

CHAPTER 1

Food and Environmental Hygiene Department

<p>Centre for Food Safety: Management of food safety</p>

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CENTRE FOR FOOD SAFETY: MANAGEMENT OF FOOD SAFETY

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CENTRE FOR FOOD SAFETY: MANAGEMENT OF FOOD SAFETY

Executive Summary

1. In 2017, over 90% of foods for human consumption in Hong Kong were imported. According to the Census and Statistics Department's published trade statistics, the total value of imported foods in the year was \$205,351 million. The Food and Environmental Hygiene Department (FEHD) has the mission of ensuring that food for sale in Hong Kong is safe and fit for consumption. In May 2006, the Centre for Food Safety (CFS) was established under the FEHD to control food safety in Hong Kong. The CFS works under the legal framework of two Ordinances:

- (a) the Public Health and Municipal Services Ordinance (Cap. 132) and its subsidiary legislation require that food intended for sale should be fit for human consumption. It covers general protection for food purchasers, offences in connection with sale of unfit food and adulterated food, and seizure and destruction of unfit food; and
- (b) the Food Safety Ordinance (Cap. 612) provides additional food safety control measures, such as and in particular a registration scheme for food importers/distributors.

In September 2006, the CFS set up the Expert Committee on Food Safety (the Expert Committee) which is tasked with advising the Director of Food and Environmental Hygiene on matters such as food safety operational strategies and measures.

2. The CFS adopts a risk-based approach to food safety control and works in the following areas:

- (a) ***Risk assessment.*** Food hazards (i.e. microbiological, chemical and radiological hazards) are evaluated and potential risks to the population are assessed, thereby facilitating formulation of appropriate risk management

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actions (see (b) below) and risk communication messages (see (c) below) to protect public health;

- (b) ***Risk management.*** Through food control offices set up across the territory, the CFS carries out import control of foods (e.g. inspecting imported foods). Through the Food Surveillance Programme (FSP), the CFS takes food samples at import, wholesale and retail levels for testing. The CFS also manages local and overseas food incidents, and handles food complaints in the territory; and
- (c) ***Risk communication.*** The CFS organises various programmes to promote food safety (e.g. communication forums) and disseminates information on food safety to the public through different communication channels (e.g. on its website, social media platforms and publications).

3. In 2013-14 to 2017-18, the CFS's expenditure had increased by 32% from \$448 million to \$592 million. The Audit Commission (Audit) has recently conducted a review of the CFS's management and control of food safety. The findings are contained in this Audit Report and in "CFS: Import control of foods" (Chapter 2 of the Director of Audit's Report No. 71). This Audit Report reviews matters relating to the assessment of food safety risks, food surveillance, management of food incidents and risk communication with the public.

Assessment of food safety risks

4. The CFS carries out food consumption surveys (FCSs), total diet studies (TDSs) and risk assessment studies (RASs) periodically to help assess food safety risks (para. 2.2).

5. ***FCSs.*** An FCS collects data on the types and amounts of foods that people consume. A population-based FCS is crucial for establishing a comprehensive database for food safety risk assessment and enhancing the risk assessment capacity of the CFS. According to the CFS, the food consumption data collected is used to find out if the public is exposed to any potential dietary risks such as those from contaminants and food additives, and also to understand the size of the risk and which population groups may be most at risk. Such information is vital for the Government in formulating public policies and education strategies to promote food safety in Hong

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Kong. From March 2004 to March 2010, the first population-based FCS was conducted. In May 2017, the CFS engaged another contractor (a consultant) to conduct the second population-based FCS to gauge whether and how CFS's food safety risk assessment should be updated for the population's changes of dietary habits. According to plan, the contractor would conduct the FCS fieldwork from April 2018 to April 2019, during which food consumption data will be collected by two interviews with each respondent. Other information such as weight, height and demographic information will also be collected in the survey (paras. 2.2 to 2.4). Audit found the following:

- (a) ***Need to closely monitor the progress of the second population-based FCS.*** Audit examined the progress as at 30 July 2018 (i.e. some 15 weeks after fieldwork commencement in April 2018) and noted that:
 - (i) ***Slow progress.*** According to the contract, of the some 4,800 respondents to be surveyed, some 1,400 should have completed the survey by 30 July 2018. However, up to that day, the actual number of completed cases was only 278, falling short of the required number of 1,400 by some 1,100 (79%);
 - (ii) ***Low response rate.*** According to the FCS design, some 8,000 households would be invited with a view to recruiting 4,800 respondents. The underlying assumption was that 70% of the valid households would participate in the FCS. However, the initial response rate was only 42%, falling short of the expected rate; and
 - (iii) ***Insufficient service hours provided by the contractor.*** According to the contract, the contractor's interviewers should provide at least 210 hours of service per week. In the first 15 weeks, the total service hours provided were only 1,313 hours, falling short of the requirement of 3,150 hours (i.e. 210 hours per week \times 15 weeks) by 1,837 hours (58%).

In late September 2018, the CFS informed Audit that it had instituted additional monitoring measures (e.g. requiring weekly progress reports from the contractor) and that the contractor had proposed rectifying measures (paras. 2.5 and 2.6); and

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- (b) *Need to conduct FCSs for the youth population.* In the two population-based FCSs, the youth population had not been adequately factored in. The first population-based FCS covered the population aged 20 to 84, while the second one would cover the population aged 18 or above. As at 31 August 2018, the CFS had not embarked on a separate FCS covering the younger age group (paras. 2.8 and 2.9).

6. *Scope for enhancing TDSs.* According to the CFS, a TDS has been recognised internationally as the most cost-effective way to estimate dietary exposure to food chemicals or nutrients for various population groups and to assess their associated health risks. It provides a scientific basis for assessing food safety risks and regulating food supply, and can facilitate risk managers to focus their limited resources on food chemicals or nutrients that may pose the greatest risks to public health. However, a TDS is a large and complex exercise. For a particular substance of concern, the local population's day-to-day total dietary exposure to the substance is estimated by multiplying its concentration in a relevant food (i.e. a food which may contain the substance) by the population's daily consumption amount of the food, and summing up the dietary exposure from all relevant foods. The estimated exposure is then compared to the relevant tolerable intake of the substance of concern in assessing the associated health risks. During March 2010 to December 2014, the CFS conducted the first TDS to cover majority of foods consumed by the Hong Kong population. A total of 146 substances of concern (e.g. pesticide residues) were covered, and a total of 150 foods were selected based on the dual criteria of the frequency of consumption of the food and the likelihood of the food containing high concentration of concerned substances. According to the results of the first TDS, the CFS concluded that the population in Hong Kong was unlikely to experience any adverse health effects due to the dietary exposure to the substances covered in the TDS. In October 2015, the CFS completed an evaluation of the TDS and identified scope for enhancing the TDS. For example:

- (a) some substances of high concern (e.g. formaldehyde) were not studied in the TDS; and
- (b) for the substances studied, some foods which might contain high concentrations of the substances were not covered in the TDS (paras. 2.14 to 2.17).

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7. **RASs.** An RAS is a comprehensive review and analysis of a food related hazard (e.g. chemical hazards and microbiological hazards) that is of public health significance. The CFS conducts a number of RASs every year, some by itself (i.e. own studies) and some in cooperation with the Consumer Council (CC) (i.e. joint studies). Findings and recommendations of the RASs are disseminated to the public through press releases, education pamphlets and guidelines for the trade. For conducting RASs, the CFS submits an annual plan to the Expert Committee for the selection of studies. From 2008-09 to 2018-19, 50 studies had been selected. As at 31 August 2018, 45 of the 50 studies had been completed (paras. 2.20 to 2.22 and 2.28). Audit noted that:

- (a) ***Need to monitor implementation of the new mechanism for selecting RASs.*** In selecting studies for inclusion in an annual plan, the CFS applied a number of criteria (e.g. whether the study was of significance in terms of public health). In September 2017, the Expert Committee suggested that the selection of RASs could be improved by introducing a scoring system. In late September 2018, the CFS informed Audit that it had introduced the suggested scoring system, which took effect in September 2018. The CFS needs to ensure that the new mechanism is implemented properly as intended (paras. 2.23 to 2.26); and
- (b) ***Need to facilitate understanding of study results.*** Of the 45 completed RASs, 25 were the CFS's own studies, of which 2 studies were for internal reference only. For the remaining 23 studies, the CFS had published study reports on its website and had provided certain supplementary information (e.g. guidelines and advice) to enhance the public's understanding. However, for 9 of the 23 study reports, the links to the supplementary information and those to the study reports were posted on different webpages of the CFS website, making it difficult to locate the relevant information (paras. 2.27 and 2.28).

Food Surveillance Programme

8. ***Formulation of the FSP.*** The CFS's FSP is designed to control and prevent food hazards. It is a key component of the CFS's food safety assurance programme and is aimed to find out the safety of food supply. The CFS adopts a risk-based approach to formulating the FSP. The number of projects and food samples under the FSP, as determined by the CFS in consultation with the Expert Committee, might differ between years. Under the FSP, food samples are taken by food

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inspectors/sampling officers at the import, wholesale and retail levels of the food chain for microbiological testing (e.g. conduct of overall bacterial counts), chemical testing (e.g. testing of food additives) and radiation testing (i.e. measuring the level of radioactive substances). In 2017, the FSP had 144 projects, which comprised 138 surveillance projects (i.e. food samples taken for surveillance purposes) and 6 follow-up projects (i.e. food samples taken for following up food incidents, complaints and unsatisfactory testing results of surveillance projects). A total of 66,979 food samples were taken under the 144 projects. For each project, the FSP set out a sampling plan (i.e. the number of samples to be taken from each level of the food chain and the composition of samples by food group) and the type of testing to be conducted (e.g. chemical testing) (paras. 3.2 to 3.5 and 3.15). Audit examined the FSPs of 2015, 2016 and 2017 and noted that:

- (a) ***Room for covering more potential food hazards.*** Certain potential food hazards had not been covered for surveillance under the FSPs. Such hazards included those which were regulated by the law, those which exceeded certain thresholds and required the CFS's follow-up actions, and those which had resulted in a food safety incident. There is merit for the CFS to consider expanding the coverage of potential food hazards for surveillance under the FSPs in future (paras. 3.6 and 3.8); and
 - (b) ***Surveillance of a large amount of food items which were not high-risk.*** From 2015 to 2017, a large proportion (ranging from 44% to 46%) of food samples were allocated to surveillance of fruits and vegetables. However, according to the CFS, vegetables were not considered to be high-risk foods (paras. 3.9 and 3.10).
9. ***Implementation of the FSP.*** Audit examined the implementation of the 2017 FSP and noted that:
- (a) ***Need for guidelines on taking food samples.*** The CFS had not laid down specific guidelines on taking food samples from different food outlets and food types. CFS staff therefore used their experience and discretion to implement the sampling plan of each project (see para. 8). There were wide variations in the ways samples were taken from different types of outlets (e.g. supermarkets, grocery shops and wet markets) and from different food types (e.g. fish samples taken from different types of fishes) (para. 3.16);

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- (b) *Need to better address the food safety concerns of online purchase.* The CFS sets aside about 4,000 food samples of surveillance projects every year for online purchase. In 2017, 3,868 food samples were purchased online, comprising 3,587 samples (93%) purchased for chemical testing and radiation testing, and 281 samples (7%) purchased for microbiological testing (e.g. conduct of bacterial counts). According to the CFS, ready-to-eat food items that are required to be refrigerated, such as sushi and desserts (and which could be ordered online), generally pose great food safety risks. There might be risks of bacterial growth during delivery. In view of growing popularity of online food purchase in recent years, the proportion of online samples purchased for microbiological testing was on the low side (paras. 3.17 and 3.18); and
- (c) *Need to comply with sampling requirements.* Audit examined 10 surveillance projects in 2017 (involving 5,304 food samples) and found cases of non-compliance with sampling requirements of the FSP in 6 projects. For each of the 6 projects, the FSP required that no more than two samples should be taken from the same shop. However, the requirement had not been followed in taking 493 samples at 104 shops (para. 3.19).
10. *Long turnaround time and need to ensure timely delivery of food samples to laboratories.* Food samples were delivered to different laboratories for testing. The turnaround time refers to the time lag between the collection of a food sample and the subsequent return of the testing result from the laboratory concerned. Audit analysed the turnaround times for 10 surveillance projects in 2017 (involving 2,125 food samples and 4,494 testing results). Audit found that the longest turnaround time was 230 days. Audit further analysed the long turnaround times for 20 samples and found that, for 18 samples, there was a delay in delivering the samples to the laboratories, which ranged from 19 to 203 days. In July 2018, the CFS informed Audit that there were no specific guidelines on the timeliness of delivering food samples to laboratories (paras. 3.24 to 3.27).

Management of food incidents and complaints

11. *Management of food incidents.* The CFS defines “food incident” as any event where there is concern about actual or suspected threats to the safety or quality of food that could require intervention to protect public health and consumer interests.

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In 2013 to 2017, the number of local food poisoning cases referred to the CFS for investigation ranged from around 190 to 290 each year. The CFS identifies food incidents through the Food Incidents Surveillance System (FISS). In 2013 to 2017, food incidents detected through the FISS had risen by 28% from 1,339 to 1,713. Under the System, the CFS detects overseas and local food incidents through screening websites of national food authorities and receiving notifications from them, as well as consulting academia reports and media reports. The CFS also gathers intelligence on food incidents through investigating food complaints, and following up FSP projects which involve unsatisfactory testing results. For food incidents identified, the CFS conducts initial assessments to find out those requiring further actions for risk management. Such further actions include incident investigations (e.g. checking local availability of the affected products), evidence collection (e.g. taking samples for testing), control measures (e.g. recalling the products) and public announcement (e.g. publicising the food incidents through press releases) (paras. 1.8, 4.2 and 4.3). Audit noted that:

- (a) ***Long time had elapsed before unsatisfactory testing results were publicised.*** In 2017, investigation of food complaints and FSP projects had resulted in 106 cases of which the testing of food samples was found to be unsatisfactory. It was the CFS's practice to publicise the unsatisfactory testing results (e.g. by issuing a press release). However, the time taken between the collection of food samples in the first instance and the subsequent publicising of unsatisfactory testing results averaged 19 days, ranging from 1 to 88 days. For some cases, the long time taken was due to the substantial time taken in testing samples and/or the delay in publicising the results after the completion of testing (paras. 4.4, 4.5 and 4.7);
- (b) ***Need to better monitor recall of foods.*** In 2013 to 2017, food incidents resulting in food recall exercises increased from 6 to 23. According to the CFS's guidelines, the trader concerned should at the CFS's request, provide the CFS with reports at regular intervals giving essential information (e.g. results of the recall). However, the 23 exercises in 2017 were not entirely effective. On the whole, 51% (by quantity) of the products which had left the manufacturers were not returned in the 23 exercises. Furthermore, CFS records indicated that in the 23 recall exercises, the CFS did not request traders to provide regular reports for monitoring the effectiveness of the recall (paras. 4.3, 4.8, 4.9 and 4.11); and

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- (c) ***Need to ensure proper disposal of recalled foods.*** According to its guidelines, the CFS would make sure that foods recalled in voluntary exercises were properly disposed of (i.e. destroyed or suitably improved). However, the guidelines had not specified the ways to ensure proper disposal of recalled foods. As a result, the disposal practices varied between cases. Of the 19 cases in 2017 where disposal was required, the disposal was not conducted under CFS supervision for 7 cases (para. 4.12).
12. ***Management of food complaints.*** According to the CFS's guidelines, food complaints lodged with the FEHD are firstly handled by district environmental hygiene offices of the districts concerned. They are then forwarded to the CFS for investigation. In 2017, 5,569 food complaints were forwarded to the CFS (para. 4.15). Audit noted that:
- (a) ***Need to compile regular management information.*** From 2014 to 2017, the number of food complaints forwarded to the CFS increased by 30% (1,275 complaints) from 4,294 (2014) to 5,569 (2017). While the increase in certain types of complaints was particularly high (e.g. 188% increase in "fake/counterfeit food"), it was not the practice of the CFS to compile regular management information on food complaints. Such information would provide useful information for monitoring food complaints and surveillance of food safety (paras. 4.16 and 4.18); and
- (b) ***Need to expedite investigation of complaints.*** For the 5,569 complaint cases in 2017, Audit analysed the time lag between the complaint dates and the CFS's eventual closing of the complaint cases. The time lag was more than 30 days in 3,389 (61%) cases, including 38 (1%) cases where the time lag was more than 240 days. The long time taken to investigate and close some complaint cases was not conducive to ensuring food safety (paras. 4.19 and 4.20).

Communicating with the public on food safety risks

13. ***Communication matters.*** The CFS communicates with the public on food safety matters through a number of channels, including the Internet, CFS publications, forums for the public and the trade, and talks and exhibitions (para. 5.2). Audit noted that:

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- (a) ***Need to better communicate official advice to the public.*** Besides the CFS, other organisations (e.g. the CC and universities) also conducted food studies. Audit examined 7 food studies on harmful substances published in January 2017 to June 2018 by two of these organisations. The findings of these studies were matters of public concern (e.g. contaminants detected in foods). In response to these findings, the CFS posted its views and advice on the matters on its website and/or Facebook page. In Audit's view, the CFS is the authority responsible for food safety in Hong Kong. A press release is a key and effective means of communicating the CFS's official views and advice to the public (paras. 5.3 and 5.5); and
 - (b) ***Need to enable viewing of talks on the Internet.*** The CFS delivers talks to the public, the trade and schools. From 2013 to 2017, the number of talks organised for the public had decreased by 34% while the number of attendees had decreased by 28%. For the trade, the number of talks had decreased by 24% while the number of attendees had decreased by 26%. Upon enquiry in August 2018, the CFS informed Audit that the public's habits of obtaining information had been changing from relying on traditional means (e.g. attending talks) to accessing online information. However, the CFS had not made arrangements to facilitate people viewing its talks on the Internet (e.g. online broadcasting and placing recorded talks on the Internet) (paras. 5.6 and 5.7).
14. ***Scope for improving implementation of charters.*** The CFS has implemented two charters to promote food safety. One is the Food Safety Charter which was introduced in 2008. It provides facilitation for the trade to incorporate food safety measures in day-to-day practices. Signatories of the charter include restaurants and food production premises. The other charter is the "Reduce Salt, Sugar, Oil. We Do" Charter which was introduced in December 2014. It calls for the active participation of Food Safety Charter signatories to help members of the public reduce the intake of salt, sugar and oil when dining out (para. 5.13). Audit noted that:
- (a) ***Limited number of signatories.*** The number of signatories of the Food Safety Charter had decreased from 2,000 in 2012 to 1,400 in 2018 (which accounted for about 5% of the number of all food premises). The number of signatories of the "Reduce Salt, Sugar, Oil. We Do" Charter had remained at 37 in recent years (para. 5.14(a));

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- (b) ***Promotion of the charters could be improved.*** For example, while a function for searching signatories was provided in the CFS mobile application for the Food Safety Charter, a similar function was not provided for the “Reduce Salt, Sugar, Oil. We Do” Charter (para. 5.14(b)); and
- (c) ***Performance of signatories required monitoring.*** Audit randomly selected 9 signatories of the Food Safety Charter for visits. Of these 9 signatories, 2 were no longer in business, and only 3 of the remaining 7 signatories displayed the charter’s certificate or stickers as required under the charter (para. 5.14(c)).

Audit recommendations

15. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Director of Food and Environmental Hygiene should:**

Assessment of food safety risks

- (a) **continue to closely monitor the progress of the second population-based FCS and the performance of the contractor to ensure timely completion of the FCS (para. 2.12(a));**
- (b) **keep in view the need for expediting the conduct of an FCS covering the youth population and take necessary measures to launch the FCS in a timely manner (para. 2.12(b));**
- (c) **having regard to the evaluation results of the first TDS, take necessary measures to improve the conduct of TDSs in future (para. 2.18);**
- (d) **monitor the operation of the new mechanism for selecting RASs to ensure that it is implemented properly as intended (para. 2.30(a));**
- (e) **to facilitate the public’s understanding of RAS results, post the links to RAS reports and those to the relevant supplementary information on the same webpages (para. 2.30(b));**

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Food Surveillance Programme

- (f) **keep under review and, where appropriate, update the FSP (para. 3.13(a));**
- (g) **explore, from time to time, room for reallocating food samples designated for the surveillance of low-risk foods (e.g. fruits and vegetables) to other uses (e.g. the surveillance of high-risk food hazards) (para. 3.13(b));**
- (h) **provide CFS staff with guidelines on taking food samples from different food outlets and food types (para. 3.22(a));**
- (i) **review the need for increasing the proportion of online food samples purchased for microbiological testing (para. 3.22(b));**
- (j) **take measures to step up the supervision of sampling work, with a view to preventing recurrence of non-compliance with sampling requirements in future (para. 3.22(d));**
- (k) **closely monitor the turnaround time of food sample testing, and take necessary measures to reduce the turnaround time as appropriate (para. 3.28(a));**
- (l) **lay down guidelines on the timeliness of delivering food samples to laboratories for testing (para. 3.28(b));**

Management of food incidents and complaints

- (m) **closely monitor the time taken between taking food samples and publicising unsatisfactory testing results of the samples, and take necessary measures to minimise the time taken (para. 4.13(a));**
- (n) **request traders to provide reports for monitoring the progress of food recall exercises (para. 4.13(c));**
- (o) **closely monitor the effectiveness of food recall exercises and take measures to improve the effectiveness as appropriate (para. 4.13(d));**

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- (p) **provide staff with guidelines on the proper disposal of recalled foods (para. 4.13(e));**
- (q) **consider compiling regular management information on food complaints to facilitate monitoring of food complaints and surveillance of food safety (para. 4.23(a));**
- (r) **take measures to expedite the investigation of food complaints (para. 4.23(c));**

Communicating with the public on food safety risks

- (s) **regarding findings of other organisations' food studies published in the public domain, keep in view the need for the CFS to offer its official views and advice through the most appropriate means, taking into account relevant factors such as public concern and gravity of the matter (para. 5.11(a));**
- (t) **make arrangements for viewing of the CFS's food safety talks on the Internet (para. 5.11(b)); and**
- (u) **conduct a review of the two charters on food safety (para. 5.16).**

Response from the Government

16. The Director of Food and Environmental Hygiene agrees with the audit recommendations.

PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

Food safety in Hong Kong

Food supply in Hong Kong

1.2 In 2017, over 90% of foods for human consumption in Hong Kong were imported. Imported foods, excluding live food animals, accounted for 99% of total food supply in Hong Kong. Imported live food animals accounted for 94% of total supply of live food animals in Hong Kong (Note 1). Table 1 shows the quantity and value of imported foods in years 2013 to 2017.

Note 1: *The percentages were compiled by the Food and Environmental Hygiene Department (see para. 1.4) based on information obtained from the Census and Statistics Department (whose officers are authorised by the Customs and Excise Department to verify whether particulars provided in the trade declarations are sufficiently clear and complete for computing trade statistics) and the Agriculture, Fisheries and Conservation Department (which provides technical assistance and other support to local farmers and fishermen to produce local foods (e.g. pork, poultry and vegetables)).*

Table 1
Quantity and value of imported foods
(2013 to 2017)

Year	Quantity (Note 1)				Value (Note 2) (\$ million)
	Live animals (Head)	Eggs in shells (No.) (‘000)	Drinks and vinegars (Litre)	Other imported foods (Tonne)	
2013	10,810,170	2,242,906	484,444,046	7,578,092	179,241
2014	9,607,157	2,282,963	517,469,775	8,003,472	197,637
2015	9,073,311	2,317,256	527,485,207	7,436,481	184,950
2016	8,526,581	2,481,464	521,940,382	7,886,418	200,401
2017	7,874,309	2,588,806	537,745,743	8,037,075	205,351

Source: Audit analysis of Census and Statistics Department’s published trade statistics

Note 1: Live animals, eggs in shells, and drinks and vinegars are measured in heads, number and litres respectively. Live fish and water are measured in monetary value. Other imported foods are measured in tonnes. Live animals include live food animals and those not for human consumption. The Census and Statistics Department did not separately record figures for imported live food animals.

Note 2: Value refers to the value of all imported foods (including that of live fish and water).

Role of the Food and Environmental Hygiene Department

1.3 According to the World Health Organization (WHO)’s 2015 estimates of the global burden of foodborne diseases, almost 1 in 10 people fell ill every year from eating contaminated food, 33 million of healthy life years were lost and 420,000 people died as a result. In March 2018, the United States Department of Agriculture estimated that major foodborne pathogens cost the United States’ economy USD15.5 billion per year in medical care, caused lost time from work and brought losses due to premature death. Nevertheless, the WHO has stated that foodborne

diseases are preventable and can be controlled through an effective food safety system. Ensuring that the food we eat is safe and protected from contamination is an essential element of our health security.

1.4 In Hong Kong, the Food and Environmental Hygiene Department (FEHD), which was set up in 2000, is responsible for food safety in the territory. It has the mission of ensuring that food for sale in Hong Kong is safe and fit for consumption. When the Department was first set up, food safety work was undertaken by its Food and Public Health Branch. Following an organisational review, in May 2006, the Centre for Food Safety (CFS) was established under the FEHD to control food safety in Hong Kong.

1.5 The work of the CFS is to:

- (a) ensure that food available for human consumption is wholesome, hygienic, safe and properly labelled;
- (b) safeguard public health through testing and control of live food animals; and
- (c) advise the public on risk management measures in relation to food and public health matters.

The CFS is headed by the Controller, CFS who reports to the Director of Food and Environmental Hygiene. It has a multi-disciplinary team which includes public health physicians, nurses, veterinarians and health inspectors. An extract of the organisation chart of the FEHD is shown at Appendix A. As at 1 January 2018, the CFS had a total of 640 staff. The total expenditure of the CFS for 2017-18 was \$592 million.

Legal framework of food safety control

1.6 The CFS works under the following legal framework of food safety control:

Introduction

- (a) ***Public Health and Municipal Services Ordinance (Cap. 132).*** The provisions in Part V of the Ordinance (enacted in 1960 with subsequent amendments) and its subsidiary legislation (Note 2) cover general protection for food purchasers, offences in connection with sale of unfit food and adulterated food, composition and labelling of food, food hygiene, seizure and destruction of unfit food. The fundamental requirement is that food intended for sale should be fit for human consumption. Any person who sells any food unfit for human consumption shall be guilty of an offence and is liable to a maximum fine of \$50,000 and imprisonment for 6 months; and

- (b) ***Food Safety Ordinance (Cap. 612).*** The Ordinance (enacted in 2011 with subsequent amendments) provides additional food safety control measures, including a registration scheme for food importers/distributors, and a requirement for food traders (e.g. food importers/distributors, food retailers and online food selling shops) to maintain proper records of acquisition and wholesale supply of food to enhance food traceability. It also empowers the authorities to make regulations for tightening import control of specific food types, make orders to prohibit the import and supply of problem food, and order the recall of such food. A food importer/distributor who fails to register with the FEHD commits an offence and is liable to a maximum fine of \$50,000 and imprisonment for 6 months. In addition, a food trader who fails to provide transaction documents commits an offence and is liable to a maximum fine of \$10,000 and imprisonment for 3 months.

Under the Ordinances, foods include drink, ice, chewing gum, smokeless tobacco products, and articles and substances used as ingredients in the preparation of food, but do not include live animals or live birds (other than aquatic products), fodder or feeding stuff for animals, birds or aquatic products, and medicine.

Note 2: *The Public Health and Municipal Services Ordinance comprises 17 parts. Part V of the Ordinance makes provisions relating to food and drugs safety control. Controls in specific food safety matters are provided in the subsidiary legislation of the Ordinance (see Appendix B). The other parts of the Ordinance make provisions for other public health and municipal services (e.g. maintenance of sewers and drains, rules relating to public swimming pools and management of public markets and museums).*

1.7 Table 2 shows the number of prosecution cases initiated by the CFS in years 2013 to 2017.

Table 2
Number of prosecution cases initiated by the CFS
(2013 to 2017)

Cases prosecuted under	2013	2014	2015	2016	2017	Total
Public Health and Municipal Services Ordinance	499	495	490	766	551	2,801
Food Safety Ordinance	5	12	12	17	9	55

Source: CFS records

Risk-based approach to food safety control

1.8 In accordance with the guidelines of the Codex Alimentarius Commission (Note 3), the CFS adopts a risk-based approach to food safety control. The approach covers:

- (a) ***Risk assessment.*** It consists of hazard identification, hazard characterisation, exposure assessment and risk characterisation. By going through these risk assessment processes, hazards (i.e. microbiological, chemical and radiological hazards) associated with food or food ingredients are evaluated and potential risks to the population are assessed, thereby facilitating formulation of appropriate risk management actions (see (b))

Note 3: *The Codex Alimentarius Commission was established in 1963 by the Food and Agriculture Organization of the United Nations and the WHO. The Commission sets up food codes which are a collection of internationally adopted food safety standards and related texts. As at 31 August 2018, the Commission had 189 members (Hong Kong has participated in the Codex Alimentarius Commission since 1998 under the delegation of the People's Republic of China). Members' adoption of the Codex Standards is voluntary and members may formulate their own food safety standards based on local situations.*

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below) and risk communication messages (see (c) below) to protect public health;

(b) ***Risk management.*** It includes:

- (i) import control. The CFS, through food control offices set up across the territory, carries out import control of foods imported by air, road and sea (e.g. inspecting imported foods and checking their health certificates); and
- (ii) food surveillance, managing food incidents and complaints, and monitoring the nutrition labelling scheme through:
 - the Food Surveillance Programme (FSP) at the downstream of the food supply chain. Under the FSP, the CFS takes food samples at import, wholesale and retail levels for microbiological, chemical and radiation tests to ensure that foods offered for sale comply with all the legal requirements (see para. 1.6(a)) and are fit for human consumption;
 - management of local and overseas food incidents. The CFS assesses the impact of local and overseas food incidents and takes appropriate follow-up actions (e.g. investigating outbreaks of foodborne diseases). In 2013 to 2017, the number of local food poisoning cases referred to the CFS for investigation ranged from around 190 to 290 each year (Note 4). The number of persons affected ranged from around 720 to 1,020. The CFS also handles complaints relating to foods in the territory; and
 - monitoring of the nutrition labelling scheme. According to the legislation (see para. 1.6(a)), nutrition labelling setting out energy, and seven specified nutrients (i.e. protein, total fat, saturated fatty acids, trans fatty acids, carbohydrates, sugars

Note 4: *According to the CFS, food poisoning outbreaks occur in a seasonal pattern in which summer is the peak season. Bacterial foodborne agents are the leading causes of all food poisoning outbreaks.*

and sodium) is mandatory for prepackaged foods unless otherwise exempted. The CFS provides support to the trade to comply with the legislative requirements and promotes the nutrition labelling scheme to the general public through a variety of publicity and education schemes; and

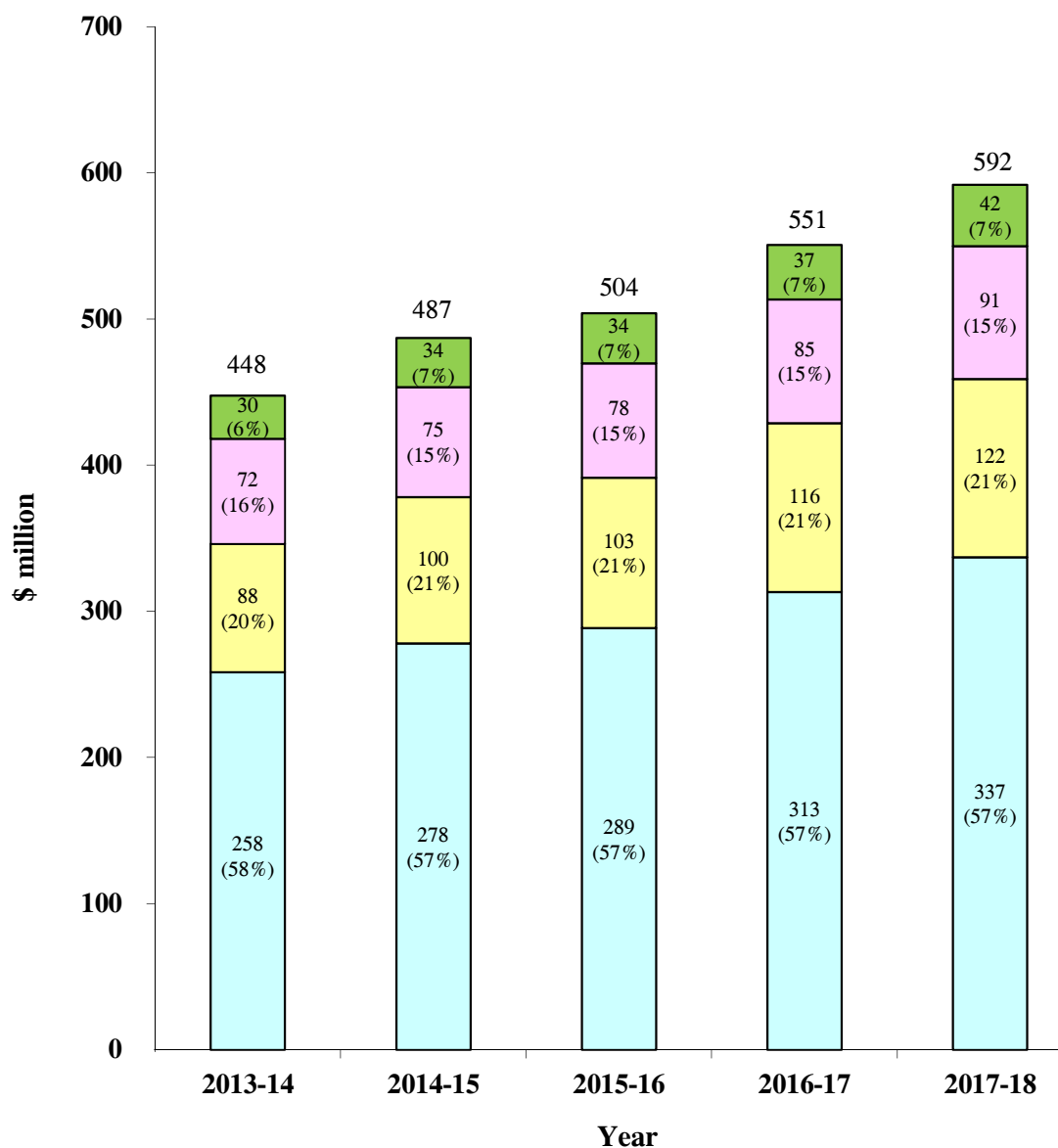
- (c) ***Risk communication.*** It is the interactive exchange of information and opinions concerning hazards and risks, risk-related factors and risk perceptions, among the CFS, experts (see para. 1.10), academics, members of the food trade and industry, consumers and the public. The CFS organises various programmes to promote food safety (e.g. communication forums) and disseminates information on food safety to the public through different communication channels (e.g. on its website, social media platforms and publications).

Expenditure on food safety control

1.9 In the five-year period 2013-14 to 2017-18, the expenditure of the CFS had increased by 32 % from \$448 million to \$592 million. A breakdown of the expenditure is shown in Figure 1.

Figure 1

**Expenditure of CFS
(2013-14 to 2017-18)**



Legend:

- Risk assessment
- Import control
- Food surveillance, managing food incidents and monitoring the nutrition labelling scheme
- Risk communication

} Risk management

Source: Audit analysis of CFS records

Remarks: The CFS's expenditure comprised staff emoluments and related expenses, and departmental expenses.

Expert Committee on Food Safety

1.10 In September 2006, to deliberate on matters concerning major food safety control measures, the CFS set up the Expert Committee on Food Safety (the Expert Committee — Note 5). The Committee is responsible for advising the Director of Food and Environmental Hygiene on:

- (a) existing or new food safety operational strategies and measures to protect public health;
- (b) standards/guidelines relating to food safety and food composition and their suitable adoption in Hong Kong having regard to international practices, trends and developments;
- (c) strategies for risk communication to promote food safety and how best to implement relevant risk communication or public education programmes; and
- (d) any new directions for any research to be commissioned by the CFS.

Advisory Council on Food and Environmental Hygiene

1.11 In April 2000, the Advisory Council on Food and Environmental Hygiene (Note 6) was established under the Food and Health Bureau to give advice and monitor

Note 5: *The Committee consists of academics, professionals, food experts, members of the trade and consumer groups, and other experts. For the current term, the Committee comprises 1 Chairman, 1 Vice-chairman, 12 local members, 4 experts from the Mainland and overseas, and 3 ex-officio members (representatives from the Food and Health Bureau, the Agriculture, Fisheries and Conservation Department and the Department of Health). The Chairman, Vice-chairman and members of the Committee are appointed by the Secretary for Food and Health for a term of two years. The CFS provides secretarial support to the Expert Committee.*

Note 6: *The Council consists of academics, professionals and food experts. It comprises 1 Chairman and 16 non-official members (appointed by the Chief Executive for a term of two years), and 4 ex-officio members (i.e. the Permanent Secretary for Food and Health (Food), Director of Agriculture, Fisheries and Conservation, Director of Food and Environmental Hygiene and Director of Health).*

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the Government's work on food safety and environmental hygiene. The Council is responsible for:

- (a) considering and advising the Secretary for Food and Health on policies relating to food safety, environmental hygiene and veterinary public health, and monitoring their implementation;
- (b) advising the Secretary on the regulation of farms, food premises, food hazards and food composition;
- (c) receiving reports on the handling of major food and farm incidents; and
- (d) advising the Secretary on community education and publicity programmes for promoting public understanding of food safety and public responsibility for environmental hygiene.

Audit review

1.12 The Audit Commission (Audit) has recently conducted a review of the CFS's management and control of food safety (see para. 1.8). The findings of this audit review are contained in two separate Audit Reports, as follows:

- (a) "CFS: Management of food safety" (the subject matter of this Audit Report), which reviews matters relating to the assessment of food safety risks, food surveillance programme, management of food incidents and complaints, and communicating with the public on food safety risks (see para. 1.8(a), (b)(ii) and (c) — Note 7); and
- (b) "CFS: Import control of foods" (Chapter 2 of the Director of Audit's Report No. 71), which reviews import control matters, taking into account the fact that in 2017, over 90% of foods for human consumption in Hong Kong were imported (see para. 1.2) and that the CFS's annual expenditure

Note 7: *The nutrition labelling scheme (see para. 1.8(b)(ii)) is not covered in this audit review. In 2011, Audit conducted a review on food labelling and nutrition labelling of infant and special dietary foods (Chapters 3 and 4 of the Director of Audit's Report No. 57).*

on import control of foods accounted for over 50% of its total annual expenditure (see Figure 1 in para. 1.9).

1.13 In this Audit Report, the audit review has focused on the following areas, covering both imported and locally produced foods:

- (a) assessment of food safety risks (PART 2);
- (b) Food Surveillance Programme (PART 3);
- (c) management of food incidents and complaints (PART 4); and
- (d) communicating with the public on food safety risks (PART 5).

Audit has found room for improvement in the above areas and has made recommendations to address the issues.

General response from the Government

1.14 The Director of Food and Environmental Hygiene appreciates the work done by Audit in auditing the CFS's work in the management of food safety. She has also said that the CFS has adopted a multi-pronged approach to ensuring food safety in Hong Kong, with reference to the best international practices as far as possible. A comprehensive and risk-based food surveillance strategy is implemented to monitor food safety. Risk management actions are properly taken when unsatisfactory food samples are detected and results are generally announced in a timely manner. Food safety standards are continuously being reviewed with reference to international standards, while regular and timely communication is maintained with stakeholders to promote food safety and disseminate messages about food safety risks. The CFS will take into account Audit's findings to enhance supervision and improve regulatory work, and will continue to ensure that food safety in Hong Kong is maintained at a high standard.

Acknowledgement

1.15 Audit would like to acknowledge with gratitude the assistance and full cooperation of the staff of the CFS during the course of the audit review.

PART 2: ASSESSMENT OF FOOD SAFETY RISKS

2.1 This PART examines the CFS's assessment of food safety risks, focusing on the following areas:

- (a) food consumption surveys (paras. 2.2 to 2.13);
- (b) total diet studies (paras. 2.14 to 2.19); and
- (c) risk assessment studies (paras. 2.20 to 2.31).

Food consumption surveys

2.2 The CFS carries out food consumption surveys (FCSs) and related studies periodically to help assess food safety risks:

- (a) **FCSs.** An FCS collects data on the types and amounts of foods that people consume. Such food consumption data are necessary for the conduct of food safety studies, i.e. total diet studies (TDSs — see (b) below) and risk assessment studies (RASs — see (c) below);
- (b) **TDSs.** A TDS estimates the total dietary exposure to particular substances of concern (e.g. certain food contaminants or nutrients) and assesses the associated food safety risks (see paras. 2.14 and 2.15); and
- (c) **RASs.** An RAS is a comprehensive review and analysis of a food related hazard (e.g. a chemical or microbiological hazard) that is of public health significance (see paras. 2.20 to 2.22).

A population-based FCS is crucial for establishing a comprehensive database for food safety risk assessment and enhancing the risk assessment capacity of the CFS. According to the CFS, the food consumption data collected is used to find out if the public is exposed to any potential dietary risks such as those from contaminants and food additives, and also to understand the size of the risk and which population groups may be most at risk. Such information is vital for the Government in formulating public policies and education strategies to promote food safety in Hong Kong. As at

31 August 2018, two “population-based FCSs” (see paras. 2.3 and 2.4) and one “FCS on secondary school students” (see para. 2.8(a)) had been undertaken since the establishment of the FEHD in 2000.

2.3 First population-based FCS. In September 2001, an advisory panel was set up to advise on the first population-based FCS (Note 8). In March 2004, the FEHD engaged a contractor (a university) to conduct the FCS. The contractor was required to complete the FCS in 30 months, from March 2004 to September 2006, at a contract price of \$3.2 million. In April 2004, a steering committee was set up to monitor the progress of the FCS (Note 9). The FCS was conducted as follows:

- (a) **Respondents.** According to its design, the FCS covered people aged 20 to 84. There were 12 groups of respondents, comprising 6 groups from each gender. Each group covered a different age range. In total, there would be 5,200 respondents (Note 10);
- (b) **Survey methodology.** The FCS fieldwork involved the following key steps:
 - (i) households were selected from the Census and Statistics Department’s database. Letters were sent to the households inviting them to participate in the FCS;

Note 8: *Chaired by the Head of the Risk Assessment and Communication Division of the FEHD, members of the advisory panel comprised local and overseas experts, and representatives from the FEHD and other government departments (e.g. the Census and Statistics Department). The panel was dissolved after the completion of the first population-based FCS.*

Note 9: *Chaired by the Head of the Risk Assessment and Communication Division of the FEHD, members of the steering committee comprised FEHD staff. The committee was dissolved after the completion of the first population-based FCS.*

Note 10: *For each gender, the 6 groups of respondents were people aged 20 to 29, 30 to 39, 40 to 49, 50 to 59, 60 to 69, and 70 to 84. Each group was intended to have 400 respondents (except for the group “70 to 84”, the intended number of respondents was 600). The expected number of respondents in total was 5,200, i.e. (400 respondents per group × 10 groups) + (600 respondents per group × 2 groups).*

Assessment of food safety risks

- (ii) contractor staff paid a preliminary visit to the households. During the visit:
 - a member of each household was identified randomly and recruited as the respondent;
 - a “food behaviour questionnaire” on the respondent’s behaviour relating to food consumption (e.g. whether the respondent habitually ate poultry skin and fats) was completed; and
 - other information such as weight, height and demographic information was also collected;
 - (iii) the contractor’s interviewers visited each respondent to complete two interview questionnaires:
 - a “first 24-hour dietary recall questionnaire” on details of the respondent’s food consumption (e.g. types and quantities of foods consumed) during the 24 hours starting from 6:00 a.m. of the day before; and
 - a “food frequency questionnaire” on the respondent’s consumption of selected foods which the CFS had identified to be important for risk assessment purposes; and
 - (iv) the contractor’s interviewers completed a “second 24-hour dietary recall questionnaire” for each respondent, through a telephone interview, 3 to 11 days after the first 24-hour dietary recall questionnaire;
- (c) ***Progress of the FCS.*** The FCS was completed in March 2010 with a delay of 42 months. The contract price also increased by \$0.8 million from \$3.2 million (see para. 2.3) to \$4 million. According to the CFS’s records, the delay and increase in expenditure were due to the following reasons:
- (i) ***Alteration in the method of recruiting respondents.*** According to the survey proposal submitted as part of the tender by the contractor,

respondents were to be recruited through making random telephone calls. Subsequently, the CFS identified a need for improving this method of recruitment, having regard to the views of the advisory panel (see para. 2.3) that random telephone calls might cause sampling errors and bias (because the population for sampling would be incomplete). The survey methodology was altered to incorporate the improved method of recruitment, i.e. respondents were to be recruited during visits to selected households (see b(ii) above). The contractor requested a time extension of 12 months (i.e. extended to September 2007) and a price increase of about \$1 million;

- (ii) ***Low response rate.*** In designing the FCS, it was assumed that 70% of the invited households were willing to participate in the FCS. It turned out that 13,086 households were invited and 5,008 respondents were recruited. The overall response rate was only 48% (Note 11), lower than the expected rate of 70%. In other words, to secure enough respondents, the contractor needed to invite more households than expected;
- (iii) ***Insufficient manpower.*** The contractor was a university. It employed students as part-time interviewers. The drop-out rate of interviewers was high and the contractor eventually employed non-students to supplement the insufficient manpower. It turned out that a longer time was needed to complete the FCS fieldwork than what the contractor had expected; and
- (iv) ***Long time taken to process data.*** After the completion of the FCS fieldwork in July 2007, the contractor requested extending the contract from September 2007 (see (c)(i) above) for another 7 months, so as to process the data collected. In April 2008, the contractor submitted processed data to the CFS for acceptance, but

Note 11: *The response rate was calculated as follows:*

$$\frac{5,008 \text{ respondents}}{(13,086 \text{ households invited} - 2,682 \text{ invalid households})} \times 100\% = 48.1\%$$

Invalid households included, for example, those which did not have members eligible for the FCS.

deficiencies were noted in the data. The contractor again requested extending the contract. Eventually the contract was completed in March 2010; and

- (d) ***FCS results.*** The FCS involved 1,429 foods (e.g. different types of vegetables, meats and grains) and 1,591 dishes (e.g. braised pork belly with preserved vegetables). Respondents' data on consumption of the foods and dishes, as well as recipes of the dishes, were recorded. The recipes depicted ingredients and condiments, so that details of consumption of the ingredients and condiments were also recorded, and grouped under the 1,429 foods. Two major findings of the first population-based FCS were:
 - (i) the mean daily consumption of solid food was 1,120 grams, including, for example, 489 grams of cereals and grains, 324 grams of vegetables and fruits, and 113 grams of meat, poultry and game; and
 - (ii) the mean daily consumption of liquid food was 1,860 millilitres, including, for example, 1,066 millilitres of water and 376 millilitres of tea.

2.4 ***Second population-based FCS.*** The food consumption data collected by the first population-based FCS was related to the period March 2005 to July 2007 (i.e. when fieldwork of the FCS was conducted). In November 2013, an advisory panel was set up to advise on the second population-based FCS, which would be conducted to gauge the latest food consumption pattern. In May 2017, the CFS engaged another contractor (a consultant) to conduct the second population-based FCS. The contractor was required to complete the FCS in 36 months, from May 2017 to May 2020, at a contract price of \$3.9 million. The FCS is presently conducted as follows:

- (a) ***Respondents.*** According to its design, the FCS covers people aged 18 or above. There are 8 groups of respondents, comprising 4 groups from each gender. The 4 groups cover people in the age ranges of 18 to 29, 30 to 49, 50 to 64, and 65 or above. In total, there will be at least 4,800 respondents;
- (b) ***Survey methodology.*** Fieldwork is to be conducted in a way similar to that of the first population-based FCS. In brief, the key steps are:

- (i) households are selected, based on the Census and Statistics Department's database. Invitation letters are sent;
 - (ii) the contractor's interviewers visit the selected households to recruit respondents, who are requested to complete two interview questionnaires, i.e. a "first 24-hour dietary recall questionnaire" and a "food frequency questionnaire". The "food behaviour questionnaire" (see para. 2.3(b)(ii)) is no longer required. Other information such as weight, height and demographic information is also collected; and
 - (iii) the contractor's interviewers complete a "second 24-hour dietary recall questionnaire" for each respondent, through a face-to-face or telephone interview, 3 to 11 days after the "first 24-hour dietary recall questionnaire"; and
- (c) ***Progress of the FCS.*** According to the contractor's plan which is part of the contract document:
- (i) ***Before the main fieldwork (May 2017 to April 2018).*** In this 11-month stage, the contractor would prepare for the FCS fieldwork (e.g. developing systems and procedures, and recruiting and training interviewers);
 - (ii) ***Main fieldwork (April 2018 to April 2019).*** In this 12-month stage, the contractor would conduct the FCS fieldwork; and
 - (iii) ***After the main fieldwork (April 2019 to May 2020).*** In this 13-month stage, the contractor would process the collected data and prepare the final report.

As in the first population-based FCS, the CFS has set up a steering committee to monitor the progress of the current FCS.

Need to closely monitor the progress of the second population-based FCS

2.5 According to the CFS's records, the fieldwork of the second FCS started in April 2018 (on 13 April 2018) as planned. Audit examined the progress of the fieldwork as at 30 July 2018 (i.e. 108 days or some 15 weeks after fieldwork commencement), and noted the following:

- (a) ***Slow progress.*** According to the contract, the number of respondents completing the survey (referred to as completed cases) should be evenly distributed over the 12-month survey period (see para. 2.4(c)(ii)) (Note 12). It follows that, of the some 4,800 respondents (see para. 2.4(a)) to be surveyed, some 1,400 cases (Note 13) should have been completed by 30 July 2018. However, Audit noted that up to that day, the actual number of completed cases was only 278, falling short of the 1,400 cases by some 1,100 cases (79%). Apart from not meeting the contract requirement, such a progress might not ensure the timely completion of the FCS;
- (b) ***Low response rate.*** According to the FCS design which was stated in the contract, some 8,000 households were to be invited with a view to recruiting 4,800 respondents. The underlying assumption was that 70% of the valid households would be willing to participate in the FCS (Note 14). However, according to the CFS's records, the initial response rate was only 42%, falling short of the expected rate; and

Note 12: *According to the CFS's records, a reason for setting the requirement of even distribution of the number of respondents completing the survey was to cater for the seasonal pattern of food consumption.*

Note 13: *The expected number of completed cases was calculated as follows:*

*Expected number of completed cases of the survey of $4,800 \times 108$ days elapsed
÷ 365 days of the survey = 1,420*

Note 14: *On the assumptions that 85% of the invited households were valid (e.g. households having persons eligible for the FCS) and 70% of the valid households were willing to participate in the survey, 8,067 households were to be invited:*

$4,800 \text{ respondents} \div 85\% \div 70\% = 8,067 \text{ households}$

- (c) *Insufficient service hours provided by the contractor.* According to the contract, the contractor's interviewers should provide at least 210 hours of service per week. In the first 15 weeks, the total service hours provided by interviewers were only 1,313 hours, falling short of the requirement of 3,150 hours (i.e. 210 hours per week \times 15 weeks) by 1,837 hours (58%). Against the weekly requirement of 210 hours, only the service hours in week 14 (i.e. 237 hours) and week 15 (i.e. 213 hours) met the requirement.

2.6 In late September 2018, the CFS informed Audit of its latest efforts in monitoring the progress of the second population-based FCS and the performance of the contractor, as follows:

- (a) the steering committee had all along been taking a proactive approach to closely monitor the progress of the survey and the performance of the contractor in accordance with the relevant contract requirements. Steering committee meetings with the contractor had been conducted regularly to give advice on the progress and the problems encountered by the contractor;
- (b) apart from scheduled meetings of the steering committee, three extra meetings with the contractor had also been conducted by the CFS for timely intervention of contractor performance;
- (c) the CFS had instituted additional monitoring measures, including:
 - (i) requiring weekly progress reports from the contractor for reviewing performance;
 - (ii) developing additional statistical indicators for up-close monitoring of contractor performance; and
 - (iii) contacting the contractor via telephone and email to give instructions for targeting specific improvement areas, and to demand immediate remedial measures upon reviewing and scrutinising weekly progress reports;
- (d) the CFS issued an official letter on 18 July 2018, demanding the contractor to expedite the fieldwork of the survey and to submit a proposal for rectifying the situation immediately. Some improvements had been

Assessment of food safety risks

observed since then, with a significant increase in the total number of service hours of interviewers per week from 111 hours (in the 13th week) to 213 hours (in the 15th week);

- (e) at the steering committee meeting held on 8 August 2018, the contractor proposed a number of measures to rectify the situation; and
- (f) at the steering committee meeting held on 11 September 2018, the contractor proposed further modification of the interview method, with reference to the findings of in-house trial runs. Another more detailed and refined proposal on improvement measures was expected from the contractor.

2.7 While noting the CFS's efforts mentioned in the preceding paragraph, to ensure timely completion of the second population-based FCS, Audit considers that the CFS needs to continue to closely monitor the progress of the FCS and the performance of the contractor.

Need to conduct FCSs for the youth population

2.8 According to the CFS, food consumption data of the youth population is necessary for assessing food safety risks faced by children and youths. The CFS's records indicated that:

- (a) in 2000, the FEHD conducted an FCS on secondary school students. In the FCS, some 1,000 students were asked about their consumption of a list of 93 foods (which were commonly consumed or higher-risk foods);
- (b) in the population-based FCSs, the youth population had not been adequately factored in. The first population-based FCS covered the population aged 20 to 84, while the second population-based FCS would cover the population aged 18 or above;
- (c) in October 2015, the advisory panel of the second population-based FCS discussed the feasibility of including the youth population in the FCS under the following two scenarios:

- (i) **Scenario 1.** An additional age group of “12 to 17” would be included in the FCS. However, the total number of respondents would also need to increase significantly from 4,800 to over 12,000; and
- (ii) **Scenario 2.** The age group of “18 to 29” would be enlarged to become “15 to 29”. However, since eating habits differed significantly between respondents who were studying and who were working, it would bring about difficulties in interpreting the survey results.

After consideration, the advisory panel concluded that a separate FCS covering the youth population would be more feasible.

2.9 As at 31 August 2018, the CFS was still using the data collected by the 2000 FCS (some 18 years ago — see para. 2.8(a)) to help assess food safety risks faced by children and youths. The CFS had not embarked on a separate FCS covering the youth population.

Scope for obtaining more up-to-date food consumption data

2.10 In Hong Kong, the population-wide food consumption data currently in use was that collected by the first population-based FCS, which was completed in 2010. The data so collected was related to the period March 2005 to July 2007 (more than 10 years ago). According to the CFS, an FCS is a time-consuming and resource-intensive exercise. The data currently in use would continue to be so until the food consumption data collected by the second population-based FCS is available in 2020 (see para. 2.4).

2.11 In Audit’s view, with rapid socio-economic changes (e.g. changes in food prices and food supplies as well as demographic changes), there could be big changes in the food consumption pattern of the population in Hong Kong. There is merit in obtaining up-to-date food consumption data through more frequent FCSs.

Audit recommendations

2.12 **Audit has *recommended* that the Director of Food and Environmental Hygiene should:**

- (a) **continue to closely monitor the progress of the second population-based FCS and the performance of the contractor to ensure timely completion of the FCS;**
- (b) **keep in view the need for expediting the conduct of an FCS covering the youth population and take necessary measures to launch the FCS in a timely manner; and**
- (c) **consider the feasibility of conducting FCSs more frequently, taking into account the need for more up-to-date food consumption data as well as other competing priorities.**

Response from the Government

2.13 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that:

- (a) the CFS has been closely monitoring and will continue to closely monitor the progress of the second population-based FCS currently underway and the performance of the contractor;
- (b) as the fieldwork of the second population-based FCS is being conducted, the CFS will take into account the experience gained and take active measures to embark on the FCS for the younger population subject to availability of resources; and
- (c) with reference to the experience of other countries which had conducted more than one food consumption surveys with the use of “24-hour dietary recall” (i.e. similar methodology to the CFS’s) and on a cross-sectional basis as in Hong Kong, the time intervals were noted as 16 years in Australia, 11 years in Canada and 11 years in New Zealand. The frequency of conducting FCSs in Hong Kong is on a par with international experience. As the CFS is currently engaged in the fieldwork of the second population-

based FCS, the CFS will keep in view the feasibility and the need for obtaining more up-to-date food consumption data taking into account the experience gained and other competing priorities as a whole.

Total diet studies

2.14 A TDS estimates the total dietary exposure to particular substances of concern (e.g. certain food contaminants or nutrients) and assesses the associated food safety risks (see para. 2.2(b)). According to the CFS, a TDS has been recognised internationally as the most cost-effective way to estimate dietary exposure to food chemicals or nutrients for various population groups and to assess their associated health risks. It provides a scientific basis for assessing food safety risks and regulating food supply, and can facilitate risk managers to focus their limited resources on food chemicals or nutrients that may pose the greatest risks to public health. A TDS is also a large and complex exercise. According to the CFS's records, in a TDS:

- (a) the local population's day-to-day total dietary exposure to a particular substance is estimated by:
 - (i) multiplying the concentration of the substance in a relevant food (i.e. a food which may contain the substance) by the population's daily consumption amount of the food; and
 - (ii) summing up the dietary exposure to the substance from all relevant foods.

Data on food consumption (see (i) above) can be obtained through FCSs, while data on the concentrations of the substance (see also (i) above) in relevant foods can be obtained through a series of steps (Note 15); and

Note 15: *The steps taken to gauge the concentrations of different substances in foods are:*

- (a) *determining the foods that represent the total diet of the population;*
- (b) *preparing the foods as they are normally consumed (i.e. table-ready) in a manner consistent with cultural habits; and*
- (c) *analysing the concentrations of the substances in the foods.*

- (b) in assessing the food safety risk of a particular substance, the total dietary exposure to the substance of the population, as well as various population subgroups, is compared with the relevant safety reference value (e.g. tolerable daily intake) or the relevant nutritional reference value (e.g. recommended nutrient intake) of the substance.

2.15 **First TDS.** During March 2010 to December 2014, the CFS conducted the first TDS (so far only one TDS was conducted) as follows:

- (a) **Substances of concern.** Substances to be included in the TDS were selected based on three criteria, i.e. recommendations from international authorities (e.g. the WHO), public health significance and public concern. A total of 146 substances were selected (Note 16);
- (b) **Relevant foods.** Foods to be included in the TDS were selected based on two criteria, i.e. foods which were commonly consumed, and foods which were not commonly consumed but contained high concentrations of substances of concern (see (a) above). A total of 150 foods were selected (Note 17);
- (c) **Sampling, preparing foods and analysing.** The CFS engaged a contractor (at a contract price of \$1.2 million) to take samples of the selected foods, and to prepare the foods for analysing concentrations of different substances. The CFS then engaged its Food Research Laboratory and also the Government Laboratory to analyse the prepared foods;
- (d) **Estimation of dietary exposure and assessment of risks.** These tasks were conducted with the help of an in-house developed computer system; and

Note 16: *The 146 substances belonged to 7 groups, i.e. pesticide residues (86 substances), persistent organic pollutants (17 substances), minerals (13 substances), macronutrients (11 substances), metallic contaminants (9 substances), mycotoxins (9 substances), and processing contaminants (1 substance).*

Note 17: *The 150 foods belonged to 15 food groups, i.e. alcoholic beverages; cereals and cereal products; condiments, sauces and herbs; dairy products; eggs and egg products; fats and oils; fish and seafood; fruits; legumes, nuts and seeds; meat, poultry and game; mixed dishes; non-alcoholic beverages; snack foods; sugars and confectionery; and vegetables.*

- (e) ***Results of the first TDS.*** A total of nine reports on the TDS were published in the period December 2011 to December 2014 on the CFS website. Each report covered the study results of a substance or a group of substances (Note 18). Insofar as these substances were concerned, the population in Hong Kong was unlikely to experience any adverse health effects due to the dietary exposure to these substances.

Scope for enhancing TDSs

2.16 The first TDS was completed in December 2014 (see para. 2.15). The CFS's records indicated that in October 2015, the CFS completed an evaluation of the TDS and prepared an evaluation report. According to the evaluation report, the TDS was conducted smoothly and completed as scheduled within the budget. The objectives of the TDS were fulfilled as it provided a full picture of Hong Kong adults' dietary exposure to contaminants and nutrients.

2.17 Audit, however, noted that the evaluation report had identified scope for enhancing the TDS. For example:

- (a) some substances of high concern (e.g. formaldehyde, which is a chemical commonly used in industry for the manufacturing of plastic resins) had not been studied in the TDS;
- (b) for the substances studied, some foods which might contain high concentrations of the substances had not been covered in the TDS; and
- (c) regarding the food safety and health information derived from the TDS, publicity should be enhanced.

Note 18: *The substances studied in the nine reports were dioxins and dioxin-like polychlorinated biphenyls (December 2011), inorganic arsenic (February 2012), polybrominated diphenyl ethers (April 2012), pesticide residues (June 2012), metallic contaminants (January 2013), acrylamide (July 2013), mycotoxins (December 2013), organochlorine pesticide residues (May 2014), and minerals (December 2014).*

Audit recommendation

2.18 Audit has *recommended* that the Director of Food and Environmental Hygiene should, having regard to the evaluation results of the first TDS, take necessary measures to improve the conduct of TDSs in future.

Response from the Government

2.19 The Director of Food and Environmental Hygiene agrees with the audit recommendation. She has said that the CFS has indeed taken its own initiative to conduct an evaluation exercise in 2015 for the first TDS with a view to seeking improvements in future TDSs. In conducting future TDSs, the CFS will take into account the evaluation results and the experience gained in the first TDS.

Risk assessment studies

2.20 An RAS is a comprehensive review and analysis of a food related hazard (e.g. chemical hazards and microbiological hazards) that is of public health significance (see para. 2.2(c)).

2.21 According to the CFS's records, the CFS conducts a number of RASs every year, some by itself (hereinafter referred to as CFS's own studies — Note 19) and some in cooperation with the Consumer Council (CC) (hereinafter referred to as joint studies — Note 20) as follows:

- (a) for conducting CFS's own studies or joint studies, the general arrangements are:

Note 19: *Examples of CFS's own studies included "Perchlorate in tea and tea beverages" completed in August 2018 and "Microbiological quality of salads available at the local market" completed in October 2017.*

Note 20: *Examples of joint studies included "Sodium and energy contents of Asian-style noodles-in-soup dishes" completed in February 2018 and "Nutrient content of Hong Kong style savoury dishes" completed in November 2017.*

- (i) the CFS prepares an annual plan of RASs which contains studies proposed, and submits it to the Expert Committee (see para. 1.10) for the selection of studies;
 - (ii) the CFS conducts the studies selected, and reports the progress to the Expert Committee on a regular basis; and
 - (iii) the CFS publishes study results on the CFS website, which are either study reports for own studies or articles prepared by the CC for joint studies (see (b)(ii) below); and
- (b) for conducting joint studies with the CC, the special arrangements which apply are:
- (i) the CFS discusses with the CC about joint studies proposed, and obtains the CC's agreement before including them in an annual plan of RASs; and
 - (ii) on completing a joint study, the CFS forwards the study report to the CC for it to prepare a summary article on the study. The CC publishes the article in the CC magazine "Choice". The CFS also publishes the article (or an extract of it, instead of the study report) on the CFS website.

2.22 In 2008-09 to 2018-19, according to the CFS's records, the Expert Committee endorsed 50 studies, comprising 28 own studies and 22 joint studies (Note 21). As at 31 August 2018, 45 of the 50 studies had been completed.

Note 21: *The 50 RASs covered different areas, i.e. food nutrition (19 RASs), food contaminants (15 RASs), food microbiology (10 RASs), food contact materials (2 RASs), food technology (2 RASs), food additives (1 RAS), and genetically modified foods (1 RAS).*

Need to monitor implementation of the new mechanism for selecting RASs

2.23 According to the CFS, it applied the following criteria in selecting studies for inclusion in an annual plan of RASs:

- (a) whether the study was of significance in terms of public health;
- (b) whether the study helped address risk management problems and identify risk management options;
- (c) whether the study helped provide scientific support to a legislative review;
- (d) whether the study was of significance in terms of public education, including the development of tailor-made guidelines/practice codes for the trade;
- (e) whether the study was a request from other government departments; and
- (f) whether professional capacity was available for conducting the study, having regard to practical feasibility.

2.24 Audit noted that, in September 2017, the Expert Committee commented on the CFS's selection mechanism of RASs. The Expert Committee suggested that the selection of RASs could be improved by introducing a scoring system. Under such a system, the priorities and scores of the proposed RASs in an annual plan should be systematically appraised according to pre-set criteria.

2.25 In late September 2018, the CFS informed Audit that in view of the Expert Committee's suggestion (see para. 2.24), it had introduced during the course of this audit review a new mechanism for selecting RASs, i.e. the scoring system which the Expert Committee suggested. The new mechanism took effect in September 2018, and was used to select RASs for 2019-20. Under the new mechanism, each of the proposed RASs was graded "High", "Medium" or "Low" against each of the criteria applied by the CFS (see para. 2.23). According to the CFS, the Expert Committee welcomed the new mechanism.

2.26 In Audit's view, given that the mechanism has just been introduced, the CFS needs to monitor the operation of the mechanism to ensure that it is implemented properly as intended.

Need to facilitate understanding of study results

2.27 According to the CFS's records, of the 45 completed RASs (see para. 2.22), 20 were joint studies and 25 were own studies. For the 20 joint studies, the CC had prepared summary articles on the studies, which were published in the CC magazine Choice and on the CFS website. Of the 25 own studies, the CFS had published study reports on the CFS website for 23 studies (Note 22). The reports provided details on the objectives, scope, methodologies and results of the studies.

2.28 Audit noted that, for each of the 23 study reports published on the CFS website, the CFS had provided certain supplementary information to enhance the public's understanding. Such supplementary information included press releases (for 21 reports), slide-show presentations (for 14 reports), articles on the CFS's publication "Food Safety Focus" (for 12 reports), guidelines or advice (for 6 reports), and frequently asked questions or other information (for 5 reports) (Note 23). However, Audit also noted that, for 9 of the 23 study reports, the links to the supplementary information and those to the study reports were posted on different webpages of the CFS website, making it difficult for interested parties to locate the relevant information.

2.29 In Audit's view, the study report of an RAS is technical in nature and could be difficult to understand. Posting the links to RAS reports and those to the relevant supplementary information on the same webpages would facilitate the public's understanding of study results.

Note 22: *According to the CFS, the study reports for two own studies, namely "Nutritional labelling on pre-packaged food in Hong Kong" conducted in 2010-11 and "Dietary exposure to perfluorooctane sulfonate (PFOS) and perfluorooctanoic acid (PFOA) of Hong Kong adult population" conducted in 2012-13, were for internal reference only and hence had not been published.*

Note 23: *For an RAS, there might be more than one type of information supplementing the study report.*

Audit recommendations

2.30 **Audit has *recommended* that the Director of Food and Environmental Hygiene should:**

- (a) **monitor the operation of the new mechanism for selecting RASs to ensure that it is implemented properly as intended; and**
- (b) **to facilitate the public's understanding of RAS results, post the links to RAS reports and those to the relevant supplementary information on the same webpages.**

Response from the Government

2.31 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that:

- (a) the CFS has already implemented the new mechanism for selecting RASs (i.e. in September 2018), following the advice of the Expert Committee. The CFS will continue to monitor and ensure proper operation of the mechanism; and
- (b) The CFS has posted the related links of supplementary information on the webpages of corresponding RASs as recommended by Audit to facilitate the public obtaining relevant information.

PART 3: FOOD SURVEILLANCE PROGRAMME

3.1 This PART examines the FEHD's FSP, focusing on the following areas:

- (a) formulation of the FSP (paras. 3.2 to 3.14);
- (b) implementation of the FSP (paras. 3.15 to 3.23); and
- (c) completion of testing under the FSP (paras. 3.24 to 3.29).

Formulation of the Food Surveillance Programme

3.2 The CFS's FSP is designed to control and prevent food hazards. It is a key component of the CFS's food safety assurance programme and is aimed to find out the safety of food supply. According to the CFS, it adopts a risk-based approach to formulating the FSP, taking into account risk factors such as past food surveillance results, food incidents occurring locally and overseas, results of risk assessments (see PART 2 of this Audit Report) and views of experts and stakeholders. Every year, the FSP is finalised after consulting the Expert Committee (see para. 1.10). Under the FSP, a number of projects are conducted annually.

3.3 According to the CFS's records, the FSP comprised some 140 projects annually, under which, some 65,000 food samples were taken at the import, wholesale and retail levels of the food chain. The food samples taken for each project were subjected to one of the following types of testing:

- (a) **Microbiological testing.** This assessed the hygienic quality of food samples (e.g. through the conduct of overall bacterial counts) and the presence of specific pathogens (e.g. Salmonella);
- (b) **Chemical testing.** This mainly involved the testing of natural toxins (e.g. ciguatera), food additives (e.g. preservatives) and contaminants (e.g. dioxin); and

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- (c) ***Radiation testing.*** This measured the level of radioactive substances in food samples.

3.4 The number of projects and food samples under the FSP, as determined by the CFS in consultation with the Expert Committee, might differ between years. In 2017, the FSP had 144 projects (see Table 3), which comprised:

- (a) 138 projects in which the food samples were taken for surveillance purposes (hereinafter referred to as surveillance projects); and
- (b) 6 projects in which the food samples were taken to follow up food incidents, complaints and unsatisfactory testing results of surveillance projects (hereinafter referred to as follow-up projects).

A total of 66,979 food samples were taken under the 144 projects.

Table 3

**Food Surveillance Programme
(2017)**

Type of projects	No. of projects	No. of food samples taken
<i>Surveillance project</i>		
Routine food surveillance (Note 1)	62	16,017
Targeted food surveillance (Note 2)	138	60,323
Seasonal food surveillance (Note 3)	8	1,475
Radiation testing (Note 4)	1	5,164
<i>Follow-up project</i>		
Investigation of food incidents	2	1,593
Investigation of food complaints	6	6,656
Follow-up of unsatisfactory testing results of surveillance projects (Note 5)	2	714
Total	144	66,979 (Note 6)

Source: CFS records

Note 1: Routine food surveillance covered major food groups (e.g. fruits and vegetables, meat, poultry, aquatic products, milk and cereals).

Note 2: Targeted food surveillance targeted at specific food hazards (e.g. sulphur dioxide in meat) or food items. It enabled the CFS to undertake a focused and in-depth approach to ascertaining food safety.

Note 3: Seasonal food surveillance covered highly popular festive and seasonal food items (e.g. rice dumplings and hairy crabs).

Note 4: Radiation testing covered foods sourced from countries other than Japan. All food consignments from Japan are subjected to radiation testing at the time of entering into Hong Kong. Radiation testing for foods from Japan is covered in Chapter 2 “CFS: Import control of foods” of the Director of Audit’s Report No. 71.

Note 5: Under these follow-up projects, food samples were taken having regard to risk areas revealed by unsatisfactory testing results of surveillance projects.

Note 6: A total of 66,994 food samples were taken in 2017 (see Table 4 of para. 3.9), comprising 66,979 samples taken for projects of 2017, 9 samples taken for projects of 2016 and 6 samples taken in advance for projects of 2018 (see para. 3.27 for audit observations in relation to taking advance samples).

3.5 The FSP defines the scope of projects and how they are to be implemented. In 2017, the FSP set out the following key parameters for each surveillance project and follow-up project (Note 24):

- (a) ***Sampling basis.*** The number of samples to be taken from each level of the food chain, as well as the composition of samples by food group (e.g. cereals and grains, and fruits and vegetables), were set out in a sampling plan; and
- (b) ***Testing to be conducted.*** The food hazards to be examined (e.g. pesticide residues in food samples) and the type of testing to be conducted (e.g. chemical testing) were set out for each project.

Room for covering more potential food hazards

3.6 Audit examined the FSPs of 2015, 2016 and 2017, and found that under the CFS's risk-based approach to formulating the FSPs, certain potential food hazards had not been covered for surveillance under the FSPs. Such hazards included those:

- (a) which were regulated by the law (see Case 1);
- (b) which might require the CFS's follow-up actions should the hazards exceed certain thresholds (see Case 2); and
- (c) which had resulted in a food safety incident (see Case 3).

Note 24: *For follow-up projects which investigate food incidents and food complaints, the FSP does not spell out how the projects are to be conducted. However, the CFS has laid down guidelines on the management of food incidents and food complaints (see paras. 4.2 and 4.15 respectively). Follow-up actions are to be conducted according to the guidelines. Food incidents and food complaints are examined in detail in PART 4 of this Audit Report.*

Case 1

**Food hazards regulated by the law
(2015 to 2017)**

1. The Pesticide Residues in Food Regulation (Cap. 132CM) under the Public Health and Municipal Services Ordinance specifies, for 360 pesticides, the amounts of pesticide residues which are allowed to remain in different foods. The amounts are referred to as maximum residue limits (MRLs). For each of the 360 pesticides, the Regulation specifies one or more MRLs. Each MRL is applicable to a specific type of foods. As such, each MRL under the Regulation corresponds to a specific combination of food and pesticide (i.e. a pesticide-food pair), to which the MRL is applicable. At present, the Regulation specifies a list of MRLs for about 7,100 pesticide-food pairs. Of these 360 pesticides, MRLs applicable to cereal and grain products are specified for 212 pesticides (Note).

2. The FSPs of 2015, 2016 and 2017 required that samples of cereal and grain products be taken for pesticide testing. Of the 212 regulated pesticides (see para. 1 above), the FSPs specified the testing of 43, 32 and 42 pesticides in 2015, 2016 and 2017 respectively.

3. On the whole, of the 212 regulated pesticides, testing of 105 pesticides (50%) was conducted in 2015 to 2017, whereas testing of the remaining 107 pesticides (i.e. 212 minus 105) was not conducted.

Audit comments

4. To enhance surveillance, in future, there is merit in including in the FSP testing of the remaining 107 pesticides in cereal and grain products.

Source: Audit analysis of CFS records

Note: These 212 pesticides may also have MRLs applicable to other food commodities.

Case 2

Food hazards for which thresholds have been set (2015 to 2017)

1. Certain potential food hazards (e.g. the presence of certain toxins in foods) are not regulated under the law. For internal reference, the CFS has set thresholds for 27 such hazards (e.g. in terms of milligrams of the toxin per one gram of the food product). According to the CFS, if a threshold is exceeded, the CFS will take necessary action to follow up the case should it be justified (i.e. taking into account the potential public health risks of these hazards in the light of the CFS's latest knowledge). The CFS refers the thresholds to as "action levels" (Note 1).

2. In the FSPs of 2015, 2016 and 2017, no surveillance projects were formulated for detecting 8 of the 27 hazards. One of the 8 hazards was the presence of "patulin" in foods, which is a natural toxin in damaged or mouldy fruits (Note 2).

3. In 2017, there was a food incident of excessive patulin in foods. In 2018, the CFS started to include patulin testing in a surveillance project of the FSP for the year. However, the remaining 7 of the 27 hazards were not included in the 2018 surveillance projects (Note 3).

Audit comments

4. To enhance surveillance, in future, there is merit in including in the FSP testing of the remaining 7 hazards.

Source: Audit analysis of CFS records

Note 1: The CFS has made reference to international practices in setting action levels.

Note 2: According to the CFS, exposure to high levels of patulin over a short period of time may already be harmful (e.g. resulting in bleeding of mucous membranes along the digestive tract).

Note 3: The 7 hazards were related to such substances as benzoyl peroxide, brominated vegetable oil, potassium bromate, "3-monochloropropane-1,2-diol", benzylbutyl phthalate, di-isodecyl phthalate and ochratoxin A. These substances are usually present in foods in the forms of additives, contaminants or natural toxins, which can be a health concern.

Case 3

**Food hazards resulting in a food safety incident
(2015 to 2017)**

1. The presence of veterinary drug residues (e.g. antibiotics) in honey has not been regulated under the law. In the FSPs of 2015, 2016 and 2017, no surveillance projects were formulated for detecting veterinary drug residues in honey.

2. According to the CFS, if any food is found to contain harmful substances, even if the substances are not specifically regulated under the law, the CFS would assess the risk involved and determine if such food is hazardous to health. This is to ensure that all foods for sale are fit for human consumption as stipulated in the Public Health and Municipal Services Ordinance.

3. Accordingly, in April 2018, the CFS followed up a food incident of an alleged presence of antibiotics in honey. The CFS conducted sample testing of the honey in question and found the existence of an antibiotic in the sample. The antibiotic (i.e. metronidazole) was a veterinary drug residue. The CFS considered the result unsatisfactory as the presence of veterinary drug residues (e.g. metronidazole) in honey was a health concern.

Audit comments

4. To enhance surveillance, in future, there is merit in including in surveillance projects of the FSP testing of veterinary drug residues (e.g. metronidazole and other antibiotics) in honey.

Source: Audit analysis of CFS records

3.7 Upon enquiry, the CFS informed Audit in October 2018 that:

- (a) regarding Case 1, the Pesticide Residues in Food Regulation came into operation in August 2014. The Regulation specifies the MRLs of 360 pesticides which applies to about 7,100 pesticide-food pairs. As at mid-2017 (i.e. within three years from the commencement of the Regulation), all 360 pesticides had been covered in the CFS's FSP. Nonetheless, it did not mean that all 7,100 pesticide-food pairs had to be subjected to testing regularly, as the selection of specific pesticide-food pairs for testing was based on the CFS's risk assessment and subject to

availability of resources. As at August 2018, the CFS's testing of cereal and grain products against 151 pesticides was completed under the FSP; and

- (b) regarding Case 2, the CFS regularly reviewed the types of testing to be conducted, taking into account factors such as past food surveillance results, food incidents occurring locally and overseas and relevant risk analyses (see para. 3.2). Of the remaining 7 hazards mentioned in Case 2, the CFS would include the testing of one hazard (i.e. di-isodecyl phthalate) in the FSP of 2018.

3.8 In Audit's view, to enhance food surveillance, there is merit for the CFS to consider expanding the coverage of the hazards mentioned in paragraph 3.6 for surveillance under the FSPs in future.

Surveillance of a large amount of food items which were not high-risk

3.9 Every year, some 65,000 food samples were taken under the FSP (see para. 3.3). In setting the number of 65,000 samples, the CFS adopted a sampling rate of 9 samples per 1,000 of the population in Hong Kong (Note 25). Audit noted that, from 2015 to 2017, a large proportion of food samples were allocated to surveillance of fruits and vegetables according to the FSPs. The proportion ranged from 44% to 46% over the past three years (see Table 4).

Note 25: *The CFS has adopted the sampling rate since 2006.*

Table 4

**Allocation of food samples according to the FSPs
(2015 to 2017)**

Food group	No. of samples					
	2015		2016		2017	
<i>Surveillance project</i>						
Fruits and vegetables	29,262	(45%)	29,775	(46%)	29,114	(44%)
Meat and poultry	5,308	(20%)	4,554	(19%)	5,001	(19%)
Aquatic products	4,518		4,704		4,810	
Cereals and grains	2,837		2,994		3,162	
Milk, milk products and frozen confections	7,382	(11%)	9,110	(14%)	9,940	(15%)
Others	8,771	(14%)	8,753	(13%)	8,311	(12%)
<i>Follow-up project</i>						
All food groups	6,354	(10%)	5,524	(8%)	6,656	(10%)
Total	64,432	(100%)	65,414	(100%)	66,994	(100%)

Source: Audit analysis of CFS records

3.10 The large proportion (44% to 46% — see Table 4) of samples allocated to fruit and vegetable surveillance did not appear to have duly taken into account the fact that:

- (a) according to the CFS, vegetables were not considered to be high-risk foods; and
- (b) in 2013 to 2017, 99.4% to 100% of fruit samples and 99.6% to 100% of vegetable samples were found to be satisfactory. The results were comparable with the overall testing results of the some 65,000 food samples in the same period (i.e. 99.7% to 99.9% of samples were found to be satisfactory).

3.11 Upon enquiry, the CFS informed Audit in late September and October 2018 that:

- (a) fruits and vegetables are consumed in large quantities in Hong Kong and of great variety;
- (b) in late 2014, the Pesticide Residues in Food Regulation was implemented, covering 360 pesticides and involving a large number of foods. The CFS needed to collect more food samples at least at the initial stage to obtain baseline information on the compliance rate; and
- (c) the CFS had regularly reviewed the food hazards for surveillance under the FSP and revised the number of food samples allocated to individual FSP projects accordingly.

3.12 In Audit's view, there is scope for further reallocating some food samples from surveillance of fruits and vegetables to surveillance of other risk areas (e.g. potential food hazards which had not been covered under the previous FSPs — see para. 3.6).

Audit recommendations

3.13 Audit has *recommended* that the Director of Food and Environmental Hygiene should:

- (a) keep under review and, where appropriate, update the FSP; and
- (b) explore, from time to time, room for reallocating food samples designated for the surveillance of low-risk foods (e.g. fruits and vegetables) to other uses (e.g. the surveillance of high-risk food hazards).

Response from the Government

3.14 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that:

- (a) the CFS reviews the FSP on an annual basis and throughout the year as required. The CFS will continue to adopt the risk-based principle to review the FSP:
 - (i) regarding Case 1, using the risk-based approach, the CFS will determine the priorities of testing cereal and grain products against the remaining 61 pesticides;
 - (ii) regarding Case 2, the CFS will consider testing the remaining 6 hazards, in consultation with the Expert Committee; and
 - (iii) regarding Case 3, taking into account the recent findings of veterinary drug residues in honey products in April 2018, it is the CFS's plan to undertake a new project under the FSP of 2019 for testing veterinary drugs in honey samples; and
- (b) based on the experience gained in running the FSP in the past few years, and as baseline data is largely collected following the implementation of the Pesticide Residues in Food Regulation with effect from August 2014 and the results are satisfactory, the CFS has already started to reallocate resources to testing other food hazards. More specifically, the CFS has already shifted 1,500 samples in the FSP of 2018 from testing pesticides to testing metallic contaminants in fruits and vegetables. Further reallocation will be made from testing pesticides in fruits and vegetables to testing metallic contaminants of other food types in the FSP of 2019, in support of the operation of the Food Adulteration (Metallic Contamination) (Amendment) Regulation 2018, which is expected to take effect in November 2019.

Implementation of the Food Surveillance Programme

3.15 The FSP sets out a sampling plan for each project as well as the testing required for the project (see para. 3.5). According to the CFS's records:

- (a) Health Inspectors are designated as “sampling officers” of specific districts. With the assistance of workmen, sampling officers take food samples through ordinary purchase at food outlets of their districts (Note 26); and
- (b) Senior Health Inspectors (or staff of equivalent grades) are designated as “project masters”. They oversee sampling officers’ work against requirements of the FSP.

Need for guidelines on taking food samples

3.16 Audit examined the implementation of the 2017 FSP and noted that the CFS had not laid down specific guidelines on taking food samples from different food outlets and food types within individual food groups. CFS staff therefore used their experience and discretion to implement the sampling plan. Audit noted that there were wide variations in:

- (a) the numbers of samples taken from different types of food outlets (see Case 4); and
- (b) the numbers of samples taken from different food types (see Case 5).

In the absence of specific guidelines, there was doubt as to whether food samples had been selected consistently as the FSP intended.

Note 26: *Food outlets include cooked food stalls, food factories, fresh provision shops, frozen confection factories, grocery shops and stores, market stalls, restaurants, Siu Mei and Lo Mei shops, supermarkets, wet markets and wholesale fish/fruit/vegetable markets. When making purchases, sampling officers do not reveal their official identities to the vendors.*

Case 4

**Taking samples from different food outlets
(2017)**

1. According to the 2017 FSP, about 25,000 food samples needed to be taken at the retail level. There were no guidelines on the distribution of samples among food outlets at the retail level. Audit found that a large number of samples (12,107 or 49%) had been taken from supermarkets:

Type of outlets	No. of samples
Supermarkets	12,107 (49%)
Restaurants, cooked food stalls, food factories and others	6,497 (26%)
Grocery shops and stores	4,325 (17%)
Wet markets	2,037 (8%)
Total	24,966 (100%)

2. In contrast to supermarkets, the number of samples taken from wet markets and grocery shops and stores was small, which might not represent an adequate coverage of these two latter types of outlets. Furthermore, Audit also noted that the distribution of samples within a particular type of outlet itself might not be appropriate. For example, in taking 89 samples from the Sai Kung District which had 11 wet markets:

- (a) 75 samples were taken from 2 wet markets and 14 samples were taken from another 3 wet markets in Sai Kung; and
- (b) no samples were taken from the remaining 6 wet markets in Sai Kung.

Audit comments

3. Guidelines are not provided to CFS staff on the distribution of samples among food outlets at the retail level. Without guidelines, it was difficult for CFS staff (e.g. project masters) to ensure that the number of samples taken from some types of food outlets (e.g. wet markets) was adequate.

Source: Audit analysis of CFS records

Case 5

**Taking samples from different food types
(2017)**

1. According to the 2017 FSP, about 2,000 fish samples were required to be taken. In this respect, “fish” was regarded as a food group, which comprised different food types (i.e. fish types).

2. There were no guidelines on the distribution of samples among different fish types. It turned out that many fish samples taken were yellowtails (217 samples or 11 %) and salmons (172 samples or 9 %):

Food type (i.e. type of fishes)	Number of samples			Proportion of overall samples
	Import level	Retail level	Total	
Yellowtail	213	4	217	11 %
Salmon	125	47	172	9 %
Grass carp	Nil	25	25	1 %
Golden thread	Nil	20	20	1 %
Red snapper	5	14	19	1 %
Others	446	1,074	1,520	0.1 % to 6 %
Total	789	1,184	1,973	

3. Upon enquiry, the CFS informed Audit in late September 2018 that food samples were taken through ordinary purchase at food outlets (see para. 3.15(a)). Sampling officers might have difficulty taking samples from different fish types at the import level, where fish might not be displayed in arrays for selection. Moreover, the number of samples which could be taken from particular fish types would depend on their availability at the import level and retail level.

4. Audit noted that, in contrast to yellowtail and salmon, few samples were taken from such fish types as grass carp (25 samples or 1 %) and golden thread (20 samples or 1 %), which were common fish types.

Audit comments

5. Guidelines are not provided to CFS staff on the distribution of samples among different fish types. Without guidelines, it was difficult for CFS staff (e.g. project masters) to ensure that the number of samples taken from some fish types (e.g. grass carp and golden thread) was adequate.

Source: Audit analysis of CFS records

Need to better address the food safety concerns of online purchase

3.17 Audit examination of the FSPs indicated that the programmes did not specify the number of food samples to be taken online. According to its practice, the CFS sets aside about 4,000 food samples of surveillance projects every year and acquired the samples through online purchase. The CFS's records indicated that in 2017, of the 60,323 food samples taken under the 138 surveillance projects (see Table 3 of para. 3.4), 3,868 food samples were purchased online for 104 projects, comprising:

- (a) 3,587 samples (93%) purchased for 90 projects for chemical testing (e.g. testing of metallic contaminants and preservatives) and radiation testing; and
- (b) 281 samples (7%) purchased for 22 projects for microbiological testing (e.g. conduct of bacterial counts).

3.18 Online food purchase has gained popularity in recent years. For example, office employees may order online ready-to-eat food items for delivery to workplaces. There might be risks of bacterial growth and cross-contamination during delivery. Furthermore, according to the CFS, ready-to-eat foods that are required to be refrigerated, such as sushi, sandwiches, cakes and desserts (and which could be ordered online), generally pose great food safety risks. In Audit's view, relative to the potential safety concerns of online food purchase (e.g. food contaminated with bacteria), the proportion of online samples purchased for microbiological testing was on the low side (7% — see para. 3.17(b)).

Need to comply with sampling requirements

3.19 Audit examined 10 surveillance projects in 2017 (involving 5,304 food samples) and found cases of non-compliance with sampling requirements of the FSP in 6 projects:

- (a) for the 6 projects (involving 2,687 samples), the FSP required that sampling officers should not take more than two samples from the same shop (Note 27);
- (b) of the 2,687 samples, the requirement had not been followed in taking 493 samples (18%) at 104 shops (see Table 5); and

Table 5

**Samples taken for 6 projects
(2017)**

No. of samples taken from a single shop	No. of shops	Total no. of samples
3 to 10	100	422 (85%)
11 to 20	3	33 (7%)
21 to 30	Nil	Nil (0%)
31 to 38	1	38 (8%)
Total	104	493 (100%)

Source: Audit analysis of CFS records

- (c) the CFS's records did not indicate that project masters (see para. 3.15(b)) had given consent to deviations from the sampling requirement.

3.20 Upon enquiry, the CFS informed Audit in July, September and October 2018 that:

Note 27: *According to the FSP, for the 6 projects, sampling officers should not take more than two samples from the same premises except with the substantive ground and consent of the project master (see para. 3.15(b)). The objective was to adopt fair sampling by covering more premises.*

- (a) during project implementation, sampling officers were not required to report the work done on sampling to project masters. If sampling officers could not purchase a particular food item, they were required to report the case to project masters for advice; and
- (b) sampling officers were required to input sampling information into the CFS's computer system before commencement and upon completion of the sampling work.

3.21 In spite of the CFS's procedures, sampling requirements had not always been complied with (see para. 3.19(b)). There was a risk that, during project implementation, sampling officers did not always seek project masters' advice on sampling matters. In Audit's view, supervision of sampling work during project implementation (see para. 3.20(a)) would need to be stepped up.

Audit recommendations

3.22 Audit has *recommended* that the Director of Food and Environmental Hygiene should:

- (a) **provide CFS staff with guidelines on taking food samples from different food outlets and food types;**
- (b) **review the need for increasing the proportion of online food samples purchased for microbiological testing;**
- (c) **remind CFS staff to observe the sampling requirements laid down in FSPs; and**
- (d) **take measures to step up the supervision of the work of sampling officers, with a view to preventing recurrence of non-compliance with sampling requirements in future.**

Response from the Government

3.23 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that:

- (a) the CFS has been reviewing the FSP and with effect from Quarter 1 of 2018, a sampling ratio of 40:60 in “Supermarkets, convenience stores and department stores” to “Other retails” has been adopted for food sampling at the retail level, with reference to statistics on total retail sales of food and beverages in supermarkets/department stores and other retail outlets provided by the Census and Statistics Department, and other risk factors. In the light of Audit’s recommendations, the CFS will formulate further guidelines on the sampling ratio of different food outlets under these two broad categories;
- (b) sampling officers take food samples through ordinary purchase at food outlets. Collection of a wider variety of fish samples at the retail level is more achievable as food items are readily displayed for sale at the retail level, making it easier to choose at a particular point in time. However, those collected at the import level may not cover a wide variety due to unpredictability in terms of availability and arrival of different types of fish. In view of Audit’s comments, the CFS has enhanced regular supervisory check on sample records, monitoring the types of food samples and checking whether food samples were taken in accordance with the sampling requirements with proper documentation. Besides, a briefing on sampling requirements has been conducted. A new monitoring and supervision meeting is introduced to ensure compliance with the sampling requirements; and
- (c) the CFS will increase the proportion of online food samples purchased for microbiological testing.

Completion of testing under the Food Surveillance Programme

3.24 Food samples taken under the FSP are subjected to microbiological, chemical and radiation testing (see para. 3.3). In 2017, five laboratories performed

the microbiological, chemical and radiation testing for the CFS (Note 28). According to the CFS's records, food samples collected by sampling officers were delivered to the different laboratories for testing.

Long turnaround time and need to ensure timely delivery of food samples to laboratories

3.25 Audit analysed the turnaround times of the testing done for 10 surveillance projects in 2017 (involving 2,125 food samples and 4,494 testing results). The turnaround time refers to the time lag between the collection of a food sample and the subsequent return of the testing result from the laboratory. Audit found that the turnaround times could be as long as 230 days (see Table 6).

Table 6
Turnaround times of 4,494 testing results
(2017)

Turnaround time (No. of days)	No. of testing results	
0 to 5	509	(11 %)
6 to 10	646	(14 %)
11 to 30	1,212	(27 %)
31 to 60	1,696	(38 %)
61 to 90	347	(8 %)
91 to 230	84	(2 %)
Total	4,494	(100 %)

Source: Audit analysis of CFS records

Note 28: *They were the Government Laboratory which mainly performed chemical testing, the Public Health Laboratory Centre of the Department of Health and a private laboratory which mainly performed microbiological testing, the Man Kam To Food Laboratory of the CFS which mainly performed testing of pesticides in vegetables and harmful substances in milk, and the Fu Hing Street Laboratory of the CFS which mainly performed radiation testing.*

3.26 Audit examined the long turnaround times for 20 food samples and found that for 18 samples, there was a delay in delivering the samples to the laboratories (Note 29). In 9 (50%) cases, the delay ranged from 19 to 55 days. For the remaining 9 cases, the delay ranged from 56 to 203 days. On the whole, for the 18 cases, the delay ranged from 19 to 203 days (see Case 6 for an example).

Note 29: *For the remaining 2 samples, the key reason for the long turnaround time was long time taken in testing by the laboratory.*

Case 6

**Delay in delivering a food sample to the laboratory
(2017)**

1. According to the 2017 FSP, samples of fat and oil were to be taken for a surveillance project. The CFS had agreed with the laboratory to deliver the samples in batches for antioxidant testing.

2. In mid-March 2017, a sampling officer purchased a sample from a supermarket. The sample was required to be delivered in the batch of early April.

3. Meanwhile, the CFS identified a food incident which was not related to the surveillance project. The laboratory needed to urgently handle a large number of food samples for the incident, and cancelled the time slot for delivering the sample of the surveillance project (i.e. early April 2017 — see para. 2 above). The laboratory substituted a new time slot (i.e. October 2017) for the cancelled one. The sample was therefore stored in the FEHD office pending delivery to the laboratory.

4. In October 2017, the sample was sent to the laboratory. A total of 203 days had elapsed since the sample was taken in mid-March 2017 (Note).

5. Upon enquiry, the CFS informed Audit in late September 2018 that the laboratory had other time slots before October 2017. The sampling officer could have made arrangements with the laboratory to expedite the delivery of the sample to the laboratory.

Audit comments

6. The sample taken at the supermarket was sent to the laboratory after a lapse of 203 days. The delay was long, which was not conducive to ensuring food safety.

Source: Audit analysis of CFS records

Note: The testing result was returned to the CFS on 30 October 2017.

3.27 In July 2018, the CFS informed Audit that there were no specific guidelines on the timeliness of delivering food samples to laboratories. According to the CFS, in order to meet the sample delivery schedule, sampling officers might also have taken

samples in advance (instead of nearer to the day of delivery). Audit considers that there is a need to enhance CFS guidelines on the timeliness of delivering samples to laboratories (e.g. covering also the procedures for handling contingencies — see para. 5 of Case 6 in para. 3.26).

Audit recommendations

3.28 **Audit has *recommended* that the Director of Food and Environmental Hygiene should:**

- (a) **closely monitor the turnaround time of food sample testing, and take necessary measures to reduce the turnaround time as appropriate; and**
- (b) **lay down guidelines on the timeliness of delivering food samples to laboratories for testing.**

Response from the Government

3.29 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that:

- (a) the CFS will closely monitor the delivery time of food samples with a view to reducing the turnaround time as far as possible. Frontline staff particularly new-comers will be properly briefed to discharge their duties in accordance with the laid-down operation manual and guidelines and to seek directives from seniors in case of doubt. In addition, the CFS will enhance supervision to ensure compliance with the guidelines; and
- (b) the CFS will devise new guidelines on the timeliness of delivering food samples to the laboratory for testing.

PART 4: MANAGEMENT OF FOOD INCIDENTS AND COMPLAINTS

4.1 This PART examines the CFS's management of food incidents and complaints, focusing on the following areas:

- (a) management of food incidents (paras. 4.2 to 4.14); and
- (b) management of food complaints (paras. 4.15 to 4.24).

Management of food incidents

4.2 The CFS defines “food incident” as any event where, based on the information available, there is concern about actual or suspected threats to the safety or quality of food that could require intervention to protect public health and consumer interests. According to the CFS, it manages food incidents as follows:

- (a) **Identification of food incidents.** Food incidents are identified through:
 - (i) **Food Incidents Surveillance System (FISS).** Under the FISS, the CFS detects overseas and local food incidents through screening websites of national food authorities, consulting academia reports and media reports, and receiving notifications from authorities (i.e. international, regional or national authorities — Note 30). According to the CFS, the FISS enables it to make prompt decisions on food safety management in response to incidents that would have local impact; and
 - (ii) **Gathering other intelligence.** The CFS also gathers intelligence on food incidents through investigating food complaints, and through

Note 30: *According to the CFS, examples of authorities include International Food Safety Authorities Network of the WHO, Food and Agriculture Organization of the United Nations, Rapid Alert System for Food and Feed of the European Commission, consulate generals of other countries, and authorities of other countries or places.*

Management of food incidents and complaints

following up other FSP projects which involve unsatisfactory testing results (Note 31); and

- (b) ***Risk management actions.*** For food incidents identified:
- (i) ***Initial assessments.*** The CFS conducts initial assessments to find out those requiring further actions. Depending on the findings (e.g. the nature and severity of the incidents and the hazards involved), the CFS may take different risk management actions (see (ii) below); and
- (ii) ***Further actions for risk management.*** The CFS takes further actions for risk management, either individual actions or a combination of actions, which include:
- ***Incident investigations.*** Collecting further information by various means such as contacting relevant parties (e.g. overseas authorities, consulate generals, local major importers and retailers) and checking local sales and availability of the affected products;
 - ***Evidence collection.*** Tracing the sources of the affected products and taking samples for testing;
 - ***Control measures.*** Removing the affected products from the shelf, recalling the products (i.e. food recall) and suspending importation of the products, as appropriate; and

Note 31: *According to the CFS, intelligence gathered from individual cases of food complaints and/or cases of unsatisfactory testing results are to be considered collectively. As such, each single case of food complaint or unsatisfactory testing results does not necessarily correspond to a food incident.*

- **Public announcement.** Publicising the food incidents through various means such as Food Incident Post (Note 32), Rapid Trade Alert (Note 33) and press release (Note 34), as appropriate.

4.3 As shown in Table 7, from 2013 to 2017:

- (a) food incidents detected through the FISS (see para. 4.2(a)(i)) increased by 28% from 1,339 (in 2013) to 1,713 (in 2017);
- (b) the CFS conducted initial assessments (see para. 4.2(b)(i)) on all food incidents identified through the FISS, and took necessary risk management actions (see para. 4.2(b)(ii)) on individual incidents; and
- (c) as part of the risk management actions, 6 food recall exercises were conducted in 2013 and 23 were conducted in 2017.

Note 32: *According to the CFS, Food Incident Post, which is available through the CFS's website, presents food incidents that do not have major impacts on local population (e.g. because of limited circulation of the food products concerned). The Post aims to alert individuals who might be in possession of such products through means such as electronic trade or travel.*

Note 33: *According to the CFS, alert messages are sent to members of the trade who have pre-registered with the CFS. This enables the trade to take timely appropriate actions to minimise the public health impact of food incidents (e.g. stop selling the food products).*

Note 34: *According to the CFS, press releases announce food incidents which are of major public health concern locally.*

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Table 7

Food incidents and risk management actions (2013 to 2017)

	No. of food incidents/initial assessments/ risk management actions				
	2013	2014	2015	2016	2017
<i>Food incidents identified</i> (Note 1)					
Through the FISS	1,339	1,588	1,865	1,863	1,713
<i>Initial assessment conducted on food incidents identified</i>					
Through the FISS	1,339	1,588	1,865	1,863	1,713
<i>Risk management actions taken</i> (Note 2)					
Contacting authorities for further information	298	59	103	274	232
Contacting local trade and checking local sales	96	78	67	222	201
Issuing Food Incident Post	169	16	6	183	176
Issuing press release	14	50	53	42	41
Issuing trade alert	287	62	32	32	29
Conducting food recall exercise	6	4	5	13	23

Source: Audit enquiries and CFS records

Note 1: During the course of this audit review, Audit enquired about the number of food incidents identified through investigating food complaints and through following up other FSP projects (see para. 4.2(a)(ii)). The CFS informed Audit in October 2018 that the management of food complaints, the FSP and the FISS were separate systems in the CFS. Nevertheless, the same risk management actions (see para. 4.2(b)) might be implemented, if necessary, for unsatisfactory testing results of samples collected under food complaints or the FSP.

Note 2: Multiple risk management actions might be taken for a single food incident.

Long time had elapsed before unsatisfactory testing results were publicised

4.4 According to the CFS, for unsatisfactory testing results of samples collected under food complaints or the FSP, risk management actions (see para. 4.2(b)) might be implemented if necessary (see also Note 1 to Table 7 in para. 4.3). The CFS's records indicated that, in 2017, investigation of food complaints and FSP projects had resulted in 106 cases of which the testing of food samples was found to be unsatisfactory. The records also indicated that it was the CFS's practice to publicise the unsatisfactory testing results.

4.5 Audit noted that, in some of the 106 cases (see para. 4.4), the time taken between the collection of food samples in the first instance and the subsequent publicising of unsatisfactory testing results (i.e. issuing of press releases/food alerts) was long (e.g. more than 60 days). The time taken averaged 19 days, ranging from 1 to 88 days (see Table 8).

Table 8

**Time taken between collection of food samples
and publicising of unsatisfactory testing results
(2017)**

Time taken (No. of days)	No. of cases
1 to 5	33
6 to 10	18
11 to 20	13
21 to 30	21
31 to 60	16
61 to 88	4
Not publicised (Note)	1
Total	106

Source: Audit analysis of CFS records

Note: According to the CFS, the sample in question involved milk imported from a European country. The milk fat of the sample was below the legal requirement. Since the brand was newly introduced into Hong Kong and the product concerned was the first consignment imported, under the CFS's hold and test arrangement (i.e. newly imported consignments were only released after the results of relevant laboratory tests were found to be satisfactory), no such product had ever been made available for sale in the market. The case hence posed no health concern. The CFS therefore did not issue a press release to publicise the unsatisfactory testing result.

Need for expediting procedures

4.6 According to the CFS's guidelines, in managing food incidents, two types of food samples are involved:

- (a) ***Surveillance samples.*** Food samples are taken through ordinary purchase under the FSP. Such samples help monitor food safety and serve to identify targets for enforcement sampling (see (b) below); and

- (b) ***Enforcement samples.*** The CFS exercises the power to take samples for analysis as conferred by the Public Health and Municipal Services Ordinance. Under this option, the vendor or manufacturer is informed of the purpose of sampling and that unsatisfactory results of enforcement sampling would result in prosecution.

4.7 Audit noted that, in the 106 cases (see para. 4.5), the long time taken to publicise the unsatisfactory results for some cases was due to the substantial time taken in testing food samples (see Case 7), and/or the delay in publicising the results after the completion of food sample testing (see Case 8).

Case 7

Long time taken in testing food samples (2017)

1. On 4 September 2017, the CFS took food samples under its FSP. A surveillance sample of dried Chinese white cabbage was taken from a stall in Ngau Tau Kok Market for testing.
2. During 6 September to 22 September 2017, there was an unexpected instrument failure at the laboratory. Testing of the surveillance sample was scheduled to be conducted at the end of October 2017.
3. On 30 November 2017, the CFS received unsatisfactory testing results from the laboratory, which indicated that the surveillance sample contained sudan dyes (chemical substances not permitted for use in foods).
4. On 1 December 2017, the CFS issued a press release of the unsatisfactory testing results.

Audit comments

5. When the CFS received the testing results on 30 November 2017, a long time (87 days) had elapsed since the sample was taken on 4 September 2017 (see PART 3 of this Audit Report for audit observations on the turnaround time of sample testing). After such a long lapse of time, the problem food concerned had already been sold out (Note) and might have been consumed by the public.

Source: Audit analysis of CFS records

Note: The CFS intended to take enforcement samples for follow-up actions. However, the problem food concerned had already been sold out. In the circumstances, the CFS closed the case.

Case 8

Delay in publicising unsatisfactory results after completion of sample testing (2017)

1. The CFS received a food complaint about mud crabs sold at a market stall. On 15 December 2016, the CFS took a surveillance sample of mud crabs in question from the market stall.

2. On 30 December 2016, 15 days after taking the surveillance sample, the CFS received unsatisfactory testing results of the sample from the laboratory. The results indicated that the sample contained a veterinary drug which was prohibited by the Harmful Substances in Food Regulations (Cap. 132AF). However, the CFS did not publicise the unsatisfactory testing results at this moment.

3. On 10 February 2017, 42 days after receiving the testing results of the surveillance sample, the CFS publicised the unsatisfactory testing results through a press release (Note).

Audit comments

4. The unsatisfactory testing results were not publicised until a long time (42 days) had elapsed since the testing results were received. CFS records did not indicate the reasons for the delay.

Source: Audit analysis of CFS records

Note: Also on 10 February 2017, the CFS took an enforcement sample (see Case 9 in para. 4.20).

Need to better monitor recall of foods

4.8 The 23 food recall exercises in 2017 (see Table 7 of para. 4.3) were conducted voluntarily by traders in response to the food incidents identified through the FISS (Note 35). According to the CFS's guidelines, in a voluntary recall exercise, the Government's role is to monitor the progress of the recall exercise. The guidelines state that:

- (a) at the request of the CFS, the trader concerned should provide reports at regular intervals giving essential information (e.g. results of the recall and method of disposal — Note 36); and
- (b) the effectiveness of a recall exercise is assessed by the amount of product which has returned as a percentage of the amount of product which left the manufacturer (i.e. the manufacturer's food for sale in Hong Kong), while taking into account the retail turnover of the product.

4.9 Audit examined the records of the 23 recall exercises and noted that the exercises were not entirely effective (see para. 4.8(b) for definition of effectiveness). On the whole, 51% (by quantity) of the products which had left the manufacturers were not returned in the 23 exercises. Table 9 shows that the return percentages in the exercises ranged from 0% (i.e. none) to 100%.

Note 35: *In cases where traders refuse to recall the food voluntarily, the CFS could order a recall. Under the Food Safety Ordinance, the Director of Food and Environmental Hygiene is empowered to make a food safety order for the protection of public health. The order may direct any food supplied be recalled, impounded, isolated, destroyed or otherwise disposed of.*

Note 36: *The essential information includes circumstances leading to the recall, action taken by the trader, extent of distribution of the relevant batch of food, results of the recall (e.g. quantity of stock returned and outstanding), method of disposal or otherwise records of destruction for returned food, and an investigation report (e.g. proposed action to prevent a recurrence of the problem).*

Table 9**Effectiveness of 23 recall exercises
(2017)**

Percentage of product returned in the recall exercise	No. of recall exercises
0 % to < 10 %	4
10 % to < 30 %	4
30 % to < 50 %	5
50 % to < 70 %	2
70 % to < 90 %	4
90 % to 100 %	4
Total	23

Source: Audit analysis of CFS records

Remarks: The effectiveness of a recall exercise was assessed by the amount of product returned as a percentage of the amount of product which had left the manufacturer (see para. 4.8(b)).

4.10 Upon enquiry, the CFS informed Audit in October 2018 that the “completeness” of a food recall exercise depended on a host of factors. For instance, retailers might have sold out all products to end users, consumers might decide not to return the products to retailers, and depending on the food nature, some perishable foods might have been consumed shortly after purchase.

4.11 In this connection, Audit noted from the records of the 23 recall exercises that the CFS had not requested traders to provide, in accordance with the CFS’s guidelines (see para. 4.8(a)), regular reports for monitoring the effectiveness of the recall.

Need to ensure proper disposal of recalled foods

4.12 According to its guidelines, the CFS will make sure that foods recalled in voluntary exercises are properly disposed of (i.e. destroyed or suitably improved). Audit, however, noted that the guidelines had not specified the ways to ensure proper

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disposal of recalled foods. As a result, the disposal practices varied between cases. For example, some recalled foods were disposed of by traders under the supervision of CFS staff, while some were disposed of without CFS supervision (see Table 10).

Table 10
Disposal of foods in 23 recall exercises
(2017)

Disposal practice	No. of recall exercises
<i>Disposal under CFS supervision</i>	
Fully supervised by CFS staff	10 (43%)
Partly supervised by CFS staff (Note 1)	2 (9%)
Sub-total	12 (52%)
<i>Disposal without CFS supervision</i>	
Disposal conducted by traders	7 (31%)
Sub-total	7 (31%)
<i>Disposal not needed</i>	
Food sold out	3 (13%)
Food recalled but found to be in order (Note 2)	1 (4%)
Sub-total	4 (17%)
Total	23 (100%)

Source: Audit analysis of CFS records

Note 1: CFS staff supervised the disposal conducted by importers but did not supervise disposal conducted at the retail level.

Note 2: Being in order, the food was subsequently returned to the trader.

Audit recommendations

4.13 **Audit has *recommended* that the Director of Food and Environmental Hygiene should:**

- (a) **closely monitor the time taken between taking food samples and publicising unsatisfactory testing results of the samples, and take necessary measures (e.g. expediting procedures) to minimise the time taken;**
- (b) **look into any delay in publicising unsatisfactory testing results after the completion of food sample testing, and take measures to prevent recurrence of delay in future;**
- (c) **request traders to provide reports for monitoring the progress of food recall exercises, having regard to the requirements of the CFS's guidelines;**
- (d) **closely monitor the effectiveness of food recall exercises and take measures to improve the effectiveness as appropriate; and**
- (e) **provide staff with guidelines on the proper disposal of recalled foods.**

Response from the Government

4.14 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that:

- (a) the CFS will monitor the time taken between taking food samples and publicising unsatisfactory testing results of the samples, and take necessary measures to minimise the time taken. In general, upon confirmation of the unsatisfactory results, a public announcement would be made promptly, usually within 24 hours;
- (b) the CFS will request the traders to provide regular progress reports on food recall exercises according to the CFS's guidelines and monitor the effectiveness of food recall exercises; and

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- (c) the CFS has reminded staff about the proper documentation and disposal of recalled foods. A guideline will be prepared.

Management of food complaints

4.15 According to the CFS's guidelines on food complaints, food complaints lodged with the FEHD are, in the first place, handled by responsible offices of the districts concerned (i.e. district environmental hygiene offices — Note 37). These offices then forward the complaints to the CFS for investigation. In 2017, 5,569 food complaints were forwarded to the CFS (see Table 11).

Table 11

**Food complaints forwarded to the CFS
(2017)**

Type of food complaints	No. of complaints	
Unwholesome food	2,606 (47 %)	
Deteriorated food	733 (13 %)	} (38 %)
Body parts/excreta of animals or insects in food	653 (11 %)	
Foreign substances in food	493 (9 %)	
Chemical in food	271 (5 %)	
Others (e.g. mouldy food, fake/counterfeit food, and sale of food beyond the expiry date)	813 (15 %)	
Total	5,569 (100 %)	

Source: Audit analysis of CFS records

Note 37: *The FEHD has 19 district environmental hygiene offices which are located on the Hong Kong Island and outlying islands (5 offices), in Kowloon (6 offices) and in the New Territories (8 offices).*

Need to compile regular management information

4.16 From 2014 to 2017, the number of food complaints forwarded to the CFS increased by 30% (1,275 complaints) from 4,294 (2014) to 5,569 (2017). Audit noted that the increase in certain types of complaints was particularly high. For example, there were 188% increase in “fake/counterfeit food”, 93% increase in “deteriorated food” and 77% increase in “body parts/excreta of animals or insects in food” (see Table 12).

Table 12

**Food complaints forwarded to the CFS
(2014 to 2017)**

Type of food complaints	No. of complaints				Increase in no. of complaints between 2014 and 2017
	2014	2015	2016	2017	
All	4,294	4,696	4,904	5,569	1,275 (30%)
<i>Examples of individual type of food complaints</i>					
Fake/counterfeit food	41	24	13	118	77 (188%)
Deteriorated food	380	611	573	733	353 (93%)
Body parts/excreta of animals or insects in food	368	509	583	653	285 (77%)

Source: Audit analysis of CFS records

4.17 Upon enquiry, the CFS informed Audit in late September 2018 that the year-to-year increase in the number of complaints was gradual. Moreover, for some types of food complaints, the increase was sporadic and some complaints were lodged from habitual complainants.

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4.18 While noting the CFS's explanations given in paragraph 4.17, Audit also notes that food complaints are a source of information for identifying food incidents (see para. 4.2(a)(ii)). In Audit's view, systematic analysis of food complaints would help provide useful information for monitoring food complaints and surveillance of food safety. In this regard, Audit noted that it was not the practice of the CFS to compile regular management information on food complaints. For example, there was a lack of management information on:

- (a) types of foods complained about;
- (b) countries of origins of the foods under complaint; and
- (c) blackspots (e.g. outlets whose foods had repeatedly been complained about).

The CFS may consider compiling regular management information on some or all of the above areas as appropriate.

Long time taken for completing investigation of some food complaints

4.19 For the 5,569 complaint cases handled in 2017 (see para. 4.15), Audit analysed the time lag between the complaint dates and the CFS's eventual closing of the complaint cases. Audit found that in some cases the time lag was long. For example, in 3,389 (61%) cases, the time lag was more than 30 days, including 38 (1%) cases where the time lag was more than 240 days (see Table 13).

Table 13

**Time taken to close complaint cases
(2017)**

Time lag between date of complaint and eventual closing of the case (Note 1) (No. of days)	No. of complaint cases
0 to 30	2,105 (38%)
31 to 60	792 (14%)
61 to 90	628 (11%)
91 to 120	443 (8%)
121 to 150	383 (7%)
151 to 180	523 (9%)
181 to 240	582 (11%)
241 to 569	38 (1%)
Unknown (Note 2)	75 (1%)
Total	5,569 (100%)

3,389
(61%)

Source: Audit analysis of CFS records

Note 1: According to the CFS, if enforcement action was taken following investigation of a food complaint, the case would not be closed until after the completion of prosecution proceedings.

Note 2: Related records could not be located by the CFS for Audit's examination.

Remarks: According to the CFS's guidelines on food complaints, the CFS shall give interim reply to a complainant within 10 calendar days upon receipt of the complaint. If the complaint case is still outstanding, progress reply shall be given to the complainant every 30 calendar days until the final reply is given.

Need to expedite investigation of complaints

4.20 The long time taken to investigate and close some complaint cases (see Table 13 above) was not conducive to ensuring food safety. Case 9 shows, as an example, that there is scope for expediting the investigation of complaints.

Case 9**Investigation of a food complaint case
(2017)**

1. This is the complaint case about mud crabs mentioned in Case 8 in paragraph 4.7. Further details are given below to illustrate the time taken to investigate the case:

Date	Event
18 August 2016	The district environmental hygiene office concerned received the complaint.
15 December 2016	119 days after the complaint was received, the CFS took a surveillance sample of the mud crabs from the market stall.
30 December 2016	The CFS received unsatisfactory testing results of the surveillance sample from the laboratory. The results indicated the presence of a prohibited veterinary drug.
10 February 2017	42 days after receiving the testing results of the surveillance sample, the CFS took an enforcement sample from the same market stall with a view to collecting further evidence to institute prosecution. (At the same time, the CFS publicised the unsatisfactory testing results of the surveillance sample — see Case 8 in para. 4.7).
14 February 2017	The testing results of the enforcement sample were available and found satisfactory. According to the CFS's records, the enforcement sample was taken from another batch of mud crabs as the original batch was no longer available for resampling as it had been sold out. The CFS completed the investigation.

Audit comments

2. The surveillance sample of the mud crabs was not taken until it was 119 days after the complaint was received. The enforcement sample was also not taken until it was 42 days after receiving the testing results of the surveillance sample.

Source: Audit analysis of CFS records

Management of food incidents and complaints

4.21 Audit further noted that under the Magistrates Ordinance (Cap. 227), information about a food offence has to be laid in the court within six months from the date of offence (Note 38). Audit considers that the CFS should closely monitor and expedite the time taken to complete investigation of food complaints.

4.22 In this connection, Audit noted that the CFS's guidelines on food complaints have stipulated the situations (e.g. food complaints about sushi and raw oyster) under which enforcement samples could be directly obtained (i.e. without first obtaining surveillance samples). There is a need for the CFS to review the guidelines to ensure that they adequately cover circumstances which warrant direct enforcement sampling (e.g. as in Case 9 in para. 4.20).

Audit recommendations

4.23 Audit has *recommended* that the Director of Food and Environmental Hygiene should:

- (a) **consider compiling regular management information on food complaints to facilitate monitoring of food complaints and surveillance of food safety;**
- (b) **closely monitor the time taken to complete investigation of food complaints;**
- (c) **take measures to expedite the investigation of food complaints; and**
- (d) **review the adequacy of the CFS's guidelines in stipulating situations under which enforcement samples could be directly obtained for testing.**

Note 38: *According to the Magistrates Ordinance, in any case of an offence, other than an indictable offence, where no time is limited by any enactment for making any complaint or laying any information in respect of such offence, such complaint shall be made or such information shall be laid within six months from the time when the matter of such complaint or information respectively arose.*

Response from the Government

4.24 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that:

- (a) the CFS has been using its food complaint database for monitoring possible food incidents and surveillance of food safety. The existing database facilitates data search for types of foods being complained about and outlets where there were repeated food complaints. In addition, the CFS has set up since mid-2015 an internal panel led by a directorate officer to provide prompt and professional advice on the handling of more complicated food complaint cases. The CFS would continue to strengthen the role of this panel;
- (b) the FEHD has reviewed the operational guidelines to set out the time frame for officers to follow up with the complainant to collect his statement or declaration and document the follow-up actions. The guidelines have been promulgated to all relevant staff for observance since early October 2018;
- (c) the CFS already revised relevant guidelines in May 2018, so that the enforcement sample would be obtained right away in case of anticipated difficulties in identifying similar products during the follow-up; and
- (d) briefing will be arranged for staff, particularly newcomers, on the operation manual and guidelines. In addition, the CFS has enhanced supervision to ensure compliance with the guidelines.

PART 5: COMMUNICATING WITH THE PUBLIC ON FOOD SAFETY RISKS

5.1 This PART examines the CFS's communication with the public on food safety risks, focusing on the following areas:

- (a) communication matters (paras. 5.2 to 5.12); and
- (b) charters on food safety (paras. 5.13 to 5.17).

Communication matters

5.2 For managing food safety, the main objective of risk communication is to increase understanding among stakeholders and help them make more informed judgements about food safety issues. The key channels which the CFS uses to communicate with the public and the trade on food safety matters are:

- (a) ***Internet and social media.*** The CFS has set up a website (the CFS website) for publishing food safety information and communicating with the public. It has also set up an application for mobile device users to visit an abridged version of the CFS website. In light of the popularity of social media, the CFS has further set up dedicated social media platforms (e.g. the CFS Facebook page) for better communication with the public on various topical food safety issues in a timely manner;
- (b) ***Publications.*** The CFS produces various topical or periodic publications, including electronic and printed publications, to inform and advise different stakeholders;
- (c) ***Forums for stakeholders.*** The CFS provides forums for the public (i.e. the Consumer Liaison Group) and the trade (i.e. the Trade Consultation Forum) to express their views on food safety matters; and
- (d) ***Talks and exhibitions.*** The CFS regularly delivers talks to the public, the trade and schools. It also holds exhibitions on food safety.

Need to better communicate official advice to the public

5.3 Besides the CFS, other organisations (e.g. the CC and universities) also conduct food studies. Audit examined 7 food studies on harmful substances published in January 2017 to June 2018 by two of these organisations. The findings of these studies were matters of public concern (e.g. contaminants and heavy metals detected in foods). Audit found that the CFS, in response to the study findings, had posted messages on its Facebook page and/or articles on its website (see Table 14). The messages and articles provided the public with the CFS's views and advice on the matters. However, the CFS had not issued press releases to further publicise its views and advice.

Table 14

Seven food studies conducted by other organisations
(January 2017 to June 2018)

Subject matter (month and year of publishing study)	Harmful substances detected	CFS's response	
		Posted on Facebook page (Note 1)	Posted on website (Note 2)
1. Heavy metals in vegetables (February 2017)	Heavy metals with concentrations within legal limits (However, the concentration of cadmium was on the high side.)	✓	
2. Luncheon meat and canned sausages (June 2017)	Veterinary drug residues	✓	✓
3. Cooking oils (July 2017)	Contaminants	✓	
4. Pre-packaged chilled fruit juices (October 2017)	A contaminant	✓	✓
5. Heavy metals in rice (February 2018)	Heavy metals with concentrations within legal limits (However, the concentration of arsenic was on the high side.)	✓	
6. Pesticides in vegetables (March 2018)	Pesticide residues with concentrations mostly within the legal limits (However, for some samples, the concentrations of some pesticide residues exceeded the legal limits.)	✓	
7. Butter, margarine and related products (April 2018)	Contaminants	✓	✓

Source: Websites of the organisations and CFS records

Note 1: The CFS posted a message on the subject matter on the CFS Facebook page.

Note 2: The CFS posted an article on the subject matter in its monthly publication "Food Safety Focus" on the CFS website.

5.4 In late September 2018, the CFS informed Audit that, besides providing views and advice in response to other organisations' food studies, the CFS also proactively informed the public and provided appropriate advice from time to time, depending on the public health significance and public concern of the issue involved.

5.5 In Audit's view, a press release is a key and effective means of communicating the CFS's views and advice to the public. The provision of official views and advice through a press release is important because:

- (a) the CFS is the authority responsible for food safety in Hong Kong. It would be the CFS's duty to communicate relevant information (e.g. official views and advice) to the public on food safety issues revealed by studies in the public domain;
- (b) through provision of its official views and advice to the public, the CFS could help clarify any misunderstanding the public may have on the food safety issues (e.g. their gravity);
- (c) according to its objective, risk communication is to ensure that the public will better understand food safety issues for making more informed judgements (see para. 5.2). This would call for action to be taken by the CFS on (a) and (b) above; and
- (d) the findings of food studies conducted by other organisations are often publicised through the press media, with a wide audience. In contrast, the CFS's current practice (i.e. providing views and advice through its Facebook page and website, without making use of press releases) would limit the spectrum and size of audience, which may also undermine the effectiveness of its communication with the public.

Need to enable viewing of talks on the Internet

5.6 The CFS delivers talks to the public, the trade and schools (see para. 5.2(d)). During the period 2013 to 2017, the number of talks organised for the public had decreased by 34% while the number of attendees had decreased by 28%. For the trade, the number of talks had decreased by 24% while the number of

Communicating with the public on food safety risks

attendees had decreased by 26%. The number of talks organised for schools generally remained stable (i.e. in the range of 70 to 73). Table 15 shows the details.

Table 15

**Food safety talks delivered by the CFS
(2013 to 2017)**

Food safety talk		2013	2014	2015	2016	2017	Percentage increase/ (decrease) between 2013 and 2017
For the public	No. of talks	73	50	55	44	48	(34%)
	No. of attendees	3,692	2,403	3,630	2,192	2,669	(28%)
For the trade	No. of talks	59	78	62	56	45	(24%)
	No. of attendees	2,474	3,355	2,575	1,841	1,820	(26%)
For schools	No. of talks	73	72	70	72	70	(4%)
	No. of attendees	11,850	13,010	14,791	16,951	14,996	27%
Overall	No. of talks	205	200	187	172	163	(20%)
	No. of attendees	18,016	18,768	20,996	20,984	19,485	8%

Source: Audit analysis of CFS records

5.7 Upon enquiry, the CFS in August 2018 informed Audit that the public's habits of obtaining information had been changing from relying on traditional means (e.g. attending talks and reading printed materials) to accessing online information through computers and mobile devices. This accounted for the decrease in the number of talks. In this connection, Audit noted that the CFS had not made arrangements to facilitate people viewing its talks on the Internet (e.g. online broadcasting and placing recorded talks on the Internet).

Need to improve attendance at food safety exhibitions

5.8 According to the CFS's records, the CFS holds three types of exhibitions on food safety:

- (a) ***Standing exhibitions.*** They are held at the FEHD's Health Education Exhibition and Resource Centre. The centre is open to the public all year round except Mondays, Thursdays and public holidays;
- (b) ***Roving exhibitions.*** They are held once a week at venues located across the territory (e.g. FEHD markets, government buildings and shopping malls); and
- (c) ***Community organisation exhibitions.*** The CFS loans exhibition boards and materials to community organisations for them to hold exhibitions.

5.9 During the period 2013 to 2017, the total number of attendees at food safety exhibitions had decreased by 11%. For the roving exhibitions, a 52% decrease in the number of attendees was recorded (see Table 16).

Table 16

**Food safety exhibitions
(2013 to 2017)**

Exhibition		2013	2014	2015	2016	2017	Percentage increase/ (decrease) between 2013 and 2017
Standing exhibitions	No. of attendees	108,479	111,284	112,287	102,586	93,724	(14%)
Roving exhibitions (Note)	No. of exhibitions	141	136	149	150	150	6%
	No. of attendees	30,750	26,540	21,173	18,597	14,895	(52%)
Community organisation exhibitions	No. of exhibitions	24	9	12	11	13	(46%)
	No. of attendees	11,416	29,319	5,463	6,020	25,800	126%
Overall	No. of attendees	150,645	167,143	138,923	127,203	134,419	(11%)

Source: Audit analysis of CFS records

Note: Each roving exhibition covered three topics (e.g. prevention of cross-contamination and natural toxins). The numbers of exhibitions and attendees were counted on a per topic basis. Therefore, for a roving exhibition with 100 attendees, since there were 3 topics, the numbers of exhibitions and attendees were counted as 3 and 300 respectively.

5.10 Audit considers that there is a need for the CFS to take measures to improve attendance at food safety exhibitions. In this regard, Audit noted that the opening hours of roving exhibitions were not entirely convenient to the public. Roving exhibitions were held only on weekdays from 10:00 a.m. to 4:00 p.m. There was room for better facilitating attendance by people who were engaged on weekdays (e.g. most employees and students).

