:
 - (a) SWD will encourage NGOs, having regard to their own circumstances, to put in place an internal service inspection mechanism with a view to enhancing their internal controls and monitoring of service performance; and
 - (b) Director of Social Welfare has agreed with Audit's recommendations in paragraphs 3.8, 3.13 and 3.17 of the Audit Report;

Monitoring of service delivery by Social Welfare Department

- expresses grave concern and dissatisfaction that:
 - (a) there is room for improvement in the provision of subventions based on caseloads attained (e.g. different determining factors used in computing caseloads, no support services provided to users in some cases, delay in discharging service users, and service users receiving both HCS and ISS);
 - (b) savings in subventions to HCS and ISS could have been achieved had SWD calculated the subventions based on the number of daily active users instead of the number of active users as at 31 March of the last financial year;
 - (c) there was room for improvement in the use of service resources by two ASUs examined by Audit (e.g. an ASU had not sought clarification from SWD on whether the activities it conducted were "FSA related" activities before conducting such activities) while another ASU had not properly used its emergency places for children whose families had crisis; and
 - (d) as at 31 March 2017, of the 2 691 ASUs, 542 (20%) had never been visited by SWD for conducting performance visits. During the performance visits, all the service users interviewed by SWD staff were pre-selected by the ASUs and some of the service users who were requested to complete questionnaires were selected by the ASUs;
- notes that:
 - (a) SWD has kick-started a review of HCS and ISS since July 2016. As far as HCS and ISS are concerned, SWD will:
 - (i) provide more guidelines on the counting of cases into the caseloads, provision of support services in accordance with the agreed care plans, and discharge of service users, etc.; and
 - (ii) set up a case cross-checking mechanism among the service operators of HCS and ISS to avoid service users receiving support services from both HCS and ISS;

Administration of lump sum grants by the Social Welfare Department

- (b) SWD will explore the feasibility of fine-tuning the existing arrangements for calculating subventions for the ASUs providing the services;
- (c) SWD will issue reminders to NGOs annually reminding them to consult SWD prior to the conduct of activities which they regard as FSA related activities but not stipulated in FSAs;
- (d) the purpose of emergency placement is to cater to the urgent residential care needs of children due to family crisis. SWD has requested the ASU to follow up closely with referring social workers on cases requiring extension of stay and to ensure that necessary approval and long-term care plan are in place to justify the need for extension. SWD will also step up the review and monitoring of the utilization of the services and duration of stay of the admitted cases with the ASU to ensure that the service is meeting the urgent residential care needs of needy children;
- (e) SWD will review regularly the approach to conducting review/surprise visits and to assess the manpower need with a view to ensuring efficient and effective conduct of performance visits;
- (f) SWD will ensure that service users involved in the assessment are not pre-selected by ASUs, and the staff conducting performance visits select samples for examination at ASUs; and
- (g) Director of Social Welfare has agreed with Audit's recommendations in paragraphs 4.4, 4.24, 4.28, 4.32, 4.37 and 4.48 of the Audit Report;

Governance and management matters

- expresses grave concern and dissatisfaction that:
 - (a) for the six NGOs visited by Audit, there were incidents where NGOs did not accurately report their implementation of the BPM guidelines in their self-assessment reports;
 - (b) of the 165 NGOs which submitted 2015-2016 self-assessment reports for Level One guidelines, 58 (35%) were late in submitting their reports;

Administration of lump sum grants by the Social Welfare Department

- (c) of the 154 NGOs which submitted 2015-2016 self-assessment reports for Level Two guidelines on a voluntary basis, only 38 had fully implemented all the seven items of the Level Two guidelines. Furthermore, 12 had indicated that they had not implemented any of such guidelines;
 - (d) during the development of BPM, best practices were to be formulated for 18 items. However, only 14 of the 18 items were formulated and incorporated as guidelines into BPM in 2014. Up to October 2017, four outstanding items relating to human resources management (e.g. staff remuneration policy and pay policy with a clear salary structure and/or starting points) had still not been formulated and incorporated as guidelines into BPM;
 - (e) four of the six NGOs had not adopted a two-tier reporting system for the declaration of interests and declaration forms were not used to record members' declaration of interests; and
 - (f) as at 31 August 2017, two of the six NGOs had not prepared strategic plans and one NGO had not prepared action plans;
- notes that:
- (a) SWD will remind NGOs to provide accurate information when they submit the self-assessment reports on the progress of implementation of BPM;
 - (b) SWD has taken various measures to facilitate NGOs' implementation of BPM in order to provide opportunities for NGOs to share experiences and good practices identified in the implementation of BPM;
 - (c) SWD has prepared a preliminary draft of the contents of the four outstanding items of BPM for deliberation by the Working Group on the Implementation Details of BPM in their previous meetings. SWD will forge agreement among NGO management, the staff side and service users on the outstanding items; and
 - (d) Director of Social Welfare has agreed with Audit's recommendations in paragraphs 5.11, 5.22 and 5.31 of the Audit Report;

Review of LSG subvention system

- expresses serious concern that as at 31 July 2017, only 11 of the 165 NGOs receiving LSG subventions had applied for funding from the Social Welfare Development Fund for conducting studies by external consultants;
- notes that Secretary for Labour and Welfare has tasked SWD to set up a Task Force to work with stakeholders to conduct a review on the enhancement of the LSG subvention system. The Task Force, comprising members from LWB, SWD, NGO management, staff side, service users and independent persons, will oversee and chart the review, including discussion of specific areas in the LSG environment to be covered in the review, the audit findings and recommendations, examination of specific areas where data collection from the sector is required, and consideration of the findings and recommendations of the review; and
- notes that Director of Social Welfare has agreed with Audit's recommendations in paragraphs 6.14 and 6.19 of the Audit Report.

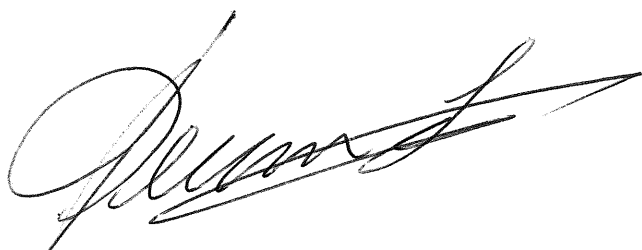
Follow-up action

97. The Committee wishes to be kept informed of the progress made in implementing the various recommendations made by the Committee and Audit.

**SIGNATURES OF THE CHAIRMAN,
DEPUTY CHAIRMAN AND MEMBERS OF THE COMMITTEE**



Abraham SHEK Lai-him
(Chairman)



Kenneth LEUNG
(Deputy Chairman)



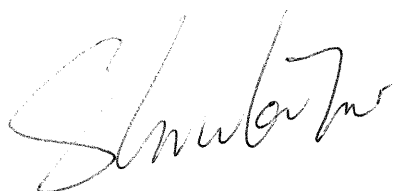
Paul TSE Wai-chun



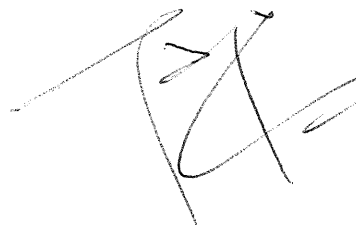
Steven HO Chun-yin



LAM Cheuk-ting



SHIU Ka-fai



Tanya CHAN

22 March 2018

**CHAPTER IN THE DIRECTOR OF AUDIT'S REPORT NO. 69
DEALT WITH IN THE PUBLIC ACCOUNTS COMMITTEE'S REPORT**

**Director of
Audit's Report
No. 69**

**P.A.C.
Report No. 69A**

<u>Chapter</u>	<u>Subject</u>	<u>Part</u>
1	Administration of lump sum grants by the Social Welfare Department	4

**RULES OF PROCEDURE OF
THE LEGISLATIVE COUNCIL OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION**

72. Public Accounts Committee

(1) There shall be a standing committee, to be called the Public Accounts Committee, to consider reports of the Director of Audit –

- (a) on the accounts of the Government;
- (b) on such other accounts required to be laid before the Council as the committee may think fit; and
- (c) on any matter incidental to the performance of his duties or the exercise of his powers as the committee may think fit.

(2) The committee shall also consider any report of the Director of Audit laid on the Table of the Council which deals with examinations (value for money audit) carried out by the Director relating to the economy, efficiency and effectiveness of any Government department or public body or any organization to which his functions as Director of Audit extend by virtue of any Ordinance or which receives public moneys by way of subvention.

(3) The committee shall consist of a chairman, deputy chairman and 5 members who shall be Members appointed by the President in accordance with an election procedure determined by the House Committee. *(L.N. 214 of 2005)*

(3A) The chairman and 2 other members shall constitute a quorum of the committee. *(L.N. 214 of 2005)*

(3B) In the event of the temporary absence of the chairman and deputy chairman, the committee may elect a chairman to act during such absence. *(L.N. 214 of 2005)*

(3C) All matters before the committee shall be decided by a majority of the members voting. Neither the chairman nor any other member presiding shall vote, unless the votes of the other members are equally divided, in which case he shall give a casting vote. *(L.N. 214 of 2005)*

(4) A report mentioned in subrules (1) and (2) shall be deemed to have been referred by the Council to the committee when it is laid on the Table of the Council.

(5) Unless the chairman otherwise orders, members of the press and of the public shall be admitted as spectators at meetings of the committee attended by any person invited by the committee under subrule (8).

(6) The committee shall meet at the time and the place determined by the chairman. Written notice of every meeting shall be given to the members and to any person invited to attend a meeting at least 5 clear days before the day of the meeting but shorter notice may be given in any case where the chairman so directs.

(7) *(Repealed L.N. 214 of 2005)*

(8) The chairman or the committee may invite any public officer, or, in the case of a report on the accounts of or relating to a non-government body or organization, any member or employee of that body or organization, to give information or any explanation or to produce any records or documents which the committee may require in the performance of its duties; and the committee may also invite any other person to assist the committee in relation to any such information, explanation, records or documents.

(9) The committee shall make their report upon the report of the Director of Audit on the accounts of the Government within 3 months (or such longer period as may be determined under section 12 of the Audit Ordinance (Cap. 122)) of the date on which the Director's report is laid on the Table of the Council.

(10) The committee shall make their report upon the report of the Director of Audit mentioned in subrule (2) within 3 months (or such longer period as may be determined by the Council) of the date on which the Director's report is laid on the Table of the Council.

(11) Subject to these Rules of Procedure, the practice and procedure of the committee shall be determined by the committee.

**Paper presented to the Provisional Legislative Council
by the Chairman of the Public Accounts Committee
at the meeting on 11 February 1998 on
Scope of Government Audit in the
Hong Kong Special Administrative Region -
'Value for Money Audits'**

SCOPE OF WORK

1. The Director of Audit may carry out examinations into the economy, efficiency and effectiveness with which any bureau, department, agency, other public body, public office, or audited organisation has discharged its functions.
2. The term "audited organisation" shall include -
 - (i) any person, body corporate or other body whose accounts the Director of Audit is empowered under any Ordinance to audit;
 - (ii) any organisation which receives more than half its income from public moneys (this should not preclude the Director from carrying out similar examinations in any organisation which receives less than half its income from public moneys by virtue of an agreement made as a condition of subvention); and
 - (iii) any organisation the accounts and records of which the Director is authorised in writing by the Chief Executive to audit in the public interest under section 15 of the Audit Ordinance (Cap. 122).
3. This definition of scope of work shall not be construed as entitling the Director of Audit to question the merits of the policy objectives of any bureau, department, agency, other public body, public office, or audited organisation in respect of which an examination is being carried out or, subject to the following Guidelines, the methods by which such policy objectives have been sought, but he may question the economy, efficiency and effectiveness of the means used to achieve them.

GUIDELINES

4. The Director of Audit should have great freedom in presenting his reports to the Legislative Council. He may draw attention to any circumstance which comes to his knowledge in the course of audit, and point out its financial implications. Subject to these Guidelines, he will not comment on policy decisions of the Executive Council and the Legislative Council, save from the point of view of their effect on the public purse.

5. In the event that the Director of Audit, during the course of carrying out an examination into the implementation of policy objectives, reasonably believes that at the time policy objectives were set and decisions made there may have been a lack of sufficient, relevant and reliable financial and other data available upon which to set such policy objectives or to make such decisions, and that critical underlying assumptions may not have been made explicit, he may carry out an investigation as to whether that belief is well founded. If it appears to be so, he should bring the matter to the attention of the Legislative Council with a view to further inquiry by the Public Accounts Committee. As such an investigation may involve consideration of the methods by which policy objectives have been sought, the Director should, in his report to the Legislative Council on the matter in question, not make any judgement on the issue, but rather present facts upon which the Public Accounts Committee may make inquiry.

6. The Director of Audit may also -

- (i) consider as to whether policy objectives have been determined, and policy decisions taken, with appropriate authority;
- (ii) consider whether there are satisfactory arrangements for considering alternative options in the implementation of policy, including the identification, selection and evaluation of such options;
- (iii) consider as to whether established policy aims and objectives have been clearly set out; whether subsequent decisions on the implementation of policy are consistent with the approved aims and objectives, and have been taken with proper authority at the appropriate level; and whether the resultant instructions to staff accord with the approved policy aims and decisions and are clearly understood by those concerned;

- (iv) consider as to whether there is conflict or potential conflict between different policy aims or objectives, or between the means chosen to implement them;
- (v) consider how far, and how effectively, policy aims and objectives have been translated into operational targets and measures of performance and whether the costs of alternative levels of service and other relevant factors have been considered, and are reviewed as costs change; and
- (vi) be entitled to exercise the powers given to him under section 9 of the Audit Ordinance (Cap. 122).

PROCEDURES

7. The Director of Audit shall report his findings on value for money audits in the Legislative Council twice each year. The first report shall be submitted to the President of the Legislative Council within seven months of the end of the financial year, or such longer period as the Chief Executive may determine. Within one month, or such longer period as the President may determine, copies shall be laid before the Legislative Council. The second report shall be submitted to the President of the Legislative Council by the 7th of April each year, or such date as the Chief Executive may determine. By the 30th April, or such date as the President may determine, copies shall be laid before the Legislative Council.

8. The Director's report shall be referred to the Public Accounts Committee for consideration when it is laid on the table of the Legislative Council. The Public Accounts Committee shall follow the rules governing the procedures of the Legislative Council in considering the Director's reports.

9. A Government minute commenting on the action Government proposes to take in respect of the Public Accounts Committee's report shall be laid on the table of the Legislative Council within three months of the laying of the report of the Committee to which it relates.

10. In this paper, reference to the Legislative Council shall, during the existence of the Provisional Legislative Council, be construed as the Provisional Legislative Council.

**Witnesses who appeared before the Committee
(in order of appearance)**

Dr LAW Chi-kwong	Secretary for Labour and Welfare
Miss Leonia TAI Shuk-yiu	Deputy Secretary for Labour and Welfare (Welfare) ¹
Mr Joseph CHAN Ho-lim	Under Secretary for Financial Services and the Treasury
Ms Carol YUEN Siu-wai	Deputy Secretary for Financial Services and the Treasury (Treasury) ¹
Ms Carol YIP	Director of Social Welfare
Mr LAM Ka-tai	Deputy Director of Social Welfare (Services)
Mr KOK Che-leung	Assistant Director of Social Welfare (Subventions)*
	Assistant Director of Social Welfare (Rehabilitation and Medical Social Services)**
Mr FONG Kai-leung	Assistant Director of Social Welfare (Rehabilitation and Medical Social Services)*
	Assistant Director of Social Welfare**
Ms Kitty CHOI Kit-yu	Director of Administration
Mr Alec LEUNG Hing-kuen	Assistant Director of Social Welfare (Finance)
Mr FUNG Man-chung	Assistant Director of Social Welfare (Family and Child Welfare)
Mrs Helen KWOK LI Mung-yee	Assistant Director of Social Welfare (Youth and Corrections)

* for the hearings held on 12 December 2017 and 13 January 2018.

** for the hearing held on 2 March 2018.

**A brief account of Chapter 1 of Report 69
“Administration of lump sum grants by the
Social Welfare Department”
by the Director of Audit
at the Public Hearing of the Public Accounts Committee
of the Legislative Council on Tuesday, 12 December 2017**

Mr. Chairman,

Thank you for inviting me to give a brief account of Chapter 1 of Report No. 69 of the Director of Audit, entitled “Administration of lump sum grants by the Social Welfare Department”.

This Audit Report comprises six PARTs.

PART 1 of the Report, namely “Introduction”, describes the background to the audit.

The Social Welfare Department (SWD) provides subventions to welfare organisations (organisations) for the provision of 140 types of welfare services, grouped generally under four areas comprising elderly services, family and child welfare services, rehabilitation services, and youth and corrections services. In January 2001, a lump sum grant (LSG) subvention system was rolled out as a major revamp of the provision of funding to organisations. The aim of introducing the LSG subvention system was to enhance organisations’ efficiency and effectiveness, improve their service quality and encourage innovation. In 2016-17, the SWD paid total subventions of \$12.5 billion to 165 organisations under the system.

Under the LSG subvention system, organisations have the flexibility in deploying LSG subventions to pay staff expenses and other operating costs. The SWD draws up Funding and Service Agreements (FSAs) with individual service units (ASUs) of an organisation. The FSAs define the welfare services to be provided by the ASUs. As at 31 March 2017, the SWD had drawn up FSAs for some 2,700 ASUs of the 165 organisations.

The Audit Commission (Audit) has recently conducted a review of the administration of LSGs by the SWD. The review has focused on financial monitoring, assessment and monitoring of organisations’ service quality, and governance of organisations.

PART 2 of the Report primarily examines financial monitoring in relation to LSG subventions.

An organisation can retain unspent LSG subventions in a reserve to meet future spending. Audit observation revealed that the aggregate amount of these reserves had been on the rise. As at 31 March 2016, a total of \$4.7 billion of reserves was retained by organisations. Audit visited six organisations and found that only some had planned their use of reserves. Meanwhile, in 2015-16, 31 organisations had incurred LSG operating deficits. Among them, 14 organisations had incurred deficits for three consecutive years, including 8 organisations that had depleted their LSG reserves.

In July 2017, the Director of Administration informed the SWD that the SWD's prevailing practice of reviewing and disclosing the remunerations of organisations' top three-tier staff (i.e. determining whether an organisation needs to make disclosure based on the 50% income threshold) had been at variance with the intents of the Circular Memorandum issued by the Director in March 2003. Owing to such variance, of the 165 organisations receiving LSG subventions in 2015-16, only 66 were required to disclose the remunerations of their senior staff.

Audit examination revealed that in addition to FSA activities as agreed with the SWD, some organisations also used LSG subventions to provide non-FSA activities, such as self-financing activities. However, the organisations had not apportioned the overheads between FSA activities and non-FSA activities. Instead, the overheads had been allocated entirely to FSA activities, thereby government subventions might have been used to cross-subsidise non-FSA activities.

Audit has recommended that the SWD should take measures to follow up and help organisations address these issues.

PART 3 of the Report examines self-assessment of service quality by organisations.

According to the SWD's LSG Manual, if a subvented organisation fails to achieve a reasonable standard of performance, the SWD may withhold or terminate its LSG subvention. To ensure that performance standards are achieved, the SWD has adopted a self-assessment mechanism. Under the mechanism, organisations are required to conduct and submit to the SWD self-assessment of attainment of performance standards on a regular basis, so that these organisations could take the initiative to improve their services. Audit examination revealed overstatement and understatement of performance reported by organisations. Audit has recommended that the SWD should remind organisations of the importance of accurate reporting of their attainment of performance

standards, so as to ensure that organisations would exercise due caution in conducting self-assessment.

PART 4 of the Report examines the SWD's monitoring of services delivered by organisations.

The SWD monitors the quality of organisations' services by reviewing performance reports submitted regularly by organisations and by conducting performance visits and annual performance reviews.

From the performance reports submitted by organisations, Audit selected and examined 20 ASUs that had underperformance in Output or Outcome Standards in three or more consecutive years in the five-year period 2012-13 to 2016-17. Audit found that although the organisations concerned had submitted action plans to improve their services, the underperformance persisted. All of the ASUs had received full LSG subventions from the SWD.

Among the some 2,700 ASUs, only eight ASUs' had their subventions pegged to caseloads. As these ASUs had attained the required caseloads, they received full subventions from the SWD. However, Audit found that some ASUs had underperformed. There were also cases where no services had been provided to the service users, and some ASUs had overstated caseloads as they had not discharged users in a timely manner. Furthermore, some users had received two types of services at the same time, despite that the services should not be provided concurrently to the same user. Moreover, we found that an ASU had admitted non-FSA users into its FSA activities, but the ASU had not sought clarification from the SWD on whether such an arrangement was permissible.

Furthermore, of the 2,700 FSAs drawn up with ASUs, 2,200 (82%) did not contain Outcome Standards, and 1,700 (63%) were non-time-defined and hence the ASUs concerned were not subjected to comprehensive reviews.

Audit has recommended the SWD to follow up these issues and improve the effectiveness of organisations' services.

PART 5 of the Report examines matters relating to the governance and management of organisations.

The Best Practice Manual (BPM) encourages organisations to enhance their governance in financial management, human resource management as well as corporate governance and accountability. Audit found that some organisations did not accurately report their implementation of the BPM guidelines in their self-assessment reports. In addition, the SWD had not incorporated into the BPM four items relating to human

resource management.

Of the six organisations visited, Audit found that only two had compiled attendance rates of board/committee members. In the period 2013-14 to 2015-16, the proportion of board/committee members who did not attend any board/committee meetings was as high as 21%. Furthermore, four organisations had not used registration forms to record members' declaration of interests. During 2013-14 to 2015-16, staff turnovers of the six organisations were on the high side, ranging from some 14% to 35%. Audit further noted that pay-related issues had affected the organisations' staff morale and stability.

Audit has recommended that the SWD should follow up the above issues, alert organisations to these issues and render assistance to them.

PART 6 of the Report examines issues relating to the review of the LSG subvention system.

More than eight years have elapsed since the LSG subvention system was last reviewed, it is now an opportune time to conduct a further review to optimise the system.

Our views and recommendations had been agreed by the department/bureau concerned. I would like to take this opportunity to acknowledge with gratitude their full cooperation and assistance as well as positive response during the course of the audit review.

Thank you, Mr. Chairman.

**Meeting of the Public Accounts Committee of the Legislative Council
on 12 December 2017**

**Director of Audit's Report No. 69
Chapter 1: Administration of lump sum grants
by the Social Welfare Department**

**Opening Remarks by the Secretary for Labour and Welfare
(English Translation)**

Chairman,

The Government accepts the recommendations in Chapter 1 of the Director of Audit's Report No. 69 on the administration of lump sum grants by the Social Welfare Department (SWD). The SWD will follow up with the sector on the recommendations to strengthen financial monitoring, self-assessment of service quality by non-governmental organisations (NGOs), monitoring of service delivery by the SWD, and the governance and management of NGOs under the Lump Sum Grant (LSG) Subvention System. The Government will also collaborate with the sector to conduct a review on how to optimise the LSG Subvention System.

2. Regarding the implementation of the LSG Subvention System, the key follow-up actions to be taken by the SWD include: -

- (i) examining NGOs' LSG Reserve and their audited financial statements to ascertain their ongoing financial viability;
- (ii) discussing with NGOs the new implementation method on the disclosure of emoluments of NGOs' staff in the top three tiers in light of the promulgation of the guidelines for the control and monitoring of remuneration practices in subvented bodies as set out in the Circular Memorandum issued by the Administration Wing in March 2003;
- (iii) reminding NGOs to put in place adequate internal controls for minimising occurrence of irregularities; to properly apportion costs between Funding and Service Agreement (FSA) activities and non-FSA activities; to exercise due care in conducting self-assessment of service quality; and to monitor and review their human resource management issues with a view to enhancing transparency and communication with staff;

- (iv) monitoring services with persistent underperformance and deliberating on appropriate follow-up measures, as well as setting or reviewing the Outcome Standards for Agreement Service Units; and
- (v) promoting the implementation of the four outstanding items of the Best Practice Manual concerning human resource management.

3. Since the introduction of the LSG Subvention System in 2001, the Government has been in continuous communication and discussion with the sector on the concerns of stakeholders and adopted enhancement measures to, among others, help NGOs strengthen their governance and service quality and build up reliable teams. In 2008, an Independent Review Committee was appointed by the Government to assess the overall effectiveness of the LSG Subvention System and identify the scope for improvement. The Independent Review Committee concluded that the principles of the LSG Subvention System were sound and hence the system was worth retaining. The Government has since implemented all 36 recommendations of the Independent Review Committee.

4. After the implementation of the LSG Subvention System, the Government has provided NGOs with additional one-off allocations of over \$4 billion and additional recurrent funding of over \$800 million to help them in the implementation of staff training, system upgrade and service studies; enhancing central administrative and supervisory support; and recruiting professionals, etc.

5. Apart from additional resources, the Government has commissioned universities, consultants and social service agencies to conduct training programmes on many occasions for enhancing the governance capabilities of the management of NGOs. From September 2015 to February 2016, the SWD organised the Envisioning Programme on the Best Practice Manual for the boards of directors and senior management of NGOs to exchange their knowledge and experience on the challenges and opportunities arising from the enhanced transparency and accountability in corporate governance.

6. The Government will continue its collaboration with the sector to facilitate the development of the LSG Subvention System. In fact, the Chief Executive has indicated in the Policy Agenda that the Government would discuss with the social welfare sector on ways to optimise the LSG Subvention System. In this connection, I have tasked the SWD to set up a Task Force for Review on Enhancement of Lump Sum Grant Subvention System (Task Force) to conduct a review with the participation of stakeholders in the social welfare sector. The Task Force is comprised of members of the Legislative Council, representative(s) of the Hong Kong Council of Social Service, the Hong Kong Social Workers Association, management of NGOs,

staff side, service users, LSG-related committees, independent persons, the Labour and Welfare Bureau and the SWD. It convened its first meeting on 27 November 2017. Once the scope of the review is determined, the review is expected to be completed within two years. In conducting the review, the Government will take into account the recommendations in the Audit Report.

7. My colleagues and I are pleased to answer questions raised by Members. Thank you, Chairman.

- End -

本署檔號 OUR REF. : SWD/S/4/35C Pt.5
來函檔號 YOUR REF. : CB4/PAC/R69
電話 TEL NO. : 2892 5101
圖文傳真 FAXLINE : 2575 5632

5 January 2018

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

Dear Mr CHU,

Public Accounts Committee
Consideration of Chapter 1 of the Director of Audit's Report No. 69
Administration of lump sum grants by the Social Welfare Department

Thank you for your letter of 13 December 2017 to the Director of Social Welfare. I have been authorised to reply to the issues raised in your letter relating to the subject matter.

Preamble

The Lump Sum Grant Subvention System (LSGSS) was introduced in 2001, with 165 non-governmental organisations (NGOs) currently subvented under the LSGSS. The main features and operation of the LSGSS have been outlined in paragraphs 1.8 to 1.19 of the Director of Audit's Report No. 69 (the Audit Report). Our reply to the specific issues raised in your letter is as follows: –

(1) Lump Sum Grant Manual

The Lump Sum Grant (LSG) Manual (October 2016), attached herewith as **Annex 1**, has been uploaded onto the website of the Social Welfare Department (SWD) at the following URL:

https://www.swd.gov.hk/en/index/site_ngo/page_subventions/sub_lsgmanual/

(2) Calculation Method and Basis of Provision of LSG Subvention

LSG subvention is calculated on the basis of the provisions covered by the traditional subvention system (including recognised staff salaries and recognised Other Charges (OC), minus the recognised fee income). The relevant calculation and adjustment method has been detailed in paragraphs 2.4 to 2.10 of the LSG Manual and paragraph 1.12 of the Audit Report.

Calculation of OC Provisions

OC broadly cover operating expenses such as administrative expenses, utilities expenses, stores and equipment, programme expenses, insurance and meals, etc. The benchmark under which OC provisions are calculated by the SWD is determined on the following basis:

- the level of provisions for the service before the introduction of the LSGSS;
- reference to operating expenses of identical or similar services;
- additional provisions required to meet the special needs of individual service units (e.g. repair/maintenance of elevators, slopes, sewage treatment facilities, etc.);
- reference to service experience drawn from pilot schemes; or
- views from the welfare sector.

Prior to 2012-13, OC provisions were adjusted annually according to price movements of “other purchases of goods and services” made by the Government. Having collected the views of the welfare sector and obtained the endorsement of the Lump Sum Grant Steering Committee (LSGSC), the SWD adopted changes to the Composite Consumer Price Index as the basis of annual adjustments to OC provisions from 2012-13 onwards (please refer to paragraph 2.12 of the LSG Manual).

Adjustment of LSG Subvention

The Government has been reviewing the service needs and views from the welfare sector from time to time with a view to adjusting the LSG subvention. Subsidies and supportive measures have been provided to NGOs on many occasions in the past to help them cater for different situations and needs. For example, since 2014-15, the Government provided NGOs with an additional annual recurrent funding for the enhancement of the LSGSS, in order to strengthen central administrative and supervisory support, make additional allocation to OC, and assist NGOs to recruit and retain paramedical staff more effectively or to hire paramedical services for provision of services subsidised by the SWD; and in 2017-18, the Government increased OC provisions to cover the electricity expenses incurred by provision of full air-conditioning in all subvented residential care service units. The many funding adjustments in the past involved additional recurrent funding of over \$800 million and additional non-recurrent funding of over \$4.3 billion in total.



Under paragraphs 2.14 and 2.15 of the LSG Manual, NGOs have the flexibility to deploy their LSG for purposes including staff expenses and other operating expenses. For example, resources may be deployed from OC to salaries and vice versa to meet operational needs. Moreover, LSG-subvented NGOs were notified by the SWD in writing on 22 May 2009 that in exceptional and justifiable cases, applications may be made by NGOs to advance OC provision of the year. To date, no such applications have been received from NGOs.

(3) The Additional Recurrent Funding of \$470 Million in 2014-15

The SWD from time to time collects views from the welfare sector on the enhancement of LSGSS. Starting from 2014-15, the Government has allocated additional recurrent funding of \$470 million to NGOs, with details as follows:

(i) Central Administrative Support (Additional recurrent funding of about \$160 million)

In the light of the changing circumstances in social and service development, the additional funding for central administrative support aimed at assisting all subvented NGOs to enhance their human resources and financial management, improve their administrative efficiency by applying information technology, strengthen administrative support to cope with new statutory requirements and those of Government guidelines (e.g. the Best Practice Manual (BPM) implemented by phases in 2014), and strengthen internal control, etc.;

(ii) Supervisory Support (Additional recurrent funding of about \$130 million)

The supervisory support under the funding to NGOs aimed at providing frontline social workers with supervision and training, guiding instructions on the handling of more complicated cases (e.g. cases involving risks, violence or attracting media concern), as well as service collaboration with other professionals, Government departments and relevant stakeholders in the provision of services for enhancing the quality of frontline services. The additional funding would result in a creation of over 150 supervisory positions equivalent to the social work officer rank in NGOs. Supervisory staff with professional experience could be employed by NGOs using the additional funding to provide training and supervisory support for frontline workers in order to enhance the quality of frontline services, as well as creating more promotional opportunities for experienced staff. This improvement measure would raise the overall supervisory support to 100%, and such funding for 100% supervisory support would be included in new services to be launched in the future.

- (iii) Paramedical Support (Additional recurrent funding of about \$130 million)

The Lump Sum Grant Independent Review Committee (IRC) published the Review Report on the LSGSS in December 2008. It recognised that those NGOs having the need to employ paramedical staff faced great difficulty in catching up with their rising pay trends, and that NGOs must offer better remuneration packages in order to attract and retain these staff. Since 2009, the SWD has channelled additional funding from the Lotteries Fund to organisations in need under a pilot scheme, which covered a total of 15 ranks including nurses, physiologists, occupational therapists, speech therapists and clinical psychologists, to assist subvented NGOs in providing additional salaries and Mandatory Provident Fund contributions for paramedical staff, or hiring of paramedical services for provision of services subsidised by the SWD. The initiative has benefited 75 organisations, involving over 3 000 positions. The provision of additional recurrent funding of \$130 million starting from 2014-15 was an extended measure of the pilot scheme to regularise the initiative for organisations to formulate long-term plans with ease, and make flexible adjustment to the salaries of paramedical staff, so as to meet their specific service and developmental needs. Such additional funding for paramedical service support would also be included in new services to be launched in the future.