Audit recommendations

5.11 Audit has *recommended* that the Director of Food and Environmental Hygiene should:

- (a) regarding findings of other organisations' food studies published in the public domain, keep in view the need for the CFS to offer its official views and advice through the most appropriate means, taking into account relevant factors such as public concern and gravity of the matter;
- (b) make arrangements for viewing of the CFS's food safety talks on the Internet; and
- (c) closely monitor the attendance at food safety exhibitions and take necessary measures (e.g. enhancing publicity and improving exhibition hours) to improve the attendance.

Response from the Government

5.12 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that:

- (a) the CFS agrees that it should provide food safety advice to the public on issues of public concern to help the public understand the gravity of the problem or otherwise and/or clarify any misunderstanding arising from the third party's food studies. However, the CFS considers that the means or channels to furnish such advice and information should be subject to individual circumstances and merits of individual cases. Depending on the public health significance of the issues, the CFS seeks to communicate its views and advice to members of the public proactively in a timely manner, though not necessarily in the form of a press release, but often through diversified channels including its website, the social media and publications. The CFS respects academics' and the CC's efforts in conducting food safety related studies, and considers that a press release is only one of the means for the CFS to convey its advice to the general public. As a matter of fact, issuing the CFS's advice through the social media may often attract more public attention;

- (b) the CFS has been all along providing food safety education and publicity materials through various channels including electronic means and multimedia. The CFS will enrich its multimedia materials on the Internet; and
- (c) with the increasing popularity of the use of mobile devices and social media as a means of communication, the CFS has been putting more efforts in communicating with members of the public through this means in recent years. On food safety exhibitions, the CFS will adopt more flexible exhibition hours and enhance publicity as appropriate.

Charters on food safety

5.13 According to the CFS's records, the CFS has implemented the following two charters to promote food safety:

- (a) ***Food Safety Charter.*** The charter was introduced in 2008. It aims to provide facilitation for the trade to incorporate food safety measures in day-to-day practices, and to promote the "Five Keys to Food Safety" (Note 39). Signatories (e.g. restaurants and food production premises participating in the charter) should be committed to providing safe and healthier foods by making reference to the CFS's guidelines, keeping updated on food safety development and enhancing food safety. Signatories should fulfill their commitments by providing training to staff and developing practice guidelines; and
- (b) ***"Reduce Salt, Sugar, Oil. We Do" Charter.*** The charter was introduced in December 2014. It aims to call for the active participation of Food Safety Charter signatories to help members of the public reduce the intake of salt, sugar and oil when dining out. Signatories should make reference to the CFS's "Trade Guidelines for Reducing Sodium in Foods" and "Trade Guidelines for Reducing Sugars and Fats in Foods" in preparing foods, and

Note 39: *The Five Keys to Food Safety are the five simple and effective keys advocated by the WHO to prevent foodborne diseases. They are "Choose" (choose safe raw materials), "Clean" (keep hands and utensils clean), "Separate" (separate raw and cooked food), "Cook" (cook thoroughly) and "Safe Temperature" (keep food at safe temperature).*

should encourage patrons to make requests for foods prepared with less salt, sugar or oil.

Scope for improving implementation of charters

5.14 Audit noted that implementation of the charters was less than satisfactory:

- (a) ***Limited number of signatories.*** For the Food Safety Charter, the number of signatories had decreased from 2,000 in 2012 to 1,800 in 2015, and then to 1,400 in 2018 which accounted for about 5% of the number of all food premises (Note 40). For the “Reduce Salt, Sugar, Oil. We Do” Charter, the number of signatories had remained at 37 (Note 41) in recent years. The limited numbers of signatories might undermine the effectiveness of the charters;
- (b) ***Promotion of the charters could be improved.*** For example, while a function for searching signatories was provided in the CFS mobile application for the Food Safety Charter, a similar function was not provided for the “Reduce Salt, Sugar, Oil. We Do” Charter; and
- (c) ***Performance of signatories required monitoring.*** Audit randomly selected 9 signatories (Note 42) of the Food Safety Charter for visits, and found that:
 - (i) 2 signatories were no longer in business; and
 - (ii) of the remaining 7 signatories, only 3 displayed the charter’s certificate or stickers as required under the charter.

Note 40: *The 1,400 signatories had signed the charter for a term of three years (i.e. 2016 to 2018). As at 31 December 2017, according to the CFS’s records, there were about 25,900 licensed food premises (e.g. bakeries, restaurants and food factories).*

Note 41: *The 37 signatories included 15 chain bakeries and 14 chain restaurants.*

Note 42: *The 9 signatories were selected from 3 districts, located in Hong Kong, Kowloon and the New Territories.*

5.15 As at 31 August 2018, the CFS had implemented the Food Safety Charter for more than 10 years and the “Reduce Salt, Sugar, Oil. We Do” Charter for more than 3 years. No reviews, however, had been conducted on the implementation of the charters.

Audit recommendation

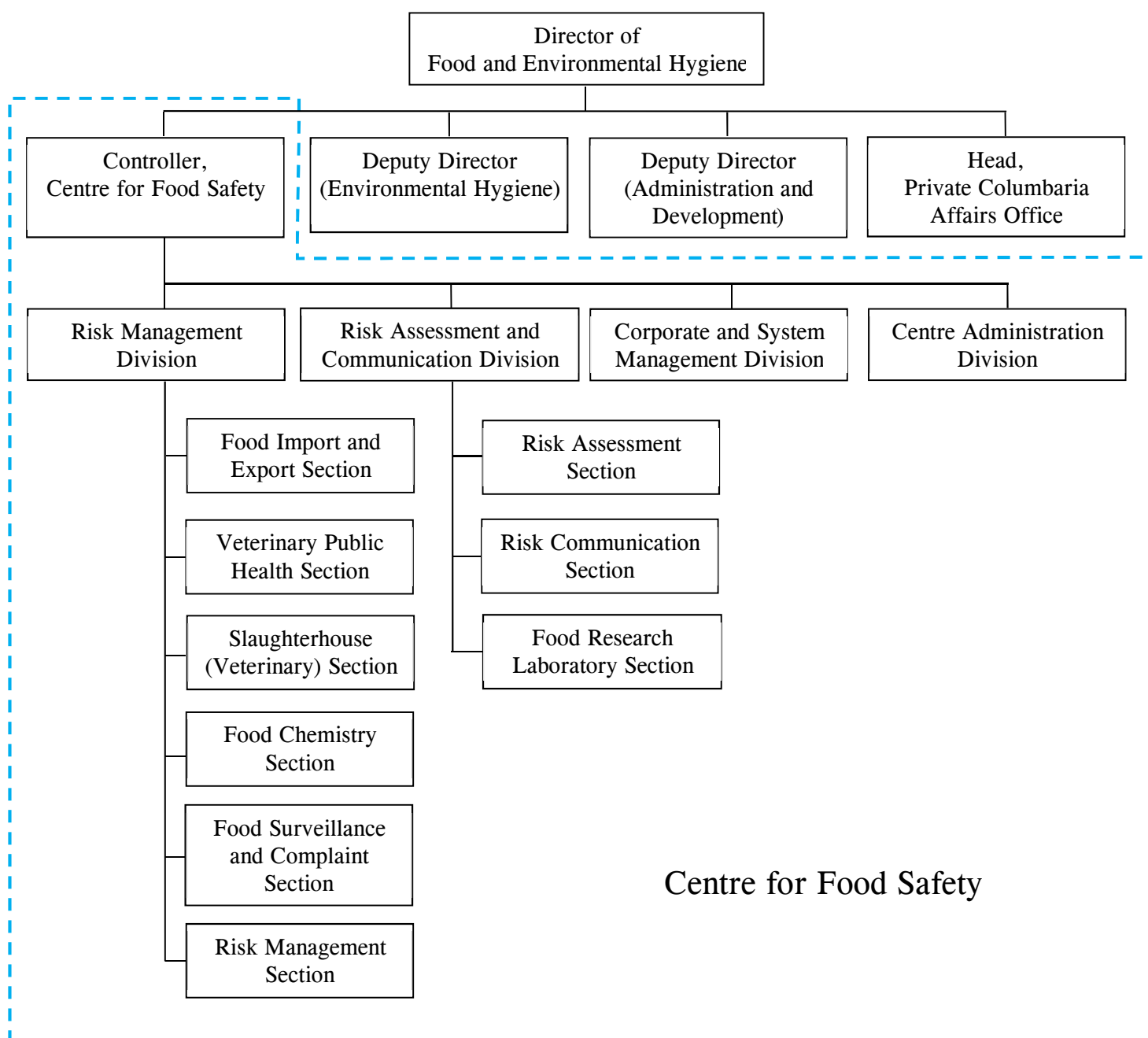
5.16 Audit has *recommended* that the Director of Food and Environmental Hygiene should, taking into account the audit observations (see para. 5.14), conduct a review of the two charters on food safety.

Response from the Government

5.17 The Director of Food and Environmental Hygiene agrees with the audit recommendation. She has said that:

- (a) while the Food Safety Charter is a voluntary scheme and part of the CFS’s public education initiatives for promoting food safety among the trade, food safety is upheld in food premises also by licensing requirements and inspection by the FEHD. The CFS will continue to endeavour to promote the Food Safety Charter to members of the food trade; and
- (b) as for the “Reduce Salt, Sugar, Oil. We Do” Charter, the CFS agrees that there is room for improvement in sustaining the momentum of soliciting more restaurants and food production premises to support salt and sugar reduction. It is also important to publicise more widely those restaurants which have supported the CFS’s call for salt and sugar reduction. Having reviewed the implementation of the “Reduce Salt, Sugar, Oil. We Do” Charter, the Food and Health Bureau and the CFS are launching new initiatives to more proactively enlist the support of the trade to provide more food/dishes with reduced salt and/or sugar, or to welcome customers’ requests for reduction of salt and/or sugar in food when placing orders. The CFS has started these new initiatives in recent months and expects to see more positive feedback from the trade.

**Food and Environmental Hygiene Department:
Organisation chart (extract)
(30 June 2018)**



Source: FEHD records

**Subsidiary legislation of
the Public Health and Municipal Services Ordinance**

- (a) Colouring Matter in Food Regulations (Cap. 132H)
- (b) Dried Milk Regulations (Cap. 132R)
- (c) Sweeteners in Food Regulations (Cap. 132U)
- (d) Food Adulteration (Metallic Contamination) Regulations (Cap. 132V)
- (e) Food and Drugs (Composition and Labelling) Regulations (Cap. 132W)
- (f) Frozen Confections Regulation (Cap. 132AC)
- (g) Harmful Substances in Food Regulations (Cap. 132AF)
- (h) Imported Game, Meat, Poultry and Eggs Regulations (Cap. 132AK)
- (i) Milk Regulation (Cap. 132AQ)
- (j) Mineral Oil in Food Regulations (Cap. 132AR)
- (k) Preservatives in Food Regulation (Cap. 132BD)
- (l) Slaughterhouses Regulation (Cap. 132BU)
- (m) Pesticide Residues in Food Regulation (Cap. 132CM)

Acronyms and abbreviations

Audit	Audit Commission
CC	Consumer Council
CFS	Centre for Food Safety
FCSs	Food consumption surveys
FEHD	Food and Environmental Hygiene Department
FISS	Food Incidents Surveillance System
FSP	Food Surveillance Programme
MRLs	Maximum residue limits
TDSs	Total diet studies
RASs	Risk assessment studies
WHO	World Health Organization

CHAPTER 2

Food and Environmental Hygiene Department

<p>Centre for Food Safety: Import control of foods</p>

**Audit Commission
Hong Kong
30 October 2018**

This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.

Report No. 71 of the Director of Audit contains 10 Chapters which are available on our website at <https://www.aud.gov.hk>

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CENTRE FOR FOOD SAFETY: IMPORT CONTROL OF FOODS

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CENTRE FOR FOOD SAFETY: IMPORT CONTROL OF FOODS

Executive Summary

1. In 2017, over 90% of foods for human consumption in Hong Kong were imported. According to the Census and Statistics Department's published trade statistics, the total value of imported foods in the year was \$205,351 million. The Food and Environmental Hygiene Department (FEHD) has the mission of ensuring that food for sale in Hong Kong is safe and fit for consumption. In May 2006, the Centre for Food Safety (CFS) was established under the FEHD to control food safety in Hong Kong. The CFS works under the legal framework of two Ordinances:

- (a) the Public Health and Municipal Services Ordinance (Cap. 132) and its subsidiary legislation require that food intended for sale should be fit for human consumption. It covers general protection for food purchasers, offences in connection with sale of unfit food and adulterated food, and seizure and destruction of unfit food; and
- (b) the Food Safety Ordinance (Cap. 612) provides additional food safety control measures, such as and in particular a registration scheme for food importers/distributors.

In September 2006, the CFS set up the Expert Committee on Food Safety (the Expert Committee) which is tasked with advising the Director of Food and Environmental Hygiene on matters such as food safety operational strategies and measures.

2. The CFS adopts a risk-based approach to food safety control and works in the following areas:

- (a) ***Risk assessment.*** Food hazards (i.e. microbiological, chemical and radiological hazards) are evaluated and potential risks to the population are assessed, thereby facilitating formulation of appropriate risk management actions (see (b) below) and risk communication messages (see (c) below) to protect public health;

Executive Summary

- (b) **Risk management.** Through food control offices set up across the territory, the CFS carries out import control of foods (e.g. inspecting imported foods). Through the Food Surveillance Programme, the CFS takes food samples at import, wholesale and retail levels for testing. The CFS also manages local and overseas food incidents, and handles food complaints in the territory; and
 - (c) **Risk communication.** The CFS organises various programmes to promote food safety (e.g. communication forums) and disseminates information on food safety to the public through different communication channels (e.g. on its website, social media platforms and publications).
3. In 2013-14 to 2017-18, the CFS's expenditure had increased by 32% from \$448 million to \$592 million. In this period, the CFS spent more than 50% of its annual expenditure on import control of foods and live food animals (for simplicity, unless otherwise stated, hereinafter foods and live food animals are collectively referred to as foods). According to the FEHD, as over 90% of the food supply in Hong Kong is imported, import control is of paramount importance to ensuring food safety in Hong Kong and control at source is increasingly recognised as an effective control mode in food safety. Control at source includes, for example, requiring the presence of health certificates issued by overseas authorities for import of foods, and allowing only live food animals from approved farms to enter into Hong Kong.
4. For the purpose of import control of foods, imported foods are broadly classified into two types:
- (a) **High-risk foods.** The CFS considers that certain foods, such as frozen meat, frozen poultry, chilled meat and chilled poultry, prohibited meat (e.g. meat comprising the wall of the thorax or abdomen), game, eggs, milk and frozen confections, livestock, live poultry, and aquatic products, pose higher food safety risks as they are easily perishable and more likely subject to risk of pathogens. Specific import documents (i.e. a health certificate or a certificate of country of origin issued by a recognised authority of the exporting economy, and/or an import licence and/or an import permission issued by the FEHD) are required for the import of high-risk foods into Hong Kong. An import licence covers the import of a single food consignment and is valid for a period of six weeks, while an import

Executive Summary

permission covers the import of multiple food consignments and is valid for a period of six months; and

- (b) ***Other imported foods.*** These foods refer to foods other than those mentioned in (a) above (e.g. beverages, cereals, fruits and vegetables). Health certificates or import licences or import permissions are not required under the law. Administrative arrangements may be agreed with relevant regulatory authorities of the place of origin for certain food types (e.g. freshwater aquatic products and vegetables) to better ensure food safety and public health.

5. The Audit Commission (Audit) has recently conducted a review of the CFS's management and control of food safety. The findings are contained in this Audit Report and in "CFS: Management of food safety" (Chapter 1 of the Director of Audit's Report No. 71). This Audit Report reviews matters relating to the control of foods imported by air, road and sea, control of live food animals and live aquatic products, registration and inspection of food traders, and other issues relating to import control of foods and way forward.

Control of foods imported by air, road and sea

6. To ensure the safety of imported foods, the CFS has established procedures for controlling the import of foods via air, road and sea. For imported food consignments, the CFS staff of food control offices located at air, road and sea borders: (a) check the import documents of the consignments; (b) on a sample basis, conduct on-the-spot physical inspection of the consignments; (c) collect food samples for laboratory tests under the Food Surveillance Programme; (d) conduct radiation tests; and (e) input the information on the consignments into the Food Import Control System (FICS). After the satisfactory completion of the above procedures, the consignments will be released (para. 2.2).

Control of foods imported by air

7. ***Import licences issued without submission of required supporting documents.*** According to the CFS's Operational Manual on import control of foods (Operational Manual), an import licence (see para. 4(a)) may be issued with the submission of a supporting document (i.e. an original health certificate, a photocopy

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of an original health certificate or an import permission (see para. 4(a)) by an importer. Audit examined all the import licences issued for foods imported by air in the period 25 to 31 January 2018 and found that for non-permission cases (i.e. import licences issued with the submission of original health certificates or photocopies of original health certificates), of a total of 138 import licences issued in the period, 134 (97%) licences were issued without the submission of any of the required supporting documents. According to the CFS, as trade facilitation measure, import licences may be issued without the submission of supporting documents by importers. Nevertheless, original health certificates must be submitted when food consignments are being imported into Hong Kong (see para. 8) (paras. 2.10 and 2.11).

8. *Need to review whether discretion was properly granted.* For food consignments imported by air referred from the Customs and Excise Department (C&ED), the importers will approach the Airport Food Inspection Offices (AFIOs) of the CFS and apply for the CFS's approval for release of the consignments unloaded from planes and placed at the cargo terminals of the Hong Kong International Airport. According to the CFS, food consignments can only be released after conducting the import documents checking (including the submission of original health certificates by importers) and on-the-spot physical inspections on a sample basis. Audit examined 44 food consignments imported by air in January 2018 and found that in 3 consignments, the importers were issued import licences based on submission of photocopies of health certificates (see para. 7). They, however, failed to provide the original health certificates on the spot to the AFIOs. Upon the discretionary consent of the Senior Health Inspectors, the consignments were released without physical inspections conducted by the CFS staff. Audit considers that the CFS needs to review the propriety of granting discretion by the CFS staff. Furthermore, in one of the 3 consignments, the consignment of frozen pork was released without the submission of the original Export Declaration (i.e. an import document for the import of beef, pork or mutton from a European Union (EU) country but the animal is slaughtered in another EU country) and CFS's import permission (paras. 2.4, 2.6, 2.9, 2.10 and 2.12).

9. *Inadequacies in physical inspections.* Physical inspections of the food consignments aim at ascertaining whether there is any physical deterioration of foods (e.g. bad smell, sight of moulds and spills) which may render the foods unfit for human consumption. In accompanying CFS staff in 20 physical inspections (involving 20 consignments) conducted for consignments imported by air in May and June 2018, Audit observed that: (a) in each of the 20 consignments, the CFS staff only inspected one carton of the food consignment (e.g. only one (0.1%) carton out of 831 cartons);

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and (b) in 2 consignments, the CFS staff only examined a readily accessible carton of food (placed on the top of the batch of consignment). The CFS needs to increase the extent and introduce more randomness in its conduct of physical inspections (paras. 2.2(b), 2.9 and 2.15).

10. ***Monitoring of food radiation.*** At a meeting of the Legislative Council (LegCo) Panel on Food Safety and Environmental Hygiene held in June 2018, the Food and Health Bureau (FHB) informed the Panel that the CFS had been conducting radiation tests on every consignment of food products imported from Japan. Radiation level was assessed by hand-held survey meters for every consignment. Food samples would also be taken on a risk-based approach for laboratory examination under the Contamination Monitoring System (CMS). Importers would need to wait until the CFS had conducted radiation tests on the food products, and all consignments could only be released to the market for sale after the testing results were confirmed to be satisfactory. Audit accompanied CFS staff in the conduct of 12 CMS tests (in 12 inspections) and observed that:

- (a) ***Food samples pre-selected by importers.*** In 5 out of 12 CMS tests, the food samples to be tested by the CFS were pre-selected by the importers. Audit observed that when an importer was queuing for submission of import documents for release of a food consignment by the CFS, he also lined up a box of food outside the AFIO. If the box of food was selected by the AFIO for the CMS test, he would pass the box on for the AFIO to conduct the test; and
- (b) ***Need to rationalise the practices for the conduct of CMS tests.*** CMS test procedures require that a food sample (e.g. scallops) should contain only the edible portion and weigh approximately 1 kilogram (kg). Audit observed that in all the 12 CMS tests, the CFS staff did not properly weigh the food samples but, in all cases, entered the weight of 1 kg (despite that, for example, the actual weight of the food sample was 3.37 kg) into the computer connected to the CMS machine for the CMS testing. Audit also noted in 7 CMS tests, the CFS staff had included inedible portions of food samples in the CMS tests. This might have distorted the results of the sample tests. There was therefore inadequate assurance that the CMS test results correctly measured the contamination level because the test procedures had not been properly followed by the CFS staff. For foods imported from Japan by air, the consignments were released by the AFIOs after hand-held radiation testing results were found to be satisfactory but

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before the CMS test results were available. In contrast, for foods imported from Japan by sea, consignments were released only when the CMS test results were found to be satisfactory. In late September 2018, the CFS informed Audit that given that most of the foods from Japan were of a perishable nature and the vast amount of food import from Japan was by air, to facilitate the trade, the consignments of food from Japan were released after radiation tests by the hand-held survey meter had shown satisfactory testing results only, and not having them subjected to the more elaborate CMS testing. Audit also found that, for import of foods by air, CMS tests are carried out by Health Inspectors at the AFIOs. In contrast, for import of foods by sea, food samples are delivered to the CFS's Food Chemistry Section for CMS tests carried out by Science Laboratory Technologists and Science Laboratory Technicians who are apparently more professionally competent in conducting contamination testing. The CFS needs to rationalise the practices in conducting CMS tests (paras. 2.18, 2.20, 2.21, 2.24(b) and 2.25).

Control of foods imported by road

11. *Need to enhance the monitoring of import of foods.* The Man Kam To Food Control Office (MKTFCO) handles the largest volume of foods imported by road and is the only office responsible for the inspection of consignments of certain foods (i.e. meat, poultry, eggs and vegetables) imported by road from the Mainland. Owing to the high-risk nature of foods like chilled pork, chilled poultry, chilled prohibited meat, frozen prohibited meat, chilled pigeons, eggs and milk (which are easily perishable and more likely subject to risk of pathogens), as a condition of import permissions, drivers of vehicles carrying consignments of such foods must drive their vehicles to the MKTFCO for inspection of the consignments by the CFS. Audit selected and compared, for the period from January to April 2018, the C&ED's Road Cargo System (ROCARS)'s records and the CFS inspection records and found that, of the 59 vehicles carrying such consignments, 9 vehicles had at least once evaded CFS inspection at the MKTFCO and 2 vehicles had never been driven into the MKTFCO for CFS inspection. In the morning of 27 August 2018, Audit also observed that of the 24 vehicles carrying food consignments required to be checked by the CFS at the MKTFCO, 4 vehicles carrying consignments of eggs had evaded CFS inspection at the MKTFCO (paras. 1.11(a), 2.29, 2.30, 2.32(b), 2.39 and 2.41).

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12. ***A suspected case of import without an import licence.*** Audit examined the import documents of 28 food consignments of high-risk foods that arrived at Man Kam To in January 2018. Audit found that in one consignment of frozen meat (frozen beef patties), the consignment was imported without an import licence. In this case, the CFS later sought legal advice on whether legal action could be instituted against the importer but had been advised by the Department of Justice that based on the evidence and its interview with the Health Inspector, legal action could not proceed against the importer. In July 2018, the CFS issued guidelines to prevent import without an import licence. Furthermore, in view of this case, the Department of Justice considered that there is a need to clarify the scope of the Imported Game, Meat, Poultry and Eggs Regulations (Cap. 132AK), as the CFS considers that fully cooked or flavoured meat and poultry are not under the control of the Regulations (paras. 2.36(a) and 2.46).

13. ***Release of food consignment without subjecting it to proper import procedures.*** The Mainland is Hong Kong's largest source of food supply especially with respect to foods with a premium on freshness. Since 2002, to strengthen the control of foods imported from the Mainland, the Government of the Hong Kong Special Administrative Region has entered into administrative arrangements with the Mainland to regulate foods imported into Hong Kong. According to the administrative arrangements, when transporting a consignment of certain foods (e.g. chilled meat, chilled poultry or frozen poultry), a veterinarian of the Mainland will certify on the original health certificate that the meat is fit for human consumption and mark a seal number on the health certificate. Upon arrival of the consignment at the MKTFCO, CFS staff will match the seal number shown on the original health certificate against the number of the security seal on the vehicle. Audit examined the import documents of 15 consignments of the aforesaid foods and found that 2 consignments (of frozen poultry) had been imported without seal numbers on the original health certificates (paras. 2.47 and 2.48, and Appendix D).

14. ***Inadequacies in physical inspections.*** As mentioned in paragraph 9, physical inspections of the food consignments aim at ascertaining whether there is any physical deterioration of foods which may render the foods unfit for human consumption. In accompanying the CFS staff in 18 inspections of food consignments conducted at the MKTFCO in April 2018, Audit observed how CFS staff conducted inspections and noted that: (a) in 13 inspections, the CFS only selected very small quantity of foods for physical inspections (ranging from 0.3% to 3.0%); (b) in 9 inspections, the CFS staff only opened the right doors of the vehicles carrying the consignments and examined the foods in front; and (c) in 5 inspections in which

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several types of foods were involved, only one type of food had been selected for examination (paras. 2.2(b) and 2.55).

15. ***Requirements for vehicles transporting chilled foods.*** Owing to the high-risk nature of chilled foods, only vehicles approved by the CFS are allowed to transport such foods. However, Audit examined ROCARS's records of the C&ED and the CFS's records, and found that:

- (a) ***Vehicles transporting chilled foods without approval.*** For the period January to April 2018, of the 59 vehicles transporting chilled foods to Hong Kong through Man Kam To, 14 had not been approved by the CFS. Of these 14 vehicles, 12 vehicles had entered the MKTFCO. However, the CFS staff did not notice that the vehicles had not been approved for transporting chilled foods. In the period, all the 159 consignments of chilled foods transported by these 12 vehicles had been released by the MKTFCO. Furthermore, 2 other vehicles transporting a total of two consignments in the period had evaded CFS consignment inspection at the MKTFCO; and
- (b) ***Containers not in the list of approved vehicles.*** Of the 158 approved vehicles as at 20 April 2018, 20 were container carriers. Of the 20 container carriers: (a) for 10 carriers, while the carriers had been included in the list of approved vehicles, their containers (which had been approved) had not been included in the approved list; (b) for the other 10 carriers, while the CFS had approved the carriers for carrying chilled foods, the containers of the carriers had not been approved by the CFS (paras. 2.58 to 2.60).

16. ***Collecting food samples for laboratory tests.*** Under the Food Surveillance Programme, the CFS takes food samples at import, wholesale and retail levels for microbiological, chemical and radiation tests to ensure that foods offered for sale comply with all the legal requirements and are fit for human consumption. However, there were no guidelines on the selection of food samples for laboratory tests under the Food Surveillance Programme. Of the 18 CFS inspections observed by Audit (see para. 14), in 3 inspections, the CFS staff had collected food samples for the Programme. In all the 3 inspections, the CFS staff only selected the foods placed near the doors of the vehicles (paras. 1.8(b)(ii) and 2.64).

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Control of foods imported by sea

17. *Need to sort out a discrepancy between the Operational Manual and actual inspection practices.* Most imported foods arrive by sea. For food consignments imported by sea with import licence and/or import permission, on a selective basis, CFS staff conduct import documents checking and physical inspections. According to the CFS, in general, physical inspection is conducted at importers' warehouses or privately-run cold stores. When situation warrants, physical inspection is conducted at the food inspection checkpoint located in the Kwai Chung Customhouse (KCCH checkpoint). According to the Operational Manual, the seal of the container carrying food consignments should remain intact until the consignment is cleared by CFS officers. To ensure completeness and to inhibit tampering, it is essential to confirm that the seal of the container is intact. However, Audit found that for food consignments subjected to physical inspections at warehouses or cold stores, contrary to the requirement of the Operational Manual, the seals had already been broken off by importers and the foods of the consignments had been moved to the warehouses or cold stores prior to the CFS's inspections. This could not ensure the completeness of the food consignments (paras. 1.18, 2.69, 2.77 and 2.78).

18. *Small number of food consignments examined at the KCCH checkpoint.* In a paper submitted to LegCo Panel on Food Safety and Environmental Hygiene in November 2015, the FEHD informed the Panel that in order to align the practice of monitoring of foods imported by sea with that of foods imported by air and road, the CFS had set up the KCCH checkpoint serving functions similar to those of the AFIOs and the MKTFCO. The KCCH checkpoint has commenced operation since late October 2015. For food consignments subjected to physical inspections at the KCCH checkpoint, the containers carrying the consignments are always sealed as the containers are immediately transported to the KCCH checkpoint after unloading at the Kwai Tsing Container Terminal. Audit noted that in the 32-month period from late October 2015 (date of commencement of operation of the KCCH checkpoint) to June 2018, on average, only about 1.5 inspections (for the consignments of eggs, fruits and vegetables, fish and milk) were conducted monthly. No other high-risk foods had been inspected at the KCCH checkpoint. In 2017, of the 3,616 physical inspections (involving 3,616 consignments) conducted for foods imported by sea, only 18 (0.5%) inspections were conducted at the KCCH checkpoint (paras. 2.75, 2.78, 2.81 and 2.82).

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19. ***Some importers of foods imported from Japan not identified.*** As stated in paragraph 10, the FHB informed LegCo Panel on Food Safety and Environmental Hygiene that every food consignment from Japan was subjected to radiation tests. The CFS requested the C&ED to provide, on a regular basis, a statement (known as the Electronic System for Cargo Manifest Statement One (EMAN I)) for identifying importers with food consignments imported from Japan so that radiation test could be conducted on the consignments. According to the C&ED, as EMAN I concerns advance declaration made by importers on a voluntary basis, only about 85% of sea cargo information could be obtained through EMAN I. Accordingly, some importers of foods imported from Japan might not have been identified (paras. 2.85 and 2.87(b)).

20. ***Import licences cancelled by importers when the food consignments covered by the licences were selected for physical inspection.*** For food consignments imported by sea and selected for import documents checking and physical inspection by the CFS, the importers are generally notified in advance that their consignments will be subjected to the CFS inspection. However, Audit noted that in the period 1 January 2017 to 31 March 2018, there was a high percentage of cases (ranging from 16% to 48%) where importers had cancelled their import licences when their consignments covered by the licences had been selected by the CFS for inspection (paras. 2.90 and 2.91).

21. ***High percentage of import licences issued but not used.*** According to the Operational Manual, to prevent improper use of import licences by importers, the CFS needs to spot out import licences unused by importers for cancellation. An importer, for example, may apply for a number of import licences (and re-apply if the licences expired) and keep some of them unused. When an import licence is selected for physical inspection, the importer could replace the import licence with an unused import licence to import the same food consignment in order to evade physical inspection. Audit noted that in years 2013 to 2017, the proportion of unused import licences was high (ranging from 86% to 96% of all licences issued). The CFS did not know whether the importers had used the licences or held some licences unused, or the licences were time-expired. The number of unused import licences had increased from 60,865 in 2013 to 85,475 in 2017, compared to 8,892 and 2,455 used in 2013 and 2017 respectively (paras. 2.93 and 2.94).

22. ***Need to improve the follow-up of submission of original health certificates.*** As a measure to prevent the use of counterfeit photocopies of health

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certificate, if an import licence is issued to an importer based on a photocopy of the health certificate, as a condition of the import licence, the importer is required to submit the original health certificate to the CFS within 42 days after the date of issue of the import licence. In 2016 and 2017, there were 281 and 34 import licences respectively, of which the original health certificates had not been submitted within 42 days. The delay ranged from 141 to 717 days (as at 30 June 2018). The action taken by the CFS to follow up the importers' submission of original health certificates was less than adequate (paras. 2.97 and 2.100).

23. ***Replacement inspections not conducted.*** In 2017, of the 1,903 import licences for food consignments selected by the CFS for physical inspection, 411 (22%) had been cancelled. The CFS, however, did not have the practice of selecting additional import licences to replace those that had been cancelled. As a result, the actual number of inspections conducted by the CFS was lower than that stipulated in the Operational Manual (para. 2.106).

24. ***Inadequacies in physical inspections.*** In accompanying 10 physical inspections conducted by the CFS in the period from March to July 2018, similar to the situation of import by air and road (see paras. 9 and 14), Audit found that there was room for improvement in the conduct of physical inspections by the CFS staff. For example, in one inspection, 20 of 190 cartons were found short-shipped but the CFS issued a release letter for a consignment of 190 cartons to the importer. In one inspection of frozen beef, the CFS staff only inspected 2 cartons out of a total of 2,025 cartons (i.e. 0.1% of the consignment), instead of 5% as required by the Operational Manual. Furthermore, in one inspection, the CFS staff only selected 2 cartons of food readily accessible at the front of the consignment lot for inspection (paras. 2.73 and 2.107).

Control of live food animals and live aquatic products

25. ***Need to verify the origin of livestock on a timely basis.*** Live food animals (comprising livestock and live poultry) and live aquatic products from the Mainland are imported into Hong Kong by road through the Man Kam To Boundary Control Point. To control the import of live food animals and live aquatic products from the Mainland, the CFS has set up the Man Kam To Animal Inspection Station (MKTAIS), which is located next to the MKTFCO. Under the administrative arrangements with the Mainland (see para. 13), live food animals and live aquatic products must originate

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from registered farms approved by the General Administration of Customs of the People's Republic of China (GACC). Audit found that during the period 27 April to 28 May 2018, 9 consignments of bovines and 15 consignments of swine were imported from 6 farms that were not on the list of registered farms. There is room for improvement in the checking of the registration status of the farms and seeking clarifications with the GACC by the CFS staff. Of the 6 farms: (a) for 3 farms, the CFS staff clarified with the GACC the registration status of the farms only after the consignments were released; (b) for 2 farms, the information sought with the former General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (now the GACC) could have been outdated and further clarification had not been sought on the spot; and (c) for the remaining one farm, the CFS informed Audit that, there might be a typing mistake on the farm code as shown on the list of registered farms. However, clarification had not been sought with the GACC until late September 2018 (paras. 3.2 to 3.4 and 3.9 to 3.11).

26. ***Need to comply with the terms of AFCD permits.*** Under the Rabies Regulation (Cap. 421A), a person shall import into Hong Kong any animal with a permit issued by the Agriculture, Fisheries and Conservation Department (AFCD). The permit is issued on the condition that the import of livestock meets the terms for importation. According to the terms of permits, importers are required to show the permits to CFS Field Officers upon arrival of the animals at the MKTAIS. Audit found that in all the 23 accompanied inspections conducted on 16 and 17 May 2018, the importers failed to do so (paras. 3.5, 3.12 and 3.13).

27. ***Discrepancies relating to import documents.*** Audit examined the import documents of 5 consignments of live aquatic products imported in January 2018 and accompanied CFS staff in the conduct of 6 inspections of such products. Audit found that in one import document checked and 2 inspections, the quantities of live aquatic products stated on the food import declaration forms were greater than those shown on the original animal health certificates. For example, the quantity of live aquatic products stated on the food import declaration form of 6,000 kg was greater than that shown on the original animal health certificate of 2,710 kg (i.e. a difference of 3,290 kg). There was a risk that the excess quantities of live aquatic products were imported without health certification. Moreover, in all the 5 consignments selected for import document checking and in 5 of 6 inspections of live aquatic products, the information on importers and exporters filled in on the food import declaration forms by the drivers of vehicles carrying the products was unclear. The discrepancies in respect of importers' names and unclear information on the food import declaration forms might render it difficult for the CFS to trace the relevant parties in the food

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distribution chain in the event of a food incident (paras. 3.5, 3.22, 3.24, 3.25, 3.27 and 3.28).

28. *Need to improve the conduct of physical inspection of live aquatic products.* On 16 May 2018, Audit accompanied CFS staff in 6 inspections of live aquatic products conducted at the MKTAIS. According to the Operational Manual of the Veterinary Public Health Section (VPHS), in a physical inspection of live fish, a Field Officer should inspect the types of fish. However, in one accompanied inspection of a consignment involving four types of fish, the Field Officer only inspected one type of fish (paras. 3.5 and 3.30).

29. *Need to verify the number of livestock admitted into slaughterhouses.* According to the Manual of Procedures for Slaughterhouse (Veterinary) Section (SH(V)S), a Field Officer of the SH(V)S will record into the Live Food Animal System (LFAS) the quantity of every consignment of livestock admitted to a slaughterhouse and verify the admitted quantity against the data entered earlier into the LFAS by the Field Officer of the VPHS. Audit examined the records of admission of live swine into the two slaughterhouses for May 2018 and found that of 98 consignments (involving 140 heads of live swine), the admitted quantities of live swine (entered into the LFAS by a Field Officer of the SH(V)S) were greater than the quantities of the live swine shown on the animal health certificates (entered into the LFAS by a Field Officer of the VPHS). Audit further noted that for an importer, in all of the 16 consignments imported from a farm, the admitted quantities were greater than those on the animal health certificates (involving 31 heads of swine). These discrepancies showed that the swine in question might have been imported without animal health certificates. The SH(V)S informed Audit that they had not sought clarification from the VPHS (paras. 3.35 and 3.36).

Registration and inspection of food traders

30. *Registration and exemption of food importers/distributors.* Under the Food Safety Ordinance, any person who carries on a food importation or distribution business is required to register with the Director of Food and Environmental Hygiene as a food importer or food distributor. Food importers or food distributors that have already obtained a licence/permit/certification under other ordinances are exempted from the registration requirement. Upon the request of the Director, food importers/distributors so exempted are required to provide information relating to

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their licences and businesses to the FEHD. Furthermore, a food trader who imports, captures, acquires or supplies wholesale food in Hong Kong, must keep transaction records so that consignments could be identified and traced (e.g. in food incidents). The FEHD's Food Importer/Distributor Registration and Import Licensing Office (FIRLO) is responsible for registration of food importers/distributors, conducting related inspections and carrying out enforcement work (paras. 4.2, 4.3 and 4.6). Audit found that in years 2013 to 2017:

- (a) ***Information for exemption of registration not always provided.*** Of the licensees exempted from the registration requirement, request letters were sent to 3,420 licensees by FIRLO. While 483 (14%) licensees had replied that they did not carry on any importation/distribution businesses or had provided the requested information to FIRLO, FIRLO did not take any follow-up actions on those 2,937 (86%) licensees that had not replied (para. 4.8); and
- (b) ***Low awareness of registration requirement under the Food Safety Ordinance.*** FIRLO conducted prosecutions against 44 unregistered food importers/distributors. In years 2013 to 2017, in 30 (68%) of the 44 prosecution cases, the food importers/distributors said that they were not aware of the registration requirement. In 9 (20%) cases, the food importers/distributors said that they had misunderstood the requirement (para. 4.9).

31. ***Inspection of food traders.*** FIRLO conducts inspections of food traders to ensure compliance with the registration scheme and the requirement of keeping transaction records under the Food Safety Ordinance. FIRLO has set a target of conducting 500 inspections in a calendar year. The inspections are carried out in accordance with a risk-based inspection plan (paras. 4.13 and 4.14). Areas for improvement on FIRLO's inspections include:

- (a) ***Need to enhance the conduct and documentation of inspections.*** Audit found that:
 - (i) CFS staff did not have the practice of ascertaining whether food importers had registered under the Food Safety Ordinance at border control points. In the 117 import documents examined by Audit, there were 4 importers who had imported foods into Hong Kong without having been registered or exempted. Similarly, in the

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54 inspections accompanied by Audit, there were 5 importers who had imported foods into Hong Kong without having been registered or exempted;

- (ii) some inspections had not been conducted in accordance with the inspection plan. In years 2014 to 2017, less than 50% (ranging from 31% to 48%) of the yearly inspections had been conducted on food traders of higher-risk businesses. In years 2015 to 2017, 1% to 4% of the yearly inspections had been conducted on food traders of lower-risk businesses, contrary to the inspection plan that specified 10%; and
 - (iii) in examining food transaction records at premises of food traders, FIRLO staff only requested the sighting of a small number of invoices (i.e. 1 to 4 invoices in each inspection) as supporting documents for the records. In late September 2018, the CFS informed Audit that the small number of invoices as noted by Audit were only the number of copies of invoices placed in CFS office files (as examples of invoices checked by CFS staff). In early October 2018, the CFS informed Audit that it has taken improvement measures in this regard (e.g. conducting supervisory visits) (paras. 4.17 and 4.18);
- (b) ***Need to enhance follow-up on unsuccessful inspections.*** Audit analysed FIRLO's inspection records for 2017 and found that of the 540 inspections of food traders, 49 (9%) inspections (concerning food importers/distributors) were not successful (e.g. business premises under lock):
- (i) in 16 (33% of 49 inspections) cases, FIRLO had not taken any follow-up actions; and
 - (ii) in 33 (67% of 49 inspections) cases, FIRLO had sent correspondence to the food importers/distributors to follow up the case. In 2 of the 33 cases, the importers/distributors did not respond and FIRLO had not taken any further action. In another 9 of the 33 cases, FIRLO had taken further actions to contact the food importers/distributors but to no avail (paras. 4.19 and 4.20); and

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- (c) *Need to improve the provision of management information.* It is the practice of FIRLO to report the actual number of inspections conducted in a year to the FEHD's senior management for monitoring purposes. Audit found that, of FIRLO's 540 inspections conducted in 2017, no follow-up action had been taken for 16 (3%) unsuccessful inspections and 11 (2%) inspection cases in which there was no response to FIRLO's enquiries. Audit considers that FIRLO needs to report more information on inspections (e.g. information on unsuccessful inspections with no follow-up action and the reasons for not following up) to senior management of the FEHD (para. 4.23).

Other issues relating to the import control of foods and way forward

32. *Food safety standards yet to be updated.* According to the CFS, food imported into Hong Kong should meet local standards for food safety which have been set with reference to international practices. Provisions for food safety standards are stipulated in the subsidiary legislation of the Public Health and Municipal Services Ordinance. The FHB and the CFS informed Audit that the setting of priorities for updating food safety standards was the ambit of the FHB in consultation with the CFS. Accordingly, the CFS reviewed from time to time the need for updating food safety standards having regard to various factors (e.g. views of members of the Expert Committee, policy considerations, operational needs and food incidents). In 2006 and 2009, the CFS consulted the Expert Committee about updating food safety standards. The Expert Committee accorded "high priority" to the updating of food safety standards for three substances of concern (i.e. "pesticide residues", "veterinary drug residues" and "shellfish toxins and mycotoxins"). While food safety standards for pesticide residues came into effect in 2014, Audit noted that for the remaining 2 high-priority items, as at 31 August 2018, updating of food safety standards was not yet completed (paras. 5.2 to 5.4, 5.6 and 5.7). In October 2018, the CFS informed Audit that:

- (a) priority setting regarding legislative proposals involved a lot more than scientific and expertise considerations. It was a policy decision by the FHB in consultation with the CFS to accord priority to making an entirely new regulation for pesticide residues, updating regulations for metallic contamination in foods, and then conducting a public consultation exercise on updating the Harmful Substances in Food Regulations (Cap. 132AF)

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which would deal with veterinary drug residues and mycotoxins (para. 5.8(a));

- (b) for shellfish toxins, the required testing service was not provided by commercial laboratories. The CFS would continue to keep in view the latest development (para. 5.8(c)); and
- (c) for mycotoxins, the public consultation on amendment to Harmful Substances in Food Regulations (including updating the food safety standards for mycotoxins) was planned for 2019 (para. 5.8(d)).

33. ***Errors/omissions in data input of the Food Import Control System.*** The FICS is a computer system used in carrying out import control. It captures a range of information about imported foods (e.g. types and quantities of foods). The CFS can make use of the information to monitor the food import procedures. Audit examined the import documents of 117 food consignments imported by air, road and sea, and found that in 77 (66%) consignments, there were errors and/or omissions in inputting data into the FICS. The FICS could be more useful if the information input is more complete and accurate (paras. 5.12, 5.14 and 5.15).

34. ***Lack of clear guidelines on supervisory visits.*** The CFS requires Senior Health Inspectors to conduct supervisory visits (i.e. accompanying Health Inspectors on inspection visits and on taking of food samples). Audit noted that there was a lack of clear guidelines on the requirements for supervisory visits for individual food control offices. The supervisory practices among food control offices varied. In the period January to March 2018, of the 15 food control offices, only 4 recorded their supervisory visits and 1 did not conduct such visits (paras. 5.18 to 5.20 and 5.22).

35. ***Trade Single Window.*** For international trade, “Single Window” refers to a facility (e.g. an information technology platform) which allows trading parties to lodge information and documents with a single entry point to fulfil all import and export regulatory requirements. In his 2016-17 Budget Speech, the then Financial Secretary announced that the Government should establish a Single Window (referred to as Trade Single Window — TSW). According to the CFS, its computer system will interface with the TSW for carrying out import control of foods. This audit review has identified situations where, in carrying out import control of foods, there was a lack of automated processes for accessing up-to-date information. The TSW

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would provide an opportunity for the CFS to enhance its import control of foods (paras. 5.25, 5.27 and 5.28).

36. **Way forward.** According to the FEHD, as over 90% of the food supply in Hong Kong is imported, import control is of paramount importance to ensuring food safety in Hong Kong. The CFS has implemented measures for the import control of foods. However, as shown in this Audit Report, there were incidences of non-compliance and difficulties in implementing the measures. Furthermore, the practices of import control varied among the food control offices responsible for controlling foods imported by air, road and sea. To enhance the efficiency and effectiveness of import control, there is merit for the CFS to review the operations of these food control offices so as to streamline or enhance the operations as well as to identify and establish good import control practices (paras. 5.31, 5.33 and 5.34).

Audit recommendations

37. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Director of Food and Environmental Hygiene should:**

Control of foods imported by air

- (a) **take measures to ensure that import licences are issued after the submission of supporting documents from importers as far as practicable (para. 2.13(a));**
- (b) **review the propriety of granting discretion by CFS staff in circumstances where food consignments are released without the submission of original health certificates or Export Declarations by importers and without the conduct of physical inspections, and take remedial measures as appropriate (para. 2.13(b));**
- (c) **take measures to ensure that food samples collected for CMS tests are selected by CFS staff themselves at the AFIOs (para. 2.26(a));**

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Control of foods imported by road

- (d) **take further measures to address the problem of vehicles evading CFS inspection of food consignments at the MKTFCO (para. 2.44);**
- (e) **seek legal advice on the definition of “frozen” in the relevant Regulations under the Public Health and Municipal Services Ordinance from the Department of Justice (para. 2.52(b));**
- (f) **take measures to ensure that CFS staff follow the guidelines issued in July 2018 (see para. 5 in Case 3 in para. 2.46) in the conduct of physical inspections, and that frontline CFS staff fully check that food consignments are imported with appropriate import documents (para. 2.52(a) and (c));**
- (g) **take measures to ensure that vehicles transporting chilled foods are approved by the CFS and all the containers carrying consignments of chilled foods are approved by the CFS for transporting such foods (para. 2.62(a) and (c));**
- (h) **include containers approved for carrying chilled foods in the list of vehicles approved for transporting consignments of chilled foods (para. 2.62(b));**

Control of foods imported by sea

- (i) **sort out the discrepancy between the requirement of the Operational Manual and the actual inspection practices (see para. 17) (para. 2.88(a));**
- (j) **take measures to improve the utilisation of the KCCH checkpoint, and take further measures to ensure that all food consignments imported from Japan are subjected to radiation tests (para. 2.88(b) and (c));**
- (k) **complete the exercise to identify and cancel unused import licences (see para. 2.95(b)) in a timely manner, and continue to identify and cancel unused import licences on a regular basis (para. 2.102(a) and (d));**

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- (l) ensure that the measures taken to prevent importers from cancelling their import licences when their consignments are selected for physical inspection (see para. 2.95(c)) are duly carried out and monitor the effectiveness of the measures taken (para. 2.102(b));
- (m) for import licences issued based on photocopies of health certificates, take measures to ensure that follow-up action to deal with delay in submitting original health certificates by importers is taken until the importers have submitted the certificates, and that follow-up action is carried out properly in accordance with the CFS's Operational Manual and practices (see para. 2.99) (para. 2.102(e));
- (n) take measures to ensure that warning letters are issued to importers for breaching the conditions of import licences where applicable, and the figures quoted in letters for releasing food consignments are accurate (para. 2.108(c) and (d));

Control of live food animals and live aquatic products

- (o) ensure that, prior to the release of consignments of livestock, the livestock are originated from approved farms in the Mainland, and in cases where the livestock are imported from farms not on the list of registered farms or there are other irregularities, seek immediate clarification with the GACC (para. 3.16(a) and (b));
- (p) take measures to ensure that AFCD permits are always shown to the CFS for checking upon arrival of the livestock at the MKTAIS (para. 3.16(c));
- (q) ensure that the CFS clarifies with drivers (and importers where necessary) in cases of any discrepancies noted between food import declaration forms and original animal health certificates and takes action to rectify the discrepancies where warranted (para. 3.32(a));
- (r) identify and clarify any discrepancies between the admitted quantities of livestock and the quantities on the animal health certificates, and take follow up action on those cases of which the admitted quantity of

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livestock was greater than that recorded on the animal health certificate (para. 3.38(a) and (b));

Registration and inspection of food traders

- (s) take measures to ensure that follow-up actions are taken on those licensees that have failed to reply to FIRLO concerning exemption of registration (para. 4.11(a));**
- (t) conduct inspections (e.g. when conducting import documents checking or at the point of importing food consignments) to detect unregistered food importers (para. 4.21(a));**
- (u) take measures to ensure that FIRLO takes follow-up actions on unsuccessful inspections (para. 4.21(e));**

Other issues relating to import control of foods and way forward

- (v) keep in view the latest changes in factors relevant to the updating of food safety standards, i.e. latest international development, new scientific evidence, and changes in other prevailing circumstances (e.g. emerging food incidents, results of public consultations, and other competing priorities) (para. 5.10(a));**
- (w) having regard to the relevant factors and any latest changes in the factors, closely monitor the updating of food safety standards for shellfish toxins and mycotoxins, with a view to updating the standards in a timely manner (para. 5.10(b));**
- (x) review the adequacy of the practices of individual food control offices on the conduct of supervisory visits, and based on the results of the review, take measures to ensure that supervisory visits are properly carried out in future (para. 5.23(a) and (b)); and**
- (y) consider the need for conducting a comprehensive review of the CFS's import control of foods, taking into account the findings and recommendations in this Audit Report (para. 5.35).**

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Response from the Government

38. The Director of Food and Environmental Hygiene agrees with the audit recommendations.

PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

Food safety in Hong Kong

Food supply in Hong Kong

1.2 In 2017, over 90% of foods for human consumption in Hong Kong were imported. Imported foods, excluding live food animals, accounted for 99% of total food supply in Hong Kong. Imported live food animals accounted for 94% of total supply of live food animals in Hong Kong (Note 1). Table 1 shows the quantity and value of imported foods in years 2013 to 2017.

Note 1: *The percentages were compiled by the Food and Environmental Hygiene Department (see para. 1.4) based on information obtained from the Census and Statistics Department (whose officers are authorised by the Customs and Excise Department to verify whether particulars provided in the trade declarations are sufficiently clear and complete for compiling trade statistics) and the Agriculture, Fisheries and Conservation Department (which provides technical assistance and other support to local farmers and fishermen to produce local foods (e.g. pork, poultry and vegetables)).*

Table 1
Quantity and value of imported foods
(2013 to 2017)

Year	Quantity (Note 1)				Value (Note 2) (\$ million)
	Live animals (Head)	Eggs in shells (No.) (’000)	Drinks and vinegars (Litre)	Other imported foods (Tonne)	
2013	10,810,170	2,242,906	484,444,046	7,578,092	179,241
2014	9,607,157	2,282,963	517,469,775	8,003,472	197,637
2015	9,073,311	2,317,256	527,485,207	7,436,481	184,950
2016	8,526,581	2,481,464	521,940,382	7,886,418	200,401
2017	7,874,309	2,588,806	537,745,743	8,037,075	205,351

Source: Audit analysis of Census and Statistics Department’s (C&SD’s) published trade statistics

Note 1: Live animals, eggs in shells, and drinks and vinegars are measured in heads, number and litres respectively. Live fish and water are measured in monetary value. Other imported foods are measured in tonnes. Live animals include live food animals and those not for human consumption. The C&SD did not separately record figures for imported live food animals.

Note 2: Value refers to the value of all imported foods (including that of live fish and water).

Role of the Food and Environmental Hygiene Department

1.3 According to the World Health Organization (WHO)’s 2015 estimates of the global burden of foodborne diseases, almost 1 in 10 people fell ill every year from eating contaminated food, 33 million of healthy life years were lost and 420,000 people died as a result. In March 2018, the United States Department of

Agriculture estimated that major foodborne pathogens cost the United States' economy USD15.5 billion per year in medical care, caused lost time from work and brought losses due to premature death. Nevertheless, the WHO has stated that foodborne diseases are preventable and can be controlled through an effective food safety system. Ensuring that the food we eat is safe and protected from contamination is an essential element of our health security.

1.4 In Hong Kong, the Food and Environmental Hygiene Department (FEHD), which was set up in 2000, is responsible for food safety in the territory. It has the mission of ensuring that food for sale in Hong Kong is safe and fit for consumption. When the Department was first set up, food safety work was undertaken by its Food and Public Health Branch. Following an organisational review, in May 2006, the Centre for Food Safety (CFS) was established under the FEHD to control food safety in Hong Kong.

1.5 The work of the CFS is to:

- (a) ensure that food available for human consumption is wholesome, hygienic, safe and properly labelled;
- (b) safeguard public health through testing and control of live food animals; and
- (c) advise the public on risk management measures in relation to food and public health matters.

The CFS is headed by the Controller, CFS who reports to the Director of Food and Environmental Hygiene. It has a multi-disciplinary team which includes public health physicians, nurses, veterinarians and health inspectors. An extract of the organisation chart of the FEHD is shown at Appendix A. As at 1 January 2018, the CFS had a total of 640 staff. The total expenditure of the CFS for 2017-18 was \$592 million.

Legal framework of food safety control

1.6 The CFS works under the following legal framework of food safety control:

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- (a) ***Public Health and Municipal Services Ordinance (Cap. 132).*** The provisions in Part V of the Ordinance (enacted in 1960 with subsequent amendments) and its subsidiary legislation (Note 2) cover general protection for food purchasers, offences in connection with sale of unfit food and adulterated food, composition and labelling of food, food hygiene, seizure and destruction of unfit food. The fundamental requirement is that food intended for sale should be fit for human consumption. Any person who sells any food unfit for human consumption shall be guilty of an offence and is liable to a maximum fine of \$50,000 and imprisonment for 6 months; and

- (b) ***Food Safety Ordinance (Cap. 612).*** The Ordinance (enacted in 2011 with subsequent amendments) provides additional food safety control measures, including a registration scheme for food importers/distributors, and a requirement for food traders (e.g. food importers/distributors, food retailers and online food selling shops) to maintain proper records of acquisition and wholesale supply of food to enhance food traceability. It also empowers the authorities to make regulations for tightening import control of specific food types, make orders to prohibit the import and supply of problem food, and order the recall of such food. A food importer/distributor who fails to register with the FEHD commits an offence and is liable to a maximum fine of \$50,000 and imprisonment for 6 months. In addition, a food trader who fails to provide transaction documents commits an offence and is liable to a maximum fine of \$10,000 and imprisonment for 3 months.

Under the Ordinances, foods include drink, ice, chewing gum, smokeless tobacco products, and articles and substances used as ingredients in the preparation of food, but do not include live animals or live birds (other than aquatic products), fodder or feeding stuff for animals, birds or aquatic products, and medicine.

Note 2: *The Public Health and Municipal Services Ordinance comprises 17 parts. Part V of the Ordinance makes provisions relating to food and drugs safety control. Controls in specific food safety matters are provided in the subsidiary legislation of the Ordinance (see Appendix B). The other parts of the Ordinance make provisions for other public health and municipal services (e.g. maintenance of sewers and drains, rules relating to public swimming pools and management of public markets and museums).*

1.7 Table 2 shows the number of prosecution cases initiated by the CFS in years 2013 to 2017.

Table 2
Number of prosecution cases initiated by the CFS
(2013 to 2017)

Cases prosecuted under	2013	2014	2015	2016	2017	Total
Public Health and Municipal Services Ordinance	499	495	490	766	551	2,801
Food Safety Ordinance	5	12	12	17	9	55

Source: CFS records

Risk-based approach to food safety control

1.8 In accordance with the guidelines of the Codex Alimentarius Commission (Note 3), the CFS adopts a risk-based approach to food safety control. The approach covers:

- (a) ***Risk assessment.*** It consists of hazard identification, hazard characterisation, exposure assessment and risk characterisation. By going through these risk assessment processes, hazards (i.e. microbiological, chemical and radiological hazards) associated with food or food ingredients are evaluated and potential risks to the population are assessed, thereby facilitating formulation of appropriate risk management actions (see (b) below) and risk communication messages (see (c) below) to protect public health;

Note 3: *The Codex Alimentarius Commission was established in 1963 by the Food and Agriculture Organization of the United Nations and the WHO. The Commission sets up food codes which are a collection of internationally adopted food safety standards and related texts. As at 31 August 2018, the Commission had 189 members (Hong Kong has participated in the Codex Alimentarius Commission since 1998 under the delegation of the People's Republic of China). Members' adoption of the Codex Standards is voluntary and members may formulate their own food safety standards based on local situations.*

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- (b) **Risk management.** It includes:
- (i) import control (see paras. 1.10 to 1.20 for details); and
 - (ii) food surveillance, managing food incidents and complaints, and monitoring the nutrition labelling scheme through:
 - the Food Surveillance Programme at the downstream of the food supply chain. Under the Food Surveillance Programme, the CFS takes food samples at import, wholesale and retail levels for microbiological, chemical and radiation tests to ensure that foods offered for sale comply with all the legal requirements (see para. 1.6(a)) and are fit for human consumption;
 - management of local and overseas food incidents. The CFS assesses the impact of local and overseas food incidents and takes appropriate follow-up actions (e.g. investigating outbreaks of foodborne infectious diseases). In 2013 to 2017, the number of local food poisoning cases referred to the CFS for investigation ranged from around 190 to 290 each year (Note 4). The number of persons affected ranged from around 720 to 1,020. The CFS also handles complaints relating to foods in the territory; and
 - monitoring of the nutrition labelling scheme. According to the legislation (see para. 1.6(a)), nutrition labelling setting out energy and seven specified nutrients (i.e. protein, total fat, saturated fatty acids, trans fatty acids, carbohydrates, sugars and sodium) is mandatory for prepackaged foods unless otherwise exempted. The CFS provides support to the trade to comply with the legislative requirements and promotes the nutrition labelling scheme to the general public through a variety of publicity and education schemes; and

Note 4: *According to the CFS, food poisoning outbreaks occur in a seasonal pattern in which summer is the peak season. Bacterial foodborne agents are the leading causes of all food poisoning outbreaks.*

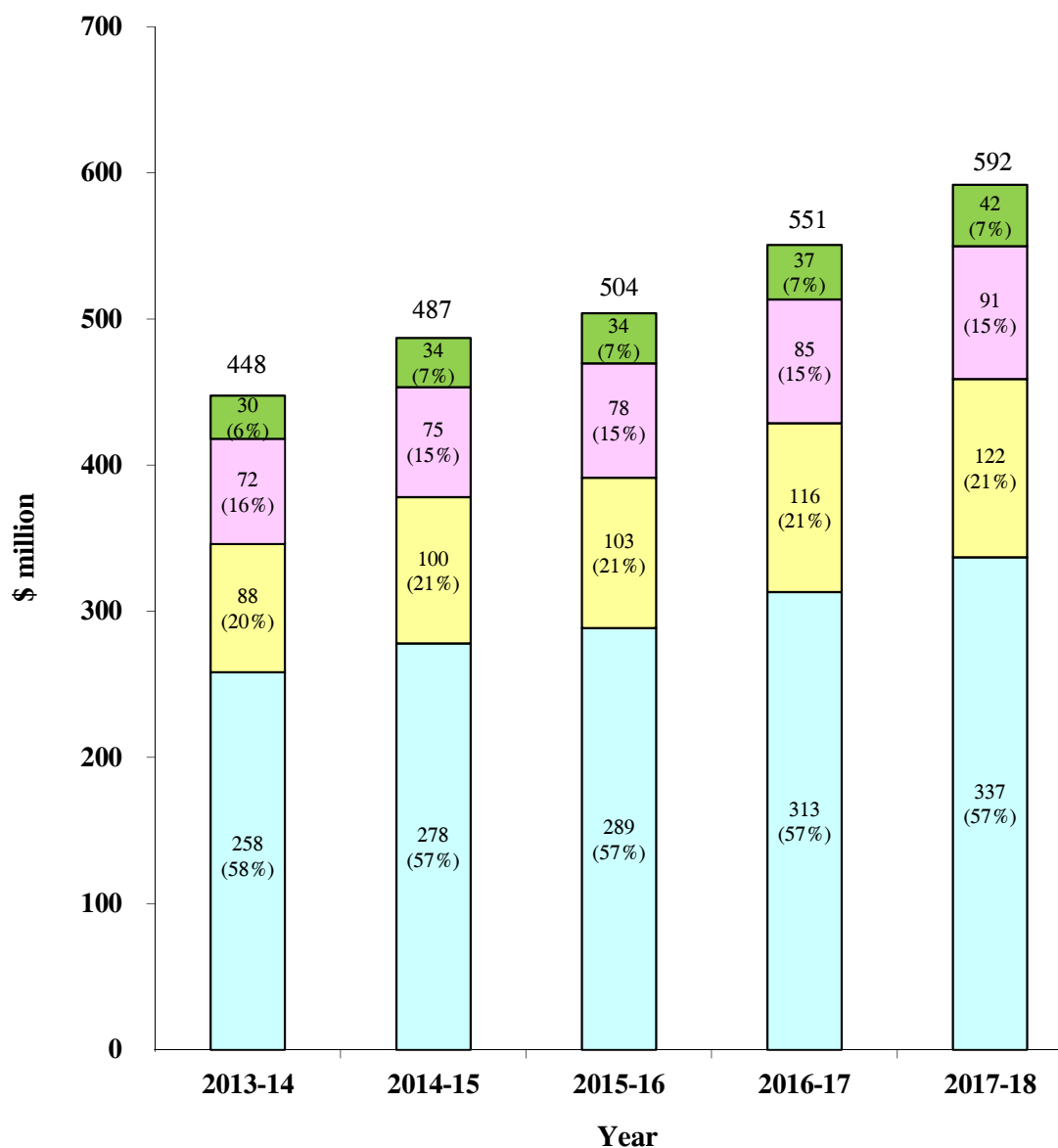
- (c) ***Risk communication.*** It is the interactive exchange of information and opinions concerning hazards and risks, risk-related factors and risk perceptions, among the CFS, experts (see para. 1.21), academics, members of the food trade and industry, consumers and the public. The CFS organises various programmes to promote food safety (e.g. communication forums) and disseminates information on food safety to the public through different communication channels (e.g. on its website, social media platforms and publications).

Expenditure on food safety control

1.9 In the five-year period 2013-14 to 2017-18, the expenditure of the CFS had increased by 32 % from \$448 million to \$592 million. A breakdown of the expenditure is shown in Figure 1.

Figure 1

**Expenditure of CFS
(2013-14 to 2017-18)**



Legend:

- Risk assessment
- Import control
- Food surveillance, managing food incidents and monitoring the nutrition labelling scheme
- Risk communication

} Risk management

Source: Audit analysis of CFS records

Remarks: The CFS's expenditure comprised staff emoluments and related expenses, and departmental expenses.

Import control of foods and live food animals

1.10 In years 2013-14 to 2017-18, the CFS spent more than 50% of its annual expenditure on import control of foods and live food animals (for simplicity, unless otherwise stated, hereinafter foods and live food animals are collectively referred to as foods) (see Figure 1 in para. 1.9). According to the FEHD, as over 90% of the food supply in Hong Kong is imported, import control is of paramount importance to ensuring food safety in Hong Kong. According to the CFS, control at source is increasingly recognised as an effective control mode in food safety. Control at source includes, for example, requiring the presence of health certificates issued by overseas authorities for import of foods, and allowing only live food animals from approved farms to enter into Hong Kong. Details on control at source are elaborated in PARTs 2 to 5.

Types of imported foods

1.11 For the purpose of import control of foods, imported foods are broadly classified into two types (see Appendix D). The salient features of these foods are shown below:

- (a) ***High-risk foods.*** The CFS considers that certain foods (such as frozen meat, frozen poultry, chilled meat and chilled poultry, prohibited meat (see Appendix C), game, eggs, milk and frozen confections, livestock, live poultry and aquatic products) pose higher food safety risks as they are easily perishable and more likely subject to risk of pathogens. The import of high-risk foods into Hong Kong is required to be imported with specific import documents (i.e. a health certificate or a certificate of country of origin issued by a recognised authority of the exporting economy, and/or an import licence and/or an import permission issued by the FEHD). The quantity and value of high-risk foods imported in years 2013 to 2017 are shown in Appendix E. The main suppliers of these foods imported in 2017 are shown in Appendix F; and
- (b) ***Other imported foods.*** These foods refer to foods other than those mentioned in (a) above (e.g. beverages, cereals, fruits and vegetables). Health certificates or import licences or import permissions are not required under the law. Administrative arrangements may be agreed with relevant regulatory authorities of the place of origin for certain food types (e.g. freshwater aquatic products and vegetables) to better ensure food

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safety and public health. The quantity and value of other foods imported in years 2013 to 2017 are shown in Appendix G. The main suppliers of these foods imported in 2017 are shown in Appendix H.

Details of the above food types and the import control arrangements are provided in Appendix D.

1.12 Both types of foods may be selected by the CFS at the point of entering into Hong Kong for physical inspection and microbiological, chemical and radiation tests. Details are shown in PARTs 2 to 5.

Import control of foods

1.13 The CFS carries out import control of foods through:

- (a) control at borders (see paras. 1.14 to 1.18);
- (b) inspection of farms and food processing plants (see para. 1.19); and
- (c) registration and inspection of food traders (see para. 1.20).

1.14 ***Control at borders.*** The Food Import and Export Section of the CFS (see Appendix A) is responsible for carrying out import control functions (e.g. conduct checking of health certificates and import licences, and physical inspection of imported foods — details are shown in PART 2) at CFS food control offices. As at 1 January 2018, the Section had 230 staff, comprising 139 Health Inspector grade staff and 91 administrative staff (e.g. Executive Officers, Clerical Officers).

1.15 Food control offices are set up across the territory to control foods imported by:

- (a) ***Air.*** Airport Food Inspection Offices (AFIOs) (see Photograph 1) are set up at the Hong Kong International Airport (the Airport). Three offices are located at different cargo terminals of the Airport, namely the Asia Airfreight Terminal (AA Terminal), the Cathay Pacific Cargo Terminal

(CP Terminal) and the Hong Kong Air Cargo Terminals Limited (HK Terminal);

Photograph 1

An AFIO



Source: Photograph taken by Audit in May 2018

- (b) **Road.** Food control offices are set up at Man Kam To (see Photographs 2 and 3), Lok Ma Chau, Lok Ma Chau Spurline, Lo Wu, Sha Tau Kok and Shenzhen Bay. Among these offices, only Man Kam To and Lok Ma Chau handle imported food consignments that are subjected to import control. The other offices are mainly tasked to handle suspected cases of individual travellers illegally taking regulated food into Hong Kong as may be referred by the Customs and Excise Department (C&ED) from time to time; and

Photograph 2

Man Kam To Food Control Office (MKTFCO)



Source: Photograph taken by Audit in March 2018

Photograph 3

Car parking space for food inspection at the MKTFCO



Source: Photograph taken by Audit in March 2018

- (c) **Sea.** Food control offices are set up at the Kwai Chung Customhouse (KCCH) (see Photographs 4 and 5), the Cheung Sha Wan Wholesale Food Market (CSWWFM) (see Photographs 6 and 7), and the Western Wholesale Food Market (WWFM).

Photograph 4

KCCH



Source: Photograph taken by Audit in April 2018

Photograph 5

Car parking space for food inspection at the KCCH



Source: Photograph taken by Audit in April 2018

Photograph 6

Pier at the CSWWFM



Source: Photograph taken by Audit in March 2018

Photograph 7

Unloading area for vehicles carrying aquatic products at the CSWWFM



Source: Photograph taken by Audit in March 2018

1.16 In late 2018, the CFS has set up food control offices at new border control points subsequent to the opening of the Express Rail Link in September 2018, and the Hong Kong-Zhuhai-Macao Bridge in late October 2018.

1.17 For import control of live food animals, the responsibility falls upon the Veterinary Public Health Section (VPHS) of the CFS (see Appendix A). As at 1 January 2018, the Section had 54 staff, comprising one Senior Veterinary Officer, 4 Veterinary Officers, 24 Field Officers, and 25 clerical staff and workmen. Details of import control of live food animals are shown in PART 3.

1.18 Table 3 shows the quantity and value of live animals (see Note 1 to Table 3) and foods imported by different modes of transport in 2017.

Table 3

**Quantity and value of live animals and foods imported
by different modes of transport
(2017)**

Imported by	Quantity (Note 1)					Value (Note 4)	
	Live animals (Head)	Eggs in shells (No.) (’000)	Drinks and vinegars (Litre)	Other imported foods		(\$ million)	(%)
				(Tonne)	(%)		
Sea (including ocean and river)	2,387	1,446,564	410,757,339	6,118,874	76	142,408	70
Road (including road and rail)	3,085,267 (Note 2)	1,129,882	122,950,272	1,730,568	22	31,486	15
Air	4,786,655 (Note 2)	12,360	4,024,301	187,323	2	26,617	13
Others (Note 3)	N.A.	N.A.	13,831	310	< 1	4,840	2
Total	7,874,309	2,588,806	537,745,743	8,037,075	100	205,351	100

Source: Audit analysis of C&SD’s published trade statistics

Note 1: Live animals, eggs in shells, and drinks and vinegars are measured in heads, number and litres respectively. Live fish and water are measured in monetary value. Other imported foods (e.g. chilled meat, frozen meat, candies and instant noodles) are measured in tonnes. Live animals include live food animals and those not for human consumption. The C&SD did not separately record figures for imported live food animals.

Note 2: Live animals imported by road included some 1.5 million live swine and some 1.5 million live chicks from the Mainland (live chicks are not regarded as live food animals by the CFS). Live animals imported by air included about 4 million live edible frogs from Thailand.

Note 3: Others include foods such as water imported from the Mainland (i.e. the supply of Dongjiang water) and imported foods carried by hand and by mail (e.g. wine). Water is measured in monetary value.

Note 4: Value refers to the value of all imported foods.

1.19 ***Inspection of farms and food processing plants.*** In addition to controlling import of foods at borders, the CFS conducts regular audits at farms and food processing plants that supply foods to Hong Kong. According to the CFS, farm visits are conducted in the Mainland and also elsewhere, for example, before the CFS approves the import control protocols with exporting economies, and may form part of its investigation of food incidents due to imported food before import of the same is resumed. According to the CFS's 2017 Annual Report, the CFS's veterinary staff members visited registered farms exporting to Hong Kong to understand their husbandry practices. In 2017, the CFS inspected a total of 44 registered and associated farms and 36 food processing plants in the Mainland. These included farms of chickens, ducks, pigeons, pigs, cattle, goats, eels and freshwater fish (Note 5).

1.20 ***Registration and inspection of food traders.*** In 2011, a trader registration system was introduced to identify and trace the source of foods and determine the extent of distribution of the foods in Hong Kong so as to facilitate food recalls and dissemination of more timely information to the food trade and consumers. The system requires food importers and food distributors to register with the CFS and keep records to facilitate food tracing. Details of the system is shown in PART 4.

Expert Committee on Food Safety

1.21 In September 2006, to deliberate on matters concerning major food safety control measures, the CFS set up an Expert Committee on Food Safety (the Expert Committee — Note 6). The Committee is responsible for advising the Director of Food and Environmental Hygiene on:

- (a) existing or new food safety operational strategies and measures to protect public health;

Note 5: *Inspection of farms is not covered in this Audit Report.*

Note 6: *The Committee consists of academics, professionals, food experts, members of the trade and consumer group, and other experts. For the current term, the Committee comprises 1 Chairman, 1 Vice-chairman, 12 local members, 4 experts from the Mainland and overseas, and 3 ex-officio members (representatives from the Food and Health Bureau, the Agriculture, Fisheries and Conservation Department and the Department of Health). The Chairman, Vice-chairman and members of the Committee are appointed by the Secretary for Food and Health for a term of two years. The CFS provides secretarial support to the Expert Committee.*

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- (b) standards/guidelines relating to food safety and food composition and their suitable adoption in Hong Kong having regard to international practices, trends and developments;
- (c) strategies for risk communication to promote food safety and how best to implement relevant risk communication or public education programmes; and
- (d) any new directions for any research to be commissioned by the CFS.

Advisory Council on Food and Environmental Hygiene

1.22 In April 2000, the Advisory Council on Food and Environmental Hygiene (Note 7) was established under the Food and Health Bureau (FHB) to give advice and monitor the Government's work on food safety and environmental hygiene. The Council is responsible for:

- (a) considering and advising the Secretary for Food and Health on policies relating to food safety, environmental hygiene and veterinary public health, and monitoring their implementation;
- (b) advising the Secretary on the regulation of farms, food premises, food hazards and food composition;
- (c) receiving reports on the handling of major food and farm incidents; and
- (d) advising the Secretary on community education and publicity programmes for promoting public understanding of food safety and public responsibility for environmental hygiene.

Note 7: *The Council consists of academics, professionals and food experts. It comprises 1 Chairman and 16 non-official members (appointed by the Chief Executive for a term of two years), and 4 ex-officio members (i.e. the Permanent Secretary for Food and Health (Food), Director of Agriculture, Fisheries and Conservation, Director of Food and Environmental Hygiene and Director of Health).*

Audit review

1.23 The Audit Commission (Audit) has recently conducted a review of the CFS's management and control of food safety (see para. 1.8). The findings of this audit review are contained in two separate Audit Reports, as follows:

- (a) "CFS: Import control of foods" (the subject matter of this Audit Report), which reviews import control matters, taking into account the fact that in 2017, over 90% of foods for human consumption in Hong Kong were imported (see para. 1.2) and that the CFS's annual expenditure on import control of foods accounted for over 50% of its total annual expenditure (see Figure 1 in para. 1.9); and
- (b) "CFS: Management of food safety" (Chapter 1 of the Director of Audit's Report No. 71), which reviews matters relating to the assessment of food safety risks, food surveillance programme, management of food incidents and complaints, and communicating with the public on food safety risks (see para. 1.8(a), (b)(ii) and (c) — Note 8).

1.24 In this Audit Report, the audit review has focused on the following areas:

- (a) control of foods imported by air, road and sea (PART 2);
- (b) control of live food animals and live aquatic products (PART 3);
- (c) registration and inspection of food traders (PART 4); and
- (d) other issues relating to import control of foods and way forward (PART 5).

Audit has found room for improvement in the above areas and has made recommendations to address the issues.

Note 8: *The nutrition labelling scheme (see para. 1.8(b)(ii)) is not covered in this audit review. In 2011, Audit conducted a review on food labelling and nutrition labelling of infant and special dietary foods (Chapters 3 and 4 of the Director of Audit's Report No. 57).*

Acknowledgement

1.25 Audit would like to acknowledge with gratitude the assistance and full cooperation of the staff of the CFS during the course of the audit review. During the course of audit, Audit had consulted the C&ED regarding border controls on import of foods and would also like to thank the C&ED for its assistance in this matter. Moreover, Audit thanks the Agriculture, Fisheries and Conservation Department (AFCD), the Census and Statistics Department (C&SD), the Department of Justice and the Trade and Industry Department for providing their comments on the relevant parts of this Audit Report.

PART 2: CONTROL OF FOODS IMPORTED BY AIR, ROAD AND SEA

2.1 This PART examines control of foods imported by different modes of transport, i.e. air, road and sea.

Background

2.2 To ensure the safety of imported foods, the CFS has established procedures for controlling the import of foods via air, road and sea. In general, for imported food consignments selected by the CFS, CFS staff (i.e. Health Inspectors with the assistance of Workmen (e.g. for labour work)) of food control offices located at air, road and sea borders:

- (a) check the import documents of the consignments;
- (b) on a sample basis, conduct on-the-spot physical inspection of the consignments. The inspection aims at ascertaining whether there is any physical deterioration of foods (e.g. bad smell, sight of moulds and spills) which may render the foods unfit for human consumption;
- (c) collect food samples (Note 9) for laboratory tests under the Food Surveillance Programme (see para. 1.8(b)(ii));
- (d) conduct radiation tests (e.g. for foods imported from Japan); and

Note 9: *Under the Public Health and Municipal Services Ordinance, the CFS can take food samples at points of entry to the territory for various kinds of laboratory tests. The CFS will pay the market prices of any samples taken from an importer. Due to the difficulties in ascertaining the prices at entry points, the CFS will issue a sampling notice to the importer when samples are collected. The notice will specify the items and quantities of samples which have been taken. The importer could send an invoice and a copy of the notice afterwards to the CFS for payment.*

Control of foods imported by air, road and sea

- (e) input the information on the consignments into the Food Import Control System (FICS — Note 10).

After the satisfactory completion of the above procedures (Note 11), the consignments will be released. Further details on the control procedures and related audit findings are shown in:

- (a) PART 2A — Control of foods imported by air (paras. 2.3 to 2.27);
- (b) PART 2B — Control of foods imported by road (paras. 2.28 to 2.66); and
- (c) PART 2C — Control of foods imported by sea (paras. 2.67 to 2.109).

Note 10: *The FICS is a computer system which is used to capture the information of food consignments inspected by the CFS. The information captured includes, for example, the types and quantities of foods, names of importers and exporters, health certificate numbers, and import licence numbers.*

Note 11: *The CFS may withhold the food consignments while sampling testing is underway, if it appears to the CFS that the food in question is unfit for human consumption. For routine surveillance, the food consignments are released pending the results of laboratory tests of the food samples taken (see para. 2.2(c)).*

PART 2A: CONTROL OF FOODS IMPORTED BY AIR

- 2.3 This PART examines control of foods imported by air, focusing on:
- (a) monitoring the import of foods and import documentation (paras. 2.10 to 2.14);
 - (b) inspection of food consignments (paras. 2.15 to 2.17); and
 - (c) monitoring of food radiation (paras. 2.18 to 2.27).

Background

2.4 Prior to the arrival of air consignments at the Airport, air consignment operators submit electronic cargo information of imported goods to the C&ED through the C&ED's Air Cargo Clearance System for customs clearance. According to the cargo information given by the air consignment operators, staff of the C&ED will assign a customs constraint code to each imported shipment by air. The customs constraint code specifies the government departments which the importer is required to approach for clearance. For food consignments imported by air assigned with specific codes related to the CFS, the importers will approach the CFS and apply for the approval to release the consignments, which are already unloaded from planes and placed at the three cargo terminals of the Airport (i.e. the AA Terminal, the CP Terminal and the HK Terminal).

2.5 Table 4 shows the number of food consignments imported by air and unloaded at the three terminals in 2017.

Table 4

**Foods imported by air and unloaded
at the three terminals of the Airport
(2017)**

	Foods imported by air and unloaded at		
	AA Terminal	CP Terminal	HK Terminal
Number of consignments	46,716	89,879	82,370

Source: Audit analysis of CFS records

2.6 To control food consignments referred from the C&ED, the CFS has set up an AFIO at each of the three terminals. To obtain CFS clearance for release of consignments, importers need to provide import documents to the AFIO at the terminals where the consignments are unloaded. Import documents normally include air waybill, packing list, invoice, shipment release form (Note 12), original health certificate, and import licence and/or import permission for high-risk foods mentioned in paragraph 1.11(a).

2.7 According to the CFS, CFS staff (i.e. Health Inspectors with the assistance of Workmen (e.g. for labour work)) of the AFIOs will:

- (a) check the import documents for all food consignments referred from the C&ED;
- (b) conduct on-the-spot physical inspection of food consignments as follows:
 - (i) on a sample basis (i.e. first consignment of every 5 consignments of an importer), conduct physical inspection of high-risk food consignments whose import requires import permissions

Note 12: *The shipment release form is issued by cargo terminal operators of the Airport and has to be duly stamped by the relevant government authorities, such as the C&ED and the CFS.*

(e.g. chilled meat and chilled poultry as well as eggs — see Appendix D) (see Photograph 8); and

Photograph 8

Food inspection at the CP Terminal



Source: Photograph taken by Audit in May 2018

- (ii) conduct physical inspection on all food consignments from Japan (see Photograph 9); and

Photograph 9

**Examination of a fruit consignment
from Japan**



Source: Photograph taken by Audit in May 2018

- (c) carry out the following tasks where necessary:
 - (i) collecting food samples for conducting laboratory tests as determined by the CFS's Risk Management Section (see Appendix A) in accordance with the Food Surveillance Programme (see para. 1.8(b)(ii)). According to the CFS, in collecting food samples for laboratory tests, physical inspection of the food samples will also be conducted;

- (ii) following up of food incidents and previous cases of unsatisfactory food samples;
- (iii) collecting food samples of consignments subjected to “hold and test” and “test and release” arrangements (Note 13); and
- (iv) ascertaining risks identified through intelligence.

2.8 An inspection for a food consignment conducted by the CFS takes about 5 to 15 minutes. After acknowledging receipt of applications for release of consignments (see para. 2.6), CFS staff will input the data relating to the consignments into the FICS in the AFIOs. Subject to satisfactory import documents checking and physical inspection, and after collection of food samples for laboratory tests (where applicable) (see para. 2.7), CFS staff will stamp on the shipment release forms with their designated inspection chops for release of the consignments. For food consignments imported with import permissions and are selected for inspection (see para. 2.7(b)(i)), CFS staff record the inspection results manually, the record of which are then submitted for endorsement by Senior Health Inspectors.

2.9 For food consignments imported by air, Audit examined the import documents of 44 consignments of high-risk foods (see Appendix D) imported in January 2018 and accompanied CFS staff in 20 physical inspections conducted by them in May and June 2018 at the three AFIOs. Audit found that there is room for improvement in the CFS’s control of foods imported by air as shown in the paragraphs that follow.

Note 13: *In approving food imported with a health certificate issued by a jurisdiction newly approved by the CFS, the CFS selects food samples of first 3 imported consignments and conducts laboratory tests. The consignments can only be released after the test results are found to be satisfactory (i.e. “hold and test”). For subsequent 3 imported consignments, the CFS selects food samples for testing and releases the consignments before the test results are available (i.e. “test and release”).*

Monitoring the import of foods and import documentation

Import licences issued without submission of required supporting documents

2.10 According to the CFS's Operational Manual on import control of foods (Operational Manual), an import licence (see Note 1(b) to Appendix D) may be issued with the submission of a supporting document (i.e. an original health certificate, a photocopy of an original health certificate or an import permission) by an importer. According to the CFS, import licences are issued on the condition that food consignments can only be released after the submission of original health certificates by importers at the border. Audit examined all the import licences issued for the foods imported by air in the period 25 to 31 January 2018 (last 7 days of the month) and found that for permission cases (i.e. import licences issued with the submission of import permissions), all the 345 import licences were issued with the submission of import permissions. However, for non-permission cases (i.e. import licences issued with the submission of original health certificates or photocopies of original health certificates), of a total of 138 import licences issued in the period, 134 (97%) licences were issued without the submission of any of the required supporting documents.

2.11 According to the CFS, it has been a trade facilitation measure for air route that import licences for non-permission cases imported by air are issued without the submission of health certificates due to the short transportation time involved in air freight (hence importers sometimes have difficulties in obtaining original health certificates on time) and situation where health certificates might not have been provided to importers in advance but are shipped together with consignments. Nevertheless, the CFS has instituted monitoring actions comprising:

- (a) all consignments via air are subjected to clearance at the terminals and the import documents must be checked by the AFIOs before they are released;
- (b) in circumstances where no health certificates are available at the time of applying for import licences, CFS staff will check all the information on the import licence application forms to ensure that consignments are imported from jurisdictions recognised by the CFS; and

- (c) a condition “the consignment covered by this licence must not be released for sale and/or for use unless the FEHD has sighted the health certificate” will be stamped on licences for observance by importers and checked by CFS staff at the AFIOs.

Audit, however, noted that the above procedures had not always been followed (see para. 2.12).

Need to review whether discretion was properly granted

2.12 As mentioned in paragraph 2.10, food consignments can only be released after the submission of original health certificates by importers. According to the CFS, for trade facilitation purpose, frontline staff are allowed to exercise flexibility under close supervision of Senior Health Inspectors. In cases where no original health certificate is provided, CFS staff will check the importer’s past record, assess the risk of the food and analyses whether there is any intelligence information or unsatisfactory sampling history. Furthermore, CFS staff conduct physical inspection according to the established risk-based approach and/or food sampling plan under the Food Surveillance Programme, whichever is applicable. Moreover, endorsements by Senior Health Inspectors are required prior to the release of consignments. In examining the 44 food consignments (see para. 2.9), Audit found that:

- (a) ***Food consignments released without original health certificates submitted on the spot.*** In 3 (7%) consignments (relating to the import of frozen chicken and frozen pork from Denmark, Germany and Portugal), the importers were issued import licences based on submission of photocopies of health certificates (Note 14). They, however, failed to provide the original health certificates on the spot to the AFIOs. The importers, therefore, requested the AFIOs to release the consignments without the original health certificates. They also informed the CFS staff that they would later submit the certificates within 7 days from the date of consignment release. Upon the consent of the Senior Health Inspectors, the consignments were released without physical inspections and the importers had submitted the certificates within the 7-day period. Nevertheless, Audit considers that the CFS needs to review the propriety

Note 14: See also paragraph 2.100 for audit observations on issue of import licences based on photocopies of health certificates.

Control of foods imported by air

of granting discretion by the CFS staff as according to the CFS's records, the 3 consignments had been released without physical inspection; and

- (b) *Food consignment released without an original Export Declaration submitted on the spot and without an import permission issued by the CFS.* In one of the 3 consignments mentioned in paragraph (a) above, the consignment was released without the submission of the original Export Declaration (i.e. an import document for the import of beef, pork and mutton from a European Union (EU) country but the animal is slaughtered in another EU country — see also Note in Case 1 below) submitted on the spot and without an import permission issued by the CFS. Details are shown in Case 1.

Case 1

**Inadequacies in the import of a consignment
(January 2018)**

1. According to the CFS, an Export Declaration issued by an exporting EU country is required for foods (i.e. beef, pork and mutton) originated from animals slaughtered in one EU country but exported from another EU country to Hong Kong (Note). Furthermore, the importer is required to obtain an import permission from the CFS (see Note 1(c) to Appendix D) prior to the arrival of the food consignment in Hong Kong.
2. On 6 December 2017, the CFS issued an import licence (without submission of any supporting documents by the importer — see para. 2.10) to an importer intending to import frozen pork originated from animals slaughtered in Spain but exported from Portugal. The licence was issued on the condition that the food must not be released for sale and/or for use in the preparation of food in Hong Kong unless the CFS had sighted and approved the Export Declaration issued by the Portugal authority.
3. On 8 January 2018, upon arrival of the consignment, the importer submitted a photocopy of an Export Declaration and requested release of the consignment. The importer also informed the CFS that the original Export Declaration would be submitted later. Upon the consent of a Senior Health Inspector, the consignment was released. On 10 January 2018, the importer submitted the original Export Declaration to the CFS.
4. Audit, however, noted that:
 - (a) the importer had not applied for an import permission (see para. 1 above) for the import of the consignment and there was no evidence indicating that the CFS staff had questioned the importer about the missing import permission; and
 - (b) according to the CFS's records, the consignment had been released without physical inspection.

Note: According to the CFS, the arrangement, which was effective from 1 December 2017, was agreed between the CFS and the EU after the CFS was satisfied that the arrangement would enable it to continue to effectively safeguard food safety of those products from any EU countries while achieving trade facilitation. Under the arrangement, the dual purpose EU document, i.e. Export Declaration/health certificate, is adopted for replacing the health certificate previously agreed with individual EU countries for importing beef, pork and mutton from those eligible EU countries.

Case 1 (Cont'd)

5. In late September 2018, the CFS informed Audit that this case happened in the transition period of the implementation of the new EU export requirement effective from 1 December 2017. The CFS staff thought that the relevant CFS section responsible for issuing the import licence had checked whether an import permission should be required before issuing the import licence in this particular case. The CFS staff had checked the import licence (see para. 2 above) but it did not state that an import permission (see para. 1) was required. The CFS staff had been briefed on the right procedures and the documents required for import clearance. The CFS also told Audit that this was an isolated case and that improvement measures and training would be implemented.

Source: Audit analysis of CFS records

Audit recommendations

2.13 **Audit has *recommended* that the Director of Food and Environmental Hygiene should:**

- (a) **take measures to ensure that import licences are issued after the submission of supporting documents from importers as far as practicable;**
- (b) **review the propriety of granting discretion by CFS staff in circumstances where food consignments are released without the submission of original health certificates or Export Declarations by importers and without the conduct of physical inspections, and take remedial measures as appropriate (e.g. take measures to ensure that physical inspections are conducted prior to the release of consignments and issue guidelines to facilitate granting discretion by CFS staff); and**
- (c) **ensure that appropriate training for handling cases involving the import of foods requiring EU Export Declarations is provided to CFS staff.**

Response from the Government

2.14 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that:

- (a) the CFS has reminded colleagues to issue import licences after receipt of supporting documents (e.g. a photocopy of health certificate, import permission) from importers as far as practicable;
- (b) the CFS has been implementing measures to publicise among the trade the need to submit supporting documents when applying for import licences;
- (c) a new guideline had been issued in October 2018 to frontline staff that physical inspection should be conducted when the original health certificates were not available and that a briefing had been conducted for frontline staff;
- (d) the CFS has compiled guidelines for Senior Health Inspectors to exercise discretion to release food consignments where importers failed to provide original health certificates or Export Declarations. Accordingly, the discretion may be exercised subject to the following conditions:
 - (i) the importer has clear past record;
 - (ii) the subject food item has no outstanding record (e.g. intelligence information or outstanding sampling history);
 - (iii) the consignment is considered to be in good condition upon physical inspection; and
 - (iv) the release of the consignment should be endorsed by the Senior Health Inspector with proper documentation; and
- (e) the CFS would enhance training for frontline colleagues.

Inspection of food consignments

Inadequacies in physical inspections

2.15 In accompanying CFS staff in the 20 physical inspections (see para. 2.9), Audit observed that:

- (a) *A few food samples inspected.* According to the Operational Manual, for import of meat and meat products, CFS staff normally need to inspect 5% (in quantity) of a food consignment if the result of physical inspection is unsatisfactory. The Operational Manual, however, has not laid down the number of food samples (for meat and meat products as well as other foods) to be inspected in a physical inspection in the first place (Note 15). Audit noted that in each of the 20 inspections, the CFS staff only inspected one carton of the food consignment. In some cases, it accounted for more than 30% of the total number of cartons of a consignment (see Consignments 18 to 20 in Table 5). However, in some other cases, the inspection of only one carton of food was apparently inadequate (e.g. one carton out of a total of 831 cartons was inspected — see also Consignments 1 to 6 in Table 5); and

Note 15: *The only exception is for physical inspection of chilled/frozen meat and poultry imported by sea and placed in cold stores, and eggs. For these foods, 5% of a food consignment should be selected for physical inspection.*

Table 5

**Food samples inspected by the CFS
(May and June 2018)**

Consignment	Food involved	Total number of cartons (a)	Number of cartons inspected (b)	Percentage inspected (c) = $\frac{(b)}{(a)} \times 100\%$
1	Chilled chicken	831	1	0.1 %
2	Scallop with shell	208	1	0.5 %
3	Geoduck clams and other seafood	127	1	0.8 %
4	Chilled beef	112	1	0.9 %
5	Seabream	112	1	0.9 %
6	Scad	104	1	1.0 %
7	Roll cake	40	1	2.5 %
8	Noodles and other foods	39	1	2.6 %
9	Flounder, dried shrimp and tomato	26	1	3.8 %
10	Netted melon, other seafood and vegetables	25	1	4.0 %
11	Scad	23	1	4.3 %
12	Tuna, oyster and chilled beef	17	1	5.9 %
13	Oyster, other seafood and vegetables	15	1	6.7 %
14	Bitter melon	14	1	7.1 %
15	Loquat and other fruits	13	1	7.7 %
16	Mackerel, other seafood and vegetables	10	1	10.0 %
17	Red hair crab	9	1	11.1 %
18	Yellowtail	3	1	33.3 %
19	Seabream, other seafood and vegetables	3	1	33.3 %
20	River crab	2	1	50.0 %

Source: Audit analysis of CFS records

Control of foods imported by air

- (b) *Food samples not randomly selected.* According to the Operational Manual, for inspection of meat and meat products, CFS staff should select units randomly so that each unit should have an equal chance of being picked as a sample for inspection. In two consignments (see Consignments 1 and 4 in Table 5 above), the CFS staff only examined a readily accessible carton of food (placed on the top of the batch).

Audit recommendations

2.16 **Audit has *recommended* that the Director of Food and Environmental Hygiene should:**

- (a) **lay down guidelines on the number of food samples to be inspected in a physical inspection of foods imported by air; and**
- (b) **take measures to ensure that CFS staff select food samples randomly for the conduct of physical inspections (including, for example, extending the CFS's "randomisation sampling" (see para. 2.55(b) to inspection of foods imported by air).**

Response from the Government

2.17 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that:

- (a) the CFS will prepare guidelines on the number of food samples to be inspected in a physical inspection of foods imported by air; and
- (b) in addition to the existing Operational Manual, the CFS will issue a new guideline on sampling at physical inspection at the Airport. The CFS is enhancing supervision of frontline operation at AFIOs.

Monitoring of food radiation

2.18 Subsequent to the nuclear power plant incident in Fukushima in March 2011, the government of Japan announced that the release of radioactive substances

had contaminated foods at levels hazardous to human health. Since March 2011 and up to 23 July 2018 (Note 16), the Director of Food and Environmental Hygiene had made a Food Safety Order under the power of the Public Health and Municipal Services Ordinance to prohibit the import into and supply within Hong Kong of certain foods (e.g. fruits, vegetables, and milk) from five prefectures of Japan, namely Fukushima, Ibaraki, Tochigi, Gunma and Chiba. Since the Fukushima incident, the CFS has stepped up surveillance and tested the radiation level of foods imported from Japan. At a meeting of the Legislative Council (LegCo) Panel on Food Safety and Environmental Hygiene held in June 2018, the FHB informed the Panel that the CFS had been conducting radiation tests on every consignment of food products imported from Japan. Radiation level was assessed by hand-held survey meters for every consignment (see para. 2.19(a)). Food samples would be taken on a risk-based approach for laboratory examination under the Contamination Monitoring System (CMS — see para. 2.19(b)). Importers would need to wait until the CFS had conducted radiation tests on the food products, and all consignments could only be released to the market for sale after the testing results were confirmed to be satisfactory.

2.19 According to the CFS, for all food consignments from Japan, in addition to conducting physical inspections (see para. 2.7(b)), it also conducts radiation tests as follows:

- (a) for each consignment, a CFS staff selects food samples and screens them with a hand-held survey meter to test the radioactivity level of the food (see Photograph 10). According to the Operational Manual, the detection level is 0.4 microsievert (µSv) per hour. For a sample which exceeded the detection level, the CFS staff needs to collect another sample for the CMS test (see (b) below); and

Note 16: *Since 24 July 2018, vegetables, fruits, milk, milk beverages and dried milk from four prefectures of Japan (namely Ibaraki, Tochigi, Chiba and Gunma) have been allowed to be imported into Hong Kong on the conditions that they are accompanied with a radiation certificate and an exporter certificate issued by the competent authority of Japanese government.*

Photograph 10

**Using a hand-held survey meter
to test the radioactivity level of food**



Source: Photograph taken by Audit in May 2018

- (b) for selected consignments, in accordance with the CFS's radiation sampling plan for Japanese foods, a CFS staff selects food samples from the consignments for CMS test (see Photographs 11 and 12). For example, for chilled pork, 2 out of every 5 consignments are selected (Note 17) and a food sample is selected from each of the 2 consignments for CMS test. According to the Operational Manual, the detection level is 15 Bq/kg (Note 18) (i.e. radionuclide concentration (expressed in Bq) per unit weight (expressed in 1 kilogram (kg))). For a food sample that is found by an AFIO to have exceeded the detection level, a CFS staff needs to collect another sample and send it to the Government Laboratory for confirmatory test to ensure that the food is safe for human consumption.

Note 17: *Since 24 July 2018, the CFS has lifted the ban on foods imported from four prefectures of Japan (i.e. Ibaraki, Tochigi, Chiba and Gunma). Following this relaxation, since early August 2018, the CFS has also revised the selection basis for CMS tests. For example, for chilled pork, 2 out of every 5 (instead of 3 out of every 5 previously) consignments are now selected. The selection bases for CMS test vary among different types of foods from Japan.*

Note 18: *According to the CFS, though setting a stringent detection level, the CFS adopts the standards laid down by the Codex Alimentarius Commission (see Note 3 to para. 1.8), which are international standards, for testing the radiation levels of foods. Relevant radionuclides include iodine-131 (100 Bq/kg), caesium-134 and caesium-137 (1,000 Bq/kg), which are most closely associated with health risks. In late October 2018, the CFS also informed Audit that from a scientific perspective, testing of iodine-131 is not required to be stated in the radiation certificate for imported Japanese foods with effect from 8 December 2017.*

Photograph 11

Preparing the food for the CMS test



Source: Photograph taken by Audit in May 2018

Photograph 12

A CMS machine for performing CMS test

CMS machine



Source: Photograph taken by Audit in May 2018

Remarks: A food sample is put into a plastic container which is then placed into the CMS machine for CMS test. The machine is connected to a computer to generate readings concerning radiation (see paras. 2.23 and 2.24 for more details).

2.20 Of the 20 accompanied inspections (see para. 2.9), 18 inspections were related to import of foods from Japan. Based on the selection criteria mentioned in paragraph 2.19, for these 18 inspections, the CFS conducted radiation test on food samples using the hand-held survey meter. For 12 of the 18 inspections, the CFS conducted the CMS test on food samples. Audit found that there is room for improvement in the conduct of CMS tests as shown in the ensuing paragraphs.

Food samples pre-selected by importers

2.21 Audit found that of the 12 inspections (see para. 2.20), in 6 inspections conducted by the AFIO at the CP Terminal, the CFS staff themselves selected food samples for CMS tests from food consignments. However, in the other 6 inspections conducted by the AFIO at the HK Terminal, with the exception of one inspection, the food samples for CMS tests were pre-selected by importers in 5 inspections. Audit noted that, at the HK Terminal, when an importer was queuing for submission of import documents for release of a food consignment by the CFS (see para. 2.6), he also lined up a box of food outside the AFIO (see Photograph 13). Audit observed that if the box of food was selected by the AFIO for the CMS test, he would pass the box on for the AFIO to do so.

Photograph 13

**Food samples pre-selected by importers
for CMS tests at the HK Terminal**



Source: Photograph taken by Audit in May 2018

2.22 Upon enquiry in May 2018, the CFS staff of the AFIO at the HK Terminal informed Audit that although the food samples were pre-selected by the importers, the CFS reserved the right to select other samples from the consignments to replace the pre-selected samples. However, in the 5 inspections, the CFS staff did not select other samples to replace those pre-selected ones.

Need to rationalise the practices for the conduct of CMS tests

2.23 Foods from Japan are imported into Hong Kong by air or sea. According to the Operational Manual, in conducting the CMS test, a food sample weighing approximately 1 kg should be randomly selected from the food consignment for the CMS test. The sample should then be put into a plastic container, called the Marinelli Beaker (see Photograph 14), which should be placed into the CMS machine for the CMS test.

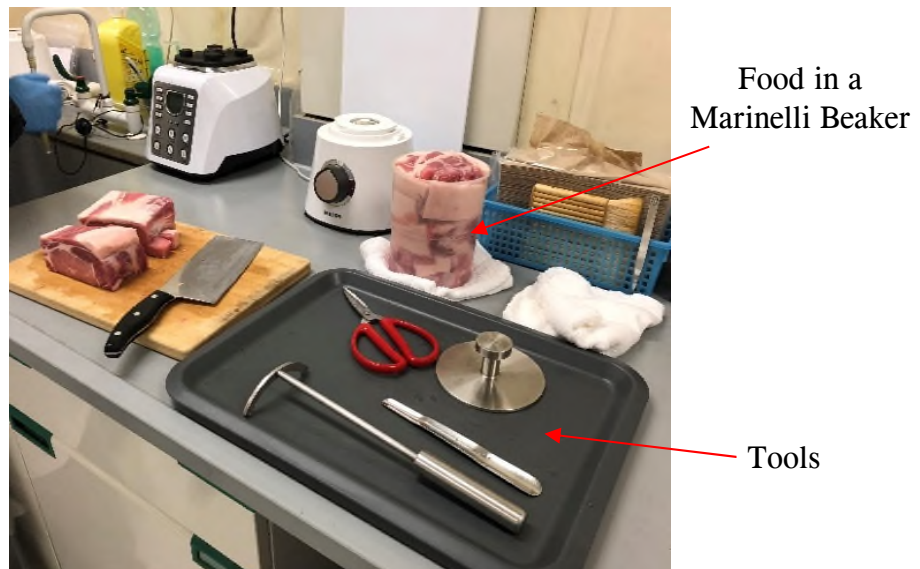
2.24 The Operational Manual does not specify other procedures for the CMS test. However, according to the practice of the CFS's Food Chemistry Section (see Appendix A), which is responsible for CMS tests of foods imported from Japan by sea:

- (a) a food sample selected for the CMS test is cleaned and includes only the edible portion. Photograph 14 shows the tools used by the Section for eliminating the inedible portion. This practice is carried out in accordance with the Guidebook "Measurement of Radionuclides in Food and the Environment" issued by the International Atomic Energy Agency (Note 19). According to the Guidebook, for some foods such as fish, the bones can be easily separated after heating for one hour at 150°C. Furthermore, the mass of the sample must be referred to the mass of the genuine material after subtracting the mass of the bones; and

Note 19: *The International Atomic Energy Agency is an international centre for cooperation in the nuclear field. It works with its member states (including China) and multiple partners worldwide to promote safe, secure and peaceful use of nuclear technologies.*

Photograph 14

**Tools for eliminating
inedible portion of a food**



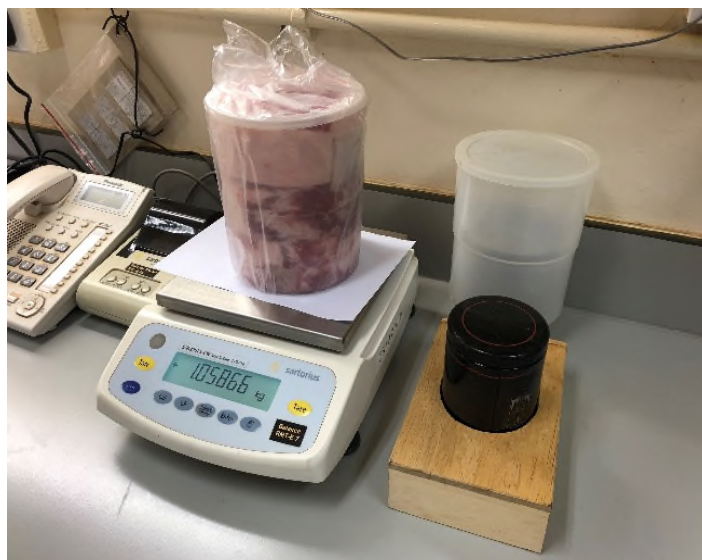
Source: Photograph taken by Audit in June 2018

- (b) the food sample, which contains only the edible portion, is put into the Marinelli Beaker and then weighed to ensure that the sample weighs approximately 1 kg (see Photograph 15) (Note 20). The Beaker is placed into the CMS machine, which is connected to a computer. A weight of 1 kg is entered into the computer. The CMS machine then performs the CMS test.

Note 20: *The weight of the food sample does not include the weight of the Marinelli Beaker as the electronic weight is set to discount the weight of the Beaker.*

Photograph 15

Food sample put into
a Marinelli Beaker and weighed



Source: Photograph taken by Audit in June 2018

2.25 In accompanying CFS staff in the 12 inspections which involved a total of 12 CMS tests at the CP Terminal (6 tests) and the HK Terminal (6 tests), Audit observed that:

- (a) ***Food samples were not properly weighed before conducting CMS tests.*** In the 12 CMS tests, CFS staff only weighed the food samples when they collected the samples from the importers at the terminals. The weight of the samples ranged from 1.04 kg to 3.37 kg. They did not re-weigh the samples after eliminating the inedible portion. In all cases, they entered the weight of 1 kg into the computer connected to the CMS machine for the CMS testing. Case 2 is an example;

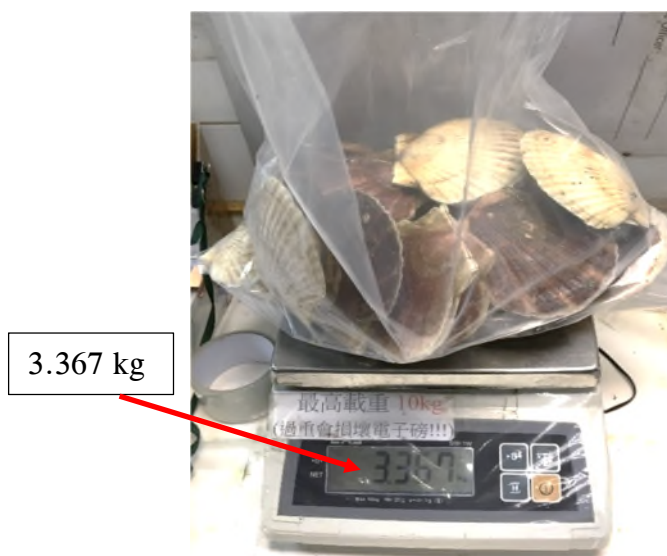
Case 2

A food sample not properly weighed

1. A CFS staff:
 - (a) collected a sample of scallops from an importer for the CMS test;
 - (b) weighed the scallops (with shells) and found the weight to be 3.367 kg (see Photograph 16);
 - (c) removed the shells of the scallops and put the edible portion of the scallops into the Marinelli Beaker (see Photograph 17); and
 - (d) did not re-weigh the scallops but input a weight of 1 kg into the computer connected to the CMS machine.

Photograph 16

Sample of scallops weighed with shells



Source: Photograph taken by Audit in May 2018

Case 2 (Cont'd)

Photograph 17

Sample of scallops with
shells removed and put into
the Marinelli Beaker



Source: Photograph taken by Audit in
May 2018

2. The results of the CMS test indicated 8.56 Bq/kg, 4.75 Bq/kg and 0 Bq/kg (a CMS test examines 3 different types of radiation and a result is generated for each of the 3 types) which were lower than the detection level of 15 Bq/kg (see para. 2.19(b)).

3. In late September 2018, the CFS informed Audit that the Marinelli Beaker of the CMS machine is a standard-size container. Filling the Beaker to the top will give approximately 1 kg in weight. By experience, staff of the AFIOs know that if they fill the Beaker by wet food items to the top, the weight will be 1 kg or more after eliminating the inedible parts.

Audit comments

4. Although in this case, the CMS test results were lower than 15 Bq/kg and the CFS staff had filled the Beaker by foods to the top, it could not be concluded with certainty that the results were satisfactory because it was unsure whether the weight of the scallops without shells put into the Marinelli Beaker for the CMS test was actually approximately 1 kg in weight. The CFS staff should have re-weighed the scallops to ensure that the weight was approximately 1 kg.

Source: Audit analysis of CFS records

Control of foods imported by air

- (b) ***Inedible portions of food samples included in CMS tests.*** In 7 (58%) of the 12 CMS tests, the CFS staff had included inedible portions (e.g. shells of geoduck clams) in the Marinelli Beaker for the CMS tests (see Photographs 18 and 19 for examples).

Photograph 18

**Geoduck clams with crushed shells
in the Marinelli Beaker**

Shell
(which should have
been taken out)



Source: Photograph taken by Audit in May 2018

Photograph 19

**Fishes with bones in the
Marinelli Beaker**



*Source: Photograph taken by Audit in
May 2018*

In late September 2018, the CFS informed Audit that the CFS staff had tried their best to remove all the inedible part and it was impracticable to remove all inedible part in the setting of the AFIOs. Having considered the Codex Standards (see Note 18 to para. 2.19(b)) and operational issues, the effect of these small amount of inedible part was considered insignificant. The 15 Bq/kg being adopted as the detection level of the CMS test was lower than the Codex Standards. While noting the CFS's explanation, Audit considers that the CFS staff of the AFIOs need to remove inedible parts (see para. 2.24(a)) of food samples as far as possible (see Photograph 18 in para. 2.25(b) for an example);

- (c) ***Early release of consignments.*** While all Japanese food consignments are subjected to hand-held testing for radiation, some samples will be collected for CMS testing (see para. 2.19). According to the CFS, for food consignments subjected to both hand-held and CMS tests, the consignments are released by the AFIOs after hand-held radiation testing results are found to be satisfactory but before the CMS test results are available (e.g. a vehicle carrying the consignment was allowed to leave the terminal while Audit was accompanying the CFS staff in conducting the CMS tests, and the CMS test was conducted after the release of the consignment). In

contrast to the AFIOs' practice, for foods imported from Japan by sea, consignments are released only when the CMS test results are found to be satisfactory. In late September 2018, the CFS further informed Audit that given that most of the foods from Japan were of perishable nature and the vast amount of import from Japan was by air, to facilitate the trade, the consignments of food from Japan were released after radiation tests by hand-held survey meters had shown satisfactory testing results; and

- (d) ***Different grades of staff responsible for conducting CMS tests.*** Physical inspections of food consignments imported by air and sea are both inspected by Health Inspectors. However, CMS tests are carried out by Health Inspectors at the AFIOs of the three terminals. For import of foods by sea, after the collection of food samples from importers, the samples are delivered to the CFS's Food Chemistry Section (see para. 2.24) for CMS tests carried out by staff of the Section who are apparently more professionally competent in dealing with scientific matters (e.g. radiation testing). These staff include, for example, Science Laboratory Technologists and Science Laboratory Technicians. In late September 2018, the CFS informed Audit that although different grades of staff conducted the CMS tests, the methodology and testing machines used by the Food Chemistry Section and the AFIOs were the same. Staff of the Food Chemistry Section and the AFIOs were capable of conducting the CMS tests. On-the-job training to the Health Inspectors of the AFIOs was provided by the CFS. Moreover, the CMS System User's Manual is provided in the AFIOs. The Health Inspectors who are newly posted to the AFIOs will be taught by incumbent experienced Health Inspectors on how to conduct the CMS tests. Nevertheless, the CFS considered that there is merit for providing refresher courses for Health Inspectors at the AFIOs.

Audit recommendations

2.26 **Audit has *recommended* that the Director of Food and Environmental Hygiene should:**

- (a) **take measures to ensure that food samples collected for CMS tests are selected by CFS staff themselves at the AFIOs;**

- (b) remind CFS staff at the AFIOs to properly weigh the food samples selected for CMS tests to ensure that the weight of a food sample is approximately 1 kg as required by the Operational Manual;**
- (c) remind CFS staff at the AFIOs to remove, as far as possible, inedible parts of food samples in the conduct of CMS tests; and**
- (d) provide refresher courses on the conduct of CMS tests for CFS staff at the AFIOs.**

Response from the Government

2.27 The Director of Food and Environmental Hygiene agrees with the audit recommendations in paragraph 2.26(b) to (d). Regarding the audit recommendation in paragraph 2.26(a), she has said that the FEHD would take serious follow-up actions, implement improvement measures and enhance supervisory inspections to ensure full compliance with relevant guidelines.

PART 2B: CONTROL OF FOODS IMPORTED BY ROAD

2.28 This PART examines control of foods imported by road, focusing on:

- (a) monitoring the import of foods (paras. 2.37 to 2.45);
- (b) import documentation (paras. 2.46 to 2.53);
- (c) inspection of food consignments (paras. 2.54 to 2.57);
- (d) requirements for vehicles transporting chilled foods (paras. 2.58 to 2.63);
and
- (e) collecting food samples for laboratory tests (paras. 2.64 to 2.66).

Background

2.29 The CFS has set up six food control offices which are located at Man Kam To, Lok Ma Chau, Lok Ma Chau Spurline, Lo Wu, Sha Tau Kok and Shenzhen Bay for inspecting food consignments imported by road (Note 21) (see also para. 1.16). Among these six offices, the MKTFCO handles the largest volume of foods imported by road (Note 22) and is the only office responsible for the inspection of consignments of certain foods (see para. 2.30) imported from the Mainland by road.

Note 21: *According to the CFS, only Man Kam To and Lok Ma Chau handle imported food consignments that are subjected to import control, and are equipped with food inspection platforms for inspection of food consignments. The food control offices at the other four land borders are set up mainly to handle suspected cases of individual travellers illegally taking regulated food into Hong Kong as may be referred from the C&ED from time to time.*

Note 22: *In 2017, of the some 26,000 food consignments imported by road, the MKTFCO handled some 23,000 (90%) consignments.*

2.30 To strengthen the control of safety of foods imported from the Mainland, by virtue of an agreement between the Government of the Hong Kong Special Administrative Region and the Mainland in 1998, vehicles carrying certain foods from the Mainland must enter Hong Kong through the Man Kam To Boundary Control Point (MKTBCP). Such foods comprise meat, poultry, eggs and vegetables (Note 23).

2.31 According to the C&ED:

- (a) its main role is to suppress smuggling activities and prevent illegal importation and exportation of any articles which are controlled/prohibited by law;
- (b) for cargoes importing into Hong Kong, advance cargo information will be submitted to the C&ED via the Road Cargo System (ROCARS) (Note 24). Based on the cargo information submitted, the C&ED will adopt risk management approach to select vehicles for customs clearance. The C&ED will inspect import manifest submitted by vehicle drivers. Physical examination of the goods will be conducted when necessary. If there is no unmanifested cargo or contrabands on board, the C&ED will release the vehicles; and
- (c) at the MKTBCP, for the purpose of anti-smuggling, it will also select vehicles carrying vegetables for inspection. As a daily joint operation, CFS staff will be present at the Import Cargo Examination Building of the C&ED (see Photograph 20) to select and direct those vehicles carrying vegetables upon completion of customs clearance to proceed to the MKTFCO for inspection. In addition, the CFS will seek the C&ED's

Note 23: *Furthermore, the Mainland only allows livestock, live poultry and live aquatic products to enter Hong Kong by road through the MKTBCP. This PART covers foods other than livestock, live poultry and live aquatic products (which are covered in PART 3).*

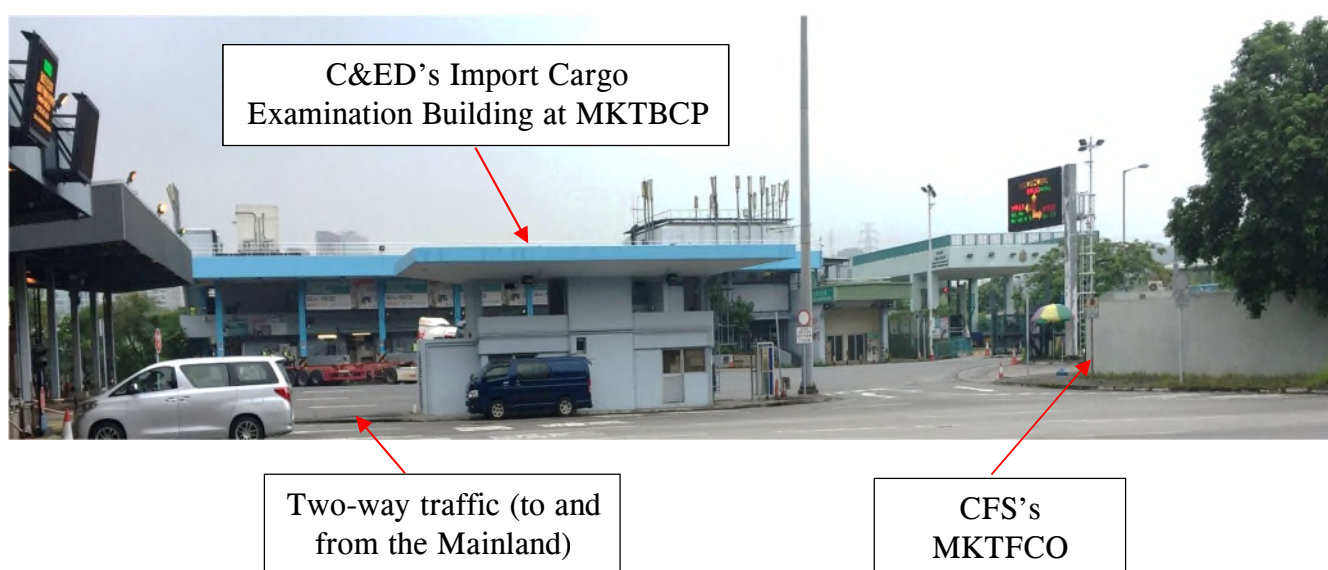
Note 24: *The ROCARS is an electronic advance cargo information system for customs clearance of road cargoes. The shipper or freight forwarder is obliged to submit a pre-defined set of cargo information to the C&ED through ROCARS 14 days in advance or at least 30 minutes before the cargo consignment being imported into or exported from Hong Kong by trucks.*

Control of foods imported by road

assistance in intercepting their targeted vehicles for referral to CFS staff for further action (see para. 2.37 for details).

Photograph 20

The C&ED's Import Cargo Examination Building at MKTBCP and the CFS's MKTFCO



Source: Photograph taken by Audit in August 2018

2.32 According to the CFS:

- (a) it will inspect consignments of vegetables carried by vehicles entering into the MKTFCO;
- (b) owing to the high-risk nature of foods (see Appendix D), as a condition of import permissions, drivers of vehicles carrying consignments of certain foods (e.g. chilled pork, chilled poultry, chilled prohibited meat, frozen prohibited meat, chilled pigeons (i.e. game products), eggs and milk) must automatically drive their vehicles to the MKTFCO for inspection of the consignments by the CFS; and

- (c) for the purpose of obtaining the CFS's assurance on food safety, some importers (e.g. an importer that supplies foods to a burger company) sometimes voluntarily require their drivers to drive vehicles carrying food consignments other than those mentioned in (b) above, into the MKTFCO for inspection of the consignments by the CFS.

2.33 In respect of foods imported through Man Kam To, the CFS requires that every food consignment should be accompanied with the following documents (if applicable):

- (a) ***A food import declaration form.*** The CFS requires the importer or the vehicle driver to provide in the form the details of the importer and the exporter (e.g. telephone, name and address) and the particulars of the imported food consignments (e.g. date of arrival and descriptions and quantities of foods). The completion of the form is not a statutory requirement but on a voluntary basis;
- (b) ***An original health certificate.*** It is required for the foods imported with a health certificate (see Appendix D); and
- (c) ***An import licence and/or import permission.*** It is required for the foods imported with an import licence and/or import permission (see Appendix D).

2.34 According to the CFS, all vehicles entering the MKTFCO will be subjected to inspection by the CFS staff (i.e. Health Inspectors with the assistance of Workmen). Upon arrival of the vehicles, the CFS staff will:

- (a) inspect the import documents (see para. 2.33);
- (b) conduct physical inspection of foods on the spot (see para. 2.2(b));
- (c) carry out inspection of the condition of food vehicles; and
- (d) collect food samples for conducting laboratory tests as determined by the CFS's Risk Management Section (see Appendix A) in accordance with the Food Surveillance Programme.

Control of foods imported by road

An inspection conducted by the CFS takes about 5 to 10 minutes.

2.35 After inspection and release of vehicles carrying food consignments, the CFS staff will input the information on the consignments into the FICS (see Note 10 to para. 2.2(e)).

2.36 Audit examined the CFS's control of foods imported through Man Kam To. In carrying out the examination, Audit:

- (a) examined the import documents of 28 food consignments of high-risk foods (see Appendix D) arrived at Man Kam To in January 2018; and
- (b) accompanied the CFS staff in 18 physical inspections conducted at the MKTFCO in April 2018 (Note 25).

Audit found that there is scope for improvement in the CFS's control of foods imported by road as shown in the ensuing paragraphs.

Monitoring the import of foods

Need to enhance the monitoring of import of foods

2.37 To inspect consignments of vegetables carried by vehicles (see paras. 2.30 and 2.32(a)), the CFS has entered into the following arrangements with the C&ED:

- (a) on a daily basis, the C&ED adopts a risk management approach to select vehicles carrying consignments of vegetables entering Hong Kong through the MKTBCP for anti-smuggling purposes. Among these selected vehicles, the CFS staff at the Import Cargo Examination Building of the C&ED will, after customs clearance is completed, select 15 vehicles to enter the MKTFCO; and

Note 25: *Fruits and vegetables were not covered by Audit for examination as they are not classified as high-risk foods by the CFS.*

- (b) on a daily basis, the CFS identifies 3 vehicles carrying consignments of vegetables that have frequently evaded CFS inspection at the MKTFCO, or vehicles whose vegetable consignments have previously been selected for laboratory tests (see para. 2.34(d)) and have unsatisfactory test results, and requests the C&ED to refer the drivers to CFS staff. These three vehicles are identified by the CFS by obtaining information on food consignments from ROCARS and comparing the information with the CFS's inspection records. The C&ED, based on the key words agreed with the CFS, identified ROCARS records to be retrieved and transferred to the FICS automatically by electronic means.

2.38 Furthermore, since September 2014, the CFS and the Hong Kong Police Force have conducted joint operations to direct the drivers of vehicles carrying consignments of vegetables that evaded CFS inspection to drive the vehicles into the MKTFCO for inspection by the CFS. The joint operation lasts for one hour and is currently carried out at night with a frequency of two times per month.

2.39 As mentioned in paragraph 2.32(b), as a condition of import permissions, drivers of vehicles carrying consignments of certain foods must drive their vehicles to the MKTFCO for inspection of the consignments by the CFS. Audit selected and compared, for the period January to April 2018, ROCARS's records and the CFS inspection records relating to vehicles carrying consignments of chilled pigeons, chilled pork and chilled poultry and found that in the period, of the 59 vehicles carrying such consignments:

- (a) 9 (15%) vehicles had at least once evaded CFS inspection at the MKTFCO; and
- (b) 2 (3%) vehicles had never been driven into the MKTFCO for CFS inspection of the consignments.

Control of foods imported by road

2.40 In late May 2018, Audit discussed with the CFS about the issue of vehicles evading CFS inspection at Man Kam To. In mid-June 2018, the CFS initiated action to identify vehicles that fled from the MKTFCO and took follow-up action where warranted (Note 26). As at September 2018, the follow-up action was still in progress.

2.41 In the morning (from 7 a.m. to 12 noon) of 27 August 2018, Audit observed vehicles transporting commodities into Hong Kong through the MKTBCP. Audit observed that of some 200 vehicles passing through the MKTBCP:

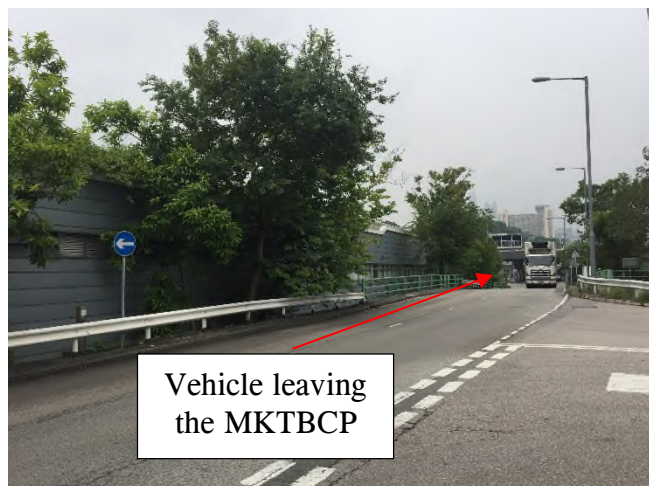
- (a) 24 vehicles were carrying food consignments (comprising 11 consignments of eggs, 3 consignments of milk, 8 consignments of chilled poultry and chilled pigeons, and 2 consignments of chilled pork) which were required to enter the MKTFCO for inspection by the CFS (see para. 2.32(b)); and
- (b) of these 24 vehicles, 4 vehicles carrying consignments of eggs had evaded CFS inspection at the MKTFCO. One of the vehicles is shown in Photographs 21 to 24.

Note 26: *The action was confined to consignments imported with import permissions (see also para. 2.95(b)).*

Photographs 21 to 24

**A fleeing vehicle at Man Kam To
(27 August 2018)**

Photograph 21



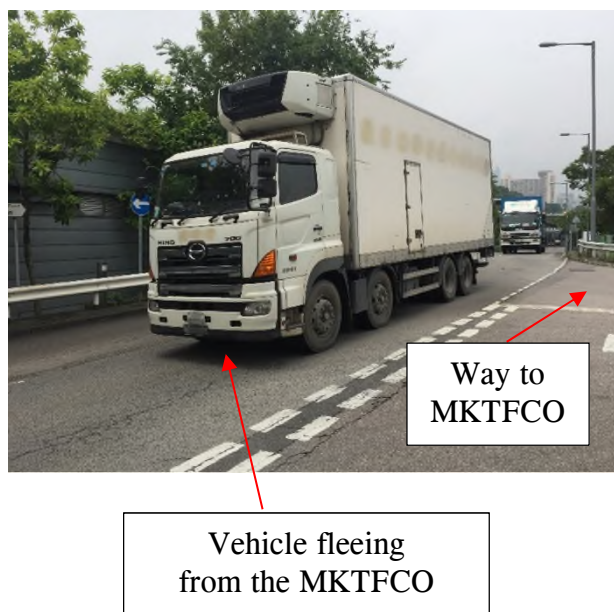
Photograph 22



Photograph 23



Photograph 24



Source: Photographs taken by Audit in August 2018

Control of foods imported by road

2.42 In late September and early October 2018, the CFS informed Audit that it was investigating the relevant vehicles mentioned in paragraphs 2.39 and 2.41(b). The CFS further stated that:

- (a) of the 9 vehicles which had at least once evaded CFS inspection at the MKTFCO for the period January to April 2018 (see para. 2.39(a)), 7 vehicles had entered the MKTFCO. These 7 vehicles were not shown in the CFS inspection records because the vehicle registration numbers of the vehicles had been wrongly entered into the CFS's inspection records; and
- (b) regarding the 4 vehicles carrying consignments of eggs which evaded CFS inspection at the MKTFCO on 27 August 2018 (see para. 2.41(b)), the case is being investigated and followed up by the CFS.

2.43 Audit noted that the CFS had taken actions to identify those vehicles which had fled from the MKTFCO. Nevertheless, Audit considers that the CFS could take further measures to address the problem of vehicles evading CFS inspection. For example, as shown in paragraphs 2.37 and 2.38, the CFS's collaborations with the C&ED and the Hong Kong Police Force have been confined to consignments of vegetables. To enhance the monitoring of import of other foods, the CFS could consider making arrangements similar to those mentioned in paragraph 2.37. For example, the CFS may select, at the Import Cargo Examination Building of the C&ED, vehicles carrying foods other than vegetables (e.g. eggs, poultry and meat), and direct the selected vehicles to enter the MKTFCO for inspection upon completion of customs clearance (see para. 2.37(a)). It may also identify some vehicles carrying foods other than vegetables that have frequently evaded CFS inspection at the MKTFCO, and requests the C&ED to refer the drivers to CFS staff for further action (see para. 2.37(b)).

Audit recommendation

2.44 **Audit has *recommended* that the Director of Food and Environmental Hygiene should take further measures to address the problem of vehicles evading CFS inspection of food consignments at the MKTFCO.**

Response from the Government

2.45 The Director of Food and Environmental Hygiene agrees with the audit recommendation. She has said that the CFS has been liaising with relevant parties on the improvement measures.

Import documentation

A suspected case of import without an import licence

2.46 Of the 28 food consignments examined (see para. 2.36(a)), Audit found that in one food consignment of frozen beef patties, the frontline Health Inspector was unsure whether the frozen beef patties were “frozen raw meat” or “frozen processed meat” and the consignment was released by the MKTFCO despite the absence of an import licence (see Case 3).

Case 3

Frozen beef patties imported without an import licence

1. On 26 January 2018, a consignment of 432 cartons of frozen beef patties was imported from the Mainland through Man Kam To. As stated in Appendix D, frozen meat should be imported with an import licence issued by the FEHD under the Imported Game, Meat, Poultry and Eggs Regulations (Cap. 132AK) of the Public Health and Municipal Services Ordinance (Note). Under the Regulations, “meat” means the “fresh” or “frozen” carcass, flesh or other edible part including edible viscera and offal of an animal, being an animal kept in captivity before slaughter from which beef, mutton, pork, veal or lamb is derived.
2. Audit, however, found that the importer had not applied for an import licence for the import of this food consignment. Upon Audit’s enquiry in May 2018, the CFS staff confirmed that the consignment was released from the MKTFCO despite the lack of an import licence. The CFS records did not indicate the reasons for the release.
3. On 11 June 2018, the CFS sought legal advice on whether legal action could be instituted against the importer as the importer had failed to apply for an import licence. It was stated in the CFS’s letter to the Department of Justice that:
 - (a) the Health Inspector on duty overlooked the checking of the import licence during the inspection of the consignment; and
 - (b) the CFS sent an email to the importer on 14 May 2018 requesting the importer to provide, among other things, the import licence to the CFS. The importer, however, could not provide the said licence to the CFS.
4. On 21 July 2018, the Department of Justice advised that, based on the evidence and its interview with the Health Inspector, legal action against the importer could not proceed.
5. On 23 July 2018, while the CFS’s investigation was underway, the CFS issued guidelines to the staff at the MKTFCO. According to the guidelines:
 - (a) all fully cooked or flavoured meat and poultry are not under the control of the Regulations; and
 - (b) unless the importer can provide substantial proof that the food in a consignment has been fully cooked/flavoured/subjected to a process of preservation, the consignment should be considered under the control of the Regulations.

Case 3 (Cont'd)

Audit comments

6. The CFS needs to take measures to ensure that frontline CFS staff strictly follow the new guidelines issued in July 2018 (see para. 5) in carrying out physical inspections, and fully check that food consignments are imported with appropriate import documents.

7. As mentioned in paragraph 5(a), according to the CFS, all fully cooked or flavoured meat are not under the control of the Regulations. However, Audit noted that in the Regulations (see para. 1), while “fresh” has been defined (“fresh” means “in relation to game, meat or poultry means game, meat or poultry which has not been subjected to a process of preservation; or has been preserved by chilling”), “frozen” has not been defined. “Frozen” could include frozen fully cooked or flavoured meat. It might therefore not be appropriate for the CFS to consider that fully cooked or flavoured meat are not under the control of the Regulations. In late October 2018, the Department of Justice informed Audit that it saw no harm for the FEHD to seek further legal advice to clarify the scope of the definition of meat (which includes frozen meat — see para. 1) in the Regulations, as it would shed light on the ambit of the Regulations. Audit considers that the CFS needs to seek further legal advice from the Department of Justice to clarify this issue as it might have an impact on control of imported foods in future.

Source: Audit analysis of CFS records

Note: Under the Imported Game, Meat, Poultry and Eggs Regulations, the CFS can impose any conditions (e.g. the requirement of an import licence) with regard to the import of game, meat, poultry, eggs or prohibited meat. Any person who fails to comply with the conditions commits an offence and is liable to conviction to a maximum fine of \$50,000 and imprisonment for 6 months.

***Release of food consignment without
subjecting it to proper import procedures***

2.47 According to the administrative arrangements with the relevant Mainland authority (see Note 4 to Appendix D), when transporting a consignment of certain foods (e.g. chilled meat, chilled poultry or frozen poultry), a veterinarian of the Mainland will certify on the original health certificate that the meat is fit for human consumption and mark a seal number on the certificate (see Photograph 25). A security seal, bearing the same number as the seal number (see Photograph 26) will also be attached to the vehicle transporting the consignment. Upon arrival of the consignment at the MKTFCO, in addition to the normal checking procedures (see

Control of foods imported by road

para. 2.34), CFS staff will match the seal number shown on the original health certificate against the number of the security seal on the vehicle. This is to ensure that the foods carried by the vehicle are identical with those shown on the certificate.

Photograph 25

Seal number shown on an original health certificate

		中华人民共和国出入境检验检疫 ENTRY-EXIT INSPECTION AND QUARANTINE OF THE PEOPLE'S REPUBLIC OF CHINA	
兽医(卫生)证书 VETERINARY (HEALTH) CERTIFICATE		编号 No.	
发货人名称及地址 Name and Address of Consignor			
收货人名称及地址 Name and Address of Consignee			
品名 Description of Goods 鲜的整只鸡(黄鸡)(CHILLED CHICKEN(YELLOW CHICKEN))			
报检重量 Weight Declared 12200 PCS		产地 Place of Origin 云南 YUNNAN	
包装种类及数量 Number and Type of Packages **800其他OTHER PACKAGES		标记及号码 Mark & No.	
集装箱号 Container No. ***			
铅封号 Seal No. CH0018000000			

Source: Photograph taken by Audit in April 2018
(with particulars blurred by Audit)

Photograph 26

**Seal number shown on
the security seal of a vehicle**



Source: Photograph taken by Audit in April 2018

2.48 Audit examined the import documents of 15 consignments of chilled pork, chilled poultry and frozen poultry (see para. 2.36(a)) and found that 2 consignments (of frozen poultry) had been imported without seal numbers on the original health certificates. Audit could not ascertain the reason that, despite the lack of the seal numbers whereby the matching of the numbers to the numbers of the security seals could not have been performed, the consignments had still been released from the MKTFCO. There was also no evidence indicating that action had been taken to investigate the consignment imported without a matching seal number on the original health certificate.

2.49 In late September 2018, the CFS informed Audit that the CFS had checked (in late September 2018) with the General Administration of Customs of the People's Republic of China (GACC — see Note 4 to Appendix D) about the reasons for the lack of seal numbers on the original health certificates. According to the CFS, the arrangement of marking seal numbers on the health certificates was not applicable to the 2 consignments as the vehicles used for transporting the consignments had to be

Control of foods imported by road

changed at Shenzhen (the consignments were unloaded from the vehicles from Henan and reloaded to other vehicles at Shenzhen). Though there were no seal numbers on the health certificates, the certificates were issued by the former General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (AQSIQ — see Note 4 to Appendix D) bearing the required attestation. Besides, the CFS staff had checked the import licence, the Mainland manifest and the import declaration prior to the release of consignments. To ensure that import control is properly carried out, Audit considers that in future the CFS needs to clarify with the GACC any irregularities relating to health certificates on the spot (Note 27). To enhance transparency and public accountability, the CFS also needs to document the actions taken to deal with the irregularities.

Discrepancies in import documents

2.50 According to the Operational Manual (see para. 2.10), if there are any discrepancies in import documents, the importers shall be asked to clarify and rectify the discrepancies as soon as possible. Of the 28 food consignments examined (see para. 2.36(a)), Audit found that:

- (a) for 3 (11%) consignments, the names of the exporters shown on the original health certificates were different from those shown on the import licences, but there was no written explanation given for the differences; and
- (b) for 9 (32%) consignments, the total quantities (in kgs) declared in the food import declaration forms were less than the quantities recorded in the original health certificates (ranging from 0.7% to 69.5%, averaging 33.7%), but there was no written explanation given for the differences. In late September 2018, the CFS informed Audit that not all the quantities mentioned in the health certificates would be exported, and therefore it was acceptable that the quantities actually imported were less than those on the health certificates. The driver/importer would declare the actual quantities on the import declaration forms for CFS checking.

Note 27: *The MKTFCO has 23 car parking spaces capable of fitting large vehicles for inspection and detention. Vehicles can be held in detention at the MKTFCO where warranted (e.g. in circumstances where original health certificates could not be provided, or there are irregularities in import documents and the CFS needs to clarify the irregularities with the relevant authorities).*

2.51 Audit also found that of the 18 accompanied inspections conducted in April 2018 (see para. 2.36(b)), in 4 (22%) inspections, the names of the exporters shown on the original health certificates were not the same as those shown on the import licences or the food import declaration forms, but there was no written explanation given for the differences. The CFS staff did not verify the discrepancies prior to the release of the food consignments. The CFS needs to ensure that discrepancies between import documents are promptly clarified.

Audit recommendations

2.52 Audit has *recommended* that the Director of Food and Environmental Hygiene should:

- (a) **take measures to ensure that CFS staff follow the guidelines issued in July 2018 (see para. 5 in Case 3 in para. 2.46) in the conduct of physical inspections;**
- (b) **seek legal advice on the definition of “frozen” in the relevant Regulations under the Public Health and Municipal Services Ordinance from the Department of Justice;**
- (c) **take measures to ensure that frontline CFS staff fully check that food consignments are imported with appropriate import documents;**
- (d) **clarify with the GACC any irregularities relating to health certificates as soon as practicable, and document the actions taken to deal with the irregularities; and**
- (e) **take measures to ensure that discrepancies between import documents are promptly clarified.**

Response from the Government

2.53 The Director of Food and Environmental Hygiene generally agrees with the audit recommendations. She has said that:

Control of foods imported by road

- (a) the CFS proactively issued advice and inspection checklist on inspection of meat, poultry, egg, and milk and frozen confections consignment for frontline staff in July and September 2018;
- (b) briefings have been conducted to frontline staff;
- (c) the CFS has enhanced supervision to ensure that operation has been conducted according to the guidelines; and
- (d) the CFS has reminded frontline staff to clarify the irregularities with the GACC as soon as practicable and document the actions taken to deal with the irregularities.

Inspection of food consignments

2.54 As mentioned in paragraph 2.34(b), CFS staff conduct physical inspection of food consignments at the MKTFCO. According to the Operational Manual, the inspection includes:

- (a) visual examination of foods to detect, for example, mechanical damage, microbial spoilage, insect or rodent damage and observable chemical contamination; and
- (b) inspection of the transport environment, such as the cleanliness of the storage compartment of the vehicle, the storage temperature of food containers, and whether there is evidence of water damage, mechanical damage, microbial growth, off-odours and insect or rodent infestation.

Inadequacies in physical inspections

2.55 In April 2018, in accompanying the CFS staff in 18 inspections of food consignments (involving a total of 18 consignments) conducted at the MKTFCO (see para. 2.36(b)), Audit observed that:

- (a) of the 18 inspections, 13 (72%) involved consignments of eggs and chilled/frozen meat or poultry. The CFS only selected very small quantity of foods for physical inspections (see Table 6);

Table 6
Food samples inspected by the CFS
(April 2018)

Item	Food involved	Total number of cartons (a)	Number of cartons inspected (b)	Percentage inspected $(c) = \frac{(b)}{(a)} \times 100\%$
1	Pork	1,000	3	0.3%
2	Pork	1,000	3	0.3%
3	Poultry and pigeons	1,460	5	0.3%
4	Poultry and pigeons	1,540	4	0.3%
5	Eggs	800	2	0.3%
6	Eggs	720	2	0.3%
7	Poultry	810	3	0.4%
8	Poultry and pigeons	375	2	0.5%
9	Poultry and pigeons	410	2	0.5%
10	Pork	137	1	0.7%
11	Pigeons	220	5	2.3%
12	Poultry	120	3	2.5%
13	Poultry	100	3	3.0%

Source: Audit analysis of CFS records

Remarks: Of the 18 accompanied inspections, 3 inspections involved consignments of cooked poultry (according to the CFS, cooked foods are not under the control of the Public Health and Municipal Services Ordinance) and 2 inspections involved consignments of milk (transported by trucks carrying milk tanks of which the quantity of milk could not be verified by Audit).

- (b) in 9 (69%) of the 13 inspections (see (a) above), in carrying out the inspection of foods, the CFS staff only opened the right doors of the vehicles carrying the consignments and examined the foods in front (see

Control of foods imported by road

Photograph 27). In the other 4 (31%) inspections, the CFS staff had selected foods placed at different places of the inner parts of the vehicles' storage compartments. In late September 2018, the CFS informed Audit that it had commenced, since mid-July 2018, a trial run of a “randomisation sampling” of chilled/frozen meat or poultry to include taking samples from the front and back portions of vehicles;

Photograph 27

**Inspection of a consignment
of chilled poultry**



Source: Photograph taken by Audit in April 2018

- (c) the Operational Manual has not laid down the number of food types to be examined in a consignment. In 5 (38%) of the 13 inspections (see (a) above) in which several types of foods (e.g. chicken, ducks and geese) were involved, only one type of food (e.g. chicken) had been selected for examination; and
- (d) CFS staff would complete inspection checklists which record the details of food consignments inspected. Of the 18 inspections, 9 (50%) inspections

involved consignments of chilled pork, chilled pigeons or chilled poultry for which inspection checklists had been completed. However, the use of the checklist is only applicable to consignments of designated foods (i.e. chilled pork, chilled pigeons, chilled poultry, frozen pigeons and frozen poultry — according to the CFS, these are high-risk foods). Checklists are not applicable to other foods. To facilitate inspection of food consignments by CFS staff and supervisory reviews, the CFS needs to consider extending the use of the checklist to other foods (e.g. eggs and milk which, according to the CFS, are also high-risk foods). In late September 2018, the CFS informed Audit that the use of checklist had been extended to eggs and milk consignments since late September 2018. Furthermore, Senior Health Inspectors would conduct random checking and on-site supervision regularly.

Audit recommendations

2.56 **Audit has *recommended* that the Director of Food and Environmental Hygiene should:**

- (a) lay down guidelines on the number of food samples to be inspected in a physical inspection of foods imported by road;**
- (b) evaluate the trial run of the “randomisation sampling” of chilled/frozen meat or poultry, modify the methodology where warranted, and apply the methodology to other foods (e.g. eggs);**
- (c) set guidelines on the number of food types to be examined in a consignment; and**
- (d) ensure that inspection checklists are randomly checked by Senior Health Inspectors and that regular on-site supervisory inspection visits are carried out by the Inspectors.**

Response from the Government

2.57 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that:

Control of foods imported by road

- (a) the CFS will work out guidelines on an appropriate number of food samples and food types to be inspected in a physical inspection of foods imported by road;
- (b) the CFS will consider the feasibility of adopting randomisation sampling to other foods; and
- (c) the CFS has enhanced supervision to ensure frontline operation is conducted according to the guidelines.

Requirements for vehicles transporting chilled foods

2.58 As empowered under the Imported Game, Meat, Poultry and Eggs Regulations, the CFS has set a condition in the import permissions for the import of chilled foods (e.g. chilled pigeons, chilled pork and chilled poultry) that owing to their high-risk nature, only vehicles approved by the CFS are allowed to transport such foods. Any person who fails to comply with the condition is liable to conviction to a maximum fine of \$50,000 and imprisonment for 6 months. In approving a vehicle, CFS staff will conduct a physical examination of the vehicle. They will determine whether the vehicle meets the specified conditions (Note 28) for transporting chilled foods. As at the time of audit examination on 20 April 2018, there were a total of 158 vehicles in the CFS's list of vehicles approved for transporting such foods.

Note 28: *The specified conditions include, for example:*

- (a) *the vehicle is capable of maintain a chilling temperature between 0°C and 4°C and in no circumstances shall exceed 8°C;*
- (b) *the internal surfaces of the conveying compartment of the vehicle shall be smooth and impervious to facilitate cleansing;*
- (c) *the vehicle shall have temperature devices which constantly record the temperature of the conveying compartment on a running graph for the duration of the trip; and*
- (d) *every door or window of the conveying compartment of the vehicle for the imported chilled chicken carcasses and/or offal shall be kept properly closed except during loading and unloading of the food. The chilling device of the conveying compartment shall be kept running at all times when the compartment is loaded.*

Vehicles transporting chilled foods without approval

2.59 Audit examined ROCARS's records and the CFS's records for the period January to April 2018. Audit found that in the period, of the 59 vehicles transporting chilled foods to Hong Kong through Man Kam To (see para. 2.39), 14 (24 %) had not been approved by the CFS. Of these 14 vehicles:

- (a) 12 (86 %) vehicles had entered into the MKTFCO. However, the CFS staff did not notice that the vehicles had not been approved for transporting chilled foods, as there was no CFS requirement for checking whether the vehicles were approved ones. In the period, all the 159 consignments of chilled foods transported by the vehicles had been released by the MKTFCO (see Case 4 for an example); and

Case 4

An unapproved vehicle transporting chilled pork

1. According to the CFS's inspection records, in the period January to April 2018, a vehicle which had not been approved for transporting chilled pork had carried such food (see Table below) and entered into the MKTFCO for CFS consignment inspections.

Month	Number of consignments of chilled pork transported by the vehicle and released by the MKTFCO
January 2018	31
February 2018	23
March 2018	31
April 2018	30
Total	115

Audit comments

2. The CFS staff at the MKTFCO were not aware that the vehicle had not been approved for transporting chilled pork (Note). The CFS needs to take measures to ensure that vehicles transporting chilled foods are approved by the CFS.

Source: CFS records

Note: The vehicle was only approved in July 2018.

- (b) 2 (14%) vehicles transporting a total of two consignments in the period had evaded CFS consignment inspections at the MKTFCO.

Containers not in the list of approved vehicles

2.60 Of the 158 approved vehicles as at 20 April 2018 (see para. 2.58), 20 were container carriers. Audit found that of the 20 container carriers:

- (a) for 10 carriers, while the carriers had been included in the list of approved vehicles, their containers which were used for storing chilled foods and which had been examined and approved by the CFS for carrying such foods, had not been included in the approved list; and
- (b) for the other 10 carriers, while the CFS had approved the carriers for carrying chilled foods, the containers of the carriers had not been approved by the CFS.

For proper control purposes (as the carriers may carry containers other than those approved by the CFS), these containers should be approved by the CFS and included in the approved list.

No regular examination of approved vehicles

2.61 In examining the issues relating to vehicles transporting chilled foods, Audit also noted that apart from the first-time examination (see para. 2.58) and inspection of hygiene condition when vehicles entered into the MKTFCO, the CFS did not have the practice of conducting periodic examinations similar to the first-time examination of the condition of vehicles. To ensure that vehicles are continually suitable in all aspects (i.e. not only the hygiene condition) for transporting chilled foods, the CFS needs to consider conducting periodic examinations.

Audit recommendations

2.62 **Audit has *recommended* that the Director of Food and Environmental Hygiene should:**

- (a) **take measures to ensure that vehicles transporting chilled foods are approved by the CFS;**
- (b) **include containers approved for carrying chilled foods in the list of vehicles approved for transporting consignments of chilled foods;**
- (c) **take measures to ensure that all the containers carrying consignments of chilled foods are approved by the CFS for transporting such foods; and**

Control of foods imported by road

- (d) **consider conducting periodic examinations similar to the first-time examination of the condition of vehicles transporting consignments of chilled foods to ensure that the vehicles are continually suitable for transporting consignments of such foods.**

Response from the Government

2.63 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that:

- (a) the CFS has included the checking of approved vehicles in the inspection checklist;
- (b) the CFS has included the containers approved for carrying chilled meat/poultry in the approved vehicle list;
- (c) the approved vehicle list and the containers, if any, have been made available to frontline staff for checking; and
- (d) in addition to the routine checking, re-inspection of the approved vehicles for transporting chilled meat and poultry will be conducted at a two-year interval.

Collecting food samples for laboratory tests

2.64 In accompanying CFS staff in the conduct of physical inspections of food consignments at the MKTFCO, Audit found that there were no guidelines on the selection of food samples for laboratory tests under the Food Surveillance Programme (see para. 2.34(d)). Of the 18 accompanied inspections (see para. 2.36(b)), in 3 inspections, the CFS staff had collected food samples for the Programme. In all the 3 inspections, the CFS staff only selected the foods placed near the doors of the vehicles. In late September 2018, the CFS informed Audit that guidelines on collection of chilled/frozen meat or poultry samples from vehicles had been issued in late September 2018.

Audit recommendation

2.65 Audit has *recommended* that the Director of Food and Environmental Hygiene should keep under review the adequacy of the guidelines on collection of food samples for laboratory tests and modify the guidelines where warranted.

Response from the Government

2.66 The Director of Food and Environmental Hygiene agrees with the audit recommendation. She has said that the CFS will monitor and review the guidelines to meet the objective and operational needs from time to time.

PART 2C: CONTROL OF FOODS IMPORTED BY SEA

2.67 This PART examines the control of foods imported by sea, focusing on the following issues:

- (a) monitoring the import of foods (paras. 2.74 to 2.89);
- (b) issues relating to import licences (paras. 2.90 to 2.103); and
- (c) discrepancies in import documents and physical inspections of consignments (paras. 2.104 to 2.109).

Background

2.68 According to the CFS:

- (a) foods imported into Hong Kong by sea are mainly imported through the Kwai Tsing Container Terminal at Kwai Chung; and
- (b) apart from foods imported through the Terminal, foods imported into Hong Kong by sea may be entered through the CSWWFM or the WWFM under the management of the AFCD. These foods are confined to freshwater aquatic products (e.g. live fish and chilled swim bladder) imported from the Mainland.

2.69 Table 7 shows the food control offices set up under the Food Import and Export Section (see Appendix A) of the CFS to examine foods imported by sea through the Kwai Tsing Container Terminal, the CSWWFM and the WWFM.

Table 7

CFS food control offices for examining foods imported by sea

CFS office	Location	Duties
(1) Hong Kong and Kowloon Offices (HKKO)	Mongkok	On a selective basis (Note 29), CFS staff (i.e. Health Inspectors with the assistance of Workmen) conduct import documents (e.g. original health certificate, import licence and/or import permission) checking and physical inspection of foods imported with <i>import licences and/or import permissions</i> (e.g. frozen meat, chilled meat, eggs, and milk and frozen confections — see Appendix D), food samples collected under the Food Surveillance Programme (see para. 1.8(b)(ii)) and foods involved in food incidents. According to the CFS, in general, physical inspection is conducted at importers' warehouses or privately-run cold stores. When situation warrants, physical inspection is conducted at the food inspection checkpoint located in the KCCH (KCCH checkpoint — see paras. 2.74 to 2.84 for details).
(2) Food Importer/ Distributor Registration and Import Licensing Office (FIRLO)	Wan Chai	(a) On a selective basis (see Note 29), staff of FIRLO conduct import documents checking and physical inspection of food consignments imported with <i>import licences which are issued based on photocopies of health certificates</i> (Note 1). Where physical inspection cannot be carried out at the KCCH checkpoint, it will be carried out at importers' warehouses or privately-run cold stores.

Note 29: *Selection of food consignments (e.g. for the import of eggs, 1 out of every 100 consignments is selected) differs between types of foods and food control offices (controlling the import of foods by sea).*

Control of foods imported by sea

Table 7 (Cont'd)

CFS office	Location	Duties
		<p>(b) FIRLO is also responsible for:</p> <p>(i) issuing import licences for foods imported by sea as well as air and road; and</p> <p>(ii) registration and inspection of food traders under the Food Safety Ordinance (see Note 44 to para. 4.1 and para. 4.6).</p>
(3) CSWWFM Waterfront Office	Cheung Sha Wan	When vessels carrying consignments of freshwater aquatic products from the Mainland arrived at the Waterfront Offices, CSF staff conduct import documents checking and physical inspection of these consignments. According to the CFS, <i>all</i> such consignments are subjected to the checking and inspection (Notes 2 and 3).
(4) WWFM Waterfront Office	Western District	

Source: CFS records

Note 1: To apply for an import licence, an importer normally needs to submit an original health certificate. In circumstances where the original health certificate cannot be produced (e.g. the exporter in an overseas country has not posted the certificate in advance to the importer but accompanied it with the shipment of a consignment), for trade facilitation, the CFS also accepts a photocopy of the health certificate for application purpose. Due to historical reasons, for consignments with import licences issued based on photocopies of health certificates, import documents checking and physical inspections are conducted by FIRLO.

Note 2: Import of freshwater aquatic products does not require import licences and/or import permissions. Under the administrative arrangements with the relevant Mainland authority (see para. 1.11(b) and Note 4 to Appendix D), these products are subjected to the CFS's import documents checking and physical inspection.

Note 3: Marine fish (excluding live marine fish and shellfish) is required under the Marine Fish (Marketing) Ordinance (Cap. 291) to be landed and wholesaled at the wholesale fish markets operated by the Fish Marketing Organization (FMO). The FMO is headed by the Director of Marketing, a position currently held by the Director of Agriculture, Fisheries and Conservation. The FMO is a self-financing and non-profit making organisation and operates seven wholesale fish markets located at Aberdeen, Shau Kei Wan, Kwun Tong, Cheung Sha Wan, Castle Peak, Tai Po and Sai Kung to provide wholesale marketing services to the fishermen, fish wholesalers and buyers. Marine fishery produce wholesaled at the FMO wholesale fish markets include marine fish and live seafood (e.g. live marine fish and live shellfish).

2.70 For consignments imported through the Kwai Tsing Container Terminal and selected for import documents checking and physical inspection, the importers are notified in advance (e.g. when they are issued with import licences or when they report the arrival of consignments — see para. 2.71) that their consignments will be subjected to the checking and inspection. The HKKO and FIRLO will:

- (a) follow up with the importers to enquire when the consignments will arrive;
- (b) request the importers to provide the import documents for checking prior to the physical inspection of the consignments; and
- (c) make appointments (e.g. setting dates and time as well as the locations, i.e. the KCCH checkpoint, importers' warehouses or cold stores) with the importers for physical inspection of the consignments. An inspection conducted by the CFS takes about half an hour to 2.5 hours.

Subject to the satisfactory completion of the import documents checking and physical inspection, CFS staff will input the information on food consignments into the FICS (see Note 10 to para. 2.2(e)).

2.71 According to the CFS, foods whose imports require import permissions (e.g. chilled meat and poultry — see Appendix D) are foods of higher risks. The CFS therefore checks the import documents of all foods imported by sea with import permissions. It is a condition of import permissions that:

- (a) for consignments of milk and frozen confections imported by sea, importers should send written reports (stating information such as the arrival dates of the consignments) to the CFS 48 hours prior to the arrival of the consignments;
- (b) for consignments of eggs imported by sea, importers should send import documents to the CFS within two working days in advance of the arrival of the consignments; and
- (c) for consignments of meat, poultry and game imported by sea, importers should send import documents to the CFS within two working days after the arrival of the consignments.

Control of foods imported by sea

Under the Public Health and Municipal Services Ordinance, any person who fails to comply with the above requirements is liable on conviction to a maximum fine of \$50,000 and imprisonment for 6 months.

2.72 According to the CFS, in 2017, there were 9,453 consignments of foods imported by sea with import licences and/or import permissions and 1,398 consignments of freshwater aquatic products imported into Hong Kong. Of these 9,453 consignments, 3,616 (38%) (Note 30) were subjected to both import documents checking and physical inspection by the CFS.

2.73 For foods imported by sea, Audit examined the import documents of 40 consignments of high-risk foods (see Appendix D) imported in January 2018 and accompanied CFS staff in 10 physical inspections conducted by them in the period from March to July 2018 (see Note 25 to para. 2.36). Audit found that there is room for improvement in the CFS's control of foods imported by sea as shown in the ensuing paragraphs.

Monitoring the import of foods

2.74 In March and May 2015, Members of LegCo Panel on Food Safety and Environmental Hygiene expressed concern about the absence of a food inspection checkpoint at the Kwai Tsing Container Terminal to conduct inspection on foods imported by sea. In July 2015, the CFS actively discussed with the C&ED the possibility of setting up an inspection checkpoint at the Terminal with a view to enhancing the surveillance of foods to safeguard food safety.

2.75 In a paper submitted by the FHB and the FEHD to the Panel in November 2015, the FEHD informed the Panel that in order to align the practice of monitoring of foods imported by sea with that of foods imported by air and road, the CFS had set up the KCCH checkpoint (see Photographs 28 and 29) serving functions (e.g. import documents checking and physical inspection) similar to those of the

Note 30: *The figures represented the number of consignments which were imported with import licences and/or import permissions.*

AFIOs and the MKTFCO. The KCCH checkpoint has commenced operation since late October 2015.

Photograph 28

**The CFS station at
the KCCH checkpoint**



Source: Photograph taken by Audit in March 2018

Photograph 29

Outside the CFS station of the KCCH checkpoint



Source: Photograph taken by Audit in April 2018

2.76 According to the CFS:

- (a) no CFS staff is stationed at the KCCH checkpoint. Based on the appointments made with importers (see para. 2.70(c)), CFS staff will arrive at the KCCH checkpoint to conduct physical inspections of food consignments;
- (b) it adopts a risk-based surveillance principle in selecting consignments imported via sea route for inspection at the KCCH checkpoint, taking into account factors such as relevant intelligence, food safety incidents in neighbouring areas, whether the importers concerned have previously disregarded instructions by the CFS (e.g. release of consignments before CFS inspection), and whether cargo manifests have been submitted to the C&ED through the Electronic System for Cargo Manifest (EMAN — which contains information of consignments declared by the importer/carrier and provides users with comprehensive cargo information for screening and analysis. EMAN can be referred to as Statement One (EMAN I) or Two (EMAN II) depending on when the information is submitted (see also para. 2.87(b) for further details);

- (c) under the risk-based surveillance principle, imported foods subjected to inspection at the KCCH checkpoint include:
 - (i) foods affected by food incidents occurred;
 - (ii) foods under regulatory control (those regulated under the Imported Game, Meat, Poultry and Eggs Regulations, i.e. high-risk foods); and
 - (iii) other foods of higher-risk (e.g. foods covered under a Food Safety Order to ban foods from 5 prefectures of Japan in 2011 issued by the Director of Food and Environmental Hygiene); and
- (d) depending on the circumstances of an import case (e.g. whether frozen foods are involved), instead of inspecting imported foods at the KCCH checkpoint, the CFS may examine the foods at importers' warehouses or privately-run cold stores (see Table 7 in para. 2.69). In general, inspections of imported foods via sea route are conducted at warehouses or cold stores and not at the point of entry, although in other food control checkpoints located at border areas, inspections are conducted at the point of entry.

Need to sort out a discrepancy between the Operational Manual and actual inspection practices

2.77 For food consignments imported by sea, the CFS requires that a container carrying the consignments must be sealed (see Photograph 30). According to the Operational Manual:

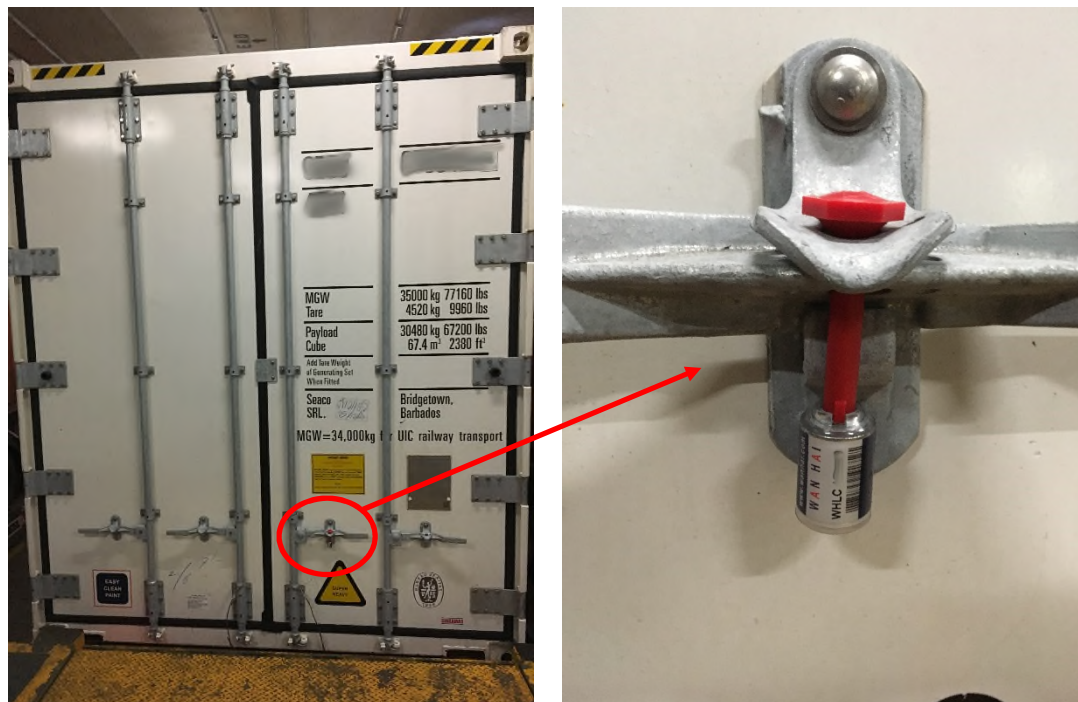
- (a) “at the checkpoint (KCCH checkpoint), the seal of the container should not be opened until it is confirmed to be intact by CFS officers”; and
- (b) “for food products (e.g. chilled foods) that cannot be inspected at the above checkpoint due to practical constraints, CFS conducts food inspections at the warehouses or cold stores of the importer concerned, although the seal of the container must be confirmed to be intact by CFS officers before it can be opened”.

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To ensure completeness and to prevent tampering, it is essential to confirm that the seal of the container is intact.

Photograph 30

The seal on a container



Source: Photograph taken by Audit in April 2018

2.78 Audit noted that for food consignments subjected to physical inspections at the KCCH checkpoint, the containers carrying the consignments are always sealed as the containers are immediately transported to the KCCH checkpoint after unloading at the Kwai Tsing Container Terminal. However, for food consignments subjected to physical inspections at warehouses or cold stores, contrary to the requirement of the Operational Manual (see para. 2.77(b)), the seals had already been broken off by importers and the foods of the consignments had been stored at the warehouses or cold stores prior to the CFS's inspections (see Photograph 31 for an example).

Photograph 31

Foods in a cold store



Source: Photograph taken by Audit in April 2018

2.79 In late September 2018, the CFS informed Audit that:

- (a) the arrangement of having CFS staff to witness the act of breaking seals of containers is applicable to targeted containers (e.g. foods affected by food incidents and foods previously with unsatisfactory laboratory test results under the Food Surveillance Programme) that are selected for physical inspections at the KCCH checkpoint, warehouses or cold stores only; and
- (b) CFS staff could not witness the act of breaking seal at regular physical inspections at warehouses or cold stores due to time and resource considerations. The entire process of verifying import documents, breaking seal, unloading all foods into the warehouse or cold store (which is particularly time consuming if a variety of food types is involved), and

subsequent inspection for each consignment took several hours to complete and involved a large amount of manpower.

2.80 Audit considers that the CFS needs to reconcile the discrepancy between the requirement of the Operational Manual (see para. 2.77(b)) and the actual practices at warehouses or cold stores (see para. 2.78).

Small number of food consignments examined at the KCCH checkpoint

2.81 Audit examined the records of the physical inspections conducted by the CFS at the KCCH checkpoint in the period from late October 2015 (date of commencement of operation of the KCCH checkpoint) to 30 June 2018 and found that:

- (a) only 47 physical inspections (involving 47 food consignments) were conducted at the KCCH checkpoint. In the 32-month period from late October 2015 to June 2018, on average, only about 1.5 inspections were conducted monthly;
- (b) all these 47 inspections were conducted by the HKKO (i.e. no inspections were conducted by FIRLO at the KCCH checkpoint); and
- (c) of these 47 inspections, 38 (81%) were for eggs, 7 (15%) for fruits and vegetables, 1 (2%) for fish and 1 (2%) for milk. No other high-risk foods had been inspected at the KCCH checkpoint.

2.82 While the number of physical inspections conducted by the CFS at the KCCH checkpoint was limited, the vast majority of physical inspections had been conducted at warehouses or cold stores and not at the point of entry. In 2017, of the 3,616 physical inspections (involving 3,616 consignments) (see para. 2.72), 18 (0.5%) were conducted at the KCCH checkpoint and 3,598 (99.5%) were conducted at warehouses or cold stores.

2.83 In late September 2018, the CFS informed Audit that the inspections conducted at the KCCH checkpoint had limitations (e.g. insufficient cold storage

facilities for inspection/sampling) which accounted for the low usage rate as compared with inspections conducted at warehouses or cold stores.

2.84 It was the intention of the CFS to align the practice of monitoring foods imported by sea with that of foods imported by air and road (see para. 2.75). However, as shown in paragraph 2.82, only a very small number of inspections had been conducted at the KCCH checkpoint. Audit considers that the CFS needs to take measures to address the low usage rate of the KCCH checkpoint, including for example, improving its cold storage facilities (see para. 2.83).

Some importers of foods imported from Japan not identified

2.85 As mentioned in paragraph 2.18, in a paper submitted to LegCo Panel on Food Safety and Environmental Hygiene in June 2018, the FHB informed the Panel that every food consignment from Japan was subjected to radiation tests. In so far as import of foods by sea from Japan is concerned, radiation tests are conducted by the CFS's Radiation Inspection Office (RIO). The RIO:

- (a) conducts radiation tests by using the hand-held survey meter (as in the case of foods imported from Japan by air — see para. 2.19(a)); and
- (b) selects food samples from consignments and delivers the samples to the CFS's Food Chemistry Section (located in Sheung Shui) for the conduct of CMS tests (see para. 2.19(b)).

2.86 Same as the practice for conducting physical inspections of food consignments, RIO staff make appointments with importers for conducting tests at the KCCH checkpoint, warehouses or cold stores. In the period from late October 2015 to June 2018 (see para. 2.81), 46 inspections involving 194 radiation tests using the hand-held survey meter were conducted at the KCCH checkpoint. While in 2017 alone, the RIO conducted 27,975 inspections involving 46,338 radiation tests (using the hand-held survey meter and the CMS machine) at warehouses or cold stores.

2.87 Audit examined the RIO's practice for conducting radiation tests and noted that:

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- (a) according to the CFS, it has informed trades via letters, trade forums and press releases of the need to report every food consignment from Japan to the RIO for arranging inspections and radiation tests; and
- (b) at the same time, the CFS has requested the C&ED to provide, on a regular basis, EMAN I (see para. 2.76(b)) for identifying importers with food consignments imported from Japan so that the RIO can make appointments with the importers to conduct radiation tests. EMAN I contains information on consignments voluntarily declared in advance (i.e. prior to arrival of shipments) by importers to the C&ED for import clearance facilitation purpose. However, according to the C&ED, as advance declaration is made on a voluntary basis, only about 85% of sea cargo information could be obtained through EMAN I. As the RIO relied on EMAN I to identify importers, some importers of foods imported from Japan might not have been identified, though according to the CFS, the importers have been notified in writing as well as reminded through forums to report every food consignment from Japan to the RIO (see para. (a) above). Audit considers that the CFS needs to take further measures to ensure that all food consignments imported from Japan are subjected to radiation tests. For example, the CFS could explore with the C&ED the feasibility of using information from EMAN II (i.e. under which it is mandatory for the electronic manifest to be submitted by the importer/carrier within 14 days after arrival of the vessel in Hong Kong) to facilitate inspections and the conduct of radiation tests. The CFS could compare the information between EMAN I and EMAN II to identify those importers whose submissions relating to the arrival of their consignments from Japan have not been covered by EMAN I so as to ensure that their current and/or future consignments would be subjected to radiation tests.

Audit recommendations

2.88 **Audit has *recommended* that the Director of Food and Environmental Hygiene should:**

- (a) **sort out the discrepancy between the requirement of the Operational Manual and the actual inspection practices (see paras. 2.77 and 2.78);**
- (b) **take measures to improve the utilisation of the KCCH checkpoint, including for example, improving its cold storage facilities; and**

- (c) take further measures to ensure that all food consignments imported from Japan are subjected to radiation tests.

Response from the Government

2.89 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that:

- (a) it is not feasible for CFS staff to witness the act of breaking seal for non-targeted containers due to time and resource constraints and possible hindrance to trade operation. The CFS will sort out the discrepancy between the requirement of the Operational Manual and the actual inspection practices;
- (b) the CFS will solicit assistance from relevant parties to explore the possibility of setting up a formal food control office with cold storage facilities at the KCCH for inspection of targeted food consignments imported via sea route; and
- (c) the CFS has been working with relevant authorities on Trade Single Window (see para. 5.25) which plans to capture all pre-arrival import information, among other things.

Issues relating to import licences

Import licences cancelled by importers when the food consignments covered by the licences were selected for physical inspection

2.90 As mentioned in paragraph 2.70, for food consignments selected for import documents checking and physical inspection (hereinafter collectively referred to as physical inspection unless otherwise stated) by the CFS, the importers are generally notified in advance that their consignments will be subjected to the CFS inspection. Audit noted that there were cases where importers had cancelled their import licences when their consignments covered by the licences had been selected for physical

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inspection (for simplicity, hereinafter referred to as import licences selected for physical inspection) (Note 31).

2.91 Table 8 shows, for the period 1 January 2017 to 31 March 2018, for import of foods by sea, the proportion of import licences selected for physical inspection vis-à-vis import licences cancelled by importers. It can be seen from Table 8 that for those import licences selected for physical inspection, there was a high percentage of cancellation of licences. There is a risk that cancellation of import licences is used as a way to evade the CFS's physical inspection of food consignments.

Note 31: *The cost of an import licence is \$3 while the cost of a set of 20 import licences is \$20.*

Table 8

**Cancellation of import licences for import of foods by sea
(1 January 2017 to 31 March 2018)**

Period	Import licences (Note)	
	Selected for physical inspection (No.)	Cancelled (No.)
January to December 2017		
An original health certificate	1,219	201 (16%)
A photocopy of a health certificate	307	146 (48%)
An import permission	377	64 (17%)
Overall	1,903	411 (22%)
January to March 2018		
An original health certificate	305	68 (22%)
A photocopy of a health certificate	57	11 (19%)
An import permission	98	16 (16%)
Overall	460	95 (21%)

Source: Audit analysis of CFS records

Note: An import licence may be issued upon the submission of an original health certificate, a photocopy of a health certificate or an import permission.

2.92 Case 5 is an example showing that an importer had cancelled its import licences when the licences had been selected for physical inspection.

Case 5

Cancellation of import licences by an importer

1. In the period 1 January 2018 to 31 March 2018, an importer applied 383 import licences for importing meat and poultry mainly from Brazil, the Netherlands and the United States of America by sea.
2. Of the 383 import licences issued to the importer, 13 import licences had been selected for physical inspection by the CFS. Of these 13 import licences, 11 (85%) had been cancelled by the importer.

Source: Audit analysis of CFS records

High percentage of import licences issued but not used

2.93 According to the Operational Manual, to prevent improper use of import licences by importers, FIRLO needs to spot out import licences unused by importers for cancellation. An importer, for example, may apply for a number of import licences (and re-apply if the licences expired) and keep some of them unused. When an import licence is selected for physical inspection, the importer could replace the import licence with an unused import licence to import the same food consignment in order to evade physical inspection.

2.94 Audit examined the import licences issued by the CFS in years 2013 to 2017 and found that:

- (a) in each of the five years, the proportion of unused import licences was high; and
- (b) the number of unused import licences had increased from 60,865 in 2013 to 85,475 in 2017.

Details are shown in Table 9 below.

Table 9

**Import licences issued for foods imported by sea
(2013 to 2017)**

Import licence	2013	2014	2015	2016	2017
	(No.)				
Issued	70,598	82,089	73,200	84,552	88,836
Cancelled	841 (1%)	1,280 (2%)	1,845 (2%)	1,089 (1%)	906 (1%)
Used (i.e. consignments had been arrived in Hong Kong and subjected to CFS's import documents checking and physical inspections (see para. 2.70) as well as import documents checking (see para. 2.71))	8,892 (13%)	9,199 (11%)	7,817 (11%)	5,708 (7%)	2,455 (3%)
Unused (i.e. the CFS did not know whether the importers had used the licences or held some licences unused, or the licences were time-expired (see para. 2.93))	60,865 (86%)	71,610 (87%)	63,538 (87%)	77,755 (92%)	85,475 (96%)

Source: Audit analysis of CFS records (based on information on the FICS)

Remarks: In 2017, the percentages of unused import licences for consignments imported by air and road were much lower (i.e. 37% and 11% respectively).

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2.95 During the time of audit in June 2018, the CFS had taken actions to deal with the unused import licences (Note 32). These actions comprised:

- (a) in early June 2018, notices had been displayed at FIRLO informing importers that they should return to the CFS the expired unused imported licences;
- (b) in mid-June 2018, the CFS had launched an exercise to identify and cancel unused import licences (whose issuance was based on submission of import permissions — Note 33). As mentioned in paragraph 2.71, foods whose import requires import permissions are foods of higher risks. As such, the CFS checks the import documents of all foods imported by sea with import permissions. The CFS contacted the importers to find out whether the import licences issued to them were unused, and required them to return the original expired import licences for cancellation. As at early September 2018, the exercise was still underway; and
- (c) in late September 2018, the CFS further informed Audit that:
 - (i) in cases where an original health certificate was used in applying for an import licence which had been selected for physical inspection, FIRLO had taken measures to prevent the importer from cancelling his/her import licence and reusing the health certificate to apply for a new licence when his/her consignment had been selected for physical inspection. As a machine-printed date and licence number had been marked on the licence and the original health certificate, FIRLO would not accept any health certificate with such marking when vetting an application for import licence (according to the CFS, this measure was in practice before 2018);

Note 32: *The actions covered unused import licences for import of foods by air, road and sea (though the problem was less serious in respect of import by air and road — see Note to Table 9 in para. 2.94).*

Note 33: *According to the CFS, an import licence may be issued with the submission of an original health certificate, a photocopy of an original health certificate or an import permission (see also para. 2.10). In 2017, of the 88,836 import licences issued, 71,447 (80%) were issued based on original health certificates, 16,030 (18%) on photocopies of health certificates and 1,359 (2%) on import permissions.*

- (ii) with effect from June 2018, in cases where a photocopy of a health certificate was used in applying for an import licence which had been selected for physical inspection and subsequently cancelled by the importer, cancellation of a licence to avoid physical inspection is prevented through computerised check following enhancements to the FICS. When the importer applied for a new licence by using the same health certificate, the consignment would still be subjected to physical inspection; and
- (iii) for all import permission cases (i.e. an import licence is issued with the submission of an import permission), the condition that a consignment/health certificate was required to be inspected upon arrival had been imposed. There was, therefore, no point for cancelling and re-applying for another import licence.

2.96 Audit noted the CFS's initiatives and considers that:

- (a) the CFS needs to complete the exercise to identify and cancel unused import licences (see para. 2.95(b)) in a timely manner;
- (b) the CFS needs to duly carry out the measures mentioned in paragraph 2.95(c);
- (c) with regard to the import permission cases (see para. 2.95(c)(iii)), importers can still apply for new import licences if previous ones are selected by the CFS for physical inspection (as an import licence may be issued upon the submission of an import permission — see Note 33 to para. 2.95(b)). The CFS needs to take measures to plug this loophole; and
- (d) the CFS needs to continue to identify and cancel unused import licences on a regular basis. In this connection, the CFS could explore with the Trade and Industry Department about the feasibility of enlisting the Department's help to facilitate ascertaining the status of the import licences as according to the Import and Export Ordinance (Cap. 60), after the arrival of a consignment of meat and poultry, the importer/carrier is required to submit within 14 days the related import licence together with the manifest to the Department. Under the Ordinance, any person who fails to comply with the requirement is liable to a maximum fine of \$5,000. The CFS could

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seek the Department's assistance followed by direct contact with importers where necessary.

Need to improve the follow-up of submission of original health certificates

2.97 As stated in paragraph 1.10, control at source is an effective control mode in food safety. Control at source includes requiring the presence of health certificates issued by overseas authorities for import of foods. As a measure to prevent the use of counterfeit photocopies of health certificates, if an import licence is issued to an importer based on a photocopy of the health certificate (see Note 33 to para. 2.95(b)), as a condition of the import licence, the importer is required to submit the original health certificate to the CFS within 42 days after the date of issue of the import licence (i.e. before the expiry of the import licence which is valid for 6 weeks — see Note 1(b) to Appendix D) and before the release of the food consignment to the market.

2.98 Table 10 shows the statistics on import licences issued based on photocopies of health certificates for foods imported by sea in years 2013 to 2017.

Table 10

**Import licences issued based on
photocopies of health certificates for foods imported by sea
(2013 to 2017)**

Import licence	2013	2014	2015	2016	2017
	(No.)				
Issued	70,598	82,089	73,200	84,552	88,836
Issued based on photocopies of health certificates	6,738 (10%)	11,819 (14%)	14,575 (20%)	19,887 (24%)	16,030 (18%) (Note)

Source: Audit analysis of CFS records

Note: The proportion of import licences issued based on photocopies of health certificates decreased in 2017 because with effect from late March 2017, photocopies of health certificates are no longer accepted by the CFS for import of meat and poultry from Brazil (following a food incident concerning substandard Brazilian meat incident in March 2017).

2.99 According to the Operational Manual:

- (a) if an importer is in breach of the condition of the import licence (e.g. original health certificate not submitted within 42 days) for the first time, a first warning letter will be issued to the importer;
- (b) if the importer is in breach of the condition for the second time, a second warning letter will be issued to the importer. It is the CFS's practice that a second warning letter will be issued:
 - (i) in respect of another import licence issued to the same importer based on the photocopy of a health certificate and the original health certificate has not been submitted within 42 days; or
 - (ii) if after the issue of the first warning letter, the original health certificate has still not been submitted; and
- (c) if the importer is in breach of the condition for the third time, the CFS will interview the importer and give him/her a verbal warning, and inform him/her that his/her next food consignment will be subjected to physical inspection. The importer is also required to submit a written undertaking whereby he/she must retain his/her consignment until after the physical inspection. A third warning letter will also be issued to the importer. It is the CFS's practice that these procedures will be adopted:
 - (i) in respect of another import licence issued to the same importer based on the photocopy of a health certificate and the original health certificate has not been submitted within 42 days; or
 - (ii) if after the issue of the first and second warning letters, the original health certificate has still not been submitted.

Before issuing a warning letter, the CFS may also issue reminders to importers (e.g. to remind them to submit original health certificates).

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2.100 Audit selected the import licences issued based on photocopies of health certificates in 2016 and 2017, and examined the adequacy of the CFS in ensuring importers submitted their original health certificates within 42 days. Audit found that:

- (a) as far as Audit could ascertain (Note 34) in 2016 and 2017, there were 281 and 34 import licences (relating to 36 importers) respectively, of which the original health certificates had not been submitted within 42 days. The delay ranged from 141 days to 717 days (as at 30 June 2018). The CFS had issued reminders/warning letters to the importers concerned, but the importers had not submitted the original health certificates to the CFS (as at 30 June 2018) (Note 35); and
- (b) in following up the 315 (281 + 34) cases, the action taken by the CFS was less than adequate (see Cases 6 and 7 for examples).

Note 34: *Prior to mid-June 2016, the CFS only kept manual records concerning submission of original health certificates. The records have been gradually computerised since mid-June 2016 and fully computerised since 2017. According to the CFS, as the manual records in 2016 were no longer available, they could not be provided for Audit's examination.*

Note 35: *In late September 2018, the CFS informed Audit that as the recording of the dates of sighting original health certificates by CFS staff in the computer system had not fully taken effect until 2017 owing to limited manpower, some cases in 2016 might still be shown as original health certificates not yet submitted in the computer system, although the original health certificates of these cases might actually have already been submitted.*

Case 6

Follow-up of submission of an original health certificate
(2017)

1. An importer submitted a photocopy of a health certificate and an import licence was issued to the importer for a consignment of frozen pork on 16 January 2017. The importer did not submit the original health certificate to the CFS within the 42 days. The CFS took the following actions:

Date of action	Action
20 February 2017	A reminder issued
26 May 2017	A reminder issued
6 July 2017	First warning letter issued
17 August 2017	First warning letter issued
18 September 2017	Second warning letter issued
9 October 2017	A reminder issued

Audit comments

2. Audit's comments about this case are as follows:

- (a) in accordance with the Operational Manual, on 17 August 2017, a second warning letter should have been issued. However, as shown in the Table above, only another first warning letter had been issued (it was stated on the warning letter that the warning was a first one);
- (b) in accordance with the Operational Manual, the importer could have been interviewed and given a verbal warning, and informed that his/her next consignment would be subjected to physical inspection. There was, however, no evidence indicating that these had been done;
- (c) no further reminders or warning letters had been issued by the CFS to the importer since 10 October 2017 (the last action day was 9 October 2017 — see Table above) (Note);

Case 6 (Cont'd)

- (d) as at 20 July 2018, the importer still had not submitted the original health certificate to the CFS; and
- (e) in the meantime, it appeared that the consignment of frozen pork had been sold.

Source: Audit analysis of CFS records

Note: In September 2017, the CFS had conducted a physical inspection of a consignment of the importer. However, this consignment was imported into Hong Kong with a retrospective import licence (i.e. an import licence issued after arrival of the consignment in Hong Kong). According to the CFS, all consignments with retrospective import licences must be subjected to physical inspection.

Case 7

**Follow-up of submission of original health certificates
(2016 and 2017)**

1. Importer A imported meat and poultry from various countries into Hong Kong with import licences issued based on submission of photocopies of health certificates. The following table showed the CFS's follow-up of the submission of original health certificates by Importer A up to late March 2018:

Year	Number of import licences issued based on submission of photocopies of health certificates	Number of import licences with reminders/warning letters issued by the CFS	Number of import licences with original health certificates submitted	Number of import licences not followed up
2016	2,707	146 (Note 1)	1	145
2017	1,593	649	649 (Note 2)	Nil

Note 1: In 2016, the CFS only issued a reminder to Importer A for the submission of original health certificates of 146 import licences in August 2016. For the remaining import licences, the CFS could not provide manual records for Audit's inspection (see Note 34 to para. 2.100(a)).

Note 2: Since the time of audit in June 2018, the CFS has followed up cases of delay in submitting the original health certificates by importers including Importer A.

Audit comments

2. Inadequate action had been taken by the CFS to follow up Importer A's submission of original health certificates in 2016.

Source: Audit analysis of CFS records

2.101 Since the time of audit in June 2018, the CFS has stepped up the follow-up of delay in submitting original health certificates by importers (e.g. checking for cases of original health certificates received but not updated into CFS records and contacting importers who had not submitted original health certificates within 42 days).

Audit recommendations

2.102 Audit has *recommended* that the Director of Food and Environmental Hygiene should:

- (a) complete the exercise to identify and cancel unused import licences (see para. 2.95(b)) in a timely manner;
- (b) ensure that the measures taken to prevent importers from cancelling their import licences when their consignments are selected for physical inspection (see para. 2.95(c)) are duly carried out and monitor the effectiveness of the measures taken;
- (c) take further measures to deal with the situation where importers cancel their import licences and apply for new ones with the submission of import permissions;
- (d) continue to identify and cancel unused import licences on a regular basis; and
- (e) for import licences issued based on photocopies of health certificates:
 - (i) take measures to ensure that follow-up action to deal with delay in submitting original health certificates by importers is taken until the importers have submitted the certificates; and
 - (ii) take measures to ensure that follow-up action is carried out properly in accordance with the CFS's Operational Manual and practices (see para. 2.99) unless there are justified reasons for not doing so.

Response from the Government

2.103 The Director of Food and Environmental Hygiene agrees with the audit recommendations in paragraph 2.102(a) to (c) and (e). She has said that:

- (a) the CFS has launched an exercise to identify expired unused import licence (permission cases) since mid-2018 and the exercise is planned to be completed by 4th quarter of 2018;
- (b) the CFS has notified importers in writing to return the expired unused licence (permission cases) for cancellation;
- (c) the CFS has already implemented improvement measures to select additional import licences to make up for those that could not be subjected to physical inspection due to cancellation;
- (d) the CFS has been implementing improvement measures and the percentage of import licences issued with photocopies of health certificate has decreased from 24% in 2016 to 18% in 2017; and
- (e) the CFS has enhanced supervision to ensure frontline operation is conducted according to the guidelines.

Regarding the audit recommendation in paragraph 2.102(d), she has said that the CFS would consider the way forward upon completion of the exercise (see (a) above) at 4th quarter of 2018.

Discrepancies in import documents and physical inspections of consignments

Discrepancies in import documents

2.104 According to the Operational Manual, if there are any discrepancies in import documents, the importers shall be asked to clarify and rectify the discrepancies as soon as possible. Audit examined the import documents of 40 food consignments (see para. 2.73) and found that in 6 (15%) consignments, while there were

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discrepancies in import documents, the CFS had not taken action to investigate and rectify the discrepancies:

- (a) in 2 consignments, the health certificates of the consignments were dated later than the shipped-on-board date;
- (b) in 3 consignments, the names of exporters shown on the health certificates were not the same as those shown on the import licences; and
- (c) in 1 consignment, the total number of cartons of chilled beef differed between the import documents. Although the difference was only 1 carton (520 versus 519 cartons), the CFS should have ascertained the reasons for the difference to ensure the safety of foods imported.

Physical inspections of food consignments

2.105 Audit examined the CFS's conduct of physical inspection of food consignments imported by sea. Audit findings are shown in the ensuing paragraphs.

2.106 ***Replacement inspections not conducted.*** As shown in Table 8 in paragraph 2.91, in 2017, of the 1,903 import licences for food consignments selected by the CFS for physical inspection, 411 (22%) had been cancelled. Audit, however, noted that the CFS did not have the practice of selecting additional import licences to replace those that had been cancelled. As a result, the actual number of inspections conducted by the CFS was lower than that stipulated in the Operational Manual (see Table 11).

Table 11

**Stipulated and actual number of physical inspection
conducted by the CFS
(2017)**

Imported with an import licence issued based on	Stipulated number of physical inspection	Average number of physical inspection conducted
An original health certificate	5 consignments daily	4.1 consignments daily
A photocopy of a health certificate	1 out of every 50 consignments (i.e. 2%)	1 %

Source: Audit analysis of CFS records

2.107 ***Inadequacies in physical inspections.*** In the 10 accompanied inspections (see para. 2.73), Audit found that:

- (a) ***Warning letter not issued to an importer.*** In one inspection, it was stated as a condition of the import permission that, “*on arrival, the importer shall cause the consignment for inspection by the Health Inspector at a licensed cold store or a registered cold storage before release*”. During the inspection conducted in April 2018, 20 of 96 cartons of chilled beef were found to be missing. Upon enquiry of the CFS staff, the importer brought back the 20 cartons of chilled beef to the cold store. Two days later, the CFS staff visited the cold store again and inspected the 96 cartons of chilled beef. In late September 2018, the CFS informed Audit that the 20 cartons of chilled beef had been stored temporarily at a refrigerating device in the importer’s office (i.e. neither a licensed cold store nor a registered cold storage, contrary to the condition in the import permission). The CFS also told Audit that the importer’s office had not maintained any stock records for the 20 cartons and that physical inspection at the importer’s office had not been conducted. In Audit’s view, there was no assurance as to whether the 20 cartons, which were brought back to the cold store and subsequently checked by the CFS staff, were those that were found to be missing. In this case, in accordance with the condition of the import licence, a warning letter should have been issued. However, the CFS staff released the chilled beef without issuing a warning letter to the importer;

- (b) ***Quantity in release letter overstated.*** In one inspection at a cold store, 20 of 190 cartons of frozen chicken were found short-shipped. The CFS conducted a physical inspection of the 170 cartons. However, the CFS issued a release letter for a consignment of 190 cartons to the importer;
- (c) ***Quantity of foods inspected less than required.*** According to the Operational Manual, for import of meat and meat products, CFS staff normally need to inspect 5% (in quantity) of a food consignment. Audit, however, noted that in one inspection of frozen beef, less than the required 5% of foods was inspected. The CFS staff only inspected 2 cartons out of a total of 2,025 cartons (i.e. 0.1% of the consignment). There was no justification for inspecting only 2 cartons;
- (d) ***Overall examination of the whole consignment and cross-checking to supporting documents not conducted.*** According to the Operational Manual, at the beginning of an inspection, CFS staff should conduct an overall examination of the whole lot of the consignment for any defects such as defective boxes or filth. Furthermore, during the inspection, the type and total quantity of food should be verified by physical counting and cross-checking against supporting documents (e.g. original health certificates and bills of lading). In 3 inspections, no overall examination of the consignments had been conducted by the CFS staff. In 2 inspections, the CFS staff did not open any of the foam boxes for transporting chilled freshwater aquatic products in order to cross-check the type and total quantity against the supporting documents; and
- (e) ***Sample of foods not properly selected.*** According to the Operational Manual, for meat and meat products imported by sea, CFS staff are required to select units randomly at surface and different portions inside the pallet or container. However, Audit found that in one inspection, the CFS staff only selected 2 cartons of food readily accessible at the front of the consignment lot for inspection. The CFS needs to take measures to ensure that CFS staff select food samples randomly for the conduct of physical inspections (including, for example, extending the “randomisation sampling” (see para. 2.55(b)) to inspection of foods imported by sea).

Audit recommendations

2.108 **Audit has *recommended* that the Director of Food and Environmental Hygiene should:**

- (a) **take measures to ensure that discrepancies, if found, in import documents are investigated and rectified;**
- (b) **consider selecting additional import licences to compensate for those that could not be subjected to physical inspection due to cancellation;**
- (c) **take measures to ensure that warning letters are issued to importers for breaching the conditions of import licences where applicable;**
- (d) **take measures to ensure the accuracy of figures quoted in letters for releasing food consignments;**
- (e) **take measures to ensure that physical inspections of food consignments (in respect of the 5% inspection requirement and overall examination of the whole consignment and cross-checking to supporting documents — see para. 2.107(c) and (d)) are conducted in accordance with the Operational Manual; and**
- (f) **take measures to ensure that CFS staff select food samples randomly for the conduct of physical inspections (including, for example, extending the “randomisation sampling” (see para. 2.55(b)) to inspection of foods imported by sea).**

Response from the Government

2.109 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that:

- (a) the CFS has reminded frontline staff to make clarifications with importers on any discrepancies in import documents. Action taken should be properly documented;

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- (b) the CFS has already implemented improvement measures to select additional import licences to make up for those that could not be subjected to physical inspection due to cancellation;
- (c) the CFS has enhanced supervision to ensure frontline operation is conducted according to the guidelines; and
- (d) the CFS will provide guidance to frontline staff on selection of food samples randomly for the conduct of physical inspections.

PART 3: CONTROL OF LIVE FOOD ANIMALS AND LIVE AQUATIC PRODUCTS

3.1 This PART examines the CFS's control of live food animals and live aquatic products, focusing on the following issues:

- (a) control of livestock imported by road (paras. 3.6 to 3.18);
- (b) control of live aquatic products imported by road (paras. 3.19 to 3.33); and
- (c) control of livestock admitting into slaughterhouses (paras. 3.34 to 3.39).

Background

3.2 According to the CFS, in addition to the import of live freshwater aquatic products from the Mainland by sea through the CSWWFM and the WWFM (see para. 2.68(b)), live food animals (comprising livestock and live poultry) and live aquatic products (Note 36) from the Mainland are imported into Hong Kong by road through the MKTBCP. In 2017, the number of live food animals imported from the Mainland by road comprised:

- (a) some 1.5 million heads of livestock;
- (b) some 76,000 heads of live poultry; and
- (c) some 39,000 tonnes of live aquatic products.

Livestock (e.g. bovines, swine and goats) and live aquatic products are mainly imported into Hong Kong from the Mainland (see Appendix F). According to the CFS, there has been no import of live ducks and geese since 2004 as well as live chicken since 2016 from the Mainland. Since early 2017, there has also been no import of other live poultry (e.g. guinea fowl and silky chicken) from the Mainland.

Note 36: *Under the Public Health and Municipal Services Ordinance and the Food Safety Ordinance, live aquatic products are classified as food.*

Control of live food animals and live aquatic products

3.3 Under the administrative arrangements with the Mainland (see Note 4 to Appendix D), live food animals and live aquatic products must originate from registered farms approved by the GACC. In addition, they must be imported with animal health certificates issued by the GACC (Note 37). Each certificate specifies information such as the names of the consignor and consignee, the quantity of animals/aquatic products exported, and the name and farm code of the registered farm.

3.4 To control the import of live food animals and live aquatic products from the Mainland, the CFS has set up the Man Kam To Animal Inspection Station (MKTAIS), which is located next to the MKTFCO (see para. 2.29). Table 12 shows the types of documents required for the import of different types of live food animals and live aquatic products from the Mainland by road.

Note 37: *It is also a statutory requirement that import of live poultry and livestock must be accompanied by animal health certificates under the Public Health (Animals and Birds) Regulations (Cap. 139A) and the Public Health (Animals and Birds) (Chemical Residues) Regulation (Cap. 139N) respectively. The certificate is issued by a competent authority of an exporting economy certifying that the live poultry and livestock show no sign of certain diseases (e.g. rabies) and contain no prohibited chemicals.*

Table 12

**Documents for import of live food animals and
live aquatic products from the Mainland by road**

Document required for import	Livestock (i.e. swine, bovines and goats)	Live aquatic product	
		Freshwater fish (e.g. eel, grass carp, grey mullet and freshwater grouper) and hairy crab	Seafood and shellfish (e.g. abalone, lobster, red crab and mud snail)
Original animal health certificate	✓	✓	✓
Permit issued by the AFCD (see para. 3.12 for details)	✓	N.A.	N.A.
Food import declaration form (Note)	N.A.	✓	✓

Source: CFS records

Note: According to the CFS, a food import declaration form is voluntarily filled in by an importer or driver transporting live aquatic products as it is not a statutory requirement to do so. Information contained in the form comprises the names of the importer and exporter as well as the particulars (e.g. description of the consignment and its quantity) of the live aquatic products.

Remarks: Since early 2017, there has been no import of live poultry from the Mainland. The documents required for import as shown in the Table therefore do not include those for live poultry.

3.5 For livestock and live aquatic products imported from the Mainland by road, Audit randomly selected and examined the import documents of 5 consignments of live aquatic products imported in January 2018 and 5 consignments of livestock imported in April 2018. On 16 and 17 May 2018, Audit also randomly selected and accompanied CFS staff in 23 inspections of livestock (21 consignments of swine and

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2 consignments of bovines) and 6 inspections of live aquatic products conducted at the MKTAIS (Note 38).

Control of livestock imported by road

3.6 The CFS's VPHS under the Risk Management Division of the CFS (see Appendix A) is responsible for conducting inspection at the land border to ensure safe supply of live food animals for human consumption. In respect of livestock from the Mainland, upon arrival of a vehicle carrying the livestock at the MKTAIS, Field Officers (Note 39) of the VPHS will:

- (a) collect and check the original animal health certificate issued by the GACC (certifying that the animals are in good health);
- (b) check that the seal attached to the vehicle carrying the livestock is intact and that the seal number corresponds with the number shown on the original animal health certificate, and break the seal after checking (see Photograph 32);

Note 38: *The import control of live poultry is not covered in this audit review as there has been no import of live poultry from the Mainland since early 2017.*

Note 39: *Field Officers are seconded from the AFCD to work in the CFS.*

Photograph 32

Breaking a seal after checking the original animal health certificate



Source: Photograph taken by Audit in May 2018

- (c) conduct physical inspection of the livestock by:
 - (i) checking the tattoo marks on swine (see Photograph 33) or ear tag numbers on bovines and goats (see Photograph 34). The tattoo marks or ear tags are used to identify the farm supplying the livestock; and
 - (ii) inspecting the livestock for any physical injuries or clinical signs of diseases;

Photograph 33

Tattoo mark on a swine



Source: Photograph taken by Audit in May 2018

Photograph 34

Ear tag on a bovine



Source: Photograph taken by Audit in May 2018

- (d) reseal the livestock consignment with a CFS seal (see Photograph 35); and

Photograph 35

**Resealing a livestock consignment
with a CFS seal**



Source: Photograph taken by Audit in May 2018

- (e) upon satisfactory checking of the original animal health certificate and conduct of physical inspection of the livestock, issue a Record of Movement Permit/Admission Direction (movement permit) to the vehicle driver for admitting the livestock to a designated slaughterhouse (see para. 3.34). The movement permit records the quantity of the livestock (which corresponds with that on the original animal health certificate) admitting to the slaughterhouse (Note 40).

3.7 After the release of the consignment of livestock, Field Officers will input the following information into the Live Food Animal System (LFAS):

Note 40: *The importers are required to obtain movement permits issued by the CFS in order to have their imported livestock admitted into the slaughterhouses. All vehicles carrying livestock will therefore need to enter into the MKTAIS.*

Control of live food animals and live aquatic products

- (a) information shown on the animal health certificate, such as the animal health certificate number, farm code, export date, tattoo number/ear tag number, place of origin, exported quantity, animal species, Hong Kong registration number of the vehicle carrying the livestock and name of consignee; and
- (b) information shown on the movement permit, such as the movement permit reference number and CFS seal number.

Need to verify the origin of livestock on a timely basis

3.8 As stated in paragraph 3.3, live food animals imported from the Mainland must originate from registered farms approved by the GACC. The GACC publishes and updates a list of registered farms on its website.

3.9 In accompanying the Field Officers in the 23 inspections of livestock conducted at the MKTAIS on 16 and 17 May 2018 (see para. 3.5), Audit observed that in 2 consignments of bovines, the bovines were originated from a farm not on the list of registered farms as shown on the website of the GACC. Audit further noted that the Field Officers had not contacted the GACC for clarification. In late September 2018, the CFS informed Audit that the Field Officers conducted the inspections had checked the farm codes on the animal health certificates against the list of registered farms maintained by the VPHS based on the information on the website of the GACC, and previous correspondences with the GACC and the former AQSIQ (see Note 4 to Appendix D) (i.e. clarifications of the registration status of the farms). In late October 2018, the CFS further informed Audit that the CFS had double checked all the cattle consignments of 16 and 17 May 2018. There were altogether 8 consignments of bovines imported from three registered farms. The Field Officers also confirmed that they had checked the farm codes on the animal health certificates against the list. In addition, the CFS had explained that the registration status of a bovine farm was previously clarified with the Mainland authority. Since clarification was made, the farm had continuously supplied bovines to Hong Kong.

3.10 Audit also examined the number of livestock consignments imported during the period 27 April to 28 May 2018 (Note 41) to ascertain whether there were cases of import of livestock from farms not on the registered list. Audit found that, in the period, 7 other consignments of bovines and 15 consignments of swine were imported from 6 farms that were not on the list. Of the 6 farms:

- (a) according to CFS records, for 3 farms, the Field Officers clarified with the GACC (e.g. by e-mails) the registration status of the farms only after the consignments were released. The GACC confirmed that the farms were registered farms; and
- (b) for the other 3 farms, upon Audit's enquiries, the Field Officers told Audit that for 2 farms, clarifications with the former AQSIQ had been sought in February and April 2017. The former AQSIQ confirmed in 2017 that these 2 farms were registered farms. Accordingly, the CFS did not seek further clarification from the GACC and released the animals. In Audit's view, the CFS should have sought further clarification as the previous clarifications were sought in February and April 2017 while the import of the consignments in question was in May 2018. As for the remaining one farm, the Field Officer told Audit that there might be a typing mistake on the farm code as shown on the list of registered farms on the website of the GACC and that clarification had not been sought with the GACC. In late September 2018, the CFS informed Audit that the farm had supplied livestock to Hong Kong since 2010. The CFS had clarified with the GACC on 26 September 2018 and confirmed that there was a typing mistake on the farm code.

3.11 Audit considers that the CFS needs to take measures to ensure that, prior to the release of consignments of livestock, the livestock are originated from approved farms in the Mainland and seek immediate clarification with the GACC where warranted.

Note 41: *The dates of updating the list of registered farms by the GACC before and after Audit's accompanied inspections in May 2018 were 27 April 2018 and 29 May 2018 respectively.*

Need to comply with the terms of AFCD permits

3.12 As mentioned in Table 12 in paragraph 3.4, an AFCD permit is required for the import of livestock from the Mainland. Under the Rabies Regulation (Cap. 421A), a person shall import into Hong Kong any animal with a permit issued by the AFCD. The permit, which is valid for one month and for multiple consignments, states the daily maximum quantity of livestock permitted for entering into Hong Kong from the Mainland. Other information contained in the permit includes the name of the permittee, place of export, port of import, and kinds of animal. Any person who imports livestock without a permit is liable to a maximum fine of \$50,000 and imprisonment for one year. The permit is issued on the condition that the import of livestock meets the terms for importation. One of the terms of the permit is that an importer should show the permit to a Field Officer upon arrival of the animals at the MKTAIS. Failure to do so shall render the animal liable to detention (Note 42). Furthermore, the permittee may be prosecuted under the Rabies Ordinance (Cap. 421) and is liable to a maximum fine of \$10,000 and imprisonment for 6 months.

3.13 In all the 23 accompanied inspections (see para. 3.5) (involving 23 consignments), Audit found that contrary to the terms of the AFCD permit that importers should show the AFCD permits to Field Officers upon arrival of the animals at the MKTAIS (see para. 3.12), the importers failed to do so. Audit also noted that it was a practice of the AFCD that after issuance of an AFCD permit, the AFCD would send a copy of the permit to the CFS. Based on the permits received from the AFCD, on a monthly basis and for each importer of livestock, Field Officers would check the total quantity of livestock imported against the maximum quantity of livestock permitted for importing into Hong Kong (see para. 3.12) to ensure that the quantity imported did not exceed the maximum quantity permitted. Nevertheless, Audit observed that Field Officers did not make use of the permits received from the AFCD to verify that the livestock were covered by valid permits when they entered Hong Kong.

3.14 In late September 2018, the CFS informed Audit that at present, the original copy of an issued permit is kept by the permittee (i.e. importer). The AFCD will

Note 42: *According to the CFS, it will consider detaining the consignments that are not covered by a valid AFCD permit, instead of not showing the permit.*

send the duplicate copies to the CFS after issuance. The truck driver carrying a livestock consignment, who is neither an airline agent nor a shipping agent, will not have a copy of the permit. It would not be possible for every driver to show the permit upon arrival. Nevertheless, the CFS had held a meeting with the AFCD and permittees (i.e. importers) in mid-October 2018 and reached an agreement on improvement measures.

3.15 Audit considers that the CFS needs to take measures to ensure that AFCD permits are always shown to the CFS for checking upon arrival of the livestock at the MKTAIS, or make use of the permits received from the AFCD to verify that the livestock are covered by valid permits when they are imported into the territory.

Audit recommendations

3.16 Audit has *recommended* that the Director of Food and Environmental Hygiene should:

- (a) **ensure that, prior to the release of consignments of livestock, the livestock are originated from approved farms in the Mainland;**
- (b) **in cases where the livestock are imported from farms not on the list of registered farms or there are other irregularities, seek immediate clarification with the GACC; and**
- (c) **take measures to ensure that AFCD permits are always shown to the CFS for checking upon arrival of the livestock at the MKTAIS in accordance with the terms of the permits, or make use of the permits received from the AFCD to verify that the livestock are covered by valid permits when they are being imported into the territory.**

Response from the Government

3.17 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that:

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- (a) with effect from 4th quarter of 2018, prior to the release of consignments of livestock, the CFS would seek immediate clarification with the GACC if the registration status of the farm is uncertain or there are other irregularities; and
- (b) the CFS has met with relevant parties to implement improvement measures with effect from November 2018 so that the permittee shall present the original special permit to the CFS in a timely manner.

3.18 The Director of Agriculture, Fisheries and Conservation has said that the AFCD had arranged a meeting with the three permittees for import of food animals and the CFS on 11 October 2018 in finding a practical way for the permittees to present the original import permits issued by the AFCD to the CFS on a regular basis.

Control of live aquatic products imported by road

3.19 Upon arrival of a vehicle transporting live aquatic products at the MKTAIS (see Photograph 36), Field Officers of the VPHS will:

Photograph 36

A vehicle carrying live fish



Source: Photograph taken by Audit in May 2018

- (a) collect and check the original animal health certificate issued by the GACC. The certificate contains information on, for example, the farm from which the live aquatic products are exported and the identification of the products (i.e. species, breed and quantity);
- (b) check the farm code on the original animal health certificate against the list of registered aquatic food animal farms approved by the GACC;
- (c) collect the food import declaration form (see Note to Table 12 in para. 3.4);
- (d) check that the seal number of the seal attached to the vehicle carrying the live aquatic products corresponds with the number shown on the original animal health certificate, and break the seal after checking;

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- (e) conduct physical inspection of the live aquatic products (e.g. to identify the fish types) (see Photograph 37); and

Photograph 37

Visual examination of a fish type



Source: Photograph taken by Audit in May 2018

- (f) reseal the consignment of live aquatic products with a CFS seal.

3.20 After the release of the consignment of live aquatic products, Field Officers will input the information shown on the animal health certificate and food import declaration form into the LFAS and FICS (see Note 10 to para. 2.2(e)).

Discrepancies relating to import documents

3.21 Audit examined the documents relating to the import of live aquatic products and found that there were discrepancies as shown in paragraphs 3.22 to 3.29.

3.22 ***Discrepancies in quantities of imported live aquatic products.*** In examining the import documents of the 5 consignments of live aquatic products (see para. 3.5), Audit found that in one consignment, the quantity of live aquatic products stated on the food import declaration form of 6,000 kg was greater than that shown

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on the original animal health certificate of 2,710 kg (i.e. a difference of 3,290 kg). Furthermore, in the 6 accompanied inspections of live aquatic products conducted at the MKTAIS (see para. 3.5):

- (a) in all the 6 inspections, the quantities of live aquatic products stated on the food import declaration forms were not the same as those shown on the original animal health certificates (see Table 13);

Table 13

Discrepancies in quantities of live aquatic products

Consignment number	Quantity of live aquatic products stated on		Discrepancy (c) = (b) – (a)
	Food import declaration form (a)	Animal health certificate (b)	
1	4,000 kg	6,200 kg	2,200 kg
2	4,200 kg	6,000 kg	1,800 kg
3	5,300 kg	5,200 kg	(100 kg)
4 (see also Case 8)	3,000 kg	2,000 kg	(1,000 kg)
5	Information not declared	4,460 kg	Undetermined
6		5,760 kg	

Source: CFS records

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- (b) in 2 of the 6 inspections, the quantities of live aquatic products stated on the food import declaration forms were greater than those shown on the original animal health certificates (see consignment numbers 3 and 4 in Table 13 above) (see also Case 8 below for an example). There was a risk that the excess quantities of live aquatic products were imported without the GACC's certification; and

Case 8

Discrepancy in import documents of a live fish consignment

1. On 16 May 2018, a consignment of live fish from the Mainland was importing through the MKTAIS. The quantity of the consignment as shown on the food import declaration form was 3,000 kg while that shown on the original animal health certificate issued by the GACC was 2,000 kg (i.e. a difference of 1,000 kg). Audit found no evidence that the CFS had ascertained the reason for the discrepancy or sought clarification from the GACC.

2. In late September 2018, the CFS informed Audit that:

- (a) in cases where there is a serious irregularity found during import inspection, such as absence of the official health certificate, the consignment may be detained at the MKTAIS and Field Officers will contact the GACC for clarification. According to the Operational Manual, consignments of live aquatic products in the absence of an accompanying health certificate can be held by the CFS's Food Import and Export Section (see Appendix A). The VPHS has also set out some scenarios (in its "Guidelines for handling doubtful official health certificate") that require immediate attention and rectification with the GACC, such as the absence of or flawed original health certificates and suspicion of tampering. In those cases, Field Officers are required to report the incidents to their supervisors for further instructions/advice;

Case 8 (Cont'd)

- (b) in this case, the VPHS colleague had done an initial assessment and considered that there was no major irregularity. Since the main purpose of voluntary submission of food import declaration form (the form is filled in by the driver on a voluntary basis) is to collect information such as the contact information of the driver/importer to facilitate communication in case there is a need for further follow-ups, the VPHS considered the quantity put down by the driver in the form as merely an estimate. The import quantity listed in the original animal health certificate had been input into both the LFAS and the FICS; and
- (c) nevertheless, in view of Audit's comments, the VPHS will, in future, clarify with drivers in case the import quantity on the food import declaration form is greater than that on the original animal health certificate.

Source: Audit analysis of CFS records

- (c) in another 2 of the 6 inspections, the quantities of live aquatic products had not been stated on the food import declaration forms. Audit therefore could not ascertain whether there were any discrepancies in quantities between the forms and the original animal health certificates.

3.23 There was no documentation indicating that the CFS had looked into the reasons for the above discrepancies and taken action where warranted to rectify the discrepancies.

3.24 ***Discrepancies in names of importers and exporters.*** In examining the import documents of the 5 consignments of live aquatic products, Audit also found that:

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- (a) in 3 consignments, the importers' names on the food import declaration forms were not the same as the consignees' names on the original animal health certificates; and
- (b) in one consignment, the exporter's name on the food import declaration form was not the same as the consignor's name on the original animal health certificate.

3.25 In addition, in the 6 accompanied inspections (involving 6 consignments), Audit also found that:

- (a) in 5 consignments, the importers' names on the food import declaration forms were not the same as the consignees' names on the original animal health certificates; and
- (b) in 3 consignments, the exporters' names on the food import declaration forms were not the same as the consignors' names on the original animal health certificates.

3.26 In late September 2018, the CFS informed Audit that the food import declaration form is filled out voluntarily by the driver to facilitate traceability. The consignee/consignor and importer/exporter are not necessarily the same according to the trade practice. While noting the CFS's explanation, Audit considers that there is merit for the CFS to investigate the reasons for the discrepancies (e.g. by clarifying with the importers and/or drivers) and take action to rectify them where necessary. This would, for example, help trace the importers more accurately and speedily in the case of a food incident.

3.27 *Unclear information on food import declaration forms.* In examining the import documents of the 5 consignments of live aquatic products, Audit found that in all the 5 consignments, the information on importers and exporters filled in by the drivers of vehicles carrying the products on the food import declaration forms was unclear (e.g. missing the address and business registration number of the importer). Furthermore, in the 6 accompanied inspections (involving 6 consignments), Audit found that:

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- (a) in 5 consignments, some information on importers and exporters were not filled in by the drivers; and
- (b) in 2 consignments, there were scribbles on the food import declaration forms (see Photograph 38 for an example).

There was no evidence indicating that Field Officers had followed up any of the above unclear information.

Photograph 38

Scribbles on a food import declaration form

The photograph shows a form titled '香港入口商 Importer'. It contains several fields with labels in Chinese and English. The 'Name/Company*' field has a large, dark, illegible scribble over it. The 'Address' field also has a scribble. The 'Business Registration Certificate No.' and 'Tel. No.' fields are empty. The 'Commercial Registration Certificate No.' field is also empty.

香港入口商 Importer
姓名／商號* : Name/Company*
地址 : Address
商業登記證號碼 : Business Registration Certificate No.
電話號碼 : Tel. No.

Source: CFS records

3.28 Aside from impropriety, the discrepancies in respect of importers' names and unclear information as shown in the aforesaid paragraphs might render it difficult for the CFS to trace the relevant parties in the food distribution chain in the event of a food incident.

3.29 In late September 2018, the CFS informed Audit that the food import declaration form is filled in by drivers on a voluntary basis. However, when unclear information is filled in by drivers on the food import declaration forms, Field Officers will clarify with the drivers.

Need to improve the conduct of physical inspection of live aquatic products

3.30 According to the Operational Manual of the VPHS, in a physical inspection of live fish, a Field Officer should inspect (see Photograph 37 in para. 3.19(e)) the types of fish and ensure that they match those shown on the original animal health certificate. In the 6 accompanied inspections, Audit found that in one inspection of a consignment involving 4 types of fish, the Field Officer only inspected one type of fish (i.e. Mud Carp). The other 3 types of fish (i.e. Grass Carp, Bighead Carp and Goldfish) had not been inspected. Furthermore, Audit noted that the Field Officer had not verified the other 3 types of fish against those shown on the original animal health certificate.

3.31 In late September 2018, the CFS informed Audit that there were about 15 to 25 containers in each consignment of live fish. The CFS performed random checks on the fish containers of every consignment and not necessarily all the fish types were checked. The driver of the aforesaid consignment carrying the same kinds of fish species from the same farm arrived at the MKTAIS for CFS inspection nearly every day. No major irregularities linked to this farm had been detected during past import inspection by the CFS. The VPHS believed the existing risk-based approach (i.e. random checking the containers of each consignment) was deemed appropriate and scientific. While noting the CFS's explanation, Audit considers that to comply with the requirements of the Operational Manual of the VPHS and given that as many as 15 to 25 containers containing different fish species are involved in a consignment of live fish, there is merit for inspecting more than one type of live fish in a consignment involving several types of fish.

Audit recommendations

3.32 **Audit has *recommended* that the Director of Food and Environmental Hygiene should ensure that:**

- (a) **the CFS clarifies with drivers (and importers where necessary) in cases of any discrepancies noted between food import declaration forms and original animal health certificates, and takes action to rectify the discrepancies where warranted;**

- (b) **Field Officers clarify with drivers in circumstances where unclear information is filled in by the drivers on the food import declaration forms; and**
- (c) **in inspecting consignments involving several types of live fish, the CFS inspects more than one type of fish and verifies the types against those shown on the original animal health certificates.**

Response from the Government

3.33 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that in view of Audit's comments, the CFS has proactively clarified with the drivers if necessary and has implemented an enhanced inspection scheme on fish types.

Control of livestock admitting into slaughterhouses

3.34 After the release of livestock (see para. 3.7) from the MKTAIS, the livestock are transported into either the Sheung Shui Slaughterhouse or the Tsuen Wan Slaughterhouse (Note 43). The Slaughterhouse (Veterinary) Section (SH(V)S) (see Appendix A) under the Risk Management Division of the CFS is responsible for verifying documents for livestock admitted into the slaughterhouses and surveillance of diseases. For every consignment of livestock admitted into a slaughterhouse, Field Officers of the SH(V)S, who are stationed at the slaughterhouse will:

- (a) collect and check the movement permit (see para. 3.6(e)), and record the quantity of the livestock admitted in the LFAS;

Note 43: *The slaughterhouses are operating under licences issued by the FEHD. They are subjected to the FEHD's monitoring to ensure that the operations of the slaughterhouses meet the required hygiene and environmental standards and that only meat fit for human consumption is released for sale in the market. In addition to the Sheung Shui Slaughterhouse and the Tsuen Wan Slaughterhouse, there is also a slaughterhouse in Cheung Chau. In 2017, there was no livestock directly admitted into the Cheung Chau Slaughterhouse. The operations of the slaughterhouses were covered in the audit review of "Provision of slaughtering facilities for supplying fresh meat" — Chapter 2 of the Director of Audit's Report No. 36 published in March 2001.*

Control of live food animals and live aquatic products

- (b) conduct initial check of the livestock to screen out animals suspicious of diseases or injuries, and move these animals to the isolation lairage to avoid the spread of diseases and prevent contamination of the premises, facilities and equipment;
- (c) select animals (including those from the isolation lairage) and collect urine samples for laboratory tests. The animals will only be released for slaughtering after the results of urine tests are confirmed to be negative; and
- (d) select animals that died in the slaughterhouse and collect tissue samples for disease surveillance.

Need to verify the number of livestock admitted into slaughterhouses

3.35 According to the Manual of Procedures for Slaughterhouse (Veterinary) Section, a Field Officer of the SH(V)S will:

- (a) record into the LFAS the quantity of every consignment of livestock admitted to a slaughterhouse (i.e. admitted quantity); and
- (b) verify the admitted quantity against the data entered into the LFAS by the Field Officer of the VPHS (see paras. 3.6 and 3.7). If a discrepancy is found, the Field Officer of the SH(V)S will contact the slaughterhouse licensee to verify the discrepancy and then the Field Officer of the VPHS for his/her necessary clarification with the GACC. If the discrepancy is confirmed, the livestock will be detained until the clarification with the GACC is sought.

3.36 Audit examined the records of admission of live swine into the two slaughterhouses for May 2018 and found that the admitted quantities of live swine (entered into the LFAS by a Field Officer of the SH(V)S) were different from the quantities of the live swine shown on the animal health certificates (entered into the LFAS by a Field Officer of the VPHS). Details are shown in Table 14. An example illustrating the discrepancies is also shown in Case 9.

Table 14

**Discrepancies between admitted quantities of live swine and
quantities of live swine shown on animal health certificates
(May 2018)**

Number of consignments with discrepancies	Admitted quantity <i>greater than</i> quantity shown on animal health certificates (Note 1)		Admitted quantity <i>less than</i> quantity shown on animal health certificates (Note 2)	
	Number of consignments	Quantity of live swine (Head)	Number of consignments	Quantity of live swine (Head)
263	98	140	165	215

Source: Audit analysis of CFS records

Note 1: The discrepancies ranged from 1 to 10.

Note 2: The discrepancies ranged from 1 to 6.

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Case 9

A case illustrating the discrepancies between admitted quantities and quantities shown on animal health certificates (May 2018)

1. In May 2018, an importer imported 319 consignments of live swine from 8 farms in the Mainland (see Table below). Audit noted that there were discrepancies between the admitted quantities of swine and quantities of swine shown on the animal health certificates:

Farm	Number of consignments imported	Number of consignments imported in which there was a discrepancy	Admitted quantity (based on number of consignments imported) (Head)	Quantity on animal health certificate (based on number of consignments imported) (Head)	Admitted quantity greater than quantity on animal health certificates (Head)	Admitted quantity less than quantity on animal health certificates (Head)
A	16	16	671	640	31	N.A.
B	44	3	1,763	1,760	3	N.A.
C	32	Nil	1,280	1,280	Nil	Nil
D	38	2	1,522	1,520	2	N.A.
E	60	29	2,375	2,400	7	32
F	33	3	1,316	1,320	N.A.	4
G	84	18	3,365	3,360	12	7
H	12	1	479	480	N.A.	1
Total	319	72	12,771	12,760	55	44

2. Audit found that in 40 of the 319 consignments, the admitted quantity was greater than that shown on the animal health certificates (involving 55 heads of swine — see Table above). In particular, for Farm A, in all the 16 consignments, the admitted quantity was greater than that shown on the animal health certificates (involving 31 heads of swine — see Table above). These discrepancies showed that the swine in question might have been imported without animal health certificates.

3. Upon enquiry in July 2018, the SH(V)S informed Audit that as the total admitted quantity of the swine (12,771 heads — see Table above) was less than the maximum quantity of swine (29,047 heads) permitted under the AFCD permit (see para. 3.12), it had not sought clarification from the VPHS.

Audit comments

4. While the total admitted quantity of swine was less than the maximum quantity of swine permitted under the AFCD permit, it did not help ensure that the 55 heads of swine (see para. 2 above) had been imported with animal health certificates. The SH(V)S should have sought clarifications with the VPHS regarding the discrepancies shown in the Table above.

Source: Audit analysis of CFS records

3.37 Audit further noted that it was a practice that the SH(V)S had sent a daily admission report, indicating the total admitted quantity of imported livestock, to the VPHS. However, upon receipt of the report from the SH(V)S, the VPHS did not take any action to clarify the discrepancies with the SH(V)S.

Audit recommendations

3.38 Audit has *recommended* that the Director of Food and Environmental Hygiene should:

- (a) **identify and clarify any discrepancies between the admitted quantities of livestock and the quantities shown on the animal health certificates; and**
- (b) **take follow up action on those cases of which the admitted quantity of livestock was greater than that recorded on the animal health certificate.**

Response from the Government

3.39 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that the CFS has implemented improvement measures since late September 2018 and the discrepancies between the admitted quantities of livestock and the quantities on the movement permit (see para. 3.6(e)) have been identified and verified with relevant parties on a daily basis.

PART 4: REGISTRATION AND INSPECTION OF FOOD TRADERS

4.1 This PART examines the registration and inspection of food traders (Note 44), focusing on the following areas:

- (a) registration and exemption of food importers/distributors (paras. 4.7 to 4.12);
- (b) inspection of food traders (paras. 4.13 to 4.22); and
- (c) management information (paras. 4.23 to 4.27).

Background

4.2 To facilitate identifying and tracing the sources of foods (e.g. in food incidents), under the Food Safety Ordinance:

- (a) any person who carries on a food importation or distribution business is required to register with the Director of Food and Environmental Hygiene as a food importer or food distributor (i.e. a food wholesaler). The person should submit an application to the FEHD for registration as a food importer or food distributor (Note 45). The registration is effective for a period of three years (subject to renewal every three years); and
- (b) as a trade facilitation measure, food importers or food distributors that have already obtained a licence/permit/certification (for simplicity, hereinafter collectively referred to as a licence) under other ordinances (see Table 15) are exempted from the registration requirement. The authorities shown in

Note 44: *Unless otherwise stated, hereinafter food traders comprise food importers, food distributors, food retailers, traders at food exhibitions and on-line food selling shops.*

Note 45: *A food importer or food distributor that fails to register commits an offence and is liable to a maximum fine of \$50,000 and imprisonment for 6 months.*

Table 15 are required to provide periodically lists of licensees/permittees/certificated owners (for simplicity, hereinafter collectively referred to as licensees) to the Director of Food and Environmental Hygiene. In cases where the licensees carry on a food importation/distribution business, upon the request of the Director, the licensees are required to provide information relating to their licences and businesses to the FEHD. The FEHD will review the information provided to ensure that they are eligible for exemption (Note 46).

Note 46: *A food importer or food distributor that fails to provide the required information commits an offence and is liable to a maximum fine of \$10,000 and imprisonment for 3 months.*

Table 15

Food importers/distributors exempted from registration

Item	Exempted food importer/distributor	Licensing authority
1	A holder of the permission (e.g. for a butcher shop) under section 30 of the Food Business Regulation (Cap. 132X)	Director of Food and Environmental Hygiene
2	A licensee of a licence (e.g. for a food factory) under Part IV of the Food Business Regulation	
3	A licensee of a licence (e.g. for a frozen confections manufacturer) under Part III of the Frozen Confections Regulation (Cap. 132AC)	
4	A licensee of a licence (e.g. for a hawker) under Part II of the Hawker Regulation (Cap. 132AI)	
5	A licensee of a licence (e.g. for a milk factory) under Part III of the Milk Regulation (Cap. 132AQ)	
6	A licensee of a licence (e.g. for a shark fin processor) under the Offensive Trades Regulation (Cap. 132AX)	
7	A licensee of a licence (e.g. for a slaughterhouse operator) under Part II of the Slaughterhouses Regulation (Cap. 132BU)	
8	A registered stockholder of a reserved commodity (e.g. for a rice stockholder) under regulation 13 of the Reserved Commodities (Control of Imports, Exports and Reserve Stocks) Regulations (Cap. 296A)	Director-General of Trade and Industry
9	A holder of a licence (e.g. for a person engaged in fish farming) under section 8 or a permit under section 14 of the Marine Fish Culture Ordinance (Cap. 353)	Director of Agriculture, Fisheries and Conservation
10	A certificated owner of a vessel licensed under the Merchant Shipping (Local Vessels) (Certification and Licensing) Regulation (Cap. 548D) in respect of a Class III vessel (e.g. fish carriers, fishing sampans, fishing vessels and outboard open sampans)	Director of Marine

Source: FEHD records

Registration and inspection of food traders

4.3 The Food Safety Ordinance also requires that a food trader who in the course of business, imports, captures (see para. 4.4), acquires or supplies wholesale food in Hong Kong, must keep transaction records (Note 47) for the periods specified below:

Type of food	To keep records for
• Food with shelf-life of 3 months or less	3 months after the date the food was imported, captured, acquired or supplied
• Food with shelf-life greater than 3 months	24 months after the date the food was imported, captured, acquired or supplied
• Live aquatic products	3 months after the date the food was imported, captured, acquired or supplied

A food trader who fails to provide transaction documents commits an offence and is liable to a maximum fine of \$10,000 and imprisonment for 3 months.

Note 47: *Both registered and exempted food importers/distributors are required to keep transaction records. However, the record keeping requirement does not apply to:*

- (a) retail supplies to ultimate consumers (though the retailers are required to keep the acquisition records);*
- (b) any person who imports the food solely in the course of food business as a food transport operator;*
- (c) any person who imports the food solely for the purpose of exporting it, if:*
 - (i) the food is an air transshipment cargo; or*
 - (ii) during the period between import and export, the food remains in the vessel, vehicle or aircraft in which it was imported;*
- (d) any person or a class of person exempted by the Director of Food and Environmental Hygiene (e.g. charitable food banks); and*
- (e) any acquisition, import or supply that took place before 1 February 2012 (date of commencement of the Food Safety Ordinance).*

Registration and inspection of food traders

4.4 According to the CFS, the records to be kept include the date of food acquired, the name and contact details of the person from whom the food was acquired, and the total quantity and description of the food acquired. The record keeping requirement is also applicable to the person who captures local aquatic products and who, in the course of business, supplies them in Hong Kong. A person must produce the records for FEHD's inspection when required.

4.5 Table 16 shows, for the years 2013 to 2017, the cumulative number of registered or exempted food importers/distributors. As at 2 October 2018, there were a total of 11,888 active food importers or food distributors (registered or exempted) (see Note to Table 16 below).

Table 16

**Cumulative number of registered and
exempted food importers/distributors
(2013 to 2017)**

	As at 31 December				
	2013	2014	2015	2016	2017
	(No.)				
<i>Registered</i>					
Food importers	6,779	8,103	9,664	11,276	12,777
Food distributors	5,959	6,934	8,032	9,219	10,345
Sub-total	12,738	15,037	17,696	20,495	23,122
<i>Exempted</i>					
Food importers	476	539	654	734	815
Food distributors	865	981	1,222	1,298	1,378
Sub-total	1,341	1,520	1,876	2,032	2,193
Cumulative total (Note)	14,079	16,557	19,572	22,527	25,315

Source: CFS records

Note: The figures are cumulative figures showing the number of registered food importers/distributors and the number of exempted food importers/distributors handled by the CFS since the enactment of the Food Safety Ordinance in 2011. The total number of active food importers or food distributors (registered or exempted) was 11,888 as at 2 October 2018.

4.6 FIRLO (see Table 7 in para. 2.69) is responsible for:

- (a) handling the application and registration of food importers/distributors;
- (b) maintaining a database of registered and exempted food importers/distributors;
- (c) conducting inspections relating to registration and record keeping; and
- (d) carrying out enforcement work against offenders.

Registration and exemption of food importers/distributors

Provision of information for exemption of registration

4.7 As mentioned in paragraph 4.2(b), upon request of the Director of Food and Environmental Hygiene, food importers/distributors who have obtained licences under other Ordinances are required to provide information on their licences and businesses to the FEHD. Under the Food Safety Ordinance, any person who carries on a food importation or distribution business but fails to provide the FEHD with the required supplementary information commits an offence and is liable to a maximum fine of \$10,000 and imprisonment for 3 months. However, if the food importers/distributors do not carry on any food importation/distribution businesses, they are not required to provide the information. Instead, they are required to reply to the FEHD (by filling in an FEHD reply slip) that they do not carry on such businesses. According to the CFS, it is not an offence under the Food Safety Ordinance that the reply slip is not returned to the FEHD if they do not carry on any food importation or distribution businesses.

4.8 Audit examined whether, in years 2013 to 2017, the requested information had been properly provided by food importers/distributors. Audit found that in the years, of the 3,420 licensees to whom request letters were sent by FIRLO, 483 (14%) had replied to FIRLO that they did not carry on any importation/distribution businesses or had provided the requested information to FIRLO. Audit further noted that FIRLO had not taken any follow-up actions on those licensees that had not replied to FIRLO.

Public awareness of the Food Safety Ordinance

4.9 In years 2013 to 2017, FIRLO conducted prosecutions against 44 unregistered food importers/distributors (Note 48). Audit examined the interview notes of these 44 prosecution cases and found that:

- (a) in 30 (68%) cases, the food importers/distributors told FIRLO that they were not aware of the registration requirement under the Food Safety Ordinance; and
- (b) in 9 (20%) cases, the food importers/distributors told FIRLO that they had heard about the registration requirement but they had misunderstood the requirement (Note 49).

4.10 Audit further examined the publicity work of FIRLO and noted that, after the enactment of the Food Safety Ordinance in 2011, FIRLO had organised promotional activities (e.g. roving exhibitions, briefing sessions in districts in the territory and television announcements) in 2011 and 2012. FIRLO had also publicised the registration requirement through the CFS's website and the biennial Food Safety Seminar for the food industry organised first-time in 2013 and then in 2015 and 2017. Nevertheless, as shown in paragraph 4.9, the majority of the offenders claimed that they were either unaware of or they had misunderstood the registration requirement. The CFS needs to step up its publicity efforts to raise food importers'/distributors' awareness of the registration requirement.

Audit recommendations

4.11 Audit has *recommended* that the Director of Food and Environmental Hygiene should:

Note 48: *The 44 prosecution cases were mainly originated from referrals by other departments (e.g. the C&ED upon conducting operations against smuggling at border control points) or were results of public complaints.*

Note 49: *There was no further deliberation in the interview notes on how they misunderstood the registration requirement.*

- (a) **take measures to ensure that follow-up actions are taken on those licensees that have failed to reply to FIRLO concerning exemption of registration; and**
- (b) **step up publicity efforts to raise food importers'/distributors' awareness of the registration requirement of the Food Safety Ordinance.**

Response from the Government

4.12 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that:

- (a) the CFS has put in place arrangements for keeping records of the non-responding licensees and further contacting these licensees by other means such as e-mails; and
- (b) the CFS has increased publicity and would continue to raise the awareness of the trade.

Inspection of food traders

4.13 FIRLO conducts inspections of food traders to ensure compliance with the registration scheme and the requirement of keeping transaction records under the Food Safety Ordinance. FIRLO has set a target of conducting 500 inspections in a calendar year.

4.14 The 500 inspections are carried out in accordance with a risk-based inspection plan. According to the plan, inspections are conducted for:

- (a) 10% of food traders of lower-risk businesses;
- (b) 40% of food traders of medium-risk businesses; and
- (c) 50% of food traders of higher-risk businesses.

Registration and inspection of food traders

The risk levels of businesses are determined based on the operation of food traders (e.g. lower risk for larger scale of operation) and types of food sold (e.g. higher risk for selling foods such as sashimi and oysters). For food retailers, the districts of their operations are also considered.

4.15 During inspections:

- (a) **Registered or exempted food importers/distributors.** FIRLO checks compliance with the record keeping requirement by food importers/distributors;
- (b) **Food retailers.** FIRLO inspects food retailers' food transaction records and cross-checks the registration status of their distributors;
- (c) **Traders at food exhibitions.** FIRLO inspects these traders' registration status (Note 50) and food transaction records; and
- (d) **On-line food selling shops.** FIRLO inspects these shops' registration status and food transaction records.

In addition, inspections are also conducted for public complaints against food traders mentioned in (a) to (d) above.

4.16 Table 17 shows the number of aforesaid inspections conducted by FIRLO in years 2014 to 2017 (Note 51).

Note 50: *Upon application to the CFS, traders at food exhibitions may be granted a one-off exemption for registration under the Food Safety Ordinance if they import foods on a one-off basis without the intention of becoming regular importers.*

Note 51: *As the CFS had not kept information on inspections conducted in 2013, Audit's examination covered the period 2014 to 2017 (i.e. four years) instead of 2013 to 2017 (five years).*

Table 17

**Number of inspections relating to registration and record keeping
under the Food Safety Ordinance conducted by FIRLO
(2014 to 2017)**

Inspection on	2014	2015	2016	2017	Average
	(No.)				
Food importers (Note)	310	206	348	316	295
Food distributors	65	142	127	125	115
Food retailers and on-line food selling shops	148	93	72	92	101
Public complaints	16	32	29	7	21
Total	539	473	576	540	532

Source: FEHD records

Note: Food importers include registered importers, exempted importers and traders at food exhibitions.

Need to enhance the conduct and documentation of inspections

4.17 Audit examined the inspections conducted by FIRLO and found that:

- (a) in issuing import licences by FIRLO to importers (Note 52), FIRLO checks whether the importers are registered under the Food Safety Ordinance. However, in examining the import documents of foods imported by air, road and sea, and in accompanying CFS staff in the inspections of food consignments imported through these three routes (as mentioned in PART 2), Audit found that CFS staff (e.g. Health Inspectors) did not have the practice of ascertaining whether food importers had registered under the Food Safety Ordinance (or were exempted from registration). In the 117 import documents examined by Audit, there were 4 importers who had imported foods into Hong Kong without having been registered or

Note 52: *FIRLO is responsible for the issue of import licences to importers (see Table 7 in para. 2.69).*

Registration and inspection of food traders

exempted. Similarly, in the 54 accompanied inspections, there were 5 importers who had imported foods into Hong Kong without having been registered or exempted. Audit examination of the CFS records for the period January to April 2018 indicated that in this period, the 8 importers concerned (Note 53) had imported 345 food consignments into Hong Kong:

- (i) of foods imported by 46 importers by air, 2 (4%) unregistered importers had imported 28 consignments of aquatic products from Norway and Japan, and 14 consignments of pasta, noodles and vegetables from Korea;
 - (ii) of foods imported by 31 importers by road, 1 (3%) unregistered importer had imported 22 consignments of cooked chicken from the Mainland; and
 - (iii) of live aquatic products imported by 9 importers by road, 5 (56%) unregistered importers had imported 281 consignments of live aquatic products from the Mainland;
- (b) some inspections had not been conducted in accordance with the inspection plan (see para. 4.14). As shown in Table 18:
- (i) in years 2014 to 2017, less than 50% (ranging from 31% to 48%) of the yearly inspections had been conducted on food traders of higher-risk businesses; and
 - (ii) in years 2015 to 2017, less than 10% (ranging from 1% to 4%) of the yearly inspections had been conducted on food traders of lower-risk businesses; and

Note 53: *One importer was found unregistered (or not exempted) in both Audit's import documents examination and accompanied inspections.*

Table 18

**Inspections conducted by FIRLO on
businesses with different risk levels
(2014 to 2017)**

Risk of business (Note)	2014	2015	2016	2017
	(No.)			
Higher risk	165 (31%)	228 (48%)	249 (43%)	218 (41%)
Medium risk	299 (55%)	199 (42%)	278 (48%)	308 (57%)
Lower risk	59 (11%)	14 (3%)	20 (4%)	7 (1%)
Inspection on public complaints	16 (3%)	32 (7%)	29 (5%)	7 (1%)
Total	539 (100%)	473 (100%)	576 (100%)	540 (100%)

Source: Audit analysis of CFS records

Note: According to the CFS, excluding the inspections on public complaints, the inspection ratio of 10%, 40% and 50% is maintained under the risk-based approach (see para. 4.14).

- (c) in examining food transaction records at premises of food traders, FIRLO staff only requested the sighting of a small number of invoices as supporting documents for the records (see Table 19 for details).

Table 19**Number of invoices examined by FIRLO
(April 2018)**

Number of inspections conducted by FIRLO	Number of invoices received from suppliers checked by FIRLO in each of the inspections in (a)	Number of invoices issued to customers checked by FIRLO in each of the inspections in (a)
(a)	(b)	(c)
1	Nil	1
4	1	Nil
18	1	1
5	1	2
4	2	Nil
3	2	2
Total: 35 (Note)		

Source: Audit analysis of CFS records

Note: In April 2018, 35 inspections had been successfully conducted by FIRLO (see also para. 4.19 for audit observations on unsuccessful conduct of inspections).

4.18 In late September 2018, the CFS informed Audit that in each inspection conducted in April 2018 (see Table 19 in para. 4.17), the CFS staff had checked far more than the number of invoices shown in the Table. The numbers of invoices shown in Table 19 were the numbers of copies of invoices placed in CFS office files (as examples of invoices that had been checked by the CFS staff). Furthermore, in early October 2018, the CFS informed Audit that it has taken improvement measures including:

- (a) reminding staff to inspect food transaction records covering the record keeping periods as required under the Food Safety Ordinance (see para. 4.3);

- (b) requiring staff to take photographs showing the invoices inspected on the premises for office records;
- (c) requiring staff to record the number of invoices inspected in the inspection reports, and document the findings of inspections (including follow-up inspections) and actions taken in office files; and
- (d) conducting supervisory visits on a bi-monthly basis.

Need to enhance follow-up on unsuccessful inspections

4.19 Audit analysed FIRLO's inspection records for 2017 and found that of the 540 inspections (see Table 17 in para. 4.16) of food traders, 49 (9%) inspections (concerning food importers/distributors) were not successful due to the following reasons:

- (a) the business premises was under lock;
- (b) the business premises was the office of a company secretary; or
- (c) the address of the business premises was invalid.

4.20 Audit further noted that in respect of the 49 cases of unsuccessful inspections:

- (a) in 16 (33%) cases, FIRLO had not taken any follow-up actions; and
- (b) in the other 33 (67%) cases, FIRLO had sent correspondence to the food importers/distributors to follow up the cases. In 22 (67%) of the 33 cases, the importers/distributors had replied that they had no food business carried out or they had subsequently provided the required information (i.e. food transaction records) to FIRLO. However, in the remaining 11 (33%) cases:
 - (i) in 2 cases, the importers/distributors did not respond and FIRLO had not taken any further actions; and

- (ii) in another 9 cases, FIRLO had taken further actions to contact the food importers/distributors (e.g. through telephone and e-mails) but to no avail.

Audit recommendations

4.21 **Audit has *recommended* that the Director of Food and Environmental Hygiene should:**

- (a) **conduct inspections (e.g. when conducting import documents checking or at the point of importing food consignments) to detect unregistered food importers;**
- (b) **take enforcement actions against those unregistered food importers where warranted;**
- (c) **take measures to ensure that inspections are conducted in accordance with the inspection plan;**
- (d) **ensure that all the improvement measures relating to the checking of invoices during inspections (see para. 4.18) are duly carried out;**
- (e) **take measures to ensure that FIRLO takes follow-up actions on unsuccessful inspections;**
- (f) **take further actions to resolve cases of which the results of follow-up actions are unsatisfactory (e.g. in cases where the food importers/distributors failed to respond to CFS enquiries); and**
- (g) **require FIRLO to conduct further inspections to replace unsuccessful inspections with no follow-up action taken to meet the target number of inspections where warranted.**

Response from the Government

4.22 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that:

- (a) CFS staff at the border offices have been reminded to promptly check the status of the importers at the point of importing food consignments;
- (b) the CFS has enhanced supervision to detect unregistered food importers;
- (c) the CFS has stepped up enforcement against unregistered food importers where warranted. In 2016 and 2017, the CFS took 14 and 8 prosecutions against unregistered food importers and food distributors respectively; and
- (d) the CFS has enhanced supervision to ensure that all the improvement measures are duly carried out.

Management information

Need to improve the provision of management information

4.23 It is the practice of FIRLO to report the actual number of inspections conducted in a year to the FEHD's senior management for monitoring purposes. In 2017, FIRLO conducted 540 inspections (see Table 17 in para. 4.16). However, Audit examination of FIRLO's inspection reports for 2017 indicated that of the 540 inspections:

- (a) no follow-up action had been taken for 16 (3%) unsuccessful inspections (see para. 4.20(a)); and
- (b) no further action had been taken for 11 (2%) inspection cases in which there was no response to FIRLO's enquiries and the food traders concerned could not be contacted (see para. 4.20(b)(i) and (ii)).

Audit considers that FIRLO needs to report more information on inspections to senior management of the FEHD (e.g. information on unsuccessful inspections with no follow-up action taken and the reasons for not following up).

Need to improve the recording of inspection results

4.24 It is FIRLO's practice that after the completion of inspections, inspection reports are prepared to record the results of inspections conducted (e.g. whether food transaction records had properly been kept by traders) for supervisory checking. However, these inspection reports are prepared manually and the inspection results had not been digitised (i.e. inputting the inspection results into a database for data analysis).

4.25 Audit considers that it would be useful for FIRLO to digitise the inspection results as the electronically recorded information would help enhance the formulation of the risk-based inspection plan (see para. 4.14). For example, food importers/distributors that have unsatisfactory inspection track records could be included in the category of higher-risk businesses (see para. 4.14(c)).

Audit recommendations

4.26 **Audit has *recommended* that the Director of Food and Environmental Hygiene should:**

- (a) **require FIRLO to report more information on inspections to senior management (e.g. information on unsuccessful inspections with no follow-up action taken and the reasons for not following up); and**
- (b) **digitise the results of inspections to facilitate the formulation of the risk-based inspection plan.**

Response from the Government

4.27 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that:

- (a) the CFS has enhanced supervision to ensure operation is conducted and recorded properly; and

- (b) the results of inspections have been entered in the computer for record and for formulation of the risk-based inspection plan as a stop-gap measure, pending a more comprehensive overhaul of the information technology infrastructure for the CFS currently underway.

PART 5: OTHER ISSUES RELATING TO IMPORT CONTROL OF FOODS AND WAY FORWARD

5.1 This PART examines other issues relating to the import control of foods and the way forward, focusing on the following areas:

- (a) food safety standards (paras. 5.2 to 5.11);
- (b) Food Import Control System (paras. 5.12 to 5.17);
- (c) supervisory visits (paras. 5.18 to 5.24);
- (d) Trade Single Window (paras. 5.25 to 5.30); and
- (e) way forward (paras. 5.31 to 5.36).

Food safety standards

5.2 According to the CFS, food imported into Hong Kong should meet local standards for food safety. Having regard to the need for upholding these standards, various import control measures are implemented (e.g. checking health certificates of food consignments before releasing the foods at borders, and conducting laboratory tests at import level under the Food Surveillance Programme). In addition to “statutory food safety standards” (see (a) below), the CFS has also set “non-statutory action levels” (see (b) below):

- (a) ***Statutory food safety standards.*** A statutory food safety standard (i.e. food safety standard) specifies, for a specific substance of concern (e.g. a toxin), the maximum level which is permitted to exist in a particular food (e.g. in terms of micrograms of toxin per kg of food). Provisions for food safety standards are stipulated in the subsidiary legislation of the Public Health and Municipal Services Ordinance. These food safety standards cover various types of substances, for example, colouring matters, sweeteners,

metallic contaminants, harmful substances, preservatives and pesticide residues (Note 54); and

- (b) ***Non-statutory action levels.*** To better address public concern over evolving food incidents, the CFS sets non-statutory action levels (i.e. action levels) in addition to the food safety standards. Action levels provide a threshold for food hazards (e.g. in terms of micrograms of toxin per kg of food), which serves as a trigger point. If a threshold is exceeded, the CFS would take necessary action to follow up the case (e.g. assessing the related risk). As at 31 August 2018, action levels have been set for 27 substances of concern (e.g. food additives, contaminants, veterinary drug residues, and natural toxins). Being non-statutory, action levels are only for internal reference. Nevertheless, if the situation warrants (e.g. in case of a food incident), the concerned action level(s) would be made known to members of the trade and the public for risk communication (Note 55).

5.3 *Updating of food safety standards.* According to the CFS, the food safety standards (see para. 5.2(a) and (b)) have been set with reference to international practices (e.g. standards promulgated by the Codex Alimentarius Commission — see Note 3 to para. 1.8). To keep up with international developments, food safety standards were updated (i.e. introducing new ones as well as amending and removing existing ones) as follows:

- (a) ***Setting priorities for updating food safety standards.*** In early October 2018, the FHB and the CFS informed Audit that the setting of priorities for updating food safety standards was the ambit of the FHB in consultation with the CFS:

Note 54: *The food safety standards are set out in various regulations of the subsidiary legislation under the Public Health and Municipal Services Ordinance, for example, Colouring Matter in Food Regulations (Cap. 132H), Sweeteners in Food Regulations (Cap. 132U), Food Adulteration (Metallic Contamination) Regulations (Cap. 132V), Harmful Substances in Food Regulations (Cap. 132AF), Preservatives in Food Regulation (Cap. 132BD), and Pesticide Residues in Food Regulation (Cap. 132CM).*

Note 55: *According to the CFS's records, a food surveillance handbook has been compiled for CFS staff's reference. The action levels are included in the food surveillance handbook.*

Other issues relating to import control of foods and way forward

- (i) the CFS reviewed from time to time the need for updating food safety standards;
 - (ii) the CFS might, as circumstances warranted, invite the views of members of the Expert Committee (see para. 1.21) on the priorities for updating food safety standards on different types of substances to leverage on the scientific and expertise strengths of the members (see (b) below);
 - (iii) apart from the views of the Expert Committee, reference was also made to other factors such as policy considerations, operational needs, and other emerging and unforeseeable circumstances (e.g. food incidents and new scientific evidence); and
 - (iv) having regard to the various factors (see (ii) and (iii) above), priorities previously set might be revised and new priorities might be introduced;
- (b) ***Consulting the Expert Committee.*** The CFS consulted the Expert Committee twice, in 2006 and 2009, on setting priorities for updating food safety standards (see (a)(ii) above). Accordingly, the Expert Committee conducted two priority-setting exercises (i.e. in 2006 and 2009), covering eight selected substances of concern:
- (i) the substances were awarded scores on four factors (namely: (1) public health concern; (2) presence and adequacies of local food safety standards; (3) presence of international standards; and (4) stakeholders' concern); and
 - (ii) for the updating of food safety standards, substances which had higher scores were accorded higher priorities. Out of a maximum score of 11, an overall score of "0 to 4" was designated as low priority, "5 to 7" as medium priority, and "8 and above" as high priority; and

- (c) *Seeking advice of working groups.* The Expert Committee might set up working groups (Note 56) to advise on tasks related to the updating of food safety standards (e.g. assessing the size of any problems arising from substances of concern, consulting the trade on the matter, and providing technical advice on any necessary enactment of food safety standards).

For action levels, they have also been set with reference to international practices (e.g. Codex Standards). The CFS reviewed from time to time the need for updating the action levels.

5.4 The CFS's records indicated that in the two priority-setting exercises of 2006 and 2009 (see para. 5.3(b)), the Expert Committee accorded "high priority" to the updating of food safety standards for three substances of concern, i.e. "pesticide residues", "veterinary drug residues" and "shellfish toxins and mycotoxins" (see Table 20). According to the FHB and the CFS, they drew reference from various considerations (see para. 5.3(a)(iii)), including but not limited to the results of the priority-setting exercises, in updating food safety standards.

Note 56: *A working group comprises members of the Expert Committee, experts and representatives of the trade, and representatives of bureau/departments (e.g. the FHB, the FEHD, and the Department of Health).*

Table 20

**Priority-setting exercises of the Expert Committee
(2006 and 2009)**

Item	Substance of concern	Level of priority accorded to updating the related food safety standard	
		2006 exercise	2009 exercise
1	Pesticide residues	High	N.A. (Note 2)
2	Veterinary drug residues	High	N.A. (Note 2)
3	Shellfish toxins and mycotoxins	N.A. (Note 1)	High
4	Heavy metals	Medium	Medium
5	Sweeteners	Medium	Medium
6	Genetically modified foods	Medium	Medium
7	Colouring matters	Medium	Medium
8	Food contact materials	Low	Medium

Source: Audit analysis of CFS records

Note 1: The substance was not covered in the 2006 exercise.

Note 2: Subsequent to the 2006 exercise, a working group was set for each of the substances (Items 1 and 2 refer). As such, the substances were not further covered by the 2009 exercise.

5.5 The Government has committed to timely updating of food safety standards. In the Chief Executive's 2017 Policy Address, it was stated that the Government will make timely effort to update the local food safety standards, including tightening the regulation of metallic contaminants and other harmful substances in food.

Need to update food safety standards in a timely manner

5.6 The CFS's records indicated that of the 3 high-priority items, i.e. "Item 1: Pesticide residues", "Item 2: Veterinary drug residues" and "Item 3: Shellfish toxins and mycotoxins" (see para. 5.4), food safety standards for Item 1 were updated in

2012 by way of legislative amendments and came into effect in August 2014 (Note 57).

5.7 Audit noted that for the remaining 2 high-priority items, as at 31 August 2018, updating of food safety standards was not yet completed:

- (a) **Item 2: Veterinary drug residues.** Food safety standards for veterinary drug residues had been stipulated in the law (Note 58):
 - (i) in 2007, a working group on the review of the food safety standards was set up. From 2007 to September 2012, the working group held eight meetings to discuss the proposed refinement of the law for veterinary drug residues in foods; and
 - (ii) in the period October 2012 to August 2018, no working group meetings were held; and
- (b) **Item 3: Shellfish toxins and mycotoxins** (Note 59). For shellfish toxins, non-statutory action levels had been set for five toxins. For mycotoxins,

Note 57: *For “Item 1: Pesticide residues”, the updated food safety standards were stipulated in the Pesticide Residues in Food Regulation, which came into effect on 1 August 2014. For Items 4 to 8 (see Table 20 in para. 5.4), food safety standards were updated for:*

- (a) *“Item 4: Heavy metals”, the relevant legislation (i.e. Food Adulteration (Metallic Contamination) (Amendment) Regulations 2018) was gazetted in June 2018;*
- (b) *“Item 5: Sweeteners”, the relevant legislation (i.e. Sweeteners in Food (Amendment) Regulation 2010) was gazetted in May 2010; and*
- (c) *“Item 7: Colouring matters”, the relevant legislation (i.e. Colouring Matter in Food (Amendment) Regulation 2008) was gazetted in May 2008.*

Note 58: *The Harmful Substances in Food Regulations stipulate the maximum concentrations of 38 veterinary drugs which are permitted to exist in foods. The Regulations also prohibit the use of 7 veterinary drugs.*

Note 59: *Shellfish toxins are naturally produced by marine plants. Mycotoxins are produced by moulds growing on food crops during production and storage. There are different types of shellfish toxins and mycotoxins.*

Other issues relating to import control of foods and way forward

food safety standards had been stipulated in the law for one mycotoxin, and non-statutory action levels had been set for two mycotoxins (Note 60):

- (i) in 2009, a working group on the review of the food safety standards was set up;
- (ii) in June 2011, updating of the food safety standards was reprioritised. The Expert Committee decided to hold up further working group meetings; and
- (iii) after a lapse of 65 months, in December 2016, the working group meeting was resumed.

5.8 In October 2018, the CFS informed Audit that:

- (a) priority setting regarding legislative proposals involved a lot more than scientific and expertise considerations:
 - (i) views of the Expert Committee was only one of the considerations which the FHB and the CFS might draw reference. The FHB and the CFS had kept constant review of the priorities for setting food safety standards and made adjustments to previously planned priorities to meet the most pressing needs given that resources were not unlimited; and
 - (ii) it was a policy decision by the FHB in consultation with the CFS to accord priority to making an entirely new regulation to regulate the level of pesticide residues in food (i.e. the Pesticide Residues in Food Regulation (Cap. 132CM)), tightening the regulation of metallic contamination by updating the Food Adulteration (Metallic Contamination) Regulations (Cap. 132V), and then conducting a public consultation exercise on updating the Harmful Substances in Food Regulations (Cap. 132AF) which would deal with veterinary drug residues and mycotoxins;

Note 60: *The Harmful Substances in Food Regulations stipulated the food safety standards for one mycotoxin.*

Other issues relating to import control of foods and way forward

- (b) for veterinary drug residues, apart from updating the Harmful Substances in Food Regulations, the CFS had over the past years taken necessary actions on emerging food incidents including those related to veterinary drug residues. For instance, in November 2015, the CFS established action levels for ractopamine (a type of veterinary drug) in various animal products by making reference to the Codex Standards (see para. 5.3);
- (c) for shellfish toxins:
 - (i) in 2010, the CFS consulted commercial laboratories on their capability to conduct testing for shellfish toxins. None of the consulted laboratories provided the required testing service. The unavailability of local private testing facilities was one of the considerations for postponing the legislative exercise because, unless these facilities and services were readily available in the local market, the trade would have considerable difficulties in complying with the proposed standard without local laboratory support. In light of the low demand for the laboratory tests, no laboratories had expressed interest in developing these testing methods; and
 - (ii) in 2016 and 2017, the issue was further discussed in the working group meetings. Since the available information revealed that the required testing service for some shellfish toxins might still not be available in the local commercial sector, the CFS would continue to keep in view the latest development such as new technologies or updated testing methods; and
- (d) for mycotoxins, following the gazettal of the updated food safety standards for heavy metals in June 2018, the public consultation on amendment to Harmful Substances in Food Regulations (including updating the food safety standards for mycotoxins) was planned for 2019.