- (iv) OC (Additional recurrent funding of about \$48 million)

The additional funding aimed at supporting NGOs to cope with inflation, especially in areas such as food prices and insurance for employees.

(4) Refund of LSG Reserve

NGOs receiving LSG subvention are required to refund to the Government in the following year the amount above the cap for their LSG Reserves if the level of their reserves (excluding Provident Fund (PF) Reserve and the LSG Reserve kept in a holding account as permitted earlier) exceeds 25% of the operating expenditure (excluding PF expenditure) for the year. Details of the refund over the past 5 years are set out as follows –



<u>Year</u>	<u>Number of NGOs¹</u>	<u>Total amount of reserve refunded / to be refunded¹</u> <u>(\$ million)</u>
2011-12	23	16.6
2012-13	17	10.8
2013-14	17	12.7
2014-15	30	50.9
2015-16	34	41.6

(5) Requirement for Keeping Surplus Funds in LSG Reserve (including those kept in the holding account) and PF Reserve

According to paragraph 2.32 of the LSG Manual, an amount of cash equivalent to the LSG Reserve (including that kept in the holding account) must be kept in a separate interest-bearing account with a bank licensed in Hong Kong. NGOs may invest surplus funds in their LSG Reserves in form of bank deposits, bonds or certificates of deposit in Hong Kong dollars based on the investment framework specified in paragraph 2.33 of the LSG Manual. It is stipulated in paragraph 2.40(a) of the LSG Manual that PF Reserves can only be used for PF commitments in the future. If necessary, the SWD will request NGOs to explain how LSG Reserve and PF Reserve are kept.

(6) Use of PF Reserve and Responsibility of NGOs

The LSG Manual requires the following: –

- (i) NGOs should be held directly accountable to the SWD and the public for the proper and prudent use of public funds. It is the responsibility of NGOs' governing boards and management to maintain proper control of the LSG and ensure that the use of the LSG meets the requirements and objectives set out in the Funding and Service Agreements (FSAs), and complies with the LSG Manual (paragraph 4.9 of the LSG Manual)².

¹ The number of NGOs and the amount of reserve that should be refunded to the Government have been calculated based on a preliminary review conducted by the SWD on the Annual Financial Reports (AFRs) submitted by individual NGOs. The data may be amended subject to subsequent supplemental information.

² In addition to the LSG Manual, NGOs are also required to comply with the requirements as stipulated in LSG Circulars, relevant letters/notifications and the Level One guidelines in the BPM.

- (ii) NGOs are required to ensure that the LSG is spent in the most cost-effective manner and for intended purposes. NGOs should have clear Human Resource Management policies and programmes in respect of pay and reward systems (paragraph 5.9 of the LSG Manual).

According to the Level One guidelines of BPM³: –

- (i) NGOs’ governing boards/management committees are required to discuss in their meeting(s), at least once a year, how to manage and utilise LSG Reserve and PF Reserve, and the discussion has to be put on record.
- (ii) NGOs are required to have documents setting out the policies and procedures on managing and monitoring LSG Reserve and PF Reserve, and to make known to staff such procedures.
- (iii) NGOs are required to report on the management and utilisation of the PF Reserve in the past year, and provide a brief plan on how the reserve is going to be used in the future at their annual general meetings/in their annual reports. NGOs are also required to, through suitable channels, disseminate to staff information about utilisation of PF Reserve in the past year and provide a brief plan on how the reserve is going to be used in the future, with a view to facilitating the proper use of resources and enhancing transparency.

As part of their own governance and human resource deployment, NGOs may adjust the percentage of PF contributions for non-Snapshot Staff and disburse special contributions to reward staff for their good performance. The staff will benefit if NGOs can make proper use of PF Reserve by increasing the percentage of contributions or disbursing one-off contributions to reward non-Snapshot Staff for their good performance. Meanwhile, the SWD reviews relevant policies from time to time.

(7) Benchmark for PF Provisions

In order to help NGOs join the LSGSS and ensure that they have adequate funds to honour their contractual commitment to “Snapshot Staff” (i.e. serving staff as at 1 April 2000) in terms of PF contribution rates (with the employer’s contribution rate at 5%, 10% or 15% depending on the length of service), PF provisions are calculated by the Government on an actual basis. For “non-Snapshot Staff” (those employed after 1 April 2000), PF provisions are calculated at 6.8% of the mid-point salaries of the recognised notional staff establishment, a rate determined by the

³ Use of PF Reserve for non-Snapshot Staff (BPM item 4) and Status of PF Reserve (BPM item 5) are part of the Level One guidelines, which are expected to be followed by NGOs unless there are strong justifications not to do so.



Government on the basis of the average PF contribution rate of the sector at the time, so that NGOs may draw up their own PF policy as appropriate in accordance with their human resources policy and financial position.

The Government embarked in November 2017 on a review on the enhancement of the LSGSS. One of the areas under the proposed scope of the review is to examine the benchmark for PF provisions.

(8) Statistics on PF

The SWD does not collect information on the participation of NGOs in various PF schemes.

Based on the Annual Financial Reports (AFRs) of NGOs for 2015-16, their total expenditures on PF contribution for Snapshot and non-Snapshot Staff were about \$390 million and \$450 million respectively.

(9) Use of LSG Reserve

(a) Growth of LSG Reserve

As explained in our reply for item (6) above, NGOs must comply with the requirements in the LSG Manual and the BPM relating to the use of LSG Reserve. Review of AFRs and audited annual financial statements of an NGO as a whole (both submitted by the NGO) and on-site inspections are conducted by the SWD to review whether requirements with respect to the use of LSG subvention and reserve are met. All NGOs with an LSG Reserve of above \$100 million as at 31 March 2016 (shown in Table 5 of the Audit Report) were large NGOs. Given that they provide more subvented services, the level of reserves retained would be relatively higher. The SWD will follow up if their LSG Reserve exceeds 25% of their operating expenditure for the year.

(b) BPM Requirements

As explained in our reply for item (6) above regarding the use of PF Reserve, the BPM sets out the requirements⁴ on the management and use of LSG Reserve. Based on actual circumstances and development strategies, NGOs are required to decide on their own how LSG Reserve is to be utilised in different areas. NGOs' governing boards/management committees are required to discuss in their meeting(s) at least once a year how to manage and utilise the reserve, and to consider during the discussion how to maximise the use of the reserve for the NGOs' development, and

⁴ Management of the LSG Reserve (Item 1 of the BPM) and Status of the LSG Reserve (Item 3 of the BPM) are both Level One guidelines, i.e. those that NGOs are expected to follow unless there are strong justifications not to do so.

the discussion has to be put on record. NGOs are required to have documents setting out the policies and procedures on managing and monitoring their LSG Reserves, and to make known to the staff such procedures. Public accountability of NGOs is strengthened through enhancing transparency and releasing information to the stakeholders. Based on the principle of corporate governance, NGOs are not required under the BPM to submit to the SWD their plans on how to utilise the reserve.

(c) Implementation of the BPM

NGOs are reminded by the SWD on a yearly basis, by email with the BPM attached for their reference, to submit their BPM self-assessment checklists. The details and requirements for implementation are set out in the BPM with stipulation of follow-up if an NGO does not comply with Level One guidelines in the workflow for implementation, including if the NGOs persistently fail to comply with Level One guidelines, the case will be submitted to the LSGSC for discussion and recommendation for follow-up action.

Self-assessment checklists for 2016-17, which report the implementation of the BPM as at 31 March 2017, have been submitted by the NGOs before 31 October 2017. According to the self-assessment checklists, the implementation of Level One guidelines is as follows: –

- “Maximised Use of LSG Reserve” has been implemented by 158 NGOs (96%);
- “Status of LSG Reserve” has been implemented by 161 NGOs (98%);
- “Use of PF Reserve” has been implemented by 153 NGOs (93%);
- “Status of PF Reserve” has been implemented by 162 NGOs (98%);
- “Salary Adjustment” has been implemented by 163 NGOs (99%);
- “Composition, Duties and Responsibilities on Handling Complaints at Different Levels” has been implemented by 163 NGOs (99%); and
- “NGOs’ Policies and Procedures on Complaints Handling” has been implemented by 163 NGOs (99%).

As NGOs were allowed to complete the implementation of Level One guidelines by 30 June 2017, the SWD has liaised with the NGOs after their submission of self-assessment checklists. Initial information suggests that all NGOs are capable of implementing all Level One guidelines. As such, it is not necessary for any NGO to apply for exemption.

(d) The Use of LSG Reserve for Incentive Payments

Under the LSGSS, NGOs may determine the salaries/remuneration and fringe benefits for their staff with reference to factors such as their respective human resources policies and financial positions, with the premise that service quality can be maintained and regulations stipulated in the FSAs can be complied with. Apart from using the resources as the basic salaries, NGOs may reward and retain their staff by



means of providing incentive payments or cash allowance as part of employees' remuneration packages.

As mentioned in item (6) above, while NGOs are allowed to flexibly deploy LSG subventions (including LSG Reserve), they have to comply with the following requirements: –

- (i) NGOs should ensure that the organisations are directly accountable to the SWD and the public for the proper and prudent use of public funds. It is the responsibility of NGOs' governing boards and management to maintain proper control of the LSG, ensure that the use of the LSG meets the requirements and objectives set out in the FSAs and complies with the conditions spelt out in the LSG Manual, and spend the LSG for the intended purposes in the most cost-effective manner.
- (ii) NGOs should have clear Human Resource Management policies and programmes in respect of pay and reward systems.
- (iii) According to the requirements set out in paragraphs 4.14 to 4.19 in the LSG Manual, NGOs should disclose their AFRs and their Review Reports on Remuneration Packages for Staff in the Top Three Tiers (RRs) (subject to fulfillment of the conditions set out in paragraph 4.17 in the LSG Manual) through specified channels for public scrutiny. Since June 2017, the SWD has either uploaded the AFRs of NGOs and the RRs (if applicable) on the SWD's website⁵, or provided links to the webpages of the NGOs. If the increments of the remuneration packages for staff in the top three tiers (incentive payments or cash allowance inclusive) exceed appropriate levels, the SWD will require an explanation from the NGOs concerned or even arrange a meeting with their governing boards/management committees to request the NGOs to make adjustment.

In addition, for requirements relating to the management of the LSG and the status of Reserve set out in the BPM (both are Level One guidelines), please refer to our response in item 9(b) above.

With enhanced transparency under the aforesaid requirements and guidelines, coupled with NGOs' accountability system to the SWD and the public, it is believed that effective monitoring of the use of the LSG and the LSG Reserve for intended purposes can be achieved.

⁵ URL: https://www.swd.gov.hk/en/index/site_ngo/page_AFRandRR/

(10) Operating Deficits of 14 NGOs and the Depletion of LSG Reserves for 8 NGOs

(a) Reasons for NGOs to Incur Huge or Persistent LSG Operating Deficits and Follow-up Actions

Reasons for NGOs to run huge or persistent operating deficits in certain years vary. These include, for instance, the need to allocate funding to cover non-recurrent expenses under special or emergency circumstances, a tide-over period for services or manpower (e.g. more employees' salaries have exceeded the mid-point salary), staff wastage lower than the anticipated level, recruiting or retaining staff by higher salaries with reference to the market situation, etc. According to the information provided by the NGOs involved, it is generally due to the aforesaid reasons that they incurred LSG operating deficits for a particular year or consecutive years, and they have strategically used LSG Reserves/NGOs' overall reserves to meet the needs of subvented services and maintain service quality. The NGOs concerned have considerable levels of LSG Reserve (including the balances in their holding accounts) or overall reserve.

To determine that NGOs can provide subvented services as requested in a sustainable and stable manner under sound financial position, the SWD will continue to review their financial positions regularly based on the AFRs and annual audited financial statements submitted by NGOs, and ascertain whether or not any improvement has been made for persistent deficits with reasons, and follow up on a need basis.

Please refer to our response to item 10(c) for the follow-up actions of the SWD.

(b) Any Impact of LSG Deficits on Service Performance

According to the information obtained by the SWD, the service performance of the 14 NGOs, which had incurred LSG operating deficits for three consecutive years from 2013-14 to 2015-16 as indicated in Table 7 and Table 8 of the Audit Report, was not affected by the operating deficits.

The SWD monitors the service performance of all subvented NGOs through the Service Performance Monitoring System (SPMS). Under the SPMS, the SWD formulates FSAs with subvented NGOs to determine their service performance standards and assess their service performance. Subvented NGOs are required to manage their service units properly to ensure that the subvented services provided comply with the requirements and performance standards as laid down in the FSAs, including the Essential Service Requirements, Output/Outcome Standards and Service Quality Standards.

Apart from requiring NGOs' periodic submission of quarterly statistical reports and annual self-assessment reports, the SWD will also conduct visits to all



subvented NGOs in every monitoring cycle (one cycle every three years) and conduct review visits or surprise visits to selected subvented service units in order to assess and monitor their service performance. Besides, to review the service quality, the SWD will conduct on-site assessment at service units operating new services, and service units with alleged or suspected problematic performance. For any non-compliance identified, the NGOs concerned will be required to submit improvement plans, and the progress of which will be monitored by the SWD.

(c) Measures for Monitoring the Financial Soundness of NGOs with Operating Deficits

The SWD has all along been monitoring NGOs' compliance with the relevant requirements stipulated in the LSG Manual and the BPM, and will continue to conduct regular reviews on the AFRs and annual audited financial statements submitted by NGOs to ascertain their financial soundness.

As shown in Table 7 and Table 8 in the Audit Report, the 14 NGOs which had incurred operating deficits for three consecutive years from 2013-14 to 2015-16 still had considerable amounts of LSG Reserve (including the holding account balances) or overall reserve. These situations could be properly dealt with by using LSG Reserves, and NGOs should formulate their own governance and accountability frameworks to determine the use of LSG Reserves (paragraphs 2.37 to 2.41 of the LSG Manual).

If NGOs anticipate financial difficulty, their boards should have thorough deliberation and inform the SWD in advance, so that remedial measures can be taken as appropriate before the NGOs exhaust their reserves (paragraph 3.20 of the LSG Manual).

If NGOs are incurring persistent and huge deficits or mobilising a large sum of reserves in the operation of LSG-subvented services, the SWD will, in the light of the circumstances, take different actions, such as: –

- (i) conduct interviews with the boards/management committees to ascertain the underlying reasons, including the overall income in addition to subventions from the SWD; give advice, conduct reviews and request NGOs to submit financial reports, financial projections and follow-up plans, where necessary, in order for NGOs to continue the provision of subvented services as required while maintaining a healthy financial position;
- (ii) The SWD will also consider submitting the cases to the LSGSC for deliberation and recommendation on follow-up plans. Based on the circumstances of the cases and the recommendations from the LSGSC, the SWD will determine the follow-up actions, such as issuing warning letters to NGOs, and conducting interviews with NGOs' boards for

explanations. If NGOs persistently fail to make improvement, the SWD does not rule out the possibility of imposing penalties on the advice of the LSGSC; and

- (iii) The SWD has always been encouraging NGOs to conduct actuarial or relevant financial studies using the Social Welfare Development Fund. So far, 11 NGOs have received funding allocations to conduct actuarial studies and relevant study projects. NGOs provided with funding are required to report on the progress and effectiveness of their projects on an annual basis. Upon completion of the projects, the SWD will collect NGOs' experience gained in conducting the actuarial studies, and will actively encourage these NGOs to share their findings with other NGOs.

The Government embarked in November 2017 on a review on the enhancement of the LSGSS. One of the areas under the proposed scope of the review is to examine NGOs' financial positions and planning so that services will be provided through sustainable and effective use of resources.

(d) Latest Information on NGOs' Deficits

The LSG surplus/(deficit) and overall reserve for 2016-17 of the 14 NGOs which had incurred LSG deficits for three consecutive years from 2013-14 to 2015-16 were as follows: –

NGOs	NGOs' LSG surplus/(deficit) for 2016-17⁶ (\$)	Overall Reserve⁷ of NGOs for 2016-17 (\$)
NGO 1	(2,876,193)	29,938,812
NGO 2	546,348	31,983,328
NGO 3	(38,368)	9,845,764
NGO 4	(1,116,905)	55,276,356
NGO 5	(855,793)	282,465,489
NGO 6	(5,969)	15,638,326
NGO 7	(65,805)	14,803,437
NGO 8	290,260	6,032,418
NGO K	(7,040,982)	449,637,576
NGO 9	(8,632,250)	96,712,042
NGO 10	(8,674,653)	174,297,192
NGO 11	(2,220,739)	3,603,930,914
NGO 12	644,183	6,755,797
NGO 13	(110,319)	2,485,369

⁶ The figures above are provided by the NGOs in their 2016-17 AFRs. They are subject to further review by the SWD.

⁷ Overall reserve as reported in Audited Financial Statements for 2016-17 submitted by the NGOs listed.



Please refer to our response to item 10(c) above for the follow-up actions of the SWD.

(e) Staff in NGO K Receiving Annual Emoluments of over \$500,000

Based on the information provided by NGO K, a number of staff members in NGO K received an annual emolument ranging from \$500,000 to \$600,000 between 2014-15 and 2015-16 as a result of reference to civil service salary adjustments and yearly increments. During this period, the NGO did not employ significantly more staff with annual emoluments exceeding \$500,000. As indicated by the relevant information, the increase in expenditure on staff emoluments may be one of the reasons for its operating deficits.

Staff with annual emoluments exceeding \$500,000 made up 17% of all subvented staff in NGO K in 2014-15, and 27% in 2015-16. The expenditure on emoluments for staff with annual emoluments exceeding \$500,000, as a percentage of the NGO's operating income from the Labour and Welfare Bureau (LWB) and the SWD, was about 37% in 2014-15 and 52% in 2015-16.

Normally, about 80% of NGOs' recurrent expenditure would be on the personal emoluments of staff. This proportion may vary in respect of different NGOs for various reasons, such as seniority of staff and types of services provided by NGOs. If the services operated by an NGO are in high demand for staff, the proportion of personal emoluments to recurrent expenditure will also be higher. In the case of NGO K, its staff emoluments accounting for about 70% or 72% of the total expenditure. This is not a particularly high ratio.

(11) Reasons for Delay in the Implementation of the 2003 Memorandum

Prior to the publication of the 2003 Memorandum by the Administration Wing, the SWD had agreed with the welfare sector an elaborate set of rules and guidelines for the subvention in respect of NGOs funded on the LSGSS established in 2001. They were documented in the LSG Manual then to the effect that NGOs were required to disclose expenditures in personal emoluments in their AFRs by the number of posts, and six bands of every additional \$100,000 for annual remuneration packages exceeding \$500,000, and their AFRs. Besides, during accounting inspections from 2001 to 2012, the Finance Branch of the SWD also collected information on the personal emoluments of the top three highest paid staff members of the service units or central administration offices under inspection.

When the Memorandum was promulgated in 2003, the LSGSS had just been introduced for a short period of time. Taking into account the need to amend the LSG Manual in order to implement the guidelines as set out in the Memorandum, and that any amendment to the LSG Manual must be based on a consensus between the SWD and the welfare sector because the Manual was finalised after extensive

consultation with the welfare sector, the SWD did not implement the guidelines in the Memorandum immediately.

In 2008, the Government appointed the IRC to review the LSGSS. The IRC made 36 recommendations in the Review Report on the LSGSS⁸, of which recommendation no. 29 stated that the SWD should consult the NGOs with a view to implementing the Government guidelines on the monitoring of remunerations of senior executives in subvented bodies (i.e. the relevant guidelines in the 2003 Memorandum). Having considered the consensus built in the process of the review, it was discussed and agreed in a meeting of the LSGSC in January 2010 that the SWD should, in accordance with the guidelines as set out in the Memorandum, inform subvented NGOs of the relevant arrangement in writing and request them to submit their RRs for 2009-10.

Under the LSGSS, the accountability of NGOs is specified in the LSG Manual and the requirements are set out regarding the transparency of NGOs in their use of public funds and their public accountability. It includes what is mentioned in item (9)(d) above that NGOs should disclose to the public their AFRs containing information of expenditure in personal emoluments, and that the SWD should collect information on the personal emoluments of staff in the top three tiers. The public can gain access to the relevant information on the SWD website.

The SWD has all along clearly specified in the LSG Manual the requirements on accountability and monitoring by the SWD. As for the guidelines in the Memorandum, the SWD was of the view that, after the completion of the work of the IRC, it was still necessary to reach a consensus (over the criteria, method of assessment and channels of disclosure, etc.) with more than 160 NGOs of varied scales before actual implementation.

(12) The SWD Sought Advice from the Administration Wing

In response to the concerns and questions raised by Members of the Legislative Council in 2013 about how the Government would monitor the remuneration of senior executives of subvented bodies, the SWD saw the need to seek advice on the consistency among various Government bureaux/departments (B/Ds) in administering the guidelines in the 2003 Memorandum and on other relevant matters, including privacy of the individual, public interest, whether the SWD and other B/Ds had a common understanding of the exemption criteria in relation to the 50% threshold, and how B/Ds should make their own arrangements under this exemption criteria. In this connection, the SWD consulted the Administration Wing in writing in June 2013.

⁸ URL: [https://www.swd.gov.hk/doc/ngo/\(5\)-Report%20eng.pdf](https://www.swd.gov.hk/doc/ngo/(5)-Report%20eng.pdf)



The communication processes between the SWD, the Administration Wing and the Financial Services and the Treasury Bureau (FSTB) in 2013 are listed chronologically in the table below:

Date	Content
24 June 2013	The SWD consulted the Administration Wing via a memo.
12 July 2013	The SWD followed up with the Administration Wing on the phone.
19 July 2013	The Administration Wing replied by email. In response to the clarification sought by the SWD on whether the exemption criteria it had adopted were in line with the guidelines as stated in the Memorandum, the Administration Wing asked the SWD to seek advice from the FSTB.
31 July 2013	The SWD staff reported to his senior officers by e-mail that the FSTB was contacted for enquiry about the 50% threshold. The FSTB advised that it would need more time to consider the matter.

In general, the content of verbal discussions between the SWD and other B/Ds is recorded or followed up in writing according to actual circumstances and needs.

In the light of the concerns of the public and Members of the Legislative Council at the end of 2016 about how the Government would monitor the remuneration of senior executives of subvented bodies, the SWD sought clarification from the Administration Wing by email again in January 2017 on the basis for determining the 50% threshold in relation to the implementation of the guidelines in the 2003 Memorandum. There followed a series of deliberations via e-mail exchanges and meetings among the SWD, the Administration Wing and the FSTB. In May 2017, the Administration Wing conveyed the advice on the method of determining the 50% threshold to the SWD, i.e. Directors of Bureaux should look at the percentages of the operating income relating to the subvented bodies that receive subventions from the B/D for its responsible service/policy area, and determine whether those subventions account for more than 50% of the operating income of the subvented bodies in that specific service/policy area. The Administration Wing indicated that they would carry out a survey to find out the current practice and opinions of the implementation of the guidelines from all B/Ds to confirm if the Memorandum needs to be updated, or whether some of the execution details shall be clarified. After learning of the advice of the Administration Wing, the LWB and the SWD have been in discussion on the follow-up actions. Taking into account the time needed to discuss the arrangement with a large number of NGOs and any possible

updating/revision on the guidelines arising from the survey conducted by the Administration Wing on the implementation of the guidelines, the SWD expects that the calculation method of the 50% threshold in accordance with the Administration Wing's advice could be implemented for reporting in the 4th quarter of 2018 to reflect NGOs' positions in 2017-18.

(13) Calculation Method of the 50% Threshold

(a) SWD's Understanding of the 50% Threshold

The determination of the 50% threshold is provided for in paragraphs 6(a) and 14 of the Memorandum issued by the Administration Wing in 2003 (**Annex 2**), as well as paragraph 7(a) of a relevant Legislative Council Brief dated 25 February 2003 (Ref.: CSO/ADMCR2/1136/01) (**Annex 3**) "*all subvented bodies which receive more than 50% of their operating income from the Government should review their senior staff's number, ranking and remuneration*" and paragraph 8 "*for a multi-disciplinary organisation providing services which fall under programme areas of different Directors of Bureaux, a Director of Bureau would be responsible for that part of the review report covering those senior staff who operate services under his/her policy purview*".

On the basis of the above provisions, it was the SWD's understanding at that time that to determine whether the 50% threshold was met for an NGO, the NGO's operating income received from the SWD should be divided by the operating income of the NGO as a whole.

(b) Reasons for Consulting the Administration Wing and the FSTB

Please refer to our reply to item (12) above.

(c) Enhancing Public Accountability

As mentioned in item (13)(a), the guidelines in the Memorandum were implemented by the SWD on the basis of the SWD's understanding of the 50% threshold at that time. Please refer to our reply for item (12) above for the SWD's follow-up in this regard.

The SWD has all along attached importance to the transparency and public accountability of NGOs in the use of public money. NGOs are required under relevant guidelines to disclose their AFRs and RRs (where applicable) through designated channels. Moreover, the NGOs' reports have been uploaded onto the SWD's website from June 2017 onwards to facilitate public access. In addition, the Task Force for Review on Enhancement of LSGSS appointed by the LWB and chaired by the Director of Social Welfare is planning to examine, among other areas in the



scope of the review, how to increase the transparency in the management of subvented NGOs with a view to further enhancing their public accountability.

(d) Difficulties to be Encountered by NGOs using the Administration Wing's Calculation Method of the 50% Threshold

From an audited financial statement submitted by an NGO, the SWD can only collect information about the income of the NGO as a whole and the total subvention from the SWD. There is no figure showing its total income in the welfare purview, and the NGO's income is not categorised according to source or programme area on the financial statement. At present, the presentation of an annual financial statement of an NGO as a whole as audited by a certified public accountant registered under the Professional Accountants Ordinance (Cap. 50) is not even standardised. As such, if the calculation method of the 50% threshold is revised, NGOs will be required to adapt and change the way in which their income is reported.

Moreover, with the development of diversified services and the growth of collaboration projects (such as medical-social collaboration projects), many NGOs are involved in the operation of services beyond the welfare purview (such as healthcare and education services) while receiving sums of money from different policy bureaux, government departments and the public. How each sum should be defined as belonging to the welfare purview or otherwise will affect whether an NGO is exempted from submitting a remuneration review report.

(14) Follow-up on Inadequate Internal Control by NGOs

As far as advice on internal control is concerned, it is stated in paragraph 3.23 of the LSG Manual that NGOs should always ensure that adequate internal controls are in place having regard to the nature and size of their organisation and the services provided. Advice on internal control procedures in respect of important financial activities has been provided by the SWD (e.g. paid invoices not being stamped with the word "PAID", late preparation of bank reconciliation statements, incomplete or incorrect fixed asset registers) as part of the subvention inspection process. The SWD will require NGOs found to have internal control problems to take rectification actions and submit written replies to the SWD as soon as possible (paragraph 4.10 of the LSG Manual). The SWD will remind NGOs' management annually in writing of the importance of sound internal control. The SWD will follow up on NGOs with inadequate internal control as appropriate. Moreover, the SWD will take into account various risk factors including the amount of subventions, number of service units, past performance on the compliance with the SWD's subvention guidelines, NGOs' financial position, etc. in formulating plans for accounting inspections.

(15) Cost Apportionment with NGO's Head Office

The 3 NGOs held diverse views as to the data analysis and conclusions of the Audit Commission. According to NGO I, their estimations showed that income from self-financing activities in 2015-16 was far lower than the figure in Table 14 of the Audit Report; NGO J opined that the conclusion of self-financing activities having been subsidised by the LSG was too simplistic without regard to the practice of resource sharing from a more macroscopic perspective; NGO K suggested that it had always been their practice to exclude head office expenses (including staff emoluments and other expenses) for individual non-FSA activities, i.e. such expenses have been excluded from the AFRs. The SWD will study the Audit Report and the views of the NGOs, and continue to discuss with the NGOs, in order to sort out the issues of apportioning overheads between FSA activities and non-FSA activities with a view to agreeing on a set of fair and effective criteria for cost apportionment. The SWD will continue to discuss the issue of cost apportionment with the sector, and expect to complete the relevant follow-up this year.

(16) Case 1 and Case 2

According to paragraph 3.3 of the LSG Manual, NGOs must ensure that proper books of account and other accounting records are kept for all transactions, separately identified into FSA activities and support services (including central administration and supervisory support), and non-FSA activities. It is also stipulated in paragraph 2.37 of the LSG Manual that LSG and LSG Reserve are intended for operating expenditure for FSA or FSA related activities.

The SWD has a mechanism in place to review an NGO's AFR and audited annual financial statement of the NGO as a whole and conduct LSG subvention inspection, to review whether the use of subvention complies with the SWD's requirements. The SWD will require NGO found to be non-compliant to take rectification action and submit a written reply to the SWD as soon as possible.

NGO H and G did not inform the SWD of the basis adopted for the apportionment of operating expenditure between FSA activities and non-FSA activities.

In Case 2, the full-year expenditure on emolument of NGO G's Chief Executive Officer in 2015-16 (about \$1.57 million) was about 1.2% of the NGO's operating income from the LWB and the SWD for the year.

The SWD will remind NGOs annually in writing of the need to properly apportion costs between FSA activities and non-FSA activities, and to provide advice to NGOs where required. Moreover, guidelines will be prepared by the SWD for their reference and use.



(17) Cost Apportionment

NGOs from time to time will consult the SWD on the cost apportionment between FSA activities and non-FSA activities. The SWD will offer advice on a case-by-case basis and, where necessary, hold meetings with the relevant NGOs to clarify the principles and issues at stake and discuss options for cost apportionment. The SWD will continue to consult the sector on the matter of cost apportionment with a view to providing further guidelines.

Should you have any enquiries, please contact the undersigned.

Yours sincerely,

(KOK Che Leung)
for Director of Social Welfare

c.c. Secretary for Labour and Welfare (Attn: Mr Kenneth CHENG)
Secretary for Financial Services and the Treasury (Attn: Ms Kinnie WONG)
Director of Administration (Attn: Ms Subrina CHOW)
Director of Audit (Attn: Mr Andrew CHANG)

CIRCULAR MEMORANDUM

<i>From</i> <u>Director of Administration</u> <i>Ref.</i> <u>CSO/ADM CR 2/1136/01</u> <i>Tel.</i> <u>2810 3838</u> <i>Fax</i> <u>2877 0802</u> <i>Date</i> <u>28 March 2003</u>	<i>To</i> <u>Directors of Bureaux and Permanent Secretaries</u> <i>(Attn: _____)</i> <i>Your Ref.</i> _____ <i>dated</i> _____ <i>Fax</i> _____ <i>Total Pages</i> <u>7+3+2</u>
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Internal Review of Remunerations of Senior Executives of Government-funded Bodies and New Guidelines Arising from the Review

This circular memorandum informs Directors of Bureaux of the outcome of the above review, and promulgates new guidelines and associated changes for the control and monitoring of remuneration practices in subvented bodies by Directors of Bureaux and their Controlling Officers. Relevant Directors of Bureaux are invited to take follow up actions.

Policy Decision

2. At the meeting of the Executive Council on 25 February 2003, the Council took note of:

- (a) the findings of the review of remunerations of the senior executives of 20 selected subvented bodies; and
- (b) a set of new guidelines for the effective control and monitoring of the structure, ranking and remunerations of the top three-tier executives in subvented bodies.

3. The Council ADVISED and the Chief Executive ORDERED that with the implementation of the new guidelines for the effective control and monitoring of the structure, ranking and remuneration for the top three tiers executives in subvented bodies and to avoid micro-managing remuneration practices of subvented bodies, the Government should do away with the subvention guideline premised upon the “no better than” principle.

Findings of Review on Selected Bodies

4. In January 2002, the Government initiated an internal review of remunerations of senior executives of government-funded bodies. A Steering Committee convened by the Chief Secretary for Administration was set up to oversee the review. The Steering Committee eventually selected 20 subvented bodies for detailed examination.

5. The Steering Committee concluded the review in December 2002. According to the review report, there should be changes to or further reviews of the remuneration practices of the following six organisations (excluding the Hong Kong Arts Development Council for which follow-up action has been completed), namely –

Vocational Training Council
Employees Retraining Board
Equal Opportunities Commission
Hong Kong Sports Development Board
Hong Kong Philharmonic Society Ltd
Hospital Authority

The relevant Directors of Bureaux undertook to take timely follow-up action in accordance with the review report.