5.9 In Audit's view, as at 31 August 2018, considerable time (some 9 years) had elapsed since the working group on the review of food safety standards was set up in 2009 for shellfish toxins and mycotoxins. There is a need to closely monitor the updating of food safety standards for shellfish toxins and mycotoxins.

Audit recommendations

5.10 **Audit has *recommended* that the Director of Food and Environmental Hygiene should:**

- (a) keep in view the latest changes in factors relevant to the updating of food safety standards, i.e. latest international development, new scientific evidence, and changes in other prevailing circumstances (e.g. emerging food incidents, results of public consultations, and other competing priorities); and**
- (b) having regard to the relevant factors and any latest changes in the factors, closely monitor the updating of food safety standards for shellfish toxins and mycotoxins, with a view to updating the standards in a timely manner.**

Response from the Government

5.11 **The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that:**

- (a) the CFS will continue to work with the FHB and take into consideration a host of factors, including the latest international development and practice, emerging food incidents, etc., in updating the local food safety standards; and**
- (b) the CFS is currently reviewing the existing statutory control of harmful substances (including mycotoxins) in food, and aims to conduct a public consultation on enhanced control in 2019. For shellfish toxins, the CFS has adopted relevant Codex Standards as local action levels. The CFS has liaised with the laboratory testing sector on their testing capacities for shellfish toxins in food, and noted that the laboratory methods for some shellfish toxins might not be currently available in the local commercial sector. The CFS will keep in view the latest development including new technologies or updated methods for testing shellfish toxins.**

Food Import Control System

5.12 The FICS is a computer system used in carrying out import control (see Note 10 to para. 2.2(e)). It captures a range of information about imported foods (e.g. types and quantities of foods, names of importers and exporters, health certificate numbers, and import licence numbers). According to the FICS User Manual, the CFS can make use of the information to monitor the complete cycle of processing food importation.

Need to ensure accuracy and completeness of data input

5.13 According to the CFS's records, in performing control duties on food consignments imported, CFS staff are required to input relevant data into the FICS in relation to the consignments (e.g. details of import licences issued, dates of inspecting the consignments, and dates of releasing the consignments).

5.14 Audit examined the import documents of 117 food consignments (Note 61), and found that in 77 (66%) consignments, there were errors and/or omissions in inputting data into the FICS (see Table 21).

Note 61: *The 117 food consignments were imported in 2018, comprising 44 consignments imported by air (see para. 2.9), 33 consignments by road (including 28 consignments of high-risk foods and 5 consignments of live aquatic products — see paras. 2.36(a) and 3.5) and 40 consignments by sea (see para. 2.73).*

Other issues relating to import control of foods and way forward

Table 21

Errors and omissions in the FICS (January 2018)

	Food consignments imported				
	By air	By road	By sea	Total	Percentage
				(a)	(b) = $\frac{(a)}{117} \times 100\%$
(No. of consignments)					
Error					
Incorrect name of importer (e.g. name of vehicle driver on the import declaration form incorrectly input as name of importer)	0	5	0	5	4 %
Incorrect health certificate number	1	0	1	2	2 %
Import licence indicated as unused but the related consignment was released	4	0	0	4	3 %
Incorrect input of food description (e.g. cooked poultry input as frozen poultry, frozen wrongly input as chilled)	4	1	0	5	4 %
Incorrect number of cartons	10	4	1	15	13 %
Incorrect weight of foods	3	0	0	3	3 %
Duplicated input of consignment information	1	2	0	3	3 %
Omission					
Health certificate number	9	6	21	36	31 %
Import licence number	5	4	0	9	8 %
Import permission number	6	3	0	9	8 %
Food description	0	1	1	2	2 %
Number of cartons	4	9	1	14	12 %
Name of exporters	0	24	7	31	26 %
Overall (Note)	26	27	24	77	66 %

Source: Audit analysis of CFS records

Note: A consignment might have multiple input errors and/or omissions. Hence, the numbers of food consignments concerned do not add up.

5.15 The FICS is the key system for monitoring the importation process. Errors and omissions in the system are not conducive to efficient and effective import control of foods (e.g. it could cause delay in response management of a food incident).

Audit recommendations

5.16 **Audit has *recommended* that the Director of Food and Environmental Hygiene should take measures to:**

- (a) **ensure that data on imported foods are accurately inputted into the FICS; and**
- (b) **prevent recurrence of errors and omissions in the FICS in future.**

Response from the Government

5.17 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that the CFS has provided a briefing to frontline colleagues regarding requirement of data input and plans to enhance supervision regarding data input.

Supervisory visits

5.18 The CFS requires Senior Health Inspectors to accompany Health Inspectors on inspection visits and on taking of food samples (hereinafter referred to as supervisory visits). Relevant requirements are laid down in the Operational Manual as follows:

- (a) supervisory visits shall be arranged once every two months (i.e. bi-monthly) or more frequently; and
- (b) during supervisory visits, Senior Health Inspectors shall observe and, if necessary, give advice on the practices of Health Inspectors in carrying out inspections and taking food samples.

Need to ensure that supervisory visits are carried out effectively

5.19 Audit examined the records of supervisory visits conducted in the period January to March 2018. Audit found that, of the 15 food control offices, only 4 recorded their supervisory visits. For 6 offices, Audit was informed that, while supervisory visits were not recorded, their Senior Health inspectors had monitored and supervised the work of Health Inspectors on site. For 4 offices, Audit was informed that as the officers did not conduct inspection of food consignments, supervisory visits were not applicable. For the remaining one office, supervisory visit was not conducted. Details are shown in Table 22.

Other issues relating to import control of foods and way forward

Table 22

**CFS supervisory visits
(January to March 2018)**

Item	Food control office	Number of offices	Supervisory visit			Inspection of food consignments not conducted
			Conducted		Not conducted	
			Recorded	Not recorded		
A	AFIO	3	N.A.	✓	N.A.	N.A.
B	Waterfront Office	2	N.A.	✓	N.A.	N.A.
C	HKKO	2	✓	N.A.	N.A.	N.A.
D	RIO	1	✓	N.A.	N.A.	N.A.
E	Offices controlling import of foods by road					
	• MKTFCO	1	N.A.	✓	N.A.	N.A.
	• Lok Ma Chau Food Control Office	1	✓	N.A.	N.A.	N.A.
	• Other offices	4	N.A.	N.A.	N.A.	✓
F	FIRLO	1	N.A.	N.A.	✓	N.A.
Total number of offices		15	4	6	1	4

Source: Audit enquiries and analysis of CFS records

Other issues relating to import control of foods and way forward

5.20 The practices among food control offices varied (see Table 22). In late September and late October 2018, the CFS informed Audit that, of the offices referred to in Table 22:

- (a) ***AFIO (Item A) and Waterfront Offices (Item B).*** Senior Health Inspectors, whilst on duty, provided on-site supervision to closely monitor the performance of Health Inspectors each and every day;
- (b) ***HKKO (Item C) and RIO (Item D).*** Senior Health Inspectors accompanied Health Inspectors to conduct inspections at cold stores/warehouses once every two months; and
- (c) ***6 offices controlling import of foods by road (Item E).*** Only 2 were set up for food consignment inspections:
 - (i) for the MKTFCO, both Senior Health Inspectors and Health Inspectors conducted inspections. The Senior Health Inspectors supervised the work of Health Inspectors every day; and
 - (ii) for the Lok Ma Chau Food Control Office, the Senior Health Inspector provided on-site supervision to Health Inspectors weekly. The supervision was recorded.

For the remaining 4 offices (i.e. 6 offices minus 2 offices), they were set up mainly for handling suspected cases of individual travellers illegally taking regulated food into Hong Kong as might be referred by the C&ED from time to time. They did not conduct inspection of food consignments.

5.21 The CFS also informed Audit in late September 2018 that the requirements of the Operational Manual on supervisory visits (see para. 5.18) were only applicable to the HKKO (Item C of Table 22) and the RIO (Item D of Table 22).

5.22 The fact that FIRLO had not conducted supervisory visits and that many (i.e. 6) food control offices had not recorded their visits was particularly unsatisfactory (see Table 22 in para. 5.19). In Audit's view, the lack of clear guidelines on the requirements for supervisory visits for individual food control offices (see para. 5.21), as well as the differences in supervisory practices among

food control offices (see para. 5.20), did not constitute good management practices. Furthermore, against the inadequacies identified in the respective PARTs of this Audit Report in carrying out inspections (see paras. 2.15, 2.55 and 2.107 for examples) and taking food samples (see para. 2.64), Audit considers that the CFS needs to enhance the practices of individual food control offices on the conduct of supervisory visits.

Audit recommendations

5.23 Audit has *recommended* that the Director of Food and Environmental Hygiene should:

- (a) review the adequacy of the practices of individual food control offices on the conduct of supervisory visits, taking into account the requirements of the Operational Manual and the relevant observations in this Audit Report (see paras. 5.18 to 5.22); and**
- (b) based on the results of the review, take measures to ensure that supervisory visits are properly carried out in future.**

Response from the Government

5.24 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that the CFS has enhanced supervisory measures to ensure that supervisory visits are conducted properly to assess performance of staff and give advice on the practice.

Trade Single Window

5.25 For international trade, “Single Window” refers to a facility (e.g. an information technology platform) which allows trading parties to lodge information and documents with a single entry point to fulfil all import and export regulatory requirements (Note 62). In his 2016-17 Budget Speech, the then Financial Secretary announced that the Government should establish a Single Window (referred to as Trade Single Window — TSW) which:

- (a) is for “one-stop” lodging of all the 50-plus trade documents and submissions with the Government for the purposes of trade declaration and customs clearance; and
- (b) will connect with other governments’ systems as well as trade information platforms run by the private sector.

According to the CFS, its computer system will interface with the TSW for carrying out import control of foods.

5.26 The Government expected that the TSW would not be fully rolled out until 2023 at the earliest.

Need to make use of TSW to enhance import control

5.27 CFS records indicated that the CFS had taken action to plan for the interfacing of its computer system with the TSW. Audit noted that, upon interfacing, the following key activities relating to import control could be performed on-line:

- (a) submission and processing of applications for:

Note 62: *According to the United Nations Centre for Trade Facilitation and Electronic Business, which is an intergovernmental body with global membership, a Single Window is a “facility that allows parties involved in trade and transport to lodge standardised information and documents with a single entry point to fulfil all import, export and transit-related regulatory requirements. If the information is electronic, then individual data elements should only be submitted once”.*

Other issues relating to import control of foods and way forward

- (i) registration as food importers or food distributors;
 - (ii) renewal of registration as food importers or food distributors; and
 - (iii) import licences and import permissions; and
- (b) accessing information for import control purposes, such as details of:
- (i) registered farms and food processing plants;
 - (ii) past applications for import licences and import permissions;
 - (iii) electronic health certificates of food consignments; and
 - (iv) food consignments arriving at customs offices.

5.28 This audit review has identified issues that the CFS has encountered in carrying out import control of foods. These issues included situations where there was a lack of automated processes for accessing up-to-date information. The TSW would provide an opportunity for the CFS to enhance its import control of foods (e.g. sorting out the uncertainty about whether import licences had been used by importers (see para. 2.94)).

Audit recommendation

5.29 **Audit has *recommended* that the Director of Food and Environmental Hygiene should, in planning for the interfacing of the computer system of the CFS with the TSW, explore opportunities for enhancing the CFS's existing import control practices having regard to the observations in this Audit Report.**

Response from the Government

5.30 The Director of Food and Environmental Hygiene agrees with the audit recommendation. She has said that:

Other issues relating to import control of foods and way forward

- (a) the CFS started to seek improvements in 2017 by obtaining LegCo's approval to create a new directorate post at D2 level for seven years up to 2023-24, to head a new division to examine ways for an overhaul of the CFS's information technology systems, with a view to upgrading the network infrastructure by phases, streamlining the work processes, updating existing and developing new information technology systems, and ensuring a smooth interface with the TSW; and
- (b) the CFS is currently revamping its information technology systems and is already in the process of reviewing the business processes and workflow in food import control, among other things. The findings in the Audit Report would be taken into account as far as practicable in the business process re-engineering process in particular.

Way forward

5.31 According to the FEHD, as over 90% of the food supply in Hong Kong is imported, import control is of paramount importance to ensuring food safety in Hong Kong. In 2017-18, the CFS spent \$337 million (or 57% of the total expenditure of \$592 million of the CFS) on import control of foods.

5.32 According to the CFS, while intense import control might provide greater assurance for food safety, it might inadvertently affect the smooth supply of foods in Hong Kong. To strike a balance between food safety and smooth supply, the CFS has mainly placed its efforts on controlling the import of high-risk foods.

5.33 To ensure the safety of imported foods, the CFS has implemented measures for the import control of foods. These measures include:

- (a) controlling the import of foods into Hong Kong from different channels, i.e. air, road and sea (PART 2);
- (b) conducting inspections on live food animals entering into Hong Kong (PART 3);
- (c) requiring food importers and food distributors to register under the Food Safety Ordinance (PART 4); and

Other issues relating to import control of foods and way forward

- (d) prescribing food safety standards and implementing supervisory controls on inspections carried out by CFS staff (PART 5).

5.34 While the measures are in existence, as shown in PARTs 2 to 5 of this Audit Report, there were incidences of non-compliance and difficulties in implementing the measures. Furthermore, as indicated in PART 2 of this Audit Report, the practices of import control varied among the food control offices responsible for controlling foods imported by air, road and sea. To enhance the efficiency and effectiveness of import control, there is merit for the CFS to review the operations of these food control offices so as to streamline or enhance the operations as well as to identify and establish good import control practices.

Audit recommendation

5.35 Audit has *recommended* that the Director of Food and Environmental Hygiene should consider the need for conducting a comprehensive review of the CFS's import control of foods, taking into account the findings and recommendations in this Audit Report.

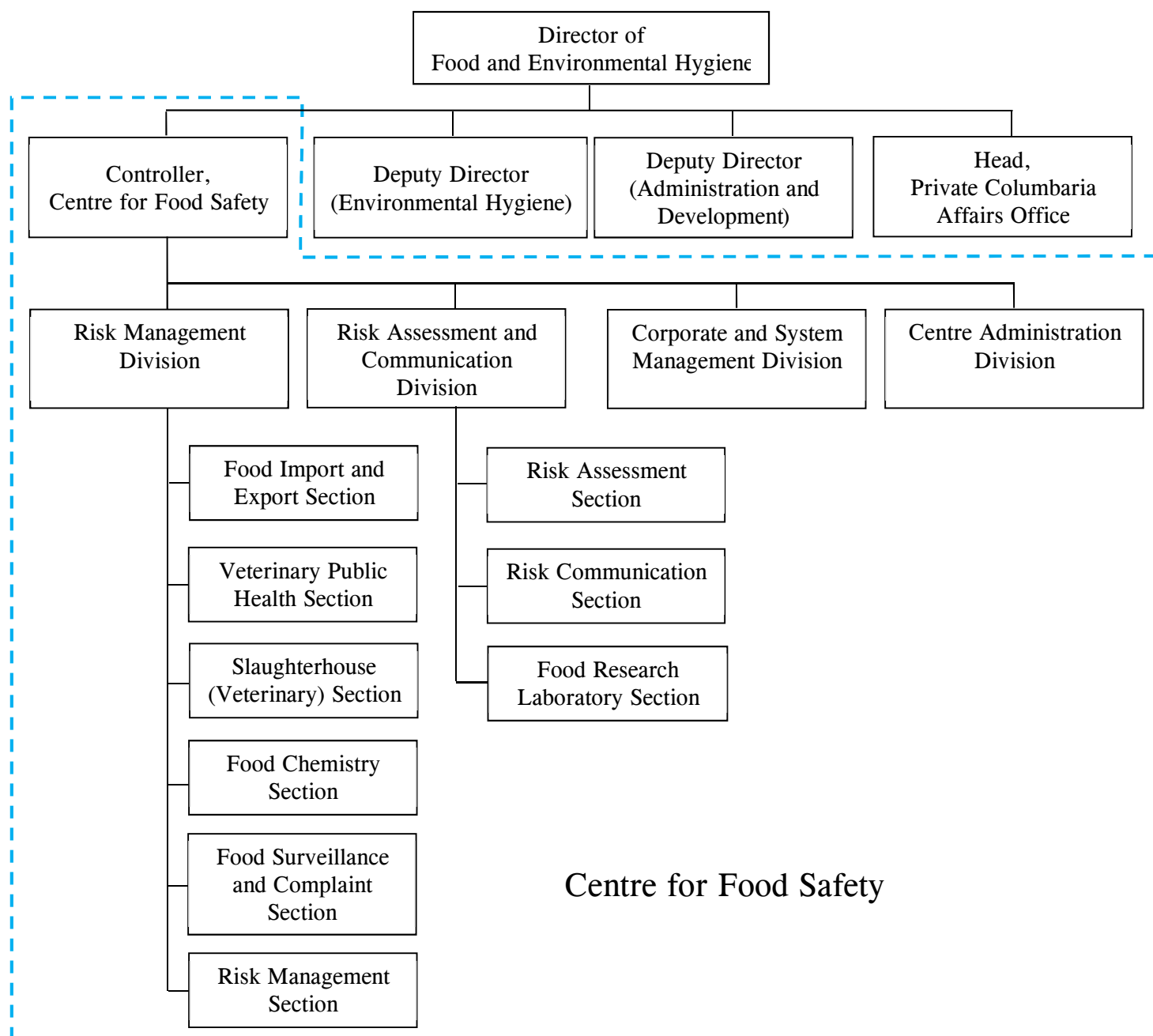
Response from the Government

5.36 The Director of Food and Environmental Hygiene agrees with the audit recommendation (see also the FEHD's response in para. 5.30).

Appendix A

(paras. 1.5, 1.14, 1.17,
2.7(c)(i), 2.24, 2.34(d),
2.69 and 3.6, Case 8 in
paras. 3.22(b) and 3.34 refer)

Food and Environmental Hygiene Department: Organisation chart (extract) (30 June 2018)



Source: FEHD records

**Subsidiary legislation of
the Public Health and Municipal Services Ordinance**

- (a) Colouring Matter in Food Regulations (Cap. 132H)
- (b) Dried Milk Regulations (Cap. 132R)
- (c) Sweeteners in Food Regulations (Cap. 132U)
- (d) Food Adulteration (Metallic Contamination) Regulations (Cap. 132V)
- (e) Food and Drugs (Composition and Labelling) Regulations (Cap. 132W)
- (f) Frozen Confections Regulation (Cap. 132AC)
- (g) Harmful Substances in Food Regulations (Cap. 132AF)
- (h) Imported Game, Meat, Poultry and Eggs Regulations (Cap. 132AK)
- (i) Milk Regulation (Cap. 132AQ)
- (j) Mineral Oil in Food Regulations (Cap. 132AR)
- (k) Preservatives in Food Regulation (Cap. 132BD)
- (l) Slaughterhouses Regulation (Cap. 132BU)
- (m) Pesticide Residues in Food Regulation (Cap. 132CM)

**Meaning of meat, poultry, prohibited meat, game,
eggs, and milk and frozen confections under
the Public Health and Municipal Services Ordinance**

- (a) **Meat** includes chilled or frozen beef, mutton, pork, veal or lamb, and the offal of any animal from which such meat is derived.
- (b) **Poultry** includes chilled or frozen carcass of a domestic fowl, duck, goose or turkey or any part of such a carcass, and any part of a bird mentioned which is edible or used in the preparation of food.
- (c) **Prohibited meat** includes:
 - (i) meat which consists of scraps, trimmings or other pieces (whether with or without bone) of such shape or in such condition as to afford insufficient means of identification with a definite part of a carcass;
 - (ii) meat comprising the wall of the thorax or abdomen from which there has been detached any part of the pleura or (save in the case of meat derived from a pig) the peritoneum, other than a part necessarily removed in preparing the meat;
 - (iii) meat, other than mutton and lamb, from which a lymphatic gland, except a gland necessarily removed in preparing the meat, has been taken out; and
 - (iv) the head of an animal without the submaxillary gland.
- (d) **Game** includes chilled or frozen carcass, flesh or other edible part, including edible viscera and offal, of an animal other than an animal from which meat is derived.
- (e) **Eggs** means an egg of a bird belonging to a type of bird sold or offered for sale for human consumption or any edible part of such an egg:
 - (i) whether such an egg or edible part is shelled or unshelled; is raw or partially cooked; is salted, preserved or otherwise processed; is in frozen, liquid or dried form; or contains any functional ingredient; but
 - (ii) excludes such an egg or edible part that is fully cooked; or constitutes one of the ingredients of any compounded food.
- (f) **Milk and frozen confections** include such foods as ice cream, frozen yoghurt and sundaes.

Appendix D

(paras. 1.11, 2.7(b)(i), 2.9 and 2.10, Case 1 in para. 2.12(b), paras. 2.32(b), 2.33(b) and (c) and 2.36(a), Case 3 in para. 2.46, paras. 2.47 and 2.49, Table 7 in para. 2.69, paras. 2.71, 2.73, 2.97, 3.3 and 3.9 refer)

Import control of foods

Import control requirement	Types of foods									
	High-risk foods (Note 1)								Other imported foods	
	Frozen meat	Frozen poultry	Chilled meat and chilled poultry	Prohibited meat	Game and eggs	Milk and frozen confections	Livestock and live poultry (Note 3)	Aquatic products (Note 2)	Vegetables	Others (Note 5)
Health certificate (Note 1(a))	✓	✓	✓	✓	✓	×	✓	×	×	×
Import licence (Note 1(b))	✓	✓	✓	✓	×	×	×	×	×	×
Import permission (Note 1(c))	×	×	✓	✓	✓	✓	×	×	×	×
Certificate of country of origin (Note 1(d))	×	×	×	×	×	✓	×	×	×	×
Subject to administrative arrangements for import from the Mainland	×	✓ (Note 4)	✓ (Note 4)	×	×	×	✓ (Note 4)	✓ (for freshwater aquatic products — Note 4)	✓ (Note 4)	×

Source: Audit analysis of CFS records

Appendix D

(Cont'd)

(paras. 1.11, 2.7(b)(i), 2.9 and 2.10, Case 1 in para. 2.12(b), paras. 2.32(b), 2.33(b) and (c) and 2.36(a), Case 3 in para. 2.46, paras. 2.47 and 2.49, Table 7 in para. 2.69, paras. 2.71, 2.73, 2.97, 3.3 and 3.9 refer)

Note 1: These foods (i.e. frozen meat, frozen poultry, chilled meat and chilled poultry, prohibited meat, game and eggs, and milk and frozen confections — see Appendix C for definitions of these foods) are classified by the CFS as high-risk foods as they are easily perishable and more likely subject to risk of pathogens. Under the legislation (i.e. Part V of Public Health and Municipal Services Ordinance (see para. 1.6(a)) and the Import and Export Ordinance (Cap. 60)), specific import documents (i.e. a health certificate and/or an import licence and/or an import permission and/or a certificate of country of origin) are required for the import of these foods into Hong Kong, as follows:

- (a) a **health certificate** is issued by a competent authority of an exporting economy (recognised by the FEHD) certifying that the foods being imported are fit for human consumption;*
- (b) an **import licence** is issued by the FEHD under the Import and Export Ordinance under the delegated authority of the Director-General of Trade and Industry (who is responsible for the administration of the Ordinance). An import licence covers the import of a single food consignment and is valid for a period of six weeks;*
- (c) an **import permission** is issued by the FEHD. An import permission covers the import of multiple food consignments and is valid for a period of six months; and*
- (d) a **certificate of country of origin** is issued by an overseas jurisdiction (recognised by the FEHD) certifying the origin of foods being imported.*

Note 2: Aquatic products are classified by the CFS as high-risk foods as they are easily perishable and more likely subject to risk of pathogens.

*Note 3: An **animal health certificate** is required for the import of livestock and live poultry under the Public Health (Animals and Birds) Regulations (Cap. 139A) and the Public Health (Animals and Birds) (Chemical Residues) Regulation (Cap. 139N). The certificate is issued by a competent authority of an exporting economy (recognised by the FEHD) certifying that the livestock and live poultry show no sign of certain diseases (e.g. rabies) and contain no prohibited chemicals.*

Appendix D

(Cont'd)

(paras. 1.11, 2.7(b)(i), 2.9 and 2.10, Case 1 in para. 2.12(b), paras. 2.32(b), 2.33(b) and (c) and 2.36(a), Case 3 in para. 2.46, paras. 2.47 and 2.49, Table 7 in para. 2.69, paras. 2.71, 2.73, 2.97, 3.3 and 3.9 refer)

Note 4: The Mainland is Hong Kong's largest source of food supply especially with respect to foods with a premium on freshness. Since 2002, to strengthen the control of foods imported from the Mainland, the Government of the Hong Kong Special Administrative Region has entered into administrative arrangements with the former General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (AQSIQ) to regulate foods imported into Hong Kong. Since April 2018, the responsibilities of the former AQSIQ with respect to import/export control of foods, among others, have been incorporated into the General Administration of Customs of the People's Republic of China which is a border agency and responsible for customs control matters. The salient features of the administrative arrangements are as follows:

- (a) foods covered by the administrative arrangements comprise livestock, live poultry, freshwater aquatic products (live, chilled and frozen), vegetables, frozen poultry, as well as chilled meat and chilled poultry;*
- (b) livestock, live poultry and live freshwater aquatic products imported into Hong Kong must be originated from registered farms in the Mainland (the farms are required to follow relevant regulations of the Mainland governing sanitation, use of veterinary drugs/pesticides, and quarantine control). Further details are shown in PART 3 of this Audit Report;*
- (c) frozen poultry as well as chilled meat and chilled poultry imported into Hong Kong must be originated from registered production lines of food processing plants in the Mainland; and*
- (d) vegetables imported into Hong Kong must be originated from registered farms and registered production lines of food processing plants in the Mainland.*

Note 5: Other imported foods refer to foods other than high-risk foods (e.g. beverages, cereals, fruits and vegetables). These foods may be subjected to the CFS's physical inspection and tests at the time of import (see para. 1.12).

Quantity and value of high-risk foods imported (2013 to 2017)

		2013	2014	2015	2016	2017
Meat, poultry and game						
Bovines	(Tonne)	328,948	408,336	288,791	358,611	387,445
	(\$ million)	12,661	16,777	11,794	13,349	15,483
Swine	(Tonne)	236,626	237,690	253,586	341,815	359,371
	(\$ million)	5,254	5,384	5,473	6,785	7,684
Poultry	(Tonne)	819,219	949,594	781,449	866,939	828,656
	(\$ million)	10,158	12,929	10,150	10,903	11,355
Others (Note 1)	(Tonne)	723,328	844,064	696,436	784,693	844,822
	(\$ million)	14,102	17,387	13,050	13,619	16,481
Eggs						
Eggs in shells	(No.) (’000)	2,242,906	2,282,963	2,317,256	2,481,464	2,588,806
	(\$ million)	1,475	1,606	1,583	1,426	1,488
Eggs without shell and egg albumin	(Tonne)	3,014	2,875	2,960	3,339	3,327
	(\$ million)	77	76	78	82	77
Milk and frozen confections	(Tonne)	234,396	244,540	238,297	256,431	259,452
	(\$ million)	11,292	13,738	12,466	12,990	11,647
Live animals (Note 2)						
Live bovines	(Head)	19,154	18,584	17,911	17,493	17,338
	(\$ million)	430	438	422	413	416
Live swine	(Head)	1,578,913	1,625,889	1,598,352	1,453,108	1,456,654
	(\$ million)	3,325	3,429	3,509	3,311	3,311
Live poultry (i.e. chickens, ducks and geese) (Note 3)	(Head)	2,003,090	828,310	78,470	39,200	0
	(\$ million)	55	25	2	1	0

Appendix E
(Cont'd)
(para. 1.11(a) refers)

		2013	2014	2015	2016	2017
Live chicks	(Head)	1,334,125	1,304,010	1,688,800	1,642,640	1,510,940
	(\$ million)	10	6	6	6	5
Live goats	(Head)	6,490	1,650	7,700	3,410	3,471
	(\$ million)	10	3	17	7	6
Others (e.g. pigeons, turtles and frogs)	(Head)	5,868,398	5,828,714	5,682,078	5,370,730	4,885,906
	(\$ million)	771	908	961	881	1,079
Aquatic Products (Note 4)						
Live fish (Note 5)	(\$ million)	2,903	3,036	3,229	2,803	2,563
Fish other than live fish (e.g. frozen fish)	(Tonne)	180,052	188,211	191,976	185,498	165,489
	(\$ million)	9,110	9,475	9,968	11,039	10,138
Crustaceans, molluscs and aquatic invertebrates	(Tonne)	178,493	167,145	147,674	150,526	148,117
	(\$ million)	17,437	15,718	14,436	15,376	15,415

Source: Audit analysis of C&SD's published trade statistics

Note 1: Others include, for example, game (e.g. rabbits) and edible offal.

Note 2: The figures for live animals include live animals not for human consumption. The C&SD did not separately record figures for imported live food animals.

Note 3: Since early 2017, there has been no import of live poultry from the Mainland as it adopted more stringent measures for managing registered farms supplying live poultry to Hong Kong in the light of the avian influenza threat in the Mainland and nearby areas. Although there is no import ban on live poultry from the Mainland, on commercial considerations, the registered farms in the Mainland have not supplied live poultry to Hong Kong since then.

Note 4: The figures for aquatic products include both freshwater and marine aquatic products. The C&SD did not separately record figures for freshwater aquatic products.

Note 5: The C&SD measured the import of live fish in monetary value only. The figures for live fish included live fish not for human consumption. The C&SD did not separately record figures for imported edible live fish.

**Main suppliers of high-risk foods imported
(2017)**

	Top three places from which largest food quantities were imported	Share of food imported	
		In quantity (%)	In value (%)
Meat, poultry and game			
Bovines	Brazil	55	43
	United States of America	25	35
	Canada	4	5
Swine	Brazil	28	24
	United States of America	17	13
	The Mainland	14	23
Poultry	United States of America	35	31
	Brazil	31	28
	The Mainland	19	24
Others (Note 1)	Brazil	26	29
	United States of America	19	21
	Germany	10	8
Eggs			
Eggs in shells	The Mainland	60	54
	United States of America	22	20
	Malaysia	7	7
Eggs without shell and egg albumin	United States of America	32	23
	Canada	17	14
	Belgium	13	12
Milk and frozen confections	Netherlands	25	47
	The Mainland	12	5
	Australia	10	8

Appendix F
(Cont'd)
(paras. 1.11(a) and
3.2 refer)

	Top three places from which largest food quantities were imported	Share of food imported	
		In quantity (%)	In value (%)
Live Animals (Note 2)			
Live bovines	The Mainland	100	100
Live swine	The Mainland	100	100
Live chicks	The Mainland	100	100
Live goats	The Mainland	100	100
Others (e.g. pigeons, turtles and frogs)	Thailand	81	1
	Peru	9	1
	United States of America	2	2
Aquatic products			
Live fish	The Mainland	N.A. (Note 3)	55
	Philippines		12
	Indonesia		9
Fish other than live fish (e.g. frozen fish)	The Mainland	48	29
	Vietnam	12	4
	Norway	9	9
Crustaceans, molluscs and aquatic invertebrates	The Mainland	45	30
	Vietnam	8	5
	Japan	6	18

Source: Audit analysis of C&SD's published trade statistics

Note 1: Others include, for example, game (e.g. rabbits) and edible offal.

Note 2: Since early 2017, there has been no import of live poultry. This type of food is therefore not included in the Table.

Note 3: The C&SD measured the import of live fish in monetary value only.

Quantity and value of other imported foods (2013 to 2017)

		2013	2014	2015	2016	2017
Processed meat, poultry and game	(Tonne)	452,242	511,678	381,875	276,221	313,964
	(\$ million)	8,623	9,713	7,319	6,120	6,958
Vegetables and fruits						
Vegetables	(Tonne)	985,078	984,925	999,391	1,030,356	1,060,742
	(\$ million)	5,265	6,179	6,649	6,837	6,756
Fruits	(Tonne)	1,973,420	1,969,581	1,957,128	2,068,140	2,066,298
	(\$ million)	30,614	32,427	31,684	35,675	34,914
Dairy products (other than milk and frozen confections)	(Tonne)	25,910	31,128	33,255	35,727	36,096
	(\$ million)	1,118	1,452	1,315	1,283	1,451
Other foods						
Cereals and cereal preparations	(Tonne)	784,054	792,622	768,192	779,003	781,656
	(\$ million)	8,412	8,519	8,532	8,698	8,341
Sugars, sugar preparations and honey	(Tonne)	250,256	251,988	257,889	238,087	249,351
	(\$ million)	2,882	2,889	3,011	2,839	2,954
Coffee, tea, cocoa and spices	(Tonne)	81,947	85,643	85,060	127,463	147,890
	(\$ million)	4,506	5,035	4,700	6,669	7,565

Appendix G
(Cont'd)
(para. 1.11(b) refers)

		2013	2014	2015	2016	2017
Miscellaneous edible products and preparations						
Miscellaneous edible products and preparations (e.g. soy sauce and tomato ketchup)	(Tonne)	321,109	333,452	352,522	383,569	384,399
	(\$ million)	9,971	10,786	12,211	14,652	14,354
Vinegar and substitutes for vinegar obtained from acetic acid	(Litre)	5,813,986	6,458,581	6,222,182	6,736,419	6,897,659
	(\$ million)	69	83	73	73	74
Beverages and water						
Beverages	(Litre)	478,630,060	511,011,194	521,263,025	515,203,963	530,848,084
	(\$ million)	14,767	15,779	17,858	19,819	19,780
Water (Note)	(\$ million)	3,944	3,840	4,454	4,745	5,056

Source: Audit analysis of C&SD's published trade statistics

Note: The C&SD measured the import of water in monetary value only.

**Main suppliers of other imported foods
(2017)**

	Top three places from which largest food quantities were imported	Share of food imported	
		In quantity (%)	In value (%)
Processed meat, poultry and game	The Mainland	27	42
	United States of America	9	9
	Russia	9	5
Vegetables and fruits			
Vegetables	The Mainland	86	66
	United States of America	6	11
	Thailand	1	3
Fruits	Thailand	20	10
	United States of America	20	36
	The Mainland	13	6
Dairy products (other than milk and frozen confections)	New Zealand	28	32
	The Mainland	18	7
	Australia	13	14
Other foods			
Cereals and cereal preparations	Thailand	31	19
	The Mainland	26	28
	Japan	9	15
Sugars, sugar preparations and honey	Korea	38	14
	The Mainland	20	22
	Thailand	20	9
Coffee, tea, cocoa and spices	The Mainland	50	41
	Malaysia	5	4
	Italy	5	6

Appendix H
(Cont'd)
(para. 1.11(b) refers)

	Top three places from which largest food quantities were imported	Share of food imported	
		In quantity (%)	In value (%)
Miscellaneous edible products and preparations			
Miscellaneous edible products and preparations	The Mainland	48	26
	Japan	8	9
	United States of America	7	14
Vinegar and substitutes for vinegar obtained from acetic acid	The Mainland	51	39
	United States of America	14	14
	Taiwan	11	12
Beverages			
Beverages	The Mainland	46	32
	Korea	11	2
	Malaysia	6	1
Water	The Mainland	N.A. (Note)	95
	France		2
	Italy		1

Source: Audit analysis of C&SD's published trade statistics

Note: The C&SD measured the import of water in monetary value only.

Acronyms and abbreviations

AA Terminal	Asia Airfreight Terminal
AFCD	Agriculture, Fisheries and Conservation Department
AFIOs	Airport Food Inspection Offices
AQSIQ	General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China
Audit	Audit Commission
C&ED	Customs and Excise Department
CFS	Centre for Food Safety
CMS	Contamination Monitoring System
CP Terminal	Cathay Pacific Cargo Terminal
C&SD	Census and Statistics Department
CSWWFM	Cheung Sha Wan Wholesale Food Market
EMAN	Electronic System for Cargo Manifest
EU	European Union
FEHD	Food and Environmental Hygiene Department
FHB	Food and Health Bureau
FICS	Food Import Control System
FIRLO	Food Importer/Distributor Registration and Import Licensing Office
FMO	Fish Marketing Organization
GACC	General Administration of Customs of the People's Republic of China

Appendix I
(Cont'd)

HKKO	Hong Kong and Kowloon Offices
HK Terminal	Hong Kong Air Cargo Terminals Limited
KCCH	Kwai Chung Customhouse
Kg	Kilogram
LegCo	Legislative Council
LFAS	Live Food Animal System
MKTAIS	Man Kam To Animal Inspection Station
MKTBCP	Man Kam To Boundary Control Point
MKTFCO	Man Kam To Food Control Office
RIO	Radiation Inspection Office
ROCARS	Road Cargo System
SH(V)S	Slaughterhouse (Veterinary) Section
TSW	Trade Single Window
VPHS	Veterinary Public Health Section
WHO	World Health Organization
WWFM	Western Wholesale Food Market

CHAPTER 3

**Security Bureau
Financial Services and the Treasury Bureau
Hong Kong Police Force
Electrical and Mechanical Services Department
Government Logistics Department**

**Procurement of operational equipment
by the Hong Kong Police Force**

**Audit Commission
Hong Kong
30 October 2018**

This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.

Report No. 71 of the Director of Audit contains 10 Chapters which are available on our website at <https://www.aud.gov.hk>

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PROCUREMENT OF OPERATIONAL EQUIPMENT BY THE HONG KONG POLICE FORCE

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PROCUREMENT OF OPERATIONAL EQUIPMENT BY THE HONG KONG POLICE FORCE

Executive Summary

1. The Hong Kong Police Force (HKPF) maintains law and order through the deployment of efficient and well-equipped uniformed police personnel throughout the land and waters of Hong Kong. As at 31 March 2018, the HKPF had 29,377 disciplined staff and 4,325 civilian staff, and the Hong Kong Auxiliary Police Force had 3,077 auxiliary police officers. The HKPF is at the forefront to protect citizens, their properties and infrastructure from harm and loss. It is vital that the HKPF is well equipped to deal with a wide range of incidents, emergencies and crime on a timely basis. In 2016-17, the HKPF incurred \$341 million under the General Revenue Account (GRA) and \$171 million under the Capital Works Reserve Fund (CWRP) on the procurement of operational equipment including information and communications technology (ICT) systems, vehicles, vessels and other operational equipment (such as uniform, protective equipment, and arms and ammunition). The HKPF's procurement activities are governed by the Stores and Procurement Regulations (SPRs) and relevant Financial Circulars. The Audit Commission (Audit) has recently conducted a review to examine the HKPF's work on the procurement of operational equipment with a view to identifying areas for improvement.

Implementation of major information and communications technology projects

2. The HKPF's ICT systems are vital to its routine operation for delivering police services to the public. In November 1992, the then Secretary for the Treasury undertook to provide an annual report to the Finance Committee (FC) of the Legislative Council on the progress of implementation of all major computer projects, including the actual expenditure and any revision to original scheduled implementation date. Based on the annual reports on the implementation of major ICT projects submitted by the Office of the Government Chief Information Officer (OGCIO) to the FC, Audit selected three HKPF's ICT projects with aggregate funding of \$1,400 million for examination: (a) implementation of the Third Generation

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Command and Control Communications System (CC3 system) with approved funding of \$948 million; (b) enhancement of the information technology infrastructure by using virtual workstation (VW) with approved funding of \$40.72 million; and (c) development of the Second Generation of Communal Information System (CIS2) with approved funding of \$411.27 million. These three ICT projects had significant extension and enhancement work done after system roll-out or long delays in implementation (paras. 2.1 and 2.3).

3. ***Implementation of the CC3 system.*** In June 2001, the HKPF obtained the FC's funding approval of \$948 million under Head 708 of the CWRP to replace the Second Generation Command and Control Communications System which would reach the end of its useful life in 2004. The CC3 system included: (i) an integrated communications system (ICS) for providing comprehensive radio coverage; (ii) a computer-assisted command and control system (CACCS3) for supporting resource deployment; and (iii) an emergency telephone system (ETS) for answering and responding to 999 emergency calls. In 2003, a contract (Contract A) for implementing the CC3 system (excluding CACCS3) and another contract (Contract B) for implementing the CACCS3 were awarded at a total sum of \$370.3 million. The CC3 system commenced operation by phases between December 2004 and March 2006. However, from September 2004 to July 2015, the CC3 Executive Committee (an ICT project steering committee of the HKPF) approved 43 items of extension and enhancement work for the CC3 system, including 33 items approved after completion of the system roll-out in March 2006. Hence, upon completion of the extension and enhancement work by 2016, the HKPF spent a total sum of \$806.1 million on the CC3 project, comprising \$435 million incurred under Contracts A and B, \$322 million on the extension and enhancement work and \$49.1 million for employing contract staff and site preparation (paras. 2.4 to 2.7). Audit examination has revealed the following areas for improvement:

- (a) ***Need to better monitor unspent funds resulting from lower-than-estimated tender prices for capital non-works projects.*** According to Financial and Accounting Regulation 320, where Controlling Officers have reason to believe that funds surplus to requirements exist under a subhead, they shall immediately inform the Financial Services and the Treasury Bureau (FSTB) so that the excess may be reserved. Due to the tender prices of Contracts A and B being significantly lower than the pre-tender estimates of \$849.7 million, there was an unspent balance of \$414.7 million when Contracts A and B were finalised in 2009. According to the HKPF, it had not reported the unspent balance to the FSTB in 2009 as there were still

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activities to be undertaken within the CC3 project scope and these activities had been reported as part of the CC3 project to the FC and the FSTB through the annual reports (see para. 2 above). However, for government works projects funded under the CWRP, there are other monitoring requirements, e.g. the FSTB may impose an administrative cap on the project expenditure when there is lower-than-estimated tender price. To uphold financial discipline, there is a need to consider applying similar requirements to capital non-works projects such as the CC3 system (paras. 2.8 and 2.9);

- (b) ***Need to strengthen control over the use of unspent funds in CWRP projects.*** After the system roll-out of the CC3 system in March 2006, the Executive Committee approved 33 items of extension and enhancement work, with a total expenditure of \$285.64 million charged to the CC3 project subhead. According to the HKPF, with an aim to provide a more comprehensive radio coverage and ensure stability and reliability of the CC3 system, these work items were approved on the premises that they were within the project scope. However, Audit notes that: (i) the FC's approval of \$948 million was for the replacement of the Second Generation Command and Control Communications System by the CC3 system and was not a blanket approval for extension and enhancement work for some ten years after the CC3 system roll-out in 2006. For example, a total of \$107.11 million for three items of enhancement work was approved by the Executive Committee in July 2014, i.e. (1) enhancement of ETS call processing and distribution sub-systems at \$25.61 million; (2) ICS enhancement at \$60 million; and (3) enhancement of CACCS3 servers, workstations and notebooks at \$21.5 million; and (ii) Financial Circular No. 1/2004 stipulates that Controlling Officers should ensure that expenditure is only incurred within the limits and scope authorised, and should consult the FSTB where in doubt. In Audit's view, the HKPF should have consulted the FSTB on the propriety of charging the expenditure of the extension and enhancement work implemented after system roll-out into the CC3 project vote (paras. 2.10 to 2.12); and
- (c) ***Need to improve project specification.*** Audit examination of two work items for the extension of the CC3 radio coverage to the Hong Kong International Airport and 59 other indoor locations approved by the Executive Committee in June 2008 revealed the following lessons to be learned in project specification:

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- (i) according to the 2001 FC funding paper, the CC3 system would provide comprehensive radio coverage and an amount of \$105 million was included for the procurement of radio equipment to be installed in 120 outdoor locations. According to the HKPF, since there were technical uncertainties (e.g. feasibility of solutions, and cost and time required to negotiate with relevant parties for installing radio equipment within their premises), CC3 radio coverage for some indoor locations (including the Airport) was not included in the development of the CC3 system from the outset. Indoor radio coverage for the Airport was only implemented as extension work at a cost of \$38.11 million by 2015. As the HKPF had planned to complete the CC3 system development work first and then extend the CC3 radio coverage to the Airport and other indoor locations with technical uncertainties, it should have set out its plan in the FC funding paper (Case 1 in para. 2.14); and
- (ii) while 21 indoor locations were specified as mandatory requirements for the provision of radio coverage in Contract A, other uncertain indoor locations were only included as desirable requirements without specifying the number of such locations to be covered. In the event, because of the contractor's objection to its liability for the cost of the significant number of such unspecified locations, radio coverage extension work had to be carried out under separate contracts. To prevent recurrence of similar problems, the HKPF needs to improve contract specifications for similar ICT projects, such as specifying the number of locations to be covered with details of the locations to be provided to the contractor at a later stage (Case 2 in para. 2.14).

4. ***Enhancement of the information technology infrastructure by using VW (initial implementation).*** To enhance the accessibility, mobility and security of information technology support for police officers, in May 2010, the HKPF obtained the FC's funding approval of \$40.72 million under the CWRP to introduce VWs in the Kowloon West Region before rolling out of the VW project to cover all disciplined police officers. While the VW project was completed within budget at a cost of \$40.33 million, the system only came into operation in June 2017, i.e. 60 months later than that scheduled in the FC funding paper (paras. 2.15 and 2.17). Audit examination has revealed the following areas for improvement:

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- (a) ***Delay in project implementation.*** The actual time taken for tender preparation and contract work of the VW project was 47 months longer than scheduled. The HKPF needs to make realistic assessment of project implementation schedule for procurement involving new technology. Extra time of 13 months was spent on re-tendering as no conforming offer was received in the first tender in 2012. According to potential suppliers' feedback, the first tender's requirements on supplier's experience and skill were too restrictive. The HKPF needs to remind procuring staff to guard against over-prescribing requirements in future procurement (paras. 2.17 to 2.20); and
- (b) ***Need to provide comprehensive and accurate project implementation information in Post Implementation Departmental Return (PIDR).*** OGCIO reports in its Controlling Officer's Report the government-wide results of completed information technology projects based on PIDRs provided by bureaux and departments. The purpose of the PIDR is to evaluate the achievement of information technology projects to ensure that the Government's investment in the projects has attained the intended objectives in a timely and cost-effective way. According to the PIDR submitted by the HKPF in June 2018, the VW project had delivered all the planned functions and benefits. However, Audit noted that some implementation issues which could affect the delivery of planned functions and benefits of the VW project had not been fully reflected in the PIDR: (i) about 1,500 VWs instead of the planned 1,800 VWs (or 17% fewer) were deployed to the Kowloon West Region; and (ii) of the expected notional annual cost savings of \$20.7 million, \$18.4 million was derived from a 1% efficiency gain (an estimated saving of 516 man-months) for providing 985 VWs to 4,300 junior police officers. Due to the reduction of some 200 VWs for these officers, the notional annual saving was reduced by 62 man-months (or 12% of the estimated 516 man-months) (paras. 2.25 and 2.26).
5. ***Development of the CIS2.*** In May 2010, the HKPF obtained the FC's funding approval of \$411.27 million under the CWRP to replace its existing Communal Information System to capture, maintain and process reported cases, assist in prosecution, generate management reports for crime prevention and support traffic operation. After award of a contract at \$343 million in June 2012 for the supply of the CIS2 under four phases, there were eight revisions of the implementation plan with the scheduled completion date extended by 31 months to August 2019.

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According to the HKPF, it had underestimated the complexity of the CIS2 and more time was required for system analysis and development. The delay had deferred the realisation of intended benefits (including annual cost savings of about \$93 million). Audit has found that besides closely monitoring the contract progress to ensure that the latest revised implementation date of August 2019 is attained, the HKPF also needs to improve its contract management (paras. 2.27 to 2.31):

- (a) ***Need to closely monitor contract deliverables.*** While the CIS2 project initiation document stated that the Executive Committee of the HKPF would hold meetings to endorse all project deliverables and approve the End Stage Assessments before issuing an acceptance certificate and arranging milestone payment to the contractor, the Project Team only informed the Executive Committee by email in May 2018 of the completion of Phase 1 in December 2017 before issuing an acceptance certificate for a milestone payment of 40% of the contract price of \$343 million (para. 2.33); and
- (b) ***Need to obtain prior approval of contract variations.*** Of the 8 contract variations for extending different phases of system implementation work, 6 were approved by the Financial Controller of the HKPF after the original end date of the respective milestones. There is a need to remind relevant officers to obtain prior approval for contract variations (para. 2.34).

Procurement of police vehicles

6. Government vehicles used primarily for the carriage of passengers and/or goods are classified as general-purpose vehicles while those mounted with ancillary equipment for performing specific functions are classified as specialised vehicles. As at 1 April 2018, the HKPF had a fleet of 2,394 vehicles comprising 1,249 general-purpose vehicles (such as medium saloon cars and small motorcycles) and 1,145 specialised vehicles (such as large vans and armoured personnel carriers). The Government Logistics Department (GLD) has overall responsibility for the procurement of general-purpose vehicles for all user bureaux/departments and spent \$232.5 million on procuring general-purpose vehicles for the HKPF from 2012-13 to 2016-17. Over the same period, the HKPF, with the assistance of the Electrical and Mechanical Services Trading Fund (EMSTF) which is responsible for providing electrical and mechanical services to government bureaux/departments, spent \$497 million on procuring police specialised vehicles (paras. 1.9(b), 3.1 and 3.2).

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Replacement of general-purpose vehicles by electric vehicles

7. In line with the Government's policy to reduce air pollutant emissions through the use of electric vehicles, the GLD replaced 131 general-purpose vehicles of the HKPF by 69 electric saloon cars and 62 electric motorcycles which were procured under four contracts with contract sums aggregating \$52.84 million from 2011 to 2014. From September 2014 to June 2018, the HKPF conducted three assessments of the electric vehicles, the results of which indicated a number of operational issues such as long charging time, lower average availability and lower maximum driving range. Since the third quarter of 2015, the EMSTF had found that some electric saloon cars had deteriorating battery performance and requested the contractor to fix the battery problem according to the contract terms. Up to May 2018, of the 54 electric saloon cars that required battery replacement, only 30 (56%) had their batteries replaced. The remaining 24 (44%) were still pending battery replacement. The long waiting time of the 54 electric saloon cars for battery replacement had affected the HKPF's deployment of vehicles (paras. 3.3, 3.4, 3.6 to 3.8, 3.10 and 3.11). Audit has found areas for improvement in the GLD's contract administration as follows:

- (a) ***Need to step up monitoring of contractors' performance of their contractual duties.*** While the contractor had not followed the contract requirement in providing vehicle availability reports, the GLD did not follow up the issue. According to the EMSTF's records, 16 electric saloon cars had failed to meet the 95% availability stipulated by the contract due to warranty repair (including battery replacement), indicating that the GLD could have claimed warranty extension. However, in the absence of any warranty extension claimed, the warranties of both the vehicles and the batteries had expired from August 2015 to September 2018 while 24 electric saloon cars were still pending battery replacement as at May 2018. In Audit's view, in light of the expiry of the warranty, the GLD needs to take appropriate action to protect the Government's interest and step up monitoring of contractors' due performance of their contractual duties (para. 3.11(a));
- (b) ***Need to improve the contract provisions for warranty repair.*** According to the contract provisions, during the warranty period, if any defect is not made good within 72 hours after the contractor has been notified of the problem, the Government may proceed to rectify the defects and recover all costs incurred from the contractor. However, these contract provisions cannot be invoked for the battery replacement of the electric saloon cars

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which could only be provided by the manufacturer or its authorised dealer. The GLD needs to review and improve such contract provisions for better protecting the Government's interest in future (para. 3.11(b)); and

- (c) ***Need to draw on experience gained from the use of electric vehicles in future procurement.*** According to the three operational assessments conducted from September 2014 to June 2018, the HKPF found that there were various operational problems in using the electric vehicles. For example, due to the long charging time of 9 to 12 hours for an electric saloon car, the average vehicle availability was 65% (i.e. only for two of three shifts in a day). The GLD needs to critically examine the availability of suitable environmental-friendly vehicles in the market that can fully meet the HKPF's operational needs when these electric vehicles are due for replacement (paras. 3.7 and 3.12).

Procurement of specialised vehicles

8. ***Procurement contract of 129 large vans.*** In March 2016, the GLD, as the procurement agent, awarded a contract at a cost of \$69.3 million for the supply of 129 large police vans to be delivered by two consignments, i.e. 66 and 63 by June and August 2017 respectively. However, on account of late vehicle delivery and defects identified in the delivered vans, the EMSTF issued two warning letters to the contractor in September and November 2017. Up to 18 September 2018, 124 (96% of 129) large vans had been delivered. The remaining 5 (4%) large vans were rejected by the EMSTF because of quality issues. The EMSTF and GLD need to take effective measures to ensure that the contractor completes the outstanding work without further delay and draw lessons from this case (paras. 3.17, 3.18 and 3.20):

- (a) ***Need to enhance site acceptance tests of specialised vehicles.*** There were reported cases of defective retractable side steps of the mid-loading doors and cracks on front bumpers shortly after some vans had been put into use (e.g. 39 days for the first repair case of defective retractable side step and 8 months for the first repair case of the bumper crack). After re-inspection, 124 delivered vans were found requiring retrofit work. The EMSTF needs to enhance site acceptance test of similar installations of delivered vehicles (para. 3.20(a)); and
- (b) ***Need to strengthen payment control.*** According to the payment terms of the contract, 30% of the price of an order of vehicles shall be payable upon

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delivery of chassis and the remaining 70% after the contractor has delivered the vehicles and provided all necessary documents and training courses (three on operation and another three on maintenance). However, the EMSTF had made payments totalling \$40 million for 81 delivered vans up to May 2018 when the training requirements were only partially fulfilled, i.e. three training courses on operation but only one on maintenance had been provided. The EMSTF needs to strengthen the payment control (para. 3.20(b)).

9. *Need to return unspent balance of completed procurement contracts.* Police specialised vehicles with unit cost within \$10 million are funded by a capital account block vote subhead 695 of the GRA created in January 2010. In accordance with an agreed arrangement made between the HKPF and the EMSTF in December 2010, a total of \$723.1 million under subhead 695 was transferred to the EMSTF's deposit account from 2010-11 to 2017-18 for the procurement of police specialised vehicles. While the EMSTF informed the HKPF in 2016 and 2018 that there was unspent balance of completed procurement contracts, the HKPF decided to keep the unspent balance in the deposit account for meeting future funding shortage in vehicle procurement. Upon Audit's enquiry in August 2018, the FSTB confirmed that the unspent balance of completed procurement contracts under subhead 695 should be returned to the Government in accordance with the Financial and Accounting Regulation requirement. Accordingly, the HKPF returned the unspent balance of \$29.7 million to the Government in early October 2018. In Audit's view, the HKPF needs to ensure compliance with the Financial and Accounting Regulation requirement in future (paras. 3.21 to 3.23).

Procurement of other operational equipment

10. Audit examined 10 procurement exercises of other operational equipment by tenders from 2012-13 to 2016-17 and found areas for improvement in applying the procurement policy and principles laid down in the SPRs in four cases (see paras. 11 to 14 below) (para. 4.3).

11. *Procurement of vehicle-mounted electronic counter measures system (ECMS).* In 2006-07, the HKPF obtained funding of \$6.2 million for replacing the aged ECMS which could not be upgraded to meet modern threats. In the event, the new ECMS was procured at a sum of about \$9.32 million in 2014 after conducting

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four tender exercises. According to the HKPF, during the initial stage of the project, the ECMS was a highly sensitive equipment and there were difficulties in obtaining export licence/permission for sale. However, Audit noted that there were areas for improvement in conducting the tender exercises (paras. 4.4, 4.5, 4.10 and 4.11):

- (a) ***Need to use open tender as far as practicable.*** For the first and second tender exercises in 2008 and 2010, the HKPF used restricted tendering due to concern over disclosure of sensitive information in open tender. It was not until the cancellation of the second tender exercise in 2011 that the HKPF re-assessed the open tendering option which turned out to be feasible by redrafting the tender specifications. The HKPF needs to use open tender which could help reach out to more potential suppliers when the security concern can be addressed (para. 4.11(a));
 - (b) ***Need to update pre-tender estimate.*** The second tender exercise was cancelled in 2011 because the price of the conforming tender was considered excessive, far exceeding the approved funding of \$6.2 million. As the approved funding was based on the pre-tender estimate prepared in 2004-05, the HKPF should have ensured that the pre-tender estimate was up-to-date and adequate funding provision was available before launching the second tender (paras. 4.7 and 4.11(b)); and
 - (c) ***Need to adopt a more flexible tender approach for less essential requirements.*** After three unsuccessful tender exercises, the HKPF further reviewed the essential requirements. With relaxation of the less essential requirements and the availability of more suppliers in the market due to technological advances, a suitable tenderer was selected in the fourth tender exercise. There is a need to adopt a more flexible tender approach for the less essential requirements (paras. 4.10 and 4.11(c)).
12. ***Procurement of tactical suits.*** After market research and trials in 2016, the Operations Wing of the HKPF identified a new tactical suit with Material X (a material used for manufacturing personal protective equipment) as a suitable replacement for the old one which was introduced in the 1990s. In April 2017, after an open tender exercise for the supply of tactical suits, the Force Tender Committee of the HKPF approved the acceptance of the only conforming tender at a contract sum of \$4.64 million. The Committee also advised the Operations Wing that: (i) a more thorough market research could have been conducted to obtain not just catalogues and general specifications but also prices from the suppliers; and (ii) in order to obtain

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competitive tenders, the technical specifications should be critically reviewed (paras. 4.12 to 4.15 and 4.17). Audit noted that there were other areas for improvement in the tender arrangements:

- (a) ***Need to seek early clarification with users on tender specifications.*** At the time of preparing the tender documents in January 2017, the HKPF's Stores Management Division (SMD) did not raise any question on the tender specifications provided by the Operations Wing relating to their compliance with the SPRs. However, in late March 2017 (after the close of tender), an SMD member of the Force Tender Committee asked the Operations Wing to confirm if the tender specifications were prepared in accordance with the SPRs. The SMD needs to seek early clarifications with users before invitation of tenders (para. 4.19(a)); and
 - (b) ***Need to prepare strong justifications for using material specifications in a timely manner.*** According to the SPRs, the use of material specifications might limit innovative solutions or new technologies or products which tenderers might be able to offer, and restrict competition. In preparing tender specifications, departments should use functional and performance specifications, supplementing them by a material or technical specification only if absolutely necessary. While the Operations Wing had conducted its own research to show that Material X was the most suitable material for the required tactical suits, it was not until August 2017 (after award of the contract) that a local university was commissioned to confirm the material suitability. There is a need to remind procuring staff to prepare strong justifications for using material specifications in a timely manner (para. 4.19(b)).
13. ***Procurement of combat boots and repair service.*** In 2012 and 2013, the SMD received staff complaints that rubber soles of some combat boots peeled off easily. After investigation, it was found that the adhesive of the defective boots manufactured in 2009 and 2010 had aged because of long time storage. In 2014 and 2015, the HKPF awarded two contracts to the supplier for repairing 3,923 pairs of combat boots at a total cost of \$2 million. However, in 2016, the detachment of soles still occurred in 64 pairs of the 2014 repaired combat boots. After negotiation, the HKPF accepted the supplier's offer of replacing 300 of 599 pairs of the 2014 repaired boots in stock with new ones. To address the occupational and safety concern of police officers, the HKPF disposed of the remaining 299 pairs of repaired boots in

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August 2017 (paras. 4.21 to 4.25). In Audit's view, the HKPF needs to take measures to prevent recurrence of similar problems, including the following:

- (a) ***Need to improve the contract provision.*** The HKPF needs to improve the preparation of contract documents to ensure that all essential requirements (such as the required quality of the repair service in this case) are properly incorporated in future. There is also a need to include key provisions to protect the Government's interest (such as those requiring a contractor to indemnify the Government against any injury to any government employees arising out of the negligence of the contractor) (para. 4.26(a)); and
- (b) ***Need to improve stock management to prevent prolonged storage.*** From 2008 to 2012, the HKPF conducted 5 procurement exercises for the supply of a total of 16,960 pairs of new boots. According to the HKPF's records, 924 pairs of boots of the last procurement exercise had been issued to police officers while 3,923 pairs of boots purchased in the preceding 4 procurement exercises were still in stock as at March 2014, suggesting that the first-in-first-out method for managing stock had not been adopted to prevent prolonged storage of the boots which had a shelf life of 3 years after delivery date (para. 4.26(b)).

14. ***Procurement of body-worn video cameras (BWVCs).*** To facilitate frontline police officers in collecting evidence and handling confrontation, the HKPF introduced BWVCs in 2013. After conducting field trials, the HKPF purchased 1,336 BWVCs at a total cost of \$4.81 million by 4 batches through an open tender exercise in 2015, a contract variation in 2016 and two quotations in 2016 and 2017. In approving the award of contract for the supply of 550 BWVCs in March 2016, the Force Tender Committee advised the Support Wing to: (i) exercise due care in conducting completeness check to identify any irregularities before proceeding further with tender evaluation in future; and (ii) consider the merit of using test certificates to save time and efforts in conducting tenderers' demonstration of their products' compliance with technical requirements. Audit also noted that while the procurement of BWVCs by contract variation and the first quotation was to meet urgent operational needs and after a public order event, the second quotation was to meet the operational need arising from the Anniversary of the establishment of the Hong Kong Special Administrative Region which is an annual event. The procurement requirement under the second quotation in March 2017 could have been foreseen and consolidated with the first one in December 2016 to achieve better economy of scale (paras. 4.27, 4.28, 4.30 to 4.32 and 4.34). In light of this finding, Audit further examined 190 purchases

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by quotations from 2015-16 to 2017-18 and found that there were areas for improvement as follows:

- (a) ***Need to make greater efforts to meet the SPR 246 requirement.*** Of the 190 purchases, 33 (17%) were related to repeated purchases of 13 items within 12 months, each with cumulative value exceeding the quotation limit of \$1.43 million, contrary to the SPR 246 requirement. There were documented reasons for not following the requirement for only 6 of the 13 items. The HKPF needs to make greater efforts to meet the SPR 246 requirement, e.g. using bulk purchase by tender for the regularly required items (para. 4.35(a) and Appendix G); and
- (b) ***Need to consolidate procurement requirements to achieve better economy of scale.*** Another 47 (25%) of the 190 purchases were related to repeated purchases of 19 items of same or similar nature though without breach of the SPR 246 requirement. While there were records to show that the repeated purchases for 14 items were occasioned by urgent operational needs, there appears to be scope for bundling the respective repeated purchases of the remaining 5 items to achieve better economy of scale (para. 4.35(b)).

Audit recommendations

15. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that:**

- (a) **the Commissioner of Police should:**
 - (i) **regularly review the financial position of ICT projects and report any surplus funds under relevant expenditure subheads at an earlier stage to the FSTB (para. 2.35(a));**
 - (ii) **provide sufficient information on the implementation of ICT projects in FC funding papers and improve the contract specifications on desirable requirement in ICT contracts (para. 2.35(b) and (c));**

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- (iii) **provide comprehensive and accurate project implementation information in PIDRs and remind the Executive Committee of an ICT project to closely monitor contract deliverables (para. 2.35(g) and (h));**
 - (iv) **ensure compliance with the Financial and Accounting Regulation requirement in future and return any unspent balance of completed specialised vehicles procurement contracts funded under subhead 695 to the Government (para. 3.25(b));**
 - (v) **use open tender for procurement as far as practicable and adopt a more flexible tender approach for less essential requirements (para. 4.36(a) and (c));**
 - (vi) **remind procuring staff to prepare strong justifications for using material specifications in a timely manner (para. 4.36(e));**
 - (vii) **improve stock management to prevent prolonged storage of goods taking into account their shelf lives (para. 4.36(g)); and**
 - (viii) **make greater efforts to meet the SPR 246 requirement and arrange purchase in bulk as far as practicable to achieve better economy of scale (para. 4.36(h) and (i));**
- (b) **the Secretary for Financial Services and the Treasury should:**
- (i) **consider the need for applying similar administrative cap/reporting requirements adopted for works projects to non-works projects under the CWRF for better monitoring of the surplus funds resulting from lower-than-estimated tender prices (para. 2.36(a)); and**
 - (ii) **introduce additional measures to strengthen the control over the use of funds resulting from lower-than-estimated tender prices in CWRF projects once surplus is identified (para. 2.36(b));**

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- (c) **the Director of Government Logistics should:**
 - (i) **urge the contractor concerned to expedite action on completing the outstanding battery replacement work for the electric saloon cars of the HKPF and step up monitoring of contractors' due performance of their contractual duties in future (para. 3.13(a) and (c)); and**
 - (ii) **critically examine the availability of suitable environmental-friendly vehicles in the market that can fully meet the HKPF's operational needs (para. 3.13(e)); and**
- (d) **the Director of Electrical and Mechanical Services should take effective measures to ensure that the contractor for the supply of large police vans completes the outstanding work without further delay and enhance site acceptance tests of delivered specialised vehicles (para. 3.24(a) and (b)).**

Response from the Government

- 16. The Government agrees with the audit recommendations.

PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

Background

1.2 The Hong Kong Police Force (HKPF) operates within the traditional constabulary concept of preserving life and property, preventing and detecting crime and keeping the peace, with a strong emphasis on enlisting community support. According to its Controlling Officer's Reports, the HKPF has the following four programmes contributing to the policy area of Internal Security under the purview of the Security Bureau:

- (a) *Maintenance of law and order in the community.* The aim is to maintain law and order through the deployment of efficient and well-equipped uniformed police personnel throughout the land and waters of Hong Kong;
- (b) *Prevention and detection of crime.* The aim is to prevent and detect crime which is a force-wide priority with various crime units under a unified police command;
- (c) *Road safety.* The aim is to enhance road safety by reducing traffic accidents and maintaining a smooth and safe traffic flow; and
- (d) *Operations.* The aims are to prevent and detect illegal immigration and smuggling, ensure readiness to deal with major disasters, civil disturbances and acts of terrorism, maintain internal security of the territory, provide specialist reinforcement to other programmes, and manage major security and crowd management events.

1.3 The HKPF is commanded by the Commissioner of Police who is assisted by two Deputy Commissioners. Its Headquarters is organised into five Departments: (a) Operations; (b) Crime and Security; (c) Personnel and Training; (d) Management Services; and (e) Finance, Administration and Planning. For day-to-day policing, the

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HKPF is organised into five Land Regions (Note 1) and one Marine Region. An extract of the organisation chart of the HKPF is at Appendix A.

1.4 The HKPF maintains law and order through the deployment of efficient and well-equipped uniformed police personnel throughout the land and waters of Hong Kong. As at 31 March 2018, the HKPF had a strength of 33,702 staff, comprising 29,377 (87%) disciplined staff and 4,325 (13%) civilian staff. In addition, the Hong Kong Auxiliary Police Force had a strength of 3,077 auxiliary police officers. The uniform and equipment of regular and auxiliary police officers are generally the same.

1.5 ***Performance targets.*** The HKPF strives to respond to all 999 emergency calls within the performance pledge of 9 minutes on Hong Kong Island and Kowloon, and within 15 minutes in the New Territories. In 2017, the HKPF answered 1.05 million 999 calls, of which 86,435 (8.2%) were emergency cases requiring police assistance. The attainment of the HKPF's performance targets on responding to emergency calls as reported in its Controlling Officer's Reports for 2013 to 2017 is shown in Table 1.

Note 1: *The five Land Regions are Hong Kong Island, Kowloon East, Kowloon West, New Territories North and New Territories South.*

Table 1

**Key performance targets
(2013 to 2017)**

Key performance target	Target	2013	2014	2015	2016	2017
		Actual				
Responding to emergency calls on Hong Kong Island and Kowloon within 9 minutes (%)	100 %	98.2 %	98.0 %	98.8 %	99.0 %	98.5 %
Responding to emergency calls in the New Territories within 15 minutes (%)	100 %	99.8 %	99.7 %	99.7 %	99.7 %	99.7 %

Source: HKPF records

Remarks: The response time is measured from the receipt of a report by the Regional Command and Control Centre 999 console until arrival of police officers at the scene.

Police operational equipment

1.6 The HKPF is at the forefront to protect citizens, their properties and infrastructure from harm and loss. It is vital that the HKPF is well equipped to deal with a wide range of incidents, emergencies and crime on a timely basis. Besides uniforms and accoutrements, the HKPF provides a wide range of protective equipment for its frontline staff such as helmets, bullet resistant vests, shields and batons. Other types of operational equipment deployed by the HKPF include arms and ammunition, special equipment for particular user formations, and major systems and capital equipment, such as vehicles, vessels and information and communications technology (ICT) systems (Note 2).

Note 2: *According to the Office of the Government Chief Information Officer, ICT systems are classified as either administrative or non-administrative. Broadly speaking, administrative computer systems are used for the collection, processing, utilisation, storage and distribution of information in order to provide decision support to management and to assist in performing the administrative and operational duties of departments. Non-administrative computer systems support the performance of tasks by the professional, technical and educational disciplines.*

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1.7 **Procurement expenditure.** In 2016-17, the HKPF incurred \$341 million under the General Revenue Account (GRA) and \$171 million under the Capital Works Reserve Fund (CWRF) on the procurement of operational equipment. Table 2 shows the procurement expenditure in the past five financial years.

Table 2

**Expenditure on procurement of police operational equipment
(2012-13 to 2016-17)**

Type	Expenditure				
	2012-13	2013-14	2014-15	2015-16	2016-17
	(\$ million)				
(A) GRA expenditure					
(i) Recurrent:					
Operational equipment ≤ \$200,000 each for 2016-17 (Note 1)	129	146	174	198	207 (Note 7)
(ii) Capital:					
Police vehicle (Note 2)	134	88	74	120	81
Police vessel (Note 3)	1	2	8	19	21
Other operational equipment (Note 4)	22	40	23	15	27
ICT system (Note 5)	0.5	2	8	3	5
Subtotal [(i) + (ii)]	286.5	278	287	355	341

Table 2 (Cont'd)

Type	Expenditure				
	2012-13	2013-14	2014-15	2015-16	2016-17
	(\$ million)				
(B) CWRP expenditure					
ICT system (Note 6)	83	157	172	267	171
Total [(A) + (B)]	369.5	435	459	622	512

Source: HKPF records

Note 1: The corresponding financial limit for 2012-13 to 2015-16 was \leq \$150,000.

Note 2: The expenditures exclude those for the procurement of general-purpose vehicles funded by the Government Logistics Department (see para. 3.2).

Note 3: The low cashflow from 2012-13 to 2014-15 was mainly due to the delay in implementing the procurement projects (see para. 1.9(c)).

Note 4: The expenditures of other operational equipment costing $>$ \$200,000 each since 2016-17 ($>$ \$150,000 for 2012-13 to 2015-16) are charged to the GRA capital account.

Note 5: The expenditures of non-administrative computer systems (see Note 2 to para. 1.6) costing $>$ \$200,000 and \leq \$10 million each since 2016-17 ($>$ \$150,000 and \leq \$2 million respectively for 2012-13 to 2015-16) are charged to the GRA capital account.

Note 6: The expenditures of non-administrative computer systems costing $>$ \$10 million each since 2016-17 ($>$ \$2 million for 2012-13 to 2015-16) and administrative computer systems costing $>$ \$200,000 each since 2016-17 ($>$ \$150,000 for 2012-13 to 2015-16) are charged to the CWRP.

Note 7: According to the HKPF, the increase in expenditure from \$129 million in 2012-13 by 60.5% to \$207 million in 2016-17 was mainly due to: (a) the procurement of more personal protective equipment (e.g. helmets, protective gloves and boots) for frontline staff; (b) the normal replacement of bullet resistant vests; and (c) the general price and quantity increases for uniform and accoutrement items.

Procurement system

1.8 ***Guidelines and instructions.*** Similar to other government bureaux/departments, the HKPF's procurement activities and management of goods are governed by the Stores and Procurement Regulations (SPRs), relevant Financial Circulars, and Government Logistics Department (GLD — Note 3) guidelines. The HKPF has also set out its policies and procedures for procurement of goods and stores management in the Police General Orders and the Force Procedures Manual.

1.9 ***Roles and responsibilities.*** The Stores Management Division (SMD — Note 4) of the Finance Wing under the Finance, Administration and Planning Department in the HKPF Headquarters (see para. 1.3) is responsible for the overall procurement and stores management in the HKPF. Apart from some items supplied by the GLD and Correctional Services Department (e.g. some police uniform items), the SMD is responsible for procurement of goods exceeding \$50,000 in a single purchase and within the departmental direct purchase authority from the open market for use by different formations. Formations are delegated the authority to procure items not exceeding \$50,000 in a single purchase. As regards the ICT systems, vehicles, vessels, and other operational equipment, the procurement/management responsibilities are distributed as follows:

- (a) ***ICT systems and equipment.*** The Information Systems Wing (ISW — Note 5) under the Management Services Department is responsible for the

Note 3: *The GLD is the Government's central procurement agent. It provides bureaux/departments with procurement and supplies services including: (a) arranging issue of tenders exceeding departmental direct purchase authority and award of contracts on behalf of bureaux/departments; (b) providing advice on tendering and quotation procedures; and (c) providing advice on contract administration and monitoring.*

Note 4: *The SMD is headed by a Senior Treasury Accountant who is assisted by a Superintendent of Police and a number of Supplies Grade Officers seconded from the GLD.*

Note 5: *Headed by an Assistant Commissioner, the ISW comprises the Information Technology Branch (headed by a Chief Systems Manager), the Communications Branch (headed by a Chief Telecommunications Engineer) and seven divisions.*

procurement and maintenance of ICT systems and equipment (Note 6). As of June 2018, the HKPF had maintained the following 86 major ICT systems:

- (i) 18 mission critical systems providing support services that could not be interrupted, e.g. the Third Generation Command and Control Communications System (CC3 system) which supports the HKPF in answering and responding to 999 emergency calls (see para. 1.5);
- (ii) 30 critical support systems providing support services that could not be interrupted for more than 24 hours, e.g. the Accounting and Financial Management System which supports the HKPF's accounting and financial activities including procurement, funding control, payment and financial reporting; and
- (iii) 38 priority systems providing support priority services that could not tolerate a cumulated backlog of 30 days, e.g. the Stores Management System which supports procurement and inventory control.

In 2014, the HKPF completed a strategy review on its ICT systems, including ICT infrastructure and applications. The review report proposed that the HKPF should replace obsolete information technology hardware and software and communications infrastructure with a view to maintaining the HKPF's vital routine operation and strengthening its delivery of services to the public. In May 2016, the HKPF obtained the Legislative Council (LegCo) Finance Committee (FC)'s funding approval of \$396.8 million to upgrade 17 information technology (IT) infrastructure and applications, and \$855.4 million to replace the CC3 system with the Fourth Generation Command and Control Communications System which was estimated to be commissioned in stages from the second quarter of 2019 to the third quarter of 2021;

- (b) **Vehicles.** The Transport Division (Note 7) of the Support Wing under the Operations Department is responsible for the management of police vehicle

Note 6: *The SMD is responsible for the procurement of communications equipment exceeding \$50,000 and up to \$1.4 million in a single purchase for the Communications Branch.*

Note 7: *The Transport Division is headed by a Superintendent.*

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fleet. As at 1 April 2018, the HKPF had a fleet of 2,394 vehicles comprising 1,249 general-purpose vehicles (such as medium saloon cars and small motorcycles) and 1,145 specialised vehicles (such as large vans and armoured personnel carriers). The Transport Division is tasked to examine and evaluate the HKPF's needs on transport with the users and ensuring that their requirements are met through effective procurement and proper maintenance of such vehicles. It co-ordinates with the GLD on the procurement of all general-purpose vehicles (Note 8). For the procurement of specialised vehicles, the Transport Division procures the Electrical and Mechanical Services Trading Fund's (EMSTF — Note 9) services in conducting market research and arranging tenders;

- (c) **Vessels.** As at 30 April 2018, the Marine Region of the HKPF operated a fleet of over 110 vessels, all of which were designed to help fulfil its responsibilities in a wide range of operational and geographical environments. According to the SPRs, the Marine Department is the designated endorsement authority and agent for procurement of government vessels. In 2017, the Audit Commission (Audit) completed a review of "Procurement and maintenance of government vessels" covering police vessels among others. The results were reported in Chapter 2 of the Director of Audit's Report No. 69 of October 2017. In the circumstances, this Report would not cover the procurement of police vessels; and
- (d) **Other operational equipment.** For the procurement of other operational equipment such as uniform and accoutrement (e.g. helmet, footwear, and bullet resistant vests), arms and ammunition, and specialist supplies and equipment (e.g. X-ray scanning units), individual formations have the delegated authority to handle procurement with value not exceeding \$50,000. The SMD in conjunction with user formations arranges procurement for value exceeding \$50,000.

Note 8: *Under the General Regulations, the GLD is responsible for the efficient and economical management and operation of the government vehicle fleet. The Director of Government Logistics is responsible for the procedures, administration and co-ordination of the procurement of all government vehicles with the exception of certain specialised vehicles as mutually agreed between the Director of Government Logistics, user bureaux/departments and the Electrical and Mechanical Services Trading Fund.*

Note 9: *The EMSTF is the trading arm of the Electrical and Mechanical Services Department which provides electrical and mechanical services to government bureaux/departments.*

1.10 **Procurement process.** Table 3 summarises the workflow for the procurement of operational equipment:

Table 3

Workflow for the procurement of operational equipment

Key stages	Activities
Planning	<ul style="list-style-type: none"> • Identification of need • Collection of initial user requirements • Preliminary studies and market research to identify suitable products and potential suppliers • Obtaining funding approval from appropriate authority • Drawing up specifications • Preparation of quotation/tender documents
Invitation to tender/quote	<p>Procurement by quotation (Note 1):</p> <ul style="list-style-type: none"> • Obtaining 2 verbal/written quotations for purchasing value not exceeding \$50,000 and at least 5 written quotations for purchasing value exceeding \$50,000 to \$1.4 million (Note 2) <p>Procurement by tender (Note 3):</p> <ul style="list-style-type: none"> • Conducting tender for purchasing value above \$1.4 million
Evaluation and acceptance	<p>Procurement by quotation:</p> <ul style="list-style-type: none"> • Evaluation by officers of the procuring formation • Acceptance of offer by an officer of the Finance Wing or officer of procuring formation (e.g. an Assistant Supplies Officer or Executive Officer II or equivalent for purchasing value not exceeding \$50,000) <p>Procurement by tender:</p> <ul style="list-style-type: none"> • Examination of tender submissions and making recommendation by a tender assessment panel • Acceptance of tender by: (a) the Force Tender Committee (Note 4) for procurement (except works) not exceeding \$5 million; (b) the GLD Tender Board for procurement of stores/services (non-works) not exceeding \$30 million (\$15 million prior to July 2017); (c) Public Works Tender Board for procurement of works and related services not exceeding \$100 million (\$30 million prior to May 2016); and (d) the Central Tender Board for procurement exceeding the financial limits of the above tender boards

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Table 3 (Cont'd)

Key stages	Activities
Delivery and acceptance	<ul style="list-style-type: none">• Monitoring delivery and installation (if applicable) of equipment• Arranging product acceptance test (if applicable)

Source: HKPF records

Note 1: The HKPF maintains a central list of suppliers for inviting quotations.

Note 2: Since 1 January 2018, the financial limit has been changed from \$1.43 million to \$1.4 million.

Note 3: The HKPF is responsible for arranging tenders for procurements within the departmental limit of \$5 million and the GLD is the procurement agent for tenders beyond the departmental limit.

Note 4: The Committee is chaired by the Deputy Commissioner of Police (Management) and comprises members from the Finance, Administration and Planning Department of the HKPF.

Audit review

1.11 In May 2018, Audit commenced a review to examine the HKPF's work on the procurement of operational equipment, focusing on:

- (a) implementation of major ICT projects (PART 2);
- (b) procurement of police vehicles (PART 3); and
- (c) procurement of other operational equipment (PART 4).

Audit has found room for improvement in the above areas and has made a number of recommendations to address the issues.

General response from the Government

1.12 The Secretary for Security welcomes the audit recommendations. The Secretary for Financial Services and the Treasury, the Commissioner of Police, the Director of Government Logistics and the Director of Electrical and Mechanical Services agree with the audit recommendations.

Acknowledgement

1.13 Audit would like to acknowledge with gratitude the assistance and full cooperation of the staff of the Financial Services and the Treasury Bureau (FSTB), HKPF, GLD, EMSTF and the Office of the Government Chief Information Officer (OGCIO) during the course of the audit review.

PART 2: IMPLEMENTATION OF MAJOR INFORMATION AND COMMUNICATIONS TECHNOLOGY PROJECTS

2.1 The HKPF's ICT systems are instrumental to its vital routine operation for delivering police services to the public. This PART examines the HKPF's implementation of major ICT projects funded under the CWRP.

Major ICT projects in the HKPF

2.2 ***ICT project governance.*** The HKPF has set up an Information and Communications Systems Strategy Steering Committee (ICSSSC — Note 10) to oversee the departmental IT strategy and implementation. For each major ICT project, normally a three-tier project governance structure is adopted, which includes a project steering committee (i.e. Executive Committee), a project assurance team (i.e. Project Management Team) and a project team (Note 11). Before commencing a project, a contractor will prepare a project initiation document for the HKPF's approval, covering the monitoring and control mechanism, including regular working-level checkpoint meetings, highlight reports and exception handling. During project implementation, a contractor is also required to submit end-stage reports/project closure report for the Executive Committee/Project Management Team's approval. Executive Committee/Project Management Team meetings will be convened to deliberate and approve project issues or change requests proposed by the contractor. For regular monitoring and control, the project team will hold checkpoint meetings (weekly or bi-weekly) with the contractor which prepares project highlight

Note 10: *The ICSSSC is the HKPF's departmental IT Steering Committee to steer and monitor the progress of implementation of the department's information systems and information system strategy plan, and to oversee related issues such as funding arrangements and manpower resources. The ICSSSC, chaired by the Director of Management Services, comprises members including all the HKPF's heads of Departments and heads of IT functions.*

Note 11: *An Executive Committee is normally chaired by the Director of Management Services with representatives of OGCI, user wings (at directorate officer level) and technical staff as members. A Project Management Team is normally chaired by the Assistant Commissioner of Police (Information Systems) with user wings (at Senior Superintendent level) and technical staff as members.*

reports for updating the Executive Committee/Project Management Team meetings on a regular basis.

2.3 In November 1992, during the FC's consideration of the item "Implementation of the Information Systems Strategy", the then Secretary for the Treasury (now the Secretary for Financial Services and the Treasury) undertook to provide an annual report to FC members on the progress of implementation of all major computer projects. Thereafter, every year, OGCIO submits to the FC an annual report on implementation of major ICT projects funded under CWRP Head 708 (non-administrative computer systems) and Head 710 (administrative computer systems — see Note 2 to para. 1.6). According to OGCIO, the purpose of the annual report is to keep the FC informed of the progress of approved computerised projects (including the actual expenditure and any revision to original scheduled implementation date) to facilitate its monitoring of the progress of major ICT projects. Based on the annual reports submitted in 2016-17 and 2017-18 (showing the positions as at 31 March 2016 and 31 March 2017 respectively), five of the HKPF's eight ICT projects under report could not meet the scheduled implementation dates stated in the respective FC funding papers. Audit examined three of these five projects (see Appendix B for details) and found that there were areas for improvement in their implementation:

- (a) replacement of the command and control communications system (i.e. implementation of the CC3 system — see para. 1.9(a)) with significant extension and enhancement work which was completed by February 2016, almost 10 years after the system roll-out in March 2006 (paras. 2.4 to 2.14);
- (b) enhancement of the IT infrastructure by using virtual workstation (VW) (initial implementation) which was implemented in June 2017, some 5 years after the scheduled date of June 2012 (paras. 2.15 to 2.26); and
- (c) development of the Second Generation of Communal Information System (CIS2) with scheduled implementation date extended by 45 months from November 2015 to August 2019 (paras. 2.27 to 2.34).

Implementation of the Third Generation Command and Control Communications System

2.4 In June 2001, the HKPF obtained the FC's funding approval of \$948 million under Head 708 of the CWRP to replace the Second Generation Command and Control Communications System (Note 12) which would reach the end of its useful life in 2004. According to the FC funding paper, the digital CC3 system (see para. 1.9(a)(i)) would have the following main features and benefits:

- (a) **Main modules.** The CC3 system (see Figure 1 for a schematic diagram) would have four main modules:
 - (i) **Beat Radio System (subsequently known as the Integrated Communications System (ICS) — Note 13).** The digital radio infrastructure would provide comprehensive radio coverage both in terms of cross-communications between frontline officers and areas covered to facilitate the deployment of police resources and strengthen the HKPF's capability to prevent and detect crime;
 - (ii) **Computer-assisted Command and Control System (CACCS3).** The CACCS3 was a back-end computer-aided dispatch system with front-end console terminals installed in three Regional Command and Control Centres (RCCCs) and local police stations to support controllers in resource deployment. The CACCS3 would be provided with graphical user interface and Chinese language input capability to enhance its user-friendliness;
 - (iii) **999 sub-system (subsequently known as the Emergency Telephone System (ETS)).** The sub-system would enable 999 calls to be routed

Note 12: In 1996, Audit conducted a review of "The implementation of the Second Generation Command and Control System and the provision of the 999 emergency call service" and the results were reported in Chapter 8 of the Director of Audit's Report No. 27 of October 1996.

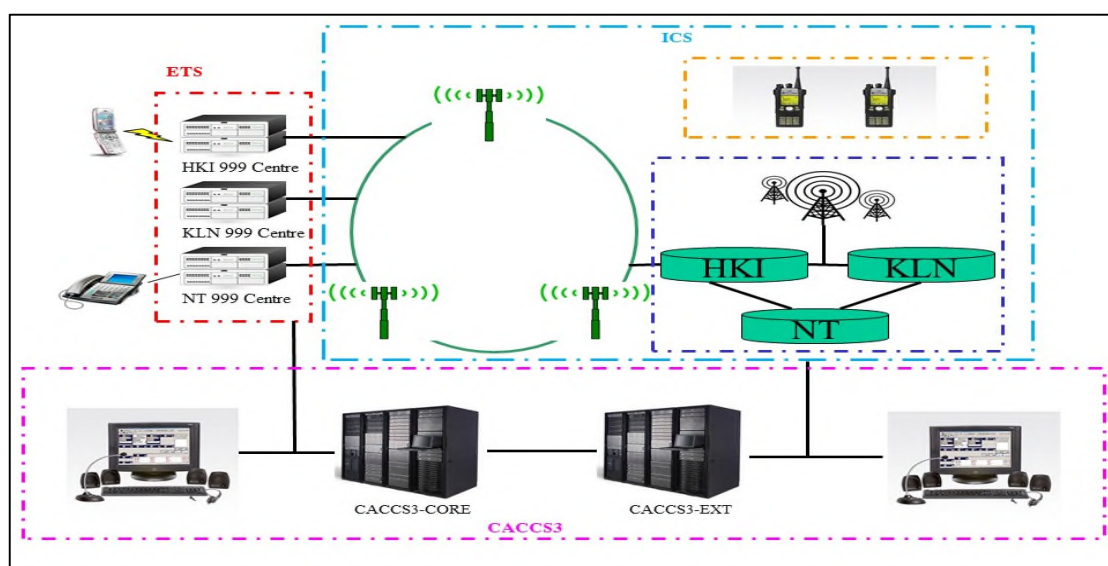
Note 13: The ICS would comprise beat radios, microwave links, radio repeaters, antenna equipment and radio dispatch workstations, etc. It would transmit voice communications between the Regional Command and Control Centres and frontline officers.

around the same RCCC or to the other two RCCCs automatically if there was a sudden surge of calls in one RCCC; and

- (iv) **Mobile computing sub-system (subsequently subsumed under CACCS3).** Mobile data terminals would be installed on board police emergency response vehicles in addition to mobile radios to provide dual data and voice communications capability;

Figure 1

Schematic diagram of the CC3 system



Source: HKPF records

- (b) **Capability of further expansion.** The new digital radio infrastructure would be built to open standards and capable of further expansion. Equipment such as beat radios would no longer be proprietary and could be procured from open markets at lower cost. In addition, the new system would allow an incremental approach to development and system enhancement in future, obviating the need for major changes and upgrades, which would be more cost effective;
- (c) **Comprehensive radio coverage.** The new system would provide comprehensive radio coverage, both in terms of cross-communication

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between frontline officers and areas covered, in support of the HKPF operations. The proposed system would facilitate the deployment of police resources and strengthen the HKPF's capability to prevent and detect crime; and

- (d) ***Improving public service.*** The CC3 system would allow direct access to various information systems, e.g. the registration of persons system for identity card check. It was expected that the average time required for such check would be reduced by 10 to 15 seconds, thus freeing up radio channels and RCCC operators for voice communication of higher priority and other urgent tasks. The 999 sub-system would provide a speedier response to emergency calls when all lines were engaged by making available a further ten call takers in each RCCC. With the provision of mobile data terminals, police emergency response vehicles would be able to effectively function as reporting centres with members of the public being able to make reports on the spot.

2.5 ***CC3 contracts.*** According to the HKPF, the CC3 project was mainly implemented by two contracts, together with other project-related activities. In March 2003, the GLD as the procurement agent (see Note 3 to Table 3 in para. 1.10) awarded a contract (Contract A) for the design, supply, delivery, installation and implementation of the CC3 system (excluding CACCS3) at \$333.8 million for completion in April 2006. In May 2003, the GLD awarded another contract (Contract B) for the design, supply, delivery, installation and implementation of the CACCS3 at \$36.5 million for completion in April 2006 (Note 14). In March 2003, the GLD informed the Central Tender Board that the accepted tender price of Contract A (\$333.8 million) was significantly lower than the estimated contract cost of \$812.7 million (Note 15) because the successful tenderer was both a key player of the terrestrial trunked radio technology and a major equipment manufacturer which

Note 14: *Both Contracts A and B included the provision of 10-year maintenance services (including the first-year free warranty) at \$22.9 million per year and \$6.8 million per year respectively. The annual recurrent costs were funded by the HKPF controlled recurrent subhead in the GRA.*

Note 15: *The cost estimate was made by the HKPF based on the result of a market research conducted in January 2001 to obtain budgetary and technical information from 42 respondents.*

was able to leverage existing expertise in lowering the development and implementation costs.

2.6 ***CC3 system roll-out in 2006.*** According to the FC funding paper of June 2001, the CC3 system was planned for phased system roll-out from January 2004 to August 2005. In the event, the CC3 system commenced operation by phases between December 2004 and March 2006. In July 2009, the HKPF indicated in the 2008 report on implementation of major ICT projects submitted to the FC (see para. 2.3) that the CC3 project closure was scheduled for the second quarter of 2009 upon the issuance of the final acceptance certificate. After the issuance of final acceptance certificate of Contract A in November 2009 and settlement of all contract payments, the final contract sum was \$398.5 million (including contract variations of \$64.7 million — Note 16) for Contract A and \$36.5 million for Contract B. However, in the 2009 report on implementation of major ICT projects submitted to the FC in May 2010, the HKPF reported that for better radio coverage, the CC3 system would be extended to the Hong Kong International Airport and 59 indoor locations. The project expenditure up to March 2010 was \$558.9 million (\$435 million being the total contract sum of Contracts A and B plus \$123.9 million being expenditure on contract staff, site preparation and extension and enhancement work).

2.7 ***Extension and enhancement work.*** From September 2004 to July 2015, the CC3 Executive Committee (see Note 11 to para. 2.2) approved 43 items of extension and enhancement work, including 33 items approved after the system roll-out of the CC3 in March 2006 (see Appendix C). These 43 work items were completed by various contractors and in-house staff by February 2016 with a total cost of \$322 million charged to the CC3 project subhead under Head 708 of the CWRP. In the 2016 report on implementation of major ICT projects submitted to the FC in January 2017, the HKPF reported that the total expenditure of the CC3 project was \$806.1 million when the CC3 project subhead was closed in March 2016. Table 4 shows an analysis of the CC3 project expenditure of \$806.1 million. According to the HKPF, the unspent balance of \$141.9 million (the approved funding of \$948 million less \$806.1 million) was recorded in the Government Financial Management Information System in March 2016 after the closure of the CC3 project.

Note 16: *The contract variations for meeting additional hardware and software requirements were approved by the GLD (see para. 2.22) from 2004 to 2007.*

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Table 4

**An analysis of the actual expenditure charged to the CC3 project vote
(March 2016)**

	\$ million
(A) FC approved funding	948.0
(B) Actual expenditure	
Contract A	333.8
plus variations	<u>64.7</u> 398.5
Contract B	<u>36.5</u>
Total contract sum	435.0
Contract staff and site preparation	49.1
43 items of extension and enhancement work	<u>322.0</u>
Total	806.1
(C) Unspent balance [(A) – (B)]	141.9

Source: Audit analysis of HKPF records

Need to strengthen control over the use of approved funding of non-works projects under CWRP

2.8 ***Need to better monitor unspent funds resulting from lower-than-estimated tender prices for capital non-works projects.*** According to Financial and Accounting Regulation 320, where Controlling Officers have reason to believe that funds surplus to requirements exist under a subhead, they shall immediately inform the FSTB so that the excess may be reserved. As mentioned in paragraph 2.5, the accepted tender prices of Contracts A and B in 2003 totalled \$370.3 million (\$333.8 million for Contract A and \$36.5 million for Contract B) which was significantly lower than the pre-tender estimate of \$849.7 million (i.e. \$812.7 million for Contract A and \$37 million for Contract B), suggesting that there might likely be surplus funds for the whole CC3 project. In the event, the final contract sum of Contracts A and B was \$435 million and hence there was an unspent balance of \$414.7 million. In the 2008 report on implementation of major ICT projects submitted to the FC, the HKPF indicated that the CC3 project was scheduled for closure in the second quarter of 2009 upon the issuance of the final acceptance certificate. However, after the issuance of the final acceptance certificate of Contract A in November 2009, the HKPF had not closed the project accordingly or reported the unspent balance of \$414.7 million under

Contracts A and B to the FSTB. In response to Audit's enquiry in this regard, the HKPF in October 2018 said that:

- (a) there were still activities to be undertaken within the CC3 project scope, such as the provision of radio coverage at 59 indoor locations and at the Hong Kong International Airport. These items were part and parcel of the provision of comprehensive CC3 radio coverage as stated in the FC funding paper; and
- (b) the updated implementation progress of the project had been reported to the FC and the FSTB through the annual reports on implementation of major ICT projects (see para. 2.3) up to the project closure in 2015-16, though the status of "project closure" in the 2008 report should have been more accurately reported as closure of Contracts A and B.

As regards (b) above, the FSTB confirmed in October 2018 that the objective of the annual reports was mainly to keep the FC informed of the progress of major computer projects to facilitate its monitoring.

2.9 Audit notes that for works projects funded under the CWRP, to uphold financial discipline, there are other more specific requirements on monitoring and reporting surplus funds in addition to the general requirement of Financial and Accounting Regulation 320. However, these specific requirements only apply to works projects and have not been extended to non-works projects such as the CC3 system:

- (a) *Administrative cap on works projects.* In May 2002, the then Secretary for the Treasury announced the introduction of an administrative cap arrangement whereby the approved funding for works projects may be adjusted taken into account the lower-than-estimated tender prices, the actual works progress and planning development. The purpose of the arrangement is to prevent internal resources allocated to approved capital works projects from being locked up unnecessarily. The works departments concerned have to apply to the FSTB for lifting of the administrative cap to cover any subsequent increase in forecast expenditure even when the overall approved funding has not been exceeded. However, such arrangement has not been extended to non-works projects; and

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- (b) *Reporting of variation between accepted tender prices and estimated contract sum of approved works projects to the FC.* In 2004, after deliberation of Chapter 3 of the Director of Audit's Report No. 42 on the Harbour Area Treatment Scheme Stage I, the Public Accounts Committee of LegCo expressed the following concerns:
- (i) works departments had been given too much discretionary power to decide whether or not to adjust the approved project estimate even when the accepted tender price was much lower than the estimated contract sum;
 - (ii) in particular, the approved project estimate might be used to cover huge sums of highly uncertain dispute settlements and contract variations; and
 - (iii) the then practices of works departments rendered it difficult for LegCo to effectively monitor the use of funding for works projects.

In response to the Public Accounts Committee's recommendation, the Government has since 2005 provided quarterly reports to the Public Works Subcommittee of the FC on works projects with justifications when the deviation between the accepted tender prices and the original estimated provision equals to or exceeds \$15 million or 10% of the original estimated provision in the approved project estimates, whichever is the greater. However, such reporting requirement has not been extended to capital non-works projects. In Audit's view, the FSTB needs to consider applying similar administrative cap/reporting requirements adopted for capital works projects to capital non-works projects for better monitoring of the unspent funds resulting from lower-than-estimated tender prices.

2.10 *Need to strengthen control over the use of unspent funds in CWRP projects.* Paragraph 4 of Financial Circular No. 2/2012 on "Procedures for making changes to the Estimates of the CWRP" provides that the Controlling Officer for each Head in CWRP can incur expenditure under a subhead according to the approved scope and approved project estimate. As mentioned in paragraph 2.7, after the system roll-out of the CC3 in March 2006, the Executive Committee approved 33 items of extension and enhancement work from July 2006 to July 2015, with a total expenditure of \$285.64 million charged to the CC3 project subhead. Notwithstanding the use of substantial amount of public fund, Audit noted that there was only an internal approval

process whereby the Project Management Team submitted funding papers setting out the scope, estimated cost, timing and justifications for the proposed work items to the CC3 Executive Committee for consideration and approval.

2.11 In October 2018, the HKPF informed Audit that:

- (a) with an aim to provide a more comprehensive radio coverage and ensure the stability and reliability of the CC3 system, the Executive Committee approved 33 items after core system roll-out in 2006, on the premises that they were within the project scope. Some of the work items had to be introduced during the course of the CC3 project implementation to cater for the discontinued support services for some system components;
- (b) because of technical uncertainties and time constraint in pressing ahead with the implementation of the CC3 project, only 21 indoor locations were included as mandatory requirements for the provision of radio coverage in Contract A. Other uncertain locations were included as “desirable requirements” but eventually not taken forward. They were subsequently implemented as enhancement items. The provision of radio coverage to indoor locations had all along been the intention of the CC3 project; and
- (c) the above were not considered as other expenditure items outside the project ambit, but were essential work without which the project objective of the provision of comprehensive radio coverage, as stated in the FC funding paper, would not have been met.

2.12 While the HKPF had operational needs to carry out the extension and enhancement work for the CC3 system, Audit notes that:

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- (a) the FC's approval of \$948 million was for the replacement of the Second Generation Command and Control Communications System by the CC3 system and was not a blanket approval for extension and enhancement work for some ten years after the CC3 system roll-out in 2006 (Note 17). For example, a total of \$107.11 million for three items of enhancement work of the CC3 system (Note 18) was approved by the Executive Committee in July 2014, some eight years after the CC3 system roll-out in 2006;
- (b) while the HKPF had provided annual reports on the progress and the expenditure position of the CC3 project to the FC (see para. 2.3), such annual reports were in the form of an information note without details such as justifications for carrying out the extension and enhancement work and their estimated costs; and
- (c) Financial Circular No. 1/2004 on "Responsibility of Controlling Officers" stipulates, among others, that: (i) Controlling Officers must satisfy themselves that there are adequate procedures to monitor expenditure in order to ensure that it is only incurred within the limits and scope authorised; and (ii) where in doubt, Controlling Officers should consult the

Note 17: *As regards the expenditure control of extension and enhancement work of ICT projects funded under Head 710 of the CWRP, OGCIO informed Audit in July 2018 that:*

- (a) *if the work as stated in the funding paper had been duly implemented, i.e. live production of the system, completion of nursing/warranty period and completion of all required deliverables, bureaux/departments should finalise the project expenditure and close the project vote, and separate voting of funds should be made for any subsequent system upgrading/enhancement; and*
- (b) *some additional business requirements, which were discovered during project implementation and within the original project scope, might be arranged for implementation after system live run (within a reasonable period of time) and charged to the project vote on the condition that the related project fund should be properly earmarked beforehand and the additional business requirements were essential for the project to achieve its planned objectives and expected benefits. These might include some essential business requirements later found (such as adoption of up-to-date security measures).*

Note 18: *These included: (a) enhancement of ETS call processing and distribution sub-systems at \$25.61 million; (b) ICS enhancement (see Figure 1 in para. 2.4(a)) at \$60 million; and (c) enhancement of CACCS3 servers, workstations and notebooks at \$21.5 million (see items 39, 40 and 42 at Appendix C).*

Treasury Branch of the FSTB. In Audit's view, the HKPF should have consulted the FSTB on the propriety of charging the expenditure of the extension and enhancement work implemented after system roll-out into the CC3 project vote, in line with the spirit of Financial Circular No. 1/2004.

2.13 Audit also notes that the FSTB has introduced a new procedure with effect from April 2018 whereby further expenditure on the approved project estimates of CWRP items which have been approved for ten years or more would be frozen unless otherwise justified by Controlling Officers. However, in light of the above audit findings, there is still a need for the FSTB to introduce additional measures to strengthen the control over the use of funds resulting from the lower-than-estimated tender prices in CWRP projects once surplus is identified.

2.14 *Areas for improvement in project specification.* In the 2009 report on the implementation of major ICT projects submitted to the FC in May 2010, the HKPF reported that for better radio coverage, the CC3 system would be extended to the Hong Kong International Airport and other selected indoor locations, and the work was scheduled for completion by December 2012. In the event, these two work items (see items 18 and 19 at Appendix C) were completed in August 2015 and February 2016 respectively, i.e. more than seven years after the Executive Committee's approval in June 2008, as follows:

- (a) an extension of the CC3 indoor radio coverage to the Hong Kong International Airport was approved at an estimated cost of \$81.42 million for completion in November 2011. In the event, the extension work was completed in August 2015 at a cost of \$38.11 million (see details in Case 1); and
- (b) an extension of the CC3 radio coverage to 59 indoor locations was approved at an estimated cost of \$94.3 million for completion in July 2011. In the event, the extension work was completed in February 2016 at a cost of \$22.74 million (see details in Case 2).

Audit found that there were areas for improvement in project specification as shown in these cases.

Case 1

Extension of CC3 indoor radio coverage to Hong Kong International Airport

1. Since 1998, the radio communications of the Police Airport District had been supported by the Airport Authority's mobile radio system which was not compatible with the HKPF's beat radio system outside the Hong Kong International Airport. Therefore, the Police Airport District had no direct radio access to the then Second Generation Command and Control Communications System. In August and September 2000, the HKPF convened a number of user group meetings to examine the operational needs for formulating a force-wide policy on the scale of provision (of radio coverage) within the CC3 project scope. While the Field Users Group considered that CC3 radio system should cover all areas of the Airport, the Senior Users Group decided to: (a) adopt a baseline approach such that the radio coverage should not be less than that available at that time; and (b) prioritise the radio coverage requirement with the first priority accorded to outdoor patrol areas. In the event, indoor radio coverage for the Airport was not included in the priority list. According to the FC funding paper for the CC3 project of June 2001, an amount of \$105 million was earmarked for the procurement of radio equipment to be installed in 120 base stations located at hilltop sites and on the rooftops of buildings (i.e. outdoor locations excluding the indoor locations of the Airport).

2. In October 2018, the HKPF informed Audit that the Airport had not been included as a priority location due to uncertainties including feasibility of solutions, and cost and time required to negotiate with the Airport Authority and landlords of buildings adjacent to the Airport for installing radio equipment within their premises. Otherwise, there would be a delay in delivering the CC3 system.

3. From December 2003 to March 2004, the HKPF discussed with the Airport Authority on the provision of mobile radio service given that the Airport Authority's radio system would become obsolete in 2008. In August 2005, the HKPF noted that extending the CC3 radio coverage to the Airport, which would require about \$30 million to \$40 million, could enhance the radio communications between the Police Airport District and other land formations using the CC3 system in the vicinity. The HKPF then decided to extend the CC3 radio coverage to the Airport after system roll-out in 2006.

Case 1 (Cont'd)

4. In June 2008, the Executive Committee approved an extension of the CC3 radio coverage to the Airport at an estimated cost of \$81.42 million for completion in November 2011. From January 2010 to September 2014, the HKPF awarded four contracts to implement the extension work at an estimated total cost of \$32.9 million (or 40% of the approved estimate of \$81.42 million — Note). In August 2015, the extension work was completed at a total cost of \$38.11 million. According to the HKPF, the longer time taken for completing the extension work was due to the prolonged discussions with relevant landlords to agree on the installation of the antennas/amplifiers.

Audit comments

5. While the FC was informed in the CC3 funding paper that the new system would provide comprehensive radio coverage, there were uncertainties (see para. 2 above) with some indoor locations (including the Airport) which precluded their inclusion in the development of the CC3 system from the outset. In Audit's view, the HKPF should have set out in the FC funding paper that it would adopt a phased implementation approach by completing the CC3 system development work first and implementing indoor radio coverage work of the Airport and other selected indoor locations after the roll-out of CC3 system.

Source: Audit analysis of HKPF records

Note: According to the HKPF, the reduction in cost estimate was mainly due to: (a) the reduced number of locations requiring installation of radio equipment from the planned 17 to 12 because some locations were found to be adequately covered by outdoor radio signals; and (b) the identification of a cost-effective solution by using the existing antenna infrastructure systems in some premises.

Case 2

Extension of CC3 radio coverage to 59 indoor locations

1. Similar to the situation of the Airport in Case 1, there was inherent limitation in the HKPF's radio coverage for indoor locations as outdoor radio signal might not be able to penetrate deep into the buildings. As a result, police officers would not be able to communicate with the RCCCs (see para. 2.4(a)) through the radio system and had to use cellular phones which did not support one-to-all communications for making effective responses in an emergency case. Moreover, as mentioned in the FC funding paper of June 2001, the CC3 system would be using a lower transmission power based on a new standard for radio system (which could save energy cost and prevent eavesdropping). The weaker radio signal would affect radio communications between frontline staff in indoor locations and in the RCCCs.
2. According to the HKPF, there were uncertainties with some of the indoor locations (i.e. feasibility of solutions and costs). As such, only 21 indoor locations were included as mandatory requirements (Note 1) in Contract A. The other locations were included as desirable requirements under four categories (Note 2) without specifying the number of such locations to be covered. The tenderers had the option to meet such requirements or not (i.e. with higher technical scores awarded to tenderers opting to meet such requirements). After the award of Contract A in March 2003, the HKPF requested the contractor which had opted to meet the desirable requirements in its tender to provide radio coverage for the desirable locations. However, the contractor claimed that, due to the significant number of such locations, the HKPF should bear the cost of installing radio equipment in these locations. In November 2005, after examining the contract provision, the HKPF considered that the provision of indoor radio coverage under the desirable requirements was not covered by Contract A.
3. After the CC3 system roll-out in 2006, user formations made requests for providing CC3 radio coverage in 179 indoor locations to enhance communications between frontline officers and the RCCCs. After reviewing the requests, the Executive Committee in June 2008 approved \$94.3 million for the extension of the CC3 radio coverage to 59 indoor locations for completion in July 2011. From April 2009 to September 2011, the HKPF awarded six contracts through open tendering to implement the extension work at an estimated total cost of \$25.9 million (or 27% of the approved estimate of \$94.3 million — Note 3).

Case 2 (Cont'd)

4. In February 2016 (over four years after the planned completion date of July 2011), the extension work was completed at a cost of \$22.74 million. According to the 2013 report on implementation of major ICT projects submitted to the FC in March 2014, the longer time taken for completing the extension work was due to prolonged discussion with relevant landlords to agree on installation of the antennas/amplifiers. Due to landlords' objections, the extension work was only carried out in 58 indoor locations instead of the planned 59 locations.

Audit comments

5. While the HKPF intended to implement radio coverage for the uncertain indoor locations as desirable requirements under Contract A, this could not be achieved because of the contractor's objection to its liability for the cost of the significant number of such unspecified locations. Audit could not find records showing that the HKPF had sought legal advice in this regard. In the event, the radio coverage extension work had to be carried out under separate contracts. To prevent recurrence of similar problems, the HKPF needs to improve contract specifications for similar ICT projects (such as specifying the number of locations to be covered with details of the locations to be provided to the contractor at a later stage).

Source: Audit analysis of HKPF records

Note 1: The mandatory requirements included 4 public transport facilities, 2 shopping arcades with previous records of incidents requiring police response and 15 police premises.

Note 2: The desirable requirements included four categories of locations, viz: (a) report rooms, briefing rooms and canteens of all police stations; (b) border crossing points; (c) major government buildings with public access; and (d) shopping arcades connected to transport interchange.

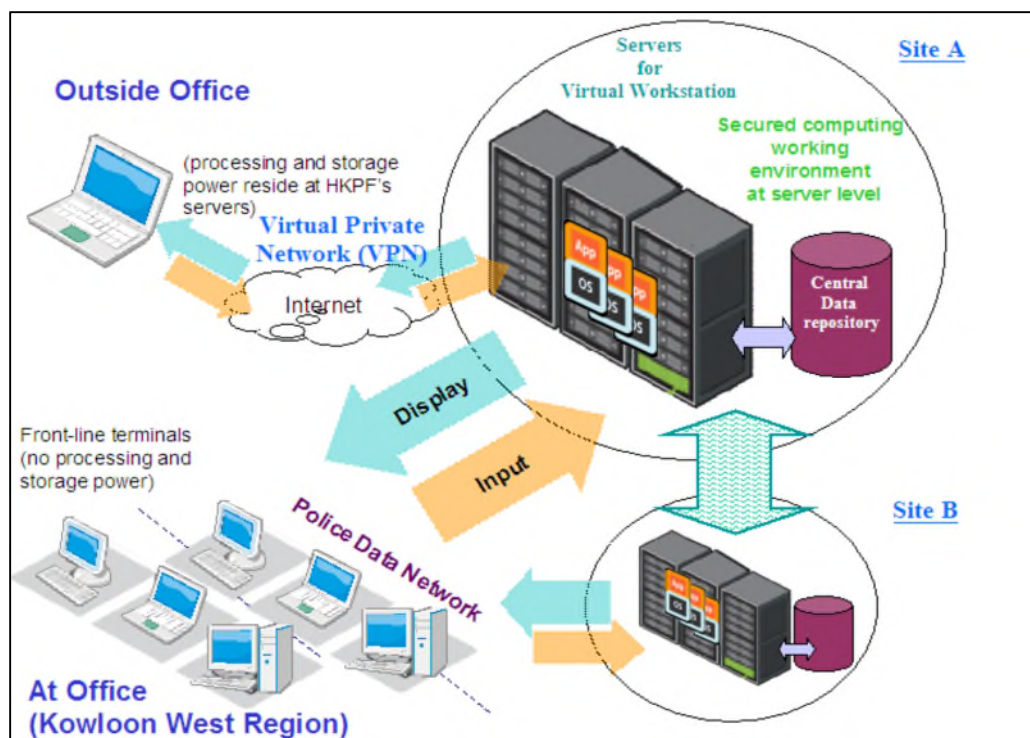
Note 3: In response to Audit's enquiry on the reasons for the lower cost estimate, the HKPF in September 2018 said that it had identified a cost-effective solution by using the existing antenna infrastructure systems in some premises.

Enhancement of the information technology infrastructure by using virtual workstation (initial implementation)

2.15 According to the HKPF, its disciplined police officers are deployed in over 250 divisions/formations to provide round-the-clock policing services. As part of their work, police officers have to access a number of information systems through local area networks. In light of their shift work pattern, the HKPF has provided computer facilities to police officers on a shared-use basis. As part of the data security measures, the HKPF has to conduct periodic inspections of information residing in the shared computer terminals. To enhance the accessibility, mobility and security of information technology support for the police officers, in May 2010, the HKPF obtained the FC's funding approval of \$40.72 million under Head 710 of the CWRF to introduce VWs in the Kowloon West Region as an initial enhancement before rolling out of the VW project to cover all disciplined police officers (see Figure 2 for a schematic diagram of the VW project).

Figure 2

Schematic diagram of the VW project



Source: HKPF records

2.16 According to the FC funding paper of May 2010, by migration from the shared computer facilities to allocating VWs to individual officers, the VW project was expected to bring both operational and financial benefits including the following (see Appendix D for details):

- (a) ***Increased accessibility.*** Accessibility would be enhanced by increasing the number of computer terminals from about 1,100 physical workstations to around 1,800 VWs with secured processing and storage environment at the central server;
- (b) ***Enhanced operational efficiency and mobility.*** The operational efficiency would be enhanced through increased provision of frontline terminals, individual processing and storage compartment at the server end. The officers' operational mobility would also be improved as they could access information stored at the central server within and outside their offices;
- (c) ***Enhanced data security and confidentiality.*** With VW infrastructure, all information/documents under processing would reside at the secured data storage compartments in data centres and only screen image would be transferred to frontline terminals through secured data channel. As no data would be downloaded to frontline terminals, officers in general would not be able to carry data on external devices except with special approval. As a result of these features, information confidentiality could be secured; and
- (d) ***Notional cost savings.*** Notional savings of \$20.7 million per annum were expected as a result of increased coverage of office automation, and reduction in staff effort for performing security audits on terminals, inspecting software installed in local computers and updating anti-virus software. The notional cost savings after offsetting the recurrent cost arising from the VW project could recover the project cost in five years' time.

Delay in project implementation

2.17 While the VW project was completed at a total cost of \$40.33 million (i.e. within approved provision of \$40.72 million — see para. 2.15), there was a delay in implementation of 60 months (i.e. the system only came into operation in June 2017 instead of June 2012 as scheduled in the FC funding paper — see para. 2.3(b)). Audit examination of the HKPF's records revealed the following factors contributing to the delay:

- (a) longer time (20 months) taken for tender preparation (see para. 2.18);
- (b) extra time (13 months) spent on re-tendering after an unsuccessful first tender (see paras. 2.19 and 2.20); and
- (c) longer time (27 months) taken for contract work (see paras. 2.21 and 2.22).

Areas for improvement

2.18 ***Longer time taken for tender preparation.*** According to the FC funding paper of May 2010, tender and specification preparation was expected to take 5 months (from funding approval in May to October 2010). However, the actual time taken was 25 months, i.e. from May 2010 to June 2012 when the GLD invited tenders for the VW project. Audit noted that the tender preparation process involved consultation with a number of parties (i.e. the GLD, the Department of Justice (DoJ) and the Intellectual Property Department — Note 19) before the HKPF could finalise the tender specifications/documents. In Audit's view, the HKPF needs to make due allowance for the time required for tender preparation, especially for procurement involving new technology (such as the VW project) without precedent cases for reference to ensure that the project implementation schedule included in the FC funding paper is realistic.

Note 19: *The Intellectual Property Department provided legal advice on the proprietary right in using the tender information and other issues involving intellectual property rights in system development.*

2.19 ***Cancellation of tender exercise.*** According to the FC funding paper of May 2010, tendering and contract award was expected to take 11 months (from October 2010 to September 2011). However, the actual time taken was 24 months (from June 2012 to June 2014) due to the need for re-tendering:

- (a) ***First tender.*** In response to the tender invitation in June 2012, two tenderers submitted a total of five bids. However, after tender assessment, there was no conforming tender. With the Central Tender Board's approval, the tender exercise was cancelled in December 2012. In giving approval to cancel the tender exercise, the Board said that the HKPF should review whether the tender requirements were too stringent; and
- (b) ***Second tender.*** After the HKPF had revised the tender requirements, the GLD arranged another tender invitation in July 2013. By close of tender in August 2013, four tenders were received. After tender assessment, two of the four tenders were found to be non-conforming. In June 2014, the GLD awarded a contract to the tenderer of the remaining lowest conforming tender at \$33.8 million (Note 20).

As cancellation of a tender exercise would result in delays in meeting operational needs and nugatory tendering work, the HKPF needs to take measures to prevent recurrence of similar problem. In this connection, Audit has noted that there is room for improvement in the HKPF's preparation of tender specifications (see para. 2.20).

2.20 ***Need to improve tender specifications.*** According to the HKPF, there should be at least seven potential suppliers in the market capable of meeting the tender requirements but none of them made bid in the first tender exercise. Upon the GLD's request, the HKPF held review meetings with the potential suppliers in December 2012 and learnt that: (a) there was misunderstanding of the requirements by the suppliers (e.g. the required portable DVD writer was misinterpreted to be a video player which would entail a greater network bandwidth requirement); and (b) the supplier's experience and skill requirements were considered too restrictive. In light of the comments, the HKPF revised the tender specifications to remove the

Note 20: *The contract also included the provision of a 10-year maintenance service (including 1-year free warranty) at \$3 million each year which was funded by the HKPF's recurrent subhead in the GRA.*

Implementation of major information and communications technology projects

restrictive requirements and other nice-to-have but non-essential requirements (e.g. tape back-up of user data in addition to on-line back-up). As a result, a suitable tenderer was selected in the second tender exercise. The HKPF needs to remind ISW officers of the SPR 350 requirements that they should word tender specifications in easily comprehensive general terms and guard against over-prescribing requirements.

2.21 *Longer time taken for contract work.* According to the FC funding paper of May 2010, contract work was expected to take 9 months (from September 2011 to June 2012). However, the HKPF subsequently specified in the tender documents that the system should be ready for use within 20 months (i.e. by February 2016) after contract award in June 2014. Moreover, in December 2016, the contractor requested an extension of contract period by 16 months due to technical problems encountered in the contract work (e.g. extra time was spent on accommodating some legacy applications which ran on a different operating system from that of the VWs). In other words, the actual time taken for the contract work was 36 months instead of 9 months as stated in the FC funding paper. Similar to the audit findings in paragraph 2.18, the HKPF needs to make realistic assessment on the implementation schedule for inclusion in the FC funding paper.

2.22 *Need to tighten control over contract variations.* According to SPR 520(b) and GLD Circular No. 2/2013, Controlling Officer, or a designated officer of appropriate rank (i.e. the Financial Controller in the case of the HKPF), may approve minor variations including extension of contract period, change in project team members stipulated in the contract and product substitution due to obsolescence or technology advancement. For other variations (e.g. increase in contract value), the GLD is the approving authority (Note 21). In granting approval for a contract variation to cover an extension of contract end date from February 2016 to June 2017, the Financial Controller commented that it was highly undesirable that the request for contract extension was made in December 2016 (i.e. 10 months after the scheduled contract end day). In this connection, Audit noted that there were seven other occasions whereby approvals for contract variations were required. While prior

Note 21: *The GLD is the approval authority for variation of contracts for accumulated value of variations up to 50% of the GLD Tender Board's financial limit (i.e. \$15 million since July 2017) but not exceeding 30% of original contract value.*

approvals were obtained in four cases (Note 22), the same had not been done for three other variations (involving changes in project team members from July to December 2014). In response to Audit's enquiry, the HKPF in October 2018 said that: (a) these three variations were of minor nature and had been endorsed by the subject team of the VW contract; and (b) covering approvals by the Financial Controller had been granted in early October 2018. In Audit's view, the HKPF needs to tighten control over contract variations to prevent recurrence of similar problems in future.

Review of the VW project

2.23 According to the FC funding paper of May 2010, the HKPF would evaluate the cost-effectiveness of the VW system in the Kowloon West Region before determining the timing and approach of subsequent implementation in other Regions. In January 2018, the ISW briefed the ICSSSC (see para. 2.2) of its review results of the VW project as follows:

- (a) ***Current status.*** By December 2017, about 1,500 VWs instead of the planned about 1,800 VWs (see para. 2.16(a)) were deployed to the Kowloon West Region. The reduced number of VWs was mainly due to a reduction of 200 VW notebooks for junior police officers. Moreover, 8 of the 45 contract-specified applications had not been virtualised. System availability was 99.93% (i.e. with service interruption of 3.1 hours in three incidents) during the nursing period from December 2016 to June 2017 and 100% for the 6 months after the nursing period;
- (b) ***User feedback.*** According to a user survey conducted by the ISW in August 2017, 74.6% of the respondents rated the overall performance of VW as "average to satisfactory" and 59.1% preferred VW to physical workstation. However, the ratings on stability were not high, as only 43.5% and 58.4% of the respondents found workstation hung-up and login failure respectively "not often or never encountered". Moreover, 59.7%

Note 22: *Of the 4 variations, 3 involving product substitution due to technology advancement were approved by the Financial Controller. The remaining one involving a decrease of \$2.5 million in the contract cost due to a reduction in the number of hardware and software supplied by the contractor was approved by the GLD.*

and 88.9% of the respondents rated printing of documents and use of thumb drives respectively as “slow to very slow”;

- (c) **Observations.** Overall enhancement on IT infrastructure enabled both virtual and physical workstations to address accessibility, mobility and data security requirements. However, there were no substantial advantages resulting from VW over physical workstation under current mainstream IT options in the market. Physical workstation was more cost-effective when compared with VW especially in view of the higher annual recurrent cost (i.e. \$105 per physical workstation against \$2,700 per VW); and
- (d) **Recommendations.** Considering the higher one-off and recurrent costs, it was not cost-effective to roll out VWs to all Regions. The VWs in the Kowloon West Region would be gradually replaced by physical workstations by 2020 and the VW infrastructure would be redeployed to the HKPF’s resource centres and be retired in 2022.

After deliberation, the ICSSSC agreed with the recommendations in (d) above and requested the ISW to prepare a review report, taking into the consideration the long-term applicability of VWs in the HKPF, the merits of using VWs and the lifespan before seeking the steer of the senior management.

2.24 In May 2018, the ISW reported to the ICSSSC the review results of the VW project taking into consideration the comments received after January 2018. The meeting agreed that:

- (a) the conditions for full implementation of VWs in the HKPF were currently limited by technology and the high cost. The ISW would keep in view the latest market and technology development of VW to identify how the technology could be best applied in the HKPF before making recommendations to the ICSSSC and the HKPF’s senior management;
- (b) the Kowloon West Region would continue to use the VWs beyond 2020 as the user satisfaction level was positive based on the 2017 survey (see para. 2.23(b)) and the required recurrent cost had been budgeted in the annual departmental expenditure of the ISW; and

- (c) a full review would be conducted in six months' time to determine if it would be efficient and effective to continue with the VW project and the future applications of VWs in the HKPF would be revisited before 2025 as part of the review of the next workstation replacement cycle.

Post Implementation Departmental Return

2.25 According to OGCIO Circular No. 3/2007, for administrative computer projects funded under CWRP Head 710, bureaux and departments are required to submit a Post Implementation Departmental Return (PIDR) to OGCIO six months after operation of the ICT projects. The purpose of the PIDR is to evaluate the achievement of IT projects to ensure that the Government's investment in the projects has attained the intended objectives in a timely and cost-effective way. After examining the PIDR results (such as whether there has been a substantial deviation from the planned achievements), OGCIO will determine whether to initiate a Post Implementation Review to look into the causes of deviation and identify necessary improvements.

2.26 According to the PIDR submitted by the HKPF to OGCIO in June 2018: (i) the VW project was completed within budget and had delivered all the planned functions and benefits; (ii) although there was a delay of more than four years, the major cause was the prolonged tendering exercise; (iii) the system maintained a 100% service availability in its 6-month nursing period which ended in June 2017; and (iv) a Post Implementation Review was not required. However, Audit noted that some implementation issues which could affect the delivery of planned functions and benefits had not been fully reflected in the PIDR:

- (a) ***Delivery of planned functions.*** According to the HKPF's review of January 2018, about 1,500 VWs instead of the planned 1,800 VWs were deployed to the Kowloon West Region (see para. 2.23(a)). Moreover, 8 of the 45 contract-specified applications had not been virtualised. These system modifications and their impacts on the delivery of planned functions were not included in the PIDR;
- (b) ***Delivery of benefits.*** According to the FC funding paper of May 2010, there would be notional annual cost savings of \$20.7 million as a result of increased coverage of office automation, and reduction in staff efforts for

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performing security audits and servicing physical terminals (see para. 2.16(d)). Based on the HKPF's records, \$18.4 million of the notional annual cost savings was derived from a 1% efficiency gain (i.e. an estimated saving of 516 man-months) by the provision of 985 VWs to some 4,300 junior police officers (including 323 VWs for 2,580 officers involved in patrol duties and 662 VWs for 1,720 officers involved in crime investigation duties). With the reduction of some 200 VW notebooks (see para. 2.23(a)) for officers involved in crime investigation duties, the man-month saving for them was reduced by 62 from 206 to 144. In other words, the planned notional cost savings had not been fully achieved;

- (c) **System availability.** According to the PIDR, the system maintained a 100% service availability in its 6-month nursing period which ended in June 2017. However, according to the HKPF's review of January 2018, system availability was 99.93% (i.e. with service interruption of 3.1 hours in three incidents) during the nursing period although it was improved to 100% in the subsequent 6 months (see para. 2.23(a)); and
- (d) **Other limitations.** According to the user feedback survey, the ratings on stability were not high, as only 43.5% and 58.4% of the respondents found workstation hung-up and login failure respectively "not often or never encountered" (see para. 2.23(b)). The ICSSSC also concluded that full implementation of VWs in the HKPF was currently limited by technology and the high cost (see para. 2.24(a)).

As the aggregated result of PIDRs is published in the Controlling Officer's Report of OGCIO as government-wide performance indicators in terms of percentage of IT projects completed on schedule, within budget, meeting agreed specifications and achieving intended benefits, the HKPF needs to provide comprehensive and accurate project implementation information in PIDRs submitted to OGCIO.

Development of the Second Generation of Communal Information System

2.27 In May 2010, the HKPF obtained the FC's funding approval of \$411.27 million under Head 710 of the CWRP to replace its existing Communal Information System which had been used since 1997 to capture, maintain and process reported cases (totalling 1.4 million cases in 2009), assist in prosecution, generate

management reports for crime prevention and support traffic operation. According to the FC funding paper, the justifications for developing the CIS2 were to address the limitations of the existing system and provide new features to improve the operational efficiency of the HKPF, including the following (see details in Appendix E):

- (a) ***Limitations of existing system.*** The hardware and software maintenance contract of the existing system would expire in 2013 and could not be extended due to ageing and key components of the system were out of production. Due to limited capacity of the existing system, the HKPF had to rely on supervisory checks on case records to ensure compliance with procedural requirements; and
- (b) ***Benefits of proposed system.*** The CIS2 would consolidate seven in-house satellite IT systems and provide more sophisticated interface with systems of other departments and public entities. The anticipated benefits would include enhanced operational efficiency, enhanced crime analysis and action planning, assurance of service consistency, enhanced security control and data protection, and annual cost savings of about \$93 million.