New Guidelines for the Control and Monitoring of Remuneration Practices in respect of Senior Executives in Subvented Bodies

6. In the light of public concern, the Steering Committee decided to strengthen the monitoring and control of remuneration practices in respect of the top three tiers of staff in subvented bodies. It is believed that a proper framework governing remuneration practices for senior executives of an organisation would in effect filter down to other tiers of staff. Specifically, the Steering Committee decided to adopt the following new guidelines for the effective control and monitoring of the ranking, structure and remunerations of the top three-tier executives in subvented bodies:

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- (a) Save for the exceptions in Annex A, all subvented bodies which receive more than 50% of their operating income from the Government should review their senior staff's number, ranking and remunerations and submit to their responsible Directors of Bureaux annual reports on the review findings. The relevant Directors of Bureaux may, with justifications, approve individual bodies under their purview to submit biennial or triennial review reports.
- (b) Each body's review report should set out the up-to-date position in respect of the number, ranking and remuneration packages of staff at the top three tiers, and also explain and justify any changes over the period covered in the report.
- (c) In assessing the appropriateness of the number and ranking of senior positions of a subvented body, the Director of Bureau will take into account the functions and overall staffing structure of the concerned body, the nature and complexity of duties being performed by each of the top three-tier executives in question, and the ranking for comparable jobs in the civil service. Where the Director of Bureau has, after consulting the Civil Service Bureau, decided that there are no comparable jobs in the civil service, reference should be made to market practices.
- (d) As a general rule, the ranking of the senior staff of a subvented body should not exceed Directorate Pay Scale D8 or equivalent. A Director of Bureau should seek and obtain the ranking support of the Secretary for the Civil Service before endorsing any organisation's proposal to rank a senior position at D7 or D8 equivalent.
- (e) In evaluating the appropriateness of remuneration packages for senior positions of a subvented body that have comparable civil service ranks, the relevant Director of Bureau will compare the average total cost of remunerations for a tier of staff with that of civil servants at comparable ranks. The cost comparison for each of the top three tiers of staff will comprise two parts, one for serving staff and one for the first contracts of new recruits. Details of this cost comparison approach are set out in Annex B. In the absence
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of such comparable civil service ranks, reference should be made to market practices.

- (f) To enhance transparency, the Director of Bureau will work out with those subvented bodies under his/her purview suitable arrangements for public disclosure of their regular review reports.

7. As the amount of operating income and subvention may change from year to year, the relevant Director of Bureau should, before the commencement of the next reporting cycle, ascertain the average operating income and subvention received by the concerned organisation over a four-year period immediately before the next reporting cycle. If the figures indicate that the organisation has on average received more than 50% of its operating income from the Government and the amount averages \$10 million or more (hence not eligible for exemption over the four-year period), the organisation is required to submit a report for the next reporting cycle. Information on the remuneration package of the head of the organisation should indicate the total staff cost, with breakdown by remuneration components where applicable, such as \$X on salary, \$Y on housing, etc.

Other Changes in the Approach for Controlling and Monitoring Remuneration Practices in Subvented Bodies

Application of the “no double housing benefits” rule

8. Subvented bodies have hitherto been required to follow the “no double housing benefits” rule, as applicable to civil servants, in offering housing benefits to their staff. With the control of the average total cost of remunerations by separate cost comparisons for serving senior staff and the first contracts of new recruits to the top three tiers, the Steering Committee saw no need for continued enforcement of the “no double housing benefits” rule as a general guideline, or for insisting on detailed comparison of the housing or other elements of remuneration packages adopted by individual subvented bodies.

9. Notwithstanding the removal of the general requirement to enforce the “no double housing benefits” rule, it will be up to individual Directors of Bureaux to decide whether the rule should be separately considered for selected subvented bodies under their purview on a case by case basis.

Removal of the general subvention guideline on terms of service

10. Subvented organisations are hitherto subject to the general subvention guideline that the terms of service for subvented staff should not be better than those for comparable staff in the civil service, i.e. the “no better than” guideline. This “no better than” guideline focuses only on the cost of remunerations for subvented staff with comparable ranks in the civil service. It does not control ranking and structure of staff, examine cases without comparable civil service ranks or prescribe disclosure arrangements, which are matters covered by the more elaborate new guidelines applicable to the top three tiers of subvented staff.

11. With the introduction of the new guidelines set out in paragraph 6 above and to avoid micro-managing the subvented bodies, the central subvention guideline of “no better than” for application across all subvented organisations and their subvented staff will be removed at the same time. This is to strike a balance between control and flexibility. The new guidelines represent enhanced arrangements for controlling and monitoring not only the remunerations but also the structure and ranking of the top management of subvented bodies. Such arrangement will in effect set a ceiling and broad framework governing how other staff below the top three tiers in subvented bodies would be remunerated. In the circumstances, arrangements for remuneration practices in respect of other staff would be left to the subvented bodies, which in turn are subject to monitoring by relevant Directors of Bureaux. Under the “envelop” approach, the Directors of Bureaux determine annual funding to subvented bodies under their purview and are ultimately accountable for monitoring the use of the money granted.

12. The Directors of Bureaux will decide whether, in addition to the new guidelines applicable to the top three tiers of subvented staff, there should be other measures for ensuring value for money in the use of subventions on staff costs. They will have the flexibility, for example, to mandate remuneration packages for subvented staff as a condition of subvention; set cost ceilings for remuneration packages; ensure value for money by controlling output rather than checking staff costs; or give subvented bodies a complete free hand in determining their remuneration arrangements but hold their governing boards publicly accountable, etc.

Effective Date and Implementation Arrangement

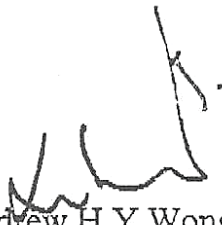
13. The effective implementation date for the new guidelines is 1 April 2003. Directors of Bureaux are invited to follow up with the concerned subvented bodies the decisions in respect of the 20 selected bodies in paragraph 5, as well as implementation of the new guidelines set out in paragraph 6 of this circular memorandum. Save for those exempted in accordance with the prescribed exemption categories at Annex A, relevant subvented bodies are expected to submit their first review reports for the period from 1 April 2003 to 31 March 2004 to their respective Directors of Bureaux before end June 2004. Directors of Bureaux may, with justification, approve individual bodies under their purview to submit their first review reports on a later date.

14. Directors of Bureaux will also work out with the relevant subvented bodies the disclosure arrangement for the review reports. For a multi-disciplinary organisation providing services which fall under programme areas of different Directors of Bureaux, a Director of Bureau would be responsible for that part of the review report covering those senior staff who operate services under his/her policy purview.

15. In case a review report reveals irregularities in the practices adopted by a subvented body, the relevant Directors of Bureaux should follow up with the concerned body with a view to rectifying the situation as soon as possible. Where the Director of Bureau accepts that there are practical difficulties in early rectification in the first instance, e.g. due to the need of the concerned body to honour on-going contractual obligations and to retain staff, he/she should agree with the concerned body on the most practicable measures. In this regard, it is advisable for organisations to term their new/renewed contracts in a way that would provide flexibility for adjustment that may be required for compliance with the new guidelines. The new guidelines, being administrative in nature, and any rectification measures deemed appropriate by the Directors of Bureaux, do not and cannot prevail over an organisation's statutory powers, if any, to determine the terms and conditions of their staff. Neither can they take away the appointment authority of the organisations as employers. If an organisation decides to exercise its powers (statutory or non-statutory) in a manner that would result in non-compliance with the new guidelines, the Director of Bureau should make this known under the public disclosure arrangements and consider whether the existing level of subvention to the organisation is still justified.

16. The responsibility for administering the new guidelines promulgated in this circular memorandum rests with the relevant Directors of Bureaux. Directors of Bureaux are requested to bring this circular memorandum to the attention of their Controlling Officers. The Secretary for Financial Services and the Treasury will promulgate in a separate circular the consequential amendments to Financial Circulars, FSTB circular memoranda and various subvention guidelines as appropriate.

17. For enquiries on the internal review of the 20 selected bodies, please contact Mr Sidney Chan, Assistant Director of Administration, at 2810 2205. For enquiries on the new guidelines, please contact Ms Bernadette Linn, Principal Assistant Secretary for Financial Services and the Treasury (Treasury)B, of the Financial Services and the Treasury Bureau at 2810 2286.



(Andrew H Y Wong)
Director of Administration

cc (w/encl) :
D/CEO
SCS
AA/CS
AA/FS

Exemptions from New Guidelines for the Control and Monitoring of Remuneration of Senior Staff of Subvented Bodies

The new guidelines will not apply to those subvented bodies which receive 50% or less of their operating income from the Government. As for those subvented bodies which receive more than 50% of their operating incomes from the Government, a number of them would also be exempted from the annual review and report requirement. The exempted categories are set out as follows¹ -

(a) Category A

This covers organizations where government funds are provided as subscription/sponsorship fees. In such circumstances, it would not be appropriate for the Government, as a voluntary sponsor to these bodies, to seek to control the organizations' staffing and remuneration expenditure. **A list of such subventions is at the Appendix.**

(b) Category B

This covers circumstances where government funds are provided as fees for the procurement of services by an organization. Existing examples include hire of services in welfare sector and procurement of training places from the Outward Bound Trust of Hong Kong. In such circumstances, it would not be appropriate for the Government, as a service client to these bodies, to seek to control the organizations' staffing and remuneration expenditure.

(c) Category C

This includes organizations, or particular divisions of certain large organizations, where their top three-tier positions are funded entirely by the organizations' income from sources other than the Government. Existing examples include the administrative headquarters of the Tung Wah Group of Hospitals (TWGHs) and the Po Leung Kuk (PLK) where remunerations of their senior executives are funded by the organizations themselves. However, the senior staff of other divisions or certain subsidiary bodies of those organizations may still be covered by the proposed review and reporting arrangement subject to the latter's particular circumstances.

¹ Except for exemptions under Category A, we have not provided a breakdown of the subvented organisations by the different exemption categories. This is because the applicability of Category B to F to an organisation may change, e.g. upon a change in the level of subvention. Controlling Officers should examine the applicability of the various exemptions having regard to any changes in circumstances.

(d) Category D

This category includes organizations where their top three-tier positions are filled entirely by civil servants.

(e) Category E

It includes organizations that are receiving only limited government funds in monetary terms. The monetary level will be specified by the Government and is subject to regular review. As a start, organizations receiving subventions of less than \$10 million a year will be exempted.

(f) Category F

This category covers organizations that are subject to statutory provisions or decisions approved by ExCo/LegCo on staffing matters, and where the provisions/decisions are in conflict with the new guidelines or have prescribed separate monitoring and control mechanisms. Examples include the Hospital Authority, schools under the Codes of Aid, and UGC-funded institutions.

List of subventions categorised as sponsorships/subscriptions

Subventions
Hong Kong Life Saving Society
Hong Kong Archaeological Society
Subventions to district sports and arts associations (Head 63 S/H 531)
Subventions to New Territories organizations (Head 63 S/H 470)
Society for the Prevention of Cruelty to Animals
World Wide Fund for Nature (HK)
Conservancy Association
Hong Kong Bird Watching Society
United Nations Children's Fund
World Meteorological Organisation
United Nations International Drug Control Programme and World Health Organisation
Asia and Pacific Development Centre
Hong Kong-Japan Business Co-operation Committee
World Customs Organisation
United Nations Development Programme
Statistical Institute for Asia and the Pacific
Network of Aquaculture Centres in Asia and the Pacific

**Cost Comparison for Vetting Remuneration Packages for
Top Three Tiers of Staff in Subvented Bodies**

Section A. For serving staff appointed before 1 April 2003 and staff recruited on or after 1 April 2003 but serving in their second or further contracts

The cost comparisons would be based on the annual average staff cost as indicated in the Staff Cost Ready Reckoner (SCRR) published annually by the Treasury. The SCRR provides both the monthly and annual average staff costs for each and every civil service rank. The process is summarized as follows -

- (a) the subvented organization to agree with the Controlling Officer whether the jobs performed by subvented staff in the top three tiers are comparable to those for civil servants and if yes, agree a comparable civil service rank for each group of subvented posts within the top three tiers in the organization;
- (b) the subvented organization to calculate the average of the total annual staff cost for each of the top three tiers of subvented posts, by taking the average of **actual expenditure** incurred on all components in remuneration packages for the concerned staff in the same tier in the past year (except that salary and fringe benefits pegged to salary should also be based on the prevailing monthly salary x 12 months, as in the treatment for the costing of similar components reflected in the SCRR for the civil servants. This is to ensure that the SCRR promptly reflects the effect of any civil service pay adjustment on staff cost); and
- (c) for each tier, the cost in (b) is compared against the annual average staff cost of the comparable civil service rank(s) (there may be more than one comparable rank if there are more than one group of subvented staff within the same tier) as expressed in the prevailing SCRR. A subvented organization will have passed the test on cost comparison if the cost in (b) is at or below the SCRR cost for the comparable civil service rank(s) taken together.

Section B. For staff recruited on or after 1 April 2003 and serving their first contracts

The same procedures in Section A above apply, except that the benchmark for comparison will not be the SCRR, but recruitment benchmarks reflecting the lower cost of the prevailing remuneration packages for new recruits to the comparable civil service rank(s). In the first instance, the recruitment benchmarks will be calculated by reference to the New Term for civil service appointments applicable since 2000. The basis for determining the recruitment benchmarks will be adjusted from time to time by the Civil Service Bureau having regard to changes to civil service remuneration structures and policies. The list of recruitment benchmarks for relevant comparable ranks will be updated annually and published at the same time the SCRR is released each year. The first list of recruitment benchmarks will be published shortly.

Ref. CSO/ADMCR2/1136/01

LEGISLATIVE COUNCIL BRIEF

Internal Review of Remunerations of Senior Executives of Government-funded Bodies

INTRODUCTION

At the meeting of the Executive Council on 25 February 2003, the Council took note of:

- (a) the findings of a review of remunerations of the senior executives of 20 selected bodies; and
- (b) a set of new guidelines for the effective control and monitoring of the structure, ranking and remuneration for the top three-tier executives in subvented bodies.

2. With the implementation of the new guidelines, the Council ADVISED and the Chief Executive ORDERED that the Government should do away with the subvention guideline premised upon the “no better than” principle.

JUSTIFICATIONS

Review of Remunerations of Senior Executives in Selected Bodies

3. In light of the community’s concern over the remuneration of the senior staff of government-funded bodies, the Steering Committee convened by the Chief Secretary for Administration conducted an internal review under a two-stage approach. During the first stage, the responsible bureaux completed a stock-taking exercise for over 300 government-funded bodies or groups of bodies under their purview. The Steering Committee wished to focus on organizations receiving recurrent financial assistance from the Government (i.e. subvented bodies) and at the same time had employed their own senior executives.

4. Under the second stage of the review, based on the bureaux’ recommendations, the Steering Committee selected 20 subvented bodies for detailed examination. These 20 bodies:

- (a) receive and rely on government recurrent funding as their major source of income, i.e. government subvention amounted to more than 50% of their operating income in each case; and
- (b) employ their own executive staff and have devised separate remuneration packages for them.

5. Given the community's particular concern over the remuneration of the senior executives of publicly-funded bodies, for each of the 20 selected subvented bodies, the relevant bureau had examined the appropriateness of the number, ranking and remuneration packages of its top three-tier executives and made recommendations on rectifying irregularities identified. The Steering Committee concluded the review in December 2002 with the following findings:

- (a) the number, ranking and remuneration packages of the senior executives in 13 selected bodies were in order;
- (b) three organizations would be subject to separate review in 2003; and
- (c) actions should be taken to modify remuneration packages and practices of the senior executives in the remaining four organizations.

6. The review findings are summarized at Annex A.

New Guidelines for the Control and Monitoring of Remunerations of Senior Executives of Subvented Bodies

7. In the light of public concern, the Steering Committee decided to strengthen the monitoring and control for the top three tiers of staff in subvented organizations. It also believed that the framework of remuneration practices for the senior executives of an organization would in effect filter down to other tiers of staff. Specifically, the Steering Committee decided to adopt the following new guidelines for the effective control and monitoring of the ranking, structure and remuneration of the top three-tier executives in subvented bodies:

- (a) Save for the exceptions in Annex B, all subvented bodies which receive more than 50% of their operating income from the Government should review their senior staff's number, ranking and remuneration and submit to their responsible Directors of Bureaux annual reports on the review findings. The relevant Directors of

Bureaux may, with justifications, approve individual bodies under their purview to submit biennial or triennial review reports.

- (b) Each body's review report should set out the up-to-date position in respect of the number, ranking and remuneration packages of staff at the top three tiers, and also explain and justify any changes over the period covered in the report.
- (c) In assessing the appropriateness of the number and ranking of senior positions of a subvented body, the Director of Bureau will take into account the functions and overall staffing structure of the concerned body, the nature and complexity of duties being performed by each of the top three-tier executives in question, and the ranking for comparable jobs in the civil service. Where there are no comparable jobs in the civil service, reference should be made to market practices.
- (d) As a general rule, the ranking of the senior staff of a subvented body should not exceed Directorate Pay Scale D8 or equivalent.
- (e) In evaluating the appropriateness of remuneration packages for senior positions of a subvented body that have comparable civil service ranks, the responsible Director of Bureau will compare the average total cost of remuneration for a tier of staff with that of civil servants at comparable ranks. The cost comparison for each of the top three tiers of staff will comprise two parts, one for serving staff and one for the first contracts of new recruits. Details of this cost comparison approach are set out at Annex C. In the absence of such comparable civil service ranks, reference should be made to market practices.
- (f) To enhance transparency, the Director of Bureau will work out with those subvented bodies under his/her purview suitable arrangements for public disclosure of their regular review reports.

8. Relevant subvented bodies are expected to submit their first review reports for the period from 1 April 2003 to 31 March 2004 to their respective Directors of Bureaux before end June 2004. Directors of Bureaux may, with justification, approve individual bodies under their purview to submit their first review reports on a later date. For a multi-disciplinary organization providing services which fall under programme areas of different Directors of Bureaux, a Director of Bureau would be responsible for that part of the review report covering those senior staff who operate services under his/her policy purview.

Application of the “no double housing benefits” rule

9. At present, the “no double housing benefits” rule as applicable to civil servants also applies to subvented staff. In essence, the civil service rule comprises the following components:

- (a) if a civil servant or the spouse has forfeited his/her eligibility for housing benefits (e.g. having received full housing entitlement from the Government or a subvented body as the case may be, or being disqualified from all forms of housing benefits for whatever reasons), he/she is ineligible for further housing assistance from the Government (i.e. the forfeiture rule);
- (b) home purchasing allowances for civil servants are limited to a maximum aggregate period of 10 years, irrespective of any break in service (i.e. the 10-year rule);
- (c) a civil servant’s maximum 10-year housing entitlement may be reduced by the period during which he/she or the spouse has received housing assistance from the Government or a subvented body (i.e. the reduction rule); and
- (d) a civil servant is ineligible for any housing benefits from the Government if the spouse is receiving housing benefits from his/her employer (i.e. the no-concurrent receipt rule).

Subvented bodies have been required to follow the “no double housing benefits” rule in offering housing benefits to their staff.

10. The Steering Committee reviewed the rather cumbersome application of the “no double housing benefits” rule among subvented bodies. With the control of the total cost of remuneration by cost comparisons for serving senior staff and the first contracts of new recruits to the top three tiers as at Annex C, the Steering Committee saw no need to separately enforce the “no double housing benefits” rule as a general guideline, or to insist on detailed comparison of the housing or other elements of remuneration packages adopted by individual subvented bodies. After all, many subvented bodies offer non-attributable cash allowances in place of housing benefits; the arrangement renders the enforcement of the “no double housing benefits” rule unfruitful.

Notwithstanding the removal of the requirement to enforce the “no double housing benefits” rule, it will be up to individual Directors of Bureaux to decide whether the rule should be separately considered for individual subvented organizations under their purview on a case by case basis.

Arrangements for Subvented Staff below the Top Three Tiers

11. As the Administration will be implementing enhanced arrangements for controlling and monitoring the number, ranking and remunerations of the top management of subvented bodies, there will in effect be a ceiling and broad framework governing how other staff below the top three tiers in subvented bodies would be remunerated. It is also noted that under the accountability system, the Directors of Bureaux should be given greater flexibility in deciding suitable measures for ensuring value for money in the use of subventions by organizations under their purview. This is because, subject to the approval of the Legislative Council where necessary, a Director of Bureau will determine annual funding to subvented bodies under his/her purview from within his/her annual allocation of operating expenditure funding, and is ultimately accountable for monitoring the use of the money granted. Taking into account these considerations, the Administration seeks to strike a balance between control and flexibility. With enhanced controls at the top levels which would in turn present a broad framework for remuneration practices in subvented bodies, detailed arrangements for monitoring the remuneration practices in respect of other staff should be left to the relevant Directors of Bureaux.

12. Accordingly, the Administration has come to the view that the central subvention guideline of “no better than” for application across all subvented organizations and their subvented staff should be removed. This guideline prescribes that the terms of service for subvented staff should not be better than that for comparable staff in the civil service. It focuses only on the cost of remuneration for subvented staff with comparable ranks in the civil service. It does not control ranking and structure of staff, examine cases without comparable civil service ranks or prescribe disclosure arrangements, which are matters covered by the more elaborate set of new guidelines for the top three tiers of subvented staff. It is also noted that continued enforcement or abolition of the “no better than” principle has no bearing on the level of funding to subvented bodies, many of which receive subventions in the form of block grants determined without any reference to the remuneration policies or practices of the organizations.

13. In the absence of a central “no better than” guideline, the Directors of Bureaux will decide suitable measures for ensuring value for money in the

use of subventions by organizations under their purview. They will have the flexibility to decide to, for instance: i) mandate remuneration packages for subvented staff as a condition of subvention; ii) set cost ceilings for remuneration packages; iii) ensure value for money by controlling output rather than checking staff costs; or iv) give subvented bodies a complete free hand in determining their remuneration arrangements but hold their governing boards publicly accountable, etc.

IMPLICATIONS OF THE PROPOSAL

14. The proposal has no sustainability, productivity, economic or environmental implications.

15. The proposal has financial and civil service implications, as set out at Annex D.

PUBLIC CONSULTATION

16. When conducting the second stage of the review covering the 20 selected subvented bodies, relevant bureaux have sought information from these bodies particularly regarding their remuneration packages and practices. We would invite relevant bureaux to follow up with the concerned subvented bodies the review findings and promulgate the new guidelines to subvented bodies under their purview. The Directors of Bureaux will discuss with subvented bodies the implementation details.

PUBLICITY

17. We shall arrange to brief the Legislative Council Members and the media. A press release will be issued and a spokesman will be available to answer media and public enquiries.

BACKGROUND

18. In January 2002, the Government initiated an internal review of remunerations of senior executives of government-funded bodies. The review was conducted in addition to, but as a separate exercise from, the Hay Group's consultancy study of remunerations of senior executives of 10 statutory and other bodies which completed in June 2002. A Steering Committee convened by the Chief Secretary for Administration was set up to oversee the internal review. Under the second stage of the review, the Steering Committee conducted a detailed examination of remuneration of senior executives of 20 selected subvented bodies.

19. In reviewing the 20 selected bodies, the Steering Committee agreed to devise a set of new guidelines to enhance the control and monitoring of remunerations of the top three-tier executives of subvented bodies. In the light of the new guidelines, the Administration also examined the need for continued application of the subvention policy premised upon the “no better than” principle.

ENQUIRIES

20. Enquiries to this Legislative Council Brief may be directed to Mr Sidney Chan, Assistant Director of Administration at telephone no. 2810 2205.

Administration Wing
25 February 2003

**Summary on the Outcome of Stage II
of the Internal Review of Remuneration
of Senior Staff of Selected Subvented Bodies**

The Ombudsman

Duty Lawyer Service

Consumer Council

Guardianship Board

Privacy Commissioner for Personal Data

Hong Kong Academy for Performing Arts

Hong Kong Council on Smoking and Health

Society for the Aid and Rehabilitation of Drug Abusers

Hong Kong Applied Science and Technology Research Institute Co. Ltd

Hong Kong Jockey Club Institute of Chinese Medicine ltd

HK Chinese Orchestra Ltd

HK Dance Company Ltd

HK Repertory Ltd

The Steering Committee accepted the responsible Bureau Secretaries' recommendations that there should be no change to the number, ranking and remuneration arrangements for the senior staff in these 13 government-funded bodies.

Vocational Training Council

Employees Retraining Board

Equal Opportunities Commission

The Steering Committee noted that the existing remuneration packages of the senior staff in the Vocational Training Council and Employees Retraining Board comply with the 'no better than' principle under the existing subvention guidelines. In anticipation of the proposed establishment of a Manpower Development Committee (MDC), originally scheduled for 2003, the Steering Committee accepted SEM's recommendation that the organizational set-up and the staff remuneration packages for these two

bodies should be reviewed in tandem. With the recent establishment of the MDC in October 2002, it is proposed that SEM should conduct the review accordingly, having regard to the progress of the taking over of the functions of the two bodies by the MDC.

SHA has examined the remuneration of the top three-tier executives of the Equal Opportunities Commission (EOC) and confirmed that the arrangements for staff of the second and third tiers were in order. However, SHA has decided to consider the remuneration arrangement for the Chairperson of the Commission in the light of the outcome of the current proposal to legislate against racial discrimination, as such legislation may have a significant impact on the work of the Chairperson.

Hong Kong Sports Development Board

The Steering Committee noted HAB's findings regarding the remuneration packages of four existing senior staff posts. SHA would follow up the matter and modify the remuneration packages for them as appropriate.

Hong Kong Philharmonic Society Ltd

The Steering Committee endorsed SHA's recommendation of downgrading three of its four Assistant General Manager posts (equivalent to MPS point 33-43) at the second tier to the third tier as Senior Managers (MPS point 27-32), leaving only one Assistant General Manager as deputy to the General Manager. This change would bring the management structure of the company more in line with three of the other performing groups. SHA would follow up the matter.

Hong Kong Arts Development Council

Although the full cost of the remuneration package of the Chief Executive post was no higher than that of a D2 officer, the Steering Committee endorsed SHA's recommendation that the Council should be asked to split the salary component into base salary and cash allowance/gratuity in the next contract of

the Chief Executive. Subsequently, the Council agreed and the salary component had been split into base salary, cash allowance and gratuity in the new contract of the Chief Executive.

Hospital Authority

The Steering Committee noted the decision of the Finance Committee in 1991 regarding the remuneration of the staff of the Hospital Authority (HA) and the relevant provisions in the HA Ordinance. The Committee also noted SHWF's findings regarding the existing remuneration packages of the HA and the Authority's proposal for changes. The Steering Committee endorsed SHWF's view that the new guidelines on control and monitoring of remunerations of senior staff of subvented bodies should not be applicable to the HA.

**Exemptions from New Guidelines for the Control and Monitoring of
Remuneration of Senior Staff of Subvented Bodies**

The new guidelines will not apply to those subvented bodies which receive 50% or less of their operating income from the Government. As for those subvented bodies which receive more than 50% of their operating incomes from the Government, a number of them would also be exempted from the annual review and report requirement. The exempted categories are set out as follows -

(a) Category A

This covers organizations where government funds are provided as subscription/sponsorship fees as in the case of the Asia & Pacific Development Centre. In such circumstances, it would not be appropriate for the Government, as a voluntary sponsor to these bodies, to seek to control the organizations' staffing and remuneration expenditure.

(b) Category B

This covers circumstances where government funds are provided as fees for the procurement of services by an organization e.g. management of Mai Po by the World Wild Fund for Nature, hire of services in welfare sector and procurement of training places from the Outward Bound Trust of Hong Kong. In such circumstances, it would not be appropriate for the Government, as a service client to these bodies, to seek to control the organizations' staffing and remuneration expenditure.

(c) Category C

This includes organizations, or particular divisions of certain large organizations, where their top three-tier positions are funded entirely by the organizations' income from sources other than the Government. Examples include the administrative headquarters of the Tung Wah Group of Hospitals (TWGHs) and the Po Leung Kuk (PLK) where remunerations of their senior executives are funded by the organizations themselves. However, the senior staff of other divisions

or certain subsidiary bodies of those organizations may still be covered by the proposed review and reporting arrangement subject to the latter's particular circumstances.

(d) Category D

This category includes organizations where their top three-tier positions are filled entirely by civil servants.

(e) Category E

It includes organizations that are receiving only limited government funds in monetary terms. The monetary level will be specified by the Government and is subject to regular review. As a start, we may consider adopting \$10 million a year as the threshold, i.e. organizations receiving subventions of less than \$10 million a year will be exempted.

(f) Category F

This category covers organizations that are subject to statutory provisions or decisions approved by ExCo/LegCo on staffing matters, and where the provisions/decisions are in conflict with the new guidelines or have prescribed separate monitoring and control mechanisms. Examples include the Hospital Authority, schools under the Codes of Aid, and UGC-funded institutions. For the UGC-funded institutions, the Steering Committee has accepted the recommendation of SEM that the institutions should be exempted from the proposed guidelines due to a number of considerations, including their established governance structure and the need to maintain their competitiveness in recruiting staff.

Cost Comparison for Vetting Remuneration Packages for Top Three Tiers of Staff in Subvented Bodies

Section A. For serving staff appointed before an “Effective Date” to be promulgated and staff recruited on or after the Effective Date but serving in their second or further contracts

The cost comparisons would be based on the annual average staff cost as indicated in the Staff Cost Ready Reckoner (SCRR) published annually by the Treasury. The SCRR provides both the monthly and annual average staff costs for each and every civil service rank. The process is summarized as follows -

- (a) the subvented organization to agree with the Controlling Officer whether the jobs performed by subvented staff in the top three tiers are comparable to those for civil servants and if yes, agree a comparable civil service rank for each group of subvented posts within the top three tiers in the organization;
- (b) the subvented organization to calculate the average of the total annual staff cost for each of the top three tiers of subvented posts, by taking the average of **actual expenditure** incurred on all components in remuneration packages for the concerned staff in the same tier in the past year (except that salary and fringe benefits pegged to salary should also be based on the prevailing monthly salary x 12 months, as in the treatment for the costing of similar components reflected in the SCRR for the civil servants. This is to ensure that the SCRR promptly reflects the effect of any civil service pay adjustment on staff cost; and
- (c) for each tier, the cost in (b) is compared against the annual average staff cost of the comparable civil service rank(s) (there may be more than one comparable rank if there are more than one group of subvented staff within the same tier) as expressed in the prevailing SCRR. A subvented organization will have passed the test on cost comparison if the cost in (b) is at or below the SCRR cost.

Section B. For staff recruited on or after the Effective Date and serving their first contracts

The same procedures in Section A above apply, except that the benchmark for comparison will not be the SCRR, but recruitment benchmarks reflecting the lower cost of the prevailing remuneration packages for new recruits to the comparable civil service rank(s). In the first instance, the recruitment benchmark will be calculated by reference to the New Term for civil service appointments applicable since 2000. The recruitment benchmark will be adjusted from time to time having regard to changes to civil service remuneration structures and policies.

FINANCIAL AND STAFFING IMPLICATIONS

Full implementation of the Steering Committee's review findings vis-à-vis the 20 selected bodies may bring about some saving in staffing expenditure for these bodies. Under the "envelope" approach, relevant Directors of Bureaux will consider whether and how they may adjust the amount of subvention for these bodies.

2. The proposal to do away with the "no better than" subvention guideline will not have direct impact on the level of funding for individual organizations, since the guideline is a test on value-for-money rather than a criterion determining annual subventions. Under the "envelope" approach, the level of funding for individual subventions, as well as any funding clawed back for non-compliance with the "no better than" subvention guideline, are matters between the Directors of Bureaux and the subvented bodies under their purview. There will be no financial implications for the centre.

3. As for the implications on the civil service, the proposed regular monitoring mechanism for remunerations of the top three tiers of senior executives in the subvented sector may increase the workload of the Controlling Officers, but the latter should be capable of absorbing this within existing resources. We do not envisage it to bring about any increase or decrease in civil service posts.

政府總部
勞工及福利局

香港添馬添美道
政府總部



LABOUR AND WELFARE BUREAU
GOVERNMENT SECRETARIAT

Central Government Offices
Tim Mei Avenue
Tamar, Hong Kong

本函檔號 Our Ref.: LWB CR7/5091/04

電話號碼 Tel. No.: 2810 3931

來函檔號 Your Ref.: CB4/PAC/R69

傳真號碼 Fax No.: 2524 7635

5 January 2018

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

Dear Mr CHU,

Public Accounts Committee
Consideration of Chapter 1 of the Director of Audit's Report No. 69
Administration of lump sum grants by the Social Welfare Department

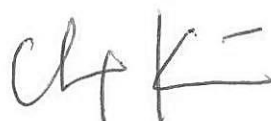
I refer to your letter of 13 December 2017 to the Secretary for Labour and Welfare, and have been authorised to reply as follows –

In 2008, the Labour and Welfare Bureau (LWB) appointed an Independent Review Committee to review the Lump Sum Grant Subvention System (LSGSS). One of the recommendations made by the Review Committee was that the Social Welfare Department (SWD) should consult subvented non-governmental organisations (NGOs) with a view to implementing the Government guidelines on the monitoring of remunerations of senior executives in subvented bodies (i.e. the relevant guidelines in the 2003 Memorandum). Besides, in a meeting of the Lump Sum Grant Steering Committee attended by an LWB's representative in January 2010, it was discussed and agreed that the SWD should request subvented NGOs to submit a Review Report on the Remuneration Packages for Staff in the Top Three Tiers (Review Report) for 2009-10 in accordance with the guidelines as set out in the 2003 Memorandum. While the LWB was aware of and involved in the discussion of the SWD's implementation of the relevant guidelines, there is no record showing that the LWB and the SWD had deliberated on the calculation method of the 50% threshold prior to the implementation.

Arising from the concerns of members of the public and the Legislative Council about how the Government would monitor the remuneration of senior executives of subvented bodies, the SWD sought clarifications from the Administration Wing and the Financial Services and the Treasury Bureau in 2013 and 2017 in respect of the calculation method of the 50% threshold. There is no record showing that the LWB and the SWD had deliberated on the issue prior to the SWD's seeking of the above advice. After learning of the advice of the Administration Wing on the calculation method of the 50% threshold in May 2017, the LWB and the SWD have been in discussion on the follow-up actions. Taking into account the time needed to discuss the arrangement with a large number of NGOs and any possible updating/revision on the guidelines arising from the survey conducted by the Administration Wing on the implementation of the guidelines, the SWD expected that the calculation method of the 50% threshold in accordance with the Administration Wing's advice could be implemented for reporting in the 4th quarter of 2018 to reflect NGOs' positions in 2017-18.

The LWB and the SWD attach much importance to transparency and public accountability of NGOs in the use of public money. In addition to the requirement under relevant guidelines for NGOs to disclose their Annual Financial Reports and Review Reports (where applicable) through designated channels, the SWD has uploaded the reports concerned of NGOs onto the SWD's website from June 2017 onwards to facilitate public access. Furthermore, the Task Force for Review on Enhancement of LSGSS appointed by the LWB and chaired by the Director of Social Welfare is planning to study, among other items in the scope of the review, ways to increase the transparency in the management of subvented NGOs with a view to further enhancing their public accountability.

Yours sincerely,



(Kenneth CHENG)

for Secretary for Labour and Welfare

- cc. Secretary for Financial Services and the Treasury (Attn: Ms Kinnie WONG)
Director of Social Welfare (Attn: Mr KOK Che Leung)
Director of Administration (Attn: Ms Subrina CHOW)
Director of Audit (Attn: Mr Andrew CHANG)

本署檔號 OUR REF. : SWD/S/4/35C Pt.6
來函檔號 YOUR REF. : CB4/PAC/R69
電 話 TEL NO. : 2892 5101
圖文傳真 FAXLINE : 2575 5632

8 February 2018

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

Dear Mr CHU,

Public Accounts Committee
Consideration of Chapter 1 of the Director of Audit's Report No. 69
Administration of lump sum grants by the Social Welfare Department

Thank you for your letter of 16 January 2018 to the Director of Social Welfare. I have been authorised to reply regarding the issues raised in your letter relating to the subject matter.

Financial Monitoring

- (a) The amount of overall reserve of non-governmental organisation (NGO) 11 as provided by the Social Welfare Department (SWD) in item 10(d) of GEN3 is based on the NGO's overall reserve amount as shown in the audited financial statements for 2016-17 submitted by NGO 11. The overall reserve amount includes the Lump Sum Grant (LSG) Reserve, the Provident Fund Reserve and those obtained from other services and operations.

According to the notes to the financial statements for 2016-17 submitted by NGO 11, the NGO was mainly engaged in family, youth and children services, school social work, youth outreaching social work, elderly services, rehabilitation services, community development services, education services, hostel and camp services, and religious ministry, etc.

NGO 11 has indicated that its accumulated reserve mainly came from its self-financing hostel and private education services, etc.

- (b) The Administration Wing informed the SWD in July 2017 that a questionnaire would be issued to all relevant bureaux to understand how they implement the guidelines in the Administration Wing's Memorandum for the control and monitoring of remunerations of senior executives in subvented bodies under their respective policy purviews, and to collect their views on the guidelines, in order to consider whether and how to update the guidelines and/or to provide clarifications on certain implementation details.

In early October 2017, the Administration Wing issued the above questionnaire to all relevant bureaux, and has received their returns by the end of the same year. The information collected is now being collated and analysed, and further information is being sought from individual bureaux as necessary. The Administration Wing indicated that they would complete the analysis of information as soon as possible, and would discuss with the Financial Services and the Treasury Bureau and relevant bureaux and departments whether it would be necessary and, if so, how to update the guidelines and/or clarify some of the implementation details.

As for the SWD, after the Administration Wing decides whether it will update, revise or clarify the relevant guidelines in its Memorandum, the SWD will discuss with subvented organisations on amending the rules and guidelines on the monitoring of remunerations of senior executives in subvented bodies in the LSG Manual, as well as the details for the implementation of the new guidelines or arrangements.

- (c) A sample of the proforma for the Review Report on Remuneration Packages for Staff in the Top Three Tiers of Subvented Non-governmental Organisations (RR) is provided at **Annex 1**.
- (d) Apart from the mechanism for requesting subvented organisations to submit RRs in accordance with the relevant guidelines in the Administration Wing's Memorandum, all NGOs subvented by the SWD are required to submit the Self Assessment Report on Remuneration Packages for Staff in the Top Three Tiers to the SWD annually. Besides, NGOs receiving LSG subvention are also required to submit their Annual Financial Reports (AFRs) to the SWD every year, and include in the report the number of posts and expenditure information of staff with individual annual emoluments exceeding \$700,000 paid under LSG. (A sample of AFR is provided at **Annex 2**).

According to paragraphs 4.14 to 4.19 of the LSG Manual, a formal public accountability framework is required to be in place for NGOs to disclose their AFRs and RRs (if applicable) as submitted to the SWD, so that they will be accountable to the public for the use of public funds. In addition to making their AFRs available to the public upon request, NGOs are required to disclose the relevant information to the public in one or more of the following ways: -

***Note by Clerk, PAC:** *Please see Appendices 9 and 10 of this Report for Annexes 1 and 2 respectively.*

- posting up the relevant information prominently on the notice board(s) at the Central Administration Unit/ Head Office;
- uploading the relevant information to the NGO's website;
- reporting the relevant information in the NGO's Annual Report¹; or
- publishing the relevant information through special circular(s), newsletter(s) or other means.

Furthermore, the SWD has, since June 2017, established hyperlinks to the websites of AFRs of subvented NGOs or uploaded onto SWD's website the relevant reports, so as to facilitate the public's access to the reports and to enhance the NGOs' transparency and public accountability. The relevant URL is as follows: -

https://www.swd.gov.hk/en/index/site_ngo/page_AFRandRR/

- (e) (i), (ii) The requirements and guidelines for cost apportionment between and (iii) Funding and Service Agreements (FSA) activities and non-FSA activities are as follows: -
- in accordance with the Financial Circular No. 9/2004 on the "Guidelines on the Management and Control of Government Funding for Subvented Organisations", subvented organisations (such as NGOs) should keep a separate set of accounts for self-financing activities and ensure that there is no cross-subsidisation of self-financing activities by subvented programmes in money or in kind; and
 - to implement the above Financial Circular, paragraph 2.37 of the LSG Manual stipulates that LSG is for operating expenditure for FSA or FSA related activities. Paragraph 3.3 of the LSG Manual also stipulates that NGOs must ensure that proper books of account and other accounting records are kept for all transactions, separately identified into FSA activities and support services, and non-FSA activities.

The SWD understood NGOs' concerns about the cost apportionment between FSA activities and non-FSA activities, and has been

¹ Where the NGO publishes its Annual Report, the AFR must be an integral part of the NGO's Annual Report. If any NGO chooses not to provide the AFR in its Annual Report, it has to upload the full set of the latest AFR onto its website, and specify the website address linking to the AFR in its Annual Report.

answering their questions and offering advice and support to NGOs on matters in relation to cost apportionment through designated liaison officers of the Subventions Branch, specified contact persons of the Finance Branch as well as the helpline. The SWD would, on the basis of the individual circumstances of the enquiring NGO, clarify the principle on cost apportionment and discuss the appropriate cost apportionment proposal with the NGO. The SWD had also arranged meetings with the top management of all subvented NGOs in batches between June and October 2016, and deliberated on matters including the handling of cost apportionment issues.

The Government has embarked in November 2017 on a review on the enhancement of the LSG Subvention System. The scope of the review includes examining the parameters for assessing FSA related activities, and elucidating the guidelines on cost apportionment between FSA / FSA related services and other non-FSA services for NGOs' reference.

- (iv) The SWD has contacted the NGOs concerned of the two cases to discuss the benchmark and proportion as regards the cost apportionment between the FSA activities and non-FSA activities involved.

With regard to Case 1, the NGO agreed to revise the proportion of cost apportionment between FSA activities and non-FSA activities in respect of the services provided by the central kitchen. This issue will also be discussed at the upcoming meeting of the NGO's management committee.

With regard to Case 2, the NGO indicated that it has put in place an established mechanism for cost apportionment. If the costs incurred by a non-FSA unit can be clearly identified (e.g. costs relating to rents, rates and electricity charges as in the case), such costs will be allocated to the non-FSA unit. If, however, the costs cannot be clearly identified (e.g. water charges, artisan salaries and emoluments of chief executive officer as in the case), the NGO will apportion the costs by requiring the non-FSA unit to pay an administrative fee to the head office. The relevant administrative fee will be reported as income in the LSG account.

The SWD will continue to discuss with the relevant NGOs about the arrangements of cost apportionment, so as to ensure that the subvented services will not subsidise non-subvented services in any way.

(v) The SWD has all along been concerned about the needs of small NGOs for support on financial management. The relevant major support offered is as follows: -

- a number of sharing sessions were organised for small NGOs between October 2009 and March 2012, covering topics such as financial management, subvention inspection, human resource management and corporate governance, with a view to assisting them in enhancing their governance and financial management;
- the Envisioning Programme on the Best Practice Manual, which also covered financial management, was organised for board members and management staff of all subvented NGOs between September 2015 and February 2016;
- a sum of over \$9.7 million was allocated from the Lotteries Fund to the Hong Kong Council of Social Service in early 2016 to implement the four-year NGOs' Governance Platform Project. Through collaboration with different professional sectors such as the Hong Kong Institute of Certified Public Accountants, the project aims at providing more training opportunities for the boards of directors of NGOs, building a more robust network and database, facilitating research studies, enhancing the sharing of experiences among NGOs, and innovating with and passing on knowledge about professional management so as to further enhance the overall corporate governance of NGOs;
- SWD's meetings with the top management of all subvented NGOs in batches between June and October 2016 have covered financial management, among other matters; and
- if small NGOs encounter difficulties in apportioning central administration costs, the SWD will provide them support as appropriate through the designated liaison officer system under the Subventions Branch, as well as specified contact persons and the helpline of the Finance Branch.

Self-assessment of Service Quality by NGOs

- (f) Subvented services of the NGOs are monitored by the SWD through the Service Performance Monitoring System (SPMS). Under the SPMS, FSAs on the subvented services are drawn up jointly between the SWD and the NGOs to formulate service standards and assess service performance. NGOs should properly manage their service units to ensure compliance with FSA requirements, including essential service requirements (ESRs), output/outcome

standards (OS/OCs) and service quality standards (SQSs).

The SWD issues letters to all subvented NGOs on a yearly basis, requiring them to comply with SPMS requirements through conducting self-assessment and submitting self-assessment reports on whether their service units meet the ESRs, OS/OCs and SQSs under individual FSAs. Where there is non-compliance, the NGOs are required to submit action plans for improvement at the same time and implement the relevant measures. The self-assessment report should be completed in a format prescribed by the SWD. Forms relating to the self-assessment report, which are sent together with the letters issued to the NGOs, have been uploaded onto the SWD's website. Please refer to **Annex 3** and **Annex 4** for examples.

Apart from requiring NGOs to submit self-assessment reports, the SWD will visit all subvented NGOs within each monitoring cycle (every 3 years) in the form of review visits or surprise visits to selected subvented service units, so as to assess and monitor their service performance by means such as reviewing their implementation records and relevant data in relation to their ESRs, OS/OCs and SQSs under the subject FSAs.

If non-compliance is found during the visits or in the reports submitted by the NGOs, the following measures will be taken by the SWD: -

- If inaccuracies are found in the self-assessment of OS/OCs, the SWD will elucidate the understanding and definition of individual OS/OCs and the criteria for measuring such standards and, where necessary, prepare explanatory notes and/or guidelines to clarify the relevant assessment methods;
- The SWD will in writing require the NGOs to make rectification and examine their quality checking mechanism at the same time, in order to ensure accuracy in the statistics and reports prepared by the service units for submission to the SWD;
- The SWD will require the NGOs to submit action plans for improvement regarding the non-compliant areas including ESRs, OS/OCs and SQSs; and
- The SWD will monitor the NGOs' implementation of improvement measures.

(g) **The Case of NGO B**

For the case of NGO B in Table 16 of the Audit Report, NGO B has attributed the error in data to mere human mistakes rather than a misunderstanding of the OS on the part of the NGO. NGO B has subsequently strengthened its internal

review mechanism after the incident. While the data are now checked solely by the responsible therapists, the therapists' checking will in the future be followed by a full review by the deputy supervisor of the centre and eventually by a random review by the centre's supervisor, in order to ensure data accuracy.

The rather large discrepancy between the output reported by NGO B and the service standard is due to the following reasons: -

- With the launch of the Home Care Service for Persons with Severe Disabilities by the SWD in March 2014, home-based services are provided for persons with severe disabilities living in the community. As the service recipients were not referred from the central waiting list, the NGO operator had to devote considerable time and manpower at the initial stage to establishing a liaison and referral network with hospitals, clinics, paramedical and allied health professions, other rehabilitation service and home care service units, patient self-help organisations, etc. As a result, it took time for the case numbers and output to build up;
- The principal staff of the NGO operator's service team involved various professional disciplines (including physiotherapists, occupational therapists, nurses and social workers) and personal care workers, etc. The NGO has faced many difficulties and challenges in staff recruitment; and
- As the service is still at a developing stage, the SWD has been in discussion with various NGO operators to examine options for service enhancement and analyse the components and workflow for service provision. Both parties have confirmed that the definition and calculation method drawn up in the planning stage for service output had failed to cover the service hours of some direct services (e.g. pre-discharge and home-based professional assessment, home modifications, etc.) and indirect services (e.g. multi-disciplinary case conference for formulating and co-ordinating the treatment plan, training of personal care workers and therapy assistants for the provision of individualised care, arrangement of suitable treatment devices on a case-by-case basis, etc.) As a result, the data could not fully reflect the actual output of the NGOs. The SWD will follow up on these issues and adjust the calculation of service output for individual items.

As the utilisation rate of the home care service was lower than expected, the SWD had reviewed the subvention arrangements for the service jointly with the NGO operators and revised the relevant FSAs, which came into effect in April 2015. Under the revised arrangements, the full-year subvention (payable on a monthly basis) received by an NGO is pegged to the caseload in order to optimise the use of public funds.

The Case of NGO F

Regarding the Case of NGO F (Agreement Service Unit (ASU) J) as set out in Table 16 of the Audit Report, the SWD has contacted the NGO concerned. ASU J is a children and youth centre. It is noted that ASU J had been used for organising activities for children under 6 and retired men respectively during the period from 2014-15 to 2016-17. The target group of a children and youth centre is children and youth between the age of 6 and 24. Activities for participants not belonging to that age group are not normally regarded as FSA services. As the numbers of sessions and participants of the above activities were counted towards the total FSA output of the centre by NGO F, and there were also man-made calculation mistakes, the output was overstated as a result.

The SWD will continue to follow up on the matter and reiterate to the NGO that it should ensure the use of LSG for providing FSA related activities, and report the service output/outcome in an accurate manner. NGO F will also be requested to revise the statistics of its relevant annual statements and submit them for the SWD's inspection.

- (h) As the utilisation rate of the home care service was lower than expected, the SWD had reviewed the subvention arrangements for the service jointly with the NGO operators and revised the relevant FSAs, which came into effect in April 2015, in order to optimise the use of public funds. Under the revised arrangements, annual subventions (payable on a monthly basis) to the NGOs are pegged to the caseload, as follows: -
- The ASU will receive 50% of the subvention, if it attains less than 50% of the agreed caseload for the year;
 - The ASU will receive 75% of the subvention, if it attains 50% or above but less than 75% of the agreed caseload for the year; and
 - The ASU will receive 100% of the subvention, if it attains 75% or above of the agreed caseload for the year.

Caseload is defined as “the number of cases provided with social work intervention, including counselling and support service to the service users and their family members/carers”.

- (i) All subvented service units of NGOs should observe a set of 16 SQSs, which sets out the quality level required of a service unit in management and service provision.

The SWD has formulated a set of criteria and assessment indicators for each standard. The detailed descriptions are set out in the Assessment Matrix

Reference Guide and the Implementation Handbook, and they have been uploaded onto the SWD's website.

NGOs are required to formulate, in accordance with the criteria and assessment indicators for each standard, relevant policies and procedures for its service units according to its circumstances, and the implementation details for each standard.

The SWD will also examine during service performance visits the policy and procedural documents relating to the relevant SQSs as well as the relevant implementation records, so as to ensure that the service units meet the relevant requirements.

Reference to the description of the criteria and assessment indicators, etc., of SQS 11 can be made on the following webpages: -

Assessment Matrix Reference Guide

https://www.swd.gov.hk/en/index/site_ngo/page_serviceper/sub_serviceper/id_matrixtemplate/

Implementation Handbook

https://www.swd.gov.hk/en/index/site_ngo/page_serviceper/sub_serviceper/id_sqshandbook/

- (j) When the SWD entered into a new FSA with NGO C in March 2017 for the period from 1 March 2017 to 29 February 2020, both parties agreed that the definition of the related OCs should be revised (including the rate of service users having positive gain in the scores of Barthel Index and Lawton) so as to better reflect the service performance of the NGO. As the new FSA came into effect in March 2017, the NGO was notified by the SWD in the same month that it should either adopt the old definition of the OCs in preparing the full-year statistics of 2016-17 (i.e. from April 2016 to March 2017) or not take into account the statistics of the last quarter of 2016-17 (i.e. from January to March 2017) in preparing the full-year statistics. However, in reporting the full-year statistics of 2016-17, NGO C mistakenly used the new definition of the OCs in calculating the statistics, thereby resulting in the error in reporting the achievement of the related OCs. The problem was caused by human errors.

Regarding Case C, the SWD has conducted meetings with NGO operators of various community rehabilitation day centres to find out the causes of error in similar situations, and will formulate guidelines for reference and compliance by the staff of various operators. Furthermore, the SWD also requested the officers-in-charge of various units to review their workflows and strengthen

control measures so as to prevent recurrence of similar mistakes.

- (k) As mentioned in item (f) above, the SWD issues letters to all subvented NGOs on a yearly basis, requiring them to comply with SPMS requirements through conducting self-assessment and submitting self-assessment reports on whether their service units meet the ESRs, OS/OCs and SQSs under individual FSAs. Where there is non-compliance, the NGOs are required to submit action plans for improvement at the same time and implement the relevant measures. The self-assessment report should be completed in a format as prescribed by the SWD. Forms relating to the self-assessment report, which are sent together with the letters issued to the NGOs, have been uploaded onto the SWD's website.

After reviewing the self-assessment report submitted by an NGO, the SWD will notify the NGO in writing of whether its action plan is acceptable. Please refer to the examples set out at **Annex 3** and **Annex 4**.

- (l) According to the information provided by the Audit Commission, the SWD has enquired the six NGOs in Table 17 and understood that all six NGOs had already taken appropriate actions to follow up on the non-compliance cases. One of the cases may still take some time for the NGO to address, while for another case, the NGO does not agree with the assessment made by the Audit Commission. For details, please refer to **Annex 5**.

The SWD has also reminded NGOs to strengthen training of their staff, so as to ensure that their service units provide a safe physical environment for their staff and service users.

- (m) Prior to the examination by the Audit Commission, the SWD was not aware of NGO D's practice of regarding training as having been completed when service users had just completed 10% or more of the planned training sessions. The SWD had convened meetings with various NGOs operating community rehabilitation day centres to follow up on the Audit Report. It was confirmed that apart from NGO D, other operators did not have the understanding as NGO D as regards completion of individual training plans. The attending therapists were of the opinion that a "completed" training and support plan was understood in their profession as having been completed in full, rather than in part. It is understood that NGO D would normally design training and support plans spanning from three months to a year for service users. Given the long treatment period, some service users were reluctant to attend follow-up treatment and assessment at the centre when their symptoms had improved. Therefore, NGO D regarded some service users having completed only 10% of the plans as having "completed" the individual training and support plans. NGO D has pledged to make improvements by designing appropriate individual

training and support plans with different symptoms taken into account, and complying with the SWD's requirements on attainment of OS/OCs. While all NGO operators other than NGO D have complied with the SWD's requirements in this regard, the SWD will draw up guidelines jointly with the NGO operators for a clear interpretation of the SWD's requirements on attainment of OS/OCs, in order to ensure a uniform understanding of the content of the FSA and definition of terms therein.

Should you have any enquiries, please contact the undersigned.

Yours sincerely,

(KOK Che-leung)
for Director of Social Welfare

<u>c.c.</u>	Secretary for Labour and Welfare	(Attn: Mr. Kenneth CHENG)
	Secretary for Financial Services and the Treasury	(Attn: Ms. Kinnie WONG)
	Director of Administration	(Attn: Ms. Subrina CHOW)
	Director of Audit	(Attn: Mr. Andrew CHANG)



Our Ref.:

Tel. No.:

Fax No.:

20 March 2017

Chief Executive Officers/Directors of
Subvented Non-governmental Organisations (NGOs)

Dear Sir/Madam,

Service Performance Monitoring System (SPMS)

**Self-assessment on
Service Quality Standards (SQSs), Essential Service Requirements (ESRs)
& Output/Outcome Standards (OS/OCs) and
Action Plans on Unmet Areas in 2016-17**

Under the SPMS, service operators are required to submit the annual agency-based Self-assessment Report (SAR) to the Department in April each year. The SAR should include the self-assessment results of all subvented service units with Funding and Service Agreements (FSAs) under your management. Your self-assessment should cover the following:

- (a) individual service unit's compliance with 16 SQSs and ESRs;
and
- (b) individual service unit's OS/OCs performance.

While action plan(s) are required to be submitted together with the SAR for service units with non-complied SQS(s)/ESR(s) and under-performed OS/OC(s), you may also report your good practices on SQSs and innovative/value-added services in the SAR. However, the good practices reported may not be counted as track record on performance monitoring of the service operator.

I would like to stress that the self-assessment is a key component of SPMS, which respects and honours the corporate governance of service operators. The manner of conducting the self-assessment forms part of the track record of service operators.



To facilitate your self-assessment and preparation of the SAR covering April 2016 to March 2017 (2016-17), the following documents are attached:

- (a) the proforma for 2016-17 SAR (**Annex I**); and
- (b) service units that can be exempted from 2016-17 SAR (**Annex II**).

This letter together with the proforma can also be downloaded from SWD Homepage¹. Grateful if you would submit your 2016-17 SAR by completing the proforma and return to the Subventions Section of the Department on or before **20 April 2017**. If you have any enquiries on this subject, please contact _____ on _____.

Yours sincerely,

for Director of Social Welfare

Encl.

c.c. Chairpersons of all subvented NGOs

¹ Website: http://www.swd.gov.hk/en/index/site_ngo/page_r-info/

Please forward the completed proforma to Subventions Section, Social Welfare Department at 38/F, Sunlight Tower, 248 Queen's Road East, Wan Chai, Hong Kong (fax: 2575 5632) on or before 20 April 2017.

PROFORMA

Service Performance Monitoring System (SPMS) Self-assessment on Compliance with SQSs, ESRs and OS/OCs in 2016-17

Name of Service Operator : _____

I. Result of Self-assessment on 16 SQSs and ESRs

This NGO has conducted a self-assessment on 16 SQSs and ESRs based on the tools and suggested process^{Note 1} including the examination of all documents and their implementation as well as the formulation of action plans for non-compliant areas by:

[Please ☒ as appropriate]

- ☐ **Service unit manager(s)**
☐ **Service coordinator(s)**
☐ **Internal audit team**
☐ **Others (please specify):** _____

Result of our self-assessment is [Please ☒ as appropriate]:

- ☐ All subvented service unit(s) of this NGO having been operated for 12 full months in 2016-17 is/are assessed to have met the requirements of all criteria of 16 SQSs and ESR(s) as stipulated in respective Funding and Service Agreement(s).
☐ The following service unit(s) of this NGO has/have unmet area of SQS(s) or ESR(s) and the corresponding Action Plan(s) is/are attached (please use the form at **Appendix I**):

<i>Name of Service Unit(s) with Non-compliance</i>	<i>Unmet Area of SQS(s)/ESR(s)</i>

Any other remarks on self-assessment:

[Please ☒ as appropriate, if any, and provide details in separate sheets]

- ☐ Good Practice^{Note 2}, including SQSs, value-added and innovative service (please specify):

^{Note 1} Details about the self-assessment mechanism are laid down in Chapter 4 of the Performance Assessment Manual which can be downloaded from http://www.swd.gov.hk/en/index/site_ngo/page_serviceper/sub_serpassessment.

^{Note 2} The good practices reported may not be counted as track record on performance monitoring of the service operator / service unit(s). For 'Good Practice' on SQSs, we refer to the practice over and above the basic requirement of SQS, not commonly practised and such practices may be considered by other service operators as good example for the reference of their service units.

II. Result of Self-assessment on OS/OCs Performance

This NGO has conducted an annual assessment on OS/OC(s) of all subvented service unit(s) by:
 [Please ☒ as appropriate]

- ☐ **Service unit manager(s)**
☐ **Service coordinator(s)**
☐ **Internal audit team**
☐ **Others (please specify):** _____

Result of our self-assessment is [Please ☒ as appropriate]:

- ☐ All subvented service unit(s) of this NGO is/are assessed to have met their corresponding OS/OC(s) in 2016-17.
- ☐ The following service unit(s) of this NGO has/have under-performance in OS/OC(s) in 2016-17 and the corresponding Action Plan(s) is/are attached (please use the form at **Appendix 2**) except for those on the exemption list at Annex II:

<i>Name of Service Unit(s) with Unmet OS/OC(s)</i>	<i>Unmet OS/OC(s)</i>

Remark: Service operators should ensure that all statistics reported in the SIS forms are accurate. If amendments to the OS/OC statistics of 2016-17 are needed, the amended data, together with full justification, should be attached to this proforma for re-submission.

Signature : _____

Name : _____

Post : **Chairperson of Board/Management Committee/ NGO Head ***

Service Operator : _____

Contact Person : _____ **(Name & Post)**

Tel No. : _____

Fax No.: _____

E-mail Address : _____

Date : _____

**delete as appropriate*

Action Plan for Unmet Area of SQS/ESR as at April 2017

IMPORTANT NOTE:

1. The service operator is required to formulate Action Plans for all unmet areas in SQSs/ESRs of its concerned service units. One Action Plan is required for each unmet area.
2. The service operator may be required to report in writing the progress of the Action Plan according to a specified time frame.

Name of Service Operator : _____

Name of Service Unit : _____

Funding and Service Agreement : _____

I. Criterion of SQS: No. _____/ ESR concerned*:

II. The area not yet achieved:

III. Reason(s) for not achieving the above area:

IV. Action(s) to be taken for achieving the above area:

V. Planned time frame for completing the action(s):

Responsible Service Coordinator/Supervisor of Service Unit			
Name [English]:		[Chinese] :	Signature:
Post & Rank [English & Chinese]:			
Contact Phone No.:	Fax No.:	E-mail Address:	Date:

* delete as appropriate

Action Plan for Under-performed OS/OC in 2016-17

IMPORTANT NOTE:

1. The service operator is required to formulate Action Plans for all under-performed OS/OCs of its concerned service units. One Action Plan is required for each under-performed OS/OC.
2. The service operator may be required to report in writing the progress of the Action Plan according to a specified time frame.

Name of Service Operator : _____

Name of Service Unit : _____

Funding and Service Agreement : _____

Under-performed OS/OC (e.g. OS1/OC3)	Description of OS/OC Indicator	Agreed Level (as stipulated in FSA or SIS Form)	Actual Performance of the Service Unit in 2016-17	Any under-achievement of the same OS/OC in <u>2015-16</u> (if yes, please state the actual performance of 2015-16 also)

I. Reason(s) for not achieving the OS/OC :

II. Action(s) taken and result (effectiveness) / action(s) to be taken to meet the Agreed Level of the OS/OC in the following year:

III. Planned time frame for completion of the action(s) proposed above:

Responsible Service Coordinator/Supervisor of Service Unit			
Name [English]:		[Chinese]:	
Post & Rank [English & Chinese]:		Signature:	
Contact Phone No.:	Fax No.:	E-mail Address:	Date:

**Subvented Service Units Exempted from Self-assessment
for the Period Covering April 2016 – March 2017**

Types of Service Units	Self-assessment on SQSs & ESRs	Self-assessment on OS/OCs Performance
1. Service units operated for less than 12 months during 1 April 2016 – 31 March 2017 which include: <ul style="list-style-type: none"> ▪ new service units commenced operation during the period; and ▪ service units ceased operation during the period. 	Exempted	Exempted
2. Service units under service re-engineering during 1 April 2016 – 31 March 2017.	Fully/Partially exempted if there are changes in OS/OCs requirements of the FSA concerned	Fully/Partially exempted if there are changes in OS/OCs requirements of the FSA concerned
3. Service units with reporting cycle different from this assessment cycle covering 1 April 2016 – 31 March 2017.	Exempted ¹	Exempted ¹

¹ Service units with different reporting cycle, e.g. the service of Integrated Programme in Kindergarten-cum-Child Care Centre, with reporting cycle changed to September – August w.e.f. September 2009, are required to submit their SAR to the Subventions Section by 20 September 2017.

Please forward the completed proforma to Subventions Section, Social Welfare Department at 38/F, Sunlight Tower, 248 Queen's Road East, Wan Chai, Hong Kong (fax: 2575 5632) on or before 20 April 2017.

PROFORMA

Service Performance Monitoring System (SPMS) Self-assessment on Compliance with SQSs, ESRs and OS/OCs in 2016-17

Name of Service Operator: _____

I. Result of Self-assessment on 16 SQSs and ESRs

This NGO has conducted a self-assessment on 16 SQSs and ESRs based on the tools and suggested process^{Note 1} including the examination of all documents and their implementation as well as the formulation of action plans for non-compliant areas by:

[Please ☒ as appropriate]

☒ Service unit manager(s)

☐ Service coordinator(s)

☐ Internal audit team

☐ Others (please specify): _____



Result of our self-assessment is [Please ☒ as appropriate]:

☒ All subvented service unit(s) of this NGO having been operated for 12 full months in 2016-17 is/are assessed to have met the requirements of all criteria of 16 SQSs and ESR(s) as stipulated in respective Funding and Service Agreement(s).