Delay in project implementation

2.28 In June 2012, the GLD awarded a contract for the supply of the CIS2 at \$343 million (Note 23) under four phases (Note 24) with scheduled implementation date in February 2017, which was 14 months later than November 2015 stated in the FC funding paper. Moreover, during the contract stage, there were a total of 15 contract variations of which 8 involved revisions of the implementation plan (see Appendix F for a summary of the variations). As a result, the scheduled CIS2 implementation date was further extended by 31 months to August 2019. In other words, there would be a total delay of 45 months according to the latest revised implementation plan of February 2018.

Note 23: *The contract also included the provision of a 10-year maintenance and support service (including 1-year free warranty) at a total cost of \$400 million which would be funded by the HKPF controlled recurrent subhead in the GRA.*

Note 24: *The four phases comprise: (a) platform migration (Phase 0); (b) replacement of existing system functions (Phase 1); (c) implementation of e-Report Centre (Phase 2); and (d) provision of new functions (Phase 3).*

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2.29 Audit examination of the HKPF records revealed the following factors contributing to the delay:

- (a) ***Longer time taken for tendering stage.*** Similar to the audit findings in paragraph 2.18, the actual time taken for tender preparation was 6 months longer than originally scheduled as it involved consultation with the GLD, DoJ and Intellectual Property Department on the draft tender documents. Moreover, the tender evaluation also took longer time than expected (by 8 months) as it involved tender negotiation with the selected tenderer; and
- (b) ***Extensions of implementation plan during contract stage.*** In granting approval for the 13th contract variation involving acquisition of enhancement services and change in contract value in February 2017 (Note 25), the GLD Tender Board had expressed the following concerns:
 - (i) while the enhancement services were required to cater for operational requirements introduced from 2012 to 2014, it was unreasonable for the HKPF to take years to perform detailed studies and impact analysis to work out the proposed solution and seek contract variation; and
 - (ii) there had been six revisions of the implementation plan (approved under the delegated authority of the HKPF) with the completion date for replacement of the existing system functions (Phase 1 — see Note 24 to para. 2.28) extended by 22.5 months. While noting the HKPF's explanation that it had underestimated the complexity of the CIS2 and more time was required to perform collection of user requirements, analysis, design, development and testing than expected, the GLD Tender Board considered that the delay was undesirable. The Board advised the HKPF to take measures to improve project governance and expedite system development and implementation.

Note 25: *The variation involved a net reduction in contract value by \$77.5 million (i.e. an increase of \$10.8 million for the acquisition for enhancement services and a reduction of \$88.3 million for the deletion of some hardware and software items, and implementation services).*

In the event, the Executive Committee endorsed in June 2017 the further extension of Phase 1 to 31 December 2017 and the consequential extensions of Phases 2 and 3. The Financial Controller subsequently approved: (1) in July 2017 the extension of Phases 1 and 2 to December 2017 and June 2018 respectively; and (2) in February 2018 the extension of Phase 3 to August 2019 (see Appendix F).

2.30 In October 2018, the HKPF provided Audit with the following information in relation to the GLD's comments in paragraph 2.29(b) that:

- (a) the HKPF commenced processing the enhancement items after concluding the system analysis and design in November 2013. Due to the complexity of the new enhancement and the interdependency with the system, the HKPF and the contractor needed to take considerable time to conduct detailed impact analysis and agree on the cost and schedule for the enhancement items. In January 2015, the HKPF initiated the contract variation request and after obtaining the DoJ's clearance, submitted the formal contract variation request with impact analysis details to the GLD. In the following one and a half years, the HKPF responded to the GLD's questions and provided clarifications. In February 2017, the GLD Tender Board approved the contract variation; and
- (b) the HKPF stepped up governance and held two special meetings with top management of OGCIO and the contractor in April and May 2017 to determine the way forward for the roll-out of Phase 1 by the end of 2017. At its meeting held in June 2017, the Executive Committee endorsed extension of the scheduled implementation of Phases 1, 2 and 3. In the event, Phases 1 and 2 were rolled out in December 2017 and June 2018 respectively as planned.

Areas for improvement

2.31 The development of the CIS2 is to address the limitations of the existing system and provide new features to improve the operational efficiency of the HKPF. The 45-month delay in its implementation has deferred the realisation of the intended benefits (see para. 2.27(b)). Audit found that besides closely monitoring the contract progress to ensure that the latest revised implementation date of August 2019 (see

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para. 2.29(b)) is attained, the HKPF also needs to improve its contract management (see paras. 2.32 to 2.34).

2.32 *Need to closely monitor contract deliverables.* In February 2017, in response to the GLD Tender Board's enquiry on measures taken to ensure timely completion of the CIS2 project, the HKPF said that:

- (a) the contractor had injected additional manpower to carry out the contract work. The Project Team (see para. 2.2) had been restructured to streamline the development and testing process for enhancing efficiency and quality; and
- (b) weekly (or bi-weekly) checkpoint meetings had been arranged to closely monitor the progress. The CIS2 Project Management Team and Executive Committee meetings had been arranged regularly in every two/three months to report the project progress to the senior management of the HKPF.

However, Audit noted that while the CIS2 Project Management Team and the Executive Committee had each held eight meetings during 2015 and 2016, there was only one Executive Committee meeting held (on 12 June 2017) during the 14 months from June 2017 to August 2018.

2.33 In response to Audit's enquiry, the HKPF in October 2018 said that: (a) with the Executive Committee meeting held in June 2017 endorsing the extension of Phase 1 to 31 December 2017 (see para. 2.29(b)), the major project issues had been sorted out; and (b) between the Executive Committee meeting in June 2017 and the successful roll-out of Phases 1 and 2, the HKPF relied on the ISW monthly meetings chaired by the Assistant Commissioner of Police (Information Systems) and attended by the contractor's Project Director and Senior Project Manager, as well as 17 checkpoint meetings to monitor the progress. However, Audit noted that according to the project initiation document of CIS2 project (see para. 2.2), besides monitoring the project timeline, the Executive Committee would hold meetings at the end of each stage to endorse all project deliverables as well as review and approve the End Stage Assessments before issuing an acceptance certificate and arranging milestone payment to the contractor. For example, for platform migration (Phase 0 — see Note 24 to para. 2.28), the Project Team provided powerpoint presentation at a meeting of Executive Committee in August 2014 for its discussion and approval of the End Stage

Assessments before issuing an acceptance certificate and arranging a milestone payment of 10% of the contract price. As no Executive Committee meeting was held after June 2017, the Project Team only informed the Executive Committee by email in May 2018 of the completion of Phase 1 in December 2017 before issuing an acceptance certificate for a milestone payment of 40% of the contract price of \$343 million. The HKPF needs to remind the Executive Committee of an ICT project to closely monitor contract deliverables with a view to providing timely management input where necessary.

2.34 *Need to obtain prior approval of contract variations.* As shown in Appendix F, of the 8 contract variations for extending different phases of system implementation work, 6 were approved by the Financial Controller after the original end dates of the respective milestones. Similar to the audit findings in the VW contract (see para. 2.22), there is a need to remind ISW officers to obtain prior approval for contract variations.

Audit recommendations

2.35 **Audit has recommended that the Commissioner of Police should:**

- (a) **regularly review the financial position of ICT projects and report any surplus funds under relevant expenditure subheads at an earlier stage to the FSTB in accordance with Financial and Accounting Regulation 320;**
- (b) **provide sufficient information on the implementation of ICT projects in FC funding papers (such as the phased implementation approach for the radio coverage in the case of the CC3 project);**
- (c) **improve the contract specifications on desirable requirement in ICT contracts and seek legal advice where there are difficulties in applying such contract specifications;**
- (d) **make realistic assessment on ICT project implementation schedule for inclusion in FC funding papers;**

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- (e) **take measures to prevent cancellation of tender exercise, including reminding ISW officers of the SPR 350 requirements that they should word tender specifications in easily comprehensive general terms and guard against over-prescribing requirements;**
- (f) **remind ISW officers to obtain prior approval from the appropriate authority for contract variations;**
- (g) **provide comprehensive and accurate project implementation information in PIDRs submitted to OGCIO; and**
- (h) **remind the Executive Committee of an ICT project to closely monitor contract deliverables with a view to providing timely management input where necessary.**

2.36 Audit has also *recommended* that the Secretary for Financial Services and the Treasury should:

- (a) **consider the need for applying similar administrative cap/reporting requirements adopted for works projects to non-works projects under the CWRF for better monitoring of the surplus funds resulting from lower-than-estimated tender prices; and**
- (b) **introduce additional measures to strengthen the control over the use of funds resulting from lower-than-estimated tender prices in CWRF projects once surplus is identified.**

Response from the Government

2.37 The Commissioner of Police agrees with the audit recommendations in paragraph 2.35. He has said that:

- (a) **the HKPF will continue to seek improvement in the ICT project tendering, management and implementation;**

- (b) in the case of CC3 project, the extension and enhancement work items carried out after core system roll-out in 2006, including the provision of radio coverage at 59 indoor locations and at the Hong Kong International Airport, were within the project scope of the CC3 project and were essential for contributing to meeting one of the main project objectives, i.e. the provision of comprehensive radio coverage, as stated in the FC funding paper. On the basis of this interpretation, the HKPF continued to implement these items and reported the updated implementation progress to the FC and the FSTB through annual reports up to the project closure in 2015-16; and
- (c) the HKPF will strive to improve on the preparation of FC funding papers for future ICT projects so that any envisaged phased implementation plan to cater for technical uncertainties will be clearly articulated.

2.38 The Secretary for Financial Services and the Treasury accepts the audit recommendations in paragraph 2.36 to further strengthen control over the use of surplus funds in capital non-works project (i.e. administrative computer system funded under CWRP Head 710, and non-administrative computer systems and communication equipment funded under CWRP Head 708). He has said that the FSTB will implement the following measures:

- (a) for capital non-works projects approved by LegCo in the 2019-20 legislative session and thereafter, providing LegCo with quarterly reports on significant deviations between the accepted tender prices of the projects and the estimated provision in the approved project estimate when the deviations equal or exceed \$15 million or 10% of the original estimated provision, whichever is greater. The excess will be reserved administratively; and
- (b) prior to seeking the FC's approval of capital non-works projects, reminding the respective Controlling Officers of the need to observe the requirements of reporting surplus funds under Financial and Accounting Regulation 320, and the use of funds according to the approved scope and approved project estimate as stipulated in Financial Circular No. 2/2012 on "Procedures for making changes to the Estimates of the CWRP".

PART 3: PROCUREMENT OF POLICE VEHICLES

3.1 Government vehicles used primarily for the carriage of passengers and/or goods are classified as general-purpose vehicles while those mounted with ancillary equipment for performing specific functions are classified as specialised vehicles. This PART examines the procurement of police vehicles, focusing on:

- (a) replacement of general-purpose vehicles by electric vehicles (paras. 3.3 to 3.14); and
- (b) procurement of specialised vehicles (paras. 3.15 to 3.28).

3.2 Under the General Regulations, the GLD is responsible for the procedures, administration and co-ordination of the procurement of all government vehicles with the exception of certain specialised vehicles. The procurement of general-purpose vehicles for all user bureaux/departments is funded by a capital account block vote (Note 26) of the GRA under the control of the GLD. The procurement of police specialised vehicles is funded by other subheads of the capital account managed by the HKPF (see para. 3.21). From 2012-13 to 2016-17, the GLD spent \$232.5 million on procuring general-purpose vehicles for the HKPF. With the assistance of the EMSTF (Note 27), the HKPF spent \$497 million on procuring specialised vehicles over the same 5-year period. As at 1 April 2018, the HKPF had 1,249 general-purpose vehicles (e.g. medium saloon car and small motorcycle — see Photograph 1(a) and (b)) and 1,145 specialised vehicles (e.g. large van and mobile command unit — see Photograph 1(c) and (d)).

Note 26: *Unlike other capital account subheads each of which is created for funding a specific project, a capital account block vote is used to fund multiple projects.*

Note 27: *The EMSTF charges a fee for the provision of procurement service.*

Photograph 1

Examples of HKPF vehicles

Police vehicles	Main tasks
<p>(a) Medium saloon car</p> 	<p>Medium saloon cars are general-purpose vehicles mainly used for carrying out general patrol and traffic enforcement.</p>
<p>(b) Small motorcycle</p> 	<p>Small motorcycles are general-purpose vehicles mainly used for traffic enforcement and general patrol.</p>
<p>(c) Large van</p> 	<p>Large vans are specialised vehicles primarily used by the Emergency Unit. They are also used by divisions, and Police Tactical Unit as Commanders' vehicles.</p>
<p>(d) Mobile command unit</p> 	<p>Mobile command units are specialised vehicles mainly serving as mobile commands in major incidents.</p>

Source: HKPF records

Replacement of general-purpose vehicles by electric vehicles

3.3 ***Government policy.*** As part of the Government's efforts to reduce air pollutant emissions through the use of cleaner fuel, the Chief Executive of the Hong Kong Special Administrative Region (HKSAR) announced in his 2009-10 Policy Address to promote the use of electric vehicles. In the 2011-12 Budget Speech, the Financial Secretary announced that subject to the availability of suitable models in the market and the operational needs of bureaux/departments, the Government would give priority to electric vehicles when replacing government vehicles in 2011-12 and 2012-13.

3.4 ***Replacement plan of general-purpose vehicles.*** As it is the Government's policy to introduce more electric vehicles in its fleet, the GLD requested the HKPF in January 2011 to assess the HKPF's electric vehicle requirement out of its 168 vehicles due for replacement in 2011-12 and 2012-13 (Note 28). The general specifications of the electric vehicles were provided for the HKPF's reference. After consultation among police districts, the HKPF advised the GLD in February 2012 that only 139 vehicles could be replaced by electric vehicles. Accordingly, the GLD planned that 10 electric motorcycles and 13 electric saloon cars would be provided to the HKPF by end of 2012 and the remaining 59 electric motorcycles and 57 electric saloon cars in 2013.

3.5 ***HKPF's concerns.*** After reviewing its required 139 electric vehicles, the HKPF informed the GLD in May 2012 of its concerns and proposal, as follows:

- (a) the HKPF's fleet was largely operational 24 hours a day and that operational efficiency was greatly dependent on the reliability and suitability of vehicles that were fit for task. Electric vehicles were relatively new technology, in particular with regard to battery reliability and charging times, and their operational feasibility on the scale proposed had yet to be fully assessed. For a round-the-clock emergency service, these genuine operational concerns had to be properly considered given the use of electric vehicles in such a demanding context;

Note 28: In 2010, the GLD procured four small electric estate cars for the HKPF.

- (b) of the proposed 139 electric vehicles, the HKPF was unable to accept one saloon car and seven motorcycles for the following reasons:
 - (i) the saloon car was designated for use in the New Territories for crime investigation; and
 - (ii) five motorcycles were for training purpose which had to be conducted on a vehicle with manual clutch and gears not available in an electric vehicle. One police district could not accept two of the five motorcycles earmarked for them until such time as the longer-term reliability and efficiency of electric vehicles had been demonstrated; and
- (c) the HKPF would be unable to accept further electric vehicles until such time as the impact of their feasibility and operational efficiency could be fully assessed. In this connection, the HKPF would critically examine the implications of the electric vehicles on its operational efficiency.

3.6 In light of the HKPF's comments, the GLD allocated 131 (139 less 8 — see para. 3.5(b)) electric vehicles to the HKPF out of 189 electric vehicles procured under four contracts from 2011 to 2014 as shown in Table 5.

Table 5

**Procurement and allocation of electric vehicles by the GLD
(2011 to 2014)**

GLD contract	Contract sum (\$ million)	Year of vehicle delivery	Number of vehicles allocated to HKPF (Note)
Contract C for the supply of 11 electric motorcycles awarded to Contractor C in October 2011	1.47	2012	10
Contract D1 for the supply of 30 electric saloon cars awarded to Contractor D in December 2011	10.99	2012	13
Contract D2 awarded to Contractor D in November 2012 and contract variation in July 2013 for the supply of 89 electric saloon cars	32.43	2013	56
Contract E for the supply of 59 electric motorcycles awarded to Contractor E in December 2012	7.95	2014	52
Total	52.84	—	131

Source: GLD records

Note: Of the 189 electric vehicles procured, 58 were allocated to other user departments.

3.7 ***HKPF electric vehicle operational assessments.*** From September 2014 to June 2018, the HKPF conducted three assessments of its electric vehicles (Note 29). According to the assessment reports, there were various operational problems as follows:

- (a) ***First assessment results.*** The charging times were 9 to 12 hours for an electric saloon car and 4 hours for an electric motorcycle. As a result, the average vehicle availability was 65% for an electric saloon car (i.e. only for two of three shifts in a day) and 92% for an electric motorcycle (due to its lower usage and hence daily charging was not necessary). The maximum driving range was 130 kilometres for saloon cars (70% of the 185 kilometres published by the manufacturer) while that for motorcycles was commensurate with figures published by the manufacturer (128 and 72 kilometres for city driving and highway driving respectively). During the 6-month assessment period, there were 710 occasions on which the drivers found that electric vehicles were unsuitable for their trips and had to resort to combustion engine vehicles;
- (b) ***Second assessment results.*** The second assessment had similar findings to the previous one. While the driving range of an electric car was adequate for performing patrol duty in low speed city driving, the electric battery would be run out in just one shift for districts with extensive highway network. Apart from driving speed, use of air-conditioning also greatly reduced the range. This could be seen from the 37% drop in kilometres run per kilowatt-hour electricity usage in June 2015 (when air-conditioning was turned on in hot weather) in comparison with January 2016. The long charging time affected vehicle availability, as reflected in the 55% lower usage of an electric car than its non-electric counterpart of the same type. Moreover, in July 2016, an electric motorcycle caught fire during the

Note 29: *The first assessment covering the period December 2013 to May 2014 for 10 motorcycles and 69 saloon cars (allocated in 2012 and 2013) was conducted in September 2014. The second assessment covering the period July 2014 to June 2016 for three estate cars (one of the four estate cars allocated in 2010 had been taken out of service — see Note 28 to para. 3.4), 62 motorcycles and 69 saloon cars was conducted in September 2016. The third assessment covering the period July 2016 to May 2018 was conducted in June 2018. The number of vehicles covered by the third assessment was the same as that of the second assessment except for 10 of the 62 motorcycles which were retired from service during the period October 2016 to September 2017.*

charging of its battery (Note 30) and was damaged together with another electric motorcycle nearby. The fire incident raised concerns about the battery safety of the electric motorcycles. Investigations by the EMSTF and the manufacturer into the cause of the fire revealed that prolonged moisture ingress into the battery pack through the metal case caused corrosion and battery degradation, and eventually short-circuiting; and

- (c) ***Third assessment results.*** The findings were generally in line with those of the previous two assessments. The average mileage travelled by an electric saloon car and an electric motorcycle was 51 % and 67 % lower than their non-electric counterparts respectively. After the fire incident in July 2016 (see (b) above), Contractor E (see Table 5 in para. 3.6) replaced the two damaged motorcycles and agreed to replace the battery of 50 other motorcycles of the same type. The replacement work took around two years to complete during which the HKPF spent extra efforts on vehicle re-deployment. Moreover, there were also problems with the batteries of the electric saloon cars (see details in paras. 3.8 to 3.10).

Battery problems of electric saloon cars

3.8 ***Deteriorating battery performance.*** Since the third quarter of 2015, the EMSTF had found that the battery's state of health (SOH) of some electric saloon cars fell below 70% (Note 31). According to the contract terms, in the event of any defect in design, materials or workmanship in the vehicle being discovered during the warranty period, the contractor shall repair the defect and replace all defective components with new ones at no cost to the Government. Accordingly, the EMSTF requested Contractor D (see Table 5 in para. 3.6) to fix the battery problem

Note 30: *Another electric motorcycle also caught fire in mid-September 2018 while in use. By end of September 2018, the incident was still under investigation by the HKPF and the EMSTF.*

Note 31: *According to the EMSTF, the SOH of 70% indicated that the battery could only be charged to 70% of its original rated capacity after a complete full charge. A warning light in the dashboard would be activated when the SOH fell below 66% reminding the driver to return the vehicle for checking and arranging battery replacement if required. In line with the trade practice, the EMSTF used the SOH of 70% in its preventive maintenance to assess the health status of the battery of an electric vehicle.*

(Note 32). At that time, Contractor D managed to carry out battery replacement within a reasonable time (i.e. around one month). Meanwhile, the EMSTF continued to conduct SOH checks during the preventive maintenance of the electric saloon cars which was scheduled twice a year. Up to May 2018, the EMSTF had conducted SOH checks for all 68 electric saloon cars in service (Note 33) and found that 54 of them required battery replacement (Note 34).

3.9 Long time taken for battery replacement. In April 2017, the EMSTF found that the lead time for battery replacement was lengthened even after repeated reminders. At a meeting held among Contractor D, the GLD and the EMSTF in November 2017, Contractor D said that:

- (a) it could provide warranty extension for the electric saloon cars based on certain conditions and each case would be evaluated and handled individually before decisions were made;
- (b) replacement of the entire fleet was not possible as they had been used for four to five years. Courtesy vehicles (Note 35) would also not be provided because of unavailability of other electric vehicles in the market, and it was not possible to install warning lights and make other temporary modifications on the courtesy vehicles for police use; and
- (c) it had reviewed the logistics with the battery manufacturer which confirmed that the batteries could be supplied at a constant rate. However, due to limitation of storage of lithium car batteries (which were dangerous goods), it could only arrange the battery replacement at a rate of 10 units per month

Note 32: *According to the EMSTF, similar battery problems were also encountered in the electric saloon cars supplied by the contractor to other government user departments.*

Note 33: *One of the 69 electric saloon cars was damaged in a road accident in 2017.*

Note 34: *Of the 54 electric saloon cars requiring battery replacement, one was identified in the SOH check conducted by the EMSTF in 2015, 11 in 2016, 34 in 2017 and 8 in 2018 (up to May).*

Note 35: *Courtesy vehicles refer to those vehicles provided by the manufacturer or garage to car owners for temporary use while their vehicles are being maintained/repaired.*

starting from February 2018, and expected that the battery replacement work could be completed by mid-2018.

3.10 *Electric saloon cars pending battery replacement.* Subsequent to the meeting of November 2017, the GLD followed up the battery replacement progress with the EMSTF to ensure that the batteries were replaced as scheduled. The EMSTF in coordination with the HKPF continued to follow up with Contractor D. However, the battery replacement work was behind schedule due to deferment of the battery delivery (as some batteries were rejected because of quality problem). In January 2018, the GLD issued a letter reminding Contractor D of its duties under Contract D2 to repair any defect in design, materials or workmanship in the vehicles being discovered during the warranty period and to replace all defective components of the vehicles with brand new spare parts to the satisfaction of and at no cost to the Government. Up to May 2018, of the 54 electric saloon cars requiring battery replacement, only 30 (56%) had their batteries replaced. The remaining 24 (44%) were still pending battery replacement. As a result, the average waiting time for battery replacement of the 54 electric saloon cars was around 3 months per vehicle as at May 2018.

Areas for improvement

3.11 The long waiting time of the 54 electric saloon cars for battery replacement was unsatisfactory as the HKPF's deployment of vehicles was affected. As the authorised contractual authority of Contracts D1 and D2, the GLD needs to urge Contractor D to expedite action on completing the outstanding battery replacement work. In this connection, Audit noted that there were areas for improvement in the GLD's administration of the pertinent contracts:

- (a) *Need to step up monitoring of contractors' performance of their contractual duties.* According to the contract provisions: (i) Contractor D shall provide vehicle availability reports to the GLD until completion of the 3-year warranty period; (ii) in the event that a vehicle fails to meet the 95% availability due to warranty repair, the contractor shall provide for free an extended warranty period of six months for each failure of the availability threshold for all vehicles if the defect causing the failure is common to all vehicles; and (iii) the maximum aggregate extensions pursuant to multiple failures in respect of the vehicle shall be subject to a cap of 12 months for the vehicle. While Contractor D had not provided the required vehicle

availability reports, the GLD did not follow up the issue. In March 2017 and May 2018, the EMSTF provided the GLD with the raw data of warranty repair and vehicle availability records respectively. According to the EMSTF's information, 3 electric saloon cars under Contract D1 and 13 electric saloon cars under Contract D2 had failed to meet the 95% availability due to warranty repair (including battery replacement), indicating that the GLD could have claimed warranty extension for these vehicles. However, in the absence of any warranty extension claimed, the warranty of both individual vehicles and batteries under Contract D1 had expired by August and September 2015 (depending on the dates of their acceptance). On the advice of the EMSTF, the GLD refunded the relevant deposit to Contractor D in December 2015. Similarly, the warranties of vehicles and batteries under Contract D2 had expired from May to September 2016 and from May to September 2018 (Note 36) respectively. Of the 24 electric saloon cars pending battery replacement as at May 2018, 6 were covered by Contract D1 and 18 by Contract D2. In Audit's view, in light of the expiry of the warranty under Contracts D1 and D2, the GLD needs to take appropriate follow-up action to protect the Government's interest. There is also a need to step up monitoring of contractors' due performance of their contractual duties in future; and

- (b) *Need to improve the contract provisions for warranty repair.* According to the contract provisions: (i) during the warranty period, if any defect in design, materials or workmanship in the vehicles is not made good within 72 hours after the contractor has been notified of the problem, the Government may proceed to rectify the defects by repair or replacement, on its own or through a third party service provider; and (ii) all costs incurred by the Government arising from such repair or replacement shall be borne by Contractor D. However, these contract provisions cannot be invoked for repairs (such as the battery replacement of the electric saloon cars) which could only be provided by the manufacturer or its authorised dealer. The GLD needs to review and improve such contract provisions for better protecting the Government's interest in future.

Note 36: *Besides the 3-year warranty for vehicles in general similar to Contract D1, Contract D2 had an optional item which was accepted by Contractor D that the warranty for the car battery was five years. This five-year warranty was not extendable due to warranty repair.*

3.12 *Need to draw on experience gained from the use of electric vehicles in future procurement.* According to the policy direction announced by the Financial Secretary in 2011, subject to the availability of suitable models in the market and the operational needs of bureaux/departments, the Government would give priority to electric vehicles when replacing government vehicles (see para. 3.3). In light of various operational problems experienced by the HKPF in using the 131 electric vehicles (see paras. 3.7 to 3.10), the GLD needs to critically examine the availability of suitable environmental-friendly vehicles in the market that can fully meet the HKPF's operational needs when these electric vehicles are due for replacement.

Audit recommendations

3.13 **Audit has recommended that the Director of Government Logistics should:**

- (a) **urge Contractor D to expedite action on completing the outstanding battery replacement work for the electric saloon cars of the HKPF;**
- (b) **take appropriate follow-up action to protect the Government's interest in Contracts D1 and D2 (see para. 3.11(a)) and future similar procurement;**
- (c) **step up monitoring of contractors' due performance of their contractual duties in future (such as the submission of availability reports under Contracts D1 and D2);**
- (d) **review and improve the contract provisions for better protecting the Government's interest in case of contractors' default in carrying out warranty repair in a timely manner; and**
- (e) **critically examine the availability of suitable environmental-friendly vehicles in the market that can fully meet the HKPF's operational needs when the HKPF's electric vehicles are due for replacement.**

Response from the Government

3.14 The Director of Government Logistics generally agrees with the audit recommendations. She has said that:

- (a) the GLD had been urging Contractor D on the early replacement of batteries since November 2017 (see para. 3.10). According to the progress report provided by the EMSTF in August 2018, the remaining battery replacement work might not be completed until December 2018. The GLD had sent another letter to Contractor D in mid-September 2018 urging it to take all necessary actions to expedite the replacement exercise. As at September 2018, 14 electric saloon cars (1 under Contract D1 and 13 under Contract D2) were still pending battery replacement. The GLD will continue to closely monitor the progress and urge Contractor D to speed up the battery replacement work for the electric saloon cars of the HKPF;
- (b) for Contract D1, although the warranty for both the vehicles and batteries had expired, the GLD had urged and Contractor D had agreed to carry out the battery replacement work for vehicles at no cost to the Government. The GLD will continue to follow up the progress. For Contract D2, apart from closely monitoring the progress, the GLD will not release the contract deposit until the battery replacement program is completed and the EMSTF confirms that the performance of the replaced batteries is satisfactory;
- (c) the GLD has already stepped up the monitoring of contractors' performance. It has reminded contractors to provide the vehicle availability reports during the vehicle warranty period in accordance with the contract terms. The EMSTF has also enhanced its computer system to provide the GLD with the availability reports for verifying the reports provided by contractors;
- (d) the introduction of electric vehicles was new to the trade and the Government fleet. Given the experience of the long lead time needed to replace the batteries for the police saloon cars and that the batteries could only be provided by the manufacturer or its authorised dealer, the GLD has started a review on contract terms with the EMSTF. The review will ensure that the Government's interest can be better protected in case of contractors' default in carrying out warranty repair in a timely manner. In this respect, the GLD collected information in early September 2018 from potential

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suppliers of electric cars in the market on the lead time for the replacement of batteries; and

- (e) the GLD will continue to identify environmental-friendly vehicles to replace the HKPF's vehicles subject to the availability of suitable models in the market that can fully meet the HKPF's operational requirements.

Procurement of specialised vehicles

3.15 The HKPF's Transport Division has engaged the EMSTF in providing procurement service of specialised vehicles (see Note 27 to para. 3.2), including market research and preparation of tender documents. According to the SPRs, the EMSTF conducts tender exercise itself for procurement value not exceeding \$5 million and will seek the GLD's assistance in the tender process for procurement exceeding \$5 million.

3.16 Audit noted from the monthly progress report on procurement of specialised vehicles compiled by the HKPF's Transport Division for June 2018 that there were delays in procuring 152 specialised vehicles (137 units under 5 contracts and 15 units still in tender preparation stage) with funding approved on or before 2015-16. Audit selected a contract with delays in procuring 129 large vans for examination. The findings are shown in paragraphs 3.17 to 3.23.

3.17 ***Procurement contract of 129 large vans.*** In 2012, 2013 and 2014, the HKPF obtained funding to purchase 82, 54 and 66 (i.e. 202 in total) large vans respectively at an estimated total cost of \$150.3 million for various HKPF formations with different ancillary equipment requirements. After preparation of the tender documents for 129 of the 202 approved large vans (Note 37) by the EMSTF, the GLD arranged open tender in October 2015. In March 2016, the GLD awarded a contract (Contract F) for the supply of 129 large vans at a cost of \$69.3 million. According to the contract requirement, the 129 large vans should be delivered by two consignments, i.e. 66 and 63 by June and August 2017 respectively.

Note 37: *For the remaining 73 large vans, 71 had been procured under other contracts and only two had yet to be procured as at June 2018.*

3.18 ***Late delivery of large vans and quality problem of the delivered vans.*** In September 2017 (after expiry of the scheduled delivery date of August 2017), only 48 large vans had been delivered by the contractor. On account of the late delivery and defects identified in the delivered vans (i.e. water leakage from air-conditioning system and defects in electrical system), the EMSTF issued two warning letters to the contractor in September and November 2017. By December 2017, the EMSTF took delivery of 77 large vans and 52 were still outstanding. In late December 2017, the EMSTF, the GLD and the contractor held a meeting to review the status of eight vehicle procurement contracts awarded to the contractor, of which five had experienced delays in vehicle delivery (including Contract F with delay of some 200 days). The salient points of discussion are summarised below:

- (a) ***Late vehicle delivery.*** The contractor explained that the delay in delivering vehicles was mainly caused by bad weather problems, company's payment arrangement and poor coordination between the contractor and the overseas vehicle manufacturer/body builder. While the contractor agreed to provide revised delivery schedule after the meeting, the EMSTF reminded the contractor that the revised schedule should be realistic as it had repeatedly failed to achieve the committed schedules before; and
- (b) ***Quality problem of the delivered vehicles.*** The EMSTF said that many defects were found on both exterior and interior of the vehicles delivered. As the EMSTF had rejected many vehicles on repeated and common defects in different acceptance inspections, the contractor was required to conduct pre-delivery inspections in accordance with the contract requirement.

The EMSTF reminded the contractor at the meeting and in a subsequent letter of January 2018 that the Government reserved the right to execute the contract terms (including termination of the five overdue contracts) if there was no further improvement in contract performance and/or failure to deliver vehicles in a timely manner. According to the revised delivery schedule provided by the contractor in early January 2018, the 52 outstanding large police vans would be delivered in 4 batches, i.e. 17 in January 2018, 10 in February 2018, 13 in March 2018 and 12 in April 2018. Up to 18 September 2018, 124 (96% of 129) large police vans had been delivered under Contract F. The remaining 5 (4% of 129) large police vans were rejected by the EMSTF because of the quality issues identified in the site acceptance test.

3.19 ***Financial position of the contractor.*** In June 2018, the GLD received a letter from the legal representative of a creditor of the contractor's parent company drawing attention to its civil action against an outstanding debt. The GLD's subsequent checking with the Company Registry also revealed that the contractor had executed a floating charge in favour of another lender in April 2018. Since June 2018, the GLD in consultation with the DoJ had been taking actions to protect the Government's interest under the procurement contracts with the contractor (including Contract F). For example, in July 2018, upon the GLD's request, the contractor agreed to replace the floating charge by a new one which would not cover any vehicles and payment related to any government contract.

Areas for improvement

3.20 As shown in paragraphs 3.18 and 3.19, the repeated delays in vehicle delivery and quality problems of the delivered vehicles and more recently the financial position of the contractor have called into question its capability in the due performance of the government contracts (including Contract F). In Audit's view, the EMSTF and GLD need to take effective measures to ensure that the contractor completes the outstanding work in accordance with the contract requirements without further delay and draw lessons from this case, including the following:

- (a) ***Need to enhance site acceptance tests of specialised vehicles.*** According to the terms of Contract F: (i) upon delivery of a vehicle to the EMSTF's site, the contractor shall, at its own expense and in the presence of the Government representative, submit such vehicle to inspection and/or testing as prescribed by the Government (i.e. site acceptance tests) for a period of not more than five working days to ensure that the relevant vehicle complies with the contract requirements; and (ii) if the vehicle fails in the site acceptance tests, the Government may direct the contractor to carry out repairs, modification or replacement. Audit noted that there were reported cases of defective retractable side steps of the mid-loading doors (which were built by the contractor to suit specific operational needs of the HKPF) and cracks on front bumpers shortly after some vehicles had been put into use (e.g. 39 days for the first repair case of defective retractable side step and 8 months for the first repair case of the bumper crack). According to the EMSTF, the cracks on the front bumpers were caused by the contractor's improper method of mounting the HKPF's sign plate. After re-inspection, 124 delivered vehicles (see para. 3.18) were found requiring retrofit work. Up to 9 October 2018, the contractor completed retrofit of

retractable side steps for 124 vans and sign plates (and cracked bumpers where necessary) for 29 vans. In Audit's view, the EMSTF needs to enhance site acceptance test of similar installations of delivered vehicles in future;

- (b) ***Need to strengthen payment control.*** According to the payment terms of Contract F: (a) 30% of the contract price of an order of vehicles shall be payable upon notification by the contractor to the Government that the delivery of chassis for the vehicles has been completed and inspected; and (b) 70% of the price of each vehicle after the contractor has delivered the vehicle and provided all necessary documents (e.g. test certificates and operation manuals) and training courses (three on operation and another three on maintenance). However, the EMSTF made full payment totalling \$7.3 million for the first 14 delivered vans (after netting off liquidated damages for 6 of the 14 vans with delay in delivery in accordance with the contract terms) on 16 August 2017 when the training requirements were only partially fulfilled, i.e. the contractor only provided one operation training course on 27 July 2017. Up to May 2018, the EMSTF made payments totalling \$40 million for 81 delivered vans when the contractor had provided all three training courses on operation, but only one training course on maintenance on 25 August 2017. To prevent recurrence of similar problems, the EMSTF needs to strengthen the payment control in future; and
- (c) ***Need for adequate assurance of contractor's capability of due performance of multiple government contracts awarded.*** In accordance with SPR 362, the contractor was required to pay a 2% deposit as security for the due performance of Contract F. No financial vetting of the contractor was conducted as such requirement only applied to a service contract exceeding \$15 million or a stores contract which also requires the provision of service exceeding \$15 million under SPR 370(b)(i). However, Audit noted that from August 2015 to February 2017, the contractor was awarded eight government vehicle procurement contracts (including Contract F) for the supply of 145 vehicles for five user departments at a total sum of \$96.2 million. Given the large sum of public funds involved and the importance of timely vehicle delivery to meet various user departments' needs, it would have been prudent to obtain adequate assurance of the contractor's capability of due performance of the multiple contracts awarded (such as conducting financial vetting and/or increasing

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the amount of contract deposit). In Audit's view, the GLD needs to make improvement in this regard.

3.21 ***Funding arrangement for police specialised vehicles.*** Police specialised vehicles with unit cost within \$10 million (\$2 million prior to 1 April 2016) are funded by a capital account block vote subhead 695 of the GRA (Note 38). As a block vote supports multiple procurement contracts, there may be underspending at the year end because of delays beyond the Government's control or lead time required for the purchase. The FC has therefore approved a standard limit of over-commitment for all block votes at 50% of the approved provision so that when there are delays in some contracts, the available fund in a year can be flexibly used by expediting other contracts in the pipeline. When the block vote subhead 695 was created (Note 39) in January 2010, the HKPF considered such over-commitment arrangement inadequate for the uncertainties in procuring police specialised vehicles and made an alternative arrangement with EMSTF in December 2010 as follows:

- (a) funding for subhead 695 would be recognised and recorded as commitment and expenditure in the year when the HKPF had completed and formally passed the user specifications to the EMSTF and instructed it to go ahead with the tendering exercise; and
- (b) the EMSTF would be responsible for the timely and effective tendering process to procure the vehicles as soon as possible and it would charge the HKPF for the estimated sum for the tender within the financial year.

The FSTB was informed of the above arrangement by the HKPF in December 2010. Under the agreed arrangement, when the HKPF passed the user specifications of vehicles to the EMSTF for market research and tendering, the related funds would be transferred to the EMSTF in the related financial year. The transferred funds would be placed in the EMSTF's deposit account for subsequent payments to contractors.

Note 38: *For vehicles costing over \$10 million each (\$2 million prior to 1 April 2016), they are funded as separate items under subhead 603 of the GRA.*

Note 39: *Before creation of the block vote subhead 695 Police specialised vehicles with unit cost within \$2 million had been charged to another block vote subhead 661 Minor plant, vehicles and equipment of the GRA.*

3.22 *Unspent balance of completed procurement contracts under subhead 695.*

From 2010-11 to 2017-18, a total of \$723.1 million under subhead 695 for vehicle procurement was transferred to the EMSTF's deposit account. In April 2016, the EMSTF informed the HKPF that it would refund the unspent balance of completed procurement contracts to the HKPF. However, the HKPF disagreed with the proposed refund and suggested observing the funding approval pattern in 2016. In case partial funding was approved for the HKPF's bid, the unspent balance would be used up in a few years and hence the refund was undesirable. In July 2018, in response to the EMSTF's similar suggestion of returning the unspent balance, the HKPF maintained that all unspent balance would be kept in the deposit account for meeting future funding shortage in vehicle procurement as the proposed refund would create unnecessary hurdles in vehicle procurement (e.g. insufficient funding and delay in procurement). As of March 2018, the EMSTF had settled all the final payments for 8 completed procurement contracts funded under subhead 695 from 2010-11 to 2017-18, leaving an unspent balance of \$29.7 million in the EMSTF's deposit account.

3.23 *Need to return unspent balance of completed procurement contracts.*

According to Financial and Accounting Regulation 320, where Controlling Officers have reason to believe that funds surplus to requirements exist under a subhead, they shall immediately inform the FSTB so that the excess may be reserved. However, Audit noted that the HKPF had not reported to the FSTB the unspent balance of completed procurement contracts after having been informed of such by the EMSTF in 2016 and 2018 (similar to the audit findings in para. 2.8). In response to Audit's enquiry, the HKPF in September 2018 said that the funding arrangement for police specialised vehicles (see para. 3.21) did not mention the handling of unspent balance of completed procurement contracts. In this connection, Audit made enquiry with the FSTB in August 2018 which confirmed that the unspent balance of completed procurement contracts under subhead 695 should be returned to the Government as recovery of payment in accordance with Financial and Accounting Regulation 550. Accordingly, the HKPF returned the unspent balance of \$29.7 million to the Government in early October 2018. In Audit's view, the HKPF needs to ensure compliance with the Financial and Accounting Regulation 550 requirement in future and return any unspent balance of completed specialised vehicles procurement contracts funded under subhead 695 to the Government.

Audit recommendations

3.24 Audit has *recommended* that the Director of Electrical and Mechanical Services should:

- (a) in conjunction with the Director of Government Logistics, take effective measures to ensure that the contractor completes the outstanding work under Contract F in accordance with the contract requirements without further delay;**
- (b) enhance site acceptance tests of delivered specialised vehicles; and**
- (c) strengthen control over contract payment in future procurement of vehicles.**

3.25 Audit has also *recommended* that:

- (a) the Director of Government Logistics should obtain adequate assurance of a contractor's capability of due performance of multiple contracts awarded; and**
- (b) the Commissioner of Police should ensure compliance with the Financial and Accounting Regulation 550 requirement in future and return any unspent balance of completed specialised vehicles procurement contracts funded under subhead 695 to the Government.**

Response from the Government

3.26 The Director of Electrical and Mechanical Services agrees with the audit recommendations in paragraph 3.24.

3.27 The Director of Government Logistics generally agrees with the audit recommendation in paragraph 3.25(a). She has said that:

- (a) from a risk management perspective, bureaux/departments should make a comprehensive risk assessment, monitor contractors' performance effectively, and draw up contingency plans as appropriate;
- (b) the GLD has already kept records of contractors' performance evaluation made by bureaux/departments in the Procurement and Contract Management System database. Bureaux/departments should consider the relevant past performance records of a contractor, as appropriate, to reduce risks of default. The GLD has requested and would continue to request bureaux/departments to take measures to monitor closely the performance of contractors. Subject to bureaux/departments' comments, the GLD has incorporated/would incorporate appropriate contract terms to protect the Government's interest, such as a higher contract deposit, provision of advance payment bond for milestone payment and devising appropriate payment schedule for accepted deliverables at different contract milestones; and
- (c) under the existing procurement practice, Controlling Officers may impose a higher contract deposit for high value, mission-critical, emergency-related or health-related contracts; or contracts with high concentration risks after conducting a risk assessment, if they are satisfied that a deviation from the stipulated percentage in the SPRs is justified. To protect the interest of the Government, bureaux/departments may also include in the payment schedule a right for the Government to hold back a certain sum as retention money which will not be released to the contractor upon completion of the contract until the Government is fully satisfied, after a period of time with the goods delivered, in accordance with the SPRs.

3.28 The Commissioner of Police agrees with the audit recommendation in paragraph 3.25(b).

PART 4: PROCUREMENT OF OTHER OPERATIONAL EQUIPMENT

4.1 This PART examines the procurement of other operational equipment by the HKPF.

Government procurement policy and principles

4.2 According to the FSTB, the policy objectives of government procurement are to achieve best value for money, and maintain open and fair competition. The FSTB has laid down the principles in the SPRs for guiding Controlling Officers in conducting procurement exercises:

- (a) ***Promoting fair, competitive and open bidding.*** Competition is a reliable safeguard against bidders overcharging and holding the Government to ransom. Controlling Officers should promote competition by encouraging participation through fair and competitive procurement procedures and practices. Requirements, tender specifications and marking schemes should be drawn up in an objective manner, providing a level playing field for all to compete on an equal footing. Over-specification should be avoided. For procurements with limited competition in past exercises, Controlling Officers should explore measures to enhance competition and satisfy themselves that the tendering or consultants selection strategy to attract new bidders is effective. As far as practicable, open bidding should be adopted. Single/restricted tendering or direct appointment of consultants should be the exception and must be properly justified to the satisfaction of the relevant approving authority;
- (b) ***Securing value for money.*** Value for money embraces considerations for the economy, effectiveness and efficiency in the delivery of public service. Whilst quality is important for the procurement of certain stores and services, Controlling Officers should ensure that public funds are well spent;
- (c) ***Instituting a system of checks and balances.*** Within the departmental procurement system, there should be institutional safeguards designed with

adequate checks and balances as well as clear segregation of roles and duties; and

- (d) ***Following due process and ensuring documentation of justifications and decisions.*** Procurement decisions are subject to review by the relevant authorities. Controlling Officers should ensure that their decisions are properly justified and documented. For those procurements covered by the Agreement on Government Procurement of the World Trade Organization (Note 40), Controlling Officers shall observe the provisions therein.

4.3 ***Audit examination.*** With a view to identifying areas for improvement in the application of the procurement policy and principles laid down in the SPRs, Audit examined 10 of the 42 procurement exercises of other operational equipment by tenders from 2012-13 to 2016-17 and found areas for improvement in the following cases:

- (a) procurement of vehicle-mounted electronic counter measures system (ECMS) (paras. 4.4 to 4.11);
- (b) procurement of tactical suits (paras. 4.12 to 4.19);
- (c) procurement of combat boots and repair service (paras. 4.20 to 4.26); and
- (d) procurement of body-worn video cameras (paras. 4.27 to 4.35).

Note 40: *The Agreement applies to procurement contracts of goods and specified services of all government bureaux/departments with a value of not less than 130,000 Special Drawing Rights (equivalent to \$1.4 million for the period 1 January 2018 to 31 December 2019).*

Procurement of vehicle-mounted electronic counter measures system

4.4 In 2006-07, the Explosive Ordnance Disposal Bureau (EODB) under the Operations Wing obtained funding of \$6.2 million (Note 41) for the replacement of the aged ECMS (Note 42) which was procured in 1997 and could no longer be upgraded to meet modern threats. In the event, the new ECMS was procured in 2014 after conducting four tender exercises (see paras. 4.5 to 4.10).

4.5 *First restricted tender in 2008.* The EODB had identified the need for replacement of the ECMS before 2005 and conducted market research accordingly. In 2007, the EODB first approached the DoJ on the conduct of restricted tender for the procurement of the ECMS as this was a highly sensitive and confidential equipment involving application of new technology at that time with a number of countries requiring export licence/permission for sale. In response to the DoJ's enquiries, the EODB reiterated that open tender would result in disclosure of sensitive information with security concerns. In February 2008, the EODB noted that the procurement of the ECMS could be conducted through restricted tender. In May 2008, the GLD (see Note 3 to Table 3 in para. 1.10) invited four suppliers (Note 43) to tender for the supply of the ECMS. However, no bid was received upon close of tender in August 2008 and according to the HKPF, this was due to potential tenderers' failure to obtain export licence/permission from their respective governments. In November 2008, the tender exercise was cancelled and the GLD advised the HKPF to review and revise the tender terms and specifications with reference to the latest market information for re-tendering action.

4.6 *Second restricted tender in 2010.* After reviewing the tender specifications, the HKPF consulted the DoJ in March 2009 on conducting another restricted tender for the supply of the ECMS. From December 2008 to May 2010, the HKPF further refined the tender specifications in light of the GLD's comments.

Note 41: *The amount of funding was based on the market research conducted in 2004-05 and the experience in dealing with electronic counter measures equipment of the EODB.*

Note 42: *An ECMS is a mission critical equipment primarily used for disruption of a radio-control bomb.*

Note 43: *The suppliers were determined by the HKPF based on its market research.*

In June 2010, based on information provided by the HKPF, the GLD invited four suppliers (Note 44) to tender for the supply of the ECMS. By the close of tender in September 2010, only one tender was received.

4.7 Cancellation of the second tender exercise in 2011. After tender assessment, the EODB found that the tender complied in every respect with the tender requirements. However, the tender price far exceeded the approved funding of \$6.2 million (by 139%). In October 2010, the HKPF informed Audit that based on its contact with potential tenderers which had not submitted any bid in the 2010 tender exercise, there was no large price fluctuation during that period but the failure of obtaining the necessary export licence/permission remained. With the assistance of the GLD in obtaining a cost breakdown from the tenderer and experts from another HKPF formation in conducting a market research, the EODB assessed the reasonableness of the tender price and considered that the tender price was excessive. In December 2010, the EODB informed the GLD that additional fund was not available to cover the price offered by the conforming tenderer. With the approval of the GLD Tender Board (see Table 3 in para. 1.10), the second tender exercise was cancelled in February 2011. To avoid nugatory tendering work and public expenditure, the GLD Tender Board advised the HKPF to conduct fresh market research to update the pre-tender estimate of the ECMS and ascertain the availability of funds before mounting a new tender exercise.

4.8 Third tender exercise in 2012. Having regard to the then prevailing market price and after a critical re-assessment of the specifications, the EODB noted that the estimated project cost could be revised to \$10 million by reducing some less essential requirements in light of technological advances. With the HKPF senior management's endorsement of increasing the estimated project cost of the ECMS to \$10 million in June 2011, the EODB (upon the request of the HKPF's Financial Controller) proceeded with tender arrangement to ascertain the actual cost before formally putting up a funding request to the FSTB. In February 2012, in response to the GLD's enquiry on how the EODB had arrived at the estimated project cost of \$10 million which appeared not in line with the market situation reflected in the second tender exercise (with the tender offer exceeding \$10 million — see para. 4.7), the EODB said that:

Note 44: *Only one of the four suppliers was invited for in both the 2008 and 2010 tender exercises. The other three suppliers were only invited in the 2010 tender exercise.*

Procurement of other operational equipment

- (a) the estimated project cost of ECMS was revised to \$10 million by reducing some less essential requirements and allowing a wider range of equipment options in the tender; and
- (b) the tender price was also expected to decrease by adopting open tendering to increase competition.

In October 2018, the HKPF informed Audit that: (i) the third tender exercise in May 2012 was conducted four years after the first exercise; and (ii) the then prevailing market situation and increasing availability of the technology in the open market had led to lower prices and no longer called for the need of restricted tendering. In May 2012, the GLD arranged an open invitation to tender for the supply of ECMS. By close of tender in August 2012, three tenders were received.

4.9 ***Cancellation of the third tender exercise in 2013.*** After tender assessment in September 2012, there were only two conforming tenders. The EODB found that the tender price of one conforming tender exceeded (by 40.14%) the estimated project cost of \$10 million while that of another conforming tender was unreasonably low (99.95% below the estimated project cost). In October 2012, in response to the GLD's request for confirming its capability in performing the contract at its tendered price, the tenderer with a lower bid withdrew its offer due to an error in its tender price. In mid-January 2013, the GLD requested the tenderer with a higher bid to review its offered price. However, the reviewed price still exceeded the estimated project cost (by 33.91%). With the approval of the GLD Tender Board, the third tender exercise was cancelled in late January 2013.

4.10 ***Fourth tender exercise in 2013.*** After three unsuccessful tender exercises, the HKPF further reviewed the essential requirements and relaxed some less essential ones taking into account the latest technological advances. In October 2018, the HKPF informed Audit that by 2013, with the increasing demands for electronic counter measures technology worldwide and rapid advances in that technology, there were more suppliers in the world market that could meet the previously stringent requirements. In May 2013, the GLD arranged an open invitation to tender for the supply of ECMS. By close of tender in June 2013, two tenders were received. After tender assessment, there was only one conforming tender. In September 2013, the FSTB approved the increase of project funding from \$6.2 million to \$9.8 million. In November 2013, the GLD awarded a contract for the supply of ECMS to the

conforming tenderer at a contract sum of about \$9.32 million. In October 2014, the HKPF accepted delivery of the ECMS.

Areas for improvement

4.11 According to the EODB, the ECMS is a mission critical equipment. It is unsatisfactory that some eight years were taken to procure the system (from initial funding approval in 2006-07 to system delivery in 2014). The lengthy procurement process, in particular the repeated cancellation of tender exercises has resulted in delays in meeting the operational needs and nugatory tendering work. According to SPR 126(a), for procurements with limited competition in past exercises, Controlling Officers should explore measures to enhance competition and satisfy themselves that the tendering strategy to attract new bidders is effective. In this connection, Audit noted that there were areas for improvement in adjusting the HKPF's tendering strategy after failing to select a suitable tenderer, as follows:

- (a) ***Need to use open tender as far as practicable.*** For the first tender exercise in 2008, the HKPF used restricted tendering due to concern over disclosure of sensitive information in open tender. While no bid was received for the first tender exercise, the HKPF continued to use restricted tendering for the second tender exercise in 2010. It was not until the cancellation of the second tender exercise in 2011 that the HKPF re-assessed the open tendering option which turned out to be feasible by redrafting the tender specifications for open tendering in the subsequent tender exercise without compromising security requirements. The increase in number of bids received from one in the second tender exercise to three in the third tender exercise showed that open tendering could attract more responsive tenders. Audit notes the HKPF's view that: (i) there had been changes in circumstances, i.e. during the initial stage of the project, electronic counter measures technology was a very sensitive topic and there were difficulties in obtaining export licence/permission; and (ii) as the technology subsequently became more open and popular, there were more suppliers in the market that could meet the HKPF's stringent requirements and the third tender was changed to an open one (see para. 4.8). However, the limited number of suppliers and the difficulties in obtaining export licence/permission in the initial stage of the project should not preclude the use of open tender which in fact could help reach out to more potential suppliers. Audit understands the EODB's concern over disclosure of sensitive information in open tender. In Audit's view, the HKPF should

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use open tender as far as practicable, when the security concern can be addressed (such as by redrafting the tender specifications for open tendering in the third tender exercise);

- (b) *Need to update pre-tender estimate.* The second tender exercise was held in June 2010, some 18 months after cancellation of the first tender exercise in November 2008. As the approved funding of \$6.2 million in 2006-07 was based on the pre-tender estimate prepared in 2004-05 (see Note 41 to para. 4.4), the HKPF should have ensured that the pre-tender estimate was up-to-date and adequate funding provision was available before launching a new tender in 2010; and
- (c) *Need to adopt a more flexible tender approach for less essential requirements.* After cancellation of two tender exercises, the HKPF made efforts to obtain more responsive and competitive tenders in the third tender exercise by adopting open tendering, relaxing some less essential requirements and increasing the estimated project cost to \$10 million. However, the tender price obtained still exceeded the estimated project cost. With further relaxation of the less essential requirements and the availability of more suppliers in the market due to technological advances (see para. 4.10), a suitable tenderer within the estimated project cost was selected in the fourth tender exercise. To prevent recurrence of similar problems, there is a need to adopt a more flexible tender approach for the less essential requirements which would not compromise operational capability. This can be done by specifying the less essential requirements as desirable items instead of mandatory requirements so that tenderers can choose whether or not to cover them in their tender prices. Such approach has been adopted in the procurement of HKPF vehicles and ICT systems.

Procurement of tactical suits

4.12 Tactical suits were first introduced by the HKPF in early 1990s to protect police officers from attacks during execution of their duties. In early 2016, the Police Tactical Unit (PTU) under the Operations Wing was tasked to conduct market research on the new tactical suits to replace the old ones which were considered heavy, rigid and difficult to wear.

4.13 ***Trials.*** In the second quarter of 2016, the PTU sourced five tactical suits from different suppliers for testing their overall protection, comfort and mobility after wearing. After its trial, the PTU identified one tactical suit with Material X (Note 45) as a suitable replacement for the old tactical suits. Favourable comments were also received after trials of the identified suit by other formations. In September and November 2016, the SMD procured by single quotations from the sole agent 2 batches of the tactical suits at a total cost of \$1.37 million which were delivered in September 2016 and February 2017 respectively for further trial. According to the HKPF, the trial results were positive.

4.14 ***Market research.*** In December 2016, the HKPF approved the replacement of the old tactical suits by the newly identified tactical suits at an estimated cost of \$48 million. In the same month, the PTU invited some 60 suppliers on the HKPF's supplier list to provide information (but not including price) on their products which could fulfil the HKPF's requirements. Of the six responses received, three potential suppliers indicated confidence in meeting the HKPF's requirements. However, the responding suppliers only provided catalogues and general specifications of their products without any price information. To prepare for the tendering exercise, the PTU also conducted a research of three different materials commonly used for manufacturing personal protective equipment (see para. 4.16(a)). Based on the positive feedback during trials (see para. 4.13) and findings of the above market researches, the PTU concluded that one of the materials (i.e. Material X) was the most suitable material in terms of different aspects.

4.15 ***Procurement of tactical suits in 2017.*** To meet the operational need for the 20th Anniversary of the establishment of the HKSAR in July 2017, the HKPF decided to procure a batch of tactical suits by open tendering. In January 2017, the PTU prepared the user requirements and technical specifications for the tender based on the information obtained from its market research, operational needs and experience. In view of the tight time frame, the Operations Wing obtained the Force Tender Committee's (see Table 3 in para. 1.10) approval in January 2017 to waive the HKPF's internal requirement of tender document clearance by the DoJ before tender invitation in early February 2017.

Note 45: *Upon the Security Bureau's advice, the material name and other details are not disclosed in order to minimise the risk of compromising the HKPF's operational capability.*

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4.16 ***Tender recommendation.*** By the close of tender in mid-March 2017, seven tenders (with one tenderer submitting two offers) were received. After assessments by the HKPF's Tender Assessment Panel, there was only one conforming offer. In late March 2017, the Operations Wing submitted a tender report to the Force Tender Committee recommending acceptance of the conforming offer. Among others, the PTU justified the recommendation in the tender report as follows:

- (a) at the early stage of preparing the tender, the PTU conducted a research of three materials commonly used for manufacturing personal protective equipment. In response to the causing factors of injury cases, the research focused on the specific properties of these materials in providing protection for police officers. It was concluded that Material X was the only suitable material in view of its capabilities of resisting physical impact and stabbing by sharp object; and
- (b) apart from materials, the design of cushioning effect against physical impact, the weight and number of pieces of a full suit were also taken into account. The PTU conducted tests with reference to the technical specifications on the eight samples provided by the seven tenderers to project the assurance of the overall protection of the tactical suits. The recommended tender was the only offer complying with all the procedural and essential requirements in the tender document.

4.17 ***The Force Tender Committee's observations.*** In late March 2017 (after the close of tender), one Force Tender Committee member from the SMD, in preparing a report to the Committee for deliberation, asked the PTU to confirm if the tender specifications were prepared in accordance with SPR 350 which states that: (i) departments should guard against over-prescribing requirements which may favour incumbent, inhibiting competition and leading to over-reliance on a single contractor; and (ii) there shall be no requirement for a particular trade name, design or type or supplier without the words "or equivalent" included in the tender documents. In response, the PTU said that the specifications were prepared based on operational needs and experience, and could meet the government principle of maintaining open and fair competition. At its meeting held in April 2017, the Force Tender Committee approved the acceptance of the only conforming tender at a contract sum of \$4.64 million. However, the Force Tender Committee also advised the Operations Wing of its observations, as follows:

- (a) the Operations Wing's market research only gathered catalogues and general specifications from the suppliers (see para. 4.14). While three potential suppliers indicated confidence in meeting the HKPF's requirements, it turned out that there was only one conforming offer. The Operations Wing could have conducted a more thorough market research to obtain prices of tactical suits with specifications similar to the HKPF's requirements. In order to obtain competitive tenders, the Operations Wing should consider critically reviewing the technical specifications with reference to the result of this tender exercise; and
- (b) it was noted that the Operations Wing specified Material X in technical specifications for the manufacture of the required tactical suits. The Operations Wing should consider using descriptions such as "Material X or equivalent" instead of specifying a particular material in describing its requirements.

In June 2017, the HKPF took delivery of the tactical suits. In August 2018, the HKPF promulgated the Force Tender Committee's above observations for reference by all members of the HKPF.

4.18 ***Preparation for another procurement exercise.*** In August 2017, in light of the Force Tender Committee's advice, the PTU commissioned a local university to assess which of the three common materials for manufacturing personal protective equipment could offer the best protection. According to the assessment report which was based on the published physical properties of these three materials, Material X was the most suitable material for personal protective equipment. In April 2018, the HKPF conducted another tender exercise for the supply of tactical suits. As at the end of audit fieldwork in August 2018, tender evaluation was in progress.

Areas for improvement

4.19 Besides the observations of the Force Tender Committee (see para. 4.17), Audit noted that there were other areas for improvement in the HKPF's tender arrangements of the procurement of tactical suits in 2017, as follows:

- (a) ***Need to seek early clarification with users on tender specifications.*** In approving the waiving of the requirement of tender document clearance by the DoJ in January 2017, the Force Tender Committee said that it trusted

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the professionalism of the SMD and that the DoJ's advice could be sought when there was any problem. Based on the tender specifications provided by the PTU in December 2016, the SMD prepared the tender documents in January 2017, during which time the SMD did not raise any question on the tender specifications relating to their compliance with the SPRs. However, in late March 2017 (after the close of tender), the SMD member of the Force Tender Committee asked the PTU to confirm if the tender specifications were prepared in accordance with the SPR 350 requirement (see para. 4.17). In response, the PTU said that the specifications were prepared based on operational needs and experience, and could meet the government principle of maintaining open and fair competition. In Audit's view, the SMD needs to seek early clarifications with users on matters concerning the compliance of tender specifications with the SPRs before invitation of tenders; and

- (b) *Need to prepare strong justifications for using material specifications in a timely manner.* The Operations Wing specified Material X in the technical specifications for the manufacture of the required tactical suits. According to Appendix III(F) of the SPRs, the use of material specifications might limit innovative solutions or new technologies or products which tenderers might be able to offer, and restrict competition. In preparing tender specifications, departments should use functional and performance specifications, supplementing them by a material or technical specification only if absolutely necessary. While the PTU had conducted its own research to show that Material X was the most suitable material in terms of different aspects (see para. 4.14), it was not until August 2017 (after award of the contract) that the PTU commissioned a local university to confirm the suitability of using Material X for the tactical suits (see para. 4.18). In Audit's view, there is a need to remind procuring staff to prepare strong justifications for using material specifications in a timely manner (see para. 4.2 (d)).

Procurement of combat boots and repair service

4.20 *Combat boots replacement exercise.* Combat boots are used by police officers in carrying out their law enforcement duties. In January 2008, it was decided to phase out the old combat boots, which had been used for over 20 years, by a model which met all international safety standards and with better protection. The

replacement programme was approved by the Security Bureau. The HKPF estimated that it would take 4 years to replace the boots by new ones.

4.21 ***Sole detachment problem.*** In November 2012 and August 2013, the SMD received staff complaints that rubber soles of some combat boots peeled off easily. After investigation by the boot supplier, it was found that the adhesive of the defective boots which were manufactured in 2009 and 2010 had aged because of long time storage (Note 46). To ensure the quality of some 3,923 pairs of combat boots still in stock, the Financial Controller of the HKPF approved in March 2014 inviting the supplier by single quotation to provide repair service by two stages:

- (a) initially for 2,918 pairs of boots to meet the consumption need for the next 12 months so as to avoid the recurrence of sole detachment problems due to prolonged storage; and
- (b) for the remaining 1,005 pairs of boots if the quality of the repair was found to be satisfactory.

4.22 ***Repair services in 2014 and 2015.*** In April 2014, the HKPF awarded a contract to the supplier for repairing the 2,918 pairs of combat boots at a total cost of \$1.4 million. According to the correspondence between the SMD and the supplier before the award of contract in April 2014, the repair service consisted of peeling off the outsoles, adhering and fixing the outsoles to the boots. In June 2014, all the repaired combat boots were delivered to the HKPF. In August 2014, the HKPF informed the supplier that the outsole of one pair of repaired boots peeled off again. After fixing the problem by the supplier, there was no further report of sole detachment problem. In August 2015, the HKPF awarded another contract to the supplier for repairing 1,005 pairs of combat boots at a total cost of \$0.6 million. In December 2015, all the repaired combat boots were delivered to the HKPF. According to the contracts, the supplier provided a warranty against faulty workmanship and faulty materials for a period of at least twelve months.

4.23 ***Recurrence of sole detachment problem.*** In mid-2016, a user formation reported that some repaired combat boots experienced sole detachment. The number

Note 46: *In 2016, the supplier advised the HKPF that the boots had a shelf life of 3 years from delivery date.*

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of reported defective boots increased from 40 in October 2016 to 64 in November 2016 and all of them were repaired in 2014. From September to October 2016, the HKPF held several meetings with the supplier to discuss the issue. The HKPF was informed by the supplier at these meetings that during the repair process in 2014, some 200 pairs of boots were found intact in which the outsoles could not be detached for repair purpose. In order not to damage the boots, machine stitching around the forefoot parts was used to reinforce the sole bond strength instead. As a remedial measure, the supplier proposed to provide additional stitch to 599 pairs of the 2014 repaired boots in the HKPF's stock. However, the HKPF rejected the proposed remedial measure having regard to an expert's advice that when the adhesion of the boots had decayed, adding stitches to the soles was not recommended as the thread would quickly deteriorate in wear. As for the 2015 repaired boots, the supplier arranged laboratory tests of 15 random samples in November 2016 and all of them passed the required tests.

4.24 ***Negotiation.*** In November 2016, the supplier offered to: (i) replace 300 pairs of the 2014 repaired boots by new ones without admitting liability nor performing consignment tests; or (ii) repair the 599 pairs of boots again at its cost using the outsole detachment and replacement method, and then conduct laboratory testing of 15 samples to prove the bond strength. In December 2016, the HKPF informed the supplier that both options were not acceptable because:

- (a) during the course of 2014 repair, the outsoles of the boots had been detached and replaced. Further detachment under the repair option would damage the structure of the boots and make them less durable; and
- (b) as the repair method used was ineffective and had caused the sole detachment problem which would pose a high risk to users, the supplier should replace all 599 pairs of boots and provide a consignment test report to ensure that they would be safe to wear.

In its reply of December 2016, the supplier said that: (1) its proposed repair method was effective as shown by the laboratory test results of 15 samples of the 2015 repaired boots (see para. 4.23); and (2) while the HKPF's request for replacing 599 pairs of boots together with a consignment test report was not supported by the contract terms, the supplier made an offer to replace 300 pairs of boots out of goodwill.

4.25 After consulting the DoJ, in May 2017, the HKPF noted that there was no contractual provision to claim replacement for the 599 pairs of repaired boots because: (a) the required repair method was not stipulated in the contract; (b) the act of paying the supplier indicated that the repaired boots had been accepted by the HKPF; (c) negotiations with the supplier regarding the sole detachments of the boots did not commence until September 2016 when the 12-month warranty period for the repair service of the boots had already lapsed; and (d) the contract document had not incorporated the standard terms and conditions for tendering of government services issued by the GLD which provide that a contractor shall indemnify the Government against any injury to any government employees arising out of the negligence of the contractor. In the event, the HKPF accepted the supplier's offer of replacing 300 pairs of repaired boots with new ones. To address the occupational and safety concern of police officers, the HKPF disposed of the remaining 299 (599 less 300) pairs of repaired boots in August 2017.

Areas for improvement

4.26 Combat boots are used by police officers in carrying out their law enforcement duties. It was unsatisfactory that some 3,923 pairs of new combat boots procured at a total cost of \$2.92 million had to be repaired at a cost of \$2 million due to prolonged storage (see (b) below) and that the sole detachment problem still occurred in 64 pairs of repaired boots (see paras. 4.22 and 4.23). In Audit's view, the HKPF needs to take measures to prevent recurrence of similar problems, including the following:

- (a) ***Need to improve the contract provision.*** In light of the difficulties to claim replacement of the 599 pairs of repaired boots (see para. 4.24), the HKPF needs to improve the preparation of contract documents to ensure that all essential requirements (such as the required quality of the repair service in this case) are properly incorporated in future. There is also a need to include key provisions to protect the Government's interest (such as those requiring a contractor to indemnify the Government against any injury to any government employees arising out of the negligence of the contractor); and
- (b) ***Need to improve stock management to prevent prolonged storage.*** In examining the circumstances leading to the prolonged storage of combat boots, Audit found that there was room for improvement in the HKPF's stock management. In 2008, the HKPF obtained the Security Bureau's

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approval to phase out the old combat boots which had been used for over 20 years and did not meet all international safety standards. Having regard to the stock level of 2,029 pairs of boots in February 2008 and its estimate that the stock could only last for 10 months, the HKPF conducted 5 procurement exercises from 2008 to 2012 for the supply of a total of 16,960 pairs of new boots. According to the HKPF's records, as at 31 March 2014 (the date of approval of the repair service by the Financial Controller — see para. 4.21), there were 4,199 pairs of new boots in stock, i.e. 12,761 of the 16,960 pairs of procured boots had been issued. As shown in Table 6, the fact that 924 pairs of boots of the last procurement exercise had been issued to police officers while 3,923 pairs of boots purchased in the preceding four procurement exercises were still in stock as at March 2014, suggested that the first-in-first-out method for managing stock had not been adopted to prevent prolonged storage of boots with a shelf life of 3 years after delivery (see Note 46 to para. 4.21). The HKPF needs to make improvement in this regard.

Table 6

**Procurement and issue of new combat boots
(2008 to December 2013)**

Tender/ quotation issue date	Delivery date	Boots procured (Pair) (a)	Boots issued (Pair) (b)	Boots in stock as at 31 March 2014 (Pair) (a) - (b)
April 2008	August 2008	660	11,837	3,923
May 2008	February to May 2009	6,600		
August 2009	April 2010	1,900		
January 2010	September 2010 to March 2011	6,600		
November 2012	January to December 2013	1,200	924	276
Total		16,960	12,761	4,199

Source: Audit analysis of HKPF records

Procurement of body-worn video cameras

4.27 The HKPF had been using hand-held video recording devices since 2006 to record incidents with law and order implications for both investigation and evidential purposes. To facilitate frontline police officers in collecting evidence and handling confrontation, the HKPF introduced body-worn video cameras (BWVCs — see Photograph 2) in 2013 in view of their small size, convenience and ease of use.

Photograph 2

BWVC



Source: HKPF records

4.28 **Field trial.** The HKPF conducted two stages of field trial of BWVCs from March 2013 to July 2015 (Note 47). According to the HKPF evaluation report of November 2015, the use of BWVCs had successfully strengthened operational efficiency by assisting frontline officers in evidence gathering. From 2015 to 2017, the HKPF purchased 1,336 BWVCs at a total cost of \$4.81 million (see Table 7).

Note 47: During the 6-month first stage field trial from March to September 2013, 50 BWVCs were used. For the 12-month second stage field trial from June 2014 to July 2015, 324 BWVCs were used.

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Table 7

Procurement of BWVCs (2015 to 2017)

Procurement method	Quantity	Amount (\$ million)	Date of procurement request	Tender/quotation issue date (Close date)	Delivery date
Open tender (Contract G awarded in March 2016)	550	1.98	26/1/2015	4/9/2015 (20/10/2015)	24/5/2016
Variation to Contract G	390	1.40	23/3/2016	1/9/2016 (variation order date)	26/10/2016
Quotation 1	124	0.45	18/11/2016	23/12/2016 (6/1/2017)	24/1/2017 & 3/2/2017
Quotation 2	272	0.98	27/2/2017	24/3/2017 (19/4/2017)	22/5/2017

Source: HKPF records

4.29 **Procurement of 550 BWVCs by open tender.** In 2015-16, the HKPF obtained funding approval of \$4.5 million for the Support Wing to procure additional BWVCs. In September 2015, the HKPF invited tenders for the supply of 550 BWVCs (based on an estimate of \$2.75 million for BWVCs with one-year free warranty and \$1.75 million for 5-year maintenance service after the warranty period) for further trials. By close of tender in October 2015, six tender offers were received. In accordance with tender terms, the HKPF invited tenderers which passed the initial completeness check on procedural requirements to conduct demonstration of their products' compliance with the technical requirements. Due to the lengthy demonstration process, the tender validity period had to be extended from February to May 2016. After completion of tender assessment by the Tender Assessment Panel, there was only one conforming tender. In March 2016, with the Force Tender Committee's approval, the HKPF awarded Contract G to the only

conforming tenderer for the supply of 550 BWVCs at a contract sum of \$1.98 million (Note 48). In May 2016, the HKPF took delivery of the 550 BWVCs.

4.30 *The Force Tender Committee's observations.* When approving the award of Contract G in March 2016, the Force Tender Committee drew the Support Wing's attention to the following issues:

- (a) *Completeness check.* Based on the initial completeness check, the Support Wing invited a tenderer to conduct demonstration of its product but only realised at a later stage that the tenderer had not properly signed the tender document. After consulting the DoJ, the Support Wing noted that the tender was an invalid one and could not be considered further. Such handling was undesirable as it might give rise to complaints from tenderers for giving them false hope and a wastage of their efforts in preparing the demonstration. The Support Wing should exercise due care in conducting completeness check to identify any irregularities before proceeding further with tender evaluation in future;
- (b) *Use of test certificates in lieu of product demonstration.* It was noted that the product demonstration process had taken quite some time (i.e. requiring the extension of tender validity period by 3 months — see para. 4.29). The Support Wing should review whether acceptance of test certificates from accredited laboratories would be a more accurate and objective measure, whilst saving resources and time for both the procuring formation and tenderers; and
- (c) *Market survey.* The tender document specified that the expected life span of the offered goods should not be less than six years, failing which the tender would not be considered further. One of the tenderers indicated that while its product was intended to meet such requirement, it reserved the right to replace the faulty unit with an equivalent model in case it was unable to supply the spare parts or components due to obsolescence beyond its reasonable control. The Support Wing should conduct thorough market surveys to sort out the reasonable expected life spans for goods of similar

Note 48: *According to the Support Wing, the maintenance service (which was included as an optional item in the tender) was not awarded to the successful tenderer because the technology was changing fast and replacement by new BWVCs might turn out to be a cheaper option than the maintenance service.*

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nature and take note of technological advancement of the goods before including a long period of maintenance service requirement.

In August 2016, the HKPF promulgated the Force Tender Committee's above observations for reference by all members of the HKPF.

4.31 ***Procurement of 390 BWVCs by a variation to Contract G.*** In March 2016, the HKPF considered that there was an urgent need to procure more BWVCs. As a new round of tender exercise would take at least six months, the HKPF explored the option of procuring 390 BWVCs through a variation to Contract G. After consulting the DoJ that the terms of Contract G might be varied by the contracting parties by a subsequent agreement and that the variation would not be covered by the Agreement on Government Procurement of the World Trade Organization, the HKPF ordered an additional 390 BWVCs at a total cost of \$1.4 million through a contract variation in September 2016. In October 2016, the HKPF took delivery of the 390 BWVCs.

4.32 ***Procurement of 124 BWVCs by quotation in 2016.*** In November 2016 after a public order event, one of the HKPF formations requested the Support Wing to provide more BWVCs because police officers might be deployed in small units and the confrontation situation faced by one officer might not be sufficiently captured by the camera of another officer. Having regard to the remaining balance of the approved fund of \$4.5 million for procuring BWVCs after the two rounds of procurement under Contract G (see paras. 4.29 and 4.31), the Support Wing sought the SMD's assistance to procure an additional 124 BWVCs by quotation. In December 2016, the SMD invited eight suppliers to quote. By close of quotation in early January 2017, only two suppliers had submitted offers. After assessment of the quotations, there was only one conforming offer. In mid-January 2017, the HKPF awarded a contract for the supply of 124 BWVCs to the only conforming supplier at a sum of \$0.45 million. The HKPF took delivery of the 124 BWVCs in January and February 2017.

4.33 ***Procurement of 272 BWVCs by quotation in 2017.*** In February 2017, the Support Wing reviewed the distribution of the BWVCs and considered that there was a need to procure additional 432 BWVCs to cater for operational needs, i.e. 368 sets for the Anniversary of the HKSAR in July 2017 and the remaining 64 sets in the fourth quarter of 2017 to align with passing out of police officers. Subsequently, the Support Wing changed its plan to procuring some 1,640 sets by four separate quotation exercises to expedite procurement process. After consulting the SMD, the

Support Wing noted that its procurement plan would deviate from the SPR 246 requirement that “departments may only make repeated purchases of the same items within 12 months if the cumulative value of the purchases does not exceed the quotation limit (\$1.43 million)”. Given that some 124 BWVCs had been purchased by quotation in December 2016 (see para. 4.32), the Support Wing noted that at most only 273 BWVCs (at \$0.98 million) could be purchased by a second quotation before December 2017. In February 2017, the Support Wing obtained the HKPF senior management’s endorsement to procure 271 (subsequently increased to 272) BWVCs by quotation to meet the operational need arising from the Anniversary of the HKSAR in July 2017 and 1,370 BWVCs by a separate tender exercise. In late March 2017, the SMD invited quotation from six suppliers for the supply of 272 BWVCs. By close of quotation on 19 April 2017, only one supplier submitted an offer. In April 2017, the HKPF awarded a contract to the only conforming supplier at a sum of \$0.98 million. In May 2017, the HKPF took delivery of the 272 BWVCs.

Areas for improvement

4.34 While the two purchases of BWVCs by quotations in December 2016 and March 2017 (within a time span of about 4 months) not exceeding \$1.43 million in total have not deviated from the SPR 246 requirement (see para. 4.33), Audit noted that there was room for improvement in the HKPF procurement planning. According to SPR 205, in making procurement, Controlling Officers should consolidate requirements of stores or services of similar nature as far as possible to achieve better economy of scale. As the Anniversary of the HKSAR is an annual event, the operational need for 272 BWVCs in July 2017 (covered by the second purchase in March 2017) could have been foreseen and consolidated with the first purchase in December 2016 to achieve economy of scale. In this connection, Audit also noted that there was limited competition in the two purchases, i.e. only two offers and one offer for the first and second purchases respectively.

4.35 In light of the finding in paragraph 4.34, Audit conducted further sample checking of the SMD’s procurement by quotation with value exceeding \$50,000 (see Table 3 in para. 1.10) from 2015-16 to 2017-18. According to the SMD’s records, there were a total of 1,316 purchases by quotation with value exceeding \$50,000. Audit selected 190 such purchases for examination and found that there were areas for improvement as follows:

Procurement of other operational equipment

- (a) ***Need to make greater efforts to meet the SPR 246 requirement.*** Of the 190 purchases, 33 (17%) were related to repeated purchases of 13 items within 12 months. The cumulative value of the purchases for each item exceeded the then quotation limit of \$1.43 million (see Note 2 to Table 3 in para. 1.10), contrary to the SPR 246 requirement. However, Audit found that there were documented reasons for not following the SPR 246 requirement for only 6 of the 13 items. In response to Audit's enquiry, the HKPF provided Audit with explanations for the remaining 7 items in October 2018. For 5 of these 7 items, Audit considers that the HKPF needs to make greater efforts to comply with the SPR 246 requirement (see Appendix G). The HKPF also needs to remind staff concerned to always document the reasons when such requirement could not be followed (see para. 4.2(d)); and
- (b) ***Need to consolidate procurement requirements to achieve better economy of scale.*** Another 47 (25%) of the 190 purchases were related to the repeated purchases of 19 items of same or similar nature. As the cumulative value of the purchases for each of these 19 items did not exceed \$1.43 million within 12 months, there was no breach with the SPR 246 requirement. However, as required by SPR 205, Controlling Officers should consolidate requirements of stores or services of similar nature as far as possible to achieve better economy of scale. Audit noted that for 14 of the 19 items, there were records to show that the repeated purchases were occasioned by urgent operational needs or other operational reasons (e.g. normal procurement after trial purchase). However, for the remaining 5 items (see Appendix H), there appears to be scope for bundling the repeated purchases. Audit notes the HKPF's concern that bundling could lead to overstocking especially for items with specified shelf life. In Audit's view, the problem of overstocking can be addressed by arranging delivery of the ordered items by batches at appropriate time intervals. In the case of purchase of roadblock traffic lights (see item 1 of Appendix H), the SMD invited quotation on 17 July 2017 for the supply of 120 traffic lights and 220 beacons. During evaluation of the submitted quotations, the SMD noted that the contract value would be \$928,900, which together with \$789,000 incurred for the previous purchase in March 2017 would exceed \$1.43 million within 12 months. In the event, the SMD reduced the order quantity from 120 to 80 traffic lights and from 220 to 160 beacons so as to reduce the contract value to \$631,200 and hence the cumulative purchase value to within \$1.43 million. The HKPF needs to remind procuring staff to observe the SPR 205 requirements on strictly interpreting the financial

limits for procurement by tenders/quotations as far as possible and not dividing procurement requirements into instalments to avoid exceeding the financial limits.

Audit recommendations

4.36 Audit has *recommended* that the Commissioner of Police should:

- (a) use open tender for procurement as far as practicable, and in case of sensitive equipment, endeavour to draft tender specifications for open tender without compromising security requirements;**
- (b) update pre-tender estimate with reference to the latest market information and ensure that adequate funding provision is available before launching a new tender;**
- (c) adopt a more flexible tender approach for less essential requirements which would not compromise operational capability (e.g. specifying them as desirable items instead of mandatory requirements);**
- (d) remind SMD staff to seek early clarification with users on matters concerning compliance with relevant SPR requirements before launching a tender;**
- (e) remind procuring staff to prepare strong justifications for using material specifications in a timely manner;**
- (f) improve the preparation of contract documents to ensure that all the essential requirements and key provisions to protect the Government's interest are properly included;**
- (g) improve stock management to prevent prolonged storage of goods taking into account their shelf lives;**
- (h) make greater efforts to meet the SPR 246 requirement (such as adopting bulk purchase of regularly required items to obviate the need for repeated purchases within 12 months which would exceed the**

Procurement of other operational equipment

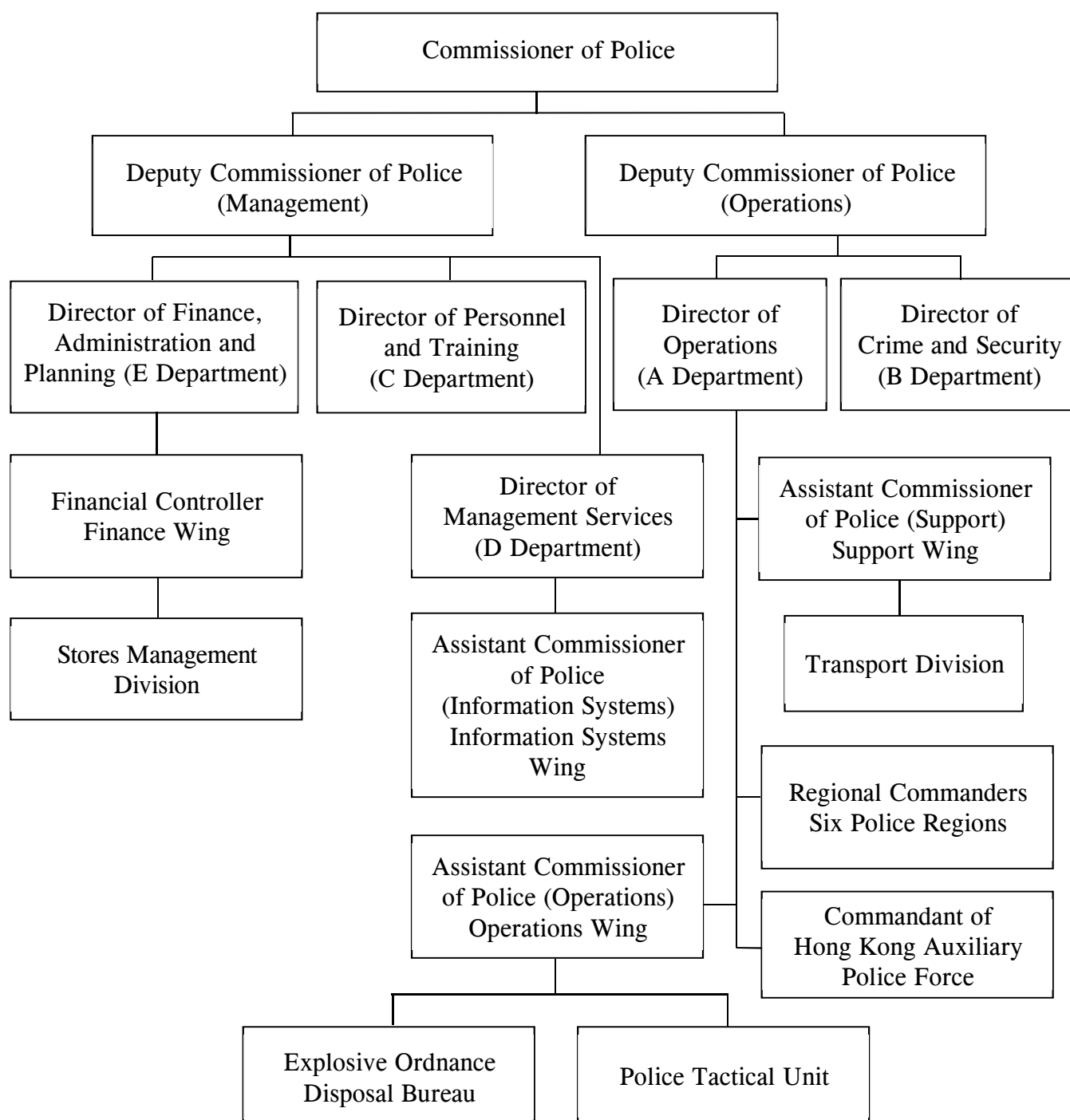
stipulated financial limit) and remind officers concerned to always document the reasons when such requirement could not be followed;

- (i) arrange purchase in bulk as far as practicable to achieve better economy of scale; and**
- (j) remind procuring staff to observe SPR 205 requirements on strictly interpreting the financial limits for procurements by tenders/quotations and not dividing procurement requirements into instalments to avoid the financial limits.**

Response from the Government

4.37 The Commissioner of Police agrees with the audit recommendations. He has said that the HKPF will continue to seek improvement in the procurement process, stock management and documentation, and to enhance the training for staff involved in procurement functions.

**Hong Kong Police Force:
Organisation chart (extract)
(30 June 2018)**



Source: HKPF records

Remarks: Only the wings, divisions and units mentioned in this Report are shown.

Appendix B
(para. 2.3 refers)

Major information and communications technology projects with delays in implementation reported to Finance Committee in 2016-17 and 2017-18

Item	Project name	FC funding approval date	Approved project estimate (\$ million)	Scheduled completion date per FC funding paper	System implementation date
1	Replacement of command and control communications system for the Operations Department	June 2001	948.00	August 2005	March 2006 (system roll-out) with extension and enhancement work completed by February 2016
2	Development of the Third Generation of Major Incident Investigation and Disaster Support System	June 2008	43.98	September 2011	January 2016 (system roll-out)
3	Enhancement of the IT infrastructure by using virtual workstation (initial implementation)	May 2010	40.72	June 2012	June 2017 (system roll-out)
4	Development of the Second Generation of Communal Information System	May 2010	411.27	November 2015	January 2018 (as reported in November 2017 but subsequently revised to August 2019 in March 2018)
5	Replacement of Digital Radar Security System for the Marine Region	May 2013	39.79	December 2016	March 2018 (as reported in November 2017 but subsequently revised to July 2018 in March 2018)

Source: HKPF and LegCo records

Appendix C
(paras. 2.7, 2.12 and
2.14 refer)

**Extension and enhancement work for the
Third Generation Command and Control Communications System
approved by the Executive Committee**

Extension and enhancement work		Executive Committee approval date	Approved estimates (\$ million)	Actual expenditure (as at March 2016) (\$ million)
(A) 10 work items approved before CC3 system roll-out in March 2006:				
1	Entrustment work of west rail radio antenna infrastructure to railway operator	Sep 2004	5.50	5.50
2	Uninterrupted power supply improvements and commissioning of disaster recovery centre	Oct 2004	3.07	3.07
3	Interim solution for radio coverage for 53 railway stations	Dec 2004	8.30	8.30
4	EMSTF equipment installation work on police vehicles	Apr 2005	20.21	14.05
5	Replacement of air handling unit for common equipment room	Apr 2005	0.80	0.80
6	Enhancement of video capability	Jun 2005	2.00	2.00
7	Railway central site equipment	Sep 2005	0.72	0.72
8	Phase 3 roll-out schedule change	Sep 2005	0.82	0.22
9	Beat and mobile radio equipment for Tin Shui Wai and Traffic New Territories North Region	Jan 2006	1.29	1.29
10	Radio terminals for Lok Ma Chau	Feb 2006	0.38	0.38
<i>Subtotal</i>			43.09	36.33
(B) 33 work items approved after CC3 system roll-out in March 2006:				
11	Migration of regional surveillance support sections radio system	Jul 2006	29.36	29.36
12	Migration of Traffic Radio System	Jul 2006	38.93	5.50
13	Communications Branch manpower resources (Note 1)	Jul 2006	0.74	0.74
14	Security seal for portable radios	Nov 2006	0.28	0.28
15	Communications Branch manpower resources (Note 1)	Jul 2007	1.08	1.08

Appendix C
(Cont'd)
(paras. 2.7, 2.12 and
2.14 refer)

Extension and enhancement work		Executive Committee approval date	Approved estimates (\$ million)	Actual expenditure (as at March 2016) (\$ million)
16	Radio coverage to railway extensions	Jul 2007	0.50	0.50
17	Professional services of EMSTF (48 man-months) (Note 1)	Jun 2008	6.00	6.00
18	Extension of radio coverage to Hong Kong International Airport	Jun 2008	81.42	38.11
19	Extension of radio coverage to 59 selected indoor locations	Jun 2008	94.30	22.74
20	Dual capability headsets for RCCC	May 2009	0.26	0.26
21	Replacement of two communication controllers for the interface between CACCS3 and registration of persons system	May 2009	0.79	0.79
22	CACCS3 remote access	May 2009	0.68	0.68
23	Technical study	May 2009	10.93	10.93
24	Earpieces for Police Tactical Unit	May 2009	7.89	4.73
25	ICS mobile switch office expansion	May 2009	24.86	13.17
26	Professional services of EMSTF (48 man-months) (Note 1)	May 2010	6.00	6.00
27	ICT bids for portables	May 2010	2.37	2.24
28	Reconfiguration of microwave infrastructure	Aug 2010	6.74	2.49
29	Professional services of EMSTF (36 man-months) (Note 1)	Aug 2012	4.50	4.50
30	Additional base station and antenna system for Sai Ying Pun and Wan Chai Areas	Sep 2012	2.46	2.34
31	Decommissioning of obsolete radio system	Sep 2012	3.18	1.89
32	Interface between CACCS3 and registration of persons system	Sep 2012	2.00	2.00
33	Services for decommissioning Second Generation Command and Control Communications System	Sep 2012	0.18	0.18
34	Additional provision for technical study on CACCS3 and ETS	Sep 2012	0.57	0.54

Appendix C
(Cont'd)
(paras. 2.7, 2.12 and
2.14 refer)

Extension and enhancement work		Executive Committee approval date	Approved estimates (\$ million)	Actual expenditure (as at March 2016) (\$ million)
35	Procurement of radios and accessories	Nov 2012	4.50	3.74
36	Enhancement of CACCS3 servers and network switches	Nov 2012	18.00	17.91
37	Procurement of radios for sea-going divisions	May 2013	1.01	0.69
38	Professional services of EMSTF (24 man-months) (Note 1)	Sep 2013	3.00	2.08
39	Enhancement of ETS call processing and distribution sub-systems	Jul 2014	25.61	23.80
40	ICS enhancement	Jul 2014	60.00	58.88
41	Trial on radio terminal	Jul 2014	9.00	0.00 (Note 2)
42	Enhancement of CACCS3 servers, workstations and notebooks	Jul 2014	21.50	21.41
43	Resilience enhancement of digital data network multiplexer	Jul 2015	0.08	0.08
<i>Subtotal</i>			468.72	285.64
Total [(A) + (B)]			511.81 (Say 512)	321.97 (Say 322)

Source: HKPF records

Note 1: According to the HKPF, items 13, 15, 17, 26, 29 and 38 (totalling \$20.4 million) were expenditure for engaging contract staff and EMSTF professional staff to manage project development work, such as planning, designing and monitoring on the activities of the extension of radio coverage.

Note 2: According to the HKPF, this item was not implemented.

Anticipated benefits and cost savings/avoidance of the Virtual Workstation project

1. *Anticipated benefits of the VW project.* According to the FC funding paper of May 2010, the VW project would bring the following major anticipated benefits:

- (a) *Increased accessibility.* The number of computer terminals (including frontline terminals and diskless notebooks) in Kowloon West Region would be increased from about 1,100 by more than 60% to around 1,800 after the initial implementation of the infrastructure enhancement. Accessibility would be greatly enhanced with the increased number of frontline terminals and notebooks with secured processing and storage environment at the server end;
- (b) *Enhanced operational efficiency and mobility.* The operational efficiency would be greatly enhanced through the increased provision of frontline terminals, and individual processing and storage compartment at the central server. Case-related and general office documents could be prepared more efficiently and in a timelier manner. The officers' operational mobility would also improve as they could readily access the information stored at the central server within or outside their offices. With urgent deployment of the VWs, mobile computing facilities or command posts for major events and ad hoc incidents could also be set up within a much shorter time;
- (c) *Enhanced data security and confidentiality.* With the proposed VW infrastructure in place, all information/documents under processing would only reside at the secured data storage compartments in data centres. As no data would be transferred or downloaded to the frontline terminals, officers would in general not be able to carry data on any external storage device. Furthermore, each officer could gain access to only his own storage compartment in the data centres with an authentication mechanism. As a result, information confidentiality could be ensured and data leakage risk would be mitigated;
- (d) *Central desktop management and deployment.* Desktop virtualisation would remove the dependency on a specific local terminal configuration. With the consolidated IT infrastructure, administration of servers, user access control and application change control (e.g. upgrade of software) could be performed centrally in the data centres. As no data would be stored locally, the use of VW would also

- minimise the need for on-site maintenance of hardware and simplify the procedure for workstation disposal and replacement;
- (e) ***Higher service availability.*** With the provision of dual site infrastructure in the long run, sharing of loading between the computer resources in the two data centres would be possible and mutual backup could be done to ensure availability and resilience. It could protect against planned downtime in the event of scheduled maintenance, and provide resilience in spite of hardware and software failure. Furthermore, in case of failure of frontline terminals, end users could continue to work by simply replacing the failed terminals; and
 - (f) ***Better utilisation of resources.*** With the provision of a secured VW infrastructure, users could access their own VWs from any frontline terminal and it would not be necessary to provide each disciplined officer with a designated frontline terminal. In addition, the infrastructure could allocate suitable computing resources to active and inactive users for better utilisation of the resources.
2. ***Cost savings/avoidance.*** According to the FC funding paper of May 2010, the VW project was estimated to bring about annual savings of about \$21 million from 2013-14 onwards, comprising:
- (a) ***Realisable savings of \$89,000 per annum.*** These would be savings from the maintenance cost of the existing servers and personal computers;
 - (b) ***Notional savings of \$20.7 million per annum.*** With the increased provision of frontline terminals and enhanced functions of the IT infrastructure, notional savings in staff effort would be achieved through increased coverage of office automation and reduction in staff effort for performing security and formation audits on the systems and terminals, inspecting software installed in local computers, updating anti-virus, and supervising computer repair works; and
 - (c) ***Cost avoidance of \$702,000 per annum.*** The cost avoidance would arise mainly from avoidance of the replacement of desktop terminals in the seven years from 2013-14 to 2019-20.

Source: HKPF records

Anticipated benefits and cost savings/avoidance of the Second Generation of Communal Information System project

1. ***Anticipated benefits of the CIS2 project.*** According to the FC funding paper of May 2010, the CIS2 project would bring the following major anticipated benefits:

- (a) ***Enhanced operation efficiency.*** The CIS2 would enable parallel processing of arrested persons involved in the same case, trail of detainees and property movements as well as compilation of management and crime reports. These enhanced features would promote the HKPF's efficiency in daily operations and performance of more in-depth crime trend and pattern analysis;
- (b) ***Enhanced crime analysis and action planning.*** The CIS2 would have linkages with internal systems as well as standardised case data definition. With the support of intelligence tools, the new system would enable timely and accurate retrieval of case data by different functions to meet the HKPF's operational needs. The CIS2 could therefore facilitate crime analysis, manpower planning for major incidents/events, as well as planning for anti-crime and traffic management operations and fight-crime campaigns;
- (c) ***Assurance of service consistency and quality.*** The CIS2 would adopt a "procedure-driven" concept by using technology solutions to automate business processes. Frontline officers would need to follow step-by-step procedures in the system when handling arrested persons, found properties and summons. This new feature would both promote consistency and strengthen supervision;
- (d) ***Enhanced security control and data protection.*** The CIS2 would enhance security control on data protection and strengthen integrity management by introducing a multiple-factor authentication mechanism and an audit trail measure for access; and
- (e) ***Expanded service channels for public.*** The CIS2 would provide for the establishment of an e-Report Centre which would offer customer-centric Internet reporting service to the public for non-emergency incidents such as loss of property. There would be no need for the public to visit local police stations for these incidents. In addition, the e-Report Centre would act as a centralised Call Centre with a dedicated phone number for receiving information from the public on cases of public interest. The Call Centre would also answer phone calls overflowed from busy Report Rooms.

2. **Cost savings/avoidance.** According to the FC funding paper of May 2010, the CIS2 project was estimated to bring about annual savings of about \$93 million from 2016-17 onwards, comprising:

- (a) **Realisable savings of \$11 million per annum.** These would be savings from the maintenance cost of the existing Communal Information System;
- (b) **Notional savings of \$60 million per annum.** The notional savings would be achieved through more efficient administration of property items by the Property Offices of police stations, and reduction in the time spent on handling arrested persons in Report Rooms and case coding work for crime analysis in District Intelligence Sections; and
- (c) **Cost avoidance of \$22 million per annum.** The cost avoidance represented the recurrent expenses for a revamped Communal Information System (i.e. replacement of hardware and software without enhancement of system functions of the current Communal Information System).

In addition, there would be a one-off cost avoidance of \$220 million for developing a revamped Communal Information System.

Source: HKPF records

Appendix F
(paras. 2.28, 2.29
and 2.34 refer)

**Contract variations approved for the
Second Generation of Communal Information System project
(March 2018)**

Item	Variation details	Date of approval (Note 1)
1	Replacement of key staff (Project Manager, Lead System Analysts and Technical Manager)	25.7.2012
2	Replacement of key staff (System Architect)	12.10.2012
3	Extension of the System Analysis and Design Stage by 4.5 months from 12.7.2013 to 29.11.2013	4.12.2013 (Note 2)
4	Extension of implementation of Phase 0 Stage by 4.5 months from 13.12.2013 to 30.4.2014	11.3.2014 (Note 2)
5	Extension of implementation of Phase 0 Stage by 2 months from 30.4.2014 to 30.6.2014	18.7.2014 (Note 2)
6	Substitution of some hardware and software items	18.8.2014
7	Replacement of key staff (Lead System Analyst 2)	26.11.2014
8	Extension of implementation of Phase 1 Stage by 5 months from 11.9.2015 to 15.2.2016	13.3.2015
9	Substitution of some hardware items	9.10.2015
10	Replacement of key staff (Senior Project Manager)	1.12.2015
11	Extension of implementation of Phase 1 Stage by 9.5 months from 15.2.2016 to 30.11.2016	18.4.2016 (Note 2)
12	Extension of implementation of Phases 1, 2 and 3 by 8, 14.5 and 11.5 months from 30.11.2016 to 31.7.2017, 13.9.2016 to 30.11.2017 and 13.2.2017 to 31.1.2018 respectively	29.11.2016 (Note 2)
13	Provision of implementation services for enhanced items and the deletion of some hardware, software items and implementation services	15.2.2017
14	Extension of implementation of Phases 1 and 2 by 5 and 7 months from 31.7.2017 to 31.12.2017 and from 30.11.2017 to 30.6.2018 respectively	26.7.2017
15	Extension of implementation of Phase 3 by 19 months from 31.1.2018 to 31.8.2019	1.2.2018 (Note 2)

Source: HKPF records

Note 1: With the exception of items 1, 2 and 13 which were approved by the GLD (see para. 2.22), all other contract variations were approved by the Financial Controller of the HKPF.

Note 2: The Financial Controller's covering approval of six contract variations for extending different phases of system implementation work was only sought after the original end dates of the respective milestones.

**Repeated purchases of same items by quotations
with cumulative value exceeding \$1.43 million within 12 months
(2015-16 to 2017-18)**

Item	Quotation issue date	Contract value (\$)	Duration between quotations (months)	Cumulative value (\$)	Remarks
1. Gloves protective carbon G. black, wrist length for traffic police (winter)	23/1/2015	607,230	5.9	1,642,580	<p>Explanation provided by HKPF: Due to heavy demand for these gloves (personal protective items for public order events) by frontline police officers during major public order events between the end of 2014 and mid-2015, urgent replenishment of stock was required.</p> <p>Audit comment: Audit noted that in October 2015, the HKPF's Uniform and Accoutrements Committee approved: (a) the change of the then existing model of winter traffic protective gloves for the traffic police; and (b) the distribution of the existing stock of gloves to frontline officers for public order events. In other words, the demand for such gloves for frontline police officers only arose in October 2015 after the two purchases in January and July 2015. There is a need to remind officers concerned of the SPR 246 requirement.</p>
	22/7/2015	1,035,350			

Appendix G
(Cont'd)
(para. 4.35(a) refers)

Item	Quotation issue date	Contract value (\$)	Duration between quotations (months)	Cumulative value (\$)	Remarks
2. Cloth material (shirts)	20/5/2015	849,687	9.0	1,903,687	<p>Explanation provided by HKPF: The first quotation exercise was delayed due to heavy workload for major public order events. Due to significant increase in consumption during public order events, urgent replenishment of stock was required through the second quotation.</p> <p>Audit comment: This item appears to be regularly required and its requirements could have been foreseen. The HKPF needs to explore the feasibility of bulk purchase by tender to obviate the need for repeated purchases within 12 months which would exceed the financial limit of SPR 246.</p>
	18/2/2016	1,054,000			
3. Cloth material (trousers — summer and winter)	19/5/2015	614,940	9.0	1,483,940	<p>Explanation provided by HKPF: Same as the justifications provided for item 2 (cloth material (shirts))</p> <p>Audit comment: This item appears to be regularly required and its requirements could have been foreseen. The HKPF needs to explore the feasibility of bulk purchase by tender to obviate the need for repeated purchases within 12 months which would exceed the financial limit of SPR 246.</p>
	18/2/2016	869,000			

Appendix G
(Cont'd)
(para. 4.35(a) refers)

Item	Quotation issue date	Contract value (\$)	Duration between quotations (months)	Cumulative value (\$)	Remarks
4. Shoes running — trainee	13/5/2015	1,310,400	11.0	2,730,000	<p>Explanation provided by HKPF:</p> <p>The first quotation exercise was delayed due to heavy workload for major public order events. The second and third quotations were normal stock replenishment.</p> <p>Audit comment:</p> <p>This item appears to be regularly required and its requirements could have been foreseen. The HKPF needs to explore the feasibility of bulk purchase by tender to obviate the need for repeated purchases within 12 months which would exceed the financial limit of SPR 246.</p>
	11/4/2016	1,419,600			
	29/3/2017	1,428,800	11.6	2,848,400	
5. Mouthpieces for alcohol screen device	30/12/2015	817,000	11.7	1,534,500	<p>Explanation provided by HKPF:</p> <p>Due to the upsurge in consumption, urgent replenishment of stock was required.</p> <p>Audit comment:</p> <p>This item appears to be regularly required and its requirements could have been foreseen. The HKPF needs to explore the feasibility of bulk purchase by tender to obviate the need for repeated purchases within 12 months which would exceed the financial limit of SPR 246.</p>
	25/8/2016	610,900			
	20/12/2016	106,600			

Source: Audit analysis of HKPF records

**Repeated purchases of goods
of same or similar nature by quotations
(2015-16 to 2017-18)**

Item	Description	Quotation issue date	Contract value (\$)	Duration between quotations (months)	Cumulative value (\$)
1	Roadblock traffic lights	12/7/2016	545,000	7.6	1,334,000
		1/3/2017	789,000		
		17/7/2017	631,200	4.5	1,420,200
2	Bullet resistant vests	23/9/2015	821,880	9.9	1,415,460
		19/7/2016	593,580		
		19/1/2017	821,880	6.0	1,415,460
3	Black leather shoes, CMS-mounted with horseshoes and studs	3/3/2016	1,122,500	12.6	2,514,400
		22/3/2017	1,391,900		
4	CC3 batteries	30/9/2015	1,351,945	13.2	2,736,880
		4/11/2016	1,384,935		
		15/11/2017	1,408,120	12.4	2,793,055
5	Cloth material (shirts)	18/2/2016	1,054,000	13.0	1,930,680
		20/3/2017	876,680		

Source: Audit analysis of HKPF records

Acronyms and abbreviations

Audit	Audit Commission
BWVCs	Body-worn video cameras
CACCS3	Computer-assisted Command and Control System
CC3 system	Third Generation Command and Control Communications System
CIS2	Second Generation of Communal Information System
CWRF	Capital Works Reserve Fund
DoJ	Department of Justice
ECMS	Vehicle-mounted electronic counter measures system
EMSTF	Electrical and Mechanical Services Trading Fund
EODB	Explosive Ordnance Disposal Bureau
ETS	Emergency Telephone System
FC	Finance Committee
FSTB	Financial Services and the Treasury Bureau
GLD	Government Logistics Department
GRA	General Revenue Account
HKPF	Hong Kong Police Force
HKSAR	Hong Kong Special Administrative Region
ICS	Integrated Communications System
ICSSSC	Information and Communications Systems Strategy Steering Committee
ICT	Information and communications technology
ISW	Information Systems Wing
IT	Information technology
LegCo	Legislative Council
OGCIO	Office of the Government Chief Information Officer
PIDR	Post Implementation Departmental Return
PTU	Police Tactical Unit
RCCC	Regional Command and Control Centre
SMD	Stores Management Division
SOH	State of health
SPRs	Stores and Procurement Regulations
VW	Virtual workstation

CHAPTER 4

Development Bureau Buildings Department

Management of signboards by the Buildings Department

**Audit Commission
Hong Kong
30 October 2018**

This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.

Report No. 71 of the Director of Audit contains 10 Chapters which are available on our website at <http://www.aud.gov.hk>

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MANAGEMENT OF SIGNBOARDS BY THE BUILDINGS DEPARTMENT

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MANAGEMENT OF SIGNBOARDS BY THE BUILDINGS DEPARTMENT

Executive Summary

1. A signboard is defined under the Buildings Ordinance (Cap. 123) as a hoarding, framework, scaffolding or other structure erected solely for the purpose of displaying any advertisement, making any announcement or notification, or displaying any visual image or other information. Prior to 31 December 2010, the erection of all signboards (except for exempted works which are building works carried out in a building not involving the structure of the building and different from designated exempted works under the Minor Works Control System (MWCS) in (b) below) requires the prior approval and consent by the Buildings Department (BD) under the Buildings Ordinance. With the full implementation of the MWCS under the Building (Minor Works) Regulation (Cap. 123N) since 31 December 2010, depending on the scale and potential safety risk of the works, the erection, alteration and removal of signboards (except for exempted works) are categorised and regulated as: (a) minor works (which are, in general, relatively small in scale and pose lower potential structural safety risk) carried out through simplified procedures under the MWCS without the need for obtaining the BD's prior approval and consent. The works have to be carried out by prescribed registered contractors (who have to register with the BD to carry out the related class, type and item of minor works) and in cases of more complex minor works, the works have to be performed under the supervision of prescribed building professionals; (b) designated exempted works (of lower complexity and safety risk than minor works) which can be carried out without obtaining the BD's prior approval and consent or appointment of prescribed building professionals and prescribed registered contractors; and (c) works which continue to be subject to prior approval and consent of the BD (such works are, in general, for large signboards) and carried out by building professionals and registered contractors.

2. Signboards (except those under exempted works or designated exempted works) erected without obtaining the BD's prior approval and consent or following the requirements under the MWCS are unauthorised building works. According to the results of a territory-wide stock-taking exercise conducted by the BD's consultants in 2011, there were about 120,000 signboards, most of which were considered by the BD to be unauthorised. The existence of a large number of unauthorised signboards

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poses a persistent building safety risk in Hong Kong. During the past five years from 2013 to 2017, there were 8 incidents involving fallen signboards which caused injuries to 11 persons (4 such incidents, all involving unauthorised signboards, occurred in 2017 causing injuries to 7 persons).

3. Since September 2013, the BD has implemented a voluntary Validation Scheme for Unauthorised Signboards (hereinafter referred to as the Validation Scheme). With a view to providing an additional option for signboard owners apart from removing their unauthorised signboards and re-erecting legal ones under the MWCS, unauthorised signboards that were erected before September 2013 and meet the prescribed technical specifications for minor works are eligible for validation.

4. According to the BD, it has adopted a risk-based control system to control dangerous or unauthorised signboards. Apart from implementing the Validation Scheme for unauthorised signboards, the BD identifies dangerous or unauthorised signboards mainly from regular surveys, large-scale operations (LSOs) and public reports. The enforcement actions can broadly be classified as: (a) immediate enforcement actions against any signboard posing an imminent danger to the public by removing such signboard under the Public Health and Municipal Services Ordinance (Cap. 132); (b) priority enforcement actions against: (i) any dangerous or likely-to-become dangerous signboard by issuing a Dangerous Structure Removal Notice (DSRN) under the Public Health and Municipal Services Ordinance; and (ii) any new (including works-in-progress (WIP)) unauthorised signboard by issuing a removal order under the Buildings Ordinance; (c) strengthened enforcement actions against those large unauthorised signboards for which the BD considers as being in serious breach of law by applying to the Court for priority demolition orders under the Buildings Ordinance; and (d) enforcement actions by LSOs which focus on dangerous or unauthorised signboards on target street sections selected by the BD and large unauthorised signboards posing relatively higher risk to public safety by issuing DSRNs or removal orders. For a non-compliant DSRN/removal order, upon the grant of a priority demolition order by the Court, or for a signboard which the BD considers as posing an imminent danger to the public, the BD may engage contractors to carry out the required works (e.g. removal or rectification works) on behalf of the owners (i.e. default works) and recover the costs from the owners.

5. According to the BD: (a) in view of the frequent changes of signboards' inscription, it will take time to carry out investigations to locate the person to be held liable; and (b) since most of the signboards are erected for business operation, default

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works for non-compliant orders (especially shopfront signboards) may lead to conflict or confrontation, which requires intensive lobbying. Furthermore, the default works for projecting signboards may involve temporary closure of streets.

6. The BD's Minor Works and Signboard Control Section comprises the Signboard Control Unit and the Minor Works Unit. The Signboard Control Unit is responsible for identification and taking enforcement actions against dangerous or unauthorised signboards, administration of the Validation Scheme, and checking of minor-works submissions relating to signboards. The Minor Works Unit is responsible for administration of the MWCS. In addition, the BD's New Buildings Divisions are responsible for checking and approval of plans for building works, including those for signboards. The Audit Commission (Audit) has recently conducted a review to examine the management of signboards by the BD.

Signboard control schemes and surveys

7. *Lack of regular management information to monitor the effectiveness of MWCS as related to signboards.* Under the MWCS, prescribed building professionals and prescribed registered contractors are vested with legal responsibilities to supervise, carry out and certify the structural safety of all minor works. To ensure compliance with the statutory requirements and to deter abuse of the MWCS by the professionals or contractors, the BD selects some minor-works submissions for desktop and/or site audit. Regular analysis of the results of irregularities found in desktop and site audits and whether and what follow-up actions had been taken would provide useful management information for monitoring the operation and effectiveness of the MWCS. However, Audit noted some room for improvement in this area, specifically: (a) of some 5,000 minor-works submissions relating to signboards received each year from 2015 to 2017, the BD selected submissions for desktop (4% to 5%) and site (1% to 3%) audits each year and found around 28% and 20% of the selected submissions "not in order" respectively. However, the BD did not compile management information to enable management to assess the nature and seriousness of these irregularities; (b) 10% to 17% of the submissions selected for site audits from 2015 to 2017 were withdrawn by the applicants. However, the BD did not have readily available information to demonstrate that the withdrawals were justified and no contraventions of the Buildings Ordinance were involved; and (c) as of April 2018, the BD had issued 153 advisory letters and 29 warning letters to prescribed building professionals and prescribed registered contractors arising from "not in order" submissions from 2015 to 2017.

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However, the BD had not provided more management information to facilitate management oversight on repeated offenders and whether and what follow-up actions had been taken (paras. 2.2, 2.7 and 2.9).

8. ***Need to set time targets for completing desktop and site audits.*** While the BD has set time target for conducting (i.e. commencing) site audits on selected signboard cases (within 60 days after receipt of submissions), it had not set any time target for completing desktop and site audits. Audit noted that, as of April 2018, the audits on some cases had still not been completed more than one year after receipt of the submissions. For example, as of April 2018, for desktop and site audits on submissions received in 2017, the BD had not completed 87 (37%) of the 234 selected cases and 32 (32%) of the 100 selected cases respectively (para. 2.11).

9. ***Low response for Validation Scheme.*** The BD estimated in 2014 that some 72% of the 120,000 (i.e. 86,400) signboards identified in its 2011 stock-taking exercise would be eligible for validation under the Validation Scheme. However, since commencement of the Scheme in September 2013 and up to April 2018 (around 4.5 years), only a total of 662 applications had been received and the response was low. Of the 662 applications, 314 (47%) applications involving 274 signboards (which accounted for 0.3% of 86,400 signboards) had been validated, 224 (34%) applications had been rejected, and the remaining 124 (19%) applications had been withdrawn by the applicants or were still being processed by the BD (paras. 2.19 and 2.20).

10. ***Need to improve effectiveness of surveys in identifying dangerous, abandoned or unauthorised WIP signboards.*** With a view to identifying dangerous, abandoned or unauthorised WIP signboards (collectively referred to as targeted signboards), the BD had conducted regular surveys (i.e. patrols) by both in-house staff and consultants (following the expiration of the consultancy agreements in April 2018, the BD in-house staff have taken up the consultants' duties). Audit noted that the number of targeted signboards identified by BD in-house staff had decreased from 272 in 2015 to 60 in 2017. The consultants identified a total of 181 targeted signboards in the two-year consultancy period ended April 2018. In June 2018, Audit conducted a one-day site visit to one of the 11 areas in Yau Tsim Mong District and identified 35 suspected targeted signboards (which were referred to the BD for examination). The BD's examination results confirmed that 25 signboards were targeted signboards (comprising 6 likely-to-become dangerous signboards, 17 abandoned signboards and 2 unauthorised WIP signboards) which were not known

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to the BD and no enforcement action had been taken before Audit's referral. According to the BD: (a) the reasons for the decrease in the number of targeted signboards identified by BD in-house staff during regular surveys were that it had completed an inspection cycle by the end of 2016 and, in 2017, as an enforcement strategy, it redirected its resources to clear backlog removal orders and intensified the LSOs on target streets by its in-house staff; and (b) some targeted signboards identified by Audit's site visit had been previously inspected by BD in-house staff under the regular surveys and they were in good condition at the time. In Audit's view, there is a need to improve the effectiveness of regular surveys by the BD as the regular survey is a proactive means of identifying dangerous or abandoned signboards and assessing their conditions (paras. 2.28 to 2.33).

11. *Need to make better use of computer system to monitor enforcement actions taken against targeted signboards identified in regular surveys.* Audit noted that the BD could not readily compile information on the time taken in issuing DSRNs or removal orders for the targeted signboards identified in regular surveys. According to the BD, it had not used its computer system to correlate the identified targeted signboards with the DSRNs or removal orders issued. The BD needs to take measures to make better use of its computer system to assist it in monitoring the progress of enforcement actions (para. 2.38).

Large-scale operations and handling of public reports

12. *Slippage in completing LSOs on target streets covering signboards.* Since 2014, the BD has launched LSOs on dangerous (including abandoned) or unauthorised signboards (other than validated signboards against which the BD would not take enforcement action) by progressively selecting one or more target street sections in each year (covering 1, 5, 6 and 9 street sections in 2014, 2015, 2016 and 2017 respectively). For each LSO on target street, there is a set of programmed actions (including serving DSRNs/removal orders on such signboards and instigating prosecution or carrying out default works for non-compliant DSRNs/removal orders). However, as of April 2018, for the LSOs conducted from 2015 to 2017 for a total of 20 street sections, they had not yet been completed (the outstanding work involved instigating prosecution or carrying out default works). For signboards issued with removal orders, as of April 2018, slippage ranged from 3 months to 2.3 years (e.g. prosecution had not been instigated for 158 (43%) of the 366 removal orders issued one year after the target date under the 2016 LSOs). For signboards issued with DSRNs, as of April 2018 (three months after the target date), default works had not

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yet been carried out for 98 (74%) of the 133 DSRNs issued under the 2017 LSOs (paras. 3.3, 3.5, 3.6 and 3.8).

13. ***Need to keep under review implementation and effectiveness of LSOs on large unauthorised signboards.*** Since 2003, the BD has conducted LSOs on large unauthorised signboards with an aim to remove all substantially large unauthorised signboards. According to the BD's internal guidelines, the BD should set a target number of signboards for taking enforcement actions each year under LSOs on large unauthorised signboards. However, Audit noted that both the actual number of and the achievement rate of the target set for large unauthorised signboards with enforcement actions taken had decreased from 201 (actual achievement rate of 67%) in 2015 to 106 (actual achievement rate of 47%) in 2017. In June 2018, Audit conducted a one-day site visit to 7 streets in Yau Tsim Mong District and identified 68 suspected large unauthorised signboards (which were referred to the BD for examination). The BD's examination results confirmed that there were 11 large unauthorised signboards which were not known to the BD and no enforcement action had been taken before Audit's referral. According to the BD: (a) due to other priorities, it had not taken enforcement actions against some of the large unauthorised signboards found by Audit; and (b) in September 2018, it decided to expand the actionable criteria of LSOs on large unauthorised signboards (e.g. covering large unauthorised shopfront signboards). In Audit's view, in view of the newly adopted actionable criteria on large unauthorised signboards, the BD needs to keep under review the implementation and effectiveness of such LSOs (paras. 3.7, 3.11 to 3.16).

14. ***Long time taken in issuing DSRNs or removal orders after conducting inspection of alleged signboards.*** Public report is one of the sources for identifying dangerous or unauthorised signboards. Upon receiving a public report on such signboard, the BD will screen its related records, carry out an inspection and determine the status of the signboard for taking necessary actions. According to the BD guidelines, BD officers should issue a removal order for a confirmed unauthorised signboard within 180 days after conducting screening and/or inspection of an alleged signboard arising from a public report. However, Audit noted that no such time target had been set for issuing a DSRN for a confirmed dangerous signboard after conducting inspection. Audit also noted that, as of April 2018, confirmed dangerous or unauthorised signboards arising from 256 public reports had not been issued with DSRNs or removal orders. For 94 (37%) of the 256 public reports, the time elapsed was more than 180 days after conducting screening and/or inspection (paras. 3.20, 3.24 and 3.25).

Follow-up actions on statutory notices and orders

15. For any signboard issued with a DSRN or a removal order, BD officers will conduct a compliance inspection after the specified period stated in the DSRN (normally 14 days) or the removal order (normally 60 days) to examine if the required removal or alteration works have been carried out. The BD may instigate prosecution actions against any person who fails to comply with the DSRNs or removal orders without reasonable excuse. In addition, the BD may engage contractors to carry out the required works on behalf of the owners (i.e. default works) and recover the costs from the owners (paras. 4.2, 4.15 and 4.16).

16. ***Long-outstanding DSRNs.*** Audit noted that, as of April 2018, there were 425 DSRNs issued for signboards that had not been complied with. Audit analysis revealed that 247 (58%) of the 425 DSRNs had remained outstanding for more than 6 months after their issuance (ranging from more than 6 to 22 months), far exceeding the 14-day time limit set out in the DSRNs (para. 4.4).

17. ***Long-outstanding removal orders.*** Audit noted that, as of April 2018, there were 1,414 removal orders issued for signboards that had not been cleared. Audit analysis revealed that 598 (42%) of the 1,414 removal orders had remained outstanding for more than 1 year after their issuance (ranging from more than 1 to 12 years), far exceeding the 60-day time limit set out in the removal orders (para. 4.8).

18. ***Need to take timely prosecution actions against non-compliant cases.*** Based on the BD's internal guidelines, a warning letter for prosecution should be issued to the signboard owner within 260 days (or about 9 months) after a removal order is issued. The BD may then instigate prosecution action on a non-compliant removal order by referring the case to its Legal Services Section for studying and deciding whether to proceed with the legal action by serving a summons or drop the case. Audit analysis revealed that, of the 214 non-compliant removal orders that had been referred to the BD Legal Services Section in 2016 and 2017, 132 (62%) orders were not referred to the Section until more than 1 year after their issuance (ranging from more than 1 to 10 years) (paras. 4.17 and 4.18).

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Audit recommendations

19. Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Director of Buildings should:

Signboard control schemes and surveys

- (a) with a view to monitoring the operation and effectiveness of the MWCS for signboards, ensure that the BD regularly compiles and analyses management information, including nature and seriousness of irregularities found, follow-up actions on withdrawal of submissions and information on repeated offenders (para. 2.15(a));
- (b) review the operation and effectiveness of the MWCS as related to signboards and take improvement measures as needed (para. 2.15(c));
- (c) set time targets for completing desktop and site audits on minor-works submissions as related to signboards (para. 2.15(d));
- (d) in view of the low response and the high rejection rate of the Validation Scheme, make further effort to publicise the Scheme with a view to enhancing public awareness of the Scheme and its requirements (para. 2.26(a));
- (e) review the effectiveness of regular surveys in identifying targeted signboards (para. 2.40(a));
- (f) take measures to make better use of the BD's computer system to assist the BD in monitoring the progress of enforcement actions taken against targeted signboards identified in regular surveys (para. 2.40(c));

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Large-scale operations and handling of public reports

- (g) **strengthen actions to meet BD time target for completion of the LSOs on target streets covering signboards (para. 3.18(a));**
- (h) **keep under review the implementation and effectiveness of the LSOs on large unauthorised signboards with a view to strengthening enforcement actions under the LSOs (para. 3.18(b));**
- (i) **set a time target for issuing a DSRN for a confirmed dangerous signboard arising from a public report after conducting an inspection (para. 3.27(b));**
- (j) **strengthen actions to ensure that timely enforcement actions are taken against confirmed dangerous or unauthorised signboards arising from public reports (para. 3.27(c));**

Follow-up actions on statutory notices and orders

- (k) **strengthen actions to ensure that DSRNs and removal orders issued for related signboards are promptly complied with (para. 4.13(a));**
- (l) **take timely follow-up actions on those non-compliant DSRNs and removal orders as related to signboards (para. 4.13(b)); and**
- (m) **take measures to ensure that prosecution actions against non-compliant removal orders for unauthorised signboards are timely instigated (para. 4.24(a)).**

Response from the Government

20. The Director of Buildings agrees with the audit recommendations.

PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

Background

1.2 A signboard is defined under the Buildings Ordinance (Cap. 123) as a hoarding, framework, scaffolding or other structure erected solely for the purpose of displaying any advertisement, making any announcement or notification, or displaying any visual image or other information.

1.3 Under the Buildings Ordinance, the erection of signboards is building works and, prior to 31 December 2010, with the exception of exempted works (Note 1), requires the prior approval of plans and consent for the commencement of the works by the Buildings Department (BD — Note 2). Since 31 December 2010, with the full implementation of the Minor Works Control System (MWCS — Note 3) under the Building (Minor Works) Regulation (Cap. 123N), depending on the scale

Note 1: *Under the Buildings Ordinance, building works carried out in a building are exempted works if they do not involve the structure of the building and such exemption does not permit exempted works to be carried out in contravention of any regulations. Exempted works relating to signboards include, for example, the installation of a directory or a floor numbering sign in a building. Exempted works are different from designated exempted works under the Minor Works Control System (see para. 1.3(b)).*

Note 2: *Under the Buildings Ordinance, the authority to approve a building plan and give consent to commence building works is vested in the Building Authority, who is the Director of Buildings. For simplicity, the Building Authority is referred to as the BD in this Audit Report.*

Note 3: *The MWCS allows building owners to carry out minor works lawfully through simplified procedures without the need to obtain prior approval of relevant building plans and consent to commence works under the Buildings Ordinance. Under the Building (Minor Works) Regulation (Cap. 123N), certain provisions such as those with regard to operational procedures for registration of minor works contractors and the classification of minor works came into operation on 30 December 2009, while the remaining provisions came into operation on 31 December 2010.*

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and potential safety risk of the works, the erection, alteration and removal of signboards (except for exempted works) are categorised and regulated as follows:

- (a) **Minor works.** Under the Building (Minor Works) Regulation, minor works are classified into three classes (Classes I, II and III) according to their nature, scale and complexity as well as the safety risk they may pose. As pertained to signboards, these works are, in general, relatively small in scale and pose lower potential structural safety risk. They can be carried out legally by following the simplified requirements (Note 4) under the MWCS without obtaining the BD's prior approval and consent. The works have to be carried out by prescribed registered contractors (Note 5). For the relatively more complicated works (i.e. Class I minor works — see para. 2.3(a)), the works have to be carried out by prescribed registered contractors and under the supervision of prescribed building professionals (Note 6);
- (b) **Designated exempted works.** These works are for signboards with lower complexity and safety risk than that of minor works (Note 7). The works can be carried out without obtaining the BD's prior approval and consent or following the MWCS requirements (e.g. appointment of prescribed building professionals and prescribed registered contractors is not required); and

Note 4: *These procedures include submitting related documents (such as notice of commencement and certification of completion of works in prescribed forms) to the BD before commencement and/or after completion of works.*

Note 5: *Under the Buildings Ordinance, a prescribed registered contractor is a registered general building contractor, a registered specialist contractor or a registered minor works contractor. In order to carry out minor works involving signboards, a prescribed registered contractor has to register with the BD for the related class, type and item of works.*

Note 6: *Under the Buildings Ordinance, a prescribed building professional is an authorized person, a registered structural engineer, a registered geotechnical engineer or a registered inspector.*

Note 7: *Designated exempted works relating to signboards include, for example, the erection of a wall signboard fixed to the external wall of a building, which does not result in any additional load to any cantilevered slab or involve the alteration of any other structural elements, with display area not more than 1 square metre, not comprising any display system consisting of light emitting diodes, projecting not more than 150 millimetres from the wall, and with a distance of not more than 3 metres from the ground.*

- (c) *Works which continue to be subject to prior approval and consent of the BD.* These works are, in general, for large signboards which do not fall within the technical specifications for minor works and designated exempted works. The works have to be carried out by building professionals and registered contractors.