☐ The following service unit(s) of this NGO has/have unmet area of SQS(s) or ESR(s) and the corresponding Action Plan(s) is/are attached (please use the form at **Appendix I**):

<i>Name of Service Unit(s) with Non-compliance</i>	<i>Unmet Area of SQS(s)/ESR(s)</i>

Any other remarks on self-assessment:

[Please ☒ as appropriate, if any, and provide details in separate sheets]

☐ Good Practice^{Note 2}, including SQSs, value-added and innovative service (please specify):

^{Note 1} Details about the self-assessment mechanism are laid down in Chapter 4 of the Performance Assessment Manual which can be downloaded from http://www.swd.gov.hk/en/index/site_ngo/page_serviceper/sub_serpassessment.

^{Note 2} The good practices reported may not be counted as track record on performance monitoring of the service operator / service unit(s). For 'Good Practice' on SQSs, we refer to the practice over and above the basic requirement of SQS, not commonly practised and such practices may be considered by other service operators as good example for the reference of their service units.

II. Result of Self-assessment on OS/OCs Performance

This NGO has conducted an annual assessment on OS/OC(s) of all subvented service unit(s) by:
 [Please ☒ as appropriate]

- ☒ **Service unit manager(s)**
☐ **Service coordinator(s)**
☐ **Internal audit team**
☐ **Others (please specify):** _____

Result of our self-assessment is [Please ☒ as appropriate]:

- ☐ All subvented service unit(s) of this NGO is/are assessed to have met their corresponding OS/OC(s) in 2016-17.
- ☒ The following service unit(s) of this NGO has/have under-performance in OS/OC(s) in 2016-17 and the corresponding Action Plan(s) is/are attached (please use the form at *Appendix 2*) except for those on the exemption list at Annex II:

<i>Name of Service Unit(s) with Unmet OS/OC(s)</i>	<i>Unmet OS/OC(s)</i>
	OS 3c,
	OS 7a, OS 7b

Remark: Service operators should ensure that all statistics reported in the SIS forms are accurate. If amendments to the OS/OC statistics of 2016-17 are needed, the amended data, together with full justification, should be attached to this proforma for re-submission.

Signature : _____

Name : _____

Post : **Chairperson of ~~Board~~/Management Committee/ ~~NGO Head~~***

Service Operator : _____

Contact Person : _____ **(Name & Post)**

Tel No. : _____ **Fax No.:** _____

E-mail Address : _____

Date : _____

**delete as appropriate*

Action Plan for Under-performed OS/OC in 2016-17

IMPORTANT NOTE:

1. The service operator is required to formulate Action Plans for all under-performed OS/OCs of its concerned service units. One Action Plan is required for each under-performed OS/OC.
2. The service operator may be required to report in writing the progress of the Action Plan according to a specified time frame.

Name of Service Operator : _____

Name of Service Unit : _____

Funding and Service Agreement : 長者鄰舍中心

Under-performed OS/OC (e.g. OS1/OC3)	Description of OS/OC Indicator	Agreed Level (as stipulated in FSA or SIS Form)	Actual Performance of the Service Unit in 2016-17	Any under-achievement of the same OS/OC in <u>2015-16</u> (if yes, please state the actual performance of 2015-16 also)
OS 3c	一年內舉辦的小組、活動及計劃的總數：提供護老者支援服務，包括互助支援小組及培訓活動等；	40	30	/

I. Reason(s) for not achieving the OS/OC :

提供給護老者的支援服務，由於不少護老者的時間未能配合，故某部分的小組或培訓活動因未有足夠人數而取消。

II. Action(s) taken and result (effectiveness) / action(s) to be taken to meet the Agreed Level of the OS/OC in the following year:

- (1) 提早宣傳護老者的支援小組或培訓活動，讓護老者能預留時間參與。
- (2) 改變部份中心開放時間，以配合護老者的放假時間進行活動，例如：星期日。
- (3) 安排平行小組或培訓活動，長者及護老者可一同參與，方便護老者的照顧需要。

III. Planned time frame for completion of the action(s) proposed above:

於2017/18年持續地進行工作計劃，並達到目標。

Responsible Service Coordinator/Supervisor of Service Unit			
Name [English]:		[Chinese]:	Signature:
Post & Rank [English & Chinese]:			
Contact Phone No.:	Fax No.:	E-mail Address:	Date: 20 Apr 2017

Action Plan for Under-performed OS/OC in 2016-17

IMPORTANT NOTE:

1. The service operator is required to formulate Action Plans for all under-performed OS/OCs of its concerned service units. One Action Plan is required for each under-performed OS/OC.
2. The service operator may be required to report in writing the progress of the Action Plan according to a specified time frame.

Name of Service Operator : _____

Name of Service Unit : _____

Funding and Service Agreement : 長者鄰舍中心

Under-performed OS/OC (e.g. OS1/OC3)	Description of OS/OC Indicator	Agreed Level (as stipulated in FSA or SIS Form)	Actual Performance of the Service Unit in 2016-17	Any under-achievement of the same OS/OC in 2015-16 (If yes, please state the actual performance of 2015-16 also)
OS 7a	為隱蔽或需要照顧的長者提供的服務：每月隱蔽或需要照顧的長者活躍個案的平均數目	35	30.83	8.33

I. Reason(s) for not achieving the OS/OC :

1. 本中心在2015年12月，才聘請到多一位社工人手處理個案輔導等工作，由於未有足夠人手全面地籌劃隱長個案服務，以致發掘個案的工作遲了起步開展，導致平均個案數目在年內未能達標。
2. 經過同事們在年內的努力，3月份隱長個案服務數字已達到49，唯平均個案仍只能達到30%，雖較議定水平稍低，但比較2015-16年度平均個案數目有增長，情況有改善。

II. Action(s) taken and result (effectiveness) / action(s) to be taken to meet the Agreed Level of the OS/OC in the following year:

為確保2017/18年度全年平均個案能達標，本中心會持續地推行以下工作計劃：

1. 人力架構轉變，因應福利工作員離任，轉為聘請一位社工替補處理隱長個案，以及聘請多一位半職社工，集中私樓及鄉郊村落發掘個案的工作。
2. 藉與地區持份者如商舖、互委會、大廈管理處及鄉郊村落各村長建立合作伙伴關係，宣傳中心服務，以及轉介有需要個案給中心社工跟進。
3. 繼續透過定期家訪及電話慰問較少到中心及體弱之會員。
4. 建立長者互助網絡，鼓勵會員通知中心需要幫助的長者。
5. 以外展工作方法在戶外接觸長者，發掘有需要的長者個案。
6. 加強服務宣傳如街站派單張等。

III. Planned time frame for completion of the action(s) proposed above:

於2017/18年持續地進行工作計劃，並達到目標。

Responsible Service Coordinator/Supervisor of Service Unit			
Name [English]:		[Chinese]:	Signature:
Post & Rank [English & Chinese]: Centre In-charge			
Contact Phone No.:	Fax No.:	E-mail Address:	Date: 20 Apr 2017

Action Plan for Under-performed OS/OC in 2016-17

IMPORTANT NOTE:

1. The service operator is required to formulate Action Plans for all under-performed OS/OCs of its concerned service units. One Action Plan is required for each under-performed OS/OC.
2. The service operator may be required to report in writing the progress of the Action Plan according to a specified time frame.

Name of Service Operator : _____
 Name of Service Unit : _____
 Funding and Service Agreement : 長者鄰舍中心

Under-performed OS/OC (e.g. OS1/OC3)	Description of OS/OC Indicator	Agreed Level (as stipulated in FSA or SIS Form)	Actual Performance of the Service Unit in 2016-17	Any under-achievement of the same OS/OC in 2015-16 (if yes, please state the actual performance of 2015-16 also)
OS 7b	為隱蔽或需要照顧的長者提供的服務：一年內處理的隱蔽或需要照顧的長者個案的流轉率	20%	10.91%	11.11%

I. Reason(s) for not achieving the OS/OC :

由於隱蔽或需要照顧的長者的個案工作遲了起步開展，所以大部份個案仍在跟進中，因此較少結束個案，與2015-16年度個案的流轉率相若，未能達致結束個案流轉率的要求指標。

II. Action(s) taken and result (effectiveness) / action(s) to be taken to meet the Agreed Level of the OS/OC in the following year:

督導社工如何清晰個案目標，訂立具體工作計劃及介入時限，以縮短每個個案要處理的時間。

III. Planned time frame for completion of the action(s) proposed above:

於2017/18年持續地進行工作計劃，並達到目標。

Responsible Service Coordinator/Supervisor of Service Unit			
Name [English].		[Chinese]:	Signature:
Post & Rank [English & Chinese]:			
Contact Phone No.:	Fax No.:	E-mail Address:	Date: 20 Apr 2017

***Note by Clerk, PAC:** Chinese version only.



社會福利署

Social Welfare Department

Our Ref. :

Tel No. :

Fax No. :

7 July 2017

Service Performance Monitoring System (SPMS)

Self-assessment on Service Quality Standards (SQSs), Essential Service Requirements (ESRs) & Output/Outcome Standards (OS/OCs) and Action Plans on Unmet Areas in 2016-17

I refer to the 2016-17 Self-assessment Report (SAR) submitted by your organisation on 20.4.2017 regarding the captioned subject.

Please be informed that the Action Plans attached to your SAR in respect of the non-compliant areas of the following service units are considered acceptable:

1. (OS3c)
2. (OS7a, OS7b)

As regards the performance assessment against OS/OC(s) as stated in your SAR, we will scrutinise all relevant information relating to your self-assessment and notify you of the details if there is any under-reporting of under-achieved OS/OC(s) in your SAR.

Taking this opportunity, you are advised to remind your staff of the spirit under SPMS which is to ensure the accountability for public funds and the provision of quality social welfare services to service users. For details of the monitoring mechanism, you may refer to the SPMS Performance Assessment Manual and the respective Funding and Service Agreements applicable to your service units.

If you have any enquiries, please contact me on



Yours sincerely,

()
for Director of Social Welfare



Our Ref.:

Tel. No.:

Fax No.:

20 March 2017

Chief Executive Officers/Directors of
Subvented Non-governmental Organisations (NGOs)

Dear Sir/Madam,

Service Performance Monitoring System (SPMS)

**Self-assessment on
Service Quality Standards (SQSs), Essential Service Requirements (ESRs)
& Output/Outcome Standards (OS/OCs) and
Action Plans on Unmet Areas in 2016-17**

Under the SPMS, service operators are required to submit the annual agency-based Self-assessment Report (SAR) to the Department in April each year. The SAR should include the self-assessment results of all subvented service units with Funding and Service Agreements (FSAs) under your management. Your self-assessment should cover the following:

- (a) individual service unit's compliance with 16 SQSs and ESRs;
and
- (b) individual service unit's OS/OCs performance.

While action plan(s) are required to be submitted together with the SAR for service units with non-complied SQS(s)/ESR(s) and under-performed OS/OC(s), you may also report your good practices on SQSs and innovative/value-added services in the SAR. However, the good practices reported may not be counted as track record on performance monitoring of the service operator.

I would like to stress that the self-assessment is a key component of SPMS, which respects and honours the corporate governance of service operators. The manner of conducting the self-assessment forms part of the track record of service operators.



To facilitate your self-assessment and preparation of the SAR covering April 2016 to March 2017 (2016-17), the following documents are attached:

- (a) the proforma for 2016-17 SAR (Annex I); and
- (b) service units that can be exempted from 2016-17 SAR (Annex II).

This letter together with the proforma can also be downloaded from SWD Homepage¹. Grateful if you would submit your 2016-17 SAR by completing the proforma and return to the Subventions Section of the Department on or before 20 April 2017. If you have any enquiries on this subject, please contact _____ or _____.

Yours sincerely,

for Director of Social Welfare

Encl.

c.c. Chairpersons of all subvented NGOs

¹ Website: http://www.swd.gov.hk/en/index/site_ngo/page_r-info/

Please forward the completed proforma to Subventions Section, Social Welfare Department at 38/F, Sunlight Tower, 248 Queen's Road East, Wan Chai, Hong Kong (fax: 2575 5632) **on or before 20 April 2017**.

PROFORMA

Service Performance Monitoring System (SPMS) Self-assessment on Compliance with SQSs, ESRs and OS/OCs in 2016-17

Name of Service Operator : _____

I. Result of Self-assessment on 16 SQSs and ESRs

This NGO has conducted a self-assessment on 16 SQSs and ESRs based on the tools and suggested process^{Note 1} including the examination of all documents and their implementation as well as the formulation of action plans for non-compliant areas by:

[Please ☒ as appropriate]

- ☐ **Service unit manager(s)**
- ☐ **Service coordinator(s)**
- ☐ **Internal audit team**
- ☐ **Others (please specify):** _____

Result of our self-assessment is [Please ☒ as appropriate]:

- ☐ All subvented service unit(s) of this NGO having been operated for 12 full months in 2016-17 is/are assessed to have met the requirements of all criteria of 16 SQSs and ESR(s) as stipulated in respective Funding and Service Agreement(s).
- ☐ The following service unit(s) of this NGO has/have unmet area of SQS(s) or ESR(s) and the corresponding Action Plan(s) is/are attached (please use the form at **Appendix I**):

<i>Name of Service Unit(s) with Non-compliance</i>	<i>Unmet Area of SQS(s)/ESR(s)</i>

Any other remarks on self-assessment:

[Please ☒ as appropriate, if any, and provide details in separate sheets]

- ☐ Good Practice^{Note 2}, including SQSs, value-added and innovative service (please specify):
- _____

^{Note 1} Details about the self-assessment mechanism are laid down in Chapter 4 of the Performance Assessment Manual which can be downloaded from http://www.swd.gov.hk/en/index/site_ngo/page_serviceper/sub_serpassessment.

^{Note 2} The good practices reported may not be counted as track record on performance monitoring of the service operator / service unit(s). For 'Good Practice' on SQSs, we refer to the practice over and above the basic requirement of SQS, not commonly practised and such practices may be considered by other service operators as good example for the reference of their service units.

II. Result of Self-assessment on OS/OCs Performance

This NGO has conducted an annual assessment on OS/OC(s) of all subvented service unit(s) by:
 [Please ☒ as appropriate]

- ☐ **Service unit manager(s)**
☐ **Service coordinator(s)**
☐ **Internal audit team**
☐ **Others (please specify):** _____

Result of our self-assessment is [Please ☒ as appropriate]:

- ☐ All subvented service unit(s) of this NGO is/are assessed to have met their corresponding OS/OC(s) in 2016-17.
- ☐ The following service unit(s) of this NGO has/have under-performance in OS/OC(s) in 2016-17 and the corresponding Action Plan(s) is/are attached (please use the form at **Appendix 2**) except for those on the exemption list at Annex II:

<i>Name of Service Unit(s) with Unmet OS/OC(s)</i>	<i>Unmet OS/OC(s)</i>

Remark: Service operators should ensure that all statistics reported in the SIS forms are accurate. If amendments to the OS/OC statistics of 2016-17 are needed, the amended data, together with full justification, should be attached to this proforma for re-submission.

Signature : _____

Name : _____

Post : **Chairperson of Board/Management Committee/ NGO Head ***

Service Operator : _____

Contact Person : _____ **(Name & Post)**

Tel No. : _____

Fax No.: _____

E-mail Address : _____

Date : _____

**delete as appropriate*

Action Plan for Unmet Area of SQS/ESR as at April 2017

IMPORTANT NOTE:

1. The service operator is required to formulate Action Plans for all unmet areas in SQSs/ESRs of its concerned service units. *One Action Plan is required for each unmet area.*
2. The service operator may be required to report in writing the progress of the Action Plan according to a specified time frame.

Name of Service Operator : _____

Name of Service Unit : _____

Funding and Service Agreement : _____

I. Criterion of SQS: No. _____ / ESR concerned*:

II. The area not yet achieved:

III. Reason(s) for not achieving the above area:

IV. Action(s) to be taken for achieving the above area:

V. Planned time frame for completing the action(s):

Responsible Service Coordinator/Supervisor of Service Unit			
Name [English]:		[Chinese] :	Signature:
Post & Rank [English & Chinese]:			
Contact Phone No.:	Fax No.:	E-mail Address:	Date:

* delete as appropriate

Action Plan for Under-performed OS/OC in 2016-17

IMPORTANT NOTE:

1. The service operator is required to formulate Action Plans for all under-performed OS/OCs of its concerned service units. ***One Action Plan is required for each under-performed OS/OC.***
2. The service operator may be required to report in writing the progress of the Action Plan according to a specified time frame.

Name of Service Operator : _____

Name of Service Unit : _____

Funding and Service Agreement : _____

Under-performed OS/OC (e.g. OS1/OC3)	Description of OS/OC Indicator	Agreed Level (as stipulated in FSA or SIS Form)	Actual Performance of the Service Unit in 2016-17	Any under-achievement of the same OS/OC in 2015-16 (if yes, please state the actual performance of 2015-16 also)

I. Reason(s) for not achieving the OS/OC :

II. Action(s) taken and result (effectiveness) / action(s) to be taken to meet the Agreed Level of the OS/OC in the following year:

III. Planned time frame for completion of the action(s) proposed above:

Responsible Service Coordinator/Supervisor of Service Unit			
Name [English]:		[Chinese]:	
Post & Rank [English & Chinese]:		Signature:	
Contact Phone No.:	Fax No.:	E-mail Address:	Date:

**Subvented Service Units Exempted from Self-assessment
for the Period Covering April 2016 – March 2017**

Types of Service Units	Self-assessment on SQSs & ESRs	Self-assessment on OS/OCs Performance
1. Service units operated for less than 12 months during 1 April 2016 – 31 March 2017 which include: <ul style="list-style-type: none"> ▪ new service units commenced operation during the period; and ▪ service units ceased operation during the period. 	Exempted	Exempted
2. Service units under service re-engineering during 1 April 2016 – 31 March 2017.	Fully/Partially exempted if there are changes in OS/OCs requirements of the FSA concerned	Fully/Partially exempted if there are changes in OS/OCs requirements of the FSA concerned
3. Service units with reporting cycle different from this assessment cycle covering 1 April 2016 – 31 March 2017.	Exempted ¹	Exempted ¹

¹ Service units with different reporting cycle, e.g. the service of Integrated Programme in Kindergarten-cum-Child Care Centre, with reporting cycle changed to September – August w.e.f. September 2009, are required to submit their SAR to the Subventions Section by 20 September 2017.

Annex I (P.1)

Please forward the completed proforma to Subventions Section, Social Welfare Department at 38/F, Sunlight Tower, 248 Queen's Road East, Wan Chai, Hong Kong (fax: 2575 5632) on or before 20 April 2017.

PROFORMA

Service Performance Monitoring System (SPMS) Self-assessment on Compliance with SQSs, ESRs and OS/OCs in 2016-17

Name of Service Operator : _____

I. Result of Self-assessment on 16 SQSs and ESRs

This NGO has conducted a self-assessment on 16 SQSs and ESRs based on the tools and suggested process^{Note 1} including the examination of all documents and their implementation as well as the formulation of action plans for non-compliant areas by:

[Please ☒ as appropriate]

- ☐ Service unit manager(s)
- ☒ Service coordinator(s)
- ☐ Internal audit team
- ☐ Others (please specify): _____

Result of our self-assessment is [Please ☒ as appropriate]:

- ☒ All subvented service unit(s) of this NGO having been operated for 12 full months in 2016-17 is/are assessed to have met the requirements of all criteria of 16 SQSs and ESR(s) as stipulated in respective Funding and Service Agreement(s).
- ☐ The following service unit(s) of this NGO has/have unmet area of SQS(s) or ESR(s) and the corresponding Action Plan(s) is/are attached (please use the form at **Appendix I**):

<i>Name of Service Unit(s) with Non-compliance</i>	<i>Unmet Area of SQS(s)/ESR(s)</i>

Any other remarks on self-assessment:

[Please ☒ as appropriate, if any, and provide details in separate sheets]

- ☐ Good Practice^{Note 2}, including SQSs, value-added and innovative service (please specify):

^{Note 1} Details about the self-assessment mechanism are laid down in Chapter 4 of the Performance Assessment Manual which can be downloaded from http://www.swd.gov.hk/en/index/site_ngo/page_serviceper/sub_serpassessment.

^{Note 2} The good practices reported may not be counted as track record on performance monitoring of the service operator / service unit(s). For 'Good Practice' on SQSs, we refer to the practice over and above the basic requirement of SQS, not commonly practised and such practices may be considered by other service operators as good example for the reference of their service units.

II. Result of Self-assessment on OS/OCs Performance

This NGO has conducted an annual assessment on OS/OC(s) of all subvented service unit(s) by:
[Please ☒ as appropriate]

- ☐ Service unit manager(s)
☒ Service coordinator(s)
☐ Internal audit team
☐ Others (please specify): _____

Result of our self-assessment is [Please ☒ as appropriate]:

- ☐ All subvented service unit(s) of this NGO is/are assessed to have met their corresponding OS/OC(s) in 2015-16.
- ☒ The following service unit(s) of this NGO has/have under-performance in OS/OC(s) in 2015-16 and the corresponding Action Plan(s) is/are attached (please use the form at **Appendix 2**) except for those on the exemption list at Annex II:

<i>Name of Service Unit(s) with Unmet OS/OC(s)</i>	<i>Unmet OS/OC(s)</i>
	OS1
	OS1

Remark: Service operators should ensure that all statistics reported in the SIS forms are accurate. If amendments to the OS/OC statistics of 2016-17 are needed, the amended data, together with full justification, should be attached to this proforma for re-submission.

Signature : _____

Name: _____

Post : ~~Chairperson of Board/Management Committee/~~ NGO Head *

Service Operator : _____

Contact Person : _____ **(Name & Post)**

Tel No. : _____ **Fax No.:** _____

E-mail Address : _____

Date : _____

^{aa}delete as appropriate

Action Plan for Under-performed OS/OC in 2016-17

IMPORTANT NOTE:

1. The service operator is required to formulate Action Plans for all under-performed OS/OCs of its concerned service units. One Action Plan is required for each under-performed OS/OC.
2. The service operator may be required to report in writing the progress of the Action Plan according to a specified time frame.

Name of Service Operator :

Name of Service Unit :

Funding and Service Agreement : Non-medical Voluntary Drug Treatment and Rehabilitation
Services

Under-performed OS/OC (e.g. OS1/OC3)	Description of OS/OC Indicator	Agreed Level (as stipulated in FSA or SIS Form)	Actual Performance of the Service Unit in 2016-17	Any under-achievement of the same OS/OC in 2015-16 (if yes, please state the actual performance of 2015-16 also)
OS1a	Rate of placement occupancy (Female) in residential program	65%	MOS: 60%及LTC: 40% 50%	38%

I. Reason(s) for not achieving the OS/OC :

- 1) 因青少年的隱蔽吸毒情況及受個人節慶(如：自己/朋友生日、親友壽宴)影響，一方面影響申請人舍個案的數量，另一方面也影響已入舍舍友的穩定性。
- 2) 申請人於安排約見後缺席面試，並未能聯絡，有部份面見後因未能申請綜援及有經濟壓力而終止申請及入舍。
- 3) 有關戒毒及濫藥的社區教育及輔導增多，吸毒青少年相對地較接受社區輔導服務。
- 4) 舍友接受院舍規則(如：禁煙、有紀律的生活程序及課堂學習)的意識較薄弱，阻礙其考慮入住院舍。
- 5) 未能與懲教所合作，雖能與感化官及綜合家庭服務中心聯絡，但未能確實在其工作小組會議中作服務簡介。

II. Action(s) taken and result (effectiveness) / action(s) to be taken to meet the Agreed Level of the OS/OC in the following year:

- 1) 與項目發展部合作，建立「外展intake隊」，以外展Intake的手法，擴闊接觸濫藥者，增加推廣宿舍服務，並藉以提升服務使用率。

- 2) 繼續加強與相關醫院及輔導機構聯繫，參與分享會、服務交流會及研討會以推廣院舍服務，擴闊轉介來源，在北區醫院、葵涌醫院、青山醫院明心樓藥物誤用診所等的資訊架放置院舍服務單張。
- 3) 推行適切的計劃及興趣小組(如：優點銀行獎勵計劃、舒壓結他小組、職前培訓小組、親親大自然小組、義工小組等)，以迎合舍友的興趣及需要，藉以加強她們的歸屬感。
- 4) 保留為釋囚提供三個月的短期住宿服務，另一方面也繼續主動與感化官及綜合家庭服務中心聯絡和預約在其工作小組會議中作服務簡介，盼能提升轉介。
- 5) 繼續加強與濫用精神藥物者輔導中心、家計會、醫院、戒煙社福機構、外展隊等合作，引入不同類型的小組，增加濫藥者對相關戒毒機構服務的接觸，以助舍友入住的穩定性。同時，可增加濫用精神藥物者輔導中心、家計會、醫院、戒煙社福機構、外展隊對院舍的認識從而提高轉介。
- 6) 繼續於電話查詢及申請面見時，了解申請者的濫藥事件及已吸毒年期(毒齡)，並作出建議(毒齡長建議長期一年服務，毒齡短建議短期服務)及表明服務特色(____能提供寧靜的環境去學習)，若毒齡長的申請者堅持在____進行住宿服務，會按其需要讓她們選擇在____地點進行較長的住宿服務。
- 7) 於____新增「易達面談室」及Intake-Express服務，以方便感化官作轉介及探訪，感化官可於____約見舍友，也可以致電____轉介個案，加快入舍安排。

III. Planned time frame for completion of the action(s) proposed above:

因着上半年的策略，宿舍整體的入住率由38%提升至50%，故會繼續沿用部分策劃以提升入住率。

進行時段	行動內容	2016-2017進展情況
4/2017 – 31/3/2018	<ul style="list-style-type: none"> 繼續在各藥物誤用診所/輔導機構的資訊架放置院舍服務單張，擴闊轉介來源。 繼續安排及檢視社工和舍監團隊，於舍友入舍的首星期(7天)內，社工接觸及關顧舍友不少於5次、舍監安排講解院舍程序和規則，以加強關顧和情緒支援。 舍友入舍後的首月開辦「適應小組」，並持續地舉行適應小組以協助適應。 於舍友入住20天後在舍內安排與家人/轉介社工開會，以讓舍友家長/直系親屬/轉介社工了解舍友進展，鼓勵完成住宿期。 	<ul style="list-style-type: none"> 在明心樓、北區醫院、葵涌醫院東區醫院的資訊架放置服務單張，也在2016年12月、2017年3月以郵寄方式寄出會訊以擴闊轉介來源。 上年度____共進行3個為期4節的適應小組，也進行了19次入舍適應會，而每位新入舍舍友均由總舍監於首日講解院舍程序和規則，

		利用個人、小組及家人支援的介入方式以協助舍友適應及鼓勵完成住宿期。
4/2017 – 31/3/2018	<ul style="list-style-type: none"> 推行適切的計劃及興趣小組(如：優點銀行獎勵計劃、舒壓結他小組、職前培訓小組、親親大自然小組、義工小組等)，以迎合舍友的興趣及需要，藉以加強她們的歸屬感。 	<ul style="list-style-type: none"> 於上年度進行適切的小組及獎勵計劃
4/2017 – 31/3/2018	<ul style="list-style-type: none"> 保留為釋囚提供三個月的短期住宿服務，另一方面也繼續主動與感化官及綜合家庭服務中心聯絡和預約在其工作小組會議中作服務簡介，盼能提升轉介。 	<ul style="list-style-type: none"> 暫未能收到懲教所的轉介個案，但仍保留為釋囚提供3個月的短期院舍服務。雖有與感化官及保護家庭及兒童課的社工聯絡及作預約安排到其工作小組進行服務簡介，惜至今仍在安排中。
10/2017 – 31/3/2018	<ul style="list-style-type: none"> 與項目發展部合作，建立「外展intake隊」，以外展Intake的手法，擴闊接觸濫藥者，利用網上平台及WHATSAPP媒介、主動到高危場所擴闊接觸及識別隱蔽濫藥者。一方面為合適人士提供網上資訊、網上朋輩(過來人)輔導、社工個案管理、家庭支援、五天短期住醫院式的介入及提供醫療津貼以擴闊推廣戒毒的資訊，另一方面也可提升他們求助的動機。 同時也與項目發展部合作，到中小學進行社區教育(如：講座和過來人分享) 	<ul style="list-style-type: none"> 上年度由追尋生命計劃的轉介個案共24人(短期計劃：14人，長期計劃：10人)，當中11人成功入舍，有5人正安排中。

4/2016 – 31/3/2018	<ul style="list-style-type: none"> 繼續於電話查詢及申請面見時，了解申請者的濫藥事件及已吸毒年期(毒齡)，並作出建議(毒齡長建議長期一年服務，毒齡短建議短期服務)及表明服務特色(提供寧靜的環境去學習)，若毒齡長的申請者堅持在進行住宿服務，會按其需要讓她們選擇在地點進行較長的住宿服務。 致函推廣新增「易達面談室」及Intake-Express服務，以方便感化官作轉介及探訪，感化官可於約見舍友，也可以致電轉介個案，加快入舍安排。 	<ul style="list-style-type: none"> 在電話查詢、申請面見當中共13人因個人原因而不考慮長期服務，而選擇短期服務，最後共8人均能順利入舍，其中兩人也能在進行一年及九個月的住宿服務。 自12月作推廣後共2位舍友的感化官使用「易達面談室」，感化官的回應是正面及覺得方便的。同時，也收到感化官使用Intake-Express服務，當中有1個成功轉介個案。
4/2017 – 31/3/2018	<ul style="list-style-type: none"> 繼續參與分享會、服務交流會及研討會以推廣院舍服務，擴闊轉介來源。 加強與業界作交流，到訪不同的院舍，共商合作的空間以擴闊轉介、優化服務。 	<ul style="list-style-type: none"> 已進行了共5次服務交流。(16/6、18/8、26/8、28/9、21/1) 於30/3到訪中途宿舍作交流。 預計於12/5到訪作交流。

Responsible Service Coordinator/Supervisor of Service Unit			
Name [English]: [Chinese]:			Signature:
Post & Rank [English & Chinese]:			
Contact Phone No.:	Fax No.:	E-mail Address:	Date: 20-4-2017

**Note by Clerk, PAC: Chinese version only.*



社會福利署

Social Welfare Department

Our Ref. :

Tel No. :

Fax No. :

17 July 2017

Dear :

Service Performance Monitoring System (SPMS)

**Self-assessment on
Service Quality Standards (SQSs), Essential Service Requirements (ESRs) &
Output/Outcome Standards (OS/OCs) and
Action Plans on Unmet Areas in 2016-17**

I refer to the 2016-17 Self-assessment Report (SAR) submitted by your organisation on 20.4.2017 regarding the captioned subject.

Please be informed that the Action Plan attached to your SAR in respect of the non-compliance of OS1 of
is considered acceptable.

As regards the performance assessment against OS/OC(s) as stated in your SAR, we will scrutinise all relevant information relating to your self-assessment and notify you of the details if there is any under-reporting of under-achieved OS/OC(s) in your SAR.

Taking this opportunity, you are advised to remind your staff of the spirit under SPMS which is to ensure the accountability for public funds and the provision of quality social welfare services to service users. For details of the monitoring mechanism, you may refer to the SPMS Performance Assessment Manual and the respective Funding and Service Agreement applicable to your service unit.

If you have any enquiries, please contact me on

Yours sincerely,

**Follow-up Actions Taken by NGOs
Regarding the Non-compliance of Service Quality Standard 9**

NGO	ASU	Information from the Audit Commission	Replies from the NGO
NGO F	ASUs F to I	<ul style="list-style-type: none"> No fire drill was conducted in 2015. One of the fire extinguishers could not be located according to the evacuation route plan (as it was covered by other objects). 	<ul style="list-style-type: none"> Fire drills were conducted by the ASUs in 2016 and 2017. Objects covering the fire extinguisher have been removed by the ASUs.
	ASUs J & K	<ul style="list-style-type: none"> Inclement weather arrangements, as shown in the newsletter, on the notice board and at the entrance of the ASUs, were found to be inconsistent with those stated in the SQS documents. First aid box was checked once a year instead of once every half year. No fire drill was conducted in 2016. 	<ul style="list-style-type: none"> Relevant documents have been revised by the ASUs. Relevant documents have been revised by the ASUs such that first aid boxes will be checked once a year. A fire drill was conducted by the ASUs in 2017.
NGO G	ASUs L to N	<ul style="list-style-type: none"> The laundry room was not equipped with first aid box as stated in the document. 	<ul style="list-style-type: none"> The ASUs had reviewed the number of first aid boxes required and the location of placing them. Since there is already one first aid box suitably placed on the same floor, it is not necessary to have another one in the laundry room.