Unauthorised building works

1.4 Signboards (except those falling under the category of exempted works or designated exempted works) erected without obtaining the prior approval and consent of the BD or following the requirements under the MWCS are unauthorised building works (UBWs) and may be subject to enforcement action by the BD. According to the results of a territory-wide stock-taking exercise on the number of different types of suspected UBWs (including signboards) conducted by the BD's consultants in 2011 (Note 8), there were about 120,000 signboards. According to the BD, most of these signboards were considered to be unauthorised.

Validation Scheme for Unauthorised Signboards

1.5 Taking into consideration the fact that many of the existing signboards in Hong Kong are in active use by business operators and their existence carries considerable value for sustaining local commercial activities and contributing to Hong Kong's prosperity, since 2 September 2013, the BD has implemented a voluntary Validation Scheme for Unauthorised Signboards (hereinafter referred to as the Validation Scheme). With a view to providing an additional option for signboard owners apart from removing their unauthorised signboards and re-erecting legal ones under the MWCS, unauthorised signboards that were erected before 2 September 2013 and meet the prescribed technical specifications for minor works are eligible for validation. The signboard owners are allowed the continued use of such signboards if they:

- (a) appoint the prescribed building professionals and/or prescribed registered contractors to inspect, strengthen (if required) and certify the structural safety of the signboards; and

Note 8: *Between May 2011 and December 2012, the BD had, through consultants, conducted a stock-taking exercise and made photographic records of suspected UBWs erected on the exterior of the 41,000 private buildings in Hong Kong.*

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- (b) carry out safety check of the validated signboards every five years.

Legal framework for taking enforcement actions against dangerous or unauthorised signboards

1.6 When a dangerous or unauthorised signboard is identified, the BD may take enforcement actions under the following two Ordinances:

Public Health and Municipal Services Ordinance (Cap. 132)

- (a) for a signboard which is dangerous or is likely to become dangerous, the BD may issue a Dangerous Structure Removal Notice (DSRN) under section 105 of the Public Health and Municipal Services Ordinance (Note 9) requiring the owner of the signboard to remove such works or to do specified work to render the same safe within a specified period (normally 14 days). If the required rectification works have not been carried out within the specified period, the BD may instigate prosecution action against the signboard owner. Where the owner of the signboard is not known or cannot be readily found, or the signboard is in the BD's opinion in such a state that it ought immediately to be removed or rendered safe, the BD may, whether or not a DSRN has been served, remove it or render it safe (i.e. default works), and then recover the related expenses incurred from the owner or from the proceeds of selling the related materials;

Buildings Ordinance

- (b) for an unauthorised signboard, the BD may issue a removal order under section 24 or section 24AA (for minor works commenced under the MWCS) of the Buildings Ordinance requiring the removal or alteration of the signboard within a specified period (normally 60 days). Such order shall be served on:
 - (i) the person for whom the signboard has been erected or is being erected;

Note 9: *Under the Public Health and Municipal Services Ordinance, the authority to issue the DSRNs is vested in the Authority, who is the Director of Buildings. For simplicity, the Authority is referred to as the BD in this Audit Report.*

- (ii) if the person in item (i) above cannot be found, the person who would receive or is receiving any related rent or money consideration; or
- (iii) if the person in items (i) and (ii) above cannot be found, the owner of the land or premises on which the signboard has been or is being erected.

If the required rectification works have not been carried out within the specified period, the BD may instigate prosecution action against the owner and/or have the works carried out for the owner (i.e. default works) and recover the related costs plus a surcharge from the owner; and

- (c) for an unauthorised signboard which:
 - (i) constitutes an imminent danger to life or property;
 - (ii) has been or is being carried out with a view to sale, letting or other disposal;
 - (iii) has been or is being carried out in a common part of any building and the existence of the signboard is seriously detrimental to the amenities of the neighbourhood; or
 - (iv) constitutes a public nuisance,

the BD may apply to the Court for a priority demolition order under section 24B of the Buildings Ordinance for the removal or alteration of the signboard. At least 3 to 7 days (depending on the types of contravention — see items (i) to (iv) above) before the day of hearing by the Court of the application, a notice for such an application shall be posted upon a conspicuous part of the building or building works to which the notice relates. The affected person has the right to be heard at the court hearing of the application for the order. Upon a priority demolition order is granted, the BD may carry out works to remove the signboard (i.e. default works) and recover the related costs plus a surcharge from the owner.

Enforcement policy and actions

1.7 According to the BD, it has adopted a “risk-based” approach in determining the priority of enforcement actions against UBWs. Under the BD’s enforcement policy against UBWs, enforcement actions would be taken on actionable UBWs (Note 10) and those on non-actionable UBWs (Note 11) would be deferred. Actionable UBWs include the following:

- (a) UBWs constituting obvious hazard or imminent danger to life or property;
- (b) new UBWs (Note 12);
- (c) UBWs on exterior of buildings, including unauthorised signboards (but excluding those validated under the Validation Scheme), and UBWs on rooftops and podiums, and in yards and lanes of buildings;
- (d) UBWs in or on buildings, constituting a serious health or environmental nuisance;
- (e) major standalone UBWs; and
- (f) a specific type of UBWs, or UBWs identified in buildings or groups of buildings, targeted for large-scale operations (LSOs).

Note 10: *According to the BD, for an actionable UBW, it may issue a removal order requiring the owner concerned to remove the UBW within a specified period, and at times may also issue an advisory letter advising the owner to remove the UBW voluntarily.*

Note 11: *According to the BD, for a non-actionable UBW, it may issue a warning notice (under section 24C of the Buildings Ordinance) registrable against property titles requiring the owner concerned to remove the UBW within a specified period or an advisory letter advising the owner to remove the UBW voluntarily.*

Note 12: *According to the BD guidelines, new UBWs are those: (a) found under construction (i.e. works-in-progress); (b) reconstructed after previous removal action; (c) found not shown in BD photographic records (e.g. records from the BD’s 2011 stock-taking exercise (see Note 8 to para. 1.4)); or (d) within BD staff’s reasonable belief to have been completed within 12 months.*

In line with the BD's enforcement policy against UBWs, unauthorised signboards are actionable UBWs against which enforcement actions would be taken.

1.8 According to the BD, it has adopted a risk-based Signboard Control System to control dangerous or unauthorised signboards. Apart from implementing the Validation Scheme for unauthorised signboards (see para. 1.5), the BD identifies dangerous or unauthorised signboards for taking enforcement actions mainly from the following sources (Note 13):

- (a) **Regular surveys.** These are surveys conducted regularly on dangerous signboards or unauthorised signboards under construction (i.e. unauthorised works-in-progress (WIP) signboards);
- (b) **LSOs.** These are clearance operations conducted:
 - (i) on a section of a target street (i.e. a target street section) selected by the BD for each operation covering dangerous or unauthorised signboards; or
 - (ii) for removal of large unauthorised signboards; and
- (c) **Public reports.** These are reports received from the public and the media, and referrals mainly from other government departments and District Councils.

Note 13: *According to the BD, unauthorised signboards may also be identified from other sources, including LSOs on target buildings covering UBWs and the Mandatory Building Inspection Scheme which covers, among others, UBWs on the exterior of buildings. The number of unauthorised signboards identified from these other sources only accounted for a small portion of all unauthorised signboards identified.*

Introduction

1.9 The BD's enforcement actions against dangerous or unauthorised signboards can broadly be classified as follows:

- (a) ***Immediate enforcement actions.*** These actions are taken against any signboard posing an imminent danger to the public. The BD may classify such case as an emergency case and take immediate action to remove such signboard without issuing a DSRN (see para. 1.6(a));
- (b) ***Priority enforcement actions.*** These actions are taken against the following signboards:
 - (i) for any dangerous or likely-to-become dangerous signboard (such as an abandoned signboard — Note 14), the BD may issue a DSRN (see para. 1.6(a)) requiring the removal of such works or carry out of specified work to render the same safe; and
 - (ii) for any new (including WIP) unauthorised signboard, the BD may issue a removal order (see para. 1.6(b)) requiring the removal of such works;
- (c) ***Strengthened enforcement actions.*** These actions are taken against those large unauthorised signboards for which the BD considers as being in serious breach of the law and fulfilling at least one of the four prescribed circumstances under section 24B of the Buildings Ordinance (see para. 1.6(c)). The BD may apply to the Court for priority demolition orders for the removal or alteration of the works; and
- (d) ***Enforcement actions by LSOs.*** In addition to those signboards falling under the enforcement actions in items (a) to (c) above, other signboards are covered under LSOs which focus on:

Note 14: *According to the BD guidelines: (a) dangerous signboards include those with display surface seriously damaged or tilted, metal supporting frame seriously distorted or corroded, and those lacking proper maintenance resulting in a state of dilapidation; and (b) abandoned signboards include those left at the shop premises after closing down of business, signboards' display removed or blank, and only the metal supporting frame of signboards left.*

- (i) all dangerous signboards or unauthorised signboards not eligible for validation or eligible signboards not joining the Validation Scheme on target street sections selected by the BD; and
- (ii) those large unauthorised signboards for which the BD considers as posing relatively higher risk to public safety.

The BD may issue DSRNs or removal orders (see para. 1.6(a) and (b)) for dangerous or unauthorised signboards respectively identified during LSOs.

Responsible divisions of BD

1.10 The BD's Minor Works and Signboard Control Section (under the Corporate Services Division) comprises the Signboard Control Unit and the Minor Works Unit (see Appendix A for an extract of the BD's organisation chart). The Signboard Control Unit is responsible for identification and taking enforcement actions against dangerous or unauthorised signboards, administration of the Validation Scheme, and checking of minor-works submissions relating to signboards. The Minor Works Unit is responsible for administration of the MWCS. In addition, the BD's New Buildings Divisions are responsible for checking and approval of plans for building works, including those for signboards.

1.11 As of March 2018, the Signboard Control Unit had 50 staff (comprising 39 professional and technical staff and 11 supporting staff) and the Unit's total recurrent expenditure for 2017-18 was \$30.4 million. According to the BD, it could not provide a breakdown of the staff resources solely responsible for works relating to signboards in the Minor Works Unit and the New Buildings Divisions.

Incidents involving fallen signboards causing injuries

1.12 According to the BD, during the past five years from 2013 to 2017, there were 8 incidents involving fallen signboards which caused injuries (see Table 1). In particular, 4 such incidents (all involving unauthorised signboards) occurred in 2017, causing injuries to 7 persons.

Table 1
Incidents involving fallen signboards causing injuries
(2013 to 2017)

Year	Number of incidents causing injuries	Number of persons injured
2013	—	—
2014	1	1
2015	2	2
2016	1	1
2017	4	7
Total	8	11

Source: BD records

Audit review

1.13 In 2015 and 2016, the Audit Commission (Audit) conducted two reviews on UBWs and rates and government rent respectively, which also touched on signboards, as follows:

- (a) a review of the BD's actions on UBWs, the results of which (covering the Validation Scheme in PART 2) were included in Chapter 1 of the Director of Audit's Report No. 64 of April 2015; and
- (b) a review of the efforts of the Rating and Valuation Department in safeguarding revenue on rates and government rent, the results of which (covering interim valuations of advertising signs in PART 3) were included in Chapter 1 of the Director of Audit's Report No. 66 of April 2016.

1.14 According to the BD, the existence of a large number of unauthorised signboards poses a persistent building safety risk in Hong Kong. Against the above background and with the recent increase in incidents involving fallen signboards causing injuries in 2017 (see para. 1.12), Audit commenced a review in April 2018 to examine the management of signboards by the BD. The review focused on room for improvement and lessons to be learned in the following areas:

- (a) signboard control schemes and surveys (PART 2);
- (b) large-scale operations and handling of public reports (PART 3); and
- (c) follow-up actions on statutory notices and orders (PART 4).

Audit has found room for improvement and lessons to be learned in the above areas, and has made a number of recommendations to address the issues.

Acknowledgement

1.15 Audit would like to acknowledge with gratitude the full cooperation of the staff of the BD during the course of the audit review.

PART 2: SIGNBOARD CONTROL SCHEMES AND SURVEYS

2.1 This PART examines the BD's actions in implementing the MWCS (paras. 2.2 to 2.16) and the Validation Scheme (paras. 2.17 to 2.27) and identifying signboards by regular surveys (paras. 2.28 to 2.41).

Minor Works Control System

MWCS relating to signboards

2.2 On 31 December 2010, the MWCS was fully implemented to provide a lawful, simple, safe and convenient means for building owners to carry out small-scale building works (including signboards). According to the BD, under the MWCS, prescribed building professionals and prescribed registered contractors are vested with legal responsibilities to supervise, carry out and certify the structural safety of all minor works.

2.3 ***Classification of minor works.*** Under the MWCS, 126 items of minor works are classified into three classes according to their nature, scale, complexity and safety risk, of which 22 items are related to signboards, as follows:

- (a) ***Class I minor works (5 of 44 items are related to signboards).*** These works are relatively more complicated as they require higher level of expertise and more stringent supervision and appointment of prescribed building professionals and prescribed registered contractors. At least 7 days before works commencement, a notice of commencement (in prescribed form) is required to be submitted to the BD;
- (b) ***Class II minor works (10 of 40 items are related to signboards).*** These works are less complicated than Class I minor works and only require the appointment of prescribed registered contractors. Same as Class I minor works, a notice of commencement (in prescribed form) is required to be submitted to the BD at least 7 days before works commencement; and

- (c) ***Class III minor works*** (7 of 42 items are related to signboards). These works are small-scale and only require the appointment of prescribed registered contractors.

For all three classes of minor works, within 14 days after works completion, a certificate of completion (in prescribed form) is required to be submitted to the BD. Under the MWCS, there are 6 types of signboards, namely: (1) wall signboard; (2) projecting signboard; (3) signboard on roof; (4) outdoor signboard fixed on-grade; (5) outdoor signboard with a spread footing; and (6) signboard on or hung underneath balcony or canopy. Appendix B shows a summary of the major technical specifications for the erection, alteration and removal of these 6 types of signboards under the MWCS.

2.4 ***Procedures for processing minor-works submissions.*** The BD will select some submissions randomly or judgementally (Note 15) for desktop and/or site audit to ensure that they generally comply with the provisions of the Buildings Ordinance and its subsidiary regulations, and deter abuse of the MWCS by the prescribed building professionals or prescribed registered contractors. According to the BD guidelines, upon receiving a minor-works submission (including those for signboards), the BD will take the following steps:

- (a) ***Initial screening.*** The BD will conduct an initial screening of the submitted documents to ensure their completeness, verify the validity and capacity of the prescribed building professional and/or prescribed registered contractor against the BD's registration records, issue an acknowledgement letter and input the information into the BD's computer system;

Note 15: *According to the BD: (a) the signboard-related audit cases only form a small portion of minor-works submissions selected for desktop and site audits, and hence there is no separate target for the number of signboard-related audit cases and the annual numbers of signboard-related audit cases vary from year to year; and (b) if situation requires (e.g. a public report received on a signboard under the MWCS), the related minor-works submissions might be selected judgementally for conducting desktop or site audit.*

- (b) **Desktop audit.** The BD will select submissions and conduct a desktop audit to ensure procedural compliance with the Buildings Ordinance, which includes checking:
 - (i) completeness and consistency of submitted information; and
 - (ii) whether the works specified in the submissions are in compliance with statutory requirements;
- (c) **Site audit.** The BD will select submissions and conduct a site audit which focuses on building safety and compliance with the Buildings Ordinance. For a minor-works submission selected for site audit, a desktop audit will also be conducted; and
- (d) **Rectification request and follow-up actions on cases not rectified.** For irregularities found during the desktop and site audits, the BD will, where appropriate, issue advisory letters to the prescribed building professional and/or prescribed registered contractor concerned requesting clarifications or rectification of works. After issuing of advisory letters, the BD will issue warning letters if the irregularities are not rectified. The BD may also instigate prosecution and/or disciplinary actions (Note 16). According to the BD, the established practice on prosecution actions is as follows:
 - (i) for minor irregularities related to the procedural or administrative requirements, prosecution actions will be taken against a professional or contractor once the related offence is committed more than once;

Note 16: *According to the BD guidelines, the BD may instigate: (a) prosecution proceedings under the Buildings Ordinance to ensure proper implementation of the MWCS, avoid abuse of the system and provide a strong deterrent against non-compliance of the building law and building safety; and (b) disciplinary proceedings to protect the public by preventing an incompetent or unfit person from carrying out professional duties of a professional or carrying out building works as a contractor, ensure due respect and administration of the Buildings Ordinance and act as a deterrent against commission of similar misconduct or negligence. If convicted by a disciplinary board, appropriate actions can be taken under the Buildings Ordinance for the removal of the name of the person involved from the relevant register either permanently or temporarily.*

- (ii) for irregularities other than those stated in item (i) above, prosecution actions will be taken against a professional or contractor if the irregularities are not rectified after 4 weeks from issuance of a warning letter; and
- (iii) for a professional or contractor who has received 2 warning letters on the same irregularities within 3 years, immediate prosecution action will be taken if the same irregularities are spotted again in the subsequent submissions.

2.5 *Minor-works submissions relating to signboards.* According to BD records, since implementation of the MWCS in December 2010 and up to April 2018, the BD had received at least 26,368 submissions (Note 17) relating to signboards (see Table 2). A submission may be related to erection, alteration or removal works. According to the BD, as the details of the works carried out in each submission are not required to be input into the BD's computer system, there is no statistics on the number of signboards being erected or removed under the MWCS.

Note 17: *A submission may involve more than one signboard. On the other hand, a signboard may involve more than one submission. For example, a submission for notice of commencement and another submission for certificate of completion of works are required for erecting a signboard under Class I minor works. In addition, supplementary information such as record photographs, revised plans and test certificates may also be submitted through another prescribed form as necessary.*

Table 2**Number of submissions relating to signboards under MWCS
(January 2011 to April 2018)**

Year	Number of submissions (Note 1)
2011	1,148
2012	(Note 2)
2013	2,135
2014	4,758
2015	5,619
2016	5,321
2017	5,579
2018 (up to April)	1,808
Total	26,368

Source: BD records

Note 1: Each submission refers to one prescribed form submitted to the BD (see Note 17 to para. 2.5).

Note 2: According to the BD, the total number of minor-works submissions received in 2012 was 68,251 and the type of which (e.g. signboards, windows or sub-divided flats) was not input into the BD's computer system. Therefore, there was no separate breakdown for the number of submissions relating to signboards.

Remarks: On 31 December 2010 (when the MWCS was fully implemented), the BD did not receive any minor-works submission relating to signboards.

Lack of regular management information to monitor the effectiveness of MWCS as related to signboards

2.6 According to the BD, for each submission selected for desktop and/or site audit, BD officers would input into the BD's computer system the following information:

- (a) audit completed without irregularities found will be input as "in order";
- (b) audit completed with irregularities found will be input as follows:
 - (i) for a submission with irregularities found but eventually rectified, it will be input as "not in order but rectified" (examples including incomplete and inconsistent information provided and contravention with statutory requirements). According to the BD, if irregularities are serious in nature, the BD will take follow-up actions (see para. 2.4(d)). If irregularities in a document or drawing are rectified, the BD normally will not take any follow-up actions (Note 18); and
 - (ii) for a submission with irregularities found but not rectified or cannot be rectified, it will be input as "not in order" (examples including late submissions of prescribed forms and contractors not registered to carry out the specified minor works). According to the BD, if irregularities are not rectified, the BD will take follow-up actions;
- (c) submission withdrawn by an applicant during the course of the audit; or
- (d) audit in progress.

Note 18: *According to the BD, same as the established practice for submissions for new building developments or alteration and addition works requiring BD's prior approval and consent, the MWCS allows amendments to drawings to reflect the real site situations, amendments to submitted documents to rectify errors (including typographical errors) and submissions of supplementary documents.*

Signboard control schemes and surveys

2.7 From 2015 to 2017, the BD received a total of 5,619, 5,321 and 5,579 minor-works submissions relating to signboards respectively (see Table 2 in para. 2.5). According to the BD records, the results of desktop and site audits on such submissions are as follows:

- (a) **Desktop audit.** As of April 2018, of the 5,619, 5,321 and 5,579 submissions received from 2015 to 2017, 308 (5%), 280 (5%) and 234 (4%) had been selected for desktop audit respectively. Of the 300, 253 and 146 completed cases, 75 (25%), 80 (32%) and 39 (27%) were respectively found “not in order” (see Table 3); and

Table 3

**Results of desktop audit on selected minor-works submissions
from 2015 to 2017
(April 2018)**

Particulars	Number of submissions selected for desktop audit (Note 1)			
	2015	2016	2017	Total
In progress	4 (1%)	27 (10%)	87 (37%)	118 (14%)
Withdrawn by applicants	4 (1%)	— (0%)	1 (1%)	5 (1%)
Completed	300 (98%)	253 (90%)	146 (62%)	699 (85%)
- In order	225 (75%)	173 (68%)	107 (73%)	505 (72%)
- Not in order (Note 2)	75 (25%)	80 (32%)	39 (27%)	194 (28%)
Total	308 (100%)	280 (100%)	234 (100%)	822 (100%)

Source: BD records

Note 1: Of the 308, 280 and 234 submissions selected for desktop audit in 2015, 2016 and 2017 respectively, 306, 264 and 230 respectively were selected randomly, and 2, 16 and 4 respectively were selected judgementslly.

Note 2: These submissions included “not in order but rectified” submissions (see para. 2.6(b)(i)).

- (b) **Site audit.** As of April 2018, of the 5,619, 5,321 and 5,579 submissions received from 2015 to 2017, 64 (1%), 136 (3%) and 100 (2%) had been selected for site audit respectively. Of the 52, 117 and 51 completed cases, 10 (19%), 22 (19%) and 11 (22%) were respectively found “not in order” (see Table 4).

Table 4

**Results of site audit on selected minor-works submissions
from 2015 to 2017
(April 2018)**

Particulars	Number of submissions selected for site audit (Note 1)			
	2015	2016	2017	Total
In progress	4 (6%)	6 (4%)	32 (32%)	42 (14%)
Withdrawn by applicants	8 (13%)	13 (10%)	17 (17%)	38 (13%)
Completed	52 (81%)	117 (86%)	51 (51%)	220 (73%)
- In order	42 (81%)	95 (81%)	40 (78%)	177 (80%)
- Not in order (Note 2)	10 (19%)	22 (19%)	11 (22%)	43 (20%)
Total	64 (100%)	136 (100%)	100 (100%)	300 (100%)

Source: BD records

Note 1: Of the 64 submissions selected for site audit in 2015, 63 were selected randomly and 1 was selected judgementally. For the 136 and 100 submissions selected for site audit in 2016 and 2017 respectively, all of them were selected randomly.

Note 2: These submissions included “not in order but rectified” submissions (see para. 2.6(b)(i)).

2.8 According to the BD guidelines, for irregularities found during the desktop and site audits, the BD will, where appropriate, issue advisory letters requesting clarifications or rectification of works and, if the irregularities are not rectified, issue warning letters (see para. 2.4 (d)). Among the 237 “not in order” submissions found in desktop audits (194 submissions) and site audits (43 submissions) during 2015 to 2017 (see Tables 3 and 4 in para. 2.7), as of April 2018, the BD issued 153 advisory letters (Note 19) for “not in order” submissions. Audit notes that the BD has compiled a list recording the irregularities as stated in each advisory letter (Note 20). Based on the list, Audit summarised the nature of irregularities in Table 5.

Note 19: *According to BD: (a) 12, 9 and 8 warning letters had been issued for those submissions with irregularities not rectified after the issuance of 153 advisory letters from 2015 to 2017 respectively; (b) subsequently, the irregularities of all, except 10 submissions, had been rectified after issuance of warning letters; and (c) for the 10 non-compliant submissions, as of July 2018, prescribed registered contractors involved in 2 submissions were convicted and follow-up actions for the other 8 submissions were being considered by the BD.*

Note 20: *For a minor-works submission selected for site audit, a desktop audit will also be conducted (see para. 2.4(c)). According to the BD, for advisory letters issued for submissions selected for site audit, there was no record showing whether the irregularities were identified during desktop or site audit.*

Table 5

**Nature of irregularities found in desktop and site audits
during 2015 to 2017 as stated in advisory letters
(April 2018)**

Nature of irregularities	Number of irregularities found (Note)		
	2015	2016	2017
(a) Contravention with Buildings Ordinance (e.g. the projecting signboard was less than 3.5 metres (m) from ground level)	6	1	4
(b) Works not within the scope of minor works (e.g. part of a signboard erected on the roof projected beyond the external wall of a building)	2	2	1
	} 14	} 14	} 12
(c) Prescribed building professional and/or prescribed registered contractor not registered to carry out the specified minor works	5	3	3
(d) Works not in accordance with plans submitted	1	8	4
(e) Insufficient information provided (e.g. photographs, plans and forms)	46	54	17
(f) Late submission (e.g. not fulfilling the requirement of 7-day notification before commencement of works and/or 14-day notification after completion of works – see para. 2.3)	9	5	3
(g) Others (e.g. inconsistent information in submitted documents)	2	8	5
Number of advisory letters issued (Note)	63	63	27

153 advisory letters in total

Source: Audit analysis of BD records

Note: One advisory letter might include more than one irregularity found in the audits.

2.9 Under the MWCS, prescribed building professionals and prescribed registered contractors are vested with legal responsibilities to supervise, carry out and certify the structural safety of all minor works (see para. 2.2). According to the BD, to ensure compliance with the statutory requirements and to deter abuse of the MWCS by the prescribed building professionals or prescribed registered contractors, it selects some minor-works submissions for desktop and/or site audit (see para. 2.4). Regular analysis of the results of irregularities found in desktop and site audits and whether and what follow-up actions had been taken would provide useful management information for monitoring the operation and effectiveness of the MWCS. In Audit's view, to monitor the operation and effectiveness of the MWCS for signboards, there are merits for the BD to regularly compile and assess the following management information:

- (a) ***Nature and seriousness of irregularities found.*** For submissions selected for the desktop and site audits in 2015 to 2017, around 28% and 20% of the selected submissions were found “not in order” respectively (see Tables 3 and 4 in para. 2.7). However, the BD did not compile management information to enable management to assess the nature and seriousness of these irregularities. While the BD had compiled a list recording the nature of irregularities as stated in advisory letters (see para. 2.8), it did not indicate the seriousness of the irregularities. In fact, in response to Audit's enquiry, the BD informed Audit in September 2018 that after retrieving and checking 40 cases with advisory letters issued (i.e. (14 + 14 + 12) — see items (a) to (d) in Table 5 in para. 2.8), it found that 8 were serious cases which would require follow-up actions and 32 were minor cases which were subsequently clarified or rectified and required no follow-up actions. In Audit's view, the BD needs to compile management information on the nature and seriousness of all irregularities found in desktop and site audits for monitoring purpose (including, for example, the nature and seriousness of irregularities by submissions selected randomly or judgementally);
- (b) ***Follow-up actions on withdrawal of submissions.*** Audit noted that for submissions selected for site audits from 2015 to 2017, 10% to 17% of the selected submissions were withdrawn by the applicants (see Table 4 in para. 2.7 (b)). According to the BD, many withdrawn submissions were replaced by new submissions. The established practice is that withdrawal of submissions will not be accepted and follow-up actions will be taken if it is suspected that contravention of the Buildings Ordinance may be involved. However, the BD did not have readily available information to

track whether the submissions withdrawn were replaced by new ones. In September 2018, the BD informed Audit that it had randomly selected 4 withdrawn submissions for examination. It found that 3 were replaced by new submissions and 1 had prosecution action instigated. Audit considers that the BD needs to compile management information for follow-up action on all withdrawal of submissions to ensure that the withdrawals were justified and no contraventions of the Buildings Ordinance were involved. In this connection, Audit noted that the BD had not issued guidelines to its staff regarding the established practices for following up withdrawal of submissions. In Audit's view, the BD needs to issue guidelines in this regard;

- (c) ***Follow-up actions on “not in order” submissions.*** From 2015 to 2017, the desktop and site audits found a total of 237 “not in order” submissions (see Tables 3 and 4 in para. 2.7). As of April 2018, the BD had advised its management the issuance of 153 advisory letters (see Table 5 in para. 2.8) for “not in order” submissions. However, the BD did not prepare management information on:
- (i) how these 153 advisory letters matched with the 237 “not in order” submissions as a submission might involve more than one advisory letter (e.g. the prescribed building professional and prescribed registered contractor related to a submission were each issued with a letter); and
 - (ii) what follow-up actions had been taken on those submissions not issued with advisory letters.

In September 2018, the BD informed Audit that, as many of the submissions not issued with advisory letters were found to involve minor irregularities (e.g. unclear or inconsistent information) and were rectified upon BD officers' verbal requests, they did not warrant the issuance of advisory letters. In Audit's view, there is merit for the BD to provide more management information to facilitate management oversight on whether and what follow-up actions had been taken; and

- (d) ***Information on repeated offenders.*** Audit noted that, as of April 2018, the BD had issued 153 advisory letters and 29 warning letters to prescribed building professionals and prescribed registered contractors arising from “not in order” submissions from 2015 to 2017. However, except for the total number of letters issued, the BD had not provided more management information to facilitate management oversight on repeated offenders and whether and what follow-up actions had been taken. Audit also noted that the BD had not issued guidelines to its staff regarding the established practice on prosecution actions against such offenders as mentioned in paragraph 2.4(d). In Audit’s view, the BD needs to issue guidelines in this regard.

2.10 Audit considers that the BD needs to, based on the results of irregularities found in desktop and site audits, review the operation and effectiveness of the MWCS as related to signboards (e.g. whether the performance of prescribed building professionals and prescribed registered contractors is satisfactory) and take improvement measures as needed, including, for example, whether the sample size (4% for desktop audit and 2% of site audit in 2017 — see para. 2.7) was sufficient having regard to the extent and seriousness of the irregularities found and whether more stringent follow-up actions are needed.

Need to set time targets for completing desktop and site audits

2.11 While the BD has set time target for conducting (i.e. commencing) site audits on selected signboard cases (within 60 days after receipt of submissions), it had not set any time target for completing desktop and site audits (Note 21). Audit noted that, as of April 2018, the audits on some cases had still not been completed more than one year after receipt of the submissions, as follows:

- (a) for desktop audits on submissions received from 2015 to 2017, the BD had not completed 4 (1%) of the 308 selected cases, 27 (10%) of the 280 selected cases and 87 (37%) of the 234 selected cases respectively (see Table 3 in para 2.7(a)); and

Note 21: *According to the BD, it has also set time targets for: (a) carrying out pre-commencement site audit check for Classes I and II minor works (within 7 days from receipt of a notice of commencement of works); and (b) instigating prosecution action if irregularities identified have not been rectified after 4 weeks from the issuance of warning letters.*

- (b) for site audits on submissions received from 2015 to 2017, the BD had not completed 4 (6%) of the 64 selected cases, 6 (4%) of the 136 selected cases and 32 (32%) of the 100 selected cases respectively (see Table 4 in para. 2.7(b)).

2.12 The BD informed Audit in September 2018 that one of the reasons for taking long time to complete the audit of some cases was that it took time to clarify information from the prescribed building professionals or prescribed registered contractors. In Audit's view, as the BD selects minor-works submissions for desktop and/or site audit to ensure compliance with the statutory requirements and to deter abuse of the MWCS (see para. 2.4), timely completion of the audits will facilitate prompt rectification of irregularities found and taking of appropriate follow-up actions. The BD needs to set time targets for completing desktop and site audits on minor-works submissions as related to signboards, and make use of information technology to improve efficiency in conducting the audits.

Some desktop and site audit results inaccurately recorded in computer system

2.13 Audit examined the subject files of 10 desktop and 10 site audit cases with irregularities found and noted that the audit results might not be fully and accurately recorded in the BD's computer system, as follows:

- (a) while all the 10 desktop audit cases found irregularities, the BD had input in its computer system the audit results of 1 case as "not in order" and 9 cases as "in order"; and
- (b) while all the 10 site audit cases found irregularities, the BD had input in its computer system the audit results of 5 cases as "not in order", 1 case as "in order" and 2 cases as "in progress". Regarding the remaining 2 site audit cases, the BD's computer system did not have record showing that they had been selected for site audit.

2.14 In September 2018, the BD informed Audit that, upon retrieving and examining the related cases, some of the cases input as "in order" should be classified as "not in order but rectified" cases (see para. 2.6(b)(i)) as they had been found with minor irregularities which were subsequently clarified or rectified. In Audit's view,

the BD needs to take measures to ensure that desktop and site audit results as related to signboards are timely, fully and accurately recorded in its computer system (e.g. promulgating clear guidelines for inputting desktop and site audit results).

Audit recommendations

2.15 **Audit has *recommended* that the Director of Buildings should:**

- (a) **with a view to monitoring the operation and effectiveness of the MWCS for signboards, ensure that the BD regularly compiles and analyses the following management information, including:**
 - (i) **nature and seriousness of irregularities found;**
 - (ii) **follow-up actions on withdrawal of submissions;**
 - (iii) **follow-up actions on “not in order” submissions; and**
 - (iv) **information on repeated offenders;**
- (b) **issue guidelines for following up withdrawal of minor-works submissions selected for desktop or site audit, and for prosecution actions against prescribed building professionals and prescribed registered contractors for irregularities identified in desktop and site audits as related to signboards;**
- (c) **review the operation and effectiveness of the MWCS as related to signboards and take improvement measures as needed;**
- (d) **set time targets for completing desktop and site audits on minor-works submissions as related to signboards, and make use of information technology to improve efficiency in conducting the audits; and**
- (e) **take measures to ensure that audit results of desktop and site audits as related to signboards are timely, fully and accurately recorded in the BD’s computer system.**

Response from the Government

2.16 The Director of Buildings agrees with the audit recommendations. He has said that:

- (a) the BD has commenced a revamp of its computer system on minor-works submissions since August 2018, which is envisaged to be completed in 2020. Among other improvements to the system, Audit's recommendations will be incorporated in the revamp exercise;
- (b) it is the BD's established practice to follow up on withdrawal cases to ensure no contraventions of the Buildings Ordinance and to follow up on prosecution actions against prescribed building professionals and prescribed registered contractors. Such established practice will be incorporated into the relevant internal guidelines;
- (c) the BD has conducted reviews on the operation and effectiveness of the MWCS from time to time. For example, the practice on instigation of prosecution against irregularities identified in desktop and site audit checks (see para. 2.4(d)) was adopted in October 2017;
- (d) to tackle the prolonged time for clarification with the prescribed building professionals or prescribed registered contractors (see para. 2.12), the BD is exploring means to streamline the process of desktop and site audit checks and will step up the issuance of warning letters and even prosecution/disciplinary action to deter against the late response; and
- (e) the BD will review the categorisation of audit results of desktop and site audits with an aim to ensuring accuracy of the records and capturing serious cases. The BD will then provide guidelines and briefing to staff on inputting results of audit checks into the computer system.

Validation Scheme

2.17 On 2 September 2013, the BD implemented the Validation Scheme for unauthorised signboards erected before the implementation date (i.e. 2 September 2013) and meeting the prescribed technical specifications for minor works (see Appendix B). According to the BD, under the Validation Scheme, prescribed building professionals and prescribed registered contractors are vested with legal responsibilities to inspect, strengthen and certify the safety of existing unauthorised signboards. The owners are allowed the continued use of the validated unauthorised signboards, subject to carrying out a safety check every five years. Although validated signboards are UBWs, according to the BD, it will not take enforcement actions against these signboards unless they become dangerous.

2.18 ***Procedures for processing Validation Scheme applications.*** Audit noted that the procedures for processing a Validation Scheme application as stated in the BD guidelines are the same as those for processing minor-works submissions (see para. 2.4 (a) to (c)), except for the following procedures related to follow-up actions:

- (a) for irregularities found during the desktop and/or site audit, the BD will request the related applicant to rectify the irregularities. If the applicant fails to rectify the irregularities identified, the BD will issue an advisory letter to the applicant notifying the irregularities and reject the application; and
- (b) according to the BD, a successful validation letter will be issued to the applicant if the related application is found to be proper and in order.

Low response for Validation Scheme

2.19 From commencement of the Validation Scheme in September 2013 and up to April 2018, the BD had only received a total of 662 applications (involving 632 signboards — Note 22) and the number of applications had been decreasing in recent years (see Table 6). As of April 2018, of the 662 applications received, 314 (47%) applications involving 274 signboards had been validated, 224 (34%) applications had been rejected, 73 (11%) applications had been withdrawn by the applicants, and 51 (8%) applications were still being processed by the BD. According to the BD, the reasons for rejecting the applications (Note 23) included that:

- (a) the signboards did not meet the prescribed technical specifications as required under the Validation Scheme; and
- (b) the signboards had not been erected before commencement of the Validation Scheme.

Note 22: *An application may involve more than one signboard. On the other hand, a signboard may involve more than one application. For example, if a signboard requires the carrying out of strengthening works before being qualified to meet the prescribed technical specifications of Class I minor works, an application for submitting the notice of commencement and another application for submitting the certificate of completion for the strengthening works are required.*

Note 23: *According to the BD, there was no breakdown for the two reasons for rejecting the 224 applications. Its random sample study of 25 applications rejected in 2017 indicated that they did not meet the prescribed technical specifications (i.e. para. 2.19(a)).*

Table 6**Number of applications under Validation Scheme
(September 2013 to April 2018)**

Year	Number of applications
2013 (from September)	10
2014	166
2015	224
2016	135
2017	110
2018 (up to April)	17
Total	662

Source: BD records

2.20 According to the BD's stock-taking exercise conducted in 2011, there were about 120,000 signboards. The BD estimated in 2014 that some 72% of the 120,000 (i.e. 86,400) signboards would be eligible for validation under the Validation Scheme. However, since commencement of the Validation Scheme in September 2013 and up to April 2018 (around 4.5 years), only 274 (0.3% of 86,400) signboards had been validated under the Scheme.

2.21 In May 2016, the BD informed the Panel on Development of the Legislative Council (LegCo) that:

- (a) the BD had reviewed the implementation of the Validation Scheme;
- (b) there were more signboard owners choosing to remove and re-erect signboards under the MWCS rather than applying for validation of the signboards, as they had become very familiar with the expedited and simplified procedures of the MWCS since its full implementation in December 2010; and

- (c) the BD still saw value in the Validation Scheme as an alternative for owners of small signboards, some of whom wished to continue to use their existing signboards through the Scheme due to cost and business considerations.

2.22 In Audit's view, in view of the low response and the high rejection rate of the Validation Scheme (see para. 2.19), the BD needs to make further effort to publicise the Scheme with a view to enhancing public awareness of the Scheme and its requirements.

Need to establish a more comprehensive database of all signboards

2.23 In October 2010, in briefing LegCo about measures to enhance building safety, the Development Bureau stated that the BD would be able to establish a comprehensive database of all signboards in Hong Kong and have a firmer grasp of their safety condition to facilitate control and enforcement action through the MWCS, the Validation Scheme, and erection of large signboards subject to prior approval and consent of the BD. However, Audit noted that, as of July 2018, the BD had not maintained such a database based on information from these sources:

- (a) **MWCS.** According to the BD, its computer system maintained a comprehensive database of minor works, and case officers could readily check if there was minor-works submission for a particular signboard. However, while the BD's computer system recorded the receipt of 26,368 submissions as of April 2018 (see para. 2.5), the system could not show whether these submissions were related to erection, alteration or removal of signboards, or the number of signboards being erected or removed;
- (b) **Validation Scheme.** As of April 2018, while the BD's computer system captured the information of applications received under the Validation Scheme, only 274 signboards had been validated (see para. 2.19); and
- (c) **Large signboards.** In August 2018, in response to Audit's enquiry, the BD informed Audit that it had no readily available database on the number of large signboards erected or removed with the BD's prior approval and consent.

Signboard control schemes and surveys

2.24 In September and October 2018, the BD informed Audit that:

- (a) with reference to enforcement experience under the Signboard Control System, the setting up of a database covering unauthorised signboards might not help enhance effective enforcement actions because of the frequent changes of the status of signboards and the large amount of resources required for keeping such database up-to-date;
- (b) the LegCo brief in October 2010 (see para. 2.23) depicted that, with the implementation of the MWCS, the Validation Scheme and the Signboard Control System, the BD would eventually be able to establish a comprehensive database of all legal or validated signboards in Hong Kong to facilitate control and enforcement actions. This would be a long-term goal of the BD; and
- (c) however, as the BD had only started the LSOs on target streets in recent years, it was premature to kick start the exercise of establishing a comprehensive database of all signboards at this stage.

2.25 In Audit's view, the BD needs to take early actions to establish a database of all legal or validated signboards to facilitate control and enforcement actions.

Audit recommendations

2.26 **Audit has *recommended* that the Director of Buildings should:**

- (a) **in view of the low response and the high rejection rate of the Validation Scheme, make further effort to publicise the Scheme with a view to enhancing public awareness of the Scheme and its requirements; and**
- (b) **take early actions to establish a database of all legal or validated signboards to facilitate control and enforcement actions.**

Response from the Government

2.27 The Director of Buildings agrees with the audit recommendations. He has said that:

- (a) the Validation Scheme provides an option to signboard owners who wish to retain their existing unauthorised signboards erected before 2 September 2013. To encourage owners of such unauthorised signboards to join the Validation Scheme:
 - (i) a session of Police Magazine on the Signboard Control System (including the Validation Scheme) was broadcast in April 2018. A newly produced Announcements in the Public Interest on television and radio with posters was launched in September 2018 and the production of new leaflets is also underway;
 - (ii) BD staff always promote the Validation Scheme when they meet the signboard owners during their daily duties; and
 - (iii) the BD will continue the publicity activities to promote the Validation Scheme; and
- (b) with the available resources, the BD's long-term goal is to establish a database of all legal or validated signboards for public's checking and inspection. Meanwhile, the BD has uploaded the approved plans and minor-works records of signboards onto its Building Records Access and Viewing On-line (a system which enables the public to inspect and place orders for copies of private buildings and minor-works records over the Internet) for public's inspection. The BD is also exploring ways to facilitate checking of legality of particular signboards by members of the public.

Identifying signboards by regular surveys

2.28 According to the BD, it takes proactive and vigorous action to remove dangerous or abandoned signboards which pose danger to the safety of the public. In addition, in order to contain the growth of UBWs (including unauthorised signboards), the BD accorded priority to new UBWs, including signboards under construction (i.e. unauthorised WIP signboards), for taking enforcement actions. With a view to

Signboard control schemes and surveys

identifying dangerous, abandoned or unauthorised WIP signboards (collectively referred to as targeted signboards), the BD had conducted regular surveys (i.e. patrols) by both in-house staff and consultants, as follows:

- (a) ***Surveys of signboards by BD in-house staff.*** The BD staff had carried out surveys of signboards in various districts to identify dangerous signboards or potentially dangerous signboards (i.e. abandoned signboards) and to arrange to have them removed in a proactive manner. According to the BD, from 2014 to 2016, its staff had completed an inspection cycle to identify dangerous or abandoned signboards located at major streets of urban area; and
- (b) ***Surveys of signboards by BD consultants.*** Before 25 April 2018, the BD had engaged consultants to carry out patrols (under consultancy agreements with 2-year term in general — Note 24) in various districts to identify:
 - (i) signboards under construction (i.e. WIP signboards); and
 - (ii) apparent dilapidated or abandoned signboards.

The frequency of the patrols of each district ranged from 4 to 6 times a year (depending on the BD's assessment of the risk levels of the areas). Following the expiration of the consultancy agreements on 24 April 2018 (Note 25), the BD in-house staff have taken up the consultants' duties when they carry out site inspections in response to public reports on signboards.

Note 24: *Under the consultancy agreements, the consultants had to carry out patrolling (including preparatory work before the surveys and checking against approved building records and preparing professional inspection reports after the surveys), investigation and inspection of UBWs under construction (including WIP signboards) and building dilapidation (including dilapidated or abandoned signboards). The BD had engaged 8 consultants from April 2016 to April 2018 to cover various districts for the above services, ranging from \$1.8 million to \$4.5 million per consultancy agreement, totalling \$23.8 million for the 2-year period.*

Note 25: *According to the BD, the number of suspected UBWs under construction identified by consultants was small as compared to those identified through public reports received by the BD and in view of the relatively low effectiveness of the surveys conducted by consultants, the BD decided not to continue engaging consultants to carry out surveys after 24 April 2018.*

Need to improve effectiveness of surveys in identifying dangerous, abandoned or unauthorised WIP signboards

2.29 Audit examination of the BD records revealed that the number of dangerous, abandoned or unauthorised WIP signboards (i.e. targeted signboards under regular surveys — see para. 2.28) identified by the BD in-house staff and the BD consultants were as follows:

- (a) ***Surveys of signboards by BD in-house staff.*** From January 2014 to April 2018, a total of 771 targeted signboards had been identified (see Table 7). As shown in Table 7, the number of targeted signboards identified by BD in-house staff had decreased from 272 in 2015 to 60 in 2017; and

Table 7

**Number of targeted signboards identified by BD in-house staff
(January 2014 to April 2018)**

Year	Number of targeted signboards identified	
2014	201	} an average of 221 signboards a year
2015	272	
2016	189	
2017	60	
2018 (up to April)	49	
Total	771	

Source: BD records

- (b) ***Surveys of signboards by BD consultants.*** In the two-year consultancy period ended April 2018, a total of 181 targeted signboards had been identified (see Table 8).

Table 8

**Number of targeted signboards identified by BD consultants
(April 2016 to April 2018)**

Year	Number of targeted signboards identified	
2016 (from April)	61	} an average of 90 signboards a year
2017	109	
2018 (up to April)	11	
Total	181	

Source: BD records

2.30 ***Audit's site visit.*** In June 2018, to assess the effectiveness of the BD's surveys in identifying targeted signboards, Audit conducted a one-day site visit to one of the 11 areas in Yau Tsim Mong District (out of the 18 districts — Note 26). During the site visit, Audit identified 9 suspected dangerous signboards, 22 suspected abandoned signboards and 4 suspected unauthorised WIP signboards (all these 35 signboards were targeted signboards to be identified in regular surveys by BD in-house staff and consultants — see para. 2.28). Audit then referred these signboards to the BD for its examination and assessment of whether they were targeted signboards. Table 9 shows a summary of the BD's examination results on these signboards and the details are given in paragraph 2.31.

Note 26: *Based on the results of the BD's 2011 stock-taking exercise, Yau Tsim Mong District had the largest number of signboards among the 18 districts. To facilitate its daily operation and task allocations, the BD has divided each of the 18 districts into different areas. Audit conducted a one-day site visit to one of the 11 areas in Yau Tsim Mong District, which had the largest number of signboards among the 11 areas in Yau Tsim Mong District, and was bounded by Austin Road, Canton Road, Ferry Street, Kansu Street and Nathan Road.*

Table 9

BD's examination results on the 35 suspected dangerous, abandoned or unauthorised WIP signboards identified by Audit's site visit (September 2018)

Particulars	Targeted signboards		Others (Note 3) (No.)	Total (No.)
	Not known to BD before Audit's referral (Note 1) (No.)	Known to BD before Audit's referral (Note 2) (No.)		
(a) Suspected dangerous signboards confirmed by the BD (see para. 2.31(a)) as:				
(i) likely-to-become dangerous	6	—	—	6
(ii) abandoned	1	—	—	1
(iii) not dangerous	—	—	1	1
(iv) being removed	—	—	1	1
Subtotal (a)	7	—	2	9
(b) Suspected abandoned signboards confirmed by the BD (see para. 2.31(b)) as:				
(i) abandoned	16	2	—	18
(ii) not abandoned	—	—	4	4
Subtotal (b)	16	2	4	22
(c) Suspected unauthorised WIP signboards confirmed by the BD (see para. 2.31(c)) as:				
(i) unauthorised WIP	2	—	—	2
(ii) with works under MWCS	—	—	1	1
(iii) not found during its inspection	—	—	1	1
Subtotal (c)	2	—	2	4
Total (d) = (a)+(b)+(c)	25	2	8	35

Source: BD examination results on findings of Audit's site visit

Note 1: According to the BD, it would take enforcement actions by issuing DSRNs or removal orders for these signboards.

Note 2: According to the BD, it had taken enforcement actions by issuing DSRNs for these signboards.

Note 3: According to the BD, these were not targeted signboards.

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2.31 The BD's examination results on the 35 suspected dangerous, abandoned or unauthorised WIP signboards identified by Audit's site visit were as follows:

- (a) for the 9 suspected dangerous signboards:
 - (i) 6 were assessed as likely-to-become dangerous (see Photograph 1 for an example). These signboards were not known to the BD before Audit's referral, and the BD would issue DSRNs for them;

Photograph 1

Likely-to-become dangerous signboard



Source: Photograph taken by Audit staff on 19 June 2018 and blurred by Audit

- (ii) 1 was confirmed abandoned signboard. This signboard was not known to the BD before Audit's referral, and the BD would issue a DSRN for it;
- (iii) 1 was assessed as not being dangerous, but as the erection of which was unauthorised, the BD would take necessary enforcement action by issuing a removal order under an LSO; and

- (iv) 1 was found removed during the BD's inspection in July 2018;
- (b) for the 22 suspected abandoned signboards:
 - (i) 16 were confirmed abandoned signboards (see Photograph 2 for an example). These signboards were not known to the BD before Audit's referral, and the BD would issue DSRNs for them;

Photograph 2

Abandoned signboard

Only the metal supporting frame of the signboard remained



Source: Photograph taken by Audit staff on 19 June 2018 and blurred by Audit

- (ii) 2 were confirmed abandoned signboards. These signboards were known to the BD before Audit's referral, and the BD had already issued DSRNs in March and May 2017 respectively; and
- (iii) 4 were confirmed not abandoned signboards; and

Signboard control schemes and surveys

- (c) for the 4 suspected unauthorised WIP signboards:
 - (i) 2 were confirmed unauthorised WIP signboards. These signboards were not known to the BD before Audit's referral, and the BD would issue removal orders for them;
 - (ii) 1 was found with works commenced under the MWCS; and
 - (iii) 1 could not be found during the BD's inspection in July 2018 and the scaffolding previously identified by Audit had been removed.

2.32 The BD's examination results confirmed that 25 targeted signboards identified by Audit's one-day site visit to one of the 11 areas in one of the 18 districts were not known to the BD and no enforcement action had been taken before Audit's referral. They comprised 6 likely-to-become dangerous signboards (see para. 2.31(a)(i)), 17 abandoned signboards (see para. 2.31(a)(ii) and (b)(i)) and 2 unauthorised WIP signboards (see para. 2.31(c)(i)). Audit noted that 60 targeted signboards were identified by the BD in-house staff in 2017 (see para. 2.29(a)) and about 90 targeted signboards were identified by the BD consultants in a year (see para. 2.29(b)). The number of targeted signboards identified by BD in-house staff had also decreased in recent years (from 272 in 2015 to 60 in 2017 — see para. 2.29(a)). In September and October 2018, the BD informed Audit that:

- (a) the reasons for the decrease in the number of targeted signboards identified by BD in-house staff during regular surveys were that it had completed an inspection cycle by the end of 2016 and, in 2017, as an enforcement strategy, it redirected its resources to clear backlog removal orders and intensified the LSOs on target streets by its in-house staff. Although the number of signboards identified in regular surveys had decreased in recent years, the fact that the number of DSRNs issued had increased from 360 in 2013 to 860 in 2017 (see Table 18 in para. 4.3) demonstrated that its momentum of actions against dangerous or abandoned signboards was keeping up;

- (b) the surveys carried out by BD in-house staff and BD consultants involved multiple tasks and procedures, including counting of all signboards inspected and taking photographs of inspected area, assessing and recording the details of suspected defective signboards, on-site verification of owners of suspected abandoned signboards and liaison with owners if they were identified, checking the valid Business Registration Certificate during site inspection or conducting on-line Business Registration Certificate search if on-site checking of the Certificate was refused or not available, and checking ownership of targeted signboards after inspection; and
- (c) some targeted signboards identified by Audit's site visit had been previously inspected by BD in-house staff under the regular surveys and they were in good condition at the time.

2.33 While noting the BD's view in paragraph 2.32, Audit considers that there is room for improvement in conducting regular surveys by the BD as:

- (a) the regular survey is a proactive means of identifying dangerous or abandoned signboards for which the BD accords priority for taking enforcement actions (see para. 2.28); and
- (b) the conditions of signboards have been changing over time as reflected in the BD's reply to Audit in paragraph 2.32(c). This indicates the need to keep them under regular review to assess their conditions.

In Audit's view, the BD needs to review the effectiveness of regular surveys in identifying targeted signboards.

No target and inspection programmes for regular surveys

2.34 According to the BD guidelines, BD in-house staff conducting surveys of signboards will, for each district:

- (a) set annually the target number of signboards to be inspected and number of dangerous or abandoned signboards to be removed or repaired; and
- (b) need to schedule monthly inspections and removal operations to achieve the annual targets.

However, in response to Audit's enquiry, the BD informed Audit in July 2018 that no such annual targets had been set for the surveys and no monthly inspections and removal operations had been scheduled to achieve the target.

2.35 According to the BD, from 2014 to 2016, its in-house staff's regular surveys for identifying targeted signboards had covered 15 to 17 out of the 18 districts in each year (see Table 10). However, Audit noted that, from January 2017 to April 2018, the BD's regular surveys had only covered 5 districts in 2017 and 3 districts in 2018 (up to April). As shown in Table 10, while the number of signboards inspected had increased from 18,414 in 2014 to 35,851 in 2016, the number had decreased significantly by 96% from 35,851 in 2016 to 1,384 in 2017. According to the BD, the reasons for the decrease were the same as those for the decrease in the number of targeted signboards identified in regular surveys in recent years as mentioned in paragraph 2.32(a).

Table 10

**Number of signboards inspected and districts covered
by BD staff's regular surveys
(January 2014 to April 2018)**

Year	Number of signboards inspected	Number of districts covered
2014	18,414	15
2015	31,255	17
2016	35,851	17
2017	1,384	5
2018 (up to April)	612	3
Total	87,516	N/A

Source: BD records

2.36 In October 2018, the BD informed Audit that:

- (a) the current practice was to make use of the regular surveys as a means to meet the indicator on removal or repair of dangerous or abandoned signboards under the BD's Controlling Officer's Report. This indicator was regularly reviewed on an annual basis; and
- (b) subsequent to the response to Audit's enquiry in July 2018 (see para. 2.34), the BD set internal targets on inspection of signboards under regular surveys in August 2018.

2.37 In Audit's view, the BD needs to keep under review the annual targets in relation to inspection of signboards under regular surveys and formulate inspection programmes to achieve the annual targets.

Need to make better use of computer system to monitor enforcement actions taken against targeted signboards identified in regular surveys

2.38 In response to Audit's enquiry of the time taken in issuing DSRNs or removal orders for targeted signboards identified in regular surveys (including the 771 targeted signboards identified by BD in-house staff and the 181 targeted signboards identified by BD consultants — see para. 2.29), in August 2018, the BD said that it could not readily compile such information as it had not used its computer system to correlate the identified targeted signboards with the DSRNs or removal orders issued. In Audit's view, the BD needs to take measures to make better use of its computer system to assist it in monitoring the progress of enforcement actions taken against targeted signboards identified in regular surveys.

2.39 According to the BD, it takes proactive and vigorous action to remove dangerous or abandoned signboards and accords priority to new UBWs (including unauthorised WIP signboards) for taking enforcement actions (see para. 2.28). However, Audit noted that the BD had not set any time target for issuing DSRNs or removal orders after identifying these signboards during regular surveys. In Audit's view, the BD needs to set a time target for issuing DSRNs or removal orders for targeted signboards identified in regular surveys.

Audit recommendations

2.40 **Audit has recommended that the Director of Buildings should:**

- (a) **review the effectiveness of regular surveys in identifying targeted signboards;**
- (b) **keep under review the annual targets in relation to inspection of signboards under regular surveys and formulate inspection programmes to achieve the annual targets;**
- (c) **take measures to make better use of the BD's computer system to assist the BD in monitoring the progress of enforcement actions taken against targeted signboards identified in regular surveys; and**

- (d) set a time target for issuing DSRNs or removal orders for targeted signboards identified in regular surveys.

Response from the Government

2.41 The Director of Buildings agrees with the audit recommendations. He has said that:

- (a) the BD will explore ways to enhance the efficiency of the regular surveys (e.g. streamlining the procedures by recording the sections of streets inspected instead of the number of signboards inspected);
- (b) the BD will update the internal targets on inspection of signboards under regular surveys as needed;
- (c) the mode of operation of the regular surveys is being reviewed to enhance its effectiveness and the progress of follow-up actions on identified targeted signboards will be monitored in the BD's computer system; and
- (d) after reviewing the regular surveys and making reference to the current time targets on issuing removal orders for UBWs arising from public reports, the BD has set the time targets in October 2018 for issuing DSRNs and removal orders within 30 days and 150 days from the date of inspection respectively. These time targets will be promulgated in the BD guidelines shortly.

PART 3: LARGE-SCALE OPERATIONS AND HANDLING OF PUBLIC REPORTS

3.1 This PART examines the BD's efforts in identifying and taking enforcement actions against dangerous or unauthorised signboards through conducting LSOs (paras. 3.2 to 3.19) and handling of public reports (paras. 3.20 to 3.28).

LSOs on signboards

3.2 LSOs on signboards are clearance operations conducted either on a target street section selected by the BD for each operation (see paras. 3.3 to 3.6) or for removal of large unauthorised signboards (see para. 3.7).

LSOs on target streets covering signboards

3.3 Since 2014, the BD has launched LSOs on dangerous (including abandoned) or unauthorised signboards (other than validated signboards against which the BD would not take enforcement action — see para. 1.5) by selecting a target street section for each operation. According to the BD, it implements the LSOs to encourage owners of eligible unauthorised signboards not joining the Validation Scheme (which was implemented in September 2013) to apply for validation.

3.4 According to the BD guidelines, a street meeting at least two of the following criteria may be selected for conducting an LSO:

- (a) recent major incidents relating to signboards occurred on the street, especially if the possibility of recurrence of similar incidents is relatively high;
- (b) majority of buildings in the street at age of 30 years or above;
- (c) majority of buildings in the street having balconies with signboards attached;
- (d) the street with heavy vehicular traffic flow and/or heavy pedestrian flow;

- (e) buildings in the street with backlog removal orders for or repeated public reports on signboards; and
- (f) average number of signboards attached to each building in the street subject to the BD's enforcement actions exceeding 5.

3.5 The BD conducts LSOs on a number of street sections each year. For each LSO, there is a set of programmed actions to be taken in different stages, as follows:

- (a) ***Investigation stage.*** The BD will carry out inspections of the target street section to identify signboards subject to enforcement action, and issue advisory letters and pamphlets of the Validation Scheme to the owners of the suspected dangerous, abandoned or unauthorised signboards requesting voluntary removal or validation of signboards within a specified period;
- (b) ***DSRN/removal order serving stage.*** After the specified period stated under the advisory letters, the BD will issue DSRNs for dangerous or abandoned signboards, and removal orders for unauthorised signboards not joining or not eligible for joining the Validation Scheme;
- (c) ***Compliance stage.*** After the specified period stated under the DSRNs or removal orders, the BD will carry out compliance inspection to ascertain whether the DSRNs or removal orders have been complied with; and
- (d) ***Prosecution/default works stage.*** For non-compliant DSRNs, the BD will engage contractors to remove the dangerous or abandoned signboards. For non-compliant removal orders, the BD will instigate prosecution action.

Large-scale operations and handling of public reports

3.6 From 2014 to 2017, the BD conducted increasing number of LSOs each year. The LSOs covered 1 street section in 2014, 5 street sections in 2015, 6 street sections in 2016 and 9 street sections in 2017 (Note 27). The time targets for completing each of the 4 stages of the LSOs conducted in 2015 to 2017 are shown in Table 11.

Table 11

**Time targets for LSOs on target streets covering signboards
(2015 to 2017)**

Stage	Time target for LSOs conducted in		
	2015	2016	2017
Investigation stage	June to September 2015	April to June 2016	February to July 2017
DSRN/removal order serving stage	September 2015	July to September 2016	April to September 2017
Compliance stage	October to December 2015	September 2016 to March 2017	May to November 2017
Prosecution/default works stage	November to December 2015	February to April 2017	June 2017 to January 2018
Number of street sections covered	5	6	9

20

Source: BD records

Note 27: *The LSOs conducted in 2014 and 2017 were carried out by BD in-house staff, and the LSOs conducted in 2015 and 2016 were carried out by BD consultants. According to the BD, in view of the low response rate on the Validation Scheme in the previous LSOs, it decided to carry out the LSOs in 2017 by BD in-house staff to assess if direct interaction with the signboard owners could enhance the response rate on the Validation Scheme.*

LSOs on large unauthorised signboards

3.7 Since 2003, the BD has conducted LSOs on large unauthorised signboards with an aim to remove all substantially large unauthorised signboards. According to the BD's internal guidelines, the BD should set a target number of signboards for taking enforcement actions each year under LSOs on large unauthorised signboards. The LSOs covered unauthorised wall and projecting signboards meeting the following criteria:

- (a) **Wall signboards.** Unauthorised signboards exceeding the upper limit of display areas for Class I minor works under the MWCS (i.e. 20 square metres (m²) for a signboard with a light-emitting diode (LED) display system and 40 m² for one without an LED display system); and
- (b) **Projecting signboards.** Unauthorised signboards exceeding the upper limit of display areas for Class I minor works under the MWCS (i.e. 10 m² for a signboard with an LED display system and 20 m² for one without an LED display system), or leading to major positional risk (e.g. causing obstruction to vehicular traffic).

According to the BD, its officers identify signboards for LSOs on large unauthorised signboards through public reports received and during daily operation.

Slippage in completing LSOs on target streets covering signboards

3.8 Audit noted that, as of April 2018, the LSO conducted in 2014 for 1 street section had been completed. However, for the LSOs conducted from 2015 to 2017 for a total of 20 street sections, they had not yet been completed (the outstanding work involved instigating prosecution or carrying out default works — see Table 11 in para. 3.6) with slippage as follows:

- (a) **Signboards issued with removal orders.** Audit examination revealed that, as of April 2018, there was slippage in completing the LSOs from 2015 to 2017 ranging from 3 months to 2.3 years (see Table 12). For example, for the LSOs conducted in 2016, the target date for instigating prosecution on non-compliant removal orders was April 2017. However, as of April 2018 (one year after the target date), of the 366 orders issued, prosecution actions had not been instigated for 158 (43%) orders; and

Table 12

**Slippage in instigating prosecution on non-compliant removal orders
under LSOs on target streets covering signboards
(April 2018)**

Particulars	2015 LSO (No.)	2016 LSO (No.)	2017 LSO (No.)
Removal orders issued	287 (100%)	366 (100%)	507 (100%)
(a) orders complied with	253 (88%)	195 (53%)	89 (17%)
(b) orders superseded or withdrawn	15 (5%)	1 (1%)	7 (1%)
(c) orders with appeal in progress	— (0%)	2 (1%)	3 (1%)
(d) non-compliant removal orders with prosecution instigated	18 (6%)	10 (2%)	2 (1%)
(e) non-compliant removal orders with no prosecution action instigated	1 (1%) (Note)	158 (43%)	406 (80%)
Target date for instigating prosecution on non-compliant orders	December 2015	April 2017	January 2018
Slippage as of April 2018	2.3 years	1 year	3 months

Source: Audit analysis of BD records

Note: According to the BD, the non-compliant removal order involved two signboards. One was removed in July 2016 and the other one was removed in May 2018.

- (b) **Signboards issued with DSRNs.** Audit examination revealed that, for the LSOs conducted in 2015 and 2016, there was no outstanding DSRN as of April 2018. For the LSOs conducted in 2017, the target date for carrying out default works on non-compliant DSRNs was January 2018. However, as of April 2018, default works had not yet been carried out for 98 (74%) of the 133 DSRNs issued.

3.9 In September and October 2018, the BD informed Audit that:

- (a) the progress of the LSOs on target streets covering signboards was being monitored in the BD's Sectional Progress Monitoring meetings;
- (b) BD staff generally followed its guidelines to instigate prosecution proceedings against non-compliant removal orders. In view of the large number of outstanding removal orders and in order to make the most effective use of the available resources, different factors stated in the guidelines had to be taken into account when considering initiation of related prosecution actions. Each case had to be considered individually and might be in different stages of compliance (e.g. partial compliance and extension of time granted). In addition, cases referred to the BD Legal Services Section (see para. 4.15) were usually made in batches; and
- (c) it had accorded priority to carry out default works to clear the outstanding DSRNs. All DSRNs issued under the LSOs conducted in 2015 and 2016 had been cleared.

3.10 In Audit's view, the BD needs to strengthen actions to meet its time target for completion of the LSOs on target streets covering signboards, including instigating timely enforcement actions against non-compliant removal orders and DSRNs.

Need to keep under review implementation and effectiveness of LSOs on large unauthorised signboards

3.11 ***Target number of signboards for taking enforcement actions under LSOs on large unauthorised signboards not achieved.*** According to the BD's internal guidelines, the BD should set a target number of signboards for taking enforcement actions each year under LSOs on large unauthorised signboards. However, Audit examination of the LSOs conducted from 2015 to 2017 revealed that the targets could not be achieved. As shown in Table 13, for LSOs conducted from 2015 to 2017, Audit noted that both the actual number of and the achievement rate of the target set for large unauthorised signboards with enforcement actions taken had decreased from 201 (actual achievement rate of 67%) in 2015 to 106 (actual achievement rate of 47%) in 2017.

Table 13

**Number of signboards with enforcement actions taken
under LSOs on large unauthorised signboards
(2015 to 2017)**

Year	Target number of signboards for taking enforcement actions	Actual number of signboards with enforcement actions taken (Note)	Actual achievement rate
	(a)	(b)	$(c) = (b) / (a) \times 100\%$
2015	300	201	67%
2016	225	146	65%
2017	225	106	47%

Source: Audit analysis of BD records

Note: According to the BD, since 2016, manpower has been deployed to tackle some difficult cases of large unauthorised signboards by applying to the Court for priority demolition orders under section 24B of the Buildings Ordinance (see para. 1.9(c)). In 2016 and 2017, 16 and 21 such signboards had been removed respectively. As a result, such signboards, together with those with enforcement actions taken by issuing removal orders under the LSOs on large unauthorised signboards, were included in column (b).

3.12 *Audit's site visit.* In June 2018, to assess the effectiveness of the BD's LSO in identifying large unauthorised signboards, Audit conducted a one-day site visit to 7 streets in Yau Tsim Mong District (Note 28) and identified 68 suspected large unauthorised signboards. Audit then referred these signboards to the BD for its examination and assessment of whether they were unauthorised signboards. According to the BD, 36 of these 68 signboards (Note 29) were unauthorised. Of these 36 unauthorised signboards, 11 were not large unauthorised signboards as their display areas (Note 30) were within that for Class I minor works under the MWCS, and the remaining 25 were large unauthorised signboards with display area (Note 31) exceeding that for Class I minor works under the MWCS (see para. 3.7). Table 14 shows a summary of the BD's examination results on these signboards and the details are given in paragraph 3.13.

Note 28: *Since taking strengthened enforcement actions against large unauthorised signboards under section 24B of the Buildings Ordinance in April 2016 (see para. 1.9(c)) and up to April 2018, 23 signboards had been removed after granting of the priority demolition orders, of which 12 were located in Yau Tsim Mong District. Audit's one-day site visit was conducted on the 7 streets (i.e. Argyle Street, Haiphong Road, Nathan Road, Nelson Street, Prat Avenue, Sai Yeung Choi Street South and Shan Tung Street) where these 12 signboards were located.*

Note 29: *For the remaining 32 signboards: (a) 30 were authorised signboards which had been erected with prior BD's approval and consent or under the MWCS; and (b) 2 related to non-building works.*

Note 30: *The display areas of these 11 unauthorised signboards ranged from 20 m² to 25 m² for wall signboards and from 12 m² to 18 m² for projecting signboards. For these 11 signboards, the BD had taken enforcement action against 1 signboard (a removal order issued in May 2018) before Audit's referral. Regarding the remaining 10 signboards, 8 were not known and 2 were known to the BD, and no enforcement actions had been taken against these 10 signboards before Audit's referral. According to the BD, of these 10 signboards: (a) 9 were not new and had not been validated under the Validation Scheme. The BD would issue removal orders for them under LSOs; and (b) 1 was new and the BD would issue a removal order for it.*

Note 31: *The display areas of these 25 large unauthorised signboards ranged from 30 m² (with an LED display system) to 532 m² for wall signboards and from 36 m² to 100 m² for projecting signboards.*

Table 14

BD's examination results on the 25 large unauthorised signboards identified by Audit's site visit (September 2018)

Status of large unauthorised signboard before Audit's referral	Considered by the BD as		Total (No.)
	Not new large unauthorised signboards (see Note 12 to para. 1.7) (No.)	New large unauthorised signboards (see Note 12 to para. 1.7) (No.)	
(a) Not known to the BD	10	1	11
(b) Known to the BD without enforcement actions taken	5	—	5
(c) Known to the BD with enforcement actions taken	9	—	9
Total	24	1	25

Source: BD examination results on findings of Audit's site visit

3.13 The BD's examination results on the 25 large unauthorised signboards identified by Audit's site visit were as follows:

- (a) 11 were not known to the BD and no enforcement actions had been taken before Audit's referral. Of these signboards:
 - (i) 10 were not considered by the BD (see Note 12 to para. 1.7) as new unauthorised signboards (see Photographs 3 and 4 for examples). According to the BD, it would issue removal orders for these signboards under LSOs; and

Photograph 3

A large unauthorised signboard (with display area of 532 m²)



Source: Photograph taken by Audit staff on 19 June 2018 and blurred by Audit

Photograph 4

A large unauthorised signboard (with display area of 334 m²)



Source: Photograph taken by Audit staff on 19 June 2018 and blurred by Audit

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- (ii) 1 was new unauthorised signboard erected after the BD's 2011 stock-taking exercise. According to the BD, it would issue a removal order for this signboard;
- (b) 5 were known to the BD (of which 3 were through public reports received in 2014 and 2 were through BD staff's daily operation in 2015), but no enforcement actions had been taken. According to the BD, it would issue removal orders under LSOs or apply for priority demolition orders for these signboards; and
- (c) 9 were known to the BD and enforcement actions had been taken before Audit's referral, as follows:
 - (i) 2 had been issued with removal orders in 2008 and 2009 respectively, but the orders were subsequently withdrawn by the BD (see Case 3 in para. 4.19 for details regarding one of the signboards). According to the BD, it would apply for priority demolition order under section 24B of the Buildings Ordinance to remove these signboards; and
 - (ii) 7 had been issued with removal orders in 2017 or 2018.

3.14 The BD's examination confirmed that 11 large unauthorised signboards identified by Audit's one-day site visit to 7 streets in one of the 18 districts were not known to the BD and no enforcement actions had been taken before Audit's referral. Audit noted that the BD had only identified 106 large unauthorised signboards with enforcement actions taken in the 2017 LSO. Audit also noted that both the actual number of and the achievement rate of the target set for large unauthorised signboards with enforcement actions taken had decreased from 201 (actual achievement rate of 67%) in 2015 to 106 (actual achievement rate of 47%) in 2017 (see para. 3.11).

3.15 In September and October 2018, the BD informed Audit that:

- (a) the target number of signboards for taking enforcement action was an internal target (not Controlling Officer's Report target) which served as a benchmark for its staff to follow;

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- (b) due to other priorities, the BD had not taken enforcement actions against some of the large unauthorised signboards found by Audit. The BD could only deal with a limited number of large unauthorised signboards and therefore had to tackle these signboards by LSOs;
- (c) it was prudent for BD staff to identify the liable party in accordance with the Buildings Ordinance for taking enforcement action against large unauthorised signboards. In establishing the liable party, BD staff had to carry out investigation and exercise due care and professional judgement, taking into account circumstantial evidence and relevant information obtained on site. In view of the frequent changes of signboards' inscription, it would take time to carry out investigations to locate the person to be held liable;
- (d) since most of the signboards were erected for business operation, default works for non-compliant orders (especially shopfront signboards) might lead to conflict or confrontation, which required intensive lobbying. Furthermore, the default works for projecting signboards might involve temporary closure of streets. These difficulties (including item (c) above) were also applicable to the BD's enforcement actions against all unauthorised and dangerous signboards as mentioned in paragraph 1.9; and
- (e) the BD recognised that the distribution of large unauthorised signboards was uneven amongst different districts. In September 2018, the BD completed a review on the actionable criteria of LSOs on large unauthorised signboards with a view to enhancing enforcement actions under the LSOs, and decided to expand the criteria to cover:
 - (i) large unauthorised shopfront signboards with volume exceeding 8 cubic metres or projection from wall exceeding 1 m in view of the fact that 3 of the 4 incidents of fallen signboards causing injuries in 2017 were related to shopfront signboards; and
 - (ii) unauthorised wall signboards with display areas exceeding 20 m², and unauthorised projecting signboards with display areas exceeding 10 m² or projection from wall exceeding 4.2 m (i.e. expanding the actionable criteria for large unauthorised signboards as mentioned in para. 3.7 (a) and (b) to cover relatively smaller signboards).

The BD guidelines were revised accordingly in September 2018.

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3.16 In Audit's view, in view of the newly adopted actionable criteria on large unauthorised signboards, the BD needs to keep under review the implementation and effectiveness of such LSOs with a view to strengthening enforcement actions under the LSOs, including reviewing the target number of signboards for taking enforcement actions and strengthening action to achieve the target.

3.17 In this connection, Audit noted that, for each LSO on target streets covering signboards, the BD had formulated a set of programmed actions with time targets for different stages (see paras. 3.5 and 3.6). However, for LSOs on large unauthorised signboards, there is no such programmed action with time target. In Audit's view, there is merit for the BD to formulate programmed actions in this regard.

Audit recommendations

3.18 **Audit has *recommended* that the Director of Buildings should:**

- (a) **strengthen actions to meet BD time target for completion of the LSOs on target streets covering signboards, including instigating timely enforcement actions against non-compliant removal orders and DSRNs;**
- (b) **keep under review the implementation and effectiveness of the LSOs on large unauthorised signboards with a view to strengthening enforcement actions under the LSOs, including reviewing the target number of signboards for taking enforcement actions and strengthening action to achieve the target; and**
- (c) **formulate programmed actions with time targets for LSOs on large unauthorised signboards.**

Response from the Government

3.19 The Director of Buildings agrees with the audit recommendations. He has said that:

- (a) the internal operational guidelines for LSOs on large unauthorised signboards were revised and promulgated in September 2018. The BD will continue to conduct review on the implementation and effectiveness of the LSOs regularly. In addition, while enforcement actions were taken against 106 large unauthorised signboards in 2017, the BD has revised the target number of signboards for taking enforcement actions to 170 in 2018; and
- (b) the BD conducted a review and set time targets for LSOs on large unauthorised signboards in October 2018. Under the time targets for these LSOs, removal orders issued have to be cleared and discharged within 2 and 3 years of the operations respectively.

Handling of public reports

3.20 Public report is one of the sources for identifying dangerous or unauthorised signboards (see para. 1.8(c)). Upon receiving a public report on a dangerous or unauthorised signboard, the BD will take the following actions:

- (a) **Screening.** The BD will screen whether information of the signboard has been included in BD records and decide whether an inspection is required;
- (b) **Inspection and determining enforcement actions to be taken.** The BD will carry out an inspection (Note 32) and classify the status of the signboard into the following categories for taking necessary actions:

Note 32: *According to the BD's performance pledges, for a report on: (a) dangerous signboard, the BD should inspect within 1.5 to 3 hours (depending on location of signboard (e.g. urban area) and whether the report is received during office hours); (b) unauthorised signboard under construction, the BD should inspect within 48 hours; and (c) existing unauthorised signboard, the BD should screen its records and/or inspect the signboard within 30 days.*

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- (i) for a signboard posing an imminent danger to the public, taking emergency action to remove such works;
 - (ii) for a signboard which is dangerous or is likely to become dangerous, issuing a DSRN requiring the removal of such works or specified work to be carried out to render the same safe within a specified period (normally 14 days);
 - (iii) for a signboard which is unauthorised and newly erected (including a WIP signboard), issuing a removal order requiring the removal or alteration of the signboard within a specified period (normally 60 days); and
 - (iv) for other unauthorised signboards not eligible for validation or eligible but not joining the Validation Scheme, issuing advisory letters advising removal of the signboards and taking enforcement action by issuing removal orders under LSOs; and
- (c) ***Notification of enforcement actions.*** The BD will notify the informant of what enforcement action has been or will be taken by the BD.

3.21 Table 15 shows the number of public reports on dangerous or unauthorised signboards from January 2014 to April 2018.

Table 15

**Number of public reports on dangerous or unauthorised signboards
(January 2014 to April 2018)**

Year	Number of public reports
2014	1,451
2015	2,036
2016	2,171
2017	2,310
2018 (up to April)	744

Source: BD records

***Long time taken in determining the status of
some reported unauthorised signboards***

3.22 According to the BD's performance pledges, upon receiving a public report on an unauthorised signboard, depending on its status as reported, BD officers should screen the BD records and/or inspect the alleged unauthorised signboard within a time period from 48 hours to 30 days (see Note 32 to para. 3.20(b)). According to the BD guidelines, after screening and/or inspecting an alleged unauthorised signboard, the BD officers should classify the signboard into different categories within 30 days for taking appropriate actions (i.e. the status of a signboard should be determined within 60 (30+30) days after a public report is received). However, Audit noted that, as of April 2018, the status of alleged unauthorised signboards arising from 74 public reports had not been determined, of which 41 (55%) public reports had been received for more than 1 year (see Table 16).

Table 16**Status of alleged unauthorised signboards not yet determined
(April 2018)**

Time elapsed after receiving public report (up to April 2018)	Number of public reports with status of signboards not yet determined
60 days or less	3 (4%)
More than 60 days to 1 year	30 (41%)
More than 1 year to 2 years	30 (41%)
More than 2 years to 3 years	9 (12%)
More than 3 years to 5 years	2 (2%)
Total	74 (100%)

Source: Audit analysis of BD records

3.23 In Audit's view, the BD needs to strengthen actions to early determine the status of alleged unauthorised signboards arising from public reports for taking timely and appropriate enforcement actions, including meeting the related time target.

***Long time taken in issuing DSRNs or removal orders
after conducting inspection of alleged signboards***

3.24 According to the BD guidelines, BD officers should issue a removal order for a confirmed unauthorised signboard within 180 days after conducting screening and/or inspection of an alleged signboard arising from a public report. However, Audit noted that, for a confirmed dangerous signboard, the BD had not set any time target for issuing a DSRN after conducting an inspection. In view of the safety risk that dangerous signboards may pose to the public, there is merit for the BD to set a time target for issuing DSRNs on confirmed dangerous signboards.

Large-scale operations and handling of public reports

3.25 Audit noted that, as of April 2018, confirmed dangerous or unauthorised signboards arising from 256 public reports had not been issued with DSRNs or removal orders. For 94 (37%) of the 256 public reports, the time elapsed was more than six months (180 days) after conducting screening and/or inspection of the signboards (see Table 17).

Table 17

**Confirmed dangerous or unauthorised signboards arising from
public reports not yet issued with DSRNs or removal orders
(April 2018)**

Time elapsed after conducting screening and/or inspection (up to April 2018)	Number of public reports in relation to confirmed dangerous or unauthorised signboards not issued with DSRNs or removal orders (Note 1)
6 months or less	162 (63%)
More than 6 months to 1 year	60 (24%)
More than 1 year to 3 years	13 (5%)
More than 3 years to 7 years	8 (3%)
More than 7 years to 10 years	7 (3%)
More than 10 years to 16 years (Note 2)	6 (2%)
Total	256 (100%)

Source: Audit analysis of BD records

Note 1: For the 256 confirmed cases, the BD's computer system had not captured the information on whether the signboards were confirmed as dangerous or unauthorised (see para. 3.26).

Note 2: For the case with the longest outstanding period, the BD received the public report in November 2002 (i.e. outstanding for about 15 years and 5 months as of April 2018). For this case, Audit noted that the BD had carried out default works and the signboard was removed in March 2003. However, the records in the BD's computer system were not updated and the case was still recorded as outstanding as of April 2018 (see para. 3.26).

3.26 In Audit's view, as dangerous or unauthorised signboards may pose safety threat to the public, it is unsatisfactory that the BD has taken a long time to take enforcement actions against some confirmed dangerous or unauthorised signboards arising from public reports. In order to address potential hazard to life or property as early as possible, the BD needs to strengthen actions to ensure that timely enforcement actions are taken against confirmed dangerous or unauthorised signboards, including meeting its time target for issuing removal orders. Furthermore, for confirmed dangerous or unauthorised signboards, the BD needs to make use of its computer system to capture such information (see Note 1 to Table 17 in para. 3.25) for taking appropriate enforcement actions, and take measures to ensure that the records in its computer system are timely and accurately updated (see Note 2 to Table 17 in para. 3.25).

Audit recommendations

3.27 **Audit has *recommended* that the Director of Buildings should:**

- (a) **strengthen actions to early determine the status of alleged unauthorised signboards arising from public reports for taking timely and appropriate enforcement actions, including meeting the BD's related time target;**
- (b) **set a time target for issuing a DSRN for a confirmed dangerous signboard arising from a public report after conducting an inspection;**
- (c) **strengthen actions to ensure that timely enforcement actions are taken against confirmed dangerous or unauthorised signboards arising from public reports, including meeting BD time target for issuing removal orders; and**
- (d) **make use of the BD's computer system to capture information on whether a signboard is confirmed as dangerous or unauthorised for taking appropriate enforcement actions, and take measures to ensure that the records in BD's computer system are timely and accurately updated.**

Response from the Government

3.28 The Director of Buildings agrees with the audit recommendations. He has said that the BD:

- (a) set a time target in October 2018 for issuing DSRNs within 30 days from the date of inspection; and
- (b) will make better use of the computer system to monitor cases arising from public reports.

PART 4: FOLLOW-UP ACTIONS ON STATUTORY NOTICES AND ORDERS

4.1 This PART examines the BD's follow-up actions after issuing statutory notices and orders for dangerous or unauthorised signboards, focusing on:

- (a) administration of statutory notices and orders (paras. 4.2 to 4.14); and
- (b) prosecution actions and default works (paras. 4.15 to 4.25).

Administration of statutory notices and orders

4.2 For any signboard issued with a DSRN (for dangerous or likely-to-become dangerous signboard) or a removal order (for unauthorised signboard), BD officers will conduct a compliance inspection after the specified period stated in the DSRN (normally 14 days) or the removal order (normally 60 days) to examine if the required removal or alteration works have been carried out. For a non-compliant DSRN or removal order, the BD may instigate prosecution action and/or carry out the necessary default works and recover the costs incurred from the owner.

4.3 Table 18 shows the number of DSRNs and removal orders issued for signboards by the BD from 2013 to 2017. A DSRN or a removal order may cover one or more than one signboard.

Table 18

**Number of DSRNs and removal orders issued for signboards
(2013 to 2017)**

Year	DSRN (No.)	Removal order (No.)
2013	360	523
2014	590	349
2015	816	682
2016	908	719
2017	860	1,019

Source: BD records

Long-outstanding DSRNs

4.4 According to the BD, dangerous or likely-to-become dangerous signboards pose potential danger to the safety of the public. To assess the time taken for compliance with DSRNs issued for dangerous or likely-to-become dangerous signboards, Audit conducted an ageing analysis of the 670 DSRNs that had been complied with in 2017. The analysis showed that 202 (30%) of these DSRNs were not complied with until more than six months after their issuance, far exceeding the 14-day time limit set out in the DSRNs (see Table 19). As of April 2018, there were 425 DSRNs that had not been complied with. Among them, 247 (58%) had remained outstanding for more than 6 months after the issuance of DSRNs, ranging from more than 6 to 22 months (see Table 20). Case 1 shows that the BD had not taken adequate and timely follow-up actions after the issuance of a DSRN.

Follow-up actions on statutory notices and orders

Table 19

Ageing analysis of DSRNs for signboards complied with in 2017

Period from issuance of DSRN to compliance date	Number of DSRNs complied with
14 days or less	33 (5%)
More than 14 days to 6 months	435 (65%)
More than 6 months to 12 months	112 (16%)
More than 12 months to 24 months	84 (12%)
More than 24 months to 36 months	5 (1%)
About 49 months	1 (1%)
Total	670 (100%)

Source: Audit analysis of BD records

Remarks: Of the 670 DSRNs complied with in 2017, the related signboards for 424 (63%) and 246 (37%) DSRNs were removed by the signboard owners and BD contractors respectively.

Table 20

**Ageing analysis of DSRNs for signboards not yet complied with
(April 2018)**

Period from issuance of DSRN to April 2018	Number of DSRNs not yet complied with
14 days or less	13 (3%)
More than 14 days to 6 months	165 (39%)
More than 6 months to 12 months	210 (49%) } 247
More than 12 months to 22 months (Note) (see Case 1)	37 (9%) } (58%)
Total	425 (100%)

Source: Audit analysis of BD records

Note: The DSRN with the longest outstanding period was issued in June 2016 (i.e. outstanding for about 22 months as of April 2018). For this case, in October 2017, the BD officers found that the signboard had been partially rectified, and considered that the signboard was no longer dangerous and recommended to withdraw the DSRN (i.e. outstanding for about 16 months from June 2016 to October 2017). In June 2018, the DSRN was withdrawn. Audit therefore selected the second longest case (i.e. 18 months) for study (see Case 1).

Case 1

**Inadequate and not timely follow-up actions
taken by the BD after the issuance of a DSRN
(October 2016 to October 2018)**

1. On 19 October 2016, the BD received a public report stating that fragments would be fallen off from a suspected defective signboard in Tin Hau. After conducting an inspection on 24 October 2016, the BD officers found two defective and potentially dangerous signboards, as follows:

- (a) the display of a signboard (Signboard A — the BD found it unauthorised and advised the signboard owner in August 2016 to remove it arising from a public report received in the same month) had been removed with supporting frame remaining; and
- (b) a shopfront signboard (Signboard B) had a display area of about 6.93 m² (width of 6.6 m and height of 1.05 m) and projection of 0.9 m from the external wall of a building.

2. After conducting another inspection on 27 October 2016, the BD officers found that the supporting frame of Signboard A had been partially removed with supporting steel brackets remaining. On 31 October 2016, based on the BD's assessment that Signboard A (the remaining structures) and Signboard B were dangerous, the BD issued a DSRN requiring removal of these structures within 14 days.

3. Under a 2017 LSO, the BD's inspections (on 6 March 2017, 31 May 2017, 7 June 2017, 24 August 2017 and 17 January 2018) covered Signboards A and B and found that:

- (a) the supporting steel brackets of Signboard A (the remaining structures — see para. 2) remained unrectified; and
- (b) Signboard B was partially repaired and no obvious sign of distress was noted. The four inspections between March and August 2017 revealed that Signboard B and two structures erected on the two sides of the shop front (referred to as the side structures) were UBWs. In August 2017, the BD issued a removal order requiring removal of Signboard B and the side structures within 60 days.

Case 1 (Cont'd)

4. In July 2018, Audit conducted a site visit and found that Signboard A (the remaining structures) and Signboard B had not been removed.

5. In September and October 2018, the BD informed Audit that:

- (a) it had arranged to carry out default works to remove Signboard A (the remaining structures) in October 2018; and
- (b) enforcement actions against the outstanding removal orders issued under the 2017 LSO, including the removal order issued for Signboard B, were being pursued.

Audit comments

6. The BD will pursue enforcement actions against Signboard B through the removal order (instead of DSRN) due to its changes in conditions (see paras. 3(b) and 5(b)). However, for Signboard A, while its conditions had remained unchanged since the issuance of the DSRN in October 2016 (see para. 3(a)), the BD had not taken adequate and timely follow-up actions on the non-compliant DSRN. It was not until about 2 years later in October 2018 that the BD arranged to carry out default works to remove Signboard A (see para. 5(a)).

Source: Audit analysis of BD records

4.5 Given that DSRNs are issued for dangerous or likely-to-become dangerous signboards which pose potential safety threat to the public and the BD will take priority enforcement actions against such signboards (see para. 1.9(b)(i)), Audit considers it unsatisfactory that some DSRNs had been outstanding for a long time. In Audit's view, the BD needs to strengthen actions (e.g. conducting timely compliance inspections) to ensure that DSRNs are promptly complied with. The BD also needs to take timely follow-up actions (e.g. instigating prosecution actions and/or carrying out default works) on those non-compliant cases.

Long-outstanding removal orders

4.6 According to the BD, a removal order issued for an unauthorised signboard is considered as “cleared” when:

- (a) the related unauthorised signboard has been completely removed;
- (b) prosecution action has been initiated by the BD;
- (c) default works are being carried out by BD contractors; or
- (d) the order is superseded or withdrawn (Note 33).

4.7 The BD has set time targets (revised annually) to clear removal orders issued for UBWs (including unauthorised signboards). According to the BD’s clearance targets set in March 2017, by March 2018, all removal orders issued before 2010 and a percentage of the removal orders issued in each of 2010 to 2016 (ranging from 85% to 15%) should be cleared. Audit noted that, as of April 2018, the BD had met the targets of clearing a percentage of removal orders issued in each of 2010 to 2016 for unauthorised signboards. However, the BD had not met the target of clearing all removal orders issued before 2010, as there were 29 removal orders issued in 2006 to 2009 not yet cleared (i.e. outstanding for 8.3 to 12 years as of April 2018).

4.8 To assess the time taken for clearing removal orders issued for unauthorised signboards, Audit conducted an ageing analysis of the 825 removal orders that had been cleared in 2017. The analysis showed that 415 (50%) of these removal orders were cleared more than one year after their issuance, far exceeding the 60-day time limit set out in the removal orders (see Table 21). As of April 2018, there were 1,414 removal orders that had not been cleared. Among them, 598 (42%) had remained outstanding for more than 1 year after the issuance of removal orders, ranging from more than 1 to 12 years (see Table 22). Case 2 shows that the BD had not taken adequate and timely follow-up actions after the issuance of a removal order.

Note 33: *According to the BD, a removal order may be superseded by a new order or withdrawn (e.g. if there is a change in ownership or an error in the original order is found).*

Follow-up actions on statutory notices and orders

Table 21

Ageing analysis of removal orders for signboards cleared in 2017

Period from issuance of removal order to clearance date	Number of removal orders cleared	
60 days or less	62	(8%)
More than 60 days to 1 year	348	(42%)
More than 1 year to 3 years	278	(33%)
More than 3 years to 7 years	95	(11%)
More than 7 years to 10 years	41	(5%)
About 14 years	1	(1%)
Total	825	(100%)

Source: Audit analysis of BD records

Remarks: Of the 825 removal orders cleared in 2017, the related signboards for 527 (64%) removal orders were removed by the signboard owners, 171 (21%) withdrawn by the BD, 103 (12%) with prosecution action instigated by the BD, 15 (2%) superseded by the BD and the related signboards for 9 (1%) removed by BD contractors.

Follow-up actions on statutory notices and orders

Table 22

Ageing analysis of removal orders for signboards not yet cleared (April 2018)

Period from issuance of removal order to April 2018	Number of removal orders not yet cleared
60 days or less	107 (8%)
More than 60 days to 1 year	709 (50%)
More than 1 year to 3 years	387 (27%)
More than 3 years to 7 years	133 (9%)
More than 7 years to 8.3 years	49 (4%)
More than 8.3 years to 12 years (Note) (see Case 2)	29 (2%)
Total	1,414 (100%)

Source: Audit analysis of BD records

Note: These were removal orders issued in 2006 to 2009 not meeting the clearance target (see para. 4.7).

Case 2

**Inadequate and not timely follow-up actions
taken by the BD after the issuance of a removal order
(March 2006 to September 2018)**

1. On 25 March 2006, two days after receiving a public report on suspected UBWs under construction at a building in Jordan, the BD's consultant conducted an inspection and reported that the building works were too pre-mature to determine whether the works were UBWs. On 25 May 2006, two days after receiving another public report from the same informant on the same works related to two signboards under construction, the BD's consultant inspected again and reported that two new unauthorised signboards (Signboards C and D) had been constructed.
2. On 12 September 2006, the BD served a removal order on the owners of the premises where Signboards C and D were located, requiring removal of the two signboards within 60 days. In November 2006, after conducting a compliance inspection and noting that both signboards remained unrectified, the BD issued a letter to the owners warning them of its prosecution action on the non-compliant order. In December 2006, the responsible BD team referred the case to the BD Legal Services Section (see para. 4.15) for taking prosecution action.
3. In February 2008, after noting that the removal order was served on the owners of the premises (i.e. not the person for whom the signboards had been erected (see para. 1.6(b)(i)) or the person who would receive any related rent (see para. 1.6(b)(ii)), and there was no record showing that these two parties could not be found), the BD Legal Services Section requested the responsible BD team to provide related information. In August 2008, as no information was received, the BD Legal Services Section dropped the case with legal action discontinued (see para. 4.20).
4. In January 2011, after conducting another compliance inspection, the BD officers found that Signboards C and D remained unrectified.

Case 2 (Cont'd)

5. In 2015, the BD under an LSO found that Signboards C and D had been removed but a supporting metal frame of Signboard C had been left abandoned. In October 2015, the BD issued a removal order (requiring removal of the UBWs within 60 days) covering the supporting metal frame of Signboard C and an unauthorised structure on the flat roof of the same building. According to the BD, this removal order superseded the removal order issued in September 2006 as the building works stated under the two removal orders were different. The BD's inspections in March 2016, May 2018 and June 2018 found that the supporting metal frame of Signboard C remained unrectified.

6. In September 2018, the BD informed Audit that prosecution action against the removal order issued in October 2015 for the supporting metal frame of Signboard C was being arranged.

Audit comments

7. Signboards C and D were new unauthorised signboards against which the BD has set a policy of taking priority enforcement action (see paras. 1.7(b) and 1.9(b)(ii)). However, Audit noted that the BD's follow-up actions after the issuance of the removal order for Signboards C and D in September 2006 were inadequate and not timely in view of the fact that:

- (a) the responsible BD team had not provided the BD Legal Services Section with the information requested in February 2008; and
- (b) after the case was dropped (with legal action discontinued) in August 2008, BD officers conducted another compliance inspection in January 2011 (about 2.5 years later). Further follow-up action was only taken by the BD about 4 years later in 2015.

As a result of inadequate and not timely follow-up actions taken by the BD, the unauthorised Signboard C had still not been fully rectified long time after the issuance of the removal order in September 2006 (i.e. about 12 years as of September 2018).

Source: Audit analysis of BD records

4.9 In Audit's view, the BD needs to strengthen actions (e.g. conducting timely compliance inspections) to ensure that removal orders issued for unauthorised signboards are promptly complied with. The BD also needs to take timely follow-up actions (e.g. providing its Legal Services Section with the information requested) on those non-compliant cases.

Some removal orders not registered at the Land Registry

4.10 As mentioned in paragraph 1.6(b), under the Buildings Ordinance, a removal order issued for an unauthorised signboard shall be served on the owner of the land or premises on which the signboard has been or is being erected (referred to as owner of land or premises) if the following persons cannot be found:

- (a) the person for whom the signboard has been erected or is being erected;
and
- (b) the person who would receive or is receiving any related rent or money consideration.

Where the order is served on owner of land or premises, it is the BD's standard procedure to register the order at the Land Registry (LR). According to the BD, registration of UBW information at the LR would enhance consumer protection on prospective property buyers, who will become aware of the existence of UBWs in the related premises through conducting a land search at the LR.

4.11 Audit noted that the BD had no readily available information regarding the registration of removal orders issued for unauthorised signboards at the LR. Audit thus selected 15 removal orders from the 700 removal orders issued in 2017 but remained outstanding as of April 2018 (Note 34) for examination of registration of removal orders at the LR. Audit noted that 11 of these removal orders were issued to the owners of land or premises and could be registered at the LR, while the remaining 4 orders were issued to other persons (see para. 4.10 (a) and (b)) and could not be registered at the LR. Of the 11 removal orders issued to owners of land or premises, 8 had not been registered at the LR as of April 2018 (ranging from 235 to

Note 34: *The 15 removal orders were selected based on the BD's computer system which indicated that they were issued to unit owners.*

Follow-up actions on statutory notices and orders

273 days after the issuance of the removal orders). Audit also noted that the BD had not set any time target for referring removal orders to the LR for registration.

4.12 In Audit's view, to enhance consumer protection and strengthen deterrent effects on UBW owners (see para. 4.10), the BD needs to take measures to ensure that all removal orders related to signboards served on owners of land or premises (including the 8 removal orders which had not been registered at the LR as identified by Audit) are timely referred to the LR for registration and consider setting a related time target.

Audit recommendations

4.13 **Audit has *recommended* that the Director of Buildings should:**

- (a) **strengthen actions (e.g. conducting timely compliance inspections) to ensure that DSRNs and removal orders issued for related signboards are promptly complied with;**
- (b) **take timely follow-up actions (e.g. instigating prosecution actions and/or carrying out default works and providing BD Legal Services Section with the information requested) on those non-compliant DSRNs and removal orders as related to signboards; and**
- (c) **take measures to ensure that all removal orders related to signboards served on owners of land or premises (including the 8 removal orders which had not been registered at the LR as identified by Audit in paragraph 4.11) are timely referred to the LR for registration and consider setting a related time target.**

Response from the Government

4.14 The Director of Buildings agrees with the audit recommendations. He has said that:

- (a) the follow-up actions on outstanding DSRNs and removal orders are being monitored in the BD's Sectional Progress Monitoring meetings. The BD has strengthened enforcement actions in recent years with the setting up of the Signboard Control Unit which takes more focused actions against signboard related cases. As shown in the ageing analyses of DSRNs and removal orders (see Table 19 in para. 4.4 and Table 21 in para. 4.8) and Case 3 (see para. 4.19), the Signboard Control Unit has cleared some long outstanding DSRNs and removal orders, and will continue to strengthen its efforts in this regard; and
- (b) the BD will review means to monitor the registration of removal orders related to signboards served on owners of land or premises at the LR.

Prosecution actions and default works

4.15 The BD may instigate prosecution actions against any person who fails to comply with the DSRNs or removal orders without reasonable excuse by referring these cases to the BD Legal Services Section (under the Corporate Services Division). Under delegated authority from the Department of Justice, certain officers of the Legal Services Section may act as prosecutors in these cases. For warranted cases, the Legal Services Section will arrange for issuance of summonses on the related owners. Prosecution actions against non-compliant DSRNs and removal orders are as follows:

- (a) **DSRNs.** Under the Public Health and Municipal Services Ordinance, a person subject to prosecution is liable, on conviction, to a fine at level 2 (currently between \$2,001 and \$5,000) and to a daily fine of \$100 for each day during which the failure to comply with a DSRN has continued. According to the BD records, from January 2013 to April 2018, no

Follow-up actions on statutory notices and orders

prosecution action had been instigated on non-compliant DSRNs relating to signboards (Note 35); and

- (b) **Removal orders.** Under the Buildings Ordinance, a person subject to prosecution is liable, on conviction, to a maximum fine of \$200,000 and to imprisonment for one year, and to a daily maximum fine of \$20,000 for each day during which the failure to comply with a removal order has continued. From January 2013 to April 2018, 399 summonses had been served on non-compliant removal orders issued for unauthorised signboards and 303 defendants had been convicted. The fines for each of the 303 convicted defendants ranged from about \$300 to \$100,000 (with average of about \$5,700), and no imprisonment had been imposed.

4.16 In addition, the BD may engage contractors to carry out the required works on behalf of the owners (i.e. default works) and recover the costs from the owners, as follows:

- (a) **DSRNs.** Under the Public Health and Municipal Services Ordinance, the BD may execute any work necessary to satisfy the requirements of a DSRN if it is not complied with within the specified period (or carry out emergency works if the BD considers a signboard poses an imminent danger to the public irrespective whether a DSRN has been issued), and recover the related expenses incurred from the signboard owner. For cases where the signboard owner is not known or could not be found, the cost of works carried out will be borne by the Government;
- (b) **Removal orders.** Under the Buildings Ordinance, if a signboard owner fails to comply with a removal order within the specified period, the BD may carry out default works, and recover the related costs plus a surcharge of not exceeding 20% of the costs from the owner; and
- (c) **Priority demolition orders.** Under the Buildings Ordinance, upon the grant of a priority demolition order by the Court, the BD may carry out works to remove the signboard within the time limit specified on the order, and

Note 35: *According to the BD, for non-compliant DSRNs, it will carry out the removal works because of the safety concern.*

recover the related costs plus a surcharge of not exceeding 20% of the costs from the owner.

From 2013-14 to 2017-18, the BD had completed default works on 523 cases related to signboards, involving a total expenditure of \$8.3 million, of which \$3.9 million were borne by the Government (i.e. write-off cases) and \$4.4 million were recovered or to be recovered from the signboard owners.

Need to take timely prosecution actions against non-compliant cases

4.17 According to the BD's internal guidelines, within 150 days after the specified period (normally 60 days) stated in a removal order issued arising from a public report, the BD officers should carry out a compliance inspection and, for any non-compliant order, issue a warning letter to the signboard owner within 50 days before taking prosecution action. In other words, a warning letter for prosecution should be issued within 260 (60+150+50) days or about 9 months after a removal order is issued (Note 36). The BD may then instigate prosecution action on a non-compliant removal order by referring the case to the BD Legal Services Section. Upon receipt of a referral case, the BD Legal Services Section will study the case and decide whether to proceed with the legal action by serving a summons or drop the case (i.e. with the legal action discontinued).

4.18 To assess the time taken for referral of non-compliant removal orders to the BD Legal Services Section for instigating prosecution actions, Audit conducted an ageing analysis of the 214 non-compliant removal orders that had been referred to the Section in 2016 and 2017. The analysis shows that 132 (62%) of these non-compliant removal orders were not referred to the BD Legal Services Section until more than one year after their issuance (see Table 23).

Note 36: *For the LSOs, the time for instigating prosecution action after issuance of a removal order is also about 9 months as shown in Table 11 in paragraph 3.6. Taking the 2017 LSO as an example, the time interval between the commencement date of April 2017 for serving removal order and the end date of January 2018 for instigating prosecution action is about 9 months. For the regular survey, no such time target was set (see para. 2.39).*

Follow-up actions on statutory notices and orders

Table 23

Time taken from issuance of removal orders to referral to Legal Services Section for cases referred in 2016 and 2017

Time taken from issuance of removal order to referral to Legal Services Section	Number of removal orders	
More than 60 days to 1 year	82 (38%)	
More than 1 year to 2 years	72 (34%)	} 132 (62%)
More than 2 years to 3 years	24 (11%)	
More than 3 years to 4 years	15 (7%)	
More than 4 years to 7 years	14 (7%)	
More than 7 years to 10 years	7 (3%)	
Total	214 (100%)	

Source: Audit analysis of BD records

4.19 Furthermore, Audit examination revealed that, as of April 2018, of the 214 non-compliant removal orders referred to the BD Legal Services Section for instigating prosecution action in 2016 and 2017, 57 (27%) orders related to cases being studied by the BD Legal Services Section, 92 (43%) orders related to cases served with summonses and 65 (30%) orders related to cases dropped (i.e. with legal action discontinued). Of the 65 orders with cases dropped, 33 (51%) orders were not referred to the BD Legal Services Section until more than one year after their issuance (see Table 24). Case 3 shows that the BD had taken a long time in referring a case to the BD Legal Services Section for taking prosecution action.

Follow-up actions on statutory notices and orders

Table 24

**Time taken from issuance of removal orders to referral to
Legal Services Section for cases referred in 2016 and 2017
and subsequently dropped
(April 2018)**

Time taken from issuance of removal order to referral to Legal Services Section	Number of removal orders with cases dropped
1 year or less	32 (49%)
More than 1 year to 2 years	17 (26%)
More than 2 years to 3 years	5 (8%)
More than 3 years to 4 years	7 (11%)
More than 4 years to 7 years	2 (3%)
More than 7 years to 10 years (Note) (see Case 3)	2 (3%)
Total	65 (100%)

Source: Audit analysis of BD records

Note: For the case taking the longest time (i.e. about 10 years), Audit noted that: (a) the related defendant was convicted in June 2017; (b) the BD's compliance inspection in September 2017 found that the related unauthorised signboard remained unrectified; (c) the case was referred again to the BD Legal Services Section in October 2017; and (d) the BD's compliance inspection in February 2018 found that the related unauthorised signboard had been removed, and the case was then dropped. Audit therefore selected the case taking the second longest time (i.e. 7 years and 3 months) for study (see Case 3).

Case 3

Prosecution action discontinued due to long time taken in referring the case to BD Legal Services Section for instigating prosecution action (September 2008 to September 2018)

1. Between 17 September and 6 October 2008, in response to eight public reports received in the two months, the BD and its consultant conducted inspections at a building in Mong Kok and found a new unauthorised signboard (Signboard E) attached to the external wall of the building with supporting metal frames and with display area of about 96 m² (width of 16 m and height of 6 m) and projection of 3 m from the external wall. On 15 October 2008, the BD served a removal order on the two owners of the premises where Signboard E was located, requiring its removal within 30 days.
2. On 24 November 2008, a week after the BD's consultant conducting a compliance inspection and noting Signboard E remained unrectified, the BD issued a warning letter on its prosecution action. On 1 December 2008, the issuance of the removal order was appealed to the Appeal Tribunal (Note) which dismissed the appeal on 15 October 2009. In December 2008, November 2010 and October 2015, the BD conducted a second, third and fourth compliance inspection respectively and found that Signboard E still remained unrectified. In December 2015, the BD issued a second warning letter on its prosecution action.
3. In January 2016, the case was referred to the BD Legal Services Section for taking prosecution action. In October 2016, a summons was served. However, the BD could not obtain the witness statements as requested by its Legal Services Section in January 2017 from the two officers of its consultant who were involved in the case in 2008, as both officers had already left the company. In March 2017, the BD applied for withdrawal of the summons which was agreed by the Court, and the case was then dropped as the required witness statements could not be obtained. In November 2017, the BD withdrew the removal order.
4. In June 2018, Audit conducted a site visit and found that Signboard E still remained unrectified (see Photograph 5). Audit had referred the case to the BD for following up (see para. 3.13(c)(i)).

Case 3 (Cont'd)

Photograph 5

Signboard E



Source: Photograph taken by Audit staff on 19 June 2018 and blurred by Audit

5. In September 2018, the BD informed Audit that:
- (a) immediately upon withdrawal of the removal order in November 2017 (see para. 3), it commenced investigation for applying to the Court for a priority demolition order under section 24B of the Buildings Ordinance. The court hearing was held in June 2018 and the priority demolition order was granted in July 2018; and
 - (b) Signboard E was removed by a BD contractor in August 2018.

Case 3 (Cont'd)

Audit comments

6. Audit noted that the BD took 7 years and 3 months (counting from the issuance of the removal order in October 2008) to refer the case to its Legal Services Section for instigating legal action in January 2016. Excluding the 10.5 months awaiting the Tribunal's ruling (from December 2008 to October 2009), the BD still took 6 years and 4 months for instigating prosecution action, far exceeding the 9-month time target as stated in the BD guidelines (see para. 4.17). Owing to the long lapse of time, the required witness statements could not be obtained for proceeding with the prosecution action. In August 2018, the unauthorised Signboard E was rectified (see para. 5(b)).

Source: Audit analysis of BD records

Note: An Appeal Tribunal, appointed by the Chief Executive of the Hong Kong Special Administrative Region for each appeal case, is formed comprising a chairman (who is qualified for appointment as a District Judge) and not less than two members to hear and determine an appeal against a decision made by the BD in the exercise of a discretion under the Buildings Ordinance.

4.20 According to the BD, with regard to the non-compliant removal orders, vigorous prosecution demonstrates to the public the determination of the BD in enforcing the orders and serves a deterring effect to negate some owners' delaying tactics. In this connection, Audit noted that a review on selected cases conducted by the BD in 2016 after its management expressing concern on the high percentage of dropped cases found that reasons for dropping these cases included related signboards being removed before laying summonses, new evidence noted and outstanding reply from BD officers to enquiries from its Legal Services Section (see para. 3 of Case 2 in para. 4.8 for an example). The BD then reminded its staff to initiate prosecution action against non-compliant orders as soon as possible and to timely reply to enquiries from the Legal Services Section. In October 2018, the BD informed Audit that the BD staff generally followed the internal operational guidelines to instigate prosecution proceedings against non-compliant removal orders, taking into account circumstances of individual cases (e.g. extension of time granted).

4.21 In Audit's view, the BD needs to take measures to ensure that prosecution actions against non-compliant removal orders for unauthorised signboards are timely instigated, including reminding its officers to follow the related time target in BD guidelines. In addition, the BD needs to keep under review the extent of and the reasons for cases related to signboards dropped after being referred to its Legal Services Section for instigating prosecution actions with a view to identifying room for improvement.

Need to take timely action to recover costs of default works

4.22 According to the BD guidelines, demand notes should be issued to pertinent owners within six months after completion of default works. However, Audit examination revealed that, as of April 2018, of the 79 cases relating to signboards and having completed default works with outstanding costs (involving a total outstanding cost of \$3.7 million), the BD had not issued demand notes to the signboard owners of 38 (48% of 79) cases (involving a total outstanding cost of \$2 million, or 54% of \$3.7 million). Audit noted that default works for 31 (82%) of these 38 cases had been completed for more than 6 months, ranging from more than 6 to 32 months and averaging 12 months (see Table 25).

Table 25

**Default works completed but not yet issued with demand notes
(April 2018)**

Period from works completion to April 2018	Number of cases not yet issued with demand notes relating to				
	Emergency works	DSRN	Removal order	Priority demolition order	Total
6 months or less	1	5	1	–	7
More than 6 months to 12 months	2	10	4	1	17
More than 12 months to 18 months	–	7	2	–	9
More than 18 months to 32 months	–	–	2	3	5
Total	3	22	9	4	38

Source: Audit analysis of BD records

4.23 In Audit's view, the BD needs to take measures to ensure that demand notes are issued to signboard owners within six months after completion of default works.

Audit recommendations

4.24 **Audit has recommended that the Director of Buildings should:**

- (a) **take measures to ensure that prosecution actions against non-compliant removal orders for unauthorised signboards are timely instigated, including reminding BD officers to follow the related time target in BD guidelines;**

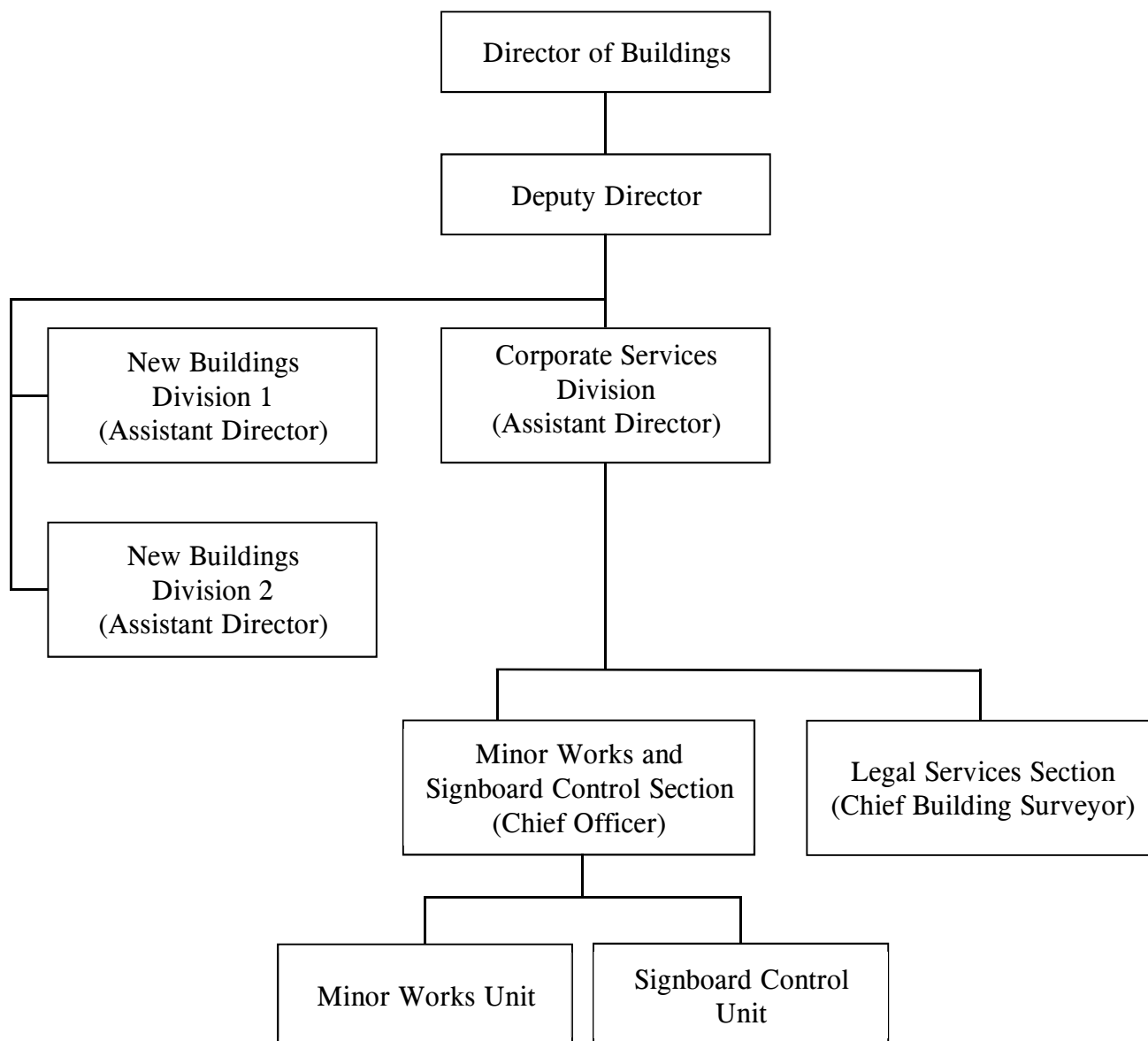
- (b) **keep under review the extent of and the reasons for cases related to signboards dropped after being referred to BD Legal Services Section for instigating prosecution actions with a view to identifying room for improvement; and**
- (c) **take measures to ensure that demand notes are issued to signboard owners within six months after completion of default works.**

Response from the Government

4.25 The Director of Buildings agrees with the audit recommendations. He has said that the BD:

- (a) conducted a review on dropped cases in 2016 (see para. 4.20) and will continue to conduct review as needed; and
- (b) will enhance the computer system in monitoring the cost recovery actions.

**Buildings Department:
Organisation chart (extract)
(31 March 2018)**



Source: BD records

Appendix B
(paras. 2.3 and 2.17 refer)

**Major technical specifications regarding minor works for the
erection, alteration and removal of signboards under
the Minor Works Control System**

Particulars	Minor works		
	Class III	Class II	Class I
Degree of complexity and risk to safety	Low	Medium	High
(a) Wall signboard (Note 1) (i) Erection/alteration - display area (without LED) - display area (with LED) (ii) Removal - display area (without LED) - display area (with LED)	$\leq 5 \text{ m}^2$ N/A $\leq 10 \text{ m}^2$ N/A	$\leq 10 \text{ m}^2$ $\leq 5 \text{ m}^2$ $\leq 40 \text{ m}^2$ $\leq 20 \text{ m}^2$	$> 10 \text{ m}^2$ to 40 m^2 $> 5 \text{ m}^2$ to 20 m^2 Removal of any signboard
(b) Projecting signboard (Note 2) (i) Erection/alteration - display area - signboard thickness - projection from wall (ii) Removal - display area	$\leq 1 \text{ m}^2$ ≤ 300 millimetres (mm) $\leq 1 \text{ m}$ $\leq 2 \text{ m}^2$	$\leq 10 \text{ m}^2$ $\leq 600 \text{ mm}$ $\leq 4.2 \text{ m}$ $\leq 20 \text{ m}^2$	$> 10 \text{ m}^2$ to 20 m^2 $\leq 600 \text{ mm}$ $\leq 4.2 \text{ m}$ Removal of any signboard
(c) Signboard on roof (Note 3) (i) Erection/alteration - display area - signboard thickness - distance from roof level	N/A N/A N/A	N/A N/A N/A	$\leq 20 \text{ m}^2$ $\leq 600 \text{ mm}$ $\leq 6 \text{ m}$ No part of signboard projects beyond the external wall of a building

Appendix B
(Cont'd)
(paras. 2.3 and 2.17 refer)

Particulars	Minor works		
	Class III	Class II	Class I
(ii) Removal - display area - height of signboard - distance from the edge of roof	$\leq 5 \text{ m}^2$ $\leq 2 \text{ m}$ $> 1.5 \text{ m}$	$\leq 20 \text{ m}^2$ N/A N/A	Removal of any signboard
(d) Outdoor signboard fixed on-grade (i) Erection/alteration - display area - signboard thickness - distance from ground (ii) Removal - display area - distance from ground	N/A N/A N/A $\leq 1 \text{ m}^2$ $\leq 3 \text{ m}$	$\leq 10 \text{ m}^2$ $\leq 600 \text{ mm}$ $\leq 2 \text{ m}$ $\leq 20 \text{ m}^2$ N/A	$\leq 20 \text{ m}^2$ $\leq 600 \text{ mm}$ $\leq 6 \text{ m}$ Removal of any signboard
(e) Outdoor signboard with a spread footing (i) Erection/alteration - display area - signboard thickness - distance from ground - excavation depth for construction of footing (ii) Removal - display area - distance from ground	N/A N/A N/A N/A $\leq 1 \text{ m}^2$ $\leq 3 \text{ m}$	$\leq 1 \text{ m}^2$ $\leq 300 \text{ mm}$ $\leq 3 \text{ m}$ $\leq 500 \text{ mm}$ $\leq 20 \text{ m}^2$ N/A	N/A N/A N/A N/A N/A N/A

(paras. 2.3 and 2.17 refer)

Particulars	Minor works		
	Class III	Class II	Class I
(f) Signboard on or hung underneath balcony or canopy (Note 4) (i) Erection/alteration - display area - signboard thickness - height of signboard	N/A N/A N/A	$\leq 2 \text{ m}^2$ $\leq 100 \text{ mm}$ $\leq 600 \text{ mm}$ No part of signboard projects beyond the balcony or canopy	N/A N/A N/A
(ii) Removal - display area (if on balcony or canopy) - display area (if underneath the soffit of a balcony or canopy) - height of signboard	$\leq 5 \text{ m}^2$ $\leq 2 \text{ m}^2$ $\leq 1 \text{ m}$	$> 5 \text{ m}^2$ $> 2 \text{ m}^2$ $> 1 \text{ m}$	Removal of any signboard

Source: BD records

Note 1: A wall signboard means a signboard that is fixed to the external wall of a building and no part of which projects more than 600 mm from the wall. For a wall signboard, the works should not result in any additional load to any cantilevered slab or involve the alteration of any other structural elements, and the signboard should not consist of stone if the distance between any part of the signboard and the ground is more than 6 m.

Note 2: A projecting signboard means a signboard that is fixed to the external wall of a building and that projects more than 600 mm from the wall. For a projecting signboard, the works should not result in any additional load to any cantilevered slab or involve the alteration of any other structural elements, and the signboard should not consist of stone.

Note 3: For a signboard on the roof of a building, the works should not result in any additional load to any cantilevered slab or involve the alteration of any other structural elements, and the signboard should not consist of stone.

Note 4: For a signboard on or hung underneath balcony or canopy, no part of the signboard should project beyond the balcony or canopy and the signboard should not consist of stone.

Acronyms and abbreviations

Audit	Audit Commission
BD	Buildings Department
DSRN	Dangerous Structure Removal Notice
LED	Light-emitting diode
LegCo	Legislative Council
LR	Land Registry
LSO	Large-scale operation
m	Metres
m ²	Square metres
mm	Millimetres
MWCS	Minor Works Control System
UBWs	Unauthorised building works
WIP	Works-in-progress

CHAPTER 5

**Commerce and Economic Development Bureau
Education Bureau
Radio Television Hong Kong**

**Radio Television Hong Kong:
Provision of programmes**

**Audit Commission
Hong Kong
30 October 2018**

This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.

Report No. 71 of the Director of Audit contains 10 Chapters which are available on our website at <https://www.aud.gov.hk>

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RADIO TELEVISION HONG KONG: PROVISION OF PROGRAMMES

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RADIO TELEVISION HONG KONG: PROVISION OF PROGRAMMES

Executive Summary

1. Radio Television Hong Kong (RTHK) has four programme areas: (a) radio; (b) public affairs and general television (TV) programme; (c) school education TV (ETV) programme; and (d) new media. According to RTHK's annual Radio Audience Survey, the number of listeners of RTHK radio channels had increased by 14% from 2,949,000 in 2013 to 3,371,000 in 2017. RTHK programmes have also won a number of local and international awards. Moreover, while RTHK provides online and mobile access to its digital platforms and contents around the clock all year round, the total number of output hours for radio, TV and school ETV programmes in 2017-18 were 57,359, 1,409 and 19 respectively. Over 75% of RTHK's programmes are in-house productions. RTHK employs 676 civil service staff, 193 full-time and 417 part-time contract staff, and procures services from various service providers to meet different programme production needs. In 2017-18, RTHK's expenditure was \$1,008.4 million and its income was \$20.7 million. The Commerce and Economic Development Bureau is the policy bureau for radio, public affairs and general TV programme and new media services. The provision of school ETV programmes is under the policy responsibility of the Education Bureau (EDB). The Audit Commission (Audit) has recently conducted a review of RTHK's provision of programmes.

Production of programmes

2. ***High percentage of non-civil service contract (NCSC) staff and prolonged employment of some NCSC staff.*** NCSC staff are generally temporary staff employed to meet short-term operational needs and ad hoc programme needs. Hiring staff on short-term contract provides a more flexible means for RTHK to respond to changing operational and service needs. However, Audit noted that as at 31 March 2018: (a) the percentage (i.e. 22%) of NCSC staff for RTHK was significantly higher than that for all government bureaux/departments (5.5% as at 30 June 2017); and (b) 63 (34%) of the 188 full-time NCSC staff had been continuously employed for 5 years or more. Of these 63 staff, 28 (44%) had been continuously employed for 10 years or more. The longest period of employment was 18.8 years. It appears that some

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NCSC staff may have been employed to meet recurrent and long-term operational needs (paras. 2.12, 2.14 and 2.15).

3. ***Need to improve the process of engaging Category II (Cat II) Service Providers.*** Cat II Service Providers are independent contractors or self-employed persons who are engaged for a specific purpose in the production of programmes, for example, artistes, presenters, scriptwriters, translators and technical producers. As at 31 March 2018, there were 81 job titles of Cat II Service Providers. To facilitate internal processing and checking, RTHK stipulated that: (a) the contract request must route through checking staff, preferably seven working days before the engagement, for vetting and checking the particulars against information available in the database before submission to the approval officer; and (b) user section should not allow the engagement of Service Providers to commence before the contract request is approved and the contract is issued. Audit examination of the 65 contract requests initiated in the period from February 2016 to May 2018 revealed that: (a) 39 (60%) requests were submitted to the checking staff less than 7 working days before the engagement, on average only 4 working days before the engagement, ranging from 1 to 6 working days; (b) 1 (2%) request was submitted to the checking staff and approved 22 days and 23 days respectively after the start date of the engagement period; and (c) for another contract, the engagement commenced 27 days before the contract was issued (paras. 2.12, 2.18, 2.20, 2.21 and 2.23).

4. ***Need to review acquisition procedures for TV and radio programmes.*** RTHK's acquisition procedures of TV and radio programmes are different from the procedures stipulated in the standard government procurement procedures (i.e. Stores and Procurement Regulations – SPR). For each procured TV or radio programme, there is only one supplier. Instead of inviting the supplier to quote a selling price as required by the SPR, RTHK offers a price and then negotiates with the supplier. In December 2015, the Hong Kong Independent Commission Against Corruption (ICAC) completed a review on RTHK's acquisition of TV programmes for digital terrestrial television channels. The ICAC found that RTHK's practice of acquiring programmes could pose a collusion risk of circumventing the controls built in the standard government procurement procedures with a view to favouring a supplier. However, RTHK considered that the acquisition of TV programmes was in the nature of licensing of copyright rather than procurement of stores or services and thus the transactions were not subject to the government procurement regulations. Audit considers that RTHK needs to review the acquisition procedures of TV and radio programmes, including whether the acquisition falls into the definition of

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procurement and is subject to the SPR, seeking advice from the Financial Services and the Treasury Bureau where necessary (paras. 2.31 to 2.34).

5. ***Need to improve Community Involvement Broadcasting Service (CIBS).*** In May 2012, the Finance Committee of Legislative Council (LegCo) approved \$45 million for setting up the Community Involvement Broadcasting Fund (CIBF). The aim of the CIBF is to support and encourage community and ethnic minority organisations and individuals to participate in broadcasting programme production through the CIBS on different themes, such as social services and ethnic minorities (para. 2.37). Audit noted that:

- (a) ***Detailed assessments of Selection Committee not documented.*** A Selection Committee has been established to assess applications for CIBS and CIBF. Audit examined the records for the 6 rounds of applications conducted in the period from 2015-16 to 2017-18 and noted that the Selection Committee only gave an overall score and overall comments on each applicant. Detailed assessments on each of the five selection criteria were not documented. Such detailed assessments would help ensure that the applications were thoroughly assessed on each criterion (paras. 2.41 and 2.42);
- (b) ***Difficulty in submitting programme recordings on time.*** RTHK requires the CIBS participants to submit their programme recordings one month before the scheduled broadcasting date for the first two episodes and two weeks before the scheduled broadcasting date from the third episode onwards, so that RTHK has sufficient time to check the quality of the programmes. Audit examination of the submission of 156 programme recordings for 12 programmes broadcast during the period from April 2015 to April 2018 revealed that: (i) 12 (50%) of the 24 programme recordings for the first two episodes were submitted on average 10 days late (ranging from 1 to 31 days), i.e. submitted on average about 20 days before the scheduled broadcasting dates; and (ii) of the remaining 132 programme recordings for third episodes onwards, 71 (54%) were submitted on average 11 days late (ranging from 1 to 25 days), i.e. submitted on average 3 days before the scheduled broadcasting dates (paras. 2.43 and 2.44);
- (c) ***Delay in submission of post-broadcast reports.*** RTHK requires the CIBS participants to submit the post-broadcast reports (i.e. self-evaluation reports in which the participants give their views on whether the expected

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deliverables of the programmes were achieved, and Limited Assurance Engagement Reports (together with the statements of expenditure) prepared by accredited/registered accounting firms) after the completion of the programme to ensure that the programmes achieved the expected deliverables and the expenditure of the programmes were properly accounted for. The date of submission was specified in the agreements signed between RTHK and the participants. Audit examination of the timeliness of the submission of post-broadcast reports for 12 programmes broadcast from April 2015 to April 2018 revealed that: (i) 7 (58%) of the 12 self-evaluation reports were submitted on average 62 days late (ranging from 1 to 210 days); and (ii) 7 (58%) of the 12 Limited Assurance Engagement Reports were submitted on average 82 days late (ranging from 1 to 213 days) (para. 2.46); and

- (d) ***Low public awareness on CIBS programmes.*** The CIBS programmes are only broadcast on channel Radio 7. According to the results of the 2017 Radio Audience Survey, the listenership and awareness level of Radio 7 were only 2.3% of the population and 2.8% of the respondents, and only 21% of the respondents was aware of the CIBS. The low listenership and awareness level might undermine the effectiveness of the CIBS in encouraging community or ethnic minority involvement in broadcasting (para. 2.53).

6. ***Commissioning of TV programmes.*** Since 2000, RTHK has introduced a scheme for commissioning private production houses to produce TV programmes. Programme commissioning provides an open platform for independent producers to exhibit their creativity. In each round of application, a Selection Board is set up to assess applications for each category of commissioned programmes. After commissioning, the contractors are required to submit production materials in different production stages and an audited report to account for their expenditures (paras. 2.56 to 2.58). Audit noted that:

- (a) ***Delay in submission of production materials and audited reports.*** Audit reviewed 15 programmes completed in the period from July 2016 to April 2018 and noted that: (i) all the 15 programmes had delays in submission of production materials (averaging 2 months, ranging from 4 days to 5.8 months). As a result of delay in different production stages, the completion of programmes were delayed (averaging 2.2 months, ranging from 4 days to 5.7 months); and (ii) audited reports for 13 (87%) of the

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15 programmes were submitted late (averaging 2.9 months of delay, ranging from 2 days to 6.1 months) (paras. 2.60 and 2.61);

- (b) *Need to collect audience views on commissioned programmes.* RTHK did not collect audience views on the satisfaction rate of commissioned programmes and areas for improvement. Such audience views would be very useful as a reference for the Selection Board in assessing the track records of the programme directors in future applications (para. 2.64); and
- (c) *Need to explore the feasibility of increasing output hours of commissioned programmes.* Audit analysed the number of output hours of commissioned programmes for the period from 2013-14 to 2017-18 and noted that the number of output hours of commissioned programmes per year was very small, ranging from 21 to 33 hours, making up only 1.5% to 3.5% of the total output hours of TV programmes (para. 2.66).

Broadcasting of programmes and new media services

7. *Need to enrich the programmes of TV 31 and TV 32.* Channel TV 31 is the flagship channel of RTHK, which offers diversified programmes, aiming to cater to the needs of audience from all walks of life. Channel TV 32 is a live event channel, which covers LegCo meetings, important local press conferences, international news, international sports news and local sports events. Analysis of the broadcasting hours for 2017-18 revealed that: (a) the number of first-run programme hours for TV 31 (1,409 hours) and TV 32 (2,073 hours) only represented 20.3% and 33.4% respectively of the operating hours, or 16.1% and 23.7% respectively of the total broadcasting hours; (b) the number of broadcasting hours of re-run programmes for TV 31 increased by 107% from 2,358 hours in 2014-15 to 4,877 hours in 2017-18. As RTHK had not formulated strategies on selecting re-run programmes, no guidelines were promulgated on the selection of programmes for re-run and the proportion of broadcasting hours for re-run programmes; (c) TV 31 had non-operating hours as high as 1,825 hours, representing 20.8% of its broadcasting hours; and (d) during non-operating hours for TV 31 and TV 32, miscellaneous contents comprising fillers (such as “TV Journey”, photo gallery and news feeds), on-air promotions and Announcements of Public Interest were broadcast. In addition, for TV 32, miscellaneous contents were also broadcast during operating hours when there were no live events. For TV 31 and TV 32, 20.8% and 53.1% respectively of their broadcasting hours were used to broadcast miscellaneous contents. The large number

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of broadcasting hours of miscellaneous contents is a cause for concern as this may reduce the attractiveness of the channels to audience (para. 3.4).

8. ***Basis of price determination and negotiation process not documented for content licensing.*** According to the Content Licensing Guidelines, when a potential licensee approaches RTHK for certain content, the Programme and Content Management team will offer a price. Audit examined 15 licence contracts signed in the period from 2015-16 to 2017-18 and found that: (a) for all the 15 contracts, the basis of determining the offer price was not documented; (b) for 6 (40%) contracts, the negotiation process with potential licensees were not documented; and (c) the prices for 12 (80%) contracts were on the lower side of the price ranges and close to the minimum of the price ranges set. Although the minimum prices had been set, there were no guidelines on how the offer price to potential licensees should be determined. This may lead to offer prices that were on the lower side (paras. 3.12 to 3.14).

9. ***Decreasing number of licensing contracts/licensees and licensing income and need to step up promotion on content licensing.*** RTHK's objectives of content licensing were to: (a) enhance audience reach; (b) strengthen RTHK's corporate branding; (c) promote networking, enhance creativity and cultural exchange; (d) maximise the cost-efficiency of public money spent; and (e) generate revenue. Audit analysed the number of licensing contracts and the number of licensees from January 2013 to June 2018 and noted that: (a) income generated from content licensing totalled only \$2.3 million in 2017-18; (b) the number of licensing contracts decreased by 65% from 92 in 2013 to 32 in 2017; (c) the number of licensees decreased by 45% from 51 in 2013 to 28 in 2017; and (d) for the six months from January to June 2018, the number of licensing contracts and number of licensees were only 10 and 6 respectively. Despite the decrease in licensing contracts and licensees, RTHK did not formulate any plans or carry out any promotion activities on content licensing, with a view to enhancing audience reach, strengthening RTHK's corporate branding and generating revenue (paras. 3.8, 3.9, 3.15 and 3.18).

10. ***Decreasing trend of daily page view of RTHK website.*** The RTHK website "rthk.hk" provides 24-hour multimedia news and programmes, and podcast service of selected programmes. Audit examined the usage of "rthk.hk" website and noted that in view of the change in users' habit towards more frequent use of mobile applications: (a) the daily page views of the "rthk.hk" website decreased by 45% from 5.1 million in April 2015 to 2.8 million in June 2018; (b) RTHK did not meet the

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performance target on daily page view of “rthk.hk” from 2015-16 to 2017-18; and (c) for the years from 2014 to 2018, the usage of RTHK website was in general decreasing (paras. 3.22 to 3.24).

11. *Need to boost the usage of new media services.* RTHK has taken measures to boost the usage and improve the quality of new media services. However, Public Opinion Survey 2018 indicated that the percentage of respondents who had accessed RTHK contents through new media platforms was low (i.e. 27.6%). Of the respondents who had accessed the RTHK contents through new media platforms, while the majority of the respondents accessed the RTHK contents through social media and SmartTV, only 24.2% and 18.4% of the respondents used mobile applications and RTHK website respectively to access RTHK programmes (paras. 3.25 and 3.26).

Evaluation of programmes and other administrative issues

12. *Procurement of service for TV Appreciation Index (TVAI) Surveys and Radio Audience Surveys.* RTHK conducts appreciation and audience surveys to measure the performance of its TV and radio programmes periodically (para. 4.2). Audit noted the following:

- (a) *One and same service provider for many years.* Audit analysed the results of the five procurement exercises for TVAI Surveys for the years 2009 to 2018 and five procurement exercises for Radio Audience Surveys for the years 2010 to 2017 and noted that only one and the same service provider (Service Provider A) submitted an offer in each and every of the ten procurement exercises. Service Provider A was awarded the contract for TVAI Surveys or Radio Audience Surveys in every of the ten procurement exercises (para. 4.4); and
- (b) *Need to consider relaxing the mandatory requirements on the service providers in order not to render them overly restrictive.* RTHK imposed two mandatory requirements in selecting service providers for the TVAI Surveys in the procurement exercises conducted in 2015 and 2017. Audit noted that: (i) 3 of the 6 service providers invited in 2015 and 2 of the 6 service providers in 2017 became unqualified due to their failure to meet the mandatory requirement of having established in Hong Kong for at least fifteen years before the quotation closing date; and (ii) all service providers

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other than Service Provider A became unqualified due to their failure to meet the mandatory requirement of having relevant experience in conducting appreciation survey of broadcasting media in Hong Kong for at least twenty surveys in the last ten years before quotation closing date (paras. 4.10 and 4.11).

13. ***Evaluation of TV programmes.*** RTHK evaluates the performance of its TV programmes through the appreciation index and TV ratings (para. 4.15). Audit noted the following:

- (a) ***Need to review the strategy for the coverage of programmes in TVAI Surveys.*** Audit noted that: (i) all acquired programmes had not been selected for TVAI Surveys; and (ii) the percentage of different programmes surveyed decreased from 77% in 2015 to 66% in 2017. This may have an effect on the usefulness of the survey results (paras. 4.18 and 4.19);
- (b) ***Low awareness level and low appreciation index of some TV programmes.*** The results of the TVAI Survey 2017 revealed that of the 9 RTHK programmes in the Top 20 List (i.e. list of 20 programmes with highest appreciation index score), the awareness level of 5 (56%) were below the average awareness level of 17.1% of all 223 programmes. Of the 53 RTHK programmes surveyed: (i) 40 (75%) were below the average awareness level of 17.1% (ranging from 1.5% to 15.8%) among all TV channels; (ii) 16 (30%) were below the average appreciation index of 66.83 (ranging from 59.56 to 66.71) among all TV channels; and (iii) 14 (26%) were below both the average awareness level of 17.1% and the average appreciation index of 66.83 (para. 4.22);
- (c) ***Low TV ratings.*** The TV ratings reports for RTHK Channels TV 31/31A for the period from January to June 2018 revealed that the average TV rating of TV 31/31A was low. Each score of TV rating represents around 64,000 viewers. The average rating for TV 31/31A for the six-month period was 0.1 (i.e. 6,400 viewers), ranging from less than 0.05 (i.e. fewer than 3,200 viewers) to 2.2 (i.e. 140,800 viewers). Audit analysis of six RTHK programmes which had also been broadcast on the free channel of a commercial TV operator for at least three months in the period from January to June 2018 revealed that the TV ratings of these six programmes when broadcast on RTHK Channels TV 31/31A were much

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lower than those when the same programmes were broadcast on the free channel of a commercial TV operator (paras. 4.24 and 4.27);

- (d) ***No viewership indicators for RTHK TV channels and programmes.*** RTHK uses the appreciation index as one of the performance indicators of its TV programmes. In the Controlling Officer's Report (COR), RTHK reported the average appreciation score and the number of RTHK programmes on the Top 20 List. However, both indicators do not measure the number of people who have watched the TV programmes. Audit noted that RTHK had reported in the COR the average viewership of prime-time programmes on free-to-air channels of other TV operators as a performance indicator, but the average viewership of RTHK's TV channels and the programmes broadcast on its channels was not reported in the COR. Therefore, the public could not get information on the popularity of RTHK's TV channels and programmes from the COR (paras. 4.30 and 4.31); and
- (e) ***No target appreciation index and target awareness level set.*** RTHK does not set targets of appreciation index or awareness level for its programmes. Given that RTHK has its own TV channels since 2014, RTHK may consider setting targets/benchmarks for both appreciation index and awareness level of its programmes in order to facilitate more meaningful evaluation of its programmes (para. 4.32).

14. ***Evaluation of radio programmes.*** According to the 2017 Radio Audience Survey, RTHK had a total number of listeners of 3,371,000 for its seven radio channels. RTHK evaluates its radio channels and programmes using the results of the annual Survey such as listenership of radio channels and appreciation index of radio channels (paras. 4.35 and 4.37). Audit noted the following:

- (a) ***Number of listeners of some radio channels decreased.*** The number of listeners in four of the seven channels decreased. In particular, the number of listeners in Radio 6 and 7 decreased by 57% and 33% from 181,000 and 232,000 in 2013 to 78,000 and 155,000 in 2017 respectively (para. 4.37);
- (b) ***Appreciation index and awareness level decreased for some radio channels.*** Audit analysed the results of Radio Audience Survey from 2013 to 2017 and noted that: (i) for 4 channels, namely Radio 2, 5, 6 and 7, their scores in appreciation index decreased. The decreases ranged from 0.01

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(from 6.97 to 6.96) to 0.53 (from 6.83 to 6.3); and (ii) for 6 channels, namely Radio 2, 3, 4, 5, 6 and 7, their awareness levels decreased. The decreases ranged from 0.4 percentage point (from 7.6% to 7.2%) to 4.1 percentage points (from 37% to 32.9%) (para. 4.38);

- (c) ***Need to include the share of total listening time per channel as performance indicator.*** The Radio Audience Survey also provides information on the share of total listening time and the average daily listening time per audience per radio channel. For example, the share of total listening time of Radio 1 was 33.5% in 2017 whereas the average daily listening time per audience was 3.2 hours in the same year. The service provider of the Radio Audience Survey stated in the survey report that the share of total listening time might reflect a more comprehensive and accurate picture on the audienceship than the number of listeners because it took into account both the number of listeners and the duration of listening time per audience. RTHK may consider including the share of total listening time per channel as a performance indicator and report it in the COR (paras. 4.40 and 4.41); and
- (d) ***No qualitative indicators for radio services.*** RTHK uses only the quantitative performance indicators, namely the number of listeners and the audience reach per channel for measuring the performance of its radio services. Audit notes that the annual Radio Audience Survey also covers appreciation index of radio channels, which indicates how well the audience appreciate the radio channels, but it is not reported in the COR. Furthermore, in the Radio Audience Survey, RTHK collects appreciation index at channel level, but not at programme level. In the absence of such information at programme level, RTHK is unable to monitor the quality of individual radio programmes and take appropriate follow-up action to improve their quality (paras. 4.42 and 4.43).

15. ***Evaluation of school ETV programmes.*** RTHK produces school ETV programmes for the EDB (para.4.46). Audit noted the following:

- (a) ***Small number of school ETV programmes watched.*** In the period from 2004-05 to 2015-16, the average number of school ETV programmes watched by each class for kindergartens and secondary schools decreased by 66% from 13.1 to 4.4 and by 38% from 9.6 to 6 respectively. The average number of school ETV programmes watched by each class for

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kindergartens and secondary schools were significantly lower than that for primary schools which stood at 71.0 in 2015-16. In 2015-16, the average numbers for kindergartens and secondary schools were 4.4 and 6 programmes respectively. They were much lower than that (71 programmes) for primary schools (para. 4.50);

- (b) ***Need to enhance staff productivity.*** Audit analysed the indicator of the number of school ETV programmes per programme staff for the period from 2002-03 to 2017-18 and found that: (i) the number of programmes per programme staff dropped by 26% from 11.9 in 2002-03 to 8.8 in 2017-18; and (ii) no targets were set for assessing the staff productivity for school ETV programmes (para. 4.53);
- (c) ***High production cost of school ETV programmes.*** Audit noted that: (i) the cost per hour of school ETV programme increased significantly by 105% from \$0.77 million in 2008-09 to \$1.58 million in 2017-18; and (ii) the school ETV programmes were much costlier when compared with public affairs and general TV programmes. In 2017-18, the cost per hour for school ETV programmes (\$1.58 million) was 4.79 times that of public affairs and general TV programmes (\$0.33 million) (paras. 4.56 and 4.58);
- (d) ***Need to explore the possibility of increasing the scale of commissioning of school ETV programme productions.*** In its review on the school ETV service carried out in 2003, the Standing Committee on the Development of the ETV Service advised the EDB and RTHK to work on an outsourcing strategy to progressively increase the proportion of outsourced programme production from 5% in 2004 to not less than 50% in the long term. However, the EDB and RTHK had not formulated any commissioning strategy or drawn up any definite plan for commissioning the production of school ETV programmes (para. 4.60); and
- (e) ***Need to conduct comprehensive review on RTHK's production of school ETV programmes.*** In view of the audit observations on small number of programmes watched resulting from the change in the viewing mode, decreasing staff productivity and high production cost of the school ETV programmes, Audit considers that the EDB and RTHK need to conduct a comprehensive review on RTHK's production of school ETV programmes to determine the way forward and the improvement measures (para. 4.62).

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16. ***Performance evaluation reports not provided to Board of Advisors and Annual Report not prepared.*** It was stipulated in the Charter of RTHK that the Board of Advisors should receive reports on the performance evaluation of RTHK and RTHK's compliance with performance evaluation indicators, and advise the Director of Broadcasting on the adoption of appropriate performance evaluation indicators and ways to improve service delivery. Audit noted that no performance evaluation report including evaluating the actual performance against the performance targets had been submitted to the Board of Advisors. Moreover, it was stipulated in the Charter of RTHK that RTHK should produce an Annual Report for public inspection no later than six months after the conclusion of the year reported on. However, RTHK did not prepare the Annual Report, contrary to the requirement of the Charter (paras. 4.67, 4.70 to 4.72).

Audit recommendations

17. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Director of Broadcasting should:**

Production of programmes

- (a) **review whether the existing NCSC staff are employed in line with the Government's policy on the employment of NCSC staff (para. 2.25(a));**
- (b) **ensure that the engagements of Cat II Service Providers commence only after the contract requests are approved and the contracts are issued (para. 2.25(c));**
- (c) **review the acquisition procedures of TV and radio programmes and, where necessary, seek advice from the Secretary for Financial Services and the Treasury (para. 2.35(b));**
- (d) **take measures to ensure the timely submission of the programme recordings, self-evaluation reports and Limited Assurance Engagement Reports by the CIBS participants (para. 2.54(b));**
- (e) **step up promotion on the CIBS to the community and ethnic minority organisations and individuals (para. 2.54(f));**

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- (f) take measures to ensure that the commissioned contractors submit production materials and audited reports, and complete the commissioned programmes in a timely manner (para. 2.68(a));

Broadcasting of programmes and new media services

- (g) endeavour to enrich the TV programmes, including exploring ways to increase the output hours of TV programmes, increasing the first-run programme hours, devising a strategy for re-run programmes, reducing the non-operating hours for TV 31 and exploring ways to enrich the miscellaneous contents (para. 3.6);
- (h) set guidelines on how to determine the offer price to potential licensees and take action to promote content licensing (para. 3.19(a) and (d));
- (i) keep in view the usage of the RTHK website and take measures to boost the usage and improve the quality of the new media platforms (para. 3.27(a) and (c));

Evaluation of programmes and other administrative issues

- (j) revisit the need for the mandatory requirements imposed on the service providers for the TVAI Surveys and the Radio Audience Surveys (para. 4.13(e));
- (k) take measures to improve the awareness level and the appreciation index of RTHK's TV programmes (para. 4.33(c));
- (l) take measures to address the issue of lower TV ratings of RTHK TV programmes broadcast on RTHK channels than the ratings of the same programmes broadcast on a commercial channel (para. 4.33(e));
- (m) take measures to improve the appreciation index and awareness level of RTHK's radio channels (para. 4.44(b));

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- (n) take appropriate actions to address the problem of decreasing staff productivity in terms of programmes per programme staff, and consider setting targets to assess the staff productivity for school ETV programmes (para. 4.63(a) and (b));
 - (o) take appropriate actions to contain the high production cost per hour for school ETV programmes (para. 4.63(c));
 - (p) submit the reports on performance evaluation of RTHK and the RTHK's compliance with performance evaluation indicators to the Board of Advisors on a regular basis as required by the Charter of RTHK (para. 4.73(a)); and
 - (q) prepare an Annual Report for public inspection as required by the Charter of RTHK (para. 4.73(b)).
18. Audit has also *recommended* that the Secretary for Education and the Director of Broadcasting should, taking into account the audit observations, conduct a comprehensive review on RTHK's production of school ETV programmes to determine the way forward and the improvement measures (para. 4.64(b)).

Response from the Government

19. The Director of Broadcasting and the Secretary for Education agree with the audit recommendations.

PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

Background

1.2 The Government launched its first radio broadcasting station in June 1928. The station became known as Radio Hong Kong in 1948. In 1954, the then Radio Hong Kong became a government department. In 1970, it established a Public Affairs Television Unit to produce television (TV) programmes for broadcast by commercial TV channels. In 1976, it changed its name to Radio Television Hong Kong (RTHK) to reflect its new involvement in TV programme production. In the same year, RTHK began to produce school education TV (ETV) programmes for the then Education Department (Note 1).

1.3 RTHK programmes have won a number of local and international awards. In the past 5 years from 2013-14 to 2017-18, RTHK TV and radio programmes won a total of 374 local, mainland and international awards, including Consumer Rights Reporting Awards, Human Rights Press Awards, Asian Television Awards, New York Festivals, Chicago International Film Festival Television Awards, Asia-Pacific Broadcasting Union Radio Awards, etc.

Charter of RTHK

1.4 In September 2009, taking into account the recommendations of the Committee on Review of Public Service Broadcasting (Note 2) and views of various

Note 1: *In January 2003, the then Education Department merged with the then Education and Manpower Bureau. In July 2007, the Bureau was renamed the Education Bureau upon the reorganisation of the Government Secretariat.*

Note 2: *The Committee on Review of Public Service Broadcasting was appointed by the Chief Executive of the Hong Kong Special Administrative Region in January 2006 to study the development of public service broadcasting in Hong Kong.*

Introduction

stakeholders, the Government decided to issue a Charter of RTHK covering all the main aspects of the operation of RTHK.

1.5 In August 2010, the Government promulgated the Charter of RTHK. The Charter sets out the public purposes (see Appendix A) and mission of RTHK (see Appendix B) as the public service broadcaster (Note 3) in Hong Kong. It specifies the editorial independence of RTHK, key programme areas of activities, modes of service delivery, performance evaluation and operational transparency. It also prescribes RTHK's relationship with the Commerce and Economic Development Bureau (CEDB) as well as the Board of Advisors (see para. 1.9), and the role of the then Broadcasting Authority (Note 4) in providing content regulation for RTHK programming.

Programme areas

1.6 RTHK has four programme areas:

- (a) ***Programme (1): Radio.*** RTHK produces and transmits radio programmes. It operates seven analogue (AM/FM) radio channels (Radio 1 to Radio 7 — Note 5) 24 hours a day, covering a variety of programmes in news, music, finance, cultural and education (see Table 1). In 2017-18, the total number of output hours of RTHK radio programmes was 57,359 hours (Note 6);

Note 3: *A public service broadcaster is a publicly owned broadcasting institution funded by the public through different means, e.g. television licence fee, government funds, donations, sponsorship and sales revenue.*

Note 4: *The then Broadcasting Authority ceased to function on 31 March 2012. Its powers and duties have been transferred to the Communications Authority, which was established on 1 April 2012.*

Note 5: *In the period from March 2011 to early September 2017, RTHK ran five digital audio broadcasting channels. The digital audio broadcasting services were terminated in early September 2017.*

Note 6: *The total number of output hours of RTHK radio programmes did not include the simulcast hours of 3,961.*

Table 1
Radio channels of RTHK
(2017-18)

Channel	Modulation	Main content
Radio 1	FM	News, information and general programming (Cantonese)
Radio 2	FM	Youth, entertainment, popular music and promotion of family and community projects (Cantonese)
Radio 3	AM	News, information and general programming (English)
Radio 4	FM	Fine music and arts (7:00 – 23:00) (English and Cantonese); Relay of BBC World Service (23:00 – 7:00) (English)
Radio 5	AM	Elderly, cultural and education (Cantonese)
Radio 6	AM	Relay of China National Radio Hong Kong Edition (Putonghua and Cantonese)
Radio 7	AM	General programming, news and finance (Putonghua); Community Involvement Broadcasting Service (various languages)

Source: RTHK records

- (b) **Programme (2): Public Affairs and General TV Programme.** RTHK provides a variety of TV programmes, including public and current affairs, educational, drama as well as arts and culture programmes. These programmes are in-house productions, commissioned programmes, acquired programmes or co-production programmes. RTHK started to trial run three digital terrestrial television (DTT) channels (RTHK TV 31 to 33) in 2014 and proceeded with the transmission of programmes on two analogue TV channels (TV 31A and 33A) from April 2016 (see Table 2). Some TV programmes are also broadcast on commercial TV channels. In 2017-18, the total number of output hours of RTHK TV programmes was 1,409 hours;

Table 2

**TV channels of RTHK
(2017-18)**

Channel	DTT/ Analogue	Main content
TV 31	DTT	General programming on current affairs, education, arts and culture
TV 32	DTT	Live event channel which covers Legislative Council (LegCo) meetings, significant local news and public events, sports competitions, relay of important international event; and Selected videos of daily life titled as “TV Journey”
TV 33	DTT	Relay of China Central Television Channel 1 24 hours a day
TV 31A	Analogue	Simulcast of TV 31
TV 33A	Analogue	Simulcast of TV 33

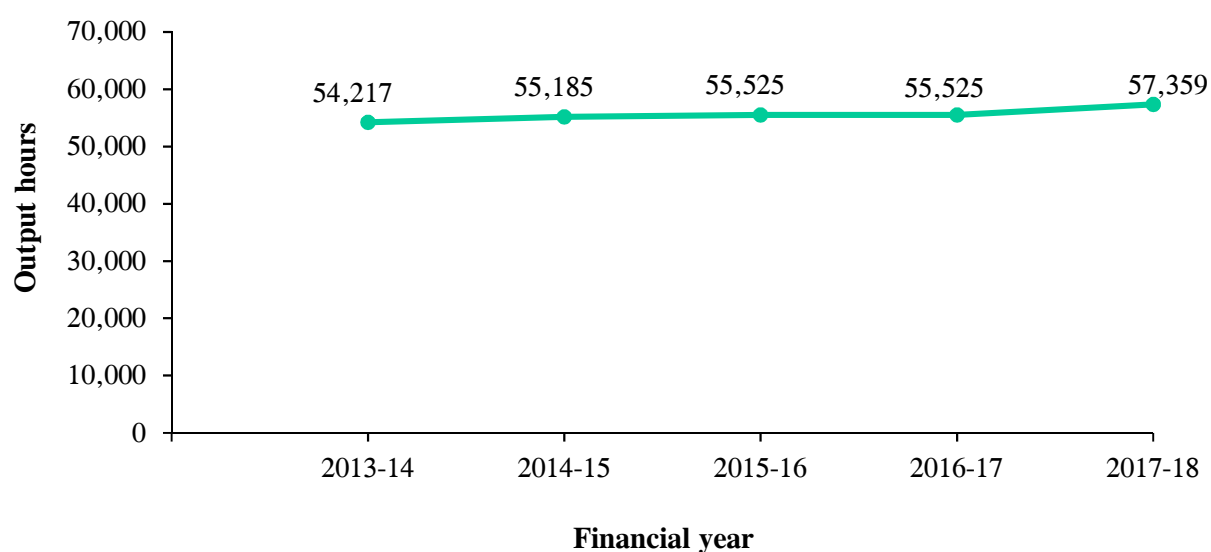
Source: RTHK records

- (c) **Programme (3): School ETV Programme.** RTHK produces school ETV programmes for kindergarten, primary, and junior and senior secondary school students. The programmes are broadcast to schools on a commercial channel and TV 31 and 31A. They can also be viewed online on RTHK website, “eTVonline” website, RTHK mobile application “RTHK Screen”, the Education Bureau (EDB)’s ETV mobile application, the HKEdCity ETV website and the EDB’s ETV website. Some programmes are reproduced in the form of DVDs and distributed to schools. In 2017-18, the number of output hours of school ETV programmes was 18.9 hours; and
- (d) **Programme (4): New Media.** The New Media Unit (NMU) provides different online digital platforms and contents for audiences, including the website of RTHK, various mobile applications and social media platforms. It provides the simulcast of all RTHK 24-hour radio channels. It also provides on-demand archives of all RTHK radio, TV and news programmes broadcast in the past 12 months.

1.7 The number of output hours for radio, TV and school ETV programmes for the period from 2013-14 to 2017-18 are shown at Figures 1, 2 and 3. Some key performance measures in respect of the four programme areas as set out in the Controlling Officer's Report (COR) from 2013-14 to 2017-18 are shown at Appendix C.

Figure 1

**Output hours of radio programmes
(2013-14 to 2017-18)**

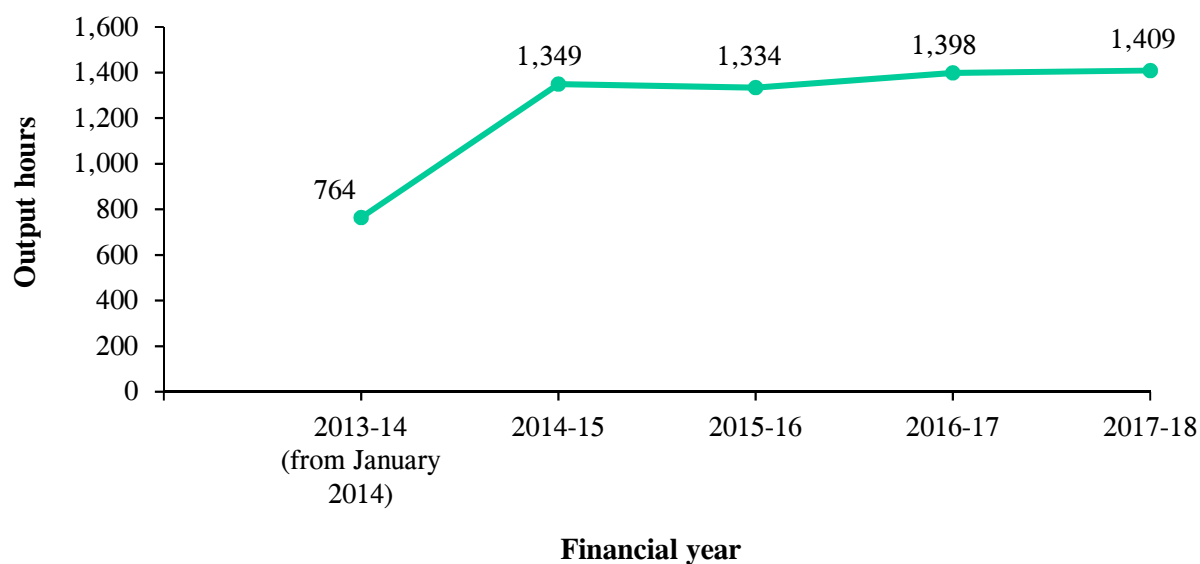


Source: Audit analysis of RTHK records

Remarks: Sometimes, an RTHK radio channel simulcasts another RTHK radio channel. The output hours of RTHK radio programmes did not include the simulcast hours.

Figure 2

**Output hours of TV programmes
(2013-14 to 2017-18)**

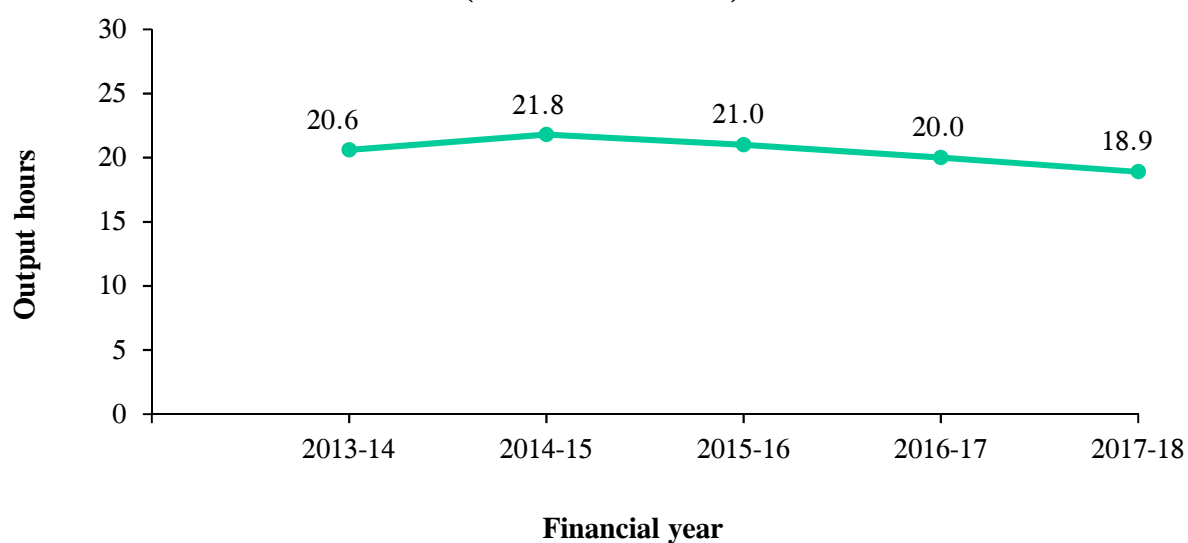


Source: Audit analysis of RTHK records

Remarks: RTHK commenced trial run on DTT programme transmission in January 2014. Increased output hours in 2014-15 was mainly due to the full-year effect.

Figure 3

**Output hours of school ETV programmes
(2013-14 to 2017-18)**



Source: Audit analysis of RTHK records

Income and expenditure

1.8 In 2017-18, RTHK received income of \$20.7 million. The income comprised sponsorship monies of \$15.9 million, content licensing income of \$2.3 million, fees and charges (including canteen rental, dubbing charges and administrative overheads) of \$1.5 million and other income of \$1.0 million (see Table 3). The total expenditure was \$1,008.4 million (see Tables 4 and 5).

Table 3**Income analysed by source
(2017-18)**

Source	Income (\$ million)
Sponsorship	15.9 (77%)
Content licensing	2.3 (11%)
Fees and charges	1.5 (7%)
Other income	1.0 (5%)
Total	20.7 (100%)

Source: Audit analysis of RTHK records

Table 4**Expenditure analysed by programme area
(2017-18)**

Programme area	Expenditure (\$ million)
Radio	397.3 (39%)
Public affairs and general TV programme	541.4 (54%)
School ETV programme	29.8 (3%)
New media	39.9 (4%)
Total	1,008.4 (100%)

Source: Audit analysis of RTHK records

Table 5
Expenditure analysed by nature
(2017-18)

Nature	Expenditure (\$ million)
Personal emoluments	398.3 (40%)
Personnel related expenses	20.0 (2%)
Temporary staff (e.g. departmental contract staff and non-civil service contract staff — see para. 2.12(a) and (b))	85.2 (8%)
Hire of services and professional fees (e.g. fees for Category II Service Providers (see para. 2.12(c)) and commissioning of programmes)	312.6 (31%)
Specialist supplies and equipment	21.7 (2%)
Contract maintenance	24.1 (2%)
Plant, vehicles and equipment	73.5 (7%)
Community Involvement Broadcasting Fund	6.4 (1%)
Other general and administrative expenses	66.6 (7%)
Total	1,008.4 (100%)

Source: Audit analysis of RTHK records

RTHK Board of Advisors

1.9 Pursuant to the Charter of RTHK, the RTHK Board of Advisors was set up in September 2010 to advise the Director of Broadcasting on a range of issues, including editorial principles, programme standards, quality of RTHK programming, performance evaluation, service improvements and community involvement in broadcasting. According to the Charter of RTHK, the Board is advisory in nature and has no executive power. The Director of Broadcasting, as the head of RTHK and the ex-officio member of the Board, should give due weight and consideration to all advice provided by the Board, and shall report and explain to the Board the reasons for not following the advice of the Board. The members of the Board are appointed by the Chief Executive of the Hong Kong Special Administrative Region. As at

31 March 2018, the Board comprised a Chairman, 12 members and the Director of Broadcasting as the ex-officio member. The Board has the following functions:

- (a) advising the Director of Broadcasting on all matters pertaining to editorial principles, programming standards and quality of RTHK programming;
- (b) receiving reports on complaints against editorial principles, programming standards and quality of RTHK programming;
- (c) receiving reports of public opinion surveys regularly conducted by RTHK to track how well RTHK programming meets up to audience expectations;
- (d) receiving reports on the performance evaluation of RTHK and the department's compliance with performance evaluation indicators, and advising the Director on the adoption of appropriate performance evaluation indicators and ways to improve service delivery;
- (e) advising the Director on matters relating to community participation in broadcasting on radio and television channels, including advising on the rules for disbursement of the Community Involvement Broadcasting Fund (CIBF — Note 7); and
- (f) initiating studies and research on issues pertaining to the achievement of the public purposes and mission of RTHK.

Organisation structure

1.10 As at 31 March 2018, RTHK had 869 full-time staff, comprising 676 civil service staff and 193 contract staff. RTHK also employed 417 part-time contract staff to meet its short-term needs. Besides, RTHK engaged service providers or freelance artists to perform in individual programmes.

Note 7: *The CIBF was set up to provide financial support for community groups (e.g. ethnic minority groups, non-governmental organisations, etc.) to actively participate in broadcasting and content productions. RTHK administers the CIBF to encourage community organisations to bid for resources for producing radio programmes, and would arrange to broadcast these contents on RTHK's channels.*

Introduction

1.11 RTHK comprises three Divisions and four Units. The three Divisions are Radio and Corporate Programming Division, Television and Corporate Businesses Division and Production Services Division. The four Units are Corporate Communications and Standards Unit, Departmental Administration Unit, Finance and Resources Unit and Systems Review Unit. An extract of the organisation chart of RTHK as at 30 June 2018 is at Appendix D.

1.12 The CEDB is the policy bureau for radio, public affairs and general TV programme and new media services (i.e. Programmes (1), (2) and (4)). The provision of school ETV programmes (i.e. Programme (3)) is under the policy responsibility of the EDB.

1.13 According to the Charter of RTHK, the Secretary for Commerce and Economic Development provides the Director of Broadcasting with policy guidance and support as follows:

- (a) defining the programme areas and agreeing the underlying activities;
- (b) reviewing policy aspects of each programme area: the policy aim, description, operational objectives, matters requiring special attention over the next 12-month period, performance targets and financial data;
- (c) securing resources for the programme areas;
- (d) setting performance targets, in consultation with the Director of Broadcasting, which will identify the efficiency and effectiveness of resources deployed to the programme areas for achieving the public purposes and mission and assess whether value for money is achieved;
- (e) reviewing quarterly with the Director of Broadcasting the achievement of these targets and any resulting actions required;
- (f) reviewing annually, at a set time, the achievement of targets, using this as a basis for developing objectives and targets for the next 12 months and for establishing resource allocation priorities;

- (g) establishing priorities for the allocation of resources at an annual review of each programme area and the respective policy aspects; and
- (h) speaking for the Government on policy matters about RTHK.

Audit review

1.14 In March 2018, Audit Commission (Audit) commenced a review of RTHK's provision of programmes. The audit has focused on the following areas:

- (a) production of programmes (PART 2);
- (b) broadcasting of programmes and new media services (PART 3); and
- (c) evaluation of programmes and other administrative issues (PART 4).

Audit has found room for improvement in the above areas and has made a number of recommendations to address the issues.

General response from the Government

1.15 The Secretary for Commerce and Economic Development thanks Audit for conducting an in-depth review of RTHK's production and broadcasting of programmes, new media services, evaluation of programmes and other administrative issues. He has said that:

- (a) the CEDB is mindful that RTHK has been tasked to fulfill its public purposes and mission as the public service broadcaster in Hong Kong in accordance with the Charter of RTHK promulgated in August 2010; and
- (b) the CEDB will continue to monitor RTHK's radio, television and new media services in accordance with its role under the Charter.

Introduction

1.16 The Secretary for Education thanks Audit for conducting the audit review and agrees with the audit recommendations in paragraph 4.64.

1.17 The Director of Broadcasting thanks Audit for conducting a review regarding RTHK's provision of programmes and agrees with all the audit recommendations.

Acknowledgement

1.18 Audit would like to acknowledge with gratitude the full cooperation of the staff of the CEDB, the EDB and RTHK during the course of the audit review.

PART 2: PRODUCTION OF PROGRAMMES

2.1 This PART examines the production of programmes (Note 8), focusing on the following areas:

- (a) planning and budgetary control (paras. 2.4 to 2.11);
- (b) employment of contract staff and procurement of services from Service Providers (paras. 2.12 to 2.26);
- (c) acquisition of programmes (paras. 2.27 to 2.36);
- (d) Community Involvement Broadcasting Service (paras. 2.37 to 2.55); and
- (e) commissioning of TV programmes (paras. 2.56 to 2.69).

Background

2.2 ***Radio programmes.*** RTHK runs seven radio channels (see Table 1 in para. 1.6(a)). The sources of radio programme are in-house production, acquisition, production under the Community Involvement Broadcasting Service (CIBS — see para. 2.37) and relay (including channels or programmes from other broadcasters and programmes on soccer matches, concerts, church services and LegCo meetings). The number of output hours analysed by source for 2017-18 is at Table 6.

Note 8: *RTHK's production of programmes includes in-house production, acquisition, commissioning, relay and co-production of programmes (see Tables 6 and 7 in paras. 2.2 and 2.3).*

Production of programmes

Table 6
Output hours of radio programmes analysed by source
(2017-18)

Source	No. of output hours	Percentage
In-house production	45,039.0	78.5 %
Acquisition	982.5	1.7 %
CIBS	605.0	1.1 %
Relay	10,732.5	18.7 %
Total	57,359.0	100.0 %

Source: Audit analysis of RTHK records

2.3 **TV programmes.** RTHK runs three DTT channels and two analogue TV channels (see Table 2 in para. 1.6(b)). The sources of production are in-house production, acquisition, commissioning and co-production. The number of output hours analysed by source for 2017-18 is at Table 7.

Table 7
Output hours of TV programmes analysed by source
(2017-18)

Source	No. of output hours	Percentage
In-house production	1,083	76.9 %
Acquisition	296	21.0 %
Commissioning	21	1.5 %
Co-production	9	0.6 %
Total	1,409	100.0 %

Source: Audit analysis of RTHK records

Planning and budgetary control

Need to take into account performance evaluation of individual programmes in the planning process

2.4 It is important for RTHK to specify the programming objectives and set performance targets in the planning process for the RTHK programmes in order to facilitate more meaningful evaluation of the RTHK programmes. Different evaluation methods and targets may be adopted for different categories of programmes. For example, for programmes which are intended to inform, educate and entertain members of the public (i.e. mission (a) in Appendix B), a higher target of TV ratings or awareness level should be set. For programmes which are intended to cater to the needs of minority interest groups (i.e. mission (e) in Appendix B), a lower target of TV ratings can be set but focus group study or survey may be needed to gauge if the minority interest groups are aware of and have watched such programmes.

2.5 Audit reviewed the records of the planning process of radio and TV programmes, and noted that information for performance evaluation was not included in the planning documents for individual programmes (e.g. performance indicators, target audience, performance evaluation methods and specific public purposes and mission to be achieved). Audit considers that in the planning process, RTHK needs to take into account information for performance evaluation of individual radio and TV programmes, in order to facilitate the making of more meaningful planning decision for the programmes.

Need to ensure accuracy of information in the Costing System and reports generated by it

2.6 As a government department, RTHK uses the Government Financial Management Information System for reporting and controlling its expenditure at head level and subhead level. In addition to the Government Financial Management Information System, RTHK maintains a Costing System to assist the management in monitoring the budget and expenditure at channel level for the Radio and Corporate Programming Division and at programme level for the TV and Corporate Businesses Division.

Production of programmes

2.7 In 2014, RTHK conducted an internal audit review on the budgetary control of TV programmes. According to the report of the review, for 7 of the 20 TV programmes reviewed, the budget cost and the actual cost were not recorded in the Costing System.

2.8 In 2017-18, cost information of 196 TV programmes was recorded in the Costing System. To review whether RTHK had improved the accuracy of the cost information in the Costing System, Audit examined the reports generated by the System on the cost information of the 196 programmes as at 3 August 2018. Audit noted that for 44 (22.4%) of the 196 programmes, the budget cost and the actual cost in the Costing System were incomplete or incorrect:

- (a) for 16 (8.1%) programmes, while actual cost was recorded, the budget cost was either not recorded or incorrectly recorded as \$1;
- (b) for 21 (10.7%) programmes, the actual cost was not recorded; and
- (c) for 7 (3.6%) programmes, both budget cost and actual cost were either not recorded or incorrectly recorded as \$1.

In response to Audit's enquiry, RTHK informed Audit in September 2018 that some missing/inaccurate information noted by Audit was only an error of the System in generating reports provided to Audit.

2.9 Subsequently, Audit logged in the Costing System and examined the information of the 44 programmes (see para. 2.8) as at 14 September 2018. Audit noted that:

- (a) for 5 of the 16 programmes in paragraph 2.8(a), the budget cost was incorrectly recorded as \$1 while the actual cost was recorded; and
- (b) for 2 of the 7 programmes in paragraph 2.8(c), both budget cost and actual cost were incorrectly recorded as \$1. These two programmes were broadcast in March and May 2018 respectively.

Audit considers that RTHK needs to ensure accuracy of the cost information in the Costing System and the reports generated by it.

Audit recommendations

2.10 Audit has *recommended* that the Director of Broadcasting should:

- (a) take into account information for performance evaluation of individual radio and TV programmes, in order to facilitate the making of more meaningful planning decision for the programmes; and
- (b) ensure accuracy of the information recorded in the Costing System and in the reports generated by the System.

Response from the Government

2.11 The Director of Broadcasting agrees with the audit recommendations. He has said that RTHK will take appropriate follow-up actions.

Employment of contract staff and procurement of services from Service Providers

2.12 In addition to 676 civil service staff, RTHK employs 193 full-time and 417 part-time contract staff and procures services from various categories of service providers to meet different programme production needs. These contract staff and service providers are classified into the following categories:

- (a) ***Departmental contract staff (DCS).*** The DCS are staff employed on a full-time basis to perform duties normally undertaken by the Programme Officer grade staff. The DCS was formerly known as DCS Category I. As at 31 March 2018, there were 5 DCS (Note 9);
- (b) ***Non-civil service contract (NCSC) staff.*** NCSC staff are temporary staff employed to meet short-term operational needs and ad hoc programme needs. Hiring staff on short-term contract provides a more flexible means

Note 9: *According to RTHK, all 5 DCS will be phased out upon natural wastage of the post incumbents by 2024.*

Production of programmes

for RTHK to respond to changing operational and service needs. The NCSC staff employed to meet the programme needs were formerly known as DCS Category III. As at 31 March 2018, there were 188 full-time NCSC staff, including 136 (72%) in Programme Officer grade, and 417 part-time NCSC staff; and

- (c) ***Category II (Cat II) Service Providers.*** They are independent contractors or self-employed persons who are engaged for a specific purpose in the production of programmes, for example, artistes, presenters, scriptwriters, translators and technical producers. In 2017-18, RTHK had 2,143 contracts with 1,926 Cat II Service Providers.

High percentage of NCSC staff and prolonged employment of some NCSC staff

2.13 NCSC Staff Scheme was introduced as a standing scheme in January 1999 as a more flexible arrangement for employment of temporary and short-term contract staff to meet short-term, part-time, changing or fluctuating service needs from time to time. According to the Civil Service Bureau, the Scheme:

- (a) allows government bureaux/departments to employ staff on short-term contracts up to three years on flexible packages to be determined by the heads of department themselves; and
- (b) aims at providing bureaux/departments with a flexible means of employment to respond more promptly to their changing operational and service needs:
 - (i) which are time-limited, seasonal, or subject to market fluctuations;
 - (ii) which require staff to work less than conditioned hours;
 - (iii) which require tapping the latest expertise in a particular area; or
 - (iv) where the mode of delivery is under review or likely to be changed.

2.14 Audit analysed the number of RTHK staff and the length of services of NCSC staff in the period from 2014 to 2018 and noted that:

- (a) **High percentage of NCSC staff.** The percentage of NCSC staff had decreased from 35% as at 31 March 2014 to 22% as at 31 March 2018 (see Table 8). However, the percentage of NCSC staff of RTHK was significantly higher than that for all government bureaux/departments (5.5% as at 30 June 2017); and

Table 8

Percentage of NCSC staff
(2014 to 2018)

Year (as at 31 March)	Civil service staff (No.) (a)	DCS (No.) (b)	NCSC staff (No.) (c)	Total (No.) (d) = (a) + (b) + (c)	Percentage of NCSC staff (%) (e) = (c) ÷ (d) × 100%
2014	534	7	291	832	35
2015	591	7	261	859	30
2016	630	7	250	887	28
2017	640	6	226	872	26
2018	676	5	188	869	22

Source: Audit analysis of RTHK records

- (b) **Long employment of many NCSC staff.** As at 31 March 2018, about half of the NCSC staff had been employed for 3 years or more (see Table 9):
- (i) 63 (34%) of the 188 full-time NCSC staff had been continuously employed for 5 years or more;

Production of programmes

- (ii) of these 63 staff, 28 (44%) had been continuously employed for 10 years or more; and
- (iii) the longest period of employment was 18.8 years.

Table 9

**Length of services of NCSC staff
(2014 to 2018)**

Length of services (Year)	No. of NCSC staff as at 31 March				
	2014	2015	2016	2017	2018
< 3	146 (50%)	143 (55%)	139 (56%)	115 (51%)	93 (49%)
3 to < 5	26 (9%)	30 (11%)	35 (14%)	43 (19%)	32 (17%)
5 to < 10	70 (24%)	44 (17%)	35 (14%)	31 (14%)	95 (51%) 35 (19%) } 63 (34%)
≥ 10	49 (17%)	44 (17%)	41 (16%)	37 (16%)	28 (15%)
Total	291 (100%)	261 (100%)	250 (100%)	226 (100%)	188 (100%)

Source: Audit analysis of RTHK records

2.15 LegCo members have long been raising concerns on the large number of RTHK staff who was employed in the Programme Officer grade on NCSC terms. According to RTHK, there is an operational need to engage a certain number of NCSC staff:

- (a) for job-specific duties to meet changing community needs and audience tastes;
- (b) maintain a certain degree of turnover of talents engaging in creative work; and
- (c) tap the latest expertise in the market.

Notwithstanding the above, the prolonged employment of some NCSC staff may not be consistent with the Government's policy on the employment of NCSC staff as stated in paragraph 2.13. In view of the high percentage of NCSC staff and the prolonged employment of some NCSC staff, it appears that some NCSC staff may have been employed to meet recurrent and long-term operational needs. RTHK needs to review whether the existing NCSC staff are employed in line with the Government's policy.

Engagement of Cat II Service Providers

2.16 RTHK engages Cat II Service Providers (see para. 2.12(c)) in the production of programmes to conduct background work such as researching into the subject area and writing a script, and to perform as artistes in the programme. In 2017-18, RTHK engaged 1,926 Service Providers under 2,143 contracts (Note 10). The total expenditure was \$70 million.

2.17 The basic conditions of employment of Cat II Service Providers were approved by the Finance Committee (FC) of LegCo in March 1982. According to the paper submitted to the FC, Cat II Service Providers should only apply to casual artistes, disc jockeys, scriptwriters, contributors and researchers whose services are engaged for a specific purpose in the production of particular programmes.

2.18 As at 31 March 2018, there were 81 job titles of Cat II Service Providers (Note 11 — see Table 10) under five categories, namely artistes, presenters, scriptwriters, researchers and contributors. Service Providers under each job title were paid under an established fee scale. The Service Providers are paid within the fee scale of the job title they are engaged by reference to their calibre or the job complexity. Different fee ranges are set for Service Providers in different divisions/sections.

Note 10: *A Cat II Service Provider may be engaged by different divisions/units under more than one contract.*

Note 11: *Subsequent to a review on the engagement and fee scales mechanism for Cat II Service Providers conducted by RTHK in January 2018, the number of job titles was reduced from 134 to 81 with effect from 1 February 2018.*

Table 10**Job titles under five categories of Cat II Service Providers
(As at 31 March 2018)**

Category	No. of job titles
1. Artiste (e.g. Voice-over Artiste and Musician)	9
2. Presenter (e.g. Putonghua News Presenter and News Reader)	13
3. Scriptwriter (e.g. Scriptwriter (Drama) and Scriptwriter (Non Drama))	7
4. Researcher (e.g. Researcher/Coordinator (Filming outside Hong Kong) and Researcher)	4
5. Contributor (e.g. Article Contributor and Creative Contributor)	48
Total	81

Source: Audit analysis of RTHK records

Need to ensure timely submission of the contract request

2.19 The procedures for engaging a Cat II Service Provider are as follows:

- (a) the programme producer (i.e. Assistant Programme Officer or above) completes a contract request, stating the justifications and the proposed service fee;
- (b) the checking staff (i.e. the Central Administration Unit (CAU)/staff assisting in administrative duties) check the request against the database;
- (c) the recommending officer (i.e. Senior Programme Officer or above) supports the request after considering factors such as the service need, suitability of the service provider and reasonableness of the service fee;

- (d) the approving authorities (i.e. Principal Programme Officer or above) approve the request;
- (e) the contract is prepared and signed by an officer of at least Senior Programme Officer level and the Service Provider; and
- (f) upon the completion of job, the programme producer prepares a job completion form/attendance records certifying that the Service Provider has completed the job. The form is endorsed and approved by the Senior Programme Officer. The payment request is then prepared for approval by the Principal Programme Officer.

2.20 To facilitate internal processing and checking, RTHK Administrative Circular on engagement of Cat II Service Providers stipulated that the contract request must route through checking staff (see para. 2.19(b)), preferably seven working days before the engagement, for vetting and checking the particulars against information available in the database before submission to the approval officer. The checking staff will also advise and assist users and approving officers in meeting the various requirements in the engagement process and in considering the service fee.

2.21 Audit examination of the 65 contract requests initiated in the period from February 2016 to May 2018 for engagement of Cat II Service Providers revealed that:

- (a) 39 (60%) contract requests were submitted to the checking staff less than 7 working days before the engagement, on average only 4 working days before the engagement, ranging from 1 to 6 working days; and
- (b) 1 (2%) contract request was submitted to the checking staff 22 days after the start date of the engagement period (see para. 2.23(a)).

2.22 Audit considers that RTHK needs to ensure that the contract requests for the engagement of Cat II Service Providers are submitted to the checking staff as early as practicable, preferably seven working days before the engagement, to allow sufficient time for the checking staff to ensure that the engagements are in compliance with RTHK's policy and guidelines.

Engaging Service Providers before contract was issued

2.23 It was stipulated in RTHK Administrative Circular on engagement of Cat II Service Providers that user section should not allow the engagement of Service Providers to commence before the contract request is approved and the contract is issued. In exceptional cases where backdating of contract or seeking covering approval is unavoidable, the reasons and circumstances should be clearly stated. Audit reviewed the 65 contract requests initiated in the period from February 2016 to May 2018 for engagement of Cat II Service Providers (see para. 2.21) and found that:

- (a) for one contract, the engagement commenced 23 days before the contract request was approved and the contract was issued (the contract request was approved and the contract was issued on the same day). No documentary evidence was available showing the reasons and circumstances for seeking covering approval; and
- (b) for another contract, the engagement commenced 27 days before the contract was issued. No documentary evidence was available showing the reasons and circumstances for seeking covering approval.

2.24 Audit considers that RTHK needs to ensure that the engagements of Cat II Service Providers commence only after the contract requests are approved and the contracts are issued, and valid reasons for seeking covering approval on engagements of service providers are clearly stated.

Audit recommendations

2.25 **Audit has *recommended* that the Director of Broadcasting should:**

- (a) **review whether the existing NCSC staff are employed in line with the Government's policy on the employment of NCSC staff;**
- (b) **ensure that the contract requests for the engagement of Cat II Service Providers are submitted to the CAU/staff assisting in administrative duties as early as practicable, preferably seven working days before the engagement, to allow sufficient time for them to ensure that the engagements are in compliance with RTHK's policy and guidelines;**

- (c) ensure that the engagements of Cat II Service Providers commence only after the contract requests are approved and the contracts are issued; and
- (d) ensure that covering approvals for engagements of Cat II Service Providers are supported by valid reasons.

Response from the Government

2.26 The Director of Broadcasting agrees with the audit recommendations. He has said that:

- (a) from 2011-12 to 2018-19, RTHK has already created 96 civil service posts to replace NCSC positions with long-term service needs. RTHK will continue to review the service needs of its NCSC positions and explore the possibility of converting those NCSC positions with long-term service needs to civil service posts as appropriate; and
- (b) on the engagement of Cat II Service Providers, established guidelines and procedures governing its engagement have been in place. RTHK has reminded all staff to submit contract request forms to CAU for processing as early as practicable. Regarding the cases as identified by Audit in paragraph 2.23, RTHK will draw lessons learnt and seek to further enhance the mechanism in engaging Cat II Service Providers.

Acquisition of programmes

Acquisition procedures for TV programmes

2.27 Since the commencement of the DTT channel TV 31 in 2014, RTHK has acquired broadcasting rights of TV programmes from both local and non-local distributors. The acquired programmes are broadcast on TV 31. They include programmes on international current affairs, social trends, history, cultures, travel, science, music, performing arts and animations. In 2017-18, RTHK acquired 487 episodes of programmes, accounting for 296 (21%) of the total output hours of 1,409 of all RTHK TV channels. The expenditure on acquiring programmes was \$50.9 million, accounting for 9% of RTHK's total expenditure on TV programmes.

Production of programmes

2.28 The Acquisition and Corporate Development Unit (ACDU) of the TV and Corporate Businesses Division (see Appendix D) is responsible for acquiring TV programmes (Note 12). In May 2016, RTHK promulgated the Policy on Acquisition of Copyright Licence for TV Programmes (Acquisition Policy). The Acquisition Policy sets out the acquisition procedures, guidelines on fee ranges and price negotiation, approving authority and the control measures including the declaration of interest. According to the Acquisition Policy:

- (a) members of the Acquired Programme Committee (APC) (Note 13) identify programmes from different sources before proposing to the APC for screening and assessment. Only programmes scoring 60% or above are recommended by the APC for acquisition. An APC assessment report is prepared by Head of the ACDU for Controller (TV)'s endorsement;
- (b) the responsible ACDU staff offers a price to the distributors and negotiates the fees and contract terms with the distributors. The negotiation should be clearly documented and all negotiation results are vetted by the Head of ACDU and Controller (TV);
- (c) the ACDU submits the proposed contracts to the relevant approving authorities (Note 14) for approval;
- (d) ACDU officers and the approving authorities involved in the screening, assessment and approval of acquisitions are required to declare interest to ensure that there is no conflict of interest in processing the acquisition of copyright licence for TV programmes;
- (e) payment is processed by the Finance and Resources Unit upon receipt of invoices duly certified by the Head of ACDU; and

Note 12: *RTHK set up the Acquisition Team in 2013 for acquisition of TV programmes. The team was subsequently put under the ACDU after the re-organisation in 2016.*

Note 13: *The APC comprises at least four officers from ACDU at the rank of Programme Officer or above as members.*

Note 14: *The approving authorities are Controller (TV) for contract value up to \$286,000, Assistant Director (TV and Corporate Businesses) for contract value between \$286,001 and \$715,000, Deputy Director of Broadcasting (Programmes) for contract value between \$715,001 and \$1.43 million and Director of Broadcasting for contract value over \$1.43 million.*

- (f) all APC assessment reports, negotiation correspondences with distributors and signed contracts shall be centrally filed at the ACDU for reference and checking purposes.

Acquisition procedures for radio programmes

2.29 RTHK acquires the broadcasting rights of radio programmes including radio drama and the local events such as award presentation ceremony. In 2017-18, the number of output hours of acquired radio programmes was 982.5 hours, which accounted for 1.7% of the total output hours of 57,359 of all radio programmes. The expenditure of acquiring programmes was \$0.4 million, accounting for 0.1% of RTHK's total expenditure on radio programmes. Unlike the acquisition of TV programmes, there is no separate unit handling the acquisition of radio programmes. There is also no promulgated acquisition policy and guidelines on the acquisition of radio programmes. According to RTHK:

- (a) the Programme Officers of the Radio and Corporate Programming Division identify suitable programmes by searching on the Internet;
- (b) the Programme Officers contact the potential supplier for preview;
- (c) after preview, channel head, channel deputy head and colleagues discuss to select suitable programmes;
- (d) the Programme Officers propose a price to the supplier and then negotiate with the supplier; and
- (e) after reaching an agreement with the supplier on the price and licensing terms, the Programme Officers seek approval from the relevant authorities for procuring the selected programme by single quotation.

Lack of acquisition policy for radio programmes

2.30 Unlike the acquisition of TV programmes, RTHK did not set out acquisition policy and guidelines for radio programmes on fee ranges, price negotiation and approving authorities. Audit noted that:

Production of programmes

- (a) there was no guidelines on:
 - (i) marking scheme;
 - (ii) assessment criteria; and
 - (iii) price negotiation;
- (b) the baseline price for negotiation was not set;
- (c) the officers involved in proposing acquisition and approving acquisition were not required to declare potential conflict of interest; and
- (d) details on the assessment by the officers and the negotiation with the suppliers were not documented.

Need to review acquisition procedures

2.31 For each procured TV or radio programme, there is only one supplier. The acquisition procedures of TV and radio programmes are different from the procedures stipulated in the Stores and Procurement Regulations (SPR) for single quotation. Instead of inviting the supplier to quote a selling price as required by the SPR, RTHK offers a price and then negotiates with the supplier. The procedures after reaching an agreement on the price and the licensing terms with the supplier are as follows:

- (a) ***TV programmes.*** No quotation is sought from the supplier. The ACDU submits the proposed contract to the relevant approving authorities (see Note 14 to para. 2.28(c)) for approval and sign the contract with the supplier after approval; and
- (b) ***Radio programmes.*** The supplier completes the formalities by submitting a quotation. The price in the quotation is the price already agreed between RTHK and the supplier.

2.32 In December 2015, the Hong Kong Independent Commission Against Corruption (ICAC) completed a review and issued an assignment report on RTHK's acquisition of TV programmes for DTT channels. One of the key findings was that RTHK's practice of acquiring programmes by proposing the price and then negotiating with the supplier, instead of inviting a quotation from the supplier, could pose a collusion risk of circumventing the controls built in the standard government procurement procedures with a view to favouring a supplier. In the report, the ICAC recommended that RTHK should:

- (a) require its staff to strictly adhere to the procurement procedures stipulated in the SPR, including calling for quotations instead of offering a price as the means for acquiring programmes; and
- (b) fully justify and seek approval from the appropriate authority, including the Financial Services and the Treasury Bureau (FSTB) where appropriate, for any deviations from the laid down procedures.

2.33 To follow up the findings of the ICAC, RTHK informed the ICAC in May 2016 that:

- (a) the ACDU conducted a one-month trial scheme for acquiring TV programme by following the SPR procedures;
- (b) the trial ended in April 2016 with an extremely low success rate of 5%;
- (c) there were feedbacks from the distributors that the procurement requirements deviated significantly from the industry practice and unfairly hindered their parallel negotiation with other interested potential licensees;
- (d) the trial confirmed that the application of SPR to the acquisition of licensing of copyrights for TV programmes was not practicable;
- (e) it had sought the FSTB's advice on the issue in May 2016. The FSTB advised that:
 - (i) it was necessary to consider whether the nature of the issue was a procurement matter or not;

Production of programmes

- (ii) for non-procurement matters, there was no need to seek FSTB's exceptional approval; and
 - (iii) it was for the respective department to decide whether the issue in question was a government procurement matter or not; and
- (f) RTHK considered that the acquisition of TV programmes was in the nature of licensing of copyright rather than procurement of stores or services.

2.34 Audit considers that RTHK needs to review the acquisition procedures of TV and radio programmes, including whether the acquisition falls into the definition of procurement and is subject to government procurement regulations. RTHK needs to seek advice from the FSTB where necessary. If RTHK considers, after the review, that the acquisition is a procurement matter, RTHK needs to comply with the requirements of the SPR and seek exceptional approval from the FSTB as appropriate. If the acquisition is considered not a procurement matter, RTHK needs to ascertain areas for improvement with reference to the controls built in the standard government procurement procedures.

Audit recommendations

2.35 Audit has *recommended* that the Director of Broadcasting should:

- (a) **formulate acquisition policy and guidelines for acquisition of radio programmes; and**
- (b) **review the acquisition procedures of TV and radio programmes and, where necessary, seek advice from the Secretary for Financial Services and the Treasury.**

Response from the Government

2.36 The Director of Broadcasting agrees with the audit recommendations. He has said that RTHK will take appropriate follow-up actions to review the acquisition procedures of TV and radio programmes.

Community Involvement Broadcasting Service

2.37 In May 2012, the FC of LegCo approved \$45 million for setting up the CIBF (see Note 7 to para. 1.9(e)). The aim of the CIBF is to support and encourage community and ethnic minority organisations and individuals to participate in broadcasting programme production through the CIBS on different themes, such as social services and ethnic minorities (see inset (b) of Appendix A). The objective of the CIBS is to promote a wide range of social gains to the community, in particular:

- (a) plurality, diversity and social inclusion;
- (b) mutual respect, social empathy and civic mindedness;
- (c) creativity, uniqueness and talent nurturing; and
- (d) community involvement.

The CIBS was launched in December 2012. RTHK provides airtime in channel Radio 7 (16 hours each week) for CIBS programmes.

2.38 RTHK uses different means and platforms to arouse and enhance the awareness of CIBS, including:

- (a) placing advertisements on newspapers and magazines (publications of ethnic minority groups in addition to Chinese and English publications);
- (b) launching CIBS Expo, CIBS Express and CIBS mobile studio for outreaching potential applicants;
- (c) producing trailers on radio, TV, Internet and social media platforms;
- (d) displaying banners in different districts; and
- (e) arranging featured interviews with the applicants by different media, etc.

Production of programmes

2.39 RTHK invites applications for the CIBS in June and December every year. The selection process includes assessment by a group of assessors, public voting through the CIBS website, as well as interview by the Selection Committee. The Selection Committee comprises seven external members who are scholars on communication or broadcasting, experts from different fields drawn from the RTHK Programme Advisory Panel and one member familiar with ethnic minority issues. The members of the Selection Committee are appointed by the Director of Broadcasting.

2.40 In the period from December 2012 to December 2017, 1,244 applications were received in 11 rounds of applications. The total number of successful applications was 367, with an overall success rate of 29.5% (see Table 11). As at 31 March 2018, the accumulated expenditure on the CIBF was \$23.7 million (see Table 12), which accounted for 52.7% of the approved funding of \$45 million.

Table 11

**Success rate of applications of CIBS
(2012-13 to 2017-18)**

Financial year	No. of applications received (a)	No. of successful applications (b)	Success rate (c) = (b) ÷ (a) × 100%
2012-13 (From December)	59	31	52.5%
2013-14	167	62	37.1%
2014-15	239	62	25.9%
2015-16	240	64	26.7%
2016-17	266	69	25.9%
2017-18 (up to December)	273	79	28.9%
Overall	1,244	367	29.5%

Source: Audit analysis of RTHK records

Table 12

**Expenditure of CIBF
(2013-14 to 2017-18)**

Financial year	Expenditure (\$ million)
2013-14	1.1
2014-15	3.5
2015-16	6.6
2016-17	6.1
2017-18	6.4
Total	23.7

Source: Audit analysis of RTHK records

Remarks: Although the CIBS was launched in December 2012, no expenditure was incurred for the CIBF in 2012-13.

Detailed assessments of Selection Committee not documented

2.41 A Selection Committee has been established to assess applications for CIBS and CIBF (see para. 2.39). The Selection Committee interviews and assesses the CIBS applicants, and finalises a list of successful applicants and a waiting list for the Director of Broadcasting's consideration. According to the Handbook of CIBS, the Selection Committee looks for applicants who display originality and the ability to communicate the intended messages through broadcasting. RTHK has laid down the following five selection criteria:

- (a) programme ideas and contents;
- (b) promotion of a wide range of social gains;
- (c) the views of the public and votes received on the RTHK website;

Production of programmes

- (d) the applicant's organisational capability to manage the project and deliver the proposed CIBS programme, and the applicant's track record in both quality and quantity of previous CIBS programmes; and
- (e) priority should be given to registered groups and proposals on recorded programmes.

2.42 Audit examined the records for the 6 rounds of applications conducted in the period from 2015-16 to 2017-18, and noted that the Selection Committee only gave an overall score and overall comments on each applicant. Detailed assessments on each of the five selection criteria were not documented. Such detailed assessments would help ensure that the applications were thoroughly assessed on each criterion. To enhance the fairness and objectivity of the assessments, Audit considers that RTHK needs to ensure that the Selection Committee gives views and assessment on each applicant in respect of each of the five selection criteria and records such views and assessment accordingly. This will also provide applicants with more useful feedbacks that may help them improve the success rate of their applications in future.

Difficulty in submitting programme recordings on time

2.43 To ensure compliance with the broadcasting rules promulgated by the Communications Authority and to allow sufficient time for the facilitator (i.e. an officer assigned by RTHK to monitor the production of the CIBS programme) to check the quality of programme recordings, RTHK requires the CIBS participants to submit their programme recordings as follows:

- (a) ***First two episodes.*** Programme recordings for the first two episodes are required to be submitted one month before the scheduled broadcasting date or on the date as agreed with RTHK; and
- (b) ***Third episode onwards.*** Programme recordings from the third episode onwards are required to be submitted two weeks before the scheduled broadcasting date or on the date as agreed with RTHK.

2.44 Audit examination of the submission of 156 programme recordings for 12 programmes (12 programmes × 13 episodes = 156) broadcast during the period from April 2015 to April 2018 revealed that:

- (a) ***First two episodes.*** Of the 24 programme recordings for the first two episodes (12 programmes \times 2 episodes = 24), 12 (50%) were submitted late. The average delay was 10 days, ranging from 1 to 31 days, i.e. submitted on average about 20 days before the scheduled broadcasting dates; and
- (b) ***Third episodes onwards.*** Of the remaining 132 programme recordings for the third episodes onwards (12 programmes \times 11 episodes = 132), 71 (54%) were submitted late. The average delay was 11 days, ranging from 1 to 25 days, i.e. submitted on average 3 days before the scheduled broadcasting dates.

2.45 RTHK assigns a facilitator to monitor the production of each CIBS programme. To ensure compliance with broadcasting rules and effective quality control, RTHK needs to take measures to ensure the timely submission of the programme recordings by the CIBS participants.

Delay in submission of post-broadcast reports

2.46 RTHK requires the CIBS participants to submit the post-broadcast reports (i.e. self-evaluation reports in which the participants give their views on whether the expected deliverables of the programmes were achieved, and Limited Assurance Engagement Reports, together with the statements of expenditure, prepared by accredited/registered accounting firms) after the completion of the programme to ensure that the programmes achieved the expected deliverables and the expenditure of the programmes were properly accounted for. The date of submission was specified in the agreements signed between RTHK and the participants. Audit examination of the timeliness of the submission of post-broadcast reports for 12 programmes broadcast from April 2015 to April 2018 revealed that:

- (a) 7 (58%) of the 12 self-evaluation reports were submitted late. The average delay was 62 days, ranging from 1 to 210 days; and
- (b) 7 (58%) of the 12 Limited Assurance Engagement Reports were submitted late. The average delay was 82 days, ranging from 1 to 213 days.

Production of programmes

2.47 According to RTHK's policy, RTHK will terminate the agreement with those participants who fail to submit the post-broadcast reports within 12 months after the broadcast of the programme without a legitimate reason. Upon termination, any outstanding portion of payment according to the agreement will not be paid to the participants. Up to 30 June 2018, 6 agreements had been terminated due to failure to submit the post-broadcast reports before the deadlines. Audit considers that RTHK needs to take measures to ensure that the participants submit the post-broadcast reports in a timely matter and terminate the agreements with the participants with long delay in their submission.

Need to improve evaluation of CIBS programmes

2.48 RTHK evaluates the performance of the CIBS programmes through:

- (a) participants' self-evaluation after the completion of programmes;
- (b) facilitators' reports on the overall performance of participants; and
- (c) feedbacks from the public received by the CIBS Secretariat (including those received via CIBS Facebook).

2.49 In May 2012, in seeking funding from the FC for the CIBF (see para. 2.37), RTHK informed the FC that RTHK would put in place the following mechanism to assess the cost-effectiveness of the projects funded by the CIBF:

- (a) setting up focus groups, comprising listeners and experts, to seek feedbacks on the CIBS programmes; and
- (b) inviting listeners to provide their views on the CIBS programmes through the submission of questionnaires available on the CIBS thematic website.

2.50 ***Focus group study not conducted since 2014.*** In 2014, RTHK conducted a focus group study to understand the awareness level and views of the public on the CIBS. A total of 11 focus group sessions were held from September to November 2014. Each session was participated by a particular group of participants, namely the successful applicants, unsuccessful applicants, members of Selection Committee,

CIBS listeners, members of the public and organisations which were not involved in the CIBS. After the 2014 focus group study, RTHK has not conducted any focus group study on the CIBS. Audit considers that RTHK needs to regularly conduct focus group studies to assess the cost-effectiveness of the projects funded by the CIBF.

2.51 *Need to collect audience views on CIBS programmes through questionnaires.* In May 2012, RTHK informed the FC that one of the mechanisms to assess the cost-effectiveness of the CIBS projects was to invite listeners to provide their views through submission of questionnaires available on the CIBS thematic website. In December 2012, RTHK had set up a thematic website for the CIBS. However, up to August 2018, no questionnaire has been posted on the website to collect audience views on CIBS projects.

2.52 *Need to evaluate the achievements of expected deliverables.* In their applications, the CIBS applicants are required to state the expected deliverables of the programmes. Audit reviewed the self-evaluation reports and facilitators' reports of 12 CIBS programmes broadcast in the period from April 2015 to April 2018 and found that the achievements of the expected deliverables were not reported in:

- (a) 8 (67%) of the 12 self-evaluation reports; and
- (b) all the 12 facilitators' reports.

In response to Audit's enquiry, RTHK informed Audit in September 2018 that the expected deliverables set by the applicants were broad principles, the achievement of which was difficult to measure (e.g. to make the public understand and support restaurants run by social enterprises). Audit considers that RTHK needs to require the CIBS applicants to set expected deliverables that are measurable and evaluate the achievements of the expected deliverables.

Low public awareness on CIBS programmes

2.53 The CIBS programmes are only broadcast on channel Radio 7. According to the results of the 2017 Radio Audience Survey, the listenership and awareness level of Radio 7 were only 2.3% of the population and 2.8% of the respondents, and only 21% of the respondents was aware of the CIBS. The low listenership and awareness level might undermine the effectiveness of the CIBS in encouraging community or

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ethnic minority involvement in broadcasting. Audit considers that RTHK needs to step up promotion on the CIBS to the community and ethnic minority organisations and individuals to enhance its reach to the service targets and listenership.

Audit recommendations

2.54 Audit has *recommended* that the Director of Broadcasting should:

- (a) ensure that the Selection Committee gives views and assessment on each CIBS applicant in respect of each of the five selection criteria and records such views and assessment;**
- (b) take measures to ensure the timely submission of the programme recordings, self-evaluation reports and Limited Assurance Engagement Reports by the CIBS participants, and terminate the agreements with the participants with long delay in their submission;**
- (c) regularly conduct focus group studies to assess the cost-effectiveness of the projects funded by the CIBF;**
- (d) post questionnaires on the CIBS website to collect audience views on CIBS projects;**
- (e) require the CIBS applicants to set expected deliverables that are measurable and evaluate the achievements of the expected deliverables; and**
- (f) step up promotion on the CIBS to the community and ethnic minority organisations and individuals to enhance its reach to the service targets and listenership.**

Response from the Government

2.55 The Director of Broadcasting agrees with the audit recommendations. He has said that:

- (a) RTHK will take appropriate follow-up actions;
- (b) under the present arrangement, although the Selection Committee does not give assessment on each applicant in respect of each of the five criteria, it gives an overall score and overall comments based on the stipulated selection criteria. On evaluation, a participant is required to make self-evaluation after completion of programme, while the facilitator would submit report that reflects the overall performance of the participant from administrative and technical aspects. Listeners are also able to provide their views on the RTHK website through a “Feedback Box”. Notwithstanding the above, RTHK will take follow-up actions to further enhance the assessment and evaluation mechanism; and
- (c) RTHK will continue its promotional efforts to further enhance its reach to the service targets and listenership.

Commissioning of TV programmes

2.56 Since 2000, RTHK has introduced a scheme for commissioning private production houses to produce TV programmes. Programme commissioning provides an open platform for independent producers to exhibit their creativity. There are three types of commissioned programmes, namely drama, documentary and animation. Through programme commissioning, RTHK aims to help build up Hong Kong's independent TV programme production industry. RTHK provides 100% funding in the form of equity and owns 100% of the copyright to the programmes produced. In 2017-18, RTHK commissioned 31 programmes for a total of 19.5 hours. The estimated expenditure was \$9.9 million.

2.57 RTHK accepts applications for programme commissioning from private production houses three times a year. In each round of application, a Selection Board with four to six members from the Programme Officers rank or above is set up for each category of commissioned programmes. The assessment criteria include creativity, content originality, production feasibility, relevant expertise, crew profile and experience, track records of programme director, and suitability for prime time broadcast. An agreement will be signed between RTHK and the successful applicant (i.e. the commissioned contractor).

Production of programmes

2.58 Since May 2015, RTHK has monitored the progress of commissioned programmes by preparing monthly progress reports. According to the agreement signed between RTHK and the commissioned contractor, the contractor shall deliver before the submission deadlines:

- (a) production materials in different production stages (e.g. completion of treatment and shooting script, completion of principal photography, completion of rough cut, and completion of fine cut); and
- (b) an audited report (i.e. the report containing the figures of the final production costs of the programme and is audited by a professional accountant) to account for their expenditures.

Delay in production progress and submission of audited reports

2.59 Audit analysed the monthly progress reports of on-going commissioned programmes in the period from January 2017 to June 2018 and noted that:

- (a) 57 (93%) of 61 on-going commissioned programmes had delays in submission of production materials in different production stages or delays in submission of audited reports; and
- (b) the delay ranged from 1 day to 15.6 months (averaging 1.8 months). In particular, for 5 programmes, the delays were more than 6 months.

2.60 ***Delay in submission of production materials.*** Audit reviewed 15 programmes completed in the period from July 2016 to April 2018 and noted that:

- (a) all the 15 programmes had delays in submission of production materials. The average delay was 2 months, ranging from 4 days to 5.8 months;
- (b) for each of the 15 programmes, there were four to five stages:
 - (i) for 13 (87%) programmes, there were delays in all four or five stages of the programmes; and

- (ii) for the remaining 2 (13 %) programmes, there were delays in four of the five stages of these 2 programmes; and
- (c) as a result of delay in different production stages, the completion of programmes were delayed. The average delay was 2.2 months, ranging from 4 days to 5.7 months from the submission deadline stipulated in the agreement.

2.61 ***Delay in submission of audited reports.*** A commissioned contractor is required to submit an audited report within 6 weeks from the delivery of the completed programme. Audit examination of the 15 programmes completed in the period from July 2016 to April 2018 revealed that:

- (a) for 13 (87 %) of the 15 programmes, the commissioned contractors did not submit the audited reports on time. The average delay was 2.9 months, ranging from 2 days to 6.1 months; and
- (b) in particular, for 7 (47 %) programmes, the delays in submitting the audited reports were more than 3 months (see Table 13).

Table 13

**Delay in submission of audited reports for 15 programmes completed
in the period from July 2016 to April 2018**

Delay (No. of months)	No. of programmes	Delay
No delay	2 (13%)	-
≤ 1	3 (20%)	2 days to 0.8 months
> 1 to 2	-	-
> 2 to 3	3 (20%)	2.5 to 2.8 months
> 3 to 4	4 (27%)	3.1 to 3.7 months
> 4 to 5	2 (13%)	4.4 to 4.7 months
> 5	1 (7%)	6.1 months
Total	15 (100%)	2 days to 6.1 months (Average 2.9 months)

Source: Audit analysis of RTHK records

2.62 Audit considers that RTHK needs to take measures to ensure that the commissioned contractors submit the production materials and the audited reports and complete the commissioned programmes in a timely manner.

Need to collect audience views on commissioned programmes

2.63 RTHK evaluates the performance of the commissioned programmes and the contractors after programme completion. The evaluation aspects include:

- (a) conformity with original programme idea;
- (b) quality of production;
- (c) communication with commissioning editor;

- (d) timely submission of all deliverables; and
- (e) comments on unsatisfactory performance.

2.64 RTHK did not collect audience views on the satisfaction rate of commissioned programmes and areas for improvement. Such audience views would be very useful as a reference for the Selection Board in assessing the track record of the programme director in future applications. As the objective of the TV commissioning is to nurture talent in the field of TV production, Audit considers that RTHK needs to develop a mechanism to collect audience views (e.g. through focus group studies or surveys) on the satisfaction rates of commissioned programmes and on areas for improvement.

Need to explore the feasibility of increasing output hours of commissioned programmes

2.65 Audit analysis of the application statistics of programme commissioning in the period 2013-14 to 2017-18 revealed that:

- (a) the number of applications increased by 62% from 242 in 2013-14 to 391 in 2017-18; and
- (b) the success rate for each year was low, ranging from 7% to 9%.

2.66 Audit analysed the number of output hours of commissioned programmes for the period from 2013-14 to 2017-18 and noted that the number of output hours of commissioned programmes per year was very small, ranging from 21 to 33 hours. They made up only a small percentage of the total output hours of TV programmes, ranging from 1.5% to 3.5% (see Table 14).

Table 14

**TV commissioned programmes made up
a small percentage of total output hours
(2013-14 to 2017-18)**

Financial year	No. of output hours		Percentage (c) = (a) ÷ (b) × 100%
	Commissioned programmes (a)	TV programmes (b)	
2013-14	26.5	764.4	3.5%
2014-15	33.0	1,348.6	2.4%
2015-16	25.0	1,334.0	1.9%
2016-17	23.0	1,398.0	1.6%
2017-18	21.0	1,408.8	1.5%

Source: Audit analysis of RTHK records

2.67 In view of the increasing number of applications, low success rate and small number of output hours of commissioned programmes, Audit considers that RTHK needs to explore the feasibility of increasing the number of output hours of commissioned programmes.

Audit recommendations

2.68 **Audit has recommended that the Director of Broadcasting should:**

- (a) **take measures to ensure that the commissioned contractors:**
 - (i) **submit production materials in different production stages;**
 - (ii) **complete the commissioned programmes; and**
 - (iii) **submit audited reports**
- in a timely manner;**

- (b) **develop a mechanism to collect audience views, e.g. through focus group studies or surveys, on the satisfaction rates of commissioned programmes and on areas for improvement; and**
- (c) **explore the feasibility of increasing the number of output hours of commissioned programmes.**

Response from the Government

2.69 The Director of Broadcasting agrees with the audit recommendations. He has said that RTHK will take appropriate follow-up actions.

PART 3: BROADCASTING OF PROGRAMMES AND NEW MEDIA SERVICES

3.1 This PART examines the broadcasting of programmes and the provision of new media services, focusing on the following areas:

- (a) management of TV broadcasting hours (paras. 3.2 to 3.7);
- (b) content licensing (paras. 3.8 to 3.20); and
- (c) new media services (paras. 3.21 to 3.28).

Management of TV broadcasting hours

3.2 RTHK operates three DTT channels (TV 31, TV 32 and TV 33) and two analogue TV channels (TV 31A and TV 33A) (see Table 2 of para 1.6(b)). RTHK broadcasts on these channels all year round and 24 hours a day (i.e. $24 \text{ hours} \times 365 = 8,760$ hours per year). TV 31 is the flagship channel, which offers general programming, and operates 19 hours a day (6:30 am to 1:30 am). TV 32 is a live event channel, which mainly covers LegCo meetings, important local press conferences, etc. It operates 17 hours a day (8:30 am to 1:30 am). TV 33 relays 24 hours a day the programmes of China Central Television Channel 1. TV 31A and TV 33A simulcast the programmes of TV 31 and TV 33 respectively.

3.3 The number of output hours of the RTHK TV programmes has increased slightly by 4% from 1,349 hours in 2014-15 to 1,409 hours in 2017-18 (see Table 15).

Table 15**Output hours of TV programmes
(2014-15 to 2017-18)**

Financial year	No. of output hours
2014-15	1,349
2015-16	1,334
2016-17	1,398
2017-18	1,409

Source: RTHK records

Need to enrich the programmes of TV 31 and TV 32

3.4 Channel TV 31 is the flagship channel of RTHK, which offers diversified programmes, aiming to cater to the needs of audience from all walks of life. Channel TV 32 is a live event channel, which covers LegCo meetings, important local press conferences, international news, international sports news and local sports events. Audit analysed the broadcasting hours of TV 31 and TV 32 for 2017-18 (see Table 16) and found that:

Table 16

**Analysis of broadcasting hours of TV 31 and TV 32
(2017-18)**

Channel	First-run programmes (Note 1) (a)	Re-run programmes (Note 2) (b)	Radio Programmes on TV (Note 3) (c)	Miscellaneous contents (Note 4) (d)	Total operating hours (e) = (a) + (b) + (c) + (d)	Non- operating hours (Note 5) (f)	Total broadcasting hours (g) = (e) + (f)
TV 31	1,409 (16.1%)	4,877 (55.7%)	649 (7.4%)	-	6,935 (79.2%)	1,825 (20.8%)	8,760 (100%)
TV 32	2,073 (23.7%)	2,021 (23.1%)	11 (0.1%)	2,100 (24.0%)	6,205 (70.9%)	2,555 (29.1%)	8,760 (100%)
Overall	3,482 (19.9%)	6,898 (39.4%)	660 (3.8%)	2,100 (11.9%)	13,140 (75.0%)	4,380 (25.0%)	17,520 (100%)

Source: Audit analysis of RTHK records

Note 1: First-run programmes are those programmes that had not been broadcast before by RTHK.

Note 2: Re-run TV programmes are those programmes that had been broadcast before by RTHK.

Note 3: These are programmes that are broadcast on radio and TV simultaneously.

Note 4: Miscellaneous contents include fillers (e.g. slow TV), on-air promotions and Announcements of Public Interest.

Note 5: During non-operating hours, miscellaneous contents were broadcast. According to RTHK, TV 32 was a live event channel and there were constraints in reducing the non-operating hours.

- (a) **Short first-run programme hours.** The number of first-run programme hours for TV 31 (1,409 hours) and TV 32 (2,073 hours) only represented 20.3% and 33.4% respectively of the operating hours, or 16.1% and 23.7% respectively of the total broadcasting hours. TV 31 and TV 32 also broadcast first-run Radio Programmes on TV. RTHK counts the broadcasting hours of these programmes as operating hours but not as output hours of TV 31 and TV 32. If the broadcasting hours of Radio Programmes on TV (649 hours for TV 31 and 11 hours for TV 32) were

included, the number of first-run programme hours for TV 31 and TV 32 were 2,058 hours and 2,084 hours respectively, representing 23.5% and 23.8% respectively of the total broadcasting hours (see items (a) and (c) in Table 16);

- (b) ***Long re-run programme hours.*** The number of re-run programme hours for TV 31 and TV 32 (i.e. 4,877 hours and 2,021 hours respectively) represented 70.3% and 32.6% respectively of the operating hours, or 55.7% and 23.1% respectively of the total broadcasting hours (see Table 16). Audit noted that from 2014-15 to 2017-18, while the total number of broadcasting hours of first-run programmes for TV 31 increased by 4% from 1,349 hours to 1,409 hours, the number of broadcasting hours of re-run programmes for TV 31 increased by 107% from 2,358 hours to 4,877 hours. Audit reviewed the frequency of re-run for the programmes broadcast on TV 31 in 2017-18 and noted that some programmes were re-run frequently. For example, there was a 25-minute music programme that was re-run for five times during the 6-month period from August 2017 to January 2018 in 2017-18. As RTHK had not formulated strategies on selecting re-run programmes, no guidelines were promulgated on the selection of programmes for re-run and the proportion of broadcasting hours for re-run programmes (e.g. how the audience preference should be taken into account);
- (c) ***Long non-operating hours for TV 31.*** Despite being the flagship channel of RTHK, TV 31 had non-operating hours as high as 1,825 hours, representing 20.8% of its total broadcasting hours (see item (f) in Table 16); and
- (d) ***Need to enrich the quality of miscellaneous contents.*** During non-operating hours for TV 31 and TV 32, miscellaneous contents comprising fillers (such as “TV Journey”, photo gallery and news feeds), on-air promotions and Announcements of Public Interest were broadcast. In addition, for TV 32, miscellaneous contents were also broadcast during operating hours when there were no live events. “TV Journey” mainly broadcasts slow TV which refers to TV coverage of an ordinary event without any commentary and is similar to the videos captured by the monitoring cameras. Examples of “TV Journey” are the make-up of a Cantonese Opera actor and Container Terminals (see Figure 4). For TV 31 and TV 32, 20.8% and 53.1% (i.e. 4,655 hours (2,100 hours during operating hours and 2,555 hours during non-operating hours)) respectively

of their broadcasting hours were used to broadcast miscellaneous contents (see items (d) and (f) in Table 16). The large number of broadcasting hours of miscellaneous contents is a cause for concern as this may reduce the attractiveness of the channels to audience. At a meeting of the Board of Advisors held in May 2017, a member commented that TV 32 aired a lot of slow TV. Audit considers that RTHK needs to explore ways to enrich the miscellaneous contents with a view to enhancing the channels' attractiveness.

Figure 4

**An example of “TV Journey” – Container Terminals
(3 October 2018)**



Source: Screen capture of TV 32 by Audit staff on 3 October 2018

3.5 Audit considers that RTHK needs to enrich the programmes of TV 31 and TV 32 and devise a strategy for re-run programmes, taking into account audience preference in selecting programmes for re-run. RTHK also needs to reduce the non-operating hours for TV 31 and explore ways to enrich the miscellaneous contents of TV 31 and TV 32 with a view to enhancing the channels' attractiveness.

Audit recommendations

3.6 Audit has *recommended* that the Director of Broadcasting should endeavour to enrich the TV programmes, including:

- (a) exploring ways to increase the output hours of TV programmes;
- (b) increasing the first-run programme hours;
- (c) devising a strategy for re-run programmes, taking into account the audience preference in selecting programmes for re-run;
- (d) reducing the non-operating hours for TV 31; and
- (e) exploring ways to enrich the miscellaneous contents of TV 31 and TV 32 with a view to enhancing the channels' attractiveness.

Response from the Government

3.7 The Director of Broadcasting agrees with the audit recommendations. He has said that:

- (a) RTHK will endeavour to increase the output/first-run programmes hours from 2018-19 onwards and to devise a strategy for re-run programmes;
- (b) starting from April 2019 onwards, RTHK TV 31 will extend its daily broadcast to 24 hours when the DTT coverage reached 99% of Hong Kong population. By then, RTHK programmes will be broadcast 24 hours a day on TV 31. The current arrangement of broadcasting miscellaneous contents during non-operating hours from 1:30 am to 6:30 am will, thus, be ceased; and

- (c) TV 32 is a live event channel which mainly covers LegCo meetings, important local press conferences, etc. The broadcasting hours as well as broadcasting time of these live events are beyond RTHK's control. With these constraints, broadcasting of miscellaneous contents between live events is therefore inevitable.

Content licensing

3.8 The RTHK Content Policy was first established in August 2004 to set out the objectives, definition and guiding principles for content licensing. RTHK also promulgates the pricing policy, the price scheme for various types of programmes and the procedures for handling content licensing in its Content Licensing Guidelines. In 2017-18, income generated from content licensing was \$2.3 million (see Table 3 in para. 1.8).

3.9 The Content Policy stipulates the objectives of content licensing with prioritisation. The priority of the objectives for content licensing is as follows:

- (a) to enhance audience reach;
- (b) to strengthen RTHK's corporate branding;
- (c) to promote networking, enhance creativity and cultural exchange;
- (d) to maximise the cost-efficiency of public money spent; and
- (e) to generate revenue.

3.10 The Programme and Content Management (PCM) Unit, under the ACDU, co-ordinates the licensing of TV and radio programmes, Internet content and footage of RTHK. The Unit is led by Head of PCM Unit with an Assistant Corporate Development Officer. Contracts are recommended by the Head of ACDU and approved by the Deputy Director of Broadcasting (Programmes).

3.11 According to the Content Licensing Guidelines, the procedures for content licensing are as follows:

- (a) potential client approaches RTHK;
- (b) the PCM team checks for copyright availability;
- (c) if copyright is available, the PCM team informs the client and suggests a price based on parameters of the Price Scheme (Note 15) and the rights required by the client;
- (d) negotiation is required if the client does not accept the price. Upon acceptance of price, the PCM team proceeds to contract drafting and further negotiation;
- (e) Head of PCM Unit needs to seek the approval of Deputy Director of Broadcasting (Programmes) if the price counter offered by the client falls below the minimum of the Price Scheme;
- (f) Head of ACDU reviews and endorses the contract; and
- (g) Deputy Director of Broadcasting (Programmes) reviews and signs the contract.

Basis of price determination and negotiation process not documented

3.12 According to the Content Licensing Guidelines, when a potential licensee approaches RTHK for certain content, the PCM team will offer a price. The PCM team will negotiate with the potential licensee if the offered price is not accepted.

Note 15: *Before July 2018, price ranges were set under the Price Scheme for various types of programmes. With effect from July 2018, only a minimum was set.*

Broadcasting of programmes and new media services

3.13 Audit examined 15 licence contracts signed in the period from 2015-16 to 2017-18 and found that:

- (a) for all the 15 contracts, the basis of determining the offer price was not documented;
- (b) for 6 (40%) contracts, the negotiation processes with potential licensees were not documented; and
- (c) for 12 (80%) contracts, the prices were on the lower side of the price ranges and close to the minimum of the price ranges set.

3.14 Although the minimum prices had been set, there were no guidelines on how the offer price to potential licensees should be determined. This may lead to offer prices that were on the lower side. It is not entirely satisfactory that most of the prices offered were at the lower side of the price ranges and the bases for the determination of prices offered were not documented. Audit considers that RTHK needs to set out guidelines on how to determine the offer price to potential licensees and document the bases for the determination of the offer price and the negotiation process with the potential licensees.

Decreasing number of licensing contracts/licensees and licensing income

3.15 Audit analysed the number of licensing contracts and the number of licensees from January 2013 to June 2018 (see Table 17) and noted that:

- (a) the number of licensing contracts decreased by 65% from 92 in 2013 to 32 in 2017;
- (b) the number of licensees decreased by 45% from 51 in 2013 to 28 in 2017; and
- (c) for the six months from January to June 2018, the number of licensing contracts and number of licensees were only 10 and 6 respectively.

Table 17

**Number of licensing contracts and licensees
(January 2013 to June 2018)**

Year	No. of licensing contracts	No. of licensees
2013	92	51
2014	77	49
2015	47	30
2016	46	40
2017	32	28
2018 (up to June)	10	6

Source: RTHK records

3.16 The licensing income decreased by 53% from \$4.9 million in 2013-14 to \$2.3 million in 2017-18 (see Table 18).

Table 18

**Licensing income
(2013-14 to 2017-18)**

Financial year	Licensing income (\$ million)
2013-14	4.9
2014-15	3.2
2015-16	2.7
2016-17	2.7
2017-18	2.3

Source: RTHK records

3.17 In view of the significant drop in the number of licensing contracts and licensees as well as the licensing income, Audit considers that RTHK needs to ascertain the reasons and take appropriate measures with a view to enhancing the attractiveness of content licensing and achieving its objectives for content licensing as set out in the Content Policy.

Need to step up promotion on content licensing

3.18 Both the number of licensing contracts and the number of licensees had decreased from 2013 to 2017 (see Table 17 in para. 3.15). Despite the decrease in licensing contracts and licensees, RTHK did not formulate any plans or carry out any promotion activities on content licensing, with a view to enhancing audience reach, strengthening RTHK's corporate branding and generating revenue. The contents which are available for licensing are not posted on the RTHK website. In order to achieve the main objectives for content licensing, Audit considers that RTHK needs to take action to promote content licensing, for example, by posting the contents which are available for licensing on its website.

Audit recommendations

3.19 Audit has *recommended* that the Director of Broadcasting should:

- (a) set guidelines on how to determine the offer price to potential licensees;
- (b) document the basis for the determination of the offer price and the negotiation process with the potential licensees;
- (c) ascertain the reasons for the decreasing number of licensing contracts and licensees as well as the decreasing licensing income, and take appropriate measures with a view to enhancing the attractiveness of content licensing and achieving its objectives for content licensing as set out in the Content Policy; and
- (d) take action to promote content licensing, for example, by posting the contents which are available for licensing on the RTHK website.

Response from the Government

3.20 The Director of Broadcasting agrees with the audit recommendations. He has said that RTHK will take appropriate follow-up actions.

New media services

3.21 The NMU of RTHK provides the following online platforms for audiences:

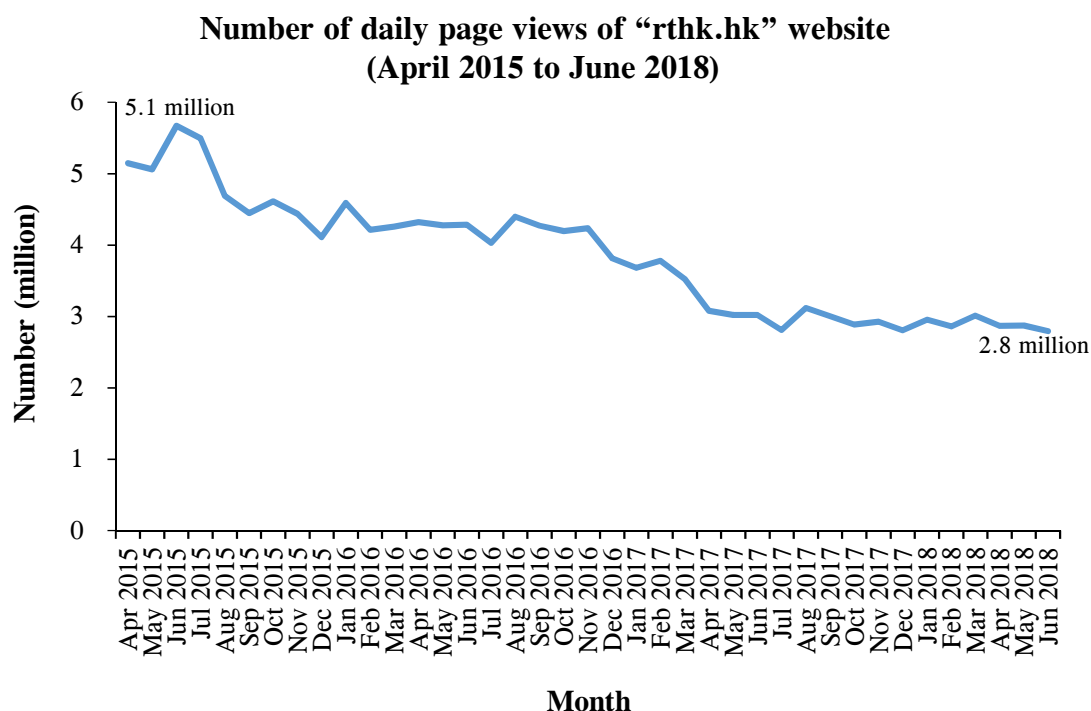
- (a) the RTHK website “rthk.hk”, which provides:
 - (i) the simulcast of all 24-hour radio channels;
 - (ii) on-demand archives of all radio, TV and news programmes broadcast in the past 12 months; and
 - (iii) original web contents produced by the NMU;
- (b) seven mobile applications, namely “RTHK On the Go”, “RTHK Screen”, “RTHK News”, “RTHK Mine”, “RTHK Vox”, “Chinese History - the Flourishing Age” and “RTHK Memory”; and
- (c) social media, e.g. YouTube, Twitter and Facebook, etc.

The NMU prepares Monthly Access Report to measure the performance of its services for management purposes.

Decreasing trend of daily page view of RTHK website

3.22 The RTHK website “rthk.hk” provides 24-hour multimedia news and programmes, and podcast service of selected programmes. Audit examined the usage of “rthk.hk” website and noted that the daily page views of the “rthk.hk” website decreased by 45% from 5.1 million in April 2015 to 2.8 million in June 2018 (see Figure 5). Audit also noted that RTHK did not meet the performance target on daily page view of “rthk.hk” from 2015-16 to 2017-18 (see Table 19).

Figure 5



Source: Audit analysis of RTHK records

Table 19

**Performance on daily page view of “rthk.hk”
(2015-16 to 2017-18)**

Financial year	Daily page view of “rthk.hk”		Percentage of target achieved (c) = (b) ÷ (a) × 100%
	Performance target (million) (a)	Actual (million) (b)	
2015-16	5.1	4.8	94 %
2016-17	5.1 (Note)	4.1	80 %
2017-18	4.3	3.0	70 %

Source: Audit analysis of RTHK records

Note: The performance target on daily page view of “rthk.hk” for 2016-17 was subsequently revised to 4.3 million. The percentage of revised target achieved would be 95%.

3.23 According to the three Public Opinion Surveys (see para. 4.2(d)) conducted for the years 2014, 2016 and 2018, the usage of RTHK website was decreasing:

- (a) the percentage of respondents who usually used the RTHK website decreased from 3.4% in 2014 to 2.2% in 2018;
- (b) the percentage of respondents who sometimes used the RTHK website decreased from 18.5% in 2014 to 17.8% in 2018; and
- (c) the percentage of respondents who never used the RTHK website increased from 77.9% in 2014 to 79.9% in 2018 (see Table 20).

Table 20

**Usage of RTHK website
(2014, 2016 and 2018)**

Year	Respondents who usually used the RTHK website	Respondents who sometimes used the RTHK website	Respondents who never used the RTHK website
2014	3.4%	18.5%	77.9%
2016	1.5%	19.9%	78.6%
2018	2.2%	17.8%	79.9%

Source: RTHK records

Remarks: The percentages did not add up to 100% because some respondents chose the answer “Do not know”.

3.24 In response to Audit enquiry, RTHK informed Audit in September and October 2018 that:

- (a) the RTHK website had undergone a re-structuring revamp in March 2017 to facilitate effective user access by simplifying the web navigation process, thus it would reduce the number of daily page views accordingly. After the revamp, users can access the multimedia contents on “rthk.hk” more

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directly and conveniently. Instead of clicking page by page, they can search for contents by scrolling the screen. This eliminates unnecessary page turning that is counted as page views;

- (b) in view of the change in habit, nowadays many consumers had switched to mobile devices in accessing RTHK web contents including programmes and news through mobile applications instead of visiting the RTHK website, but the indicator “page views” was not applicable to mobile access; and
- (c) in the near future, RTHK would consider eliminating the indicator “daily page view” in the COR as it no longer reflected the genuine performance on the new media platforms.

Audit considers that RTHK needs to keep in view the usage of the RTHK website. RTHK also needs to take proactive measures to devise suitable performance indicators in a timely manner to measure the performance of the new media platforms, including the RTHK website.

Need to boost the usage of new media services

3.25 RTHK has taken measures to boost the usage and improve the quality of new media services. According to RTHK records, RTHK is making an aggregate growth in:

- (a) the total number of visits per day of the RTHK website by 50.6% from 318,000 as of September 2015 to 479,000 as of September 2018;
- (b) the total number of downloads of all the existing RTHK mobile applications by 43.2% from 2,083,000 as of September 2015 to 2,983,000 as of September 2018;
- (c) the catch up media (i.e. the number of archived media being accessed) per day by 20.6% from 618,000 as of September 2015 to 745,000 as of September 2018; and
- (d) the livestreaming hits per day by 64.3% from 1,892,000 as of September 2015 to 3,109,000 as of September 2018.

3.26 Notwithstanding the above, as indicated in the latest Public Opinion Survey 2018, the percentage of respondents who had accessed RTHK contents through new media platforms was low (i.e. 27.6%). Of the respondents who had accessed the RTHK contents through new media platforms, while the majority of the respondents accessed the RTHK contents through social media and SmartTV, only 24.2% and 18.4% of the respondents used mobile applications and the RTHK website respectively to access RTHK programmes. Audit considers that RTHK needs to take measures to boost the usage and improve the quality of the new media platforms, taking into account the results of the Public Opinion Survey on new media services.

Audit recommendations

3.27 **Audit has *recommended* that the Director of Broadcasting should:**

- (a) **keep in view the usage of the RTHK website;**
- (b) **take proactive measures to devise suitable performance indicators in a timely manner to measure the performance of the new media platforms, including the RTHK website; and**
- (c) **take measures to boost the usage and improve the quality of the new media platforms, taking into account the results of the Public Opinion Survey on new media services.**

Response from the Government

3.28 The Director of Broadcasting agrees with the audit recommendations. He has said that a review on the performance indicators of RTHK website is now underway to better capture the performance of RTHK new media services.

PART 4: EVALUATION OF PROGRAMMES AND OTHER ADMINISTRATIVE ISSUES

4.1 This PART examines the evaluation of RTHK's programmes and other administrative issues, focusing on the following areas:

- (a) audience surveys (paras. 4.2 to 4.14);
- (b) evaluation of TV programmes (paras. 4.15 to 4.34);
- (c) evaluation of radio programmes (paras. 4.35 to 4.45);
- (d) evaluation of school ETV programmes (paras. 4.46 to 4.66); and
- (e) matters relating to Charter of RTHK (paras. 4.67 to 4.74).

Audience surveys

4.2 To collect audience's views, RTHK periodically conducts audience surveys on its services. The four major regular audience surveys are:

- (a) ***TV Appreciation Index (TVAI) Survey.*** RTHK carries out TVAI Survey quarterly to measure how well the audience appreciate and are aware of the TV programmes produced in-house. The first TVAI Survey was carried out in 1989 (see para. 4.17);
- (b) ***Radio Audience Survey.*** RTHK has conducted the Radio Audience Survey annually since 1988. The Survey aims to find out the listenership, appreciation index, awareness level and image perception of RTHK's radio channels, most favourite programmes and presenters, and radio listening habits. The Survey is usually carried out in October and November every year, lasting for about three weeks;

- (c) ***TV Audience Measurement Survey (TAM Survey).*** RTHK has collected TV ratings through TAM Survey, for its TV programmes broadcast in the commercial TV channels since 1997. The Survey was extended to cover programmes broadcast in Channels TV 31 and TV 32 since 2014 and TV 31A since 2017. The Survey is conducted by a private survey agency. The results of Surveys conducted by the agency is open to the subscription of the public. It measures the average percentage of the Hong Kong population that is watching a TV channel/programme. A daily TV ratings report with rating for each programme in each quarter-hour (i.e. each 15 minutes) is provided to RTHK; and
- (d) ***Public Opinion Survey.*** Public Opinion Surveys are conducted every two years. Four Public Opinion Surveys were conducted in 2012, 2014, 2016 and 2018 respectively. Through Public Opinion Surveys, RTHK collects:
 - (i) the public's views and expectations on RTHK in achieving its public purposes and missions stated in the Charter of RTHK;
 - (ii) information on the usage of RTHK TV, radio and new media services; and
 - (iii) information on RTHK's performance in achieving its public purposes and mission.

Procurement of service for TVAI Surveys and Radio Audience Surveys

4.3 As a government department, RTHK has to follow the SPR and its departmental guidelines in making purchases of stores and services. According to RTHK Accounting Circular No. 1/2014, officers should adopt a consistent and fair approach in selecting suppliers/service providers from the relevant supplier list for quotations. For the purpose of obtaining quotations, officers should:

- (a) invite the last successful supplier/service provider with a satisfactory performance; and

- (b) invite sufficient number of suppliers/service providers. For purchases that are over \$50,000 but not exceeding \$1.4 million, at least five other written quotations should be invited.

The contract value of the procurement of service providers for TVAI survey and Radio Audience Survey was over \$50,000 but not exceeding \$1.4 million. RTHK engaged service providers to conduct TVAI survey and Radio Audience Survey by inviting quotation from last successful service provider and at least five other written quotations.

One and same service provider for many years

4.4 Audit analysed the results of the five procurement exercises for TVAI Surveys for the years 2009 to 2018 and five procurement exercises for Radio Audience Surveys for the years 2010 to 2017 and noted that only one and the same service provider (Service Provider A) submitted an offer in each and every of the ten procurement exercises. Service Provider A was awarded the contract for TVAI surveys or Radio Audience Surveys in every of the ten procurement exercises during the period. Details are as follows:

- (a) ***TVAI surveys.*** Five procurement exercises were conducted for TVAI surveys by invitation of quotation in 2009, 2011, 2013, 2015 and 2017. Selected service providers were awarded a contract for two years. In these five procurement exercises, only Service Provider A submitted an offer to RTHK. Service Provider A was awarded the contract for TVAI Surveys for ten consecutive years from 2009 to 2018; and
- (b) ***Radio Audience Surveys.*** Five procurement exercises were conducted for Radio Audience Surveys by invitation of quotation in 2010, 2012, 2014, 2016 and 2017. Selected service providers for the procurement exercises conducted in 2010, 2012 and 2014 were awarded a contract for two years. Selected service providers for procurement exercises conducted in 2016 and 2017 were awarded a contract for one year. In these five procurement exercises, only Service Provider A made offer to the RTHK's invitation of quotation. Service Provider A was awarded the contract to conduct Radio Audience Survey for eight consecutive years from 2010 to 2017.

Need to review the Supplier List

4.5 RTHK maintains a Supplier List under the category of “Radio/TV Audience Survey” for inviting service providers for both the TVAI Surveys and Radio Audience Surveys. When it needs to identify a service provider, it invites quotations from:

- (a) the last successful service provider with a satisfactory performance; and
- (b) at least five service providers on the Supplier List on a rotational basis.

4.6 According to RTHK Accounting Circular No. 1/2014:

- (a) the Supplier List is updated as and when necessary and reviewed annually by the Supplies Office of RTHK;
- (b) those suppliers who have already gone out of business, ceased to have appropriate products/services available, lost trace, voluntarily withdrawn, performed badly or rarely responded to invitations would be removed from the Supplier List by the Supplies Office; and
- (c) officers may encourage potential suppliers to apply for registration on the Supplier List.

4.7 Audit examination of five procurement exercises for the TVAI Surveys and Radio Audience Surveys respectively revealed that there was room for improvement in the Supplier List:

- (a) ***Incorrect service provider on the Supplier List.*** As at 30 June 2018, there were 16 service providers on the Supplier List under the category of “Radio/TV Audience Survey”. Audit noted that the List included an association of taxi operator as a service provider. According to RTHK, the association could provide service to RTHK in surveys on traffic information, taxi business and taxi drivers’ radio listening habit. The association was unable to provide and had never provided service for TVAI Surveys or Radio Audience Survey. However, the association was incorrectly invited for quotation in five procurement exercises. The five exercises were the

exercises for TVAI Surveys in 2011, 2013 and 2017, and for Radio Audience Surveys in 2012 and 2014;

- (b) ***Duplicate service provider on the Supplier List.*** The Supplier List included a tertiary institute and one of its research units specialising in carrying out public opinion survey as two separate service providers. In five procurement exercises, the tertiary institute and its public opinion survey unit were invited to offer quotation and were counted as two invitations. The five exercises were the TVAI Surveys in 2011, 2013 and 2017, and Radio Audience Surveys in 2010 and 2017; and
- (c) ***Only one and the same service provider made offers to invitations for quotation.*** In each of the five procurement exercises for the TVAI Survey and the five procurement exercises for the Radio Audience Survey, only one and the same service provider made offers to invitations (see para. 4.4). No record was available showing that RTHK had taken follow-up action to ascertain the reasons for the lukewarm response. Of the 16 service providers on the Supplier List as at 30 June 2018, 8 service providers had been invited for quotations for 3 times or more in the ten procurement exercises. Audit analysed the response from these 8 service providers and noted that 5 of them had never responded, including 3 service providers who had been invited for 6 times.

4.8 To ensure there is adequate competition for the provision of service for the TVAI Survey and Radio Audience Survey, Audit considers that RTHK needs to take follow-up action to ascertain why most of the suppliers on the Supplier List were not interested in submitting a quotation. RTHK also needs to critically review the Supplier List and remove the duplicate or incorrect service providers and the service providers who rarely responded to invitations. To increase the number of service providers for selection, RTHK needs to encourage potential service providers to apply for registration on the Supplier List.

Need to consider relaxing the mandatory requirements on the service providers in order not to render them overly restrictive

4.9 According to RTHK's Accounting Circular No. 1/2014:

- (a) stores and services specifications should be drawn up in a manner which meets the government procurement principle of maintaining open and fair competition and not to create obstacles to international trade or to competition amongst the potential service providers; and
- (b) it should be ensured that the specifications are general enough and there is no over-prescription.

4.10 Some mandatory requirements on the service providers for the TVAI Surveys rendered most of the service providers on the Supplier List unqualified for quotation, thereby reducing the competition amongst the potential service providers. Although only Service Provider A made offer to the procurement exercises carried out in 2009, 2011 and 2013, RTHK imposed two additional mandatory requirements in selecting service providers for the TVAI Surveys in the procurement exercises conducted in 2015 and 2017:

- (a) ***Established for at least 15 years.*** The service provider should be established in Hong Kong for at least 15 years before the quotation closing date; and
- (b) ***Conducted at least 20 appreciation surveys.*** The service provider should have relevant experience with conducting appreciation survey of broadcasting media in Hong Kong for at least twenty surveys in the last ten years before quotation closing date.

There was no documentary evidence showing the justifications for the additional mandatory requirements, and showing that the need for such mandatory requirements outweighed the adverse effect on the competition among the potential service providers.

Evaluation of programmes and other administrative issues

4.11 Audit noted that the additional mandatory requirements might create obstacles to competition amongst the potential services providers:

- (a) ***Established for at least 15 years.*** Audit reviewed the years of establishment of the service providers invited in the procurement exercises for TVAI Surveys in 2015 and 2017 and noted that 3 of the 6 service providers invited in 2015 and 2 of the 6 service providers in 2017 became unqualified due to their failure in meeting the mandatory requirement of having established in Hong Kong for at least fifteen years before the quotation closing date; and
- (b) ***Conducted at least 20 appreciation surveys.*** RTHK was the only broadcasting media in Hong Kong which had conducted appreciation surveys in the past twenty years. Only Service Provider A had been engaged for conducting such TVAI Survey for RTHK since 1998. Therefore, this additional mandatory requirement rendered the service providers other than Service Provider A unqualified and only Service Provider A was qualified.

4.12 Over-prescribing requirements may perpetuate incumbent advantage inhibiting competition and lead to over-reliance on a single contractor. Audit noted that Service Provider A had been the service provider for the TVAI Surveys and Radio Audience Surveys since 1998 and 2005 respectively. In view of the lukewarm response from the other service providers, Audit considers that RTHK needs to revisit the need for the mandatory requirements imposed on the service providers for the TVAI Surveys and the Radio Audience Surveys, and consider the feasibility of relaxing them to ensure that the requirements do not create undesirable obstacles to competition amongst the potential service providers.

Audit recommendations

4.13 **Audit has *recommended* that the Director of Broadcasting should:**

- (a) **take follow-up action to ascertain why most of the suppliers were not interested to submit a quotation for the TVAI Survey and Radio Audience Survey;**

- (b) **ensure that sufficient qualified service providers are invited in the procurement exercises for the TVAI Surveys and the Radio Audience Surveys;**
- (c) **critically review the Supplier List under the category of “Radio/TV Audience Survey” and remove:**
 - (i) **duplicate service providers;**
 - (ii) **incorrect service providers; and**
 - (iii) **those service providers who rarely responded to invitations for quotations;**
- (d) **encourage potential service providers for radio and TV surveys to apply for registration as suppliers on the Supplier List; and**
- (e) **revisit the need for the mandatory requirements imposed on the service providers for the TVAI Surveys and the Radio Audience Surveys and consider the feasibility of relaxing them to ensure that the requirements do not create undesirable obstacles to competition amongst the potential service providers.**

Response from the Government

4.14 The Director of Broadcasting agrees with the audit recommendations. He has said that:

- (a) follow-up actions are in progress to remove:
 - (i) the duplicate service providers;
 - (ii) incorrect service providers; and
 - (iii) those service providers who rarely responded to invitations from the Supplier List;

Evaluation of programmes and other administrative issues

- (b) RTHK will endeavour to ensure that sufficient qualified service providers are invited in the procurement exercises; and
- (c) the need for the mandatory requirements will be reviewed.

Evaluation of TV programmes

4.15 RTHK evaluates the performance of its TV programmes through the appreciation index and TV ratings. The appreciation index measures the qualitative performance of TV programmes in terms of how well the audience appreciate and enjoy the programmes. RTHK introduced a qualitative appreciation index as one of its performance indicators. The TV ratings measures the popularity of TV programmes in terms of audience size. RTHK reports in its COR the average viewership of prime-time programmes on a commercial broadcaster as one of its performance indicators.

4.16 To enhance the awareness and the appreciation level of its programmes, RTHK:

- (a) arranges on-air promotion (on both RTHK and other commercial channels) and “Today’s Pick” to highlight the upcoming programmes;
- (b) organises publicity events for new programmes;
- (c) visits different areas in Hong Kong under its Mobile TV Campaign to introduce RTHK programmes and programme hosts to the public;
- (d) posts updated programme information on Facebook, RTHK website, RTHK YouTube Channel to arouse public interest; and
- (e) arranges highlights of RTHK programmes on First Ferry.

Need to review the strategy for the coverage of programmes in TVAI Surveys

4.17 Since 1989, RTHK has conducted TVAI Surveys quarterly to measure the audience's appreciation level (i.e. appreciation index) to the locally produced TV programmes. RTHK has also invited three other local TV operators to join the Survey and the cost is borne by RTHK. In each quarter, 80 programmes (i.e. 20 programmes from each of the four local TV operators including 20 RTHK programmes) are selected for TVAI Survey. RTHK used the following criteria to select programmes for TVAI surveys:

- (a) they must be local productions;
- (b) they must have been broadcast at least once during the survey period; and
- (c) they must not be re-run programmes, news and sports programmes or promotional programmes.

4.18 ***Acquired programmes not covered.*** Although the acquired programmes accounted for 21 % of the total output hours in 2017-18, all acquired programmes had not been selected for TVAI Surveys because they were not local productions. As a result, RTHK has not evaluated the quality and audience's appreciation level of the acquired programmes.

4.19 ***Percentage of programmes surveyed on the decrease.*** RTHK surveys up to 80 programmes per year. RTHK did not set out guidelines on the selection of programmes for the Survey. Because some programmes had been surveyed more than once a year, the total number of programmes surveyed remained at about 55 per year. As the number of programmes meeting the selection criteria increased from 70 in 2015 to 80 in 2017, the percentage of different programmes surveyed decreased from 77% in 2015 to 66% in 2017 (see Table 21). This may have an effect on the usefulness of the survey results.

Table 21

Number of programmes covered by TVAI Survey
(2015 to 2017)

	No. of programmes covered		
	2015	2016	2017
No. of programmes meeting the selection criteria (a)	70	74	80
Programme surveyed (b)			
once	40	43	40
twice	7	7	5
thrice	2 } 14	1 } 13	2 } 13
four times	5	5	6
Total (b)	54	56	53
Percentage of programmes surveyed (c) (c) = (b) ÷ (a) × 100 %	77 %	76 %	66 %

Source: Audit analysis of RTHK records

4.20 In response to Audit enquiry as to why some programmes had been surveyed more than once a year, RTHK informed Audit in September 2018 that:

- (a) some programmes having been surveyed more than once a year were flagship programmes, which were broadcast in the prime time; and
- (b) in view of their importance, it was necessary to evaluate their performance more than once a year.

The results from TVAI Surveys are useful for RTHK to evaluate the appreciation level of its programmes. Audit considers that RTHK needs to review the strategy for the coverage of programmes in TVAI Surveys. RTHK also needs to strike a balance between the need to survey more programmes and the need to survey flagship programmes more frequently.

Low awareness level and low appreciation index of some TV programmes

4.21 Every year, RTHK reports the results of the TVAI Surveys in its COR. RTHK reported the average appreciation index score of RTHK programmes and the number of RTHK programmes in the top 20 appreciation index score (Top 20 List) as two of its performance indicators. The Top 20 List is the list of 20 programmes among all programmes from all channels including commercial channels that have the highest appreciation index scores. In 2018-19, RTHK reported in the COR that for 2016, RTHK's programmes scored 68.92, which was the highest average amongst all local stations (average was 66.99). Of the programmes on the Top 20 List, 9 were RTHK's productions. However, Audit noted that amongst these 9 RTHK programmes on the Top 20 List for TVAI Survey 2016, the awareness level (Note 16) of 2 programmes were of 6.3% and 12.6% respectively, well below the average of 18.4% of all programmes from all channels.

4.22 TVAI Survey 2017 covered 223 programmes. Audit analysed the results of the TVAI Survey 2017 and noted that of the 9 RTHK programmes in the Top 20 List, the awareness level of 5 (56%) were below the average awareness level of 17.1% of all 223 programmes. The awareness level of the 5 programmes ranged from 1.5% to 13.8%. Audit found that:

- (a) of the 53 RTHK programmes surveyed:
 - (i) 40 (75%) were below the average awareness level of 17.1% (ranging from 1.5% to 15.8%) among all TV channels;
 - (ii) 16 (30%) were below the average appreciation index of 66.83 (ranging from 59.56 to 66.71) among all TV channels; and
 - (iii) 14 (26%) were below both the average awareness level of 17.1% and the average appreciation index of 66.83 (see Table 22);

Note 16: *The awareness level is an indicator produced by the TVAI Survey. The awareness level of a programme is calculated by dividing the number of respondents who have watched the programme by the total number of respondents in the Survey.*

Table 22**14 RTHK programmes with below-average awareness level
and appreciation index
(2017)**

Programme	Awareness level	Appreciation index
A	8.2%	66.71
B	12.9%	66.64
C	6.3%	66.44
D	9.6%	66.44
E	5.8%	66.43
F	11.2%	66.41
G	11.0%	66.19
H	4.7%	65.81
I	8.2%	64.94
J	12.0%	64.89
K	5.9%	62.25
L	4.1%	61.83
M	3.2%	59.92
N	3.5%	59.56

Source: Audit analysis of RTHK records

Remarks: The average awareness level and the average appreciation index for the 223 programmes were 17.1% and 66.83 respectively.

- (b) the average awareness level of the 53 RTHK programmes was 15.1%; and
- (c) the average appreciation index of the 53 RTHK programmes was 69.19.

The high percentage (i.e. 75%) of the RTHK's TV programmes with awareness level below average is a cause for concern because this indicates that these programmes had small number of audience. Audit considers that RTHK needs to take measures to improve the awareness level and the appreciation index of its programmes.

Low TV ratings

4.23 Since 1997, RTHK has engaged service providers to provide the TV ratings for its programmes broadcast in the commercial TV channels through TAM Survey. Since 2014, Channel TV 31 has been included in the TAM Survey. Since 2017, the TAM Survey has also covered the average ratings of TV 31/31A. The TAM Survey counts the total viewing population for specific TV programmes or channels as a means to measure their popularity. Every day, the service provider provides to RTHK a TV ratings report with rating for each programme in each quarter-hour (i.e. 15 minutes). The TV ratings report includes the TV ratings of RTHK programmes of RTHK channels and also other Hong Kong free TV channels so as to serve as benchmarks for easy comparison.

4.24 Audit examination of the TV ratings reports for RTHK Channels TV 31/31A for the period from January to June 2018 (see Table 23) revealed that the average TV rating of TV 31/31A was low (Note 17). The average rating for TV 31/31A for the six-month period was 0.1 (i.e. 6,400 viewers), ranging from 0.0 (Note 18) to 2.2 (i.e. 140,800 viewers).

Note 17: *Each score of rating represents around 64,000 viewers.*

Note 18: *A rating of 0.0 represents a rating less than 0.05 (i.e. fewer than around 3,200 viewers on average ($64,000 \times 0.05 = 3,200$)).*

Table 23

**TV ratings for RTHK programmes of TV 31/31A
(January to June 2018)**

Month	Average rating	Highest rating for the month
January	0.1	2.2
February	0.1	1.4
March	0.1	1.4
April	0.1	1.2
May	0.1	1.5
June	0.1	1.2
Overall	0.1	2.2

Source: Audit analysis of RTHK records

Remarks: Each score of rating represents around 64,000 viewers.

4.25 Audit further analysed the TV ratings for programmes of Channels TV 31/31A during the prime time (i.e. from 6:00 pm to 12:00 midnight) for June 2018, and noted that TV ratings of TV 31/31A were low even during the prime time. The average rating for TV 31/31A was 0.2, ranging from 0.0 to 0.9 (see Table 24).