NGO	ASU	Information from the Audit Commission	Replies from the NGO
		<ul style="list-style-type: none"> Some items in the ASUs' first aid boxes were expired. A crack was found on the rooftop window of an ASU. Examination was done by an engineer and no immediate danger was identified. The ASU however did not keep relevant records of the incident and subsequent follow-up actions. 	<ul style="list-style-type: none"> The expired items have been replaced by the ASUs. The NGO had arranged professional assessment and will keep relevant records.
	ASU O	<ul style="list-style-type: none"> Some items in the first aid box were expired. 	<ul style="list-style-type: none"> The expired items have been replaced by the ASU.
NGO H	ASUs P to R	<ul style="list-style-type: none"> The fire evacuation route plan displayed on the ground floor failed to indicate the presence of two fire blankets in the kitchen area, while the ones displayed on the first and second floors failed to indicate the location of all fire extinguishers. There were no records of inspection of physiotherapy equipment, electrical installation and equipment, sewage outfalls and fire services' rooms. Three of the fire hose reels were covered by objects. 	<ul style="list-style-type: none"> The fire evacuation route plans in question have been revised by the ASUs. Relevant inspections have been conducted by the ASUs, with inspection records being kept. The objects covering the fire hose reels have been removed by the ASUs. In addition, notices have been put up near the fire hose reels to remind staff not to cover them.

NGO	ASU	Information from the Audit Commission	Replies from the NGO
NGO I	ASUs S & T	<ul style="list-style-type: none"> The ASUs arranged a lesson observation week for parents even during the implementation of the Red Alert System from 14 to 25 June 2017. 	<ul style="list-style-type: none"> The ASUs hold different opinions over the assessment of the Audit Commission. The ASUs indicated that policy and procedural requirements had been observed during the implementation of the Red Alert System. Visits of volunteers and other visitors were ceased while special arrangements were made for parent activities. In conducting parent activities, the ASUs had taken into account the nature of the communicable disease, and the children's conditions and made arrangements for limited segregation during the visits. Parents were arranged to observe their children's living environment and activities in class in the corridors to avoid spreading of germs while satisfying their child caring needs.
NGO J	ASUs U & V	<ul style="list-style-type: none"> One of the fire extinguishers in the ASUs was covered by other objects. Routine inspections on fire service installation or equipment were not carried out as scheduled. 	<ul style="list-style-type: none"> Objects covering the fire extinguisher have been removed by the ASUs. Routine inspections on fire service installation or equipment have been carried out by the ASUs as scheduled afterwards.

NGO	ASU	Information from the Audit Commission	Replies from the NGO
NGO K	ASU W	<ul style="list-style-type: none"> Some items in the first aid box were expired. 	<ul style="list-style-type: none"> The expired items have been replaced by the ASU.

**Remuneration Packages for Staff in the Top Three Tiers
of Subvented Non-governmental Organisations**

Annex 1

Review Report for the Reporting Year of 2016-17

(to be completed if not exempt from the Government Guidelines)

To: Director of Social Welfare
(Attn : Subventions Section)
38/F, Sunlight Tower,
248 Queen's Road East
Wan Chai, Hong Kong

Fax No. : 2575 6537

[Please read the explanatory notes before completing this proforma. The completed proforma should reach SWD by 31 October of each reporting year.]

Name of NGO (code) : _____ ()

Part A: Remuneration Packages

Information of my staff in the top three tiers -

(1) Staff of 1st Tier ¹

(a) Number of staff _____

(b) Comparable rank in
civil service _____

(c) Post _____

(d) Total annual staff costs ² (including those not under SWD
subventions, if applicable) \$ _____
[1(d) should be equal to or greater than 1(e)] (round up to dollar)

(e) Total annual staff costs under SWD subventions
[1(e)=1(g)(i)+(ii)+(iii)+(iv)] \$ _____
(round up to dollar)

(f) Please specify the months covered if (1)(e) was not incurred for the full year: _____ months

(g) Breakdown of (1)(e)

(i) Salary ³ \$ _____

(ii) Provident Fund \$ _____

(iii) Cash Allowance ⁴ (please specify if any:) \$ _____

(iv) Non-cash based Benefits ⁵ (please specify if any:) \$ _____

(2) Staff of 2nd Tier¹

- (a) Number of staff _____
- (b) Comparable rank in civil service _____
- (c) Post _____
- (d) Total annual staff costs ² (including those not under SWD subventions, if applicable) _____
[2(d) should be equal to or greater than 2(e)] \$ _____
(round up to dollar)
- (e) Total annual staff costs under SWD subventions _____
[2(e)=2(f)(i)+(ii)+(iii)+(iv)] \$ _____
(round up to dollar)
- (f) Breakdown of (2)(e)
- (i) Salary ³ \$ _____
- (ii) Provident Fund \$ _____
- (iii) Cash Allowance ⁴ (please specify if any:) \$ _____
- (iv) Non-cash based Benefits ⁵ (please specify if any:) \$ _____

(3) Staff of 3rd Tier¹

- (a) Number of staff _____
- (b) Comparable rank in civil service _____
- (c) Post _____
- (d) Total annual staff costs ² (including those not under SWD subventions, if applicable) _____
[3(d) should be equal to or greater than 3(e)] \$ _____
(round up to dollar)
- (e) Total annual staff costs under SWD subventions _____
[3e=3(f)(i)+(ii)+(iii)+(iv)] \$ _____
(round up to dollar)
- (f) Breakdown of (3)(e)
- (i) Salary ³ \$ _____
- (ii) Provident Fund \$ _____
- (iii) Cash Allowance ⁴ (please specify if any:) \$ _____
- (iv) Non-cash based Benefits ⁵ (please specify if any:) \$ _____

2016-17
(the reporting year)

- \$
- \$

- ☐ I have reviewed the remuneration packages of the staff in the top three tiers and found changes in their remuneration as compared with the preceding year. The tier(s) having changes and reasons for such changes are stated below -

(Please use additional sheet as necessary.)

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Part B: Public Disclosure of the Review Report

Our organisation *has disclosed / will disclose (*please specify* the commencement date: _____) the Review Report (only Part A) through one or more of the following channels and will make it available to the public upon request -

(*Please delete as appropriate.)

Channel of Disclosure	
<i>(Please tick as appropriate.)</i>	
<input type="checkbox"/>	Posting the information prominently on the notice board(s) at the Central Administration Unit / Head Office
<input type="checkbox"/>	Uploading the information to our website
<input type="checkbox"/>	Reporting the information in our Annual Report
<input type="checkbox"/>	Publishing the information through special circular(s), newsletter(s) or whatever means (please enclose the copy/copies for reference)

Part C: Declaration by Chairperson

I declare that the information as provided in Part A and Part B is correct.

Contact Person	:	_____	Signature of Chairperson	:	_____
Title	:	_____	Name	:	_____
Tel.	:	_____	Tel.	:	_____
Email	:	_____	Date	:	_____

**Notes for Completing the Review Report on
Remuneration Packages for Staff in the Top Three Tiers
of Subvented Non-governmental Organisations**

- (1) The 1st tier staff is generally defined as the executive head of the NGO who is directly responsible to the NGO Board / Management Committee, the 2nd tier staff as senior staff directly responsible to the executive head of the NGO, and the 3rd tier staff as senior staff directly responsible to the 2nd tier staff.
- (2) Total annual staff costs for a tier of staff are the total remuneration costs covering salary, provident fund, cash allowances and non-cash based allowances of all staff members of the tier incurred in the whole reporting year (i.e. from 1 April to 31 March under the reporting year).
- (3) Salary refers to the annual salary of respective staff for the whole reporting year, or the total salary of the employment period if the staff member is not employed for the whole reporting year.
- (4) Cash allowances such as responsibility allowance, housing allowance, hardship allowance, bonus, gratuity, overtime allowance, entertainment expenses, travelling expenses, etc.
- (5) Non-cash based Benefits include fringe benefits such as medical / dental insurance, staff quarters, transportation and / or chauffeur, professional indemnity insurance, etc.

- End -

Annex 2**ANNUAL FINANCIAL REPORT**

NGO: _____

(1 April 2016 to 31 March 2017)

	Notes	2016-17 \$	2015-16 \$
A. INCOME			
1. Lump Sum Grant			
a. Lump Sum Grant (excluding Provident Fund)	1b	A	
b. Provident Fund	1c	B	
2. Special One-off Grant		C	
3. Fee Income	2	D	
4. Central Items	3	E	
5. Rent and Rates	4	F	
6. Other Income	5	G	
7. Interest Received		H	
TOTAL INCOME		I	
B. EXPENDITURE			
1. Personal Emoluments			
a. Salaries		J	
b. Provident Fund	1c	K	
c. Allowances		L	
Sub-total	6	M	
2. Other Charges	7	N	
3. Central Items	3	O	
4. Rent and Rates	4	P	
5. Special One-off Grant Payments	7a	Q	
TOTAL EXPENDITURE		T	
C. SURPLUS/ (DEFICIT) FOR THE YEAR	8	U	

The Annual Financial Report from pages [x] to [x] has been prepared in accordance with the requirements as set out in the Lump Sum Grant Manual.

SIGNATURE

CHAIRMAN

DATE:

SIGNATURE

NGO HEAD/ HEAD OF SOCIAL WELFARE
SERVICES

DATE:

NOTES ON THE ANNUAL FINANCIAL REPORT

1. Lump Sum Grant (LSG)

- a. Basis of preparation** The Annual Financial Report (AFR) is prepared in respect of all Funding and Service Agreement (FSA) activities (including support services to FSA activities) funded by the Social Welfare Department under the Lump Sum Grant Subvention System. AFR is prepared **on cash basis**, that is, income is recognised upon receipt of cash and expenditure is recognised when expenses are paid. **Non-cash items** such as depreciation, provisions and accruals **are not included** in the AFR.
- b. Lump Sum Grant (excluding Provident Fund)** This represents LSG (excluding Provident Fund) received for the year.
- c. Provident Fund** This is Provident Fund received and contributed during the year. Snapshot staff are defined as those staff occupying recognised or holding against subvented posts as at 1 April 2000. 6.8% and other posts represent those staff that are employed after 1 April 2000.
- Please note that the Provident Fund received and contributed for staff under the Central Items should be shown under 3. In other words, such Provident Fund should **not** be included here (paragraph 3.13).^{Remark}*
- Details are analysed below :

	Snapshot	6.8% and Other	
<u>Provident Fund Contribution</u>	Staff	Posts	Total
	\$	\$	\$
Subvention Received	X	X	B
Provident Fund Contribution	(X)	(X)	(K)
Paid during the Year			
Surplus/ (Deficit) for the Year	X	X	R
<u>Add</u> : Surplus/ (Deficit) b/f	X	X	X
Surplus/ (Deficit) c/f	X	X	X

2. Fee Income

This represents social welfare fee income received for the year in respect of the fees and charges recognised for the purpose of subvention as set out in the LSG Manual.

Remark : The words in italic are for NGOs' information and should not be included in the AFR.

- 3. Central Items** These are subvented service activities which are not included in LSG and are subject to their own procedures as set out in other SWD's papers and correspondence with the NGOs.

The Provident Fund received and contributed for staff under the Central Items should be separately included as part of the income and expenditure of the relevant items (paragraph 3.14).^{Remark}

The income and expenditure of each of the Central Items are as follows:

	2016-17	2015-16
a. Income	\$	\$
<i>Please list the Central Items individually, for example:^{Remark}</i>		
Dementia Supplement for Elderly with Disabilities		
Infirmity Care Supplement for the Aged Blind Person		
Dementia Supplement for Residential Elderly Services		
Total	<u>E</u>	<u></u>
	2016-17	2015-16
b. Expenditure	\$	\$
<i>Please list the Central Items individually, for example:^{Remark}</i>		
Dementia Supplement for Elderly with Disabilities		
Infirmity Care Supplement for the Aged Blind Person		
Dementia Supplement for Residential Elderly Services		
Total	<u>O</u>	<u></u>

- 4. Rent and Rates** This represents the amount paid by SWD in respect of premises recognised by SWD. *Expenditure on rent and rates in respect of premises not recognised by SWD should not be included in AFR.* *Remark*
- 5. Other Income** This includes programme income and all income other than recognised social welfare fee income received during the year. Non-SWD subventions and donations received need not be included as Other Income in AFR. In this respect, donations should be included if it is used to finance expenditure reflected in the AFR. However, treatment of fees and charges as specified under paragraphs 2.28 to 2.29 of the Manual remains unchanged (paragraph 3.9).

The breakdown on Other Income (paragraph 2.29) is as follows:

	2016-17	2015-16
Other Income	\$	\$
(a) Fees and charges for services incidental to the operation of subvented services		
(b) Others		
Total	<u><u>G</u></u>	<u><u></u></u>

- 6. Personal Emoluments** Personal Emoluments include salary, provident fund and salary-related allowances.

The analysis on number of posts with annual Personal Emoluments over \$700,000 each paid under LSG is appended below:

Analysis of Personal Emoluments paid under LSG	No of Posts	\$
HK\$700,001 - HK\$800,000 p.a.		
HK\$800,001 - HK\$900,000 p.a.		
HK\$900,001 - HK\$1,000,000 p.a.		
HK\$1,000,001 - HK\$1,100,000 p.a.		
HK\$1,100,001 - HK\$1,200,000 p.a.		
>HK\$1,200,000 p.a.		

7. Other Charges

The breakdown on Other Charges is as follows:

	2016-17	2015-16
Other Charges	\$	\$
(a) Utilities		
(b) Food		
(c) Administrative Expenses		
(d) Stores and Equipment		
(e) Repair and Maintenance		
(f) Special Allowances		
(g) Programme Expenses		
(h) Transportation and Travelling		
(i) Insurance		
(j) Miscellaneous		
Total	<u><u>N</u></u>	<u><u></u></u>

7a. Special One-off Grant Payments

Details of Special One-off Grant Payments are as follows:

	2016-17	2015-16
Special One-off Grant Payments	\$	\$
(a) Voluntary Retirement Scheme		
(b) Compensation Scheme		
(c) Staff Training and Development		
(d) Other Staff-related Initiatives		
Total	<u><u>Q</u></u>	<u><u></u></u>

8. Analysis of Lump Sum Grant Reserve and balances of other SWD subventions

	Lump Sum Grant (LSG)	Special One-off Grant (SOG)	Rent and Rates	Central Items	Total
	\$	\$	\$	\$	\$
Income					
Lump Sum Grant	A+B	-	-	-	A+B
Special One-off Grant	-	C	-	-	C
Fee Income	D	-	-	-	D
Other Income	G	-	-	-	G
Interest Received (Note (1))	H	-	-	-	H
Rent and Rates	-	-	F	-	F
Central Items	-	-	-	E	E
Total Income (a)	x	x	x	x	I
Expenditure					
Personal Emoluments	M	-	-	-	M
Other Charges	N	-	-	-	N
Rent and Rates	-	-	P	-	P
Central Items	-	-	-	O	O
Special One-off Grant Payments	-	Q	-	-	Q
Total Expenditure (b)	x	x	x	x	T
Surplus/(Deficit) for the Year (a) - (b)	x	x	x	x	U
<u>Less</u> : Surplus/ (Deficit) of Provident Fund	R	-	-	-	R
	x	x	x	x	X
Surplus/ (Deficit) b/f (Note (2))	x	x	x	x	X
	x	x	x	x	X
<u>Less</u> : Refund to Government	(x)	(x)	(x)	(x)	(X)
Transfer from LSG Reserve to cover the salary adjustment for Dementia Supplement and Infirmary Care Supplementary (Note (3))	(x)	-	-	x	-
Surplus/ (Deficit) c/f (Note (4))	S	x	x	x	X

Notes:

- (1) Interest received on LSG and Provident Fund reserves, rent and rates, central items, Special One-off Grant should all be included as one item under LSG; and the

item is considered as part of LSG reserve.

- (2) Accumulated balance Lump Sum Grant Surplus b/f from previous years (including holding account) and all interest received in previous years should be included in the surplus b/f under LSG.
- (3) Amount of LSG Reserve used to cover the salary adjustment for Dementia Supplement and Infirmary Care Supplement, if any, as per **Annex 6**.
- (4) The level of LSG cumulative reserve (i.e. S), less LSG Reserve kept in the holding account, will be capped at 25% of the NGO's **operating expenditure** (excluding Provident Fund expenditure) for the year.

本署檔號 OUR REF. : SWD/S/4/35C Pt.6
來函檔號 YOUR REF. : CB4/PAC/R69
電 話 TEL NO. : 2892 5101
圖文傳真 FAXLINE : 2575 5632

9 April 2018

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

Dear Mr CHU,

Public Accounts Committee
Consideration of Chapter 1 of the Director of Audit's Report No. 69
Administration of lump sum grants by the Social Welfare Department

Thank you for your letter of 5 March 2018 to the Director of Social Welfare. I have been authorised to reply regarding the issues raised in your letter relating to the subject matter.

- (a) According to paragraph 4.4(g) of the Lump Sum Grant Manual (the Manual), if a subvented non-governmental organisation (NGO) obstructs the Director of Social Welfare, as the controlling officer for the social welfare subventions, to exercise his/her authorities (e.g. accessing the records and accounts of the NGO or conducting performance assessment on the NGO's services and related support services under the Service Performance Monitoring System (SPMS)), or fails to (i) achieve a reasonable standard of performance in accordance with the full requirements of the Funding and Service Agreements (FSAs); (ii) exercise reasonable and prudent financial management; or (iii) comply with the Lump Sum Grant (LSG) rules and other subvention rules, the Social Welfare Department (SWD) will withhold or terminate its social welfare subventions.

There was a case in which an NGO, due to its internal governance problem, failed to operate according to its articles of association, and was unable to exercise its human resource management and financial management properly. Despite repeated advice and reminders given to its Board, the NGO was unable to submit the financial statements and service performance reports to



the SWD as required. In the end, the NGO Board confirmed that they were unable to make any rectifications and had no objection to the SWD's withdrawal of the subvention. The SWD subsequently allocated the affected subvented services to other subvented NGOs for continuation of operations.

- (b) Please refer to **Annex 1** for a sample of the FSA.
- (c) The NGO operator of Agreement Service Unit (ASU) 12 has been providing subvented intercountry adoption service since 1986. When the SWD formulated the FSA on intercountry adoption service with the NGO in 2000, the Output Standards were set in consultation with the NGO, taking into consideration the service demand for intercountry adoption at that time (including making reference to the number of children available for adoption and those successfully placed for overseas adoption), the procedures required for intercountry adoption and the past service performance of the NGO.

Amidst the social changes and advancement in medical technology, the number of children being placed for adoption due to unwed pregnancy, abandonment or mild health or disabilities has been decreasing, thus resulting in the continual decline of the number of children available for adoption. In addition, in accordance with the principle set out in the Convention on Protection of Children and Co-operation in Respect of Intercountry Adoption, the Contracting State should accord priority to placing children to families of the same cultural or ethnic background as far as possible. Therefore, suitable overseas adoptive homes should be identified through intercountry adoption only when there are no suitable local homes for the children waiting to be adopted.

All along the majority of children waiting for intercountry adoption are children with special needs (e.g. having disabilities or health problems, or older in age). This is challenging for the NGOs providing intercountry adoption service as there are considerable difficulties to secure suitable overseas adoptive homes, and intercountry adoption also needs to be arranged in compliance with the adoption procedures/laws etc. in the respective countries. Besides, the number of applications for intercountry adoption by relatives has been fluctuating. These have resulted in difficulties for the NGO in the provision of intercountry adoption service, and led to its failure in meeting some of the Output Standards as stipulated in the FSA in the past few years.

The purpose of intercountry adoption service is to arrange overseas adoption for children who are in need of adoption placement but no suitable local homes are available for them, so that they can receive permanent and stable family care and grow up healthily. These children, who are mostly wards of the Director of Social Welfare, are abandoned, having mild disabilities or health problems and are under the age of 18 and unmarried. To ensure the service stability and continuity to safeguard the best interests of the children, it



is necessary to provide subventions to the organisation to operate the related service. Having regard to the fluctuating number of children available for adoption and the latest development of the adoption service, the SWD, together with the NGO, have kept reviewing its service performance, exploring intervening strategies and extending the scope of service such as requiring the NGO to expand its overseas network and promote the intercountry adoption programme to government officials and related parties overseas, so as to enhance the adoption prospect of the children to be adopted. The SWD has also revised the FSA with the NGO, and the revised FSA has come into effect since 1 July 2017. The SWD will continue to pay attention to the latest development of the adoption service, maintain close communication with the relevant service provider, and monitor the performance and effectiveness of the service units.

- (d) (i) As the utilisation rate of the home care service for persons with severe disabilities (HCS) was lower than expected, in order to optimise the use of public money, the SWD has reviewed the subvention arrangements for the service jointly with the NGO operators and revised the relevant FSAs, which came into effect in April 2015. Under the revised arrangements, annual subventions (payable on a monthly basis) to the NGOs are pegged to the caseload (which is defined as “the total number of cases provided with social work intervention including counselling and support service to the service users and their family members/carers”), as follows: -
- The ASU will receive 50% of the annual subvention and its agreed level of performance will also be set at 50% of the annual agreed level, if it attains less than 50% of the agreed caseload for the year;
 - The ASU will receive 75% of the annual subvention and its agreed level of performance will also be set at 75% of the annual agreed level, if it attains 50% or above but less than 75% of the agreed caseload for the year; and
 - The ASU will receive 100% of the annual subvention and its agreed level of performance will also be set at 100% of the annual agreed level, if it attains 75% or above of the agreed caseload for the year.

Each service output has an annual agreed level of performance. When the caseload has increased to a higher level, both the amount of subvention and the agreed level of performance will also be raised. This practice is in line with the principle of optimal use of public money and would motivate the NGO operators to enhance their service output.



As all service units had accumulated experience and established the service mode with sufficient time in 2015-16 and their caseloads had exceeded 75% of the agreed caseload at the end of the year, following the aforesaid principle, the allocation of subvention and agreed level of performance for them were at 100% level for 2016-17. This explains why all the service units could not achieve the expected level of performance in 2015-16 but the agreed level of performance still increased in 2016-17.

(ii) Reasons for service standards not being met are set out below: -

- As the service targets of the HCS are not referred from the central waiting list, the NGO operators have to devote considerable time and manpower at the initial stage to establish a liaison and referral network with hospitals, clinics, paramedical and allied health professionals, other rehabilitation service and home care service units, patients' self-help organisations and other relevant organisations. As a result, it takes time for the case numbers and output to build up;
- The principal staff team members of the HCS involve various professional disciplines (including physiotherapists, occupational therapists, nurses and social workers) and personal care workers, etc. The NGO operators have faced considerable difficulties and challenges in staff recruitment; and
- Upon further review of various elements and workflow of the service provision with the NGO operators, the SWD found that the original definition of service output and calculation methods during the service planning stage could not fully cover certain service-related indicators and therefore the data collected could not fully reflect the actual output of the NGOs (including direct and indirect services). Examples are shown below: -
 - **Direct services:** such as pre-discharge and home-based professional assessment, transfer of medical equipment to home of service users, home modifications, etc.; and
 - **Indirect services:** such as holding multi-disciplinary case conference for formulating and coordinating the treatment plan, training of personal care workers and therapy assistants for the provision of individualised care, arrangement of suitable treatment device on a case-by-case basis, etc.

(iii) To address the manpower shortage problem for allied health and nursing professionals, the SWD has already joined hands with



universities and the Hospital Authority (HA) to launch professional training programmes for strengthening the manpower input of allied health and nursing professionals in subvented services, with details appended below: -

- **Professional staff of occupational therapy and physiotherapy:** Since January 2012, the Hong Kong Polytechnic University has launched two two-year programmes of Master in Occupational Therapy and Master in Physiotherapy on a self-financing basis. In respect of these two programmes, the SWD provides funding support to NGOs in the form of a sponsorship scheme to provide tuition fee sponsorship for students admitted by the NGOs in order to encourage them to join the social welfare sector. The students of the first and second cohorts of the programmes graduated in January 2014 and January 2016 respectively, and joined the employment market to alleviate the shortage of allied health professionals in the sector. The third cohort of the programmes commenced in January 2017. The 68 sponsored students have to work in the sponsoring NGOs for no less than three years after graduation; and
- **Nursing staff:** To alleviate the shortage of nurses in the sector, the SWD had joined hands with the HA from 2006 to 2016 to run 14 classes of the two-year Enrolled Nurse (General)/Enrolled Nurse (Psychiatric) Training Programmes with about 1 800 training places. Over 90% of the graduates in these 14 classes had joined the social welfare sector. The SWD also commissioned the Open University of Hong Kong to provide 920 training places in the four consecutive years from 2017-18, with the first class having commenced in September 2017. The training programmes are fully funded by the Government. Participants are required to sign an undertaking to work for two consecutive years in the social welfare sector upon completing the training programmes.

- (iv) Compared with the two years of 2015-16 and 2016-17, all NGO operators have achieved significant improvement in performance in 2017-18 (up to December 2017). Please refer to **Annex 2** for details.
- (e) According to the Audit Report, the term “support services” include rehabilitation, nursing and/or personal care services only. Regarding the HCS and the integrated support service for persons with severe physical disabilities (ISS), the major characteristic of the two services is the provision of case management for service users. Among the 24 cases (13 cases from ASU A and 11 cases from ASU B) examined by the Audit Commission, all are taken care of under case management by social workers, with the provision of services including all sorts of service coordination and matching, emotional



support, information giving, carers' support, etc. A large number of cases have also received multi-disciplinary professional assessment services. Since the Audit Report has not put social work support under its definition of "support services", the follow-up by social workers and their work and support delivered under case management have not been reflected in the Audit Report.

Reasons for the cases described in the Audit Report to have received no "support services" are as follows: -

- Family members/carers expressed no immediate service need but requested using the service whenever in need (e.g. respite service) so as to alleviate the caring and psychological pressure;
- Family members/carers changed their mind and chose other services (e.g. hire of domestic helpers, day rehabilitation centres, etc.);
- Service users were attending day hospitals or receiving outreaching services for the discharged;
- Service users were in unstable medical condition, and were not suitable to receive physiotherapy or occupational therapy services;
- Service users were hospitalised or had to be admitted to hospitals frequently and therefore could not receive home care service; and
- Loss of contact with service users and family members/carers.

Case managers should record situations where service users are unable to receive rehabilitation, nursing care and/or personal care services in their casefiles. The SWD will work out guidelines to remind all NGO operators to monitor and implement the relevant practice accordingly.

(f) With regard to paragraph 4.19 of the Audit Report setting out the delay in discharging service users, the Audit Commission has examined a total of 28 cases (11 cases from ASU A and 17 cases from ASU B) and opined that there was delay in arranging service users to be discharged from the service. These cases can mainly be summarised as follows: -

- Family members/carers expressed no immediate service need but requested using the service whenever in need (e.g. respite service) so as to alleviate the caring and psychological pressure;
- Service users were hospitalised or had to be admitted to hospitals frequently for treatment;
- Service users were in unstable medical condition;



- Loss of contact with service users and family members/carers;
- It took time to wind up and complete the administrative work for closing the case; and
- The case social worker had not closed the case in a timely manner.

The SWD had already spelt out clearly in the Service Specifications of the HCS the policy and terms on exit of the service (see **Annex 3**) before the regularisation of the service in March 2014. Besides, according to the requirement of “Service Quality Standard 10” (see **Annex 4**) for subvented NGOs, service units need to have the policy and procedures for entering and leaving the service.

- (g) The SWD has since November 2017 commenced the review of the two services and formulation of improvement measures with the NGO operators as a follow-up to the Government’s response as mentioned in paragraphs 4.25(b) and (c) of the Audit Report. The present progress is as follows: -

- **Paragraph 4.25(b):** With regard to providing more guidelines on the counting of cases into the caseloads, provision of support services in accordance with the agreed care plans and discharge of service users, the SWD will continue to liaise with the NGO operators, and the task is expected to be completed around December 2018; and
- **Paragraph 4.25(c):** With regard to setting up a case cross-checking mechanism among the service operators of the HCS and the ISS to avoid service users receiving support services from the two services concurrently, the SWD has already reached an agreement with the NGO operators that the applicants, who may be the service users, family members or carers, should give consent and authorisation to allow the staff of the service units to liaise with service units providing similar service in the district when they apply for the service, so that the staff can check and prevent the service users from using service of the same nature at the same time. Besides, the applicants need to make declaration upon application that they are not using any services of the same nature. Such measure has already been put in place since December 2017. Please refer to **Annex 5** for details.

- (h) The current five Refuge Centres for Women (RCs) in the territory have been receiving subventions from the SWD since 1989, 1996, 2002, 2006 and 2009 respectively. Among them, two RCs commenced operation before the implementation of the Lump Sum Grant Subvention System (LSGSS) in 2001. Outcome Standard was not included when the FSA of these two RCs were set. However, the operators are requested to provide information on two items to reflect service effectiveness when submitting the quarterly statistical information form, i.e. (i) user satisfaction rate; and (ii) the extent of



enhancement in service users' basic skills in protecting themselves and their children, upon leaving the refuge centre.

With regard to service unit offering similar services as the RCs, there is the Multi-purpose Crisis Intervention & Support Centre operated by the Tung Wah Group of Hospitals (CEASE Crisis Centre), which has been providing temporary accommodation for victims of domestic violence since 2010. The two Outcome Standards mentioned above have been included in the FSA of CEASE.

In September 2017, the SWD reviewed the FSA of RCs and deliberated with the service units concerned on the addition/revision of the Output Standards as well as establishing Outcome Standards for enhancing the service monitoring of individual units. Two Outcome Standards have been newly added to the FSAs of these two service units, which came into effect in April 2018.

- (i) The SWD has already begun to set Outcome Standards for new ASUs. For the existing ASUs, the SWD will discuss with the NGOs concerned on setting Outcome Standards as appropriate, when their FSAs are reviewed. Besides, the Task Force for Review on Enhancement of Lump Sum Grant Subvention System (the Task Force) was set up by the SWD in November 2017. "Mechanism for review of FSAs" is one of the eight review areas proposed by the Task Force, which will be examined in detail in the coming meetings of the Task Force. For details of the Task Force, please refer to item (z) below.
- (j) Children and Youth Centres (CYCs) provide services at neighbourhood level. According to the FSA, in addition to core programmes (e.g. counselling, supportive services and socialisation programmes), CYCs are also required to provide non-core programmes, e.g. drop-in service, interest groups, family recreational activities, community carnivals, etc. Non-core programmes aim to attract children and young people to go to the centres with their families, enable them to use their leisure time constructively, build up relationship between members and their families as well as build up community network. As such, apart from children and young people, people of other age groups, including family members and people in the community, can have the opportunity to join non-core programmes. While the number of programme sessions and attendances for non-core programmes are much higher than those for core programmes, the resources utilised for non-core programmes are in fact much lower than those for core programmes.

In addition, according to the response of the concerned NGO, the CYC conducted activities for young children under the age of 6 and retired men from 2014-15 to 2016-17. The NGO considered that through providing services for young children, early intervention for children could be achieved for meeting the needs of the community. Besides, providing services for retired men could set up a platform for young people to have interaction with retired men with a view to enhancing their communication skills with elders and



fostering trans-generational harmony.

The SWD all along monitors the performance of the service unit through the SPMS. The NGO is required to conduct self-assessment of attainment of Output Standards, Outcome Standards, Essential Service Requirements and Service Quality Standards on a regular basis and submit the reports to the SWD. In the last three financial years, records of the SWD showed that the service unit concerned fully met the performance standards as stipulated in the FSA. Case 8 reported in the Audit Report indicated that the output levels were not accurately reported by the service unit concerned. Although the NGO counted the service figures of non-service targets towards the output level of core programmes by mistake, the NGO was still able to meet the required output level after the Audit Commission's re-calculation.

The SWD is examining the service information and output figures in connection to the services provided for young children under the age of 6 and retired men from 2014-15 to 2016-17 as submitted by the NGO. In the event of any subvented resources being deployed for non-FSA related activities, the NGO will be requested to apportion the costs in respect of rent, rates, utility charges and personal emoluments, etc. funded by social welfare subventions.

- (k) Emergency residential child care service aims at providing emergency out-of-home placement for children who cannot be adequately cared for by their families because of family problems or crisis (such as sudden illness, hospitalisation, desertion and death of the parents). In 2011, the NGO operator of ASU S shortened the maximum duration of stay of its emergency places from 3 months to 6 weeks, which led to repeated and frequent extension of stay for individual cases which were unable to secure alternative residential placement. In addition, on the admission procedures, the NGO did not specify a reasonable timeframe for the referring social workers to complete the required admission procedures for the children as soon as possible after confirming that there are vacant places (including obtaining the consent of the parents/guardians of the children, arranging medical examination for the children, etc.), which has undermined the service utilisation of the emergency places. Besides, there was no mechanism in place to clearly require the referring social workers to submit relevant documents to ascertain that long-term welfare plans of the children had been formulated, as a reason for the extension of stay when the applications were made.

The SWD has discussed with the NGO on improving the utilisation of resources. Upon consultation and review with the SWD on the service utilisation, the NGO has extended the maximum duration of stay of the emergency residential child care places from 6 weeks to 3 months with effect from 1 December 2017. In addition, in order to improve the admission procedures of the emergency places, the NGO has taken intervening measures, including the requirement for the referring social workers to complete the required admission procedures for the children as soon as possible. If the



referring social worker fails to arrange for the children to be admitted within 14 days (on the principle of admission as soon as possible), the residential places will be allocated to other children in need of the service. The SWD has also requested the NGO to provide statistical return of the utilisation of emergency residential child care places on a regular basis so as to monitor the utilisation of the service.

The SWD has maintained an established mechanism governing the extension of stay for the emergency residential child care places. The referring social workers may apply extension of stay for the child provided that the long-term welfare plan of the child has been formulated (such as having waitlisted for long-term residential child care services or having concrete family reunion plan) and parents' consent has been obtained. To facilitate the processing of applications for extension of stay, the NGO has set out the requirements that the parental consent, endorsement of the long-term welfare plan of the child by the senior of the referring social workers and other relevant documents have to be provided by the referring social workers when the application for extension of stay is made.

- (l) At present, all NGOs receiving LSG subventions have already implemented all items under the seven Level One guidelines of the Best Practice Manual (BPM). During the 3-year transition period (i.e. 2014-15 to 2016-17), each NGO is required to report to the SWD its progress of implementing Level One guidelines by submitting to the SWD by end of October of each year a self-assessment report for each financial year, showing the position as at 31 March of that year. Based on the information collected from the self-assessment reports, the SWD will provide views and advice to individual NGOs on their implementation.
- (m) The SWD all along encourages NGOs receiving LSG subventions to adopt the Level Two guidelines. As at 31 March 2017, 153 NGOs had implemented all or some items of the Level Two guidelines, representing an increase of 7.7% as compared with the situation as at 31 March 2016 (i.e. 142 NGOs). The SWD issued a letter to NGOs in April 2017 to share with them the implementation progress of the BPM, and appeal to them to adopt the Level Two guidelines with a view to enhancing transparency in corporate governance and public accountability. The SWD will soon collate the checklists submitted by NGOs and arrange sharing sessions for NGOs on the good practices of the Level Two guidelines. NGOs which have not yet implemented the Level Two guidelines will be encouraged to make reference to the relevant good practices and develop suitable implementation plans.
- (n) The follow-up actions taken by the SWD on NGO 6 regarding their implementation of the Level One guidelines are provided in the following table in chronological order: -



Date	Content
October 2016	The NGO submitted the BPM checklist for 2015-16. The checklist showed that it did not comply with the Level One guidelines on the use of Provident Fund reserve for non-Snapshot Staff.
November 2016	The SWD contacted the NGO to understand their reasons for not complying with the guidelines and the difficulties encountered, and reiterated that all NGOs had to implement all Level One guidelines by 2016-17.
December 2016	The SWD requested the NGO by email to follow up the requirements of the Level One guidelines.
August 2017	The SWD contacted the NGO again to understand the progress of their implementation of the Level One guidelines.
October 2017	The SWD visited the NGO and met with the NGO's management to ensure that they understood how to fulfill the requirements of the BPM.
December 2017	The NGO's Board endorsed and implemented all Level One guidelines.

- (o) The workflow of the BPM (see **Annex 6**) has clearly illustrated how the SWD follows up with those NGOs not complying with the Level One guidelines. According to the BPM, if an NGO cannot comply with the Level One guidelines and persistently fail to make improvement, the SWD will consider putting up the case to the Lump Sum Grant Steering Committee for consideration and making recommendations. The Level Two guidelines are those that NGOs are encouraged to adopt. The SWD has all along encouraged the NGOs to adopt those guidelines as far as possible, and through submission of the self-assessment reports by the NGOs, understand the NGOs' implementation of this level of guidelines and collect their views.
- (p) Regarding the high absence rate of some NGOs' board/committee members and the re-appointment of those board members with records of repeated absence from the meetings, the NGOs concerned explained that some board members were unable to attend the meetings due to their busy schedules.



Papers for the meetings would still be issued to those board members who could not attend the meetings, and they could review the documents and express their views through other channels, e.g. returns in proforma and e-mails. Some board members with low attendance rates were still re-appointed as they had made substantive contributions to the NGOs, for example, as leading fundraisers or professionals (e.g. architects, engineers, doctors, paramedical professionals, solicitors, accountants, etc.) who could provide complimentary professional advice for NGOs' premises and service development.

In order to encourage NGOs to adopt good practice of corporate governance, relevant guidelines or templates on corporate governance of the Efficiency Office (EffO) (formerly known as Efficiency Unit), the Independent Commission Against Corruption and the Hong Kong Council of Social Service (HKCSS) have been listed in the Manual and uploaded onto the SWD's website. Also, the SWD has allocated more than \$9.7 million from the Lotteries Fund to the HKCSS to launch a four-year project "NGOs' Governance Platform" to provide more exchange and training opportunities for NGOs' Board of Directors and further enhance the governance capacity of the NGOs.

- (q) To improve NGOs' management of conflicts of interest and enhance transparency, the SWD will remind the NGOs' Boards and encourage them to (i) set out clearly the requirements for the avoidance of conflicts of interest, and the course of action to be taken when a member faces a real or apparent conflict of interest situation; (ii) consider adopting a "two-tier reporting system" whereby in addition to reporting conflicts of interest at board meetings as and when they arise, board members should disclose their general interest on appointment to the board and annually thereafter; and (iii) arrange making the declaration on a registration form, which should be made available for public inspection.
- (r) To enhance corporate governance of the NGOs receiving LSG subventions as well as promote their wider adoption of good practices on areas of declaration of interest, attendance of board/committee meetings and appointment of board/committee members, the SWD will continue to encourage the NGOs to adopt other good governance practices, including the Guide to Corporate Governance for Subvented Organisations of the EffO. As and when appropriate, the SWD will share with the NGOs' Boards the good practices in the sector.
- (s) (i)-(ii) Human resource management, including recruitment and staff turnover, etc., falls within the realm of corporate governance of the NGOs. The SWD is very concerned about the manpower requirements in the sector.

The Joint Committee on Social Work Manpower Requirements (the



Committee), comprising of representatives of the SWD and the HKCSS, collects employment data of social work personnel through its “Social Work Manpower Requirements System” (SWMRS) to keep track of the manpower situation in social work field and facilitate manpower planning. It also publishes annual reports of the SWMRS for the sector’s reference. Based on the data collected from subvented and self-financing organisations, local tertiary institutions and Government departments concerned, the Committee will provide the overview and projection of the demand and movement of manpower, including the trends of changes in the turnover rates of social workers in the past years. The SWD has also subsidised the HKCSS to publish the “NGOs Salary Survey Report” annually since 2003. Among some 100 participating organisations (most of them are social welfare organisations), about 60 are receiving subventions from the SWD. The annual survey report shows the turnover rates of different grades of staff of the participating organisations in the year. Although there is no information on the reasons for staff departure, the report shares the measures on retaining staff as adopted in the sector. Besides, in order to grasp the manpower situation of frontline care workers of rehabilitation and elderly services in recent years, the SWD conducted in mid-2017 a questionnaire survey of the subvented NGOs to collect the information, including turnover rates and the reasons for staff departure, and shared the findings with the sector afterwards.

Staff turnover is subject to many factors, including remuneration packages, other employment opportunities, external economic/labour market environments, personal development, family needs and organisational culture, etc. There is great variance in the turnover rates among different grades of staff/work types or different scales of NGOs.

The SWD will continue to monitor the performance of subvented services through the existing mechanism and provide suitable assistance to NGOs when needed to ensure that they can deliver with stability the welfare services which meet the requirements and fulfil the needs of the society.

- (iii) At present the SWD does not require NGOs receiving LSG subventions to conduct exit interviews with departing staff or compile information on staff turnover. As such information is useful for subvented NGOs in enhancing their corporate governance as well as human resource management, the SWD will encourage the NGOs to adopt these good management practices through appropriate channels such as correspondence or briefing sessions.
- (iv) As stated in item (s)(ii) above, staff turnover is subject to many factors. “Staff turnover and vacancy condition” is one of the eight review areas



proposed by the Task Force and will be examined in detail in the coming meetings of the Task Force. For details of the Task Force, please refer to item (z) below.

- (v) The SWMRS does not have the statistical information about the job leavers' age, rank and reasons for leaving. According to the published figures of the SWMRS, the wastage rates of social work posts in 2013-14, 2014-15 and 2015-16 are as follows: -

Year	Degree Posts Wastage Rate (%)	Diploma Posts Wastage Rate (%)	All Social Work Posts Wastage Rate (Note) (%)
2013-14	4.7	8.0	4.2
2014-15	4.6	6.5	2.8
2015-16	5.1	9.0	3.4

Note: Deducting the cases of inter-grade movement, i.e. cases switching between Diploma posts and Degree posts.

- (t) & Under the LSGSS, NGOs' human resource management including the
(u) formulation of pay structure and benefits is in the realm of corporate governance of the NGOs.

The Government is very concerned about the pay scales and salary gap in some ranks, which have impacts on the human resource management of the subvented NGOs. "Pay policies and pay scales" is one of the eight review areas proposed by the Task Force, and will be examined in detail in the coming meetings of the Task Force. For details of the Task Force, please refer to item (z) below.

- (v) The Working Group on Implementation Details of BPM, chaired by the Assistant Director of Social Welfare with members including NGOs' management, staff representatives, service user representatives and independent members, will continue to convene meetings with a view to forging consensus among the representatives for the four outstanding items. It is expected that the matters concerned would be submitted to the Lump Sum Grant Steering Committee for discussion in the third quarter of 2018 followed by the incorporation of the items in the BPM.
- (w) One of the members of the Lump Sum Grant Independent Complaints Handling Committee (IHC) was the principal (the principal) of a school under the NGO being complained. From July 2011 to November 2012, the principal participated in reviewing the complaints lodged against the NGO in four IHC meetings (i.e. the 10th, 12th, 14th and 15th meetings) and took part in the discussions at two of the meetings. At the 12th meeting, the principal participated in examining the investigation report on the complaint against a service unit of the NGO and endorsed that the complaint issues were not substantiated. Since the NGO's education and welfare services are



independently run, the principal was not aware of the potential conflict of interest and therefore had not declared the potential conflict of interest concerned.

All along, the ICHC requests its members to declare their potential conflict of interests or seek the Chairman's ruling in accordance with the guideline for the “One-tier Reporting System” issued by the Home Affairs Bureau (see **Annex 7**). The ICHC also requests its members to complete the standard declaration form before each meeting to declare their potential conflict of interests, and the ICHC Chairman will make decisions and arrangements on the members' declarations.

At the 33rd ICHC meeting held on 20 September 2017, the SWD reiterated to the members the guideline, including the scope, timing and method for declaration of interests. The ICHC Secretariat would record the details of the handling of members' declaration of interests in the minutes of the meetings, including the decisions made by the ICHC Chairman. In future, the SWD will reiterate the contents of the guideline and re-circulate it to the members for reference every year.

- (x) In the past, the ICHC Secretariat had followed up the decisions of the Chairman on the declaration of interest without recording the related information in the minutes of the meetings. Starting from the 33rd ICHC meeting held on 20 September 2017, the ICHC Secretariat would record such information in the minutes of the meeting.
- (y) The Chairman and members of the ICHC are all appointed by the Secretary for Labour and Welfare. Each term of membership lasts for two years. The functions of the ICHC are as follows: -
 - to receive LSG related complaints against welfare NGOs which cannot be satisfactorily resolved at the NGO level;
 - to handle LSG related complaints such as misuse of subventions, NGOs' management decisions that have a direct impact on service performance and non-compliance with service requirements; and
 - to relay ICHC's decisions and recommendations to the SWD so that follow-up action may be taken by the SWD, as appropriate, to enhance the LSGSS.

The current term of the ICHC (2017-19) has a total of eight members from the medical, legal, human resource management and business sectors as well as from the district. The ICHC held a total of 12 meetings in the past three financial years—five in 2014-15, three in 2015-16 and four in 2016-17. The ICHC held a total of four meetings in 2017-18.



- (z) Please refer to **Annexes 8 to 10** for the terms of reference, membership list and the proposed scope of the review of the Task Force. The Government expects to consult the Panel on Welfare Services of the Legislative Council on the scope of the review proposed by the Task Force in May 2018. It is expected that the relevant review study will be completed within two years after the scope of the review is established.

Should you have any enquiries, please contact the undersigned.

Yours sincerely,

(WONG Kwok-chun, Alex)
for Director of Social Welfare

<u>c.c.</u>	Secretary for Labour and Welfare	(Attn: Mr. Kenneth CHENG)
	Secretary for Financial Services and the Treasury	(Attn: Ms. Kinnie WONG)
	Director of Administration	(Attn: Ms. Subrina CHOW)
	Director of Audit	(Attn: Mr. Andrew CHANG)

Funding and Service Agreement¹**Neighbourhood Elderly Centre (NEC)**
(with effect from 1 October 2014)**I Service Definition****Introduction**

Neighbourhood Elderly Centre (NEC) is a type of community support services serving as a neighbourhood base for community network of informal support and formal social services provided to elderly persons living in the community.

Purposes and Objectives

2. The ultimate goal of NEC is to enable elderly persons to continue to stay in the community, to lead a healthy, respectful and dignified life, to enhance their positive and contributory role and to involve the public to build up a caring community.

Nature of Service

3. NEC should provide a range of comprehensive services to elderly persons, carers and the community at large, as stipulated in the Specifications on Re-engineering Community Support Services for Elders.

Target Service Users

4. Service Operator of the NEC is expected to serve elderly persons aged 60 or above residing in the respective Districts as delineated by District Council boundary. Service Operator is also expected to provide support to formal and informal carers who take full-time or part-time care of elderly persons, and to provide educational and developmental programmes to the community at large.

II Performance Standards

5. Service operator should meet the following performance standards:

Output Indicators

(to be reported to Social Welfare Department [SWD] on a quarterly basis)

¹ This Funding and Service Agreement is a sample document for reference only.

<u>No.</u>	<u>Output indicators of NEC</u>	<u>Agreed level</u>
1.	Average membership within one year.	400
2.	Average attendance per session within one year.	60
3.	Total number of groups, activities and programmes held within one year:	200
	a. (i) for promotion on healthy and active ageing, physical and psycho-social well-being of elderly persons; (ii) to meet the educational and developmental needs of elderly persons; and (iii) to meet the social and recreational needs of elderly persons.	120
	b. for volunteer recruitment, development and services.	40
	c. to provide carer support services including mutual support groups and training activities etc;	40
4.	Total number of volunteers within one year.	100
5.	Active counselling cases within one year :	
	a. monthly average number of active counselling cases with agreed plan (summing up the 12 month-end number of active counselling cases ÷ 12);	80
	b. turnover rate of active counselling cases within one year (total number of closed case ÷ total number of active counselling cases served x 100%);	20%
6.	Total number of carers served within one year.	140
7	Services for hidden or vulnerable elderly persons:	
	a. monthly average number of active cases of hidden or vulnerable elderly persons (summing up the 12 month-end number of active cases ÷ 12)	35
	b. turnover rate of cases served within one year in relation to hidden or vulnerable elderly persons (total number of closed case ÷ total number of cases served x 100%)	20%
8.	Total number of activities of building up rapport with local stakeholders for service promotion and/or establishing strategic partnership within one year.	12
9.	Total number of Minimum Data Set-Home Care (MDS-HC) Version 2.0 ² assessments conducted within one year. ³	35

² MDS-HC Version 2.0 or the prevailing version of MDS-HC adopted by SWD

³ SWD will take into consideration the availability of referrals should the agreed level not being met.

Outcome Indicators (to be reported to SWD once every three years ⁴)

	Outcome indicators of NEC	Minimum level of attainment
1	Percentage of users satisfied with the centre service. (a survey with sample size reaching 160 or not less than 30% of the total membership should be conducted.)	70%
2	Percentage of carers satisfied with the centre service. (a survey with sample size not less than 30% of the total number of carers served should be conducted.)	70%
3	Percentage of senior volunteers satisfied with their volunteer services and/or organising centre activities. (a survey with sample size not less than 30% of the total number of senior volunteers should be conducted.)	70%
4	From output indicators No. 3 of clause 5, percentage of groups, activities and programmes for which elderly members are involved in planning and implementation.	10%
5	Percentage of carers with lower stress level in taking care of elderly persons after attending the programme. (the outcome should be counted as average attainment level of all programmes/groups for reducing carers' stress level).	70%
6	Percentage of users whose support network is widened. (a survey with sample size reaching 160 or not less than 30% of the total membership should be conducted.)	70%

Essential Service Requirements

6. The NEC should operate at least 6 days a week with a minimum of 48 hours per week with full flexibility in order to best fit the needs of services users.

7. The operation of the NEC should be under the supervision and guidance of registered social worker.

⁴ As the statistics of outcome indicators has been reported for the year 2013/14, the coming years of reporting outcome statistics will be 2016/17, 2019/20 and so on.

Quality

8. The Service Operator will meet the requirements of the 16 Service Quality Standards (SQSs).

III Obligations of SWD to Service Operator

9. The SWD will undertake the duties set out in the General Obligations of SWD to the Service Operator as specified in the Funding and Service Agreement (FSA) Generic Sections.

IV Basis of Subvention

10. The basis of subvention is set out in the offer and notification letters issued by SWD to the Service Operator.

Funding

11. An annual subvention will be allocated on a Lump Sum Grant (LSG) mode to the Service Operator for a time-defined period (*applicable to time-defined projects only*). This lump sum has taken into account the personal emoluments, including provident fund for employing registered social workers and supporting staff, and other charges (covering all other relevant operating expenses including employees' compensation insurance and public liability insurance) applicable to the operation of the project and recognised fee income, if any. Rent and rates in respect of premises recognised by SWD for delivery of the subvented activities will be reimbursed separately on an actual cost basis.

12. In receiving the LSG, the Service Operator is accorded flexibility in the use of the grant but required to observe the guidelines set out in the latest LSG Manual, LSG Circulars, management letters and correspondence in force as issued by SWD on subvention policies and procedures, whichever is applicable, as well as the relevant Guidance Notes for specific services. The LSG will be subject to adjustments including salary adjustments in line with civil service pay adjustments and other charges in line with the government-wide price adjustment factor. The Government will not accept any liabilities or financial implication arising from the project beyond the approved funding.

Payment Arrangement, Internal Control and Financial Reporting Requirements

13. Upon the Service Operator's acceptance of the FSA, payment of the LSG subventions will be made on a monthly basis.

14. The Service Operator is responsible for maintaining an effective and sound financial management system, including budget planning, projection, accounting, internal control and auditing. It should maintain proper books and records and supporting documents on income and expenditure relating to the project and make them available for inspection by the Government representative.

15. The Service Operator shall submit the Annual Financial Report (AFR) as reviewed and the annual financial statements of the NGO as a whole as audited by a certified public accountant holding a practising certificate as defined in the Professional Accountants Ordinance (Chapter 50) and signed by two authorised representatives of the NGO, i.e. Chairperson/NGO Head/Head of Social Welfare Services in accordance with the requirements as stipulated in the latest LSG Manual. The AFR should be prepared on a cash basis and non-cash items such as depreciation, staff leave accrual etc. should not be included in the AFR.

V **Validity Period** *(Applicable to time-defined projects only)*

16. This FSA is valid for a time-defined period. Should Service Operator be in breach of any term of condition of this FSA and fail to remedy the same in such manner and within such time as shall be specified in a written notice from the SWD that the same be remedied, the SWD may after expiry of such notice, terminate this FSA by giving 30 days' notice in writing to the Service Operator.

17. Where there is any change to the performance standards within the agreement period, SWD will seek mutual agreement with the Service Operator and the Service Operator will be required to achieve new requirements in accordance with the specified implementation schedule.

18. Continuation of service for the next term will be subject to relevant considerations such as the prevailing policy directive, service needs and the performance of the Service Operator. SWD reserves the right to reallocate the project.

VI **Other Reference**

19. Apart from this FSA, the Service Operator should also comply with the requirements/commitments set out in the Service Specifications mentioned in clause 3 above, and the Service Operator's proposal and supplementary information, if any. Where these documents are in conflicts, this FSA shall prevail. The Service Operator's compliance with all these documents will be closely monitored by SWD.

**Performance of Agreement Service Units (ASUs) in the Provision of the
Home Care Service for Persons with Severe Disabilities (HCS)
(2015–16, 2016–17, and 2017-18 (Apr - Dec))**

Output Standard	ASU	2015-16			2016-17			2017-18 (Apr-Dec)		
		Agreed level of performance (No.) (a)	Performance achieved (No.) (b)	Achievement rate (%) (b)/(a)	Agreed level of performance (No.) (c)	Performance achieved (No.) (d)	Achievement rate (%) (d)/(c)	Agreed level of performance* (No.) (e)	Performance achieved* (No.) (f)	Achievement rate (%) (f)/(e)
Total number of service hours to meet the care needs of service users in a year	ASU A	125 400	25 407	20%	158 400	34 201	22%	118 800	32 227	27%
	ASU B	116 160	6 972	6%	126 720	12 350	10%	95 040	15 380	16%
	ASU 13	126 720	43 358	34%	126 720	51 265	40%	95 040	36 353	38%
	ASU 14	102 960	24 000	23%	126 720	28 896	23%	95 040	31 922	34%
	ASU 15	118 800	34 336	29%	158 400	49 937	32%	118 800	44 041	37%
	ASU 16	108 108	19 053	18%	133 056	38 856	29%	99 792	42 822	43%
Total number of service sessions of rehabilitation training service provided by physiotherapists/ occupational therapists in a year	ASU A	15 675	5 200	33%	19 800	6 667	34%	11 138	6 859	62%
	ASU B	14 520	6 359	44%	15 840	9 528	60%	8 910	8 325	93%
	ASU 13	15 840	2 543	16%	15 840	6 615	42%	8 910	6 297	71%
	ASU 14	12 870	4 471	35%	15 840	6 760	43%	8 910	6 800	76%
	ASU 15	14 850	8 040	54%	19 800	12 586	64%	11 138	11 570	104%
	ASU 16	13 514	3 074	23%	16 632	6 370	38%	9 356	6 600	71%
Total number of service sessions of nursing care service provided by nurse/health care staff in a year	ASU A	10 450	1 163	11%	13 200	1 190	9%	7 425	2 256	30%
	ASU B	9 680	2 033	21%	10 560	4 553	43%	5 940	4 053	68%
	ASU 13	10 560	4 158	39%	10 560	4 016	38%	5 940	3 924	66%
	ASU 14	8 580	2 885	34%	10 560	4 004	38%	5 940	3 507	59%
	ASU 15	9 900	3 124	32%	13 200	3 781	29%	7 425	5 290	71%
	ASU 16	9 009	1 053	12%	11 088	6 552	59%	6 237	4 344	70%

* According to the Funding and Service Agreement (w.e.f. March 2017) as agreed by Social Welfare Department and the Operators of HCS, started from 2017-18, the counting of service output would be changed in terms of hours spent instead of service session for the rehabilitatin training service to be provided by physiotherapist/occupational therapist and nursing care service to be provided by nurse/health care staff.

view to rendering efficient and effective supportive services to service users.

ENTRY AND EXIT

21. The Operator is required to accept referrals from referring workers or direct applications from service users. Where the applicant is an active case of a social service unit⁴, application for Home Care Service shall be made by the unit concerned to the regional Home Care Service Team in accordance with the applicant's residential address. For an applicant who is already on the waiting list for HSMH, HSPH and C&A/SD, the referrer should attach the relevant supporting documents, i.e. assessment result ascertaining his / her level of disability. The above referral arrangement is also applicable to an applicant who is a student attending special schools for children with severe intellectual and / or physical disabilities. Upon receipt of the referral, the Operator is required to intake the case and provide follow-up assistance as appropriate.

22. Where the applicant is not on the waiting list for HSMH, HSPH and C&A/SD, the respective regional Home Care Service Team, upon receipt of the referral, shall conduct a comprehensive assessment on the applicant with the standardized assessment tool as mentioned in paragraph 15(b) to ascertain his / her care needs and eligibility for service. Under special circumstances, the above-mentioned eligibility assessment can also be conducted by the service unit handling his / her case, subject to the agreement among the applicant, the respective service unit and the Home Care Service Team.

23. For an applicant not receiving service in any social service unit / rehabilitation service unit, he / she or their carer(s) may directly approach the respective regional Home Care Service team for intake. Social worker of the regional Home Care Service team shall conduct a comprehensive assessment on the applicant with the standardized assessment tool mentioned in paragraph 15(b) above to ascertain his / her care needs and eligibility for service, and provide follow-up assistance as appropriate. If the applicant is assessed not eligible for the home care service, the social worker of the regional home care team is required to refer him / her for alternative support services as appropriate.

24. At present, there are a number of persons with severe physical disabilities who have been assessed according to the Standardized Care Need Assessment Mechanism for Elderly Services to be severely impaired and receiving / waitlisting for Integrated Home Care Services (Frail Cases) IHCS(FCs)⁵ provided by the Integrated Home Care Services Teams under

⁴ These units include Integrated Family Services Centres, Medical Social Services Units, School Social Work Units, Integrated Home Care Services Teams, and other rehabilitation service units, etc.

⁵ As at end of July 2013, there were 135 persons with severe physical disabilities receiving IHCS(FCs), and 19 were on the waiting list for IHCS(FCs).

Elderly Service. These cases can be transferred to the regional Home Care Service Team for provision of Home Care Service, if it is so agreed by the service users⁶. The Operator is required to intake the cases and assess their needs and provide appropriate services. While it is not necessary to conduct repeated assessment on the applicant, the referrer should attach the relevant supporting documents, i.e. assessment result ascertaining his / her level of impairment.

25. To optimize utilisation of resources and reduce unnecessary waiting time, the Operator should make first contact with the service users within seven working days upon receiving the referrals and develop initial care plans as soon as possible, normally within 14 working days from receipt of the referrals of cases. In general, the Operator should accept all eligible applicants and provide appropriate services.

26. The Operator is required to have a clear operation manual and protocol for handling entry and exit of service users. Proper discharge plan should be developed well in advance of the discharge date and the reasons for discharge should be documented in individual case files. Referral or notification has to be made to other appropriate service units and concerned parties. In general circumstances, service user may exit from the service for the following reasons -

- (a) the service user is admitted for long-term placement of subvented residential care service; or
- (b) the service user is hospitalized for a period of more than three months without a specific discharge plan; or
- (c) the service user decides to terminate the services; or
- (d) death of the service user; or
- (e) the impairment level, health condition, supportive network and environmental conditions of the service user have been improved or strengthened to a level that the service user is able to live independently or with little assistance.

OFFICE BASE, FITTINGS AND FURNISHINGS

27. SWD is identifying suitable premises in the four regional clusters

⁶ The service users of IHCS(FCs) shall be well explained of the scope of services provided under Home Care Service for Persons with Severe Disabilities as stated in paragraph 14 (a) – (f) before deciding on the transfer of cases from IHCS(FCs) to the regional Home Care Service Team.

Service Quality Standards (SQSs) and Criteria

Principle 3 : Service to Users

The service unit should identify and respond to specific service users' needs.

SQS 10 The service unit ensures that service users have clear and accurate information about how to enter and leave the service.

- 10.1 The service unit has policies and procedures in relation to entering and leaving the service and they are accessible to service users, staff or other interested parties.
- 10.2 The entry policy is non-discriminatory and clearly identifies the target group for service delivery and the criteria for determining priority for entry.
- 10.3 Where an applicant is refused entry to a service, the service unit provides the applicant with reasons for the decision and, where appropriate, refers the applicant to an alternative service unit.

【RESTRICTED】

(12/2017)

Application form for Home Care Service for Persons with Severe Disabilities

Please fax the application form to the respective Home Care Service Team
(Please tick in the appropriate box ☐)

<input type="checkbox"/>	Tung Wah Group of Hospitals	Hong Kong (Central, Western, Southern, Islands, Eastern and Wan Chai)	(Tel. No.: 2803 2103) (Fax No.: 2803 2145) (Email: lkhs@tungwah.org.hk)
<input type="checkbox"/>	Yang Memorial Methodist Social Service	Kowloon (1) (Sham Shui Po, Kowloon City, Yau Tsim Mong and Tseung Kwan O)	(Tel. No.: 2337 9966) (Fax No.: 2337 9060) (Email : khcs@yang.org.hk)
<input type="checkbox"/>	Christian Family Service Centre	Kowloon (2) (Kwun Tong and Wong Tai Sin)	(Tel. No.: 3996 8515) (Fax No.: 3996 8514) (Email : rhc@cfsc.org.hk)
<input type="checkbox"/>	SAHK	New Territories (1) (Shatin, Sai Kung, Tai Po and North)	(Tel. No.: 2602 8900) (Fax No.: 2699 4070) (Email: nthss@sahk1963.org.hk)
<input type="checkbox"/>	Po Leung Kuk	New Territories (2) (Tsuen Wan, Yuen Long, Tin Shui Wai)	(Tel. No.: 2154 3818) (Fax No.: 2154 3889) (Email: homecare.nt@poleungkuk.org.hk)
<input type="checkbox"/>	The Neighbourhood Advice-Action Council	New Territories (3) (Tuen Mun, Kwai Chung and Tsing Yi)	(Tel. No.: 2618 0411) (Fax No.: 2618 0198) (Email : tohc@naac.org.hk)

I. Service Applied

Type of Service	<input type="checkbox"/> Personal Care <input type="checkbox"/> Nursing Care <input type="checkbox"/> Rehabilitation Training <input type="checkbox"/> Escort Service <input type="checkbox"/> Home Respite Service <input type="checkbox"/> Carer Support Service
------------------------	---

II. Personal Particulars

1. Name	(English)	(Chinese)
2. Sex/ Date of Birth	<input type="checkbox"/> Male <input type="checkbox"/> Female / (dd) (mm) (yyyy)	
3. HKID No.	, or No. of Certificate of Exemption :	
4. Correspondence Address & Tel. No./ Email:	Address: Email:	Tel. No.:
5. Residential District	<input type="checkbox"/> Central & Western <input type="checkbox"/> Wan Chai <input type="checkbox"/> Eastern <input type="checkbox"/> Southern <input type="checkbox"/> Islands <input type="checkbox"/> Sham Shui Po <input type="checkbox"/> Kowloon City <input type="checkbox"/> Yau Tsim Mong <input type="checkbox"/> Tseung Kwan O <input type="checkbox"/> Kwun Tong <input type="checkbox"/> Wong Tai Sin <input type="checkbox"/> Shatin <input type="checkbox"/> Sai Kung <input type="checkbox"/> Tai Po & North <input type="checkbox"/> Tsuen Wan <input type="checkbox"/> Yuen Long <input type="checkbox"/> Tin Shui Wai	

	<input type="checkbox"/> Tuen Mun <input type="checkbox"/> Kwai Chung & Tsing Yi
6. School attending (if applicable)	<input type="checkbox"/> Special School <input type="checkbox"/> Boarding Section of Special School <input type="checkbox"/> Other, please specify: Name of School: <hr/> Category of School: <input type="checkbox"/> Special School for Physically Disabled Children <input type="checkbox"/> Special School for Severely Intellectually Disabled Children <input type="checkbox"/> Others, please specify:
7. Service Receiving (may choose more than one item)	<input type="checkbox"/> Nil Community support: <input type="checkbox"/> District Support Centre for Persons with Disabilities <input type="checkbox"/> Respite Services <input type="checkbox"/> Integrated Support Service for Persons with Severely Physical Disabilities (Cash Subsidy) <input type="checkbox"/> Integrated Support Service for Persons with Severely Physical Disabilities (Integrated Home-based Support Service) <input type="checkbox"/> Community Rehabilitation Day Centre <input type="checkbox"/> Day Care Service for Persons with Severe Disabilities <input type="checkbox"/> Integrated Home Care Services (Frail Cases) <input type="checkbox"/> Integrated Home Care Services (Ordinary Cases) <input type="checkbox"/> Enhanced Home Care and Community Care Service <input type="checkbox"/> Day Care Centre/Unit for the Elderly <input type="checkbox"/> Community Care Service Voucher for the Elderly <input type="checkbox"/> Others, please specify: Day training: <input type="checkbox"/> Integrated Vocational Rehabilitation Services Centre <input type="checkbox"/> Supported Employment <input type="checkbox"/> On the Job Training for People with Disabilities <input type="checkbox"/> Sheltered Workshop <input type="checkbox"/> Day Activity Centre Residential service: <input type="checkbox"/> Private Hostel <input type="checkbox"/> Self-financed Rehabilitation Hostel Medical treatment: <input type="checkbox"/> Psychiatric In-patient <input type="checkbox"/> Non-Psychiatric In-patient <input type="checkbox"/> Day Hospital <input type="checkbox"/> Out-patient clinic, please specify:
8. Waitlisting for subvented residential care services	<input type="checkbox"/> Yes, please specify the category of residential care service : <input type="checkbox"/> No

III. Disability

1. Major Diagnosis (Optional)	
2. Physical Disability	<input type="checkbox"/> Not physically disabled <input type="checkbox"/> Quadriplegia <input type="checkbox"/> Paraplegia <input type="checkbox"/> Hemiplegia <input type="checkbox"/> Cerebral palsy <input type="checkbox"/> Loss of upper or lower limbs

	<input type="checkbox"/> Loss of hand/foot or finger/toe <input type="checkbox"/> medical report attached	<input type="checkbox"/> Others, please specify:
3. Intellectual Disability	<input type="checkbox"/> Not intellectually disabled <input type="checkbox"/> Profound <input type="checkbox"/> Severe <input type="checkbox"/> Moderate <input type="checkbox"/> Mild Date of psychological assessment: (dd) (mm) (yyyy) <input type="checkbox"/> psychological report attached	
4. Other Disability (may choose more than one item)	<input type="checkbox"/> Speech impairment <input type="checkbox"/> Visual impairment (<input type="checkbox"/> Blind/ <input type="checkbox"/> Partially impaired) <input type="checkbox"/> Mental illness, please specify:	<input type="checkbox"/> Deaf / Hearing impairment <input type="checkbox"/> Autism <input type="checkbox"/> Down Syndrome <input type="checkbox"/> Others, please specify:
5. Illness/Health Problem	Please specify if any:	
6. Mobility	<input type="checkbox"/> Walk unaided <input type="checkbox"/> Walk with escort <input type="checkbox"/> Walk with aid <input type="checkbox"/> Wheelchair bound <input type="checkbox"/> Bed ridden	
7. Treatment Receiving	<input type="checkbox"/> Occupational therapy <input type="checkbox"/> Others: <input type="checkbox"/> Not applicable	<input type="checkbox"/> Physiotherapy <input type="checkbox"/> Nursing care service

IV. Care system

Particulars of Carer(s)

- “carer” refers to a family member that offers or would offer care or assistance to the applicant, including parents, relatives and kins.
- Other carer(s) refers to the neighbors, friends, or employed domestic helpers who provide care to the applicant, but not staff of institutions or hospitals.

Types of Carer	Name	Sex/ Age	Relationship	Whether living together	Occupation	Contact Tel. No.
(a) Primary carer						
(b) Other carer(s)						

V. Referrer Information

Case Ref.
No.:

Service
Unit:

Name of
Referrer:

(Chi)

Agency
name :

(Eng)

Tel./Fax
No.:

Date:

Remarks

Persons with severe disabilities over the age of 60 can opt for (1) Home Care Service for Persons with Severe Disabilities / Integrated Support Service for Persons with Severe Physical Disabilities or (2) services for the elderly including Integrated Home Care Services/ Enhanced Home and Community Care Services/ Day Care Centre/Unit for the Elderly/ Community Care Service Voucher for the Elderly if the applicant is assessed to be eligible for service. The applicant cannot receive both kinds of services at the same time. For the applicant with severe disabilities under the age of 60, he/she can only choose Home Care Service for Persons with Severe Disabilities or Integrated Support Service for Persons with Severe Disabilities depending on their eligibility for the respective service. To avoid service duplication, Applicant/Guardian/Appointee is required to make a declaration for the service operator of not using

similar services of other subvented non-government organisations during service application, and gives consent for the service operator to confirm information with relevant agencies.

Application Form for Integrated Support Service for Persons with Severe Physical Disabilities

(Please put a "✓" in the appropriate box in accordance with the residential address of the applicant)

	Service Operator	Regional Cluster	Telephone Number	Fax Number	Address
<input type="checkbox"/>	Yang Memorial Methodist Social Service	Hong Kong Island and Kowloon (Central, Western, Southern, Islands, Eastern, Wan Chai, Kowloon City, Yau Tsim Mong, Sham Shui Po, Wong Tai Sin, Kwun Tong and Tseung Kwan O)	3959 1700	3425 4994	Level 1 of Lift Tower Block, Phase II, Lei Yue Mun Estate, Kwun Tong, Kowloon
<input type="checkbox"/>	Po Leung Kuk	New Territories (Sha Tin, Tai Po, North, Sai Kung, Tsuen Wan, Kwai Tsing, Tuen Mun, Yuen Long and Tin Shui Wai)	3708 8690	3708 8693	Shop No. RB2, Commercial Centre, Cheung Shan Estate, New Territories

Personal Particulars

1. Name	(English)		(Chinese)	
2. Sex/ Date of Birth	<input type="checkbox"/> Male	<input type="checkbox"/> Female	(dd)	(mm) (yyyy)
3. HKID No.	or No. of Certificate of Exemption:			
4. Residential Address/ Tel. No./ Email	Address: Email: Tel. No.:			
5. School Attending	<input type="checkbox"/> Nil <input type="checkbox"/> Special School <input type="checkbox"/> Boarding Section of Special School <input type="checkbox"/> Others, please specify: _____ Name of School: _____ Category of School: <input type="checkbox"/> Special School for Severely Intellectually Disabled Children <input type="checkbox"/> Special School for Physically Disabled Children <input type="checkbox"/> Others, please specify: _____			
6. Service Receiving (May choose more than one item)	<input type="checkbox"/> Nil Community support ^{Note} : <input type="checkbox"/> District Support Centre for Persons with Disabilities <input type="checkbox"/> Home Care Service for Persons with Severe Disabilities <input type="checkbox"/> Community Rehabilitation Day Centre <input type="checkbox"/> Day Care Service for Persons with Severe Disabilities <input type="checkbox"/> Transitional Care and Support Centre for Tetraplegic Patients <input type="checkbox"/> Integrated Home Care Services (Frail Cases) <input type="checkbox"/> Integrated Home Care Services (Ordinary Cases) <input type="checkbox"/> Enhanced Home and Community Care Services <input type="checkbox"/> Community Care Service Voucher for the Elderly <input type="checkbox"/> Day Care Centre/Unit for the Elderly <input type="checkbox"/> Respite Services <input type="checkbox"/> Others, please specify: _____ Day training: <input type="checkbox"/> Integrated Vocational Rehabilitation Services Centre <input type="checkbox"/> Special Child Care Centre <input type="checkbox"/> On the Job Training for People with Disabilities <input type="checkbox"/> Supported Employment <input type="checkbox"/> Day Activity Centre <input type="checkbox"/> Sheltered Workshop <input type="checkbox"/> Others, please specify: _____ Residential service : <input type="checkbox"/> Subvented/Bought Place Residential Care Home/Hostel <input type="checkbox"/> Self-financed Residential Care Home/Hostel <input type="checkbox"/> Private Residential Care Home/Hostel Medical treatment: <input type="checkbox"/> Psychiatric In-patient <input type="checkbox"/> Non-Psychiatric In-patient <input type="checkbox"/> Day Hospital <input type="checkbox"/> Out-patient clinic, please specify: _____			
7. Waitlisting for Subvented Residential Care Services	<input type="checkbox"/> Yes, please specify the category of residential care service: _____ <input type="checkbox"/> No			

^{Note} Persons with severe physical disabilities over the age of 60 can opt for (1) Home Care Service for Persons with Severe Disabilities/ Integrated Support Service for Persons with Severe Physical Disabilities or (2) services for the elderly including Integrated Home Care Services/ Enhanced Home and Community Care Services/ Day Care Centre/Unit for the Elderly/ Community Care Service Voucher for the Elderly if the applicant is assessed to be eligible for the service. The applicant cannot receive both kinds of services at the same time. For the applicant with severe physical disabilities under the age of 60, he/ she can only choose Home Care Service for Persons with Severe Disabilities or Integrated Support Service for Persons with Severe Physical Disabilities depending on their eligibility for the respective service. To avoid service duplication, Applicant/ Guardian/ Appointee is required to make a declaration for the service operator of not using similar services of other subvented non-government organisations during service application, and gives consent for the service operator to confirm information with relevant agencies.

II. Disability

1. Physical Disability	<input type="checkbox"/> Tetraplegia/Quadriplegia <input type="checkbox"/> Paraplegia <input type="checkbox"/> Hemiplegia <input type="checkbox"/> Cerebral palsy <input type="checkbox"/> Loss of hand/foot or finger/toe <input type="checkbox"/> Loss of upper or lower limbs <input type="checkbox"/> Medical report attached <input type="checkbox"/> Others, please specify: _____
2. Intellectual Disability	<input type="checkbox"/> Not intellectually disabled <input type="checkbox"/> Profound <input type="checkbox"/> Severe <input type="checkbox"/> Moderate <input type="checkbox"/> Mild <input type="checkbox"/> Not Known Date of psychological assessment: (dd) (mm) (yyyy) <input type="checkbox"/> Psychological report attached
3. Other Disability (May choose more than one item)	<input type="checkbox"/> Speech impairment <input type="checkbox"/> Deaf/Hearing impairment <input type="checkbox"/> Down's Syndrome <input type="checkbox"/> Visual impairment (<input type="checkbox"/> Blind / <input type="checkbox"/> Partially impaired) <input type="checkbox"/> Autism <input type="checkbox"/> Mental illness, please specify: _____ <input type="checkbox"/> Others, please specify: _____
4. Illness/ Health Problem	Please specify if any: _____
5. Need for Respiratory Support Medical Equipment (RSME)	<input type="checkbox"/> Yes, please specify the category of RSME: _____ <input type="checkbox"/> No
6. Mobility	<input type="checkbox"/> Walk unaided <input type="checkbox"/> Walk with escort <input type="checkbox"/> Walk with aid <input type="checkbox"/> Wheelchair bound <input type="checkbox"/> Bed ridden
7. Treatment Receiving	<input type="checkbox"/> Occupational therapy <input type="checkbox"/> Physiotherapy <input type="checkbox"/> Nursing care service <input type="checkbox"/> Others: _____ <input type="checkbox"/> Not applicable

III. Care System

Particulars of Carer(s)

- "Carer" refers to a family member that offers or would offer care or assistance to the applicant, including parents, relatives and kins.
- "Other carer(s)" refers to the neighbours, friends or employed domestic helpers who provide care to the applicant, but not staff of institutions or hospitals.

Types of Carer	Name	Sex/Age	Relationship	Whether living together	Occupation	Contact Tel. No.
Primary carer						
Other carer(s)						

IV. Signature of Applicant/Guardian/Appointee (Applicable to self-approach for service)

Type of Service Applied (May choose more than one item)	<input type="checkbox"/> The use of Respiratory Support Medical Equipment (RSME) and medical consumables	<input type="checkbox"/> Nursing care service	<input type="checkbox"/> Nutrition/ Use of drugs
	<input type="checkbox"/> Cash subsidy for renting RSME and purchasing medical consumables (For persons with severe physical disabilities depending on respiratory support medical equipment)	<input type="checkbox"/> Rehabilitation training	<input type="checkbox"/> Home modification
	<input type="checkbox"/> Personal care service <input type="checkbox"/> Social work service	<input type="checkbox"/> Home respite service	<input type="checkbox"/> Community activities
	<input type="checkbox"/> Carer support service <input type="checkbox"/> Others, please specify: _____		
Applicant/Guardian/Appointee: _____ Tel. No.: _____ (Please delete as appropriate) (Signature)			
_____ Date: _____ (Name)			

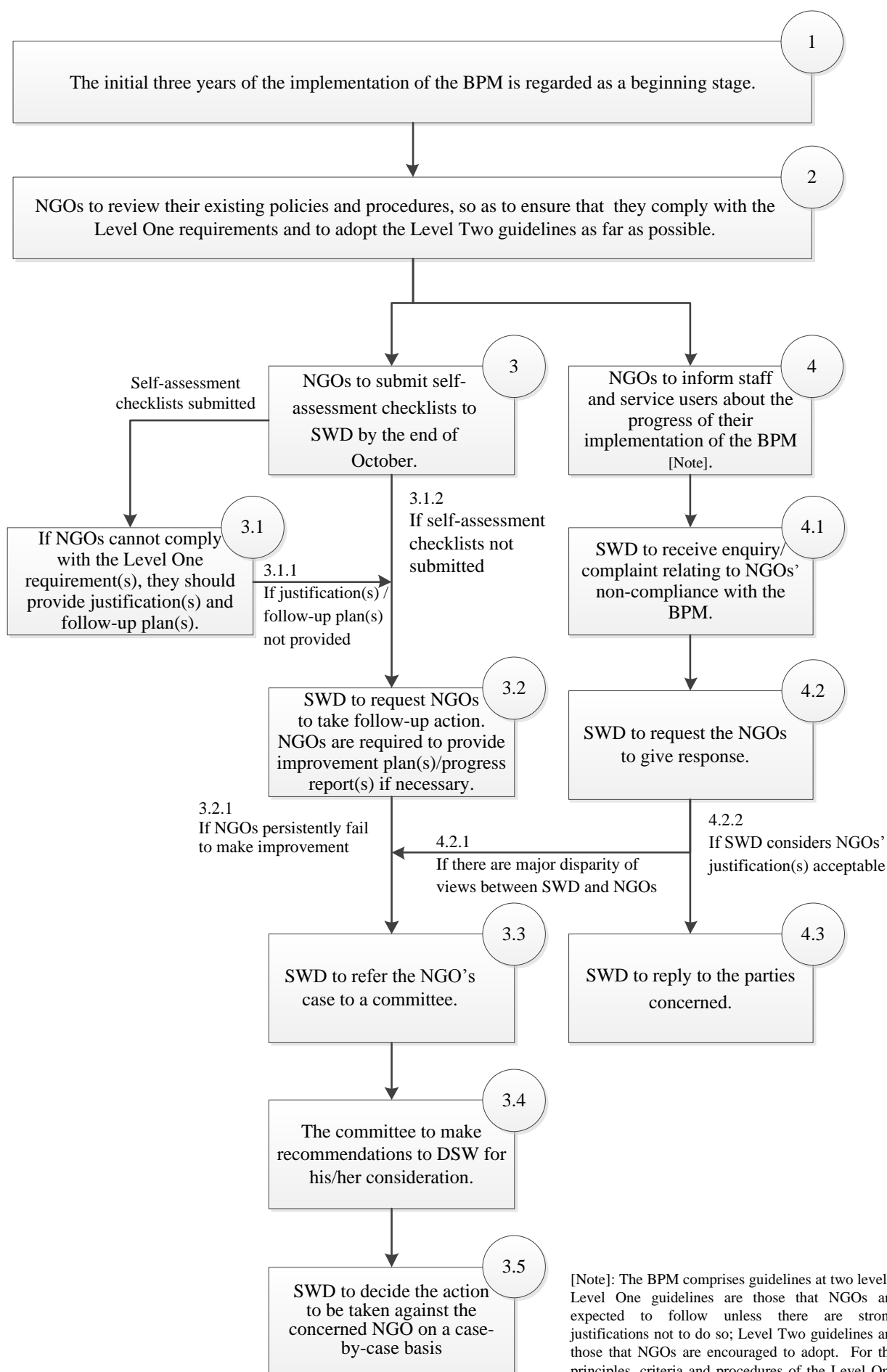
V. Medical Information (To be completed by Medical Officer, Nursing or Allied Health Staff for patients planning for discharge from hospital or receiving outpatient treatment)

1. Medical Diagnosis	<input type="checkbox"/> Tetraplegia (To be completed by Medical Officer) <input type="checkbox"/> Tetraplegia with medical report attached <input type="checkbox"/> Others, Please specify: _____ 		
2. Discharge Date			
3. Post-discharge Arrangement by Hospital/Clinic	<input type="checkbox"/> Occupational therapy <input type="checkbox"/> Physiotherapy <input type="checkbox"/> Nursing care service <input type="checkbox"/> Day rehabilitation centre <input type="checkbox"/> Day hospital <input type="checkbox"/> Others, please specify: _____ <input type="checkbox"/> Outpatient treatment, please specify clinic: _____		
4. Areas Recommended to be Followed up by "Integrated Support Service for Persons with Severe Physical Disabilities" (May choose more than one item)	<input type="checkbox"/> The use of Respiratory Support Medical Equipment (RSME) and medical consumables <input type="checkbox"/> Nursing care service <input type="checkbox"/> Nutrition/ Use of drugs <input type="checkbox"/> Cash subsidy for renting RSME and purchasing medical consumables (For persons with severe physical disabilities depending on respiratory support medical equipment) <input type="checkbox"/> Rehabilitation training <input type="checkbox"/> Home modification <input type="checkbox"/> Personal care service <input type="checkbox"/> Social work service <input type="checkbox"/> Community activities <input type="checkbox"/> Carer support service <input type="checkbox"/> Others, please specify: _____		
5. Medical Information Completed by	 <div style="display: flex; justify-content: space-between;"> _____ (Signature) _____ (Name) _____ (Post Title) </div> <div style="display: flex; justify-content: space-between;"> Hospital/Clinic: _____ Tel. No.: _____ </div> <div style="display: flex; justify-content: space-between;"> Ref. No.: _____ Date: _____ </div>		

VI. Referrer's Information (To be completed by Referrer where applicable)

Suggested Follow up Areas (May choose more than one item)	<input type="checkbox"/> The use of Respiratory Support Medical Equipment (RSME) and medical consumables <input type="checkbox"/> Nursing care service <input type="checkbox"/> Nutrition/ Use of drugs <input type="checkbox"/> Cash subsidy for renting RSME and purchasing medical consumables (For persons with severe physical disabilities depending on respiratory support medical equipment) <input type="checkbox"/> Rehabilitation training <input type="checkbox"/> Home modification <input type="checkbox"/> Personal care service <input type="checkbox"/> Social work service <input type="checkbox"/> Community activities <input type="checkbox"/> Carer support service <input type="checkbox"/> Others, please specify: _____		
Case Ref. No.: _____	Service Unit: _____		
Name of Referrer: (Eng) _____	Agency Name: _____		
(Chi) _____	Post Title of Referrer: _____		
Email Address: _____	Tel./ Fax No.: _____		
Referrer's Signature: _____	Date: _____		

Workflow of the Best Practice Manual



**Declaration of Interests by
Members of Public Sector Advisory and Statutory Bodies**

Guidelines for a One-tier Reporting System

General Principles

When a member (including the chairman) of a public council, board or committee has a potential conflict of interest in a matter placed before the committee, he should make full disclosure of his interest. The basic principle to be observed is that members' advice should be disinterested and impartial and it is the responsibility of each member to judge and decide if the situation warrants a declaration, and to seek a ruling from the chairman in case of doubt.

It is impossible to define or describe all the situations that would call for such a declaration, because each individual case differs, and because of the difficulty of catering for unusual and unforeseen circumstances. On the other hand, it is not intended that a member should make a declaration of interest simply because the committee is considering a matter in which he has knowledge or experience.

Potential Conflict of Interest Situations

The following are potential conflict of interest situations :

- (1) Pecuniary interests in a matter under consideration by the committee, held either by the member or by any close relative of his. Members are themselves the best judge of who, in the particular circumstances, is a "close relative".
- (2) A directorship, partnership, advisory or client relationship, employment or other significant connection with a company, firm, club, association, union or other organisation which is connected with, or the subject of, a matter under consideration by the committee.
- (3) Some friendships which might be so close as to warrant declaration in order to avoid situations where an objective observer might believe a member's advice to have been influenced

by the closeness of the association.

- (4) A member who, as a barrister, solicitor, accountant or other professional adviser, has personally or as a member of a company, advised or represented or had frequent dealings with any person or body connected with a matter under consideration by the committee.
- (5) Any interest likely to lead an objective observer to believe that the member's advice might have been motivated by personal interest rather than a duty to give impartial advice.

Declaration of Interests at Meetings

The following are guidelines governing declaration of interests at meetings :

- (1) If a member (including the chairman) has any direct personal or pecuniary interest in any matter under consideration by the committee, he must, as soon as practicable after he has become aware of it, disclose to the chairman (or the committee) prior to the discussion of the item.
- (2) The chairman (or committee) shall decide whether the member disclosing an interest may speak or vote on the matter, may remain in the meeting as an observer, or should withdraw from the meeting.
- (3) If the chairman declares an interest in a matter under consideration, the chairmanship may be temporarily taken over by a vice-chairman.
- (4) When a known direct pecuniary interest exists, the secretary may withhold circulation of relevant papers to the member concerned. Where a member is in receipt of a paper for discussion which he knows presents a direct conflict of interest, he should immediately inform the secretary and return the paper.
- (5) All cases of declaration of interests shall be recorded in the minutes of the meeting.

**Task Force for Review on Enhancement of
Lump Sum Grant Subvention System**

Terms of Reference

To discuss the following and make recommendations to the Secretary for Labour and Welfare on enhancement of the Lump Sum Grant Subvention System (LSGSS) –

1. scope of the review on enhancement of the LSGSS;
2. collation and study of data relevant to the review;
3. areas for improvement and feasible measures for enhancement of the LSGSS; and
4. stakeholders' engagement for the review.

**Task Force for Review on Enhancement of
Lump Sum Grant Subvention System**

優化整筆撥款津助制度檢討專責小組

Membership List 成員名單

Chairman : Director of Social Welfare 社會福利署署長

Members : **Legislative Councillors** **立法會議員**

Hon Cheung Chiu-hung, Fernando	張超雄議員
Hon Leung Che-cheung, SBS, MH, JP	梁志祥議員
Hon Luk Chung-hung	陸頌雄議員
Hon Shiu Ka-chun	邵家臻議員

The Hong Kong Council of Social Service **香港社會服務聯會**

Mr Chua Hoi-wai 蔡海偉先生

Hong Kong Social Workers Association **香港社會工作人員協會**

Ms Leung Pui-yiu, Irene, JP 梁佩瑤女士

Representatives of NGO Management **機構管理層代表**

Mr Fong Cheung-fat, JP	方長發先生
Mr Kwok Lit-tung, JP	郭烈東先生
Ms Yeung Yee-ching, Noel	楊綺貞女士

Staff Representatives **員工代表**

Mr Cheung Chi-wai	張志偉先生
Mr Yip Kin-chung	葉建忠先生

Service Users

Ms Chan Yee-ching, Tammy
Mrs Lee Lau Chu-lai, Julie, JP

服務使用者

陳綺貞女士
李劉茱麗女士

**Lump Sum Grant Independent Complaints
Handling Committee**

Mr Hui Chung-shing, Herman, SBS, MH, JP

**整筆撥款獨立處理
投訴委員會**

許宗盛先生

**Lump Sum Grant Independent Review
Committee**

Ms Chan Mei-lan, Anna May, MH, JP

**整筆撥款獨立檢討
委員會**

陳美蘭女士

Lump Sum Grant Steering Committee

Ms Au Chor-kwan, Ann

整筆撥款督導委員會

歐楚筠女士

Independent Members

Professor Chan Chi-fai, Andrew, SBS, JP
Mr Eric Tong
Mr Charles Yang, BBS, JP

獨立人士

陳志輝教授
唐業銓先生
楊傳亮先生

Government Representatives

Deputy Secretary for Labour and Welfare
(Welfare)1, Labour and Welfare Bureau
Deputy Director (Services), Social Welfare
Department
Assistant Director (Subventions), Social
Welfare Department

政府代表

勞工及福利局
副秘書長(福利)1
社會福利署
副署長(服務)
社會福利署
助理署長(津貼)

Secretary : Chief Social Work Officer (Subventions),
Social Welfare Department

社會福利署
總社會工作主任
(津貼)

**Task Force for Review on Enhancement of
Lump Sum Grant Subvention System**

Scope of the Review

(a) Operating environment of non-governmental organisations (NGOs) under the Lump Sum Grant Subvention System (LSGSS)

Under the LSGSS, NGOs are given flexibility to deploy resources and re-engineer their services to meet changing social needs in a timely manner. The scope of review on the enhancement of the LSGSS will include an examination of the challenges and difficulties faced by NGOs receiving Lump Sum Grant (LSG) subventions in their sustainable development in an ever-changing social environment, so as to facilitate NGOs in continuous quality maintenance and service development.

(b) Review of staffing establishments and subvention benchmarks

There are views that the notional staffing establishments and subvention benchmarks should be reviewed to keep pace with service development. In this regard, the Social Welfare Department (SWD) will collect¹ related information and data from the sector so that the SWD can comprehensively review the following items as service demand becomes more complex and expectation of service users rises, including: –

- (i) notional staffing establishments for service provision, central administrative support and supervisory support to maintain a stable and high-quality workforce;
- (ii) benchmark at mid-point salaries; and
- (iii) benchmark at 6.8% Provident Fund (PF).

(c) Use of LSG/Provident Fund (PF) reserve and financial planning

There are views that some NGOs have kept huge amounts of reserve without a specific purpose of usage while some NGOs are facing deficits. There is a need for NGOs to review the use of LSG reserve and their financial planning as follows: –

¹ Including engaging a consultant to conduct data collection and research study.

- (i) to examine the current situation of how NGOs utilise the LSG reserve and the PF reserve and how the use of the reserves is planned; and
- (ii) to examine the mechanism for early identification of financial risks (e.g. continuous deficits in the LSG reserve) and the mechanism for financial planning.

(d) Pay structures, staff turnover and vacancies

The staff side has expressed grave concern on the pay policies and salary structures of NGOs. In this regard, the review should cover the following areas: –

- (i) to review the pay policies and pay scales of the welfare sector (including policies on recognition of experience, minimum point of pay, adjustment of salaries, contractual arrangements, etc.); and
- (ii) to examine the staff turnover and vacancies and look into the improvement measures required.

(e) Funding and Service Agreement (FSA) related activities and flexibility provided for NGOs

NGOs have been supporting the implementation of various policy initiatives through Government/public funding and the scope of services has been diversifying. According to paragraph 2.37 of the LSG Manual, both LSG and LSG reserve are accounted for under recurrent subventions and, in essence, are intended for meeting the operating expenditure for FSA or FSA related activities. There is concern on the usage of LSG subvention for supporting other initiatives, thus reducing the manpower resources deployed for the original FSA service. To facilitate NGOs to serve the community on various fronts, the SWD has agreed to recognise a provision of central administrative overhead at the backend of NGOs from 5% to 15% for funds under the ambit of the SWD, subject to assessment of individual projects, with effect from August 2017². However, there are still concerns on the assessment of FSA related services. It is opportune to address the issue and cover the following in the scope of review: –

² The Hong Kong Council of Social Service was informed of the decision on 16 August 2017. Further to the support of the LSG Steering Committee in October 2017, the Labour and Welfare Bureau also informed other Government bureaux of this arrangement on 2 November 2017.

- (i) to examine the parameters for assessing FSA related activities, so as to provide clear guidelines on the provision of services relating to FSAs and the flexibility allowed for NGOs to respond to and meet the service needs in the districts and the community in a timely manner;
 - (ii) to deliberate on the FSA related services and their financial implications (e.g. whether service performance and monitoring and output standards are required of the FSA related services, whether and how they can be covered by LSG, whether rent and rates are allowed to be reimbursed on an actual basis, whether assessments on service components, facilities and space requirements are required to ensure compatibility with FSA services); and
 - (iii) to elucidate cost apportionment guidelines between FSA/FSA related services and other non-FSA services.
- (f) Mechanisms for reviewing FSAs and NGOs' service performance assessment

To respond to the ever-changing social needs, the sector considers that it is necessary to set up a regular review mechanism for FSAs. In this regard, the Government should develop a standing mechanism to provide appropriate and continuous planning and review on the development of each welfare service, as well as to collect the views of services users for ensuring service quality and promoting service development. The Audit Report has made some recommendations to strengthen self-assessment on the service performance of NGOs. The review should cover the following items: –

- (i) regular review mechanism for FSAs;
 - (ii) to review and refine the mechanism on self-assessment of service performance and identify good practices on self-assessment for sharing by NGOs; and
 - (iii) to examine possible enhancement of the service performance assessment mechanism.
- (g) Transparency and public accountability

Given the huge amount of subvention provided for operating welfare services, NGOs have developed their accountability framework in accordance with paragraph 4.5 of the LSG Manual on the use of

subvention, disclosed the financial information including audited Annual Financial Report and remuneration of the top three-tier senior executives according to paragraphs 4.14 to 4.19 of the LSG Manual. To comply with the requirements of the Best Practice Manual, NGOs also need to inform staff of their LSG reserve and PF reserve. There have been rising expectations from the Legislative Council, staff side, service users and the public on greater transparency of NGOs. The Audit Report has also recommended the SWD to follow up with NGOs on rectifying the disclosure requirements in accordance with the interpretation of the disclosure guidelines issued by the Director of Administration. In this connection, the scope of review should cover the following items: –

- (i) To deliberate on areas for enhancing public accountability and transparency (e.g. pay structures, staffing establishment, disclosure of the use of reserves, occurrence of major incidents in the NGO, etc.); and
 - (ii) to review and define the requirements on reporting the review on the remuneration packages of the top three-tier senior executives of NGOs (e.g. criteria on operating income relating to the scope of welfare services).
- (h) Communication and participation of stakeholders

There are views on the need to increase the participation of staff and service users and the communication with the Board of Directors in respect of major management decisions and service development plans. The review should examine the current practices of NGOs and explore optimal arrangements.

Social Welfare Department
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ACRONYMS AND ABBREVIATIONS

Audit	Audit Commission
AFR	Annual Financial Report
ASU	Agreement service unit
Audit Report	Director of Audit's Report
B/Ds	bureaux/departments
BPM	Best Practice Manual
Complaints Handling Committee	Lump Sum Grant Independent Complaints Handling Committee
ESRs	Essential Service Requirements
FSA	Funding and Service Agreement
FSTB	Financial Services and the Treasury Bureau
HCS	Home care service for persons with severe disabilities
HKCSS	Hong Kong Council of Social Service
IRC	Independent Review Committee
ISS	Integrated support service for persons with severe physical disabilities
LegCo	Legislative Council
LSG	Lump sum grant
LSGSC	Lump Sum Grant Steering Committee
LWB	Labour and Welfare Bureau
NGO	Non-governmental organization
PF	Provident Funds
RR	Review Report on Remuneration Packages for Staff in the Top Three Tiers
SQS	Service Quality Standard
SWD	Social Welfare Department

ACRONYMS AND ABBREVIATIONS

the Memorandum	Circular Memorandum issued by the Administration Wing in March 2003
the Task Force	Task Force for Review on Enhancement of Lump Sum Grant Subvention System