Table 24

TV ratings for programmes of TV 31/31A during the prime time
(June 2018)

Time	Average rating	Lowest rating (Note)	Highest rating
6 to 7 pm	0.1	0.0	0.4
7 to 8 pm	0.3	0.0	0.6
8 to 9 pm	0.3	0.0	0.7
9 to 10 pm	0.4	0.1	0.9
10 to 11 pm	0.3	0.0	0.9
11 pm to 12 midnight	0.1	0.0	0.3
Overall	0.2	0.0	0.9

Source: Audit analysis of RTHK records

Note: A rating of 0.0 represents a rating less than 0.05 (i.e. fewer than around 3,200 viewers on average ($64,000 \times 0.05 = 3,200$)).

4.26 Audit recognises that some RTHK programmes are produced for minority interest groups. Thus, it is not appropriate to use TV ratings as the sole indicator for RTHK's performance on such programmes. However, with the launch of its own three DTT channels and two analogue channels, TV ratings have become important for RTHK to assess media and audience viewership trends to facilitate programme planning for its TV channels, especially for programmes which are intended to be popular programmes. RTHK needs to ascertain the reasons for low ratings of its programmes and take measures to enhance the popularity of its TV programmes, especially for those which are intended to be popular programmes.

Lower TV ratings when programmes were broadcast on RTHK channels

4.27 RTHK programmes are also broadcast on a free channel of a commercial TV operator. Audit analysed six RTHK programmes which had been broadcast both on TV 31/31A and the free channel of a commercial TV operator for at least three months in the period from January to June 2018 and noted that the TV ratings of these six programmes when broadcast on RTHK Channels TV 31/31A were much lower than those when the same programmes were broadcast on the free channel of a commercial TV operator (see Table 25). Audit considers that RTHK needs to take measures to address the issue of lower TV ratings of RTHK TV programmes broadcast on RTHK channels than the ratings of the same programmes broadcast on a commercial channel.

Table 25

**TV ratings of 6 programmes which were broadcast on TV 31/31A
and a free commercial channel
(January to June 2018)**

Programme	Appreciation index (Note 1)	Awareness level (Note 1)	TV 31/31A		A free channel of a commercial TV operator	
			Average TV ratings (a)	No. of viewers (Note 2) (b) = (a) × 64,000	Average TV ratings (c)	No. of viewers (Note 2) (d) = (c) × 64,000
O	73.21	28.7%	0.4	25,600	5.0	320,000
P	74.32	53.1%	0.2	12,800	4.5	288,000
Q	71.00	52.4%	0.3	19,200	4.6	294,400
R	68.67	14.2%	0.3	19,200	4.8	307,200
S	75.61	65.3%	0.2	12,800	5.3	339,200
T	67.32	44.0%	0.2	12,800	4.7	300,800

Source: Audit analysis of RTHK records

Note 1: The appreciation index and awareness level were the results of TVAI Survey conducted for the period from January to March 2018. The results for the period April to June 2018 were not yet available at the time of Audit.

Note 2: Each score of rating represents around 64,000 viewers.

Need to collect the cross-media TV ratings

4.28 Owing to the rapid advancement of technology and online platforms, the public's habit of watching TV has also changed in recent years. Viewers can watch RTHK TV programmes not only through TV sets, but also via a variety of online platforms. They can view the RTHK TV programmes through the mobile application "RTHK Screen", RTHK's webpage and social media such as YouTube and Facebook in real time or on demand. Therefore, only measuring the number of viewers who watched TV programmes on TV sets does not reflect the complete picture.

4.29 The service provider of TAM Survey provides to commercial TV operators the cross-media TV ratings by gauging the number of viewers who watched TV programmes on TV sets and online platforms by aggregating the viewing data via TV sets, mobile phones, tablets and other mobile devices. This helps the TV broadcasters to study audiences' viewing behaviours across TV sets and other media platforms. Audit noted that RTHK only subscribed to the TV ratings from the viewers who watched TV programmes on TV sets, but not the cross-media TV ratings. Audit considers that RTHK needs to collect the cross-media TV ratings to obtain more comprehensive information on the viewership of its programmes.

No viewership indicators for RTHK TV channels and programmes

4.30 RTHK uses the appreciation index as one of the performance indicators of its TV programmes. In the COR, RTHK reported the average appreciation score and the number of RTHK programmes on the Top 20 List (see para. 4.21). However, both indicators do not measure the number of people who have watched the TV programmes.

4.31 Audit noted that RTHK had reported in the COR the average viewership of prime-time programmes on free-to-air channels of other TV operators as a performance indicator. The average viewership of prime-time programmes on a commercial channel decreased from 759,000 in 2013-14 to 272,000 in 2017-18 (see (b) in Appendix C). However, despite the launch of its three DTT channels in 2014 and two analogue channels in 2016, the average viewership of RTHK's TV channels and the programmes broadcast on its channels was not reported in the COR. Therefore, the public could not get information on the popularity of RTHK's TV channels and programmes from the COR. Taking into account the fact that as at

30 June 2018, the overall DTT coverage had already reached 95% of the population in Hong Kong, Audit considers that RTHK needs to consider developing viewership indicators for its TV channels and its programmes and reporting them in the COR.

No target appreciation index and target awareness level set

4.32 RTHK does not set targets of appreciation index or awareness level for its programmes. Given that RTHK has its own TV channels since 2014, RTHK may consider setting targets/benchmarks for both appreciation index and awareness level of its programmes in order to facilitate more meaningful evaluation of its programmes. Different targets/benchmarks of appreciation index or awareness level can be set for different categories of programmes, taking into account whether the programmes are intended to be popular programmes or minority programmes. For example, for programmes which are intended to be popular programmes, a higher target/benchmark of awareness level should be set. For minority programmes, a lower target/benchmark of awareness level may be acceptable.

Audit recommendations

4.33 **Audit has recommended that the Director of Broadcasting should:**

- (a) **review the strategy for the coverage of programmes in TVAI Surveys;**
- (b) **strike a balance between the need to survey more programmes and the need to survey flagship programmes more frequently;**
- (c) **take measures to improve the awareness level and the appreciation index of RTHK's TV programmes;**
- (d) **ascertain the reasons for low ratings of RTHK's programmes and take measures to enhance the popularity of its TV programmes, especially for those which are intended to be popular programmes;**
- (e) **take measures to address the issue of lower TV ratings of RTHK TV programmes broadcast on RTHK channels than the ratings of the same programmes broadcast on a commercial channel;**

- (f) **collect the cross-media TV ratings to obtain more comprehensive information on the viewership of RTHK's programmes;**
- (g) **consider developing viewership indicators for RTHK's TV channels and its programmes and reporting them in the COR; and**
- (h) **consider setting targets/benchmarks for RTHK's TV programmes, in terms of both programme quality (e.g. appreciation index) and the awareness level, for different categories of its programmes, in order to facilitate more meaningful evaluation of its TV programmes.**

Response from the Government

4.34 The Director of Broadcasting agrees with the audit recommendations. He has said that:

- (a) RTHK will take appropriate follow-up actions;
- (b) regarding the coverage of programmes in TVAI surveys, notwithstanding the reasons explaining why some programmes were surveyed more than once a year (see para. 4.20), RTHK will review the strategy for the coverage of programmes in TVAI surveys; and
- (c) RTHK will continue its efforts to further enhance the promotion and publicity of its programmes.

Evaluation of radio programmes

4.35 RTHK evaluates its radio channels and programmes using the results of the annual Radio Audience Survey such as listenership and appreciation index of radio channels.

Number of listeners of some radio channels decreased

4.36 RTHK commissions a service provider to conduct the annual Radio Audience Survey to find out the listenership of radio channels in Hong Kong (including commercial radio channels). The number of listeners — past seven days (Note 19) per RTHK radio channels in 2013 to 2017 is shown in Table 26.

Table 26
Number of listeners of RTHK radio channels
(2013 to 2017)

Radio channel	No. of listeners					Increase/decrease from 2013 to 2017	
	2013 (a)	2014	2015	2016	2017 (b)	No. (c) = (b) – (a)	Percentage (d) = (c) ÷ (a) × 100%
1	1,785,000	2,023,000	2,159,000	2,421,000	2,225,000	+440,000	+25 %
2	1,665,000	1,751,000	1,982,000	1,687,000	1,741,000	+76,000	+5 %
3	252,000	237,000	252,000	250,000	240,000	–12,000	–5 %
4	344,000	346,000	384,000	392,000	385,000	+41,000	+12 %
5	468,000	490,000	553,000	423,000	447,000	–21,000	–4 %
6	181,000	205,000	222,000	155,000	78,000	–103,000	–57 %
7	232,000	220,000	268,000	211,000	155,000	–77,000	–33 %
Overall	2,949,000	3,288,000	3,476,000	3,411,000	3,371,000	+422,000	+14 %

Source: Audit analysis of RTHK records

Remarks: The figures did not add up as the listeners would listen to more than one RTHK radio channel.

Note 19: The number of listeners was calculated by projecting the percentage of respondents who had listened to any RTHK radio channels at least for a total of five minutes in the past seven days to the latest figure of Hong Kong population.

4.37 According to the 2017 Radio Audience Survey, RTHK had a total number of listeners of 3,371,000 for its seven radio channels. The overall number of listeners of the seven RTHK radio channels altogether increased by 14% or 422,000 from 2013 to 2017 (see Table 26). However, the number of listeners in four of the seven channels decreased. In particular, the number of listeners in Radio 6 and 7 decreased by 57% and 33% from 181,000 and 232,000 in 2013 to 78,000 and 155,000 in 2017 respectively. Audit considers that RTHK needs to keep in view the number of listeners for each of the seven radio channels and take appropriate action to boost the number of listeners for radio channels with decreasing number of listeners.

Appreciation index and awareness level decreased for some radio channels

4.38 RTHK gauges the appreciation index and awareness level of its seven radio channels through the annual Radio Audience Survey. Audit analysed the results of Radio Audience Survey from 2013 to 2017 and noted that:

- (a) for Radio 1, the score in appreciation index increased by 0.04 (0.6%) to 6.98, and the awareness level increased by 1.9 (4.8%) to 41.8 (see Tables 27 and 28);
- (b) for 4 channels, namely Radio 2, 5, 6 and 7, the scores in appreciation index decreased. The decreases ranged from 0.01 to 0.53, representing a decrease of 0.1% to 7.8% (see Table 27); and
- (c) for 6 channels, namely Radio 2, 3, 4, 5, 6 and 7, the awareness levels decreased. The decreases ranged from 0.4 percentage point to 4.1 percentage points, representing a decrease of 5.3% to 64.9% (see Table 28).

Table 27

Appreciation index of RTHK radio channels
(2013 to 2017)

Radio channel	Appreciation index					Increase/decrease from 2013 to 2017	
	2013 (a)	2014	2015	2016	2017 (b)	Score (c) = (b) – (a)	Percentage (d) = (c) ÷ (a) × 100%
1	6.94	6.72	6.98	6.96	6.98	+0.04	+0.6%
2	6.97	6.88	7.01	6.89	6.96	–0.01	–0.1%
3	6.68	6.69	6.85	6.76	6.81	+0.13	+1.9%
4	7.03	7.05	6.99	7.10	7.18	+0.15	+2.1%
5	7.29	7.12	6.96	7.17	7.10	–0.19	–2.6%
6	6.83	6.80	6.29	7.55	6.30	–0.53	–7.8%
7	6.60	6.53	6.51	6.37	6.51	–0.09	–1.4%

Source: Audit analysis of RTHK records

Remarks: The average appreciation indices of all radio channels in Hong Kong from 2013 to 2017 were 6.88, 6.77, 6.71, 6.80 and 6.82 respectively.

Table 28

Awareness level of RTHK radio channels
(2013 to 2017)

Radio channel	Awareness level					Increase/decrease from 2013 to 2017	
	2013	2014	2015	2016	2017	Level	Percentage
	(a)				(b)	(c) = (b) – (a)	(d) = (c) ÷ (a) × 100%
	(%)	(%)	(%)	(%)	(%)	(%)	
1	39.9	39.8	40.5	44.5	41.8	+1.9	+4.8%
2	37.0	34.5	37.0	30.9	32.9	–4.1	–11.1%
3	5.4	4.4	4.6	4.4	4.6	–0.8	–14.8%
4	7.6	6.7	7.2	7.3	7.2	–0.4	–5.3%
5	10.4	9.4	9.9	7.6	8.3	–2.1	–20.2%
6	3.7	3.5	4.0	2.8	1.3	–2.4	–64.9%
7	4.8	4.2	4.7	3.6	2.8	–2.0	–41.7%

Source: Audit analysis of RTHK records

Remarks: The average awareness levels of all radio channels in Hong Kong from 2013 to 2017 were 13.79%, 13.27%, 16.14%, 15.58% and 14.85% respectively.

4.39 Audit considers that RTHK needs to take measures to improve the appreciation index and awareness level of its radio channels.

Need to include the share of total listening time per channel as performance indicator

4.40 Apart from the number of listeners and audience reach per channel, the Radio Audience Survey also provides information on the share of total listening time and the average daily listening time per audience per radio channel (see Table 29). For example, the share of total listening time of Radio 1 was 33.5% in 2017 whereas the average daily listening time per audience was 3.2 hours in the same year.

Table 29

Share of total listening time and average daily listening time per audience of RTHK's radio channels (2015 to 2017)

Radio channel	Share of total listening time (%)			Average daily listening time per audience (Hour)		
	2015	2016	2017	2015	2016	2017
1	24.6%	28.2%	33.5%	2.5	2.7	3.2
2	25.3%	20.5%	21.4%	3.1	3.2	3.2
3	0.7%	1.0%	0.9%	2.1	2.0	1.7
4	1.2%	1.6%	1.4%	1.9	2.1	1.8
5	5.6%	6.0%	5.3%	3.5	4.0	3.7
6	0.7%	0.4%	0.0%	1.6	2.1	1.4
7	0.9%	0.6%	0.4%	2.0	2.2	1.5

Source: Audit analysis of RTHK records

4.41 The service provider of the Radio Audience Survey stated in the survey report that the share of total listening time might reflect a more comprehensive and accurate picture on the audienceship than the number of listeners because it took into account both the number of listeners and the duration of listening time per audience. In order to reflect a more comprehensive and accurate picture on the audienceship, RTHK may consider including the share of total listening time per channel as a performance indicator and report it in the COR.

No qualitative indicators for radio services

4.42 RTHK uses only quantitative performance indicators, namely the number of listeners and the audience reach per channel for measuring the performance of its radio services. Audit notes that the annual Radio Audience Survey also covers appreciation index of radio channels, which indicates how well the audience appreciate the radio channels. Audit considers that RTHK needs to monitor the appreciation index of its radio channels and report them in the COR for measuring the quality of its radio services.

4.43 Furthermore, in the Radio Audience Survey, RTHK collects appreciation index at channel level, but not at programme level. In the absence of such information at programme level, RTHK is unable to monitor the quality of individual radio programmes and take appropriate follow-up action to improve their quality. In response to Audit enquiry, RTHK informed Audit in September 2018 that there were over 250 RTHK radio programmes per year. Surveying all radio programmes might not be cost effective. Audit considers that RTHK needs to consider collecting information on the appreciation index for selected radio programmes on a sample basis to facilitate the monitoring of the quality of RTHK radio programmes.

Audit recommendations

4.44 **Audit has *recommended* that the Director of Broadcasting should:**

- (a) **keep in view the number of listeners for each of the seven radio channels and take appropriate action to boost the number of listeners for radio channels with decreasing number of listeners;**
- (b) **take measures to improve the appreciation index and awareness level of RTHK's radio channels;**
- (c) **consider including the share of total listening time per channel as a performance indicator and report it in the COR;**
- (d) **monitor the appreciation index of RTHK's radio channels and report them in the COR for measuring the quality of its radio services; and**
- (e) **consider collecting information on the appreciation index for selected radio programmes on a sample basis to facilitate the monitoring of the quality of RTHK radio programmes.**

Response from the Government

4.45 The Director of Broadcasting agrees with the audit recommendations. He has said that:

- (a) RTHK will take appropriate follow-up actions; and
- (b) despite the world-wide trend of decrease in radio audienceship, according to the annual Radio Audience Survey, RTHK is making an aggregate growth in:
 - (i) the share of total listening time by 3.9% from 2015 to 2017; and
 - (ii) the number of listeners by 14% from 2013 to 2017.

Evaluation of school ETV programmes

4.46 RTHK produces school ETV programmes for the EDB. School ETV programmes are produced for kindergarten, primary and secondary students based primarily on the school curriculum and learning needs of students. The duration of each of these programmes is around 10 to 20 minutes. School ETV programme is part of the ETV multimedia resources (eg. short videos, sound tracks, photos, songs, picture books, etc.) provided by the EDB to schools. Schools make use of school ETV programmes flexibly to suit their needs.

4.47 The school ETV programmes reach the students by the following ways:

- (a) they are broadcast via a commercial channel for one hour daily on school days;
- (b) RTHK Channels TV 31 and 31A transmit one hour of school ETV programmes daily on weekdays;
- (c) they are provided to schools on DVDs; and
- (d) they are accessible on the Internet.

4.48 The Government started to broadcast school ETV programmes to primary schools in 1971, to secondary schools in 1976, and to pre-primary schools in 2003. With the downsizing of the school ETV service for secondary schools in 2003-04 and subsequent redeployment of resources in the EDB in accordance with the direction of curriculum development, the financial resources allocated to the production of school ETV programmes and production level have decreased:

- (a) the financial provision decreased by 25% from \$39.5 million in 2003-04 to \$29.8 million in 2017-18;
- (b) the number of programmes produced decreased by 62% from 183 in 2003-04 to 70 in 2017-18; and
- (c) the output hours decreased by 63% from 50.7 hours in 2003-04 to 18.9 hours in 2017-18 respectively.

In the 2018-19 Estimates, the financial provision, number of programmes and output hours further decreased by 7%, 11% and 15% to \$27.7 million, 62 programmes and 16 hours respectively (see Table 30).

Table 30

**Number of programmes, output hours and
financial provision of school ETV programmes
(2003-04 to 2018-19)**

Financial year	No. of programmes	No. of output hours	Financial provision (\$ million)
2003-04	183	50.7	39.5
2004-05	161	49.6	36.5
2005-06	148	51.5	35.6
2006-07	144	48.0	35.2
2007-08	143	45.6	32.3
2008-09	137	44.9	34.6
2009-10	130	43.3	33.0
2010-11	126	42.1	28.4
2011-12	146	49.8	27.3
2012-13	80	20.3	27.6
2013-14	80	20.6	30.9
2014-15	80	21.8	30.8
2015-16	80	21.0	32.1
2016-17	80	20.0	34.5
2017-18	70	18.9	29.8
2018-19 (Estimate)	62	16.0	27.7

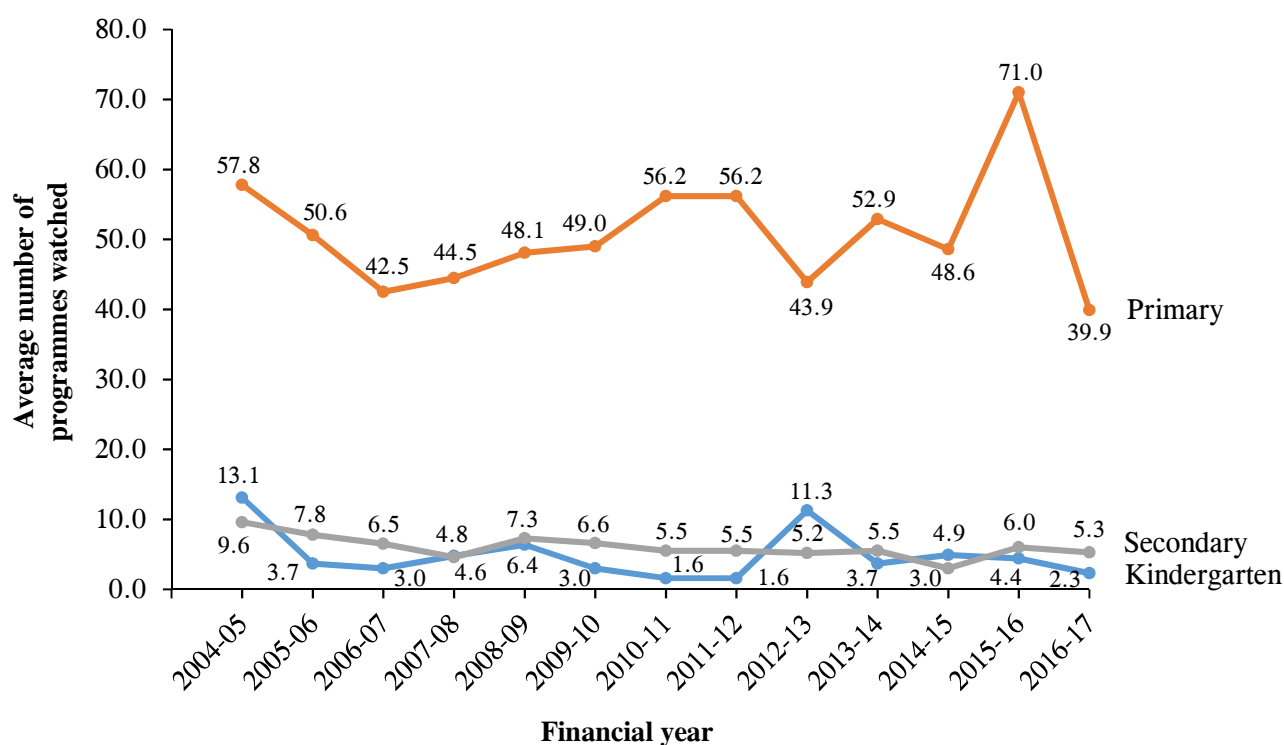
Source: RTHK records

Small number of school ETV programmes watched

4.49 In order to evaluate the utilisation and effectiveness of the school ETV service, the EDB engages a service provider to carry out annual surveys. Based on the survey results, the EDB monitors the average number of school ETV programmes watched by each class (see Figure 6).

Figure 6

**Average number of school ETV programmes watched by each class
(2004-05 to 2016-17)**



Source: Audit analysis of RTHK records

Remarks: The average number of school ETV programmes watched was based on annual surveys conducted by a service provider. The surveys for 2004-05 to 2015-16 covered a random sample of 350 schools (i.e. 100 kindergartens, 150 primary schools and 100 secondary schools). The survey for 2016-17 covered all 880 kindergartens, 573 primary schools and 522 secondary schools. According to the EDB, a new methodology was used for the 2016-17 survey and therefore, the survey results should not be compared directly with those of previous surveys.

4.50 According to the EDB:

- (a) the average number of school ETV programmes watched by each class decreased significantly across levels for the first few years after 2004-05. This was largely attributed to the availability of school ETV programmes on the Internet since 2004-05 and the gradual cessation of designating lessons for watching school ETV programmes in schools;
- (b) despite some fluctuations, the average number of school ETV programmes watched by each class for kindergartens decreased by 66% from 13.1 in 2004-05 to 4.4 in 2015-16. One of the reasons might be the temporary suspension of production of new programmes for kindergartens until 2012-13, where there was a boost in the figure to 11.3 programmes;
- (c) the average number of school ETV programmes watched by each class for secondary schools decreased by 38% from 9.6 in 2004-05 to 6 in 2015-16. As reflected by frontline teachers, many secondary school teachers were not inclined to use the 15-20-minute programmes in their 35-40-minute lessons in view of their tight teaching schedule. On the other hand, the availability of other video resources on the Internet, in particular the YouTube since 2005, offered plenty of alternative choices (i.e. with shorter duration of a few minutes) for teachers and students. These factors had inevitably affected the average number of programmes watched by each class;
- (d) despite some fluctuations, the corresponding figures for primary schools increased by 23% from 57.8 programmes in 2004-05 to 71 programmes in 2015-16 (see Figure 6); and
- (e) the average number of school ETV programmes watched by each class for kindergartens and secondary schools were significantly lower than those for primary schools which stood at 71.0 in 2015-16. In 2015-16, the average numbers for kindergartens and secondary schools were 4.4 and 6 programmes respectively. They were much lower than that (71 programmes) for primary schools (see Figure 6).

Need to enhance staff productivity

4.51 According to RTHK, in the course of providing school ETV programmes, RTHK staff responsible for school ETV programmes have to:

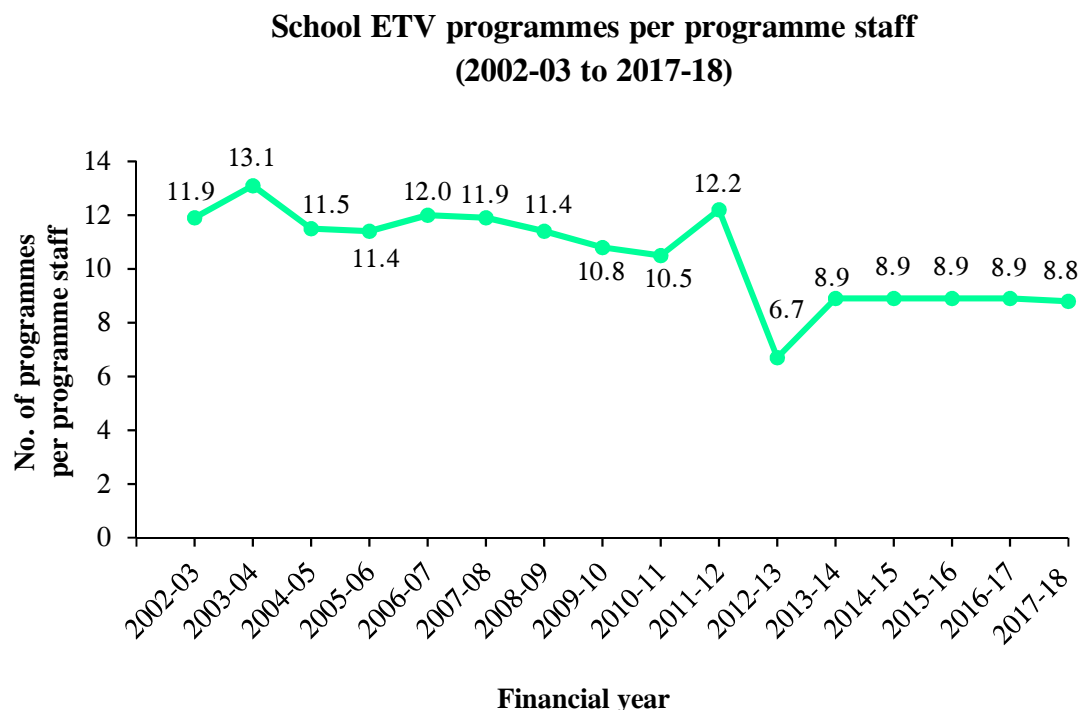
- (a) ensure the pronunciation of artists and accuracy of all details are of a high quality to meet the teaching purposes;
- (b) undertake the checking process for the subtitle versions of some school ETV programmes; and
- (c) produce promotion trailers for broadcasting on RTHK TV channels.

4.52 RTHK introduced staff productivity indicators in the COR starting from 2002-03 and undertook to set productivity targets/standards once sufficient in-house productivity statistics had been accumulated for school ETV programme production. The staff productivity indicator “programmes per programme staff” have been reported in the COR since 2002-03.

4.53 Audit analysed the indicator of the number of school ETV programmes per programme staff for the period from 2002-03 to 2017-18 and found that:

- (a) the number of programmes per programme staff dropped by 26% from 11.9 in 2002-03 to 8.8 in 2017-18 (see Figure 7); and
- (b) no targets were set for assessing the staff productivity for school ETV programmes although RTHK had undertaken to set productivity targets once sufficient in-house productivity statistics had been accumulated.

Figure 7



Source: Audit analysis of RTHK records

4.54 Audit considers that RTHK needs to take appropriate actions to address the problem of decreasing staff productivity in terms of programmes per programme staff. RTHK also needs to consider setting targets to assess the staff productivity for school ETV programmes.

High production cost of school ETV programmes

4.55 In April 2004, the high production cost of school ETV programmes had aroused the concern of some LegCo Members. A LegCo Member commented that the level of production cost for school ETV programmes was unduly high. On another occasion, in discussing the 2014-15 Estimates, a LegCo Member expressed concern that the school ETV programmes had a high production cost.

4.56 Audit examined the production cost of school ETV programmes in the past ten years from 2008-09 to 2017-18 and noted that the average production cost increased significantly during the period. Audit noted that:

Evaluation of programmes and other administrative issues

- (a) the cost per hour of school ETV programme increased significantly by 105% from \$0.77 million in 2008-09 to \$1.58 million in 2017-18;
- (b) the cost per programme increased by 72% from \$0.25 million in 2008-09 to \$0.43 million in 2017-18; and
- (c) the average production cost increased sharply from 2012-13 onwards. The cost per hour of school ETV programme increased by 147% from \$0.55 million in 2011-12 to \$1.36 million in 2012-13, while the cost per programme increased by 84% from \$0.19 million in 2011-12 to \$0.35 million in 2012-13 (see Table 31).

Table 31

Production cost of school ETV programme (2008-09 to 2017-18)

Financial year	No. of programmes produced (a)	No. of output hours (b)	Expenditure (c) (\$ million)	Cost per hour (d) = (c) ÷ (b) (\$ million)	Cost per programme (e) = (c) ÷ (a) (\$ million)
2008-09	137	44.9	34.6	0.77	0.25
2009-10	130	43.3	33.0	0.76	0.25
2010-11	126	42.1	28.4	0.67	0.23
2011-12	146	49.8	27.3	0.55	0.19
2012-13	80	20.3	27.6	1.36	0.35
2013-14	80	20.6	30.9	1.50	0.39
2014-15	80	21.8	30.8	1.41	0.39
2015-16	80	21.0	32.1	1.53	0.40
2016-17	80	20.0	34.5	1.73	0.43
2017-18	70	18.9	29.8	1.58	0.43

Source: Audit analysis of RTHK records

Evaluation of programmes and other administrative issues

4.57 In April 2014 and December 2017, in response to LegCo Members' enquiry, RTHK said that the reasons for high production cost of school ETV programmes were:

- (a) the programme duration of school ETV programme ranged from 10 to 20 minutes which inevitably led to higher hourly cost of production because some basic costs of production were required;
- (b) the school ETV programmes would invite students to participate in the programmes. As these students were not professional artists, the time needed for production would be much longer than the normal TV production;
- (c) RTHK would make use of animations and songs to make the school ETV programmes more interesting, and therefore increase the cost of production; and
- (d) the sharp rise in production cost in 2012-13 was due to the reduction of programme production from 36 hours to 20 hours and increase in production cost for high definition migration of school programmes and pre-primary programmes production.

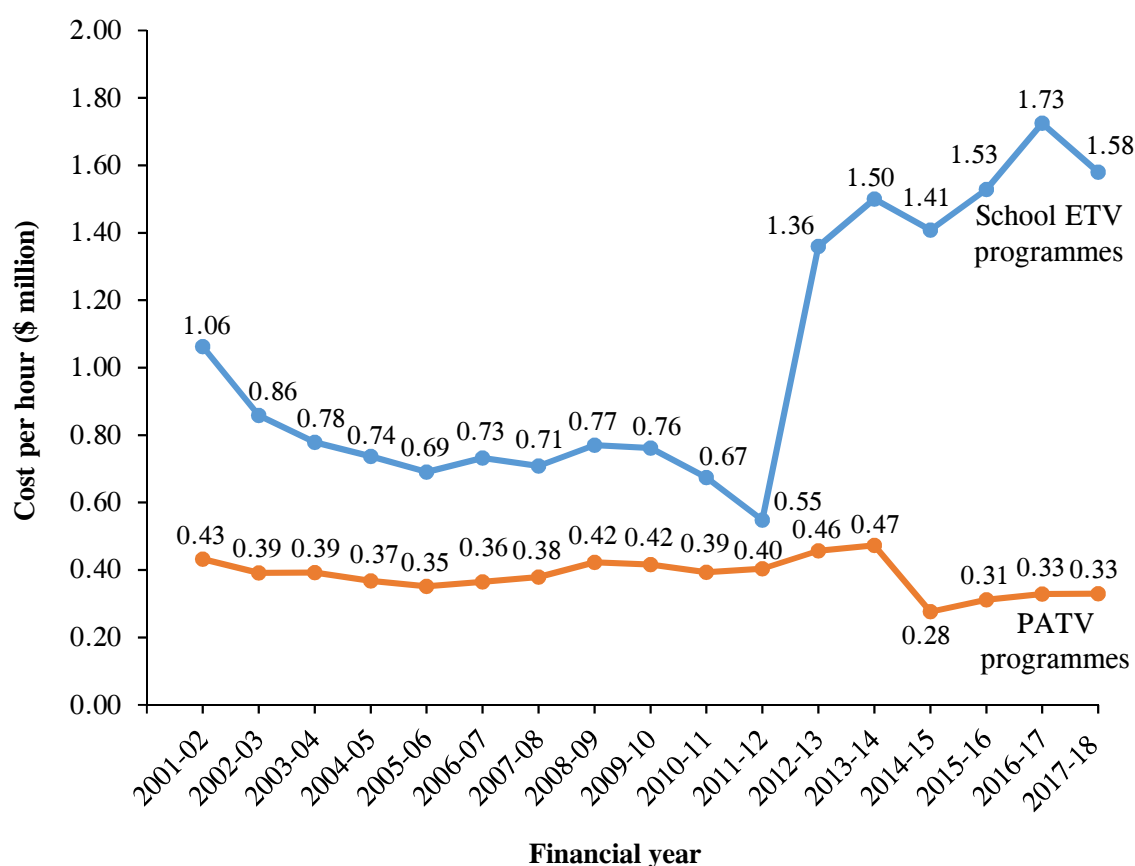
4.58 Audit compared the cost per hour for school ETV programmes with that for public affairs and general TV (PATV) programmes and noted that:

- (a) the effect of migration to high definition production on TV programmes was not significant for PATV programmes. There was no sharp rise in average production cost for PATV programmes after 2012-13 (see Figure 8); and
- (b) the school ETV programmes were much costlier when compared with PATV programmes. In 2001-02, the cost per hour for school ETV programmes (\$1.06 million) was 2.47 times that of PATV programmes (\$0.43 million). However, in 2017-18, the cost per hour for school ETV programmes (\$1.58 million) was 4.79 times that of PATV programmes (\$0.33 million) (see Figure 8).

Audit considers that RTHK needs to take appropriate actions to contain the high production cost per hour for school ETV programmes.

Figure 8

**Cost per hour for school ETV and PATV programmes
(2001-02 to 2017-18)**



Source: Audit analysis of RTHK records

Need to explore the possibility of increasing the scale of commissioning of school ETV programme productions

4.59 In an evaluation report of June 2001, the EDB concluded that the quality of the commissioned programmes was comparable to that of RTHK, and that commissioning was a viable, flexible and cost-effective alternative to supplement the mainstream production by RTHK. RTHK undertook to work on a long-term

commissioning strategy upon drawing up the manpower plan and when a pool of reliable independent producers/contractors was available in the market. The EDB said that it would work out with RTHK a proposal for commissioning, say, 10% to 15% of the school ETV programme productions.

4.60 In its review on the school ETV service carried out in 2003, the Standing Committee on the Development of the ETV Service (see para. 4.61) advised the EDB and RTHK to work on an outsourcing strategy to progressively increase the proportion of outsourced programme production from 5% in 2004 to not less than 50% in the long term. According to the EDB, it had been developing some school ETV programmes as well as other multimedia resources by commissioning, such as independent thematic short videos, multi-ending micro-movies, photos, sound tracks, articles, etc. However, the EDB and RTHK had not formulated any commissioning strategy or drawn up any definite plan for commissioning the production of school ETV programmes. In view of the high cost per hour for the production of school ETV programmes by RTHK, Audit considers that the EDB and RTHK need to explore the possibility of increasing the scale of commissioning of school ETV programme productions.

Need to conduct comprehensive review on RTHK's production of school ETV programmes

4.61 In 2002, the Standing Committee on the Development of the ETV Service was set up. Before January 2005, the Standing Committee had reviewed various aspects of the school ETV programmes, including the utilisation of school ETV programmes in secondary and primary schools, and the cost and mode of producing school ETV programmes. Based on the review findings, the Standing Committee had drawn up proposals to revamp the school ETV programmes. These proposals were accepted by the EDB. According to the EDB, since 2005, various committees have been set up by the EDB to review the EDB's ETV service on an on-going basis. As a result, the EDB's ETV service has been revamped and extended to cover the kindergartens, themes of moral and civic education, education magazines, as well as other multimedia resources, etc. (Note 20).

Note 20: *Apart from providing school ETV programmes, the EDB's ETV service also includes the provision of multimedia resources, e.g. picture books, muppets, animations, songs, video clips, photos, etc.*

4.62 In view of the audit observations on small number of programmes watched resulting from the change in the viewing mode, decreasing staff productivity and high production cost of the school ETV programmes, Audit considers that the EDB and RTHK need to conduct a comprehensive review on RTHK's production of school ETV programmes to determine the way forward and the improvement measures.

Audit recommendations

4.63 **Audit has also *recommended* that the Director of Broadcasting should:**

- (a) **take appropriate actions to address the problem of decreasing staff productivity in terms of programmes per programme staff;**
- (b) **consider setting targets to assess the staff productivity for school ETV programmes; and**
- (c) **take appropriate actions to contain the high production cost per hour for school ETV programmes.**

4.64 **Audit has also *recommended* that the Secretary for Education and the Director of Broadcasting should:**

- (a) **explore the possibility of increasing the scale of commissioning of school ETV programme productions; and**
- (b) **taking into account the audit observations on small number of programmes watched by students, decreasing staff productivity and high production cost, conduct a comprehensive review on RTHK's production of school ETV programmes to determine the way forward and the improvement measures.**

Response from the Government

4.65 The Director of Broadcasting agrees with the audit recommendations. He has said that:

- (a) RTHK will follow up with the EDB on the recommendations as school ETV programmes is under the policy responsibilities of the EDB; and
- (b) there are many reasons leading to the issues of low staff productivity and high cost, as explained in paragraphs 4.51 and 4.57 respectively.

4.66 The Secretary for Education agrees with the audit recommendations. He has said that:

- (a) in view of the fact that there have been changes in the mode of viewing and the adoption of only part of the ETV programmes in teaching and learning, figures collected in the annual surveys are not reflecting fully the utilisation of ETV programmes by teachers and students, in particular, students' viewing via the Internet outside the classroom;
- (b) to better inform the review that will be undertaken, the EDB will review the design of the survey as the first step with the aim of gauging the utilisation of ETV service more accurately from different perspectives; and
- (c) the EDB will continue to further promote the effective and flexible use of these e-resources in this era of e-learning.

Matters relating to Charter of RTHK

Performance evaluation reports not provided to Board of Advisors

4.67 It was stipulated in the Charter of RTHK that:

- (a) in order to provide a basis for public scrutiny of the extent to which RTHK delivers its public service mission and returns value for the public money

it expends, RTHK should set clear targets, develop measurable performance evaluation indicators and conduct regular assessments;

- (b) RTHK should issue performance pledges and compile performance evaluation reports on a regular basis;
- (c) the Director of Broadcasting should submit performance evaluation reports to the Board of Advisors and seek its advice on related matters; and
- (d) the Board of Advisors should receive reports on the performance evaluation of RTHK and RTHK's compliance with performance evaluation indicators, and advise the Director of Broadcasting on the adoption of appropriate performance evaluation indicators and ways to improve service delivery.

4.68 Audit noted that RTHK made a set of performance pledges each year. These pledges include a number of performance targets as performance evaluation indicators on its radio, TV, school ETV and new media services. However, RTHK did not submit the reports on the performance evaluation of RTHK and the reports on the RTHK's compliance with performance evaluation indicators to the Board of Advisors.

4.69 Audit compared the actual performance with the performance targets set for 2016-17 and noted that of the 21 performance targets set for 2016-17, 10 (48%) targets were not achieved (see Appendix E). In the absence of the reports on the performance evaluation and the reports on RTHK's compliance with performance evaluation indicators, the areas where the performance targets were not achieved and needed improvement were not highlighted to the Board of Advisors.

4.70 In response to Audit enquiry, RTHK informed Audit in September 2018 that RTHK had submitted the final results of TVAI, COR, programmes updates, complaint updates, Annual Plan and CIBS updates to the Board of Advisors. However, Audit noted that no performance evaluation report including evaluating the actual performance against the performance targets had been submitted. Audit considers that RTHK needs to submit the performance evaluation reports of RTHK and the reports on RTHK's compliance with performance evaluation indicators to the Board of Advisors on a regular basis as required by the Charter to facilitate the Board

Evaluation of programmes and other administrative issues

of Advisors to advise on its actual performance against the performance targets and ways to improve service delivery.

Annual Report not prepared

4.71 It is stipulated in the Charter of RTHK that:

- (a) for the sake of transparency, RTHK should produce an Annual Report for public inspection no later than six months after the conclusion of the year reported on; and
- (b) the Annual Report should set out details on RTHK's operation in the past year, its performance pledges, the extent to which it has met its public purposes and mission, programming objectives, developments in its modes of service delivery and programming directions, achievements in performance evaluation, compliance in the areas of corporate governance and accountability, complaints handling, as well as related information and follow-up action.

4.72 Audit noted that RTHK did not prepare the Annual Report, contrary to the requirement of the Charter of RTHK. Audit considers that RTHK needs to prepare an Annual Report as required by the Charter of RTHK.

Audit recommendations

4.73 **Audit has *recommended* that the Director of Broadcasting should:**

- (a) **submit the reports on performance evaluation of RTHK and RTHK's compliance with performance evaluation indicators to the Board of Advisors on a regular basis as required by the Charter of RTHK to facilitate the Board of Advisors to advise on its actual performance against the performance targets and ways to improve service delivery; and**
- (b) **prepare an Annual Report for public inspection as required by the Charter of RTHK.**

Response from the Government

4.74 The Director of Broadcasting agrees with the audit recommendations. He has said that RTHK will take appropriate follow-up actions.

Public purposes of RTHK

- (a) ***Sustaining citizenship and civil society.*** This involves promoting understanding of our community, our nation and the world through accurate and impartial news, information, perspectives and analyses, promoting understanding of the concept of “One Country, Two Systems” and its implementation in Hong Kong, and engendering a sense of citizenship and national identity through programmes that contribute to the understanding of our community and nation;
- (b) ***Providing an open platform for the free exchange of views without fear or favour.*** This involves the provision of a wide range of programmes for public participation and expression of views, and provision of a platform to support and facilitate community participation in broadcasting, including the administration of a Community Involvement Broadcasting Fund;
- (c) ***Encouraging social inclusion and pluralism.*** This involves the provision of programmes with diversity of programming coverage, universality of reach and sensitivity to the pluralistic nature of Hong Kong and the world. The objective is to enhance public understanding and acceptance of the cultural, linguistic, religious and ethnic diversity both in the local community and beyond;
- (d) ***Promoting education and learning.*** This involves stimulating interest in a wide range of subjects, and providing information and resources to facilitate lifelong learning at all levels and for all ages; and
- (e) ***Stimulating creativity and excellence to enrich the multi-cultural life of Hong Kong people.*** This involves the production, commission and acquisition of distinctive and original content for public broadcast. There should be active promotion of public interest, engagement and participation in cultural activities, and its programming and other corporate policies and practices should foster creativity and nurture talent.

Source: RTHK records

Mission of RTHK

- (a) inform, educate and entertain members of the public through multimedia programming;
- (b) provide timely, impartial coverage of local, national and global events and issues;
- (c) deliver programming which contributes to the openness and cultural diversity of Hong Kong;
- (d) provide a platform for the Government and the community to discuss public policies and express view thereon without fear or favour; and
- (e) serve a broad spectrum of audiences and cater to the needs of minority interest groups.

Source: RTHK records

Appendix C
(paras. 1.7 and 4.31 refer)

**Key performance measures in respect of the four programme areas
(2013-14 to 2017-18)**

Key performance measure	2013-14	2014-15	2015-16	2016-17	2017-18
(a) Programme area (1): Radio					
Output hours	54,217	55,185	55,525	55,525	57,359
Output hours per programme staff	398.7	383.2	382.9	360.6	362.6
Cost per channel hour excluding Newsroom and CIBS (Note 1)					
– Channel 1	\$5,251	\$5,964	\$5,945	\$6,251	\$6,558
– Channel 2	\$5,989	\$6,196	\$6,913	\$6,989	\$6,233
– Channel 3	\$3,208	\$3,351	\$3,343	\$3,342	\$3,482
– Channel 4	\$4,042	\$4,830	\$4,996	\$5,129	\$4,055
– Channel 5	\$4,811	\$4,639	\$4,308	\$4,153	\$3,408
– Channel 6	\$64	\$80	\$85	\$113	\$57
– Channel 7	\$2,772	\$3,046	\$2,965	\$2,938	\$3,340
No. of listeners — past seven days	2.949 million	3.288 million	3.476 million	3.411 million	3.371 million
Cost per listener — past seven days	\$101.6	\$103.0	\$101.9	\$111.0	\$116.0
(b) Programme area (2): Public Affairs and General Television Programme					
Output hours	764.4	1,348.6	1,334.0	1,398.0	1,408.8
Programmes per programme staff	8.2	12.0	12.1	12.1	12.8
Cost per hour	\$472,900	\$276,200	\$312,000	\$328,800	\$333,800
Average viewership of prime-time programmes on commercial channels					
– Asia Television Limited	80,000	69,036	59,000	N.A. (Note 2)	N.A. (Note 2)
– Television Broadcasts Limited (Note 3)	759,000	723,819	715,000	482,000	272,000

Appendix C
(Cont'd)
(paras. 1.7 and 4.31 refer)

Key performance measure	2013-14	2014-15	2015-16	2016-17	2017-18
(c) Programme area (3): School Education Television Programme					
Output hours	20.6	21.8	21.0	20.0	18.9
Programmes per programme staff	8.9	8.9	8.9	8.9	8.8
Cost per hour	\$1,500,000	\$1,408,300	\$1,528,600	\$1,725,000	\$1,576,700
School children benefited	392,798	439,433	371,027	398,889	398,889 (Note 4)
Cost per school student benefited	\$78.7	\$69.9	\$86.5	\$86.5	\$77.2 (Note 4)
Average no. of programmes watched by each class					
– kindergartens	3.7	4.9	4.4	2.3	2.3
– primary	52.9	48.6	71.0	39.9	39.9
– secondary	5.5	3.0	6.0	5.3	5.3
(d) Programme area (4): New Media					
“rthk.hk”					
– daily page view	4.3 million	5.5 million	4.8 million	4.1 million	3.0 million
– daily media access	520,000	556,000	510,000	535,000	627,000
– daily visits	280,000	346,000	320,000	327,000	401,000
– live webcast hours	1,000	1,357	1,260	1,208	1,024
“eTVonline”					
– daily page view	49,000	61,000	70,000	61,000	52,000
– daily media access	1,781	2,268	2,772	2,438	2,152
– live webcast hours	384	329	363	382	387

Source: RTHK records

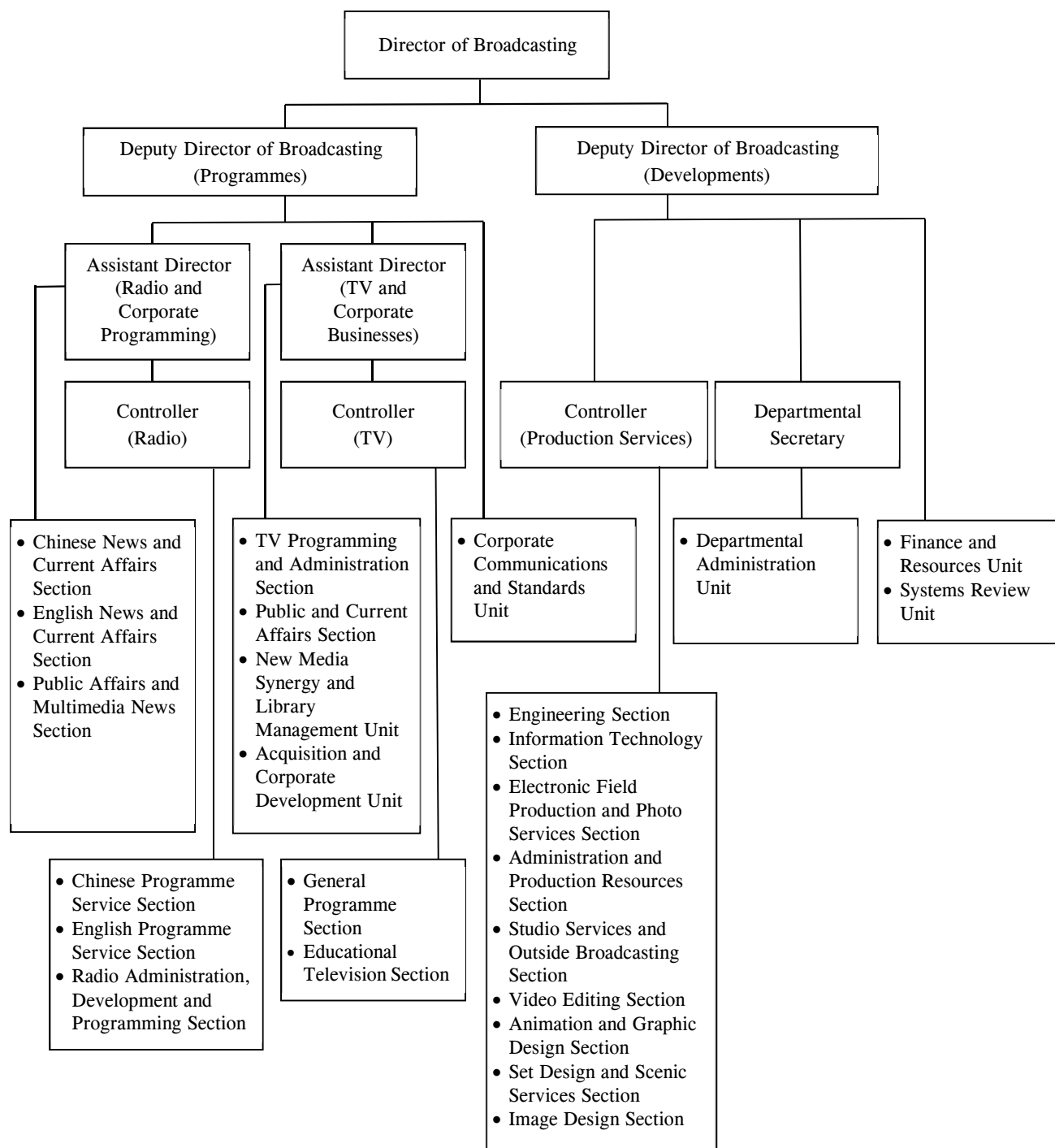
Note 1: The cost per channel hour for 2013-14 to 2016-17 had excluded the Newsroom while the cost per channel hour for 2017-18 had excluded the Newsroom and CIBS.

Note 2: The domestic free television programme service licence of Asia Television Limited expired in April 2016.

Note 3: According to RTHK, the broadcasting time of RTHK programmes from Monday to Friday on a commercial channel of Television Broadcasts Limited has been advanced from 7:00 pm to 6:00 pm since September 2016.

Note 4: These figures were revised estimates provided in the COR.

RTHK: Organisation chart (extract)
(30 June 2018)



Source: RTHK records

Appendix E
(para. 4.69 refers)

**RTHK's actual performance against targets
(2016-17)**

	Performance target (a)	Actual performance (b)	% of target achieved (c) = (b) ÷ (a) × 100%
<i>(a) Radio service</i>			
No. of hours of programme output on analogue channels	55,525	55,525	100 %
No. of hours of news programme output	7,140	7,140	100 %
No. of output hours per programme staff	362.9	360.6	99.4 %
No. of community/educational projects organised	145	150	103.4 %
No. of hours of programme output on digital audio broadcasting channels	2,173	N.A.	N.A.
<i>(b) TV service</i>			
No. of programmes produced (Note)	2,557	2,456	96.1 %
No. of programmes per programme staff (Note)	12.5	12.1	96.8 %
No. of community/educational projects organised	65	85	130.8 %
Average viewership of RTHK prime-time programmes on Television Broadcasts Limited	610,436	482,000	79.0 %
<i>(c) School ETV service</i>			
No. of programmes produced	80	80	100 %
No. of programmes per programme staff	8.9	8.9	100 %
No. of primary schools benefited	430	466	108.4 %
No. of secondary schools benefited	310	321	103.5 %
No. of kindergartens benefited	290	278	95.9 %
No. of school children benefited	439,000	398,889	90.9 %

Appendix E
(Cont'd)
(para. 4.69 refers)

	Performance target (a)	Actual performance (b)	% of target achieved (c) = (b) ÷ (a) × 100%
<i>(d) New media service</i>			
Daily page view of “rthk.hk”	5,100,000	4,100,000	80.4 %
Daily visits of “rthk.hk”	330,000	327,000	99.1 %
Live webcast hours	1,000	1,208	120.8 %
Daily page view of “Teen Power”	65,000	27,000	41.5 %
Daily page view of “eTVonline”	65,000	61,000	93.8 %
Live webcast hours of “eTVonline”	350	382	109.1 %

Source: Audit analysis of RTHK records

Note: For these two items, number of programmes refers to the number of episodes.

Acronyms and abbreviations

ACDU	Acquisition and Corporate Development Unit
APC	Acquired Programme Committee
Audit	Audit Commission
Cat II	Category II
CAU	Central Administration Unit
CEDB	Commerce and Economic Development Bureau
CIBF	Community Involvement Broadcasting Fund
CIBS	Community Involvement Broadcasting Service
COR	Controlling Officer's Report
DCS	Departmental contract staff
DTT	Digital terrestrial television
EDB	Education Bureau
ETV	Education television
FC	Finance Committee
FSTB	Financial Services and the Treasury Bureau
ICAC	Independent Commission Against Corruption
LegCo	Legislative Council
NCSC	Non-civil service contract
NMU	New Media Unit
PATV	Public affairs and general TV
PCM	Programme and Content Management
RTHK	Radio Television Hong Kong
SPR	Stores and Procurement Regulations
TAM Survey	TV Audience Measurement Survey
TV	Television
TVAI	Television Appreciation Index

CHAPTER 6

**Labour and Welfare Bureau
Food and Environmental Hygiene Department
Leisure and Cultural Services Department
Architectural Services Department
Buildings Department**

Barrier-free facilities at government premises

**Audit Commission
Hong Kong
30 October 2018**

This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.

Report No. 71 of the Director of Audit contains 10 Chapters which are available on our website at <https://www.aud.gov.hk>

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BARRIER-FREE FACILITIES AT GOVERNMENT PREMISES

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BARRIER-FREE FACILITIES AT GOVERNMENT PREMISES

Executive Summary

1. Under the Disability Discrimination Ordinance (DDO — Cap. 487), which is binding on the Government, it is unlawful to discriminate against persons with disabilities (PWDs) in relation to the provision of means of access to any premises that the public is entitled to enter or use, or by refusing to provide goods, services or facilities or in the manner in which goods, services or facilities are provided, except where the provision of such goods, services or facilities would impose unjustifiable hardship.
2. The Building (Planning) Regulations (B(P)R — Cap. 123F) under the Buildings Ordinance (Cap. 123) prescribe the design requirements to ensure that reasonable barrier-free access and facilities are provided on premises to meet the needs of PWDs. The Buildings Department (BD) is responsible for updating a Design Manual (DM) concerning barrier-free access. The latest version is “Design Manual: Barrier Free Access 2008” (DM 2008) which sets out both the mandatory requirements stipulated under the B(P)R and the recommended design requirements for barrier-free access and facilities. While the B(P)R is not applicable to buildings belonging to the Government, it is the established policy of the Government to comply with the prevailing requirements in the DM, and where practicable, achieve standards beyond the statutory requirements in the provision of barrier-free facilities.
3. Under Article 9 of the United Nations Convention on the Rights of Persons with Disabilities (hereinafter referred to as the Convention) which has entered into force for Hong Kong since 31 August 2008, the Government has the obligation to take appropriate measures to ensure to PWDs access, on an equal basis with others, to the physical environment, transportation, information and communications, and other facilities and services open or provided to the public. The objective is to enable PWDs to live independently and participate fully in all aspects of life.

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4. In line with the provisions of the DDO and the Convention, it is the Government's established policy objective to provide barrier-free facilities for PWDs, thereby facilitating them to live independently and fully integrate into the community. In addition, barrier-free facilities could benefit the elderly.

5. The Labour and Welfare Bureau (LWB) is the policy bureau which formulates policies and programmes on provision of barrier-free facilities to PWDs, and oversees and co-ordinates their implementation by government bureaux and departments (B/Ds). B/Ds are required to ensure that policies and measures under their respective purview comply with the requirements of the Convention and overall government policy objective in providing a barrier-free environment for PWDs.

6. In December 2006, the Equal Opportunities Commission (EOC) commenced a formal investigation to examine the progress made on the realisation of a barrier-free environment for PWDs, in particular on accessibility to publicly accessible premises. The EOC conducted access audits on publicly accessible premises including that owned, managed or maintained by eight government departments. In June 2010, the EOC issued a formal investigation report (EOC Report). The EOC Report had made a number of recommendations including the improvement of accessibility for publicly accessible premises. In June 2010, the LWB convened a Task Force comprising representatives of stakeholders within the Government to co-ordinate follow-up actions on the recommendations of the EOC. Among the follow-up actions, a Retrofitting Programme involving premises/facilities of 13 managing departments had been worked out in December 2010.

7. The Audit Commission (Audit) has recently conducted a review to examine barrier-free facilities at government premises. Apart from examining the efforts of the LWB (being the policy bureau) on the matter, Audit selected the Food and Environmental Hygiene Department (FEHD) and the Leisure and Cultural Services Department (LCSD) (being the two major departments with barrier-free facilities retrofitted under the Retrofitting Programme) to examine their provision and management of barrier-free facilities with a view to identifying any areas for improvement and lessons to be learned.

Work of LWB over barrier-free facilities at government premises and BD in updating Design Manual

8. *Retrofitting Programme may not cover all government premises with frequent public interface.* To draw up the Retrofitting Programme, in June and July 2010, the LWB (with its representative serving as the Secretary of the Task Force) requested 15 B/Ds (e.g. the FEHD, the LCSD and the Government Property Agency), which were Task Force members to conduct assessments on the need to upgrade barrier-free facilities under their management. In the event, 13 B/Ds identified the need to do so and 3,692 premises/facilities managed by them were included in the Retrofitting Programme. According to the LWB, the Task Force would, apart from the 8 departments identified by the EOC Report, examine the premises under the management of those B/Ds with frequent public interface. Audit noted that, among the 15 B/Ds requested by the LWB to conduct assessments on the need to upgrade barrier-free facilities, 8 were covered by the EOC Report and 7 were not. There was no documentary evidence showing why only these 7 B/Ds were requested to make assessments. As a result, some B/Ds with premises under their management having frequent public interface might not have been requested to make assessment and thus were not included in the Retrofitting Programme. According to the LWB, the tight and pledged timetable for completing the works under the Retrofitting Programme from mid-2012 onwards might be a consideration at that time (paras. 1.14, 2.5 to 2.7 and 2.9 to 2.11).

9. *Longer time than originally planned in collecting feedback from B/Ds on reviews of their accessibility issues.* On 21 September 2016, the LWB issued a memorandum to all B/Ds advising them to review their respective operational practices and procedures to ensure accessibility to services and facilities for users who are PWDs. In the memorandum, the LWB requested B/Ds to complete the review before end of 2016 so that the first annual return could be sent to the LWB before end of 2017. On the same day, the LWB informed all B/Ds that it would get in touch with them on the proforma of the annual return in early 2017 and the exact return date. The LWB issued a finalised proforma to B/Ds in April 2018 and requested them to return the completed proforma on or before 15 April 2019. According to the LWB, two draft proforma were prepared in April and November 2017. It had also held a meeting and organised a seminar with B/Ds to seek their views on the draft proforma in February and March 2018. Audit noted that the LWB took 1.5 years (from September 2016 to April 2018) to prepare the proforma of the annual return and the date for return of the completed proforma was set for April 2019. Comparing with

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the planned return date of end 2017, the LWB had taken a longer time than it originally planned to collect feedback from B/Ds (paras. 2.13 to 2.15).

10. ***Scope for providing more comprehensive information to Legislative Council.*** The Government undertook to provide a quarterly progress report of the Retrofitting Programme to the Legislative Council (LegCo). Audit noted from the progress reports that, for the positions as reported for the period from March 2011 to June 2014, a total of 103 premises/facilities were taken out from the Retrofitting Programme without providing reasons. According to the LWB, the managing department and the works agent of the relevant premises/facilities, of these 103 premises/facilities, the works for: (a) 32 premises/facilities were completed; (b) 55 premises/facilities were cancelled due to various reasons; (c) barrier-free facilities for 13 premises/facilities had been reviewed and considered not necessary; (d) 2 premises were in progress; and (e) 1 premises would be tied in with a works project. The LWB informed Audit that in compiling the large number of returns from departments for submission to LegCo in the form of regular progress reports, the LWB had endeavoured to provide in each progress report the full information as provided by the B/Ds concerned. Audit considers that the LWB needs to remind B/Ds to ensure the completeness of information in their returns in future (paras. 1.17, 2.16, 2.18 and 2.19).

11. ***Need to take actions to timely update the Design Manual.*** In June 2014, the BD set up a Technical Committee on Design Manual with an aim to keep the DM under regular review. Once a consensus to amend certain parts of DM has been reached in the Technical Committee, a draft corrigendum would be prepared. After endorsement by the Technical Committee, the draft corrigendum would be submitted to the responsible BD officer for review. Between December 2015 and June 2018, the Technical Committee was handling proposals relating to 92 items for improving DM 2008. Regarding these 92 items, amendments for 10 items to the DM were considered not necessary by the Technical Committee and 11 items were being discussed by the Technical Committee. For the remaining 71 items, Audit noted that as of June 2018: (a) for 26 items with amendments made in the DM (which did not require legislative amendments), 19 had taken more than six months (counting from the endorsement of the draft corrigendum by the Technical Committee) to amend DM 2008. The long time was due to delay in submitting the draft corrigendum to the responsible BD officer for review after endorsement given by the Technical Committee (ranging from 7 months to 14 months, averaging 10 months); (b) for 17 items, amendments were considered necessary but had not been made in the DM. For 13 of these 17 items, more than three months had elapsed after endorsement by

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the Technical Committee. Up to June 2018, the relevant draft corrigendum had not been submitted to the responsible BD officer after they were endorsed (ranging from 6 to 16 months, averaging 11 months); and (c) 28 items had not yet been discussed by the Technical Committee. Audit considers that the BD needs to take actions to timely update the DM and closely monitor the progress (paras. 2.24 to 2.27).

Work of FEHD and LCSD in providing and managing barrier-free facilities under their management

12. The LCSD is responsible for providing leisure and cultural facilities and services to the public. The FEHD is responsible for, among others, environmental hygiene services and facilities as well as food safety control. As of June 2018, the LCSD had 1,949 venues (e.g. sports centres, parks and playgrounds, museums and libraries) and the FEHD had 1,741 venues (e.g. public toilets, public markets, cemeteries and crematoria) under their purview (para. 3.2).

13. *Access Co-ordinator and Access Officer Scheme.* The Government has launched an Access Co-ordinator and Access Officer Scheme to enhance the accessibility of government premises, facilities and services. According to the memorandum issued by the LWB, individual B/Ds should appoint an Access Co-ordinator (AC) to co-ordinate accessibility issues within the B/D and serve as the departmental focal point of a government network to facilitate government-wide collaborated efforts in enhancing the accessibility of government premises and facilities. An Access Officer (AO) should be appointed for each venue under the B/Ds' management to serve as the first point of contact on accessibility issues at the venue. As of 30 June 2018, the FEHD and the LCSD had each appointed an AC, and had also appointed 101 and 347 AOs respectively (paras. 3.3 and 3.4).

14. *Maintaining a complete and updated list of barrier-free facilities.* According to the LWB, under the established practice, it is the responsibility of B/Ds to maintain up-to-date lists of barrier-free facilities under their management. Audit noted that the FEHD and the LCSD had not maintained a complete and updated list of barrier-free facilities for all the venues under their management (para. 3.6).

15. *Areas for improvement in conducting access audits.* According to the departmental circulars issued by the FEHD and the LCSD, their AOs should conduct

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regular audit checks and take timely follow-up actions as required to ensure the provision of suitable barrier-free facilities. AOs are required to complete access audit checklists. Audit has found areas for improvement in access audits conducted by the LCSD and the FEHD including: (a) access audits for some venues were not carried out; (b) access audits were not conducted by the designated AOs; and (c) some DM 2008 requirements were not included in their access audit checklists for checking (paras. 3.12, 3.14 and 3.15).

16. ***Deficiencies identified in Audit site visits.*** Audit conducted site visits to 20 FEHD venues and 30 LCSD venues (covering various types of venues across the territory) during May to September 2018 and found deficiencies in 14 (70% of 20) FEHD venues and 26 (87% of 30) LCSD venues including: (a) in the provision of barrier-free facilities, deficiencies (e.g. a notice of “Emergency Call” in both English, Chinese and braille was not provided next to the emergency push button for emergency call bell) were found in 13 FEHD and 25 LCSD venues; (b) in the maintenance of barrier-free facilities, deficiencies (e.g. tactile guide paths were worn out) were found in 4 FEHD and 8 LCSD venues; and (c) in the control of barrier-free facilities, deficiencies (e.g. tactile guide paths were obstructed by goods, carpets, or trolleys) were found in 9 FEHD and 12 LCSD venues (paras. 3.5, 3.20 and 3.21).

17. ***Other administrative issues.*** Audit notes room for improvement in a number of other administrative issues concerning the provision and management of barrier-free facilities under the FEHD and the LCSD including: (a) as of August 2018, for the FEHD, information on accessible toilets was provided on its website. However, accessibility information (e.g. whether and what barrier-free facilities were provided) of other venues under its management (e.g. public markets) was not available. For the LCSD, accessibility information on libraries was not provided on its website. Regarding other venues, while information on accessible toilets was provided, information on other major barrier-free facilities (e.g. accessible lifts and tactile guide paths) was not available on its website for most venues; (b) according to the LWB, B/Ds are required to assess the training needs and organise tailor-made seminars/workshops for AOs and venue-based staff. As of 30 June 2018, 52 out of the 101 AOs of the FEHD and 183 out of 347 AOs of the LCSD had not attended seminars on accessibility issues; and (c) the FEHD and the LCSD did not regularly compile complaint statistics relating to the provision and management of barrier-free facilities (paras. 3.26, 3.27, 3.34, 3.36 and 3.38).

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18. **Way forward.** As the audit findings and recommendations on the FEHD and the LCSD may also be applicable to other B/Ds, there is a need for the LWB to draw attention of other B/Ds to the audit findings and recommendations in this Audit Report with a view to improving the provision and management of barrier-free facilities at premises managed by them (para. 3.42).

Management of retrofitting works for barrier-free facilities at government premises

19. The Architectural Services Department (ArchSD) is the works agent for implementing barrier-free facilities improvement works initiated by managing departments. According to the ArchSD, the retrofitting works for barrier-free facilities at government premises are carried out through: (a) the Retrofitting Programme; and (b) the refurbishment of government buildings (e.g. the Public Toilet Refurbishment Programme). They were funded under two block votes (controlled by the ArchSD) of the Capital Works Reserve Fund. According to the ArchSD, from 2011-12 to 2017-18, the actual expenditure under the Retrofitting Programme was \$1.07 billion, which was funded under the related block vote. The ArchSD had engaged 11 consultants for conducting feasibility studies and awarded 10 design-and-build (D&B) term contracts for carrying out design and construction of barrier-free facilities. The ArchSD is responsible for administering these term contracts (paras. 4.2 to 4.4 and 4.6 to 4.8).

20. ***Need to closely monitor the timely submission of documents relating to implementation of works orders by contractors.*** The ArchSD had issued 5,139 works orders from 2011 to 2017 for upgrading the barrier-free facilities under the Retrofitting Programme. Audit noted 414 works orders (8% of 5,139) with delay in completion, of which the delay of 30 works orders was particularly long (ranging from 730 days to more than 1,095 days). According to the ArchSD, for these 30 works orders: (a) the delay for 29 works orders was mainly due to the contractors' late submission of documents which were required under the contracts and there was no delay in the provision of barrier-free facilities on site for use by the public. Without such documents, the ArchSD could not certify the works completion under the terms and conditions of these contracts. In view of such delay, the ArchSD had imposed liquidated damages; and (b) for the remaining works order, the delay was due to the time taken to resolve land issue during the design stage. Audit considers that the ArchSD needs to take measures to closely monitor the timely submission of documents relating to implementation of works orders by contractors (paras. 4.9 and 4.10).

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21. *Need to learn from incidents involving slippery tactile guide paths.* Shortly after the completion of the installation of tactile guide path in Lai Chi Kok Park, the LCSD received four complaints about tactile guide path being slippery (two expressly mentioned that the path was slippery after the rain) and posing safety risks to the public. After investigation, the LCSD noted that 14 other venues also had incidents involving slippery tactile guide paths. According to the ArchSD, the materials used in the tactile guide paths in the 15 venues concerned complied with the slip resistance requirements of DM 2008. Upon the LCSD's request, the ArchSD carried out remedial works by applying anti-slip coating to tactile guide paths in 15 venues where 9 accidents (mainly involving visitors who slipped on the ground) had occurred and 23 complaints (concerning slippery floor) were received. According to the ArchSD, the anti-slip coating once applied could improve the friction of the surface and last up to five years. However, the LCSD still found the tactile guide paths of eight venues slippery. For five venues, anti-slip coating had been re-applied within 9 to 13 months after applying the first coating. For the remaining three venues, the tactile floor tiles at inclined or steeper areas had been removed. In this connection, Audit noted that the issue of slip resistance requirements on tactile guide path was being reviewed by the Technical Committee on Design Manual since September 2014. The issue was discussed again at the Technical Committee meeting in April 2018. According to the BD, the review of slip resistance requirements for tactile guide path by the relevant departments was still in progress. Audit considers that: (a) the ArchSD needs to learn from the incidents involving slippery tactile guide paths; and (b) the BD needs to closely liaise with the departments concerned regarding the updating of slip resistance requirements for tactile guide path in DM 2008 (paras. 4.11 to 4.16 and 4.18 to 4.21).

22. *Scope for improving ArchSD's work in project administration for retrofitting works.* In March 2012, in the course of submitting funding application for the retrofitting works, the ArchSD informed the LCSD that the D&B term contractor estimated the cost of retrofitting works of barrier-free facilities in the Victoria Park to be \$10.66 million. Such works would proceed in two phases. Phase I works were targeted to complete by May 2012. Phase II works were targeted to commence in May 2012. Four works orders with a total cost of \$12.8 million were issued between February 2013 and May 2014. Audit noted that the ArchSD had instructed the contractor to commence works before the issuance of works orders and the total cost for the four works orders had exceeded the cost estimates by \$2.14 million. According to the ArchSD: (a) to meet the Government's target firmly set to complete the works by June 2012, the contractor was instructed to commence works first and works orders were subsequently issued to the contractor; (b) in some circumstances under the term contracts, the ArchSD could instruct the contractor to

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proceed works first and issue works order later. The ArchSD was committed to reviewing its operational procedures to clarify the circumstances under which this applied and the related procedures; and (c) the excess in works costs was to cater for additional barrier-free facilities works carried out concurrently with the barrier-free facilities retrofitting works. Audit considers that there is scope for the ArchSD to improve its project administration work (paras. 4.23 to 4.27).

23. *Need to ensure that improvement works for barrier-free facilities are completed as soon as practicable.* A total of 90 premises had been taken out from the Retrofitting Programme and transferred to other improvement programmes. As of September 2018, the retrofitting works for barrier-free facilities in 66 premises were completed and 10 premises were cancelled mainly because the premises were demolished or subject to re-development. The retrofitting works for the remaining 14 premises had not been completed. These 14 premises were public toilets under the FEHD's Public Toilet Refurbishment Programme. The works for 7 public toilets were in progress and 7 public toilets were at planning stage. According to the FEHD and the ArchSD, a Public Toilet Refurbishment project involves various stages, including clarification on land status, comprehensive design and seeking approval of design. Audit considers that the FEHD needs to, in collaboration with the ArchSD, take measures to complete the improvement works for barrier-free facilities under its management as soon as practicable (paras. 4.34 to 4.37).

Audit recommendations

24. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Government should:**

Work of LWB over barrier-free facilities at government premises and BD in updating Design Manual

- (a) **take measures to ensure that all relevant B/Ds are consulted as far as practicable in co-ordinating issues on provision of barrier-free environment in government premises and facilities in future (para. 2.22(a));**
- (b) **with regard to the B/Ds' reviews of accessibility issues, in collecting their feedback in future, make a better assessment of the difficulties**

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involved in setting the time target for collecting their feedback and endeavour to meet the target (para. 2.22(b)(ii));

- (c) in co-ordinating returns from a large number of B/Ds for submission to LegCo in future, remind B/Ds to ensure the completeness of information in their returns (para. 2.22(c));
- (d) take actions to timely update the DM and closely monitor the progress (para. 2.28(a));
- (e) take follow-up actions as soon as practicable on the 28 items (involving proposals for improving DM) that had not been discussed by the Technical Committee on Design Manual (para. 2.28(b));

Work of FEHD and LCSD in providing and managing barrier-free facilities under their management

- (f) maintain a complete and updated list of barrier-free facilities at venues managed by the FEHD and the LCSD for monitoring and planning purposes (para. 3.8);
- (g) take follow-up actions on the areas for improvement in conducting access audits as identified by Audit and take measures to enhance access audits of the FEHD and the LCSD (para. 3.17(a) and (b));
- (h) take follow-up actions on the deficiencies in the provision, maintenance and control of barrier-free facilities at venues managed by the FEHD and the LCSD as identified by Audit (para. 3.23(a));
- (i) take measures to strengthen the work of the FEHD and the LCSD in providing, maintaining and controlling barrier-free facilities at venues managed by them (para. 3.23(b));
- (j) take measures to ensure that adequate information about accessibility of venues is promulgated on the websites of the FEHD and the LCSD and/or at venues managed by them (para. 3.39(a));

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- (k) **assess the training needs of and organise suitable training for AOs and venue-based staff of the FEHD and the LCSD (para. 3.39(c));**
- (l) **ensure that complaint statistics relating to the provision and management of barrier-free facilities are regularly compiled and submitted to the senior management (para. 3.39(d));**
- (m) **draw attention of other B/Ds to the audit findings and recommendations on the FEHD and the LCSD as mentioned in this Audit Report (para. 3.43);**

Management of retrofitting works for barrier-free facilities at government premises

- (n) **take measures to closely monitor the timely submission of documents relating to implementation of works orders by ArchSD contractors (para. 4.30(a));**
- (o) **learn from the incidents involving slippery tactile guide paths (particularly those at outdoor venues) and closely liaise with the departments concerned regarding the updating of slip resistance requirements for tactile guide path in DM 2008 (paras. 4.30(b) and 4.31);**
- (p) **strengthen measures for controlling the issuance of works orders and remind ArchSD staff and consultants to make more accurate cost estimates for works orders as far as practicable (para. 4.30(c)); and**
- (q) **take measures to complete the improvement works for barrier-free facilities managed by the FEHD as soon as practicable (para. 4.38).**

Response from the Government

25. The Government agrees with the audit recommendations.

PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

Background

1.2 The Disability Discrimination Ordinance (DDO — Cap. 487) was enacted in August 1995. Under the DDO, which is binding on the Government, it is unlawful to discriminate against persons with disabilities (PWDs) in relation to the provision of means of access to any premises that the public is entitled to enter or use. In addition, it is also unlawful to discriminate against PWDs by refusing to provide goods, services or facilities, or in the manner in which goods, services or facilities are provided, except where the provision of such goods, services or facilities would impose unjustifiable hardship (Note 1).

1.3 Under Article 9 of the United Nations Convention on the Rights of Persons with Disabilities (hereinafter referred to as the Convention) which has entered into force for Hong Kong since 31 August 2008, the Government has the obligation to take appropriate measures to ensure to PWDs access, on an equal basis with others, to the physical environment, transportation, information and communications, and other facilities and services open or provided to the public. The objective is to enable PWDs to live independently and participate fully in all aspects of life. To ensure Hong Kong's compliance with the Convention, government bureaux and departments (B/Ds) are required to give due regard to the Convention's provisions in formulating policies, implementing programmes and delivering services.

1.4 In line with the provisions of the DDO and the Convention, it is the Government's established policy objective to provide barrier-free facilities for PWDs, thereby facilitating them to live independently and fully integrate into the community.

Note 1: *The DDO stipulates that notwithstanding any provision in any other Ordinance, a public authority which has the power to approve building works, which includes the Director of Lands, the Building Authority, the Housing Authority and the Director of Architectural Services, shall not approve building plans, whether for a new building or for the alterations or additions to an existing building unless the public authority is satisfied that reasonable access will be provided for PWDs.*

Introduction

1.5 The Building (Planning) Regulations (B(P)R — Cap. 123F) under the Buildings Ordinance (BO — Cap. 123) prescribe the design requirements to ensure that reasonable barrier-free access and facilities are provided on premises to meet the needs of PWDs. B(P)R applies to new buildings or alterations and additions to existing buildings. The Buildings Department (BD) is responsible for updating a Design Manual (DM) concerning barrier-free access which was first published in 1984. The latest version is “Design Manual: Barrier Free Access 2008” (hereinafter referred to as DM 2008) which sets out both the mandatory requirements stipulated under the B(P)R, as well as a set of recommended design requirements (i.e. best practice options beyond the statutory requirements) for barrier-free access and facilities (Note 2). According to the Labour and Welfare Bureau (LWB), while the B(P)R is not applicable to buildings belonging to the Government and the Hong Kong Housing Authority (HA), it is the established policy of the Government and the HA to comply with the prevailing requirements in the DM, and where practicable, achieve standards beyond the statutory requirements in the provision of barrier-free facilities as follows:

- (a) ***New premises and facilities.*** All new government and HA buildings or alterations and additions to existing government and HA buildings with construction commencing after 1 December 2008 will have to meet the mandatory requirements in DM 2008 and wherever practicable, achieve a standard beyond the statutory requirements; and
- (b) ***Existing government premises and facilities.*** The managing departments concerned should work with the works agents (e.g. the Architectural Services Department — ArchSD) to upgrade the barrier-free facilities to the latest design standards where practicable whenever renovation works are carried out.

1.6 DM 2008 sets out the latest design requirements of providing proper access to and appropriate facilities in a building for PWDs (see Appendix A for examples). Barrier-free facilities at some government premises are shown in Photographs 1 and 2.

Note 2: *The DM was revised in 1997 and 2008 to introduce improved design requirements to address the needs of PWDs in the light of advancement in building technology and the rising expectation of the community.*

Photograph 1

Wheelchair spaces in auditorium



Source: Leisure and Cultural Services Department records

Photograph 2

Handrail with braille and tactile information



Source: Leisure and Cultural Services Department records

Introduction

Roles and responsibilities

1.7 The LWB is the policy bureau which formulates policies and programmes on provision of barrier-free facilities to PWDs, and oversees and co-ordinates their implementation by B/Ds. B/Ds are required to ensure accessibility to services and facilities for PWDs at premises under their management in accordance with government policies. The ArchSD is the works agent for implementing barrier-free access improvement works initiated by the managing departments of the government premises/facilities to upgrade or provide barrier-free facilities at existing government premises under its maintenance in accordance with the approved funding applications submitted by the managing departments. Details of their roles and responsibilities are set out in paragraphs 1.8 to 1.10.

Labour and Welfare Bureau

1.8 The Rehabilitation Division of the LWB (Note 3) is headed by the Commissioner for Rehabilitation (C for R) whose responsibilities include, among others:

- (a) formulating and reviewing the overall development strategy for rehabilitation policies and programmes;
- (b) overseeing and co-ordinating as required cross-bureau issues pertaining to the rights and well-being of PWDs;
- (c) overseeing and enhancing the co-ordination among government B/Ds, public bodies and non-governmental organisations on the implementation of the Convention including monitoring the delivery of rehabilitation services by B/Ds;
- (d) providing policy input in formulating and reviewing policies and programmes on barrier-free environment and overseeing and co-ordinating for their effective implementation by B/Ds;

Note 3: *As of June 2018, the Rehabilitation Division is staffed by 2 directorate officers, 8 non-directorate officers and 14 secretarial/clerical staff.*

- (e) reviewing and monitoring the application of the DDO and Regulation 72 of the B(P)R (see para. 2.25) under the BO;
- (f) providing advice and support for the review of DM 2008 being conducted by the BD; and
- (g) preparing submission to the Legislative Council (LegCo) on rehabilitation policy matters and take necessary follow-up actions.

Government bureaux and departments

1.9 B/Ds are required to ensure that policies and measures under their respective purview comply with the requirements of the Convention and overall government policy objectives in providing a barrier-free environment for PWDs. Their responsibilities include:

- (a) developing procedures and guidelines on barrier-free access to services and facilities;
- (b) ensuring provision of suitable barrier-free facilities within government premises;
- (c) designating an Access Co-ordinator (AC) to co-ordinate accessibility issues within the B/D and serve as the departmental focal point of a government network to facilitate government-wide collaborated efforts in enhancing the accessibility of government premises and facilities, and appointing an Access Officer (AO) for each venue under their management to handle accessibility issues;
- (d) offering assistance to PWDs in access to B/Ds' premises and using the services and facilities therein;
- (e) monitoring the implementation of retrofitting programmes in improving the accessibility of B/Ds' venues; and
- (f) co-ordinating communication with stakeholders to identify improvement areas in premises managed by B/Ds.

Architectural Services Department

1.10 The ArchSD is responsible for the design and construction of government buildings. It needs to ensure that all newly constructed buildings or major alterations and additions to existing buildings meet the B(P)R under the BO and the DM. The ArchSD is the works agent for implementing barrier-free access improvement works initiated by the managing departments of the government premises/facilities to upgrade or provide barrier-free facilities at existing government premises under its maintenance in accordance with the approved funding applications submitted by the managing departments.

Formal Investigation Report on Accessibility in Publicly Accessible Premises by Equal Opportunities Commission

1.11 In December 2006, the Equal Opportunities Commission (EOC — Note 4) commenced a formal investigation to examine the progress made on the realisation of a barrier-free environment for PWDs, in particular on accessibility to publicly accessible premises. For the purpose of the investigation, the EOC conducted access audits on 60 publicly accessible premises owned, managed or maintained by the Hong Kong Housing Society, the then Link Management Limited (Note 5), the HA and 8 government departments, namely the Civil Engineering and Development Department (CEDD), the Department of Health, the Food and Environmental Hygiene Department (FEHD), the Government Property Agency (GPA), the Home Affairs Department, the Hongkong Post, the Leisure and Cultural Services Department (LCSD) and the Transport Department (TD). In June 2010, the EOC issued a formal investigation report (EOC Report).

Note 4: *The EOC is a statutory body established in 1996. It is responsible for overseeing the implementation of the Sex Discrimination Ordinance (Cap. 480), the DDO, the Family Status Discrimination Ordinance (Cap. 527) and the Race Discrimination Ordinance (Cap. 602) in Hong Kong.*

Note 5: *It was renamed as the Link Asset Management Limited in August 2015.*

1.12 The EOC Report had made a number of recommendations on the improvement of accessibility, connectivity and interface with surrounding environment and user-friendly management practices for publicly accessible premises. In June 2010, the LWB convened a Task Force comprising representatives of stakeholders within the Government (Note 6) to co-ordinate follow-up actions on the recommendations of the EOC.

1.13 In response to the EOC's recommendations, the Task Force agreed to co-ordinate to work out a rolling action plan on upgrading barrier-free facilities in existing government premises/facilities.

1.14 To draw up the Retrofitting Programme, in June and July 2010, the LWB requested members of the Task Force to conduct a preliminary assessment on individual premises/facilities under their management for compliance with the requirements stipulated in DM 2008 on the basis of a checklist prepared by the ArchSD (see para. 2.6), and provide departmental returns on premises/facilities that would be retrofitted having regard to such relevant factors including patronage, extent of accessibility, plan for major renovations and operational circumstances. The members were also required to provide a list of premises/facilities where retrofitting would not be carried out or of low priority with full justifications.

1.15 In December 2010, the LWB informed LegCo that relevant departments had made assessments on premises and facilities under their management which had a frequent public interface on the basis of DM 2008. Having regard to operational requirements, technical feasibility and time required for the retrofitting works, the LWB had worked out a consolidated Retrofitting Programme for these premises and facilities. The details of the Retrofitting Programme are shown in Table 1.

Note 6: *The Convenor of the Task Force is the Deputy Secretary for Labour and Welfare (Welfare). Members are representatives from the 8 departments covered in the EOC Report (see para. 1.11), 10 other B/Ds (the ArchSD, the BD, the Chief Secretary for Administration's Office, the Hong Kong Police Force, the Housing Department, the Highways Department, the Immigration Department, the Judiciary, the Labour Department and the Social Welfare Department) and the C for R. The Task Force held three meetings on 23 June 2010, 23 July 2010 and 10 September 2010.*

Table 1
Number of government premises/facilities to be retrofitted
(December 2010)

Managing department	Number of premises/facilities involved			
	Works to be completed by		Works not recommended (Note 2)	Total
	30.6.2012	30.6.2014		
	(a)	(b)	(c)	(d) = (a) + (b) + (c)
1. LCSD	1,185	15	147	1,347
2. TD (Note 1)	806	193	11	1,010
3. FEHD	652	68	15	735
4. Social Welfare Department	165	—	—	165
5. GPA	106	—	2	108
6. Home Affairs Department	93	1	—	94
7. Hongkong Post	79	46	—	125
8. Labour Department	77	—	6	83
9. Hong Kong Police Force	64	—	2	66
10. Department of Health	49	58	2	109
11. Immigration Department	25	—	1	26
12. Judiciary	4	5	3	12
13. CEDD	1	—	—	1
14. Chief Secretary for Administration's Office	—	—	4	4
Total	3,306	386	193	3,885

3,692

Source: LWB's paper to LegCo

Note 1: According to the LegCo paper of December 2010, the TD (the managing department), together with the Highways Department and the CEDD (the works agents), would schedule their programmes of providing barrier-free facilities, e.g. tactile guide paths, dropped kerbs, tactile warning strips for Public Transport Interchanges/Public Light Bus termini, footbridges/subways and roads to enhance accessibility of PWDs. The installation of lift and ramp in footbridges/subways would continue to be handled in a separate retrofitting programme carried out by the Highways Department.

Note 2: According to the LegCo paper of December 2010, these government premises/facilities would not be retrofitted because of imminent plan of decommissioning or disposal (e.g. West Wing, Central Government Offices and Murray Building), insurmountable technical constraints (e.g. the Mount Davis Service Reservoir Sitting-out Area located on a slope with a steep and restricted access road), and buildings with structural constraints for the provision of manoeuvring space in corridors for wheelchairs, etc.

1.16 As shown in Table 1, apart from the TD which is responsible for managing barrier-free facilities at Public Transport Interchanges/Public Light Bus termini, footbridges/subways and roads, the LCSD and the FEHD are the two major managing departments in the Retrofitting Programme.

1.17 At the meeting of LegCo Panel on Welfare Services in December 2010, the Government undertook to provide, starting from April 2011, a quarterly progress report of the Retrofitting Programme for upgrading the barrier-free facilities in existing government and HA (Note 7) premises and facilities to LegCo (Note 8).

1.18 According to the progress report for the position as at June 2014, the LWB reported that all the improvement works under the Retrofitting Programme had been completed (covering 3,435 premises/facilities). As the improvement works had been completed and the enhancement works were the ongoing work of the relevant departments, the LWB did not propose to submit further progress report.

Audit review

1.19 In 2016, the Audit Commission (Audit) completed a review of “Retrofitting of barrier-free access facilities for grade-separated walkways”, the results of which were included in Chapter 3 of the Director of Audit’s Report No. 66 of April 2016. The audit review focused on the retrofitting of barrier-free access facilities for

Note 7: *The Housing Department, as the executive arm of the HA, provides secretarial and executive support for the HA and its six standing committees. The Housing Department had devised a retrofitting programme to improve the accessibility of the properties (including public rental housing estates, commercial centres and carparks) under its management. Such retrofitting works were not included in Table 1 and their works progress was separately reported in the progress reports to LegCo.*

Note 8: *At the meeting in January 2011, the Panel on Welfare Services of LegCo agreed to appoint a subcommittee to monitor, among others, the Government’s follow-up actions on the recommendations in the EOC Report. The Subcommittee on Improving Barrier Free Access and Facilities for Persons with Disabilities commenced work in June 2011. The progress reports were submitted to the Subcommittee until it was dissolved in May 2012 after submission of its report to the Panel. The progress reports for the position from June 2012 onwards were submitted to the Panel.*

Introduction

grade-separated walkways (managed by the TD and retrofitting works carried out by the Highways Department (HyD) and the CEDD).

1.20 In April 2018, Audit commenced a review to examine the barrier-free facilities at government premises (Note 9). Apart from examining the efforts of the LWB (being the policy bureau) on the matter, Audit selected the FEHD and the LCSD (being the two major departments with barrier-free facilities retrofitted — see para. 1.16) to examine their provision and management of barrier-free facilities (Note 10) with a view to identifying any areas for improvement and lessons to be learned. The review focuses on the following areas:

- (a) work of LWB over barrier-free facilities at government premises and BD in updating Design Manual (PART 2);
- (b) work of FEHD and LCSD in providing and managing barrier-free facilities under their management (PART 3); and
- (c) management of retrofitting works for barrier-free facilities at government premises (PART 4).

Audit has found room for improvements and lessons to be learned in the above areas, and has made a number of recommendations to address the issues.

Acknowledgement

1.21 Audit would like to acknowledge with gratitude the full cooperation of the staff of the LWB, the FEHD, the LCSD, the ArchSD and the BD during the course of the audit review.

Note 9: *The audit review does not cover barrier-free facilities in premises managed by the Housing Department (e.g. public rental housing estates or commercial centres) and premises managed by the Hospital Authority (hospitals and clinics).*

Note 10: *While the TD is also a major department with barrier-free facilities retrofitted (see item 2 of Table 1 in para. 1.15), the 2016 audit review on “Retrofitting of barrier-free access facilities for grade-separated walkways” had already covered retrofitting works of ramps, lifts and alternative at-grade crossings in footbridges, elevated walkways and subways.*

PART 2: WORK OF LWB OVER BARRIER-FREE FACILITIES AT GOVERNMENT PREMISES AND BD IN UPDATING DESIGN MANUAL

2.1 This PART examines the LWB's work in overseeing and co-ordinating the implementation of policy on barrier-free facilities at government premises by B/Ds (paras. 2.2 to 2.23) and the BD's work in updating the DM (paras. 2.24 to 2.29).

LWB's work in overseeing and co-ordinating the implementation of policy on barrier-free facilities at government premises by B/Ds

2.2 *Role and responsibilities of the LWB.* The Rehabilitation Division is responsible for policy matter on provision of a barrier-free environment for PWDs, thereby facilitating them to live independently and fully integrate into the community. It is headed by the C for R, whose responsibilities as mentioned in paragraph 1.8 include:

- (a) providing policy input in formulating and reviewing policies and programmes on barrier-free environment and overseeing and co-ordinating for their effective implementation by B/Ds; and
- (b) preparing submission to LegCo on rehabilitation policy matters and taking necessary follow-up actions.

2.3 According to the LWB, since upgrading of his post (Note 11) in September 2014, the C for R has maintained close collaborations with the

Note 11: *The C for R post was created at Administrative Officer Staff Grade C (D2) rank in 1977 and was re-graded to Senior Principal Executive Officer (D2) rank in 2001, having regard to the then executive, resource management and co-ordination duties of the post. Owing to the significant development in rehabilitation policies and services for PWDs since the review of the C for R post in 2001, the post was upgraded to Administrative Officer Staff Grade B (D3) rank with the approval of the Finance Committee of LegCo in July 2014.*

Work of LWB over barrier-free facilities at government premises and BD in updating Design Manual

Rehabilitation Advisory Committee (Note 12) and listened to its views on issues including provision of barrier-free environment for PWDs. The C for R has also enhanced co-ordination among relevant B/Ds on cross-bureau policies and measures to ensure that government policies on barrier-free environment can suitably cater for needs of PWDs and help them fully integrate into the community.

2.4 Audit examined the LWB's work in overseeing and co-ordinating the implementation of policy on barrier-free facilities at government premises by B/Ds and noted room for improvement in a number of areas (see paras. 2.5 to 2.21).

Retrofitting Programme may not cover all government premises with frequent public interface

2.5 To co-ordinate the Government's response and follow-up actions on the recommendations of the EOC, the LWB convened a Task Force in June 2010 comprising representatives from B/Ds (the 8 departments covered in the EOC Report and 10 other B/Ds — see Note 6 to para. 1.12). It was agreed at the Task Force meeting on 23 June 2010 that departments would conduct a preliminary assessment on individual premises/facilities under their management for compliance with the requirements stipulated in DM 2008 and worked out a rolling action plan on upgrading barrier-free facilities in existing government premises/facilities.

Note 12: *The Rehabilitation Advisory Committee is set up to serve as the principal advisory body to the Government on the development and implementation of rehabilitation services and matters pertaining to the well-being of PWDs in Hong Kong. The Committee comprises members from different sectors including the business sector, rehabilitation sector and education sector.*

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2.6 On 30 June 2010, the LWB (with its representative serving as the Secretary of the Task Force) issued an email to ten B/Ds (which were Task Force members — Note 13) requesting them to conduct preliminary assessments on individual premises/facilities under their management using a checklist prepared by the ArchSD (Note 14) and provide their returns by 16 July 2010.

2.7 On 5 July 2010, the LWB informed the Task Force members that the Chief Executive's Office advised on 4 July 2010 that any shortcomings with government premises should be rectified within a target timeframe before 30 June 2012. At the second Task Force meeting held on 23 July 2010, it was agreed to take forward the upgrading of barrier-free facilities as follows:

- (a) ten B/Ds (see para. 2.6) would review whether refinements of their returns were required and provide revised returns to the LWB by 6 August 2010 on:

Note 13: *The LWB had issued an email to the 13 Task Force members and the HA. According to the LWB, those Task Force members who were responsible for management of premises/facilities were requested to conduct assessments, as follows:*

- (a) *ten departments (the Chief Secretary for Administration's Office, the CEDD, the FEHD, the Department of Health, the GPA, the Home Affairs Department, the HyD, the Hongkong Post, the LCSD and the TD) were requested to conduct assessments; and*
- (b) *for the remaining three departments: (i) the BD was invited to join the Task Force because it was responsible for the DM; (ii) the ArchSD was the works agent for the Retrofitting Programme for government premises. The ArchSD itself did not manage premises which had frequent public interface; and (iii) the Housing Department had its own retrofitting programme (see Note 7 to para. 1.17). The Housing Department was the executive arm of the HA, and hence the email was also issued to the HA.*

Note 14: *In the checklist, B/Ds were required to assess whether retrofitting works would be required at individual premises/facilities for providing the following barrier-free facilities: (1) accessible site entry point/entrance; (2) accessible lift; (3) accessible toilet; (4) accessible parking space; (5) accessible service counter; (6) visual fire alarm; (7) adequate accessible sign; (8) tactile guide path; (9) braille and tactile layout plan; (10) assistive listening system; (11) accessible common area; (12) accessible seating space; (13) accessible aisle; (14) visual display board; and (15) accessible pool.*

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- (i) premises/facilities that would and would not be retrofitted by 30 June 2012; and
 - (ii) premises/facilities where retrofitting would not be carried out or of low priority; and
- (b) the Task Force would invite 5 more departments (Note 15), which had not been covered in the EOC Report (see Note 6 to para. 1.12) but managed premises/facilities with frequent public interface, to join the Task Force. They would be requested to conduct assessments on their premises/facilities for compliance with the requirements stipulated in DM 2008 and provide departmental returns by 6 August 2010.

2.8 In December 2010, the LWB informed LegCo that, after relevant departments had made assessments on premises and facilities under their management with frequent public interface, a Retrofitting Programme involving 13 departments (Note 16) was formulated as follows:

- (a) 3,306 government premises/facilities would be retrofitted by 30 June 2012; and
- (b) 386 government premises/facilities would be retrofitted by 30 June 2014 having regard to such factors as patronage, extent of improvement works involved, plan for major renovations, operational requirements and technical constraints, etc.

Note 15: *The five departments were the Hong Kong Police Force, the Immigration Department, the Judiciary, the Labour Department and the Social Welfare Department.*

Note 16: *Of the 15 B/Ds that were requested to assess their premises/facilities, the Chief Secretary for Administration's Office and the HyD were not included in the Retrofitting Programme. According to the LWB: (a) the Chief Secretary for Administration's Office had reported that, after conducting the assessment, barrier-free facilities retrofitting works were not required; and (b) the HyD conducted a separate retrofitting programme for the provision of barrier-free access (lift or ramp) at public footbridges, subways or elevated walkway structures.*

Work of LWB over barrier-free facilities at government premises and BD in updating Design Manual

2.9 Audit noted that:

- (a) the LWB had invited 15 B/Ds (10 + 5 B/Ds — see para. 2.7 (a) and (b)) to conduct assessments on the need to upgrade barrier-free facilities of premises and facilities under their management. In the event, 3,692 (3,306 + 386) premises/facilities managed by 13 departments were included in the Retrofitting Programme (see Table 1 in para. 1.15). The 13 departments were all Task Force members, of which 8 were covered in the EOC Report (see para. 1.11) and 5 were not covered in the Report (see para. 2.7(b)); and
- (b) when compiling 14 quarterly progress reports (Note 17) to LegCo on the Retrofitting Programme during February 2011 to June 2014, the LWB issued emails to all B/Ds inviting them for “input or update on the paper and annexes to the progress reports” (Note 18). However, the emails did not request these B/Ds to make assessments on the need to upgrade their barrier-free facilities. In the event, the number of departments (i.e. 13) included in the Retrofitting Programme had remained unchanged throughout the reporting period.

2.10 In response to Audit’s enquiry as to the reasons for only inviting 15 B/Ds to conduct assessments on the need to upgrade barrier-free facilities of premises and facilities under their management and whether the purpose of the emails as mentioned in paragraph 2.9(b) served as requesting all B/Ds to make such assessments, the LWB informed Audit in August and October 2018 that:

- (a) based on file records and the progress report to LegCo for the position as of March 2011, the Task Force was set up to examine the Government and the HA premises identified in the EOC Report as well as the premises and

Note 17: *In the progress reports, the LWB reported the progress of the Retrofitting Programme and follow-up actions on the EOC Report recommendations (e.g. staff training and appointment of ACs and AOs). In the Annex to the progress reports, a breakdown of the premises/facilities covered under the Retrofitting Programme and their works progress was provided.*

Note 18: *Except for the email for the first progress report which stated that client/managing departments were requested to, among others, verify information in the progress report and comment on the presentation of table in the progress report, the other 13 emails had invited B/Ds for “input or update on the paper and annexes to the progress reports”.*

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facilities under the management of B/Ds and the HA which had a frequent public interface in order to make prompt response and follow-up actions to the recommendations; and

- (b) based on available file records, it was not able to provide the reason why the emails did not request B/Ds to make assessment on the need to upgrade their barrier-free facilities. However, the tight and pledged timetable for completing the works under the Retrofitting Programme from mid-2012 onwards might be a consideration at that time.

2.11 According to the LWB, the Task Force would, apart from the 8 departments identified by the EOC Report, examine the premises under the management of those B/Ds with frequent public interface (see para. 2.10 (a)). Audit noted that, among the 15 B/Ds requested to make assessments, 8 were covered by the EOC Report and 7 were not covered by the Report. There was no documentary evidence showing why only these 7 B/Ds were requested to make assessments but not other B/Ds which were not covered by the EOC Report. In the event, the Retrofitting Programme had covered premises/facilities managed by 13 B/Ds which identified the need to do so. As a result, there might be B/Ds with premises under their management having frequent public interface not requested to make assessment and were not included in the Retrofitting Programme (Note 19). Audit considers that the LWB needs to take measures to ensure that all relevant B/Ds are consulted as far as practicable in co-ordinating issues on provision of barrier-free environment in government premises and facilities in future.

Longer time than originally planned in collecting feedback from B/Ds on reviews of their accessibility issues

2.12 One of the recommendations of the EOC Report was that each government department and public body should appoint an “Access Advisor” to provide assistance

Note 19: *They may include: (a) those B/Ds located at joint-user buildings managed by the GPA. According to the GPA, insofar as the management of the common areas/parts of a joint-user building is concerned, it is only responsible for arranging the provision of property management and maintenance services to the common areas/parts, including the barrier-free facilities thereat; and (b) the Agriculture, Fisheries and Conservation Department which manages some venues with frequent public interface such as the Lions Nature Education Centre and the Hong Kong Wetland Park.*

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to PWDs in accessing premises under its ownership and management as well as services and facilities that it provides. In response to this recommendation, in December 2010, the LWB issued a memorandum informing all B/Ds to introduce an Access Co-ordinator and Access Officer Scheme to enhance the accessibility of government premises/facilities and services. The AC, who should be a directorate officer, is tasked to serve as the focal point of the B/D regarding the accessibility issues and co-ordinate and handle accessibility issues and appointment of AOs in respective B/D.

2.13 On 21 September 2016, the LWB issued a memorandum to ACs of all B/Ds advising them to review their respective operational practices and procedures to ensure accessibility to services and facilities for users who are PWDs (hereinafter referred to as LWB Memorandum of September 2016), by taking due consideration of, but not limited to, the following aspects:

- (a) awareness of needs of PWDs;
- (b) adequacy of ACs and AOs;
- (c) communication with AOs and venue-based staff;
- (d) training; and
- (e) review and feedback mechanism.

In the memorandum, the LWB requested ACs to complete the review before end of 2016 so that the first annual return could be sent to the LWB before end of 2017. On the same day, the LWB informed ACs of all B/Ds via an email that it would get in touch with them on the proforma of the annual return in early 2017 and the exact return date.

2.14 According to the LWB, two draft proforma were prepared in April and November 2017. The LWB had held a meeting and organised a seminar with B/Ds to seek their views on the draft proforma in February and March 2018. In April 2018, the LWB issued the finalised proforma to ACs to facilitate compiling the annual return for the period from 1 April 2018 to 31 March 2019 and requested them to return the completed proforma to the LWB on or before 15 April 2019. The proforma

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had 16 questions covering 6 aspects (i.e. the 5 aspects as mentioned in paragraph 2.13 and a new one on evacuation plan in case of fire — see Appendix B for some of the questions). According to the LWB, depending on the returns of individual B/Ds, it would suggest the B/Ds concerned to take appropriate follow-up actions to ensure accessibility to services and facilities for PWDs at premises/facilities under their management. In Audit's view, the LWB needs to, upon receipt of B/Ds' returns, remind those B/Ds with their returns showing deficiencies relating to accessibility to services and facilities for PWDs at premises/facilities under their management to take appropriate follow-up actions.

2.15 Audit noted that the LWB took 1.5 years (from September 2016 to April 2018) to prepare the proforma of the annual return and the date for return of the completed proforma was set for April 2019 (see paras. 2.13 and 2.14). Comparing with the planned return date of end 2017, the LWB had taken a longer time than it originally planned to collect feedback from B/Ds. In Audit's view, in collecting feedback from B/Ds on review of their accessibility issues in future, the LWB needs to make a better assessment of the difficulties involved in setting the time target for collecting their feedback and endeavour to meet the target.

Scope for providing more comprehensive information to LegCo

2.16 In December 2010, the LWB informed LegCo that 3,692 government premises/facilities (see Table 1 in para. 1.15) would be retrofitted under the Retrofitting Programme (Note 20). However, Audit noted from the progress reports to LegCo that, for the positions as reported for the period from March 2011 to June 2014 (covering some 3,400 to 3,600 premises/facilities in each progress report), a total of 103 premises/facilities were taken out from the Retrofitting Programme without providing reasons. Upon enquiry with the LWB, the managing department (in this case, the TD) and the works agent (in this case, the ArchSD) for carrying out the Retrofitting Programme:

- (a) for 53 premises/facilities, the ArchSD (being the works agent) informed Audit in July 2018 that:

Note 20: *According to the LWB, apart from 27 premises/facilities taken out from the Retrofitting Programme (see para. 2.16(c)), the particulars (e.g. names, locations and works progress) of the remaining 3,665 premises/facilities were included in the first progress report (for the position as at March 2011) to LegCo in April 2011.*

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- (i) works for 17 premises/facilities had been completed; and
- (ii) works for 36 premises/facilities had been cancelled due to various reasons (e.g. the venues were affected by Mass Transit Railway development, under decommissioning for redevelopment or had been closed);
- (b) for 23 premises/facilities, the TD (being the managing department) informed Audit in October 2018 that:
 - (i) barrier-free facilities for 13 premises/facilities had been reviewed and considered not necessary due to various reasons (e.g. the facilities were at grade with connection footpaths at both ends or the facilities were for cyclists only);
 - (ii) works for 4 premises/facilities had been completed;
 - (iii) works for 3 premises/facilities had been cancelled due to various reasons (e.g. the concerned facility had been closed/demolished);
 - (iv) works for 2 premises were in progress; and
 - (v) works for 1 premises would be upgraded in the remaining phase of a works project; and
- (c) for 27 premises/facilities, the LWB informed Audit in September and October 2018 that according to the records in relevant departments:
 - (i) works for 16 premises/facilities had been cancelled due to various reasons (e.g. the venue did not provide service to the public or had been closed); and
 - (ii) works for 11 premises/facilities had been completed.

2.17 In addition, the LWB stated in the progress reports to LegCo that 90 premises/facilities had been grouped under other improvement programmes (e.g. the Public Toilet Refurbishment Programme of the FEHD and the refurbishment

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programme of the ArchSD) and their upgrading of the barrier-free facilities would be carried out as part of the relevant renovation works. Audit noted that the works progress of 90 premises/facilities transferred to other programmes was not reported to LegCo (Note 21). According to the LWB, the reason for not reporting was that the works progress of these transferred premises/facilities would depend on the overall progress of the barrier-free facilities and other facilities under these programmes.

2.18 The LWB informed Audit in October 2018 that the Retrofitting Programme covered some 3,500 venues/facilities involving 13 departments. In compiling the large number of returns from departments for submission to LegCo in the form of regular progress reports, the LWB had endeavoured to provide in each progress report the full information as provided by the B/Ds concerned, including the number of premises/facilities under the Retrofitting Programme and their particulars (including their names, locations, works progress, etc.).

2.19 In Audit's view, in co-ordinating returns from a large number of B/Ds for submission to LegCo in future, the LWB needs to remind B/Ds to ensure the completeness of information in their returns in order to provide more comprehensive information to LegCo.

Need to remind B/Ds to maintain complete and up-to-date lists of barrier-free facilities and to publicise such lists

2.20 According to the LWB, under the established practice, it is the responsibility of B/Ds to maintain up-to-date lists of barrier-free facilities under their management. According to a memorandum issued by the LWB in December 2010, AOs are required to make available information to PWDs about the accessibility of the venues (e.g. on website and/or displaying suitable notices in the venues).

2.21 Audit's examination of the two selected departments (the FEHD and the LCSD) revealed that they did not maintain complete and updated lists of barrier-free facilities (see para. 3.6) and had not provided adequate information about accessibility

Note 21: *Of the 90 premises/facilities that were transferred to other programmes, details of only 32 premises/facilities (e.g. name and address) were provided in the progress reports.*

of venues on their websites (see para. 3.27 (d) and (e)). Audit considers that the LWB needs to remind B/Ds to maintain complete and up-to-date lists of barrier-free facilities under their management for monitoring and planning purposes, and publicise such lists for public information.

Audit recommendations

2.22 **Audit has *recommended* that the Secretary for Labour and Welfare should:**

- (a) take measures to ensure that all relevant B/Ds are consulted as far as practicable in co-ordinating issues on provision of barrier-free environment in government premises and facilities in future;**
- (b) with regard to the B/Ds' reviews of accessibility issues:**
 - (i) upon receipt of their returns, remind those B/Ds with their returns showing deficiencies relating to accessibility to services and facilities for PWDs at premises/facilities under their management to take appropriate follow-up actions; and**
 - (ii) in collecting their feedback in future, make a better assessment of the difficulties involved in setting the time target for collecting their feedback and endeavour to meet the target;**
- (c) in co-ordinating returns from a large number of B/Ds for submission to LegCo in future, remind B/Ds to ensure the completeness of information in their returns in order to provide more comprehensive information to LegCo; and**
- (d) remind B/Ds to maintain complete and up-to-date lists of barrier-free facilities under their management for monitoring and planning purposes, and publicise such lists for public information.**

Response from the Government

2.23 The Secretary for Labour and Welfare agrees with the audit recommendations.

BD's work in updating the Design Manual

2.24 In December 2008, the BD promulgated DM 2008 which set out the design requirements of barrier-free access and facilities for PWDs. Taking into account the experience gained in application, advancement in building design and technologies, as well as the changing aspiration of the society, in June 2014, the BD set up a Technical Committee on Design Manual (Note 22) with an aim to keep the DM under regular review. Its terms of reference are to:

- (a) collect views and consider any comments or feedback received from the building industry arising from the use of the DM, relevant advancement in design, technologies and construction methods, and the latest relevant overseas regulatory control and standards; and
- (b) advise and make recommendations to the Director of Buildings from time to time on the appropriate measures to be taken in response to item (a) above.

Note 22: *The Technical Committee is chaired by an Assistant Director of Buildings with representatives from the LWB, the BD, the ArchSD and the Housing Department, the building professional bodies, the academia and the rehabilitation sector.*

Need to take actions to timely update the Design Manual

2.25 According to the BD, the procedures for amending DM which would not involve legislative amendments to Regulation 72 of and the Third Schedule to the B(P)R (Note 23) are as follows:

- (a) once a consensus to amend certain parts of DM has been reached in the Technical Committee, a draft corrigendum would be prepared and circulated for Technical Committee Members' comments. After incorporating their comments, the draft corrigendum would be submitted to the Technical Committee for consideration and endorsement at its meetings;
- (b) after endorsement by the Technical Committee and if no legislative amendment to the B(P)R (Note 24) is required, the Secretary of the Technical Committee (a BD officer) would prepare and submit the recommendation with the draft corrigendum to the responsible Assistant Director of the BD for review before submitting to the Director of Buildings for consideration; and

Note 23: *Regulation 72 of the B(P)R stipulates that, where a building is one to which PWDs have or may reasonably be expected to have access, that building shall be designed to the satisfaction of the Building Authority in such a manner as will facilitate the access to, and use of, that building and its facilities by PWDs. A building shall be deemed to be designed in accordance with the B(P)R if its design complies with the requirements set out in Part 2 of the Third Schedule of the B(P)R (the Schedule setting out the statutory requirements for barrier-free access in private buildings).*

Note 24: *If the endorsed proposal requires legislative amendments to the B(P)R, the BD would work together with the Department of Justice to prepare a draft "Drafting Instructions" for the Development Bureau's consideration. The Development Bureau would then issue a "Drafting Instructions" to the Law Drafting Division of the Department of Justice to prepare the amendment legislation which would be subject to negative vetting by LegCo.*

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- (c) upon endorsement by the Director of Buildings, the BD would circulate the draft revised Practice Note for Authorized Persons, Registered Structural Engineers and Registered Geotechnical Engineers (PNAP) to its consultative committees (Note 25) for comments. Following the completion of the consultation exercise, the draft revised PNAP would be submitted to the Director of Buildings for formal approval. The approved revised PNAP would be promulgated to Authorized Persons, Registered Structural Engineers and Registered Geotechnical Engineers whereas this PNAP together with the relevant amended parts of the DM would be uploaded onto the BD's website.

2.26 Audit examination of the LWB and BD records revealed that between December 2015 and June 2018, the Technical Committee was handling proposals relating to 92 items for improving DM 2008 (Note 26). Regarding these 92 items, amendments for 10 items to the DM were considered not necessary by the Technical Committee and 11 items were being discussed by the Technical Committee. As of June 2018, regarding the remaining 71 items:

- (a) amendments for 26 items had been made in the DM (e.g. power operated doors for accessible toilets and the number of accessible car parking spaces). While all the 26 items did not require legislative amendments, for 19 items, it had taken more than six months (counting from the endorsement of the draft corrigendum by the Technical Committee) to amend DM 2008 (see Table 2). Audit noted that the long time was due to delay in submitting the draft corrigendum to the responsible Assistant Director of the BD for review (ranging from 7 months to 14 months, averaging 10 months) after endorsement by the Technical Committee;

Note 25: *The consultative committees are the Building Sub-Committee under the Land and Development Advisory Committee of the Development Bureau and the Authorized Persons, Registered Structural Engineers and Registered Geotechnical Engineers Committee.*

Note 26: *The proposals were made by the Subcommittee on Access under the Rehabilitation Advisory Committee. The Subcommittee comprises members with different kinds of disabilities, members from different sectors including the business sector, rehabilitation sector and education sector, and representatives from relevant government departments. The responsibilities of the Subcommittee include advising on the special needs of PWDs, examining the existing areas of deficiency, and monitoring and reviewing efforts made in improvement in terms of building design, external environment, public transport facilities, and access to information technology and related media.*

**Work of LWB over barrier-free facilities
at government premises and BD in updating Design Manual**

Table 2

**Time elapsed from the endorsement of draft corrigendum by
the Technical Committee to amendment of DM 2008**

Time elapsed (Month)	Number of items with amendments made
≤ 3	1
> 3 to ≤ 6	6
> 6 to ≤ 9	11
> 9 to ≤ 12	4
> 12	4
Total	26

Source: Audit analysis of BD records

- (b) amendments for 17 items were considered necessary but had not been made in the DM (e.g. amendments for audible and visible alarm signal for emergency call bells and amendments for hold-open device for fire rated doors). Up to June 2018, for 13 of these 17 items, more than 3 months had elapsed after endorsement by the Technical Committee (see Table 3). Of these 13 items, none required legislative amendments. The relevant draft corrigendum had not been submitted to the responsible Assistant Director of the BD after they were endorsed by the Technical Committee (ranging from 6 to 16 months, averaging 11 months); and

**Work of LWB over barrier-free facilities
at government premises and BD in updating Design Manual**

Table 3

**Time elapsed from the endorsement of draft corrigendum
by the Technical Committee to June 2018
(June 2018)**

Time elapsed (Month)	Number of items with amendments not yet made
≤ 3	4
> 3 to ≤ 6	4
> 6 to ≤ 9	—
> 9 to ≤ 12	3
> 12 to ≤ 15	4
> 15	2
Total	17

Source: Audit analysis of BD records

- (c) 28 items (e.g. enhanced provision of tactile guide path from entrance to elevator and service counter) had not yet been discussed by the Technical Committee. Audit noted that the proposed amendments for these 28 items had been submitted over 2.5 years ago at the Technical Committee meeting held in December 2015. The BD informed Audit in September and October 2018 that according to Technical Committee meetings:
- (i) as a general practice, around 5 new items would be introduced in each meeting but the time required to discuss and reach a decision was much dependent on the complexity, necessary consultation and alignment of views on each item;
 - (ii) those items with legislative amendments required would be discussed after the completion of review on imperative items and prioritised items agreed among members in the Technical Committee meetings; and
 - (iii) the 28 items would be timely introduced and discussed in coming Technical Committee meetings held in around 2 to 3 months intervals accordingly.

Work of LWB over barrier-free facilities at government premises and BD in updating Design Manual

2.27 In Audit's view, the BD needs to take actions to timely update the DM and closely monitor the progress with a view to enhancing the provision of barrier-free facilities (e.g. setting a time target for submitting the draft corrigendum to the responsible Assistant Director of the BD). The BD also needs to take follow-up actions as soon as practicable on the 28 items (involving proposals for improving DM) that had not been discussed by the Technical Committee as of June 2018.

Audit recommendations

2.28 **Audit has *recommended* that the Director of Buildings should:**

- (a) **take actions to timely update the DM and closely monitor the progress with a view to enhancing the provision of barrier-free facilities; and**
- (b) **take follow-up actions as soon as practicable on the 28 items (involving proposals for improving DM) that had not been discussed by the Technical Committee on Design Manual.**

Response from the Government

2.29 The Director of Buildings agrees with the audit recommendations. He has said that:

- (a) the BD will review and closely monitor the updating of the DM; and
- (b) the latest Technical Committee meeting held in July 2018 has already started the discussion on 3 out of the 28 items and the remaining items will be timely introduced and discussed in the coming scheduled Technical Committee meetings.

PART 3: WORK OF FEHD AND LCSD IN PROVIDING AND MANAGING BARRIER-FREE FACILITIES UNDER THEIR MANAGEMENT

3.1 According to LWB Circular No. 1/2011, it is the responsibility of B/Ds to ensure that policies and measures under their respective purview comply with the requirements of the Convention and overall government policy objectives in providing a barrier-free environment for PWDs. As mentioned in paragraph 1.16, the LCSD and the FEHD were two major departments in the Retrofitting Programme with barrier-free facilities in 1,347 and 735 premises/facilities under their management respectively. Audit selected the two departments to examine their work in providing and managing barrier-free facilities at premises/facilities managed by them with a view to identifying areas for improvement and lessons to be learned. This PART examines the work of the FEHD and the LCSD in this regard.

3.2 ***Roles and responsibilities.*** The roles and responsibilities of the LCSD and the FEHD are as follows:

- (a) ***LCSD.*** The LCSD is responsible for providing leisure and cultural facilities and services to the public including recreation and sports activities, and cultural and entertainment programmes. The LCSD delivers its services through the Leisure Services (LS) Branch (Note 27), Cultural Services (CS) Branch (Note 28), Administration Division, and Finance and Supplies Division. The venues under its purview include recreation and sports venues (e.g. beaches, sports centres, swimming pools, parks and playgrounds), performance venues, museums and libraries. As of 30 June 2018, the number of venues under its purview was 1,949 (see Appendix C for details); and
- (b) ***FEHD.*** The FEHD is responsible for environmental hygiene services and facilities as well as food safety control, import control on live food animals,

Note 27: *The LS Branch is responsible for management of leisure facilities including swimming pools, beaches, sports centres, sports grounds, parks and playgrounds.*

Note 28: *The CS Branch is responsible for the management of cultural facilities including performance venues, museums and libraries.*

Work of FEHD and LCSD in providing and managing barrier-free facilities under their management

and management of food incidents. The FEHD delivers its services through the Centre for Food Safety (CFS), the Environmental Hygiene Branch (EHB — Note 29), the Administration and Development Branch and the Private Columbaria Affairs Office (PCAO — Note 30). The venues under the purview of the FEHD include public markets, public toilets, public bathhouses, refuse collection points, cemeteries and crematoria, and animal/livestock/poultry monitoring inspection stations. As of 30 June 2018, the number of venues under its purview was 1,741 (see Appendix D for details).

Access Co-ordinator and Access Officer Scheme

3.3 The Government has launched an Access Co-ordinator and Access Officer Scheme to enhance the accessibility of government premises, facilities and services (see para. 2.12). According to the memorandum issued by the LWB to all B/Ds in December 2010, individual B/Ds should appoint:

- (a) ***Access Co-ordinator.*** A departmental AC should be appointed to co-ordinate accessibility issues within the B/D and serve as the departmental focal point of a government network to facilitate government-wide collaborated efforts in enhancing the accessibility of government premises and facilities. Individual B/Ds may consider appointing deputy, regional and/or district ACs where necessary to assist the departmental AC in the discharging of his/her duties. The duties of an AC include:
 - (i) co-ordinating and handling accessibility issues and appointment of AOs in respective B/D;
 - (ii) co-ordinating the provision of suitable training and guidance to AOs and venue staff to enhance their awareness on accessibility issues;

Note 29: *The EHB is responsible for overseeing the planning and management of a wide range of venues which are open to the public including wet markets, cooked food markets, hawker bazaars, public toilets, public bathhouses, aqua privies, refuse collection points, cemeteries and crematoria.*

Note 30: *The PCAO was set up on 30 June 2017 to handle matters relating to the implementation of the Private Columbaria Ordinance (Cap. 630) and provide executive support to the Private Columbaria Licensing Board.*

Work of FEHD and LCSD in providing and managing barrier-free facilities under their management

- (iii) co-ordinating the development of policies and guidelines on barrier-free access to services and facilities; and
- (iv) handling public enquiries/complaints on department-wide accessibility issues; and
- (b) ***Access Officer.*** An AO should be appointed for each venue under the B/Ds' management to serve as the first point of contact on accessibility issues at the venue. The duties of an AO include:
 - (i) conducting regular audit checks and taking timely follow-up actions as required to ensure the provision of suitable barrier-free facilities without undue alterations or obstructions to the barrier-free access;
 - (ii) offering assistance to PWDs in access to the venue and using the services and facilities therein;
 - (iii) making recommendations to the AC on improvements of barrier-free access and assistance rendered to PWDs at the venue;
 - (iv) making available information to PWDs about the accessibility of the venue, e.g. on website and/or displaying suitable notices in the venue;
 - (v) reviewing operational practice and procedure periodically for emergency evacuation of PWDs from the venue under his/her management;
 - (vi) handling public enquiries and complaints regarding accessibility issues for the venue; and
 - (vii) providing suitable guidance to venue staff and raise their awareness on accessibility issues.

3.4 As of 30 June 2018, the FEHD and the LCSD had appointed a Principal Executive Officer and an Assistant Director as their departmental ACs respectively. The two departments had also appointed 101 and 347 AOs respectively.

Audit site visits

3.5 Apart from examining records of the FEHD and the LCSD, Audit also conducted site visits (during May to September 2018) to 20 FEHD and 30 LCSD venues (Note 31) to examine the provision, maintenance and control of barrier-free facilities under their management with a view to identifying room for improvement and lessons to be learned. Audit visited various types of venues across the territory (Note 32) managed by these two departments, including FEHD's public toilets and markets as well as the LCSD's parks and playgrounds, sports centres and libraries (see Appendix E) and found areas for improvement.

Maintaining a complete and updated list of barrier-free facilities

3.6 According to the LWB, under the established practice, it is the responsibility of B/Ds to maintain up-to-date lists of barrier-free facilities under their management (see para. 2.20). In response to Audit's enquiries, the FEHD and the LCSD informed Audit between June and October 2018 that:

- (a) **FEHD.** The Administration and Development Branch, the CFS and the PCAO (Note 33) had maintained lists of barrier-free facilities and the EHB had maintained a list of accessible toilets (such list was published on the FEHD's website); and
- (b) **LCSD.** The Administration Division and Finance and Supplies Division had not maintained a list of barrier-free facilities. The CS Branch and the LS Branch provided Audit with lists of barrier-free facilities in venues

Note 31: *Factors considered by Audit in selecting the venues for visits included patronage, locations, and type and number of facilities.*

Note 32: *The districts covered in Audit site visits were Eastern, Southern, Wan Chai, Yau Tsim Mong, Kwun Tong, Wong Tai Sin, North, Sha Tin, Tai Po, Tsuen Wan and Yuen Long.*

Note 33: *According to the FEHD, the PCAO had maintained a list of barrier-free facilities for its new office accommodation upon commissioning in September 2018. Prior to this, it was accommodated in temporary on-loan office accommodation for which no such list had been maintained.*

Work of FEHD and LCSD in providing and managing barrier-free facilities under their management

under their purview (Note 34). Audit found that such lists did not include all the venues with barrier-free facilities under the LCSD's management. For the CS Branch, all music centres (a total of five) were not included. For the LS Branch, all District Leisure Services Offices (a total of 18) and 907 recreation and sports venues (Note 35) (out of a total of 1,818) were not included.

3.7 In Audit's view, the FEHD and the LCSD need to maintain a complete and updated list of barrier-free facilities at venues under their management for monitoring and planning purposes.

Audit recommendation

3.8 **Audit has *recommended* that the Director of Food and Environmental Hygiene and the Director of Leisure and Cultural Services should maintain a complete and updated list of barrier-free facilities at venues managed by the FEHD and the LCSD for monitoring and planning purposes.**

Response from the Government

3.9 The Director of Food and Environmental Hygiene agrees with the audit recommendation. She has said that the FEHD will compile a list of venues with barrier-free facilities under the FEHD's management after reviewing the access audit checklists and conducting the next round of access audits, and ensure that the list is updated on an annual basis.

3.10 The Director of Leisure and Cultural Services agrees with the audit recommendation. She has said that the LCSD will take steps to update lists of barrier-free facilities to include those venues without such lists prepared.

Note 34: *According to the LCSD, the Hong Kong Museum of Art is under renovation and the list of barrier-free facilities will be drawn up when the venue is re-opened.*

Note 35: *These venues were 6 major parks, 894 parks and playgrounds, 2 other indoor sports facilities and 5 other venues (e.g. nursery).*

Access audits

3.11 *Access audit requirements.* According to the LWB memorandum issued in December 2010, one of the duties of an AO is to conduct regular audit checks and take timely follow-up actions to ensure the provision of suitable barrier-free facilities without undue alterations or obstructions to the barrier-free access (see para. 3.3(b)(i)). According to the LWB, access audit is conducted to ensure adequate provision of barrier-free facilities/services, proper maintenance of the facilities and addition of such facilities.

3.12 The departmental circulars issued by the FEHD and the LCSD on 31 March 2011 stated that their AOs should conduct regular audit checks and take timely follow-up actions as required to ensure the provision of suitable barrier-free facilities. Access audit checklists were provided for their staff when the FEHD issued its Operating Manual for AOs and their assistants in April 2017 (Note 36) and the LCSD promulgated an Administrative Circular on providing a Barrier-free Environment for PWDs in January 2017 (Note 37).

Areas for improvement in conducting access audits

3.13 Audit has found areas for improvement in access audits conducted by the LCSD (see para. 3.14) and by the FEHD (see para. 3.15).

3.14 *LCSD's access audits.* Audit noted that:

- (a) *Time interval for conducting access audits not specified.* According to the LCSD's Administrative Circular issued in January 2017, AO of each

Note 36: *According to the FEHD, the Operating Manual (including audit checklist) was promulgated in April 2017 for its AOs' further action with effect from 3 April 2017. No access audit had been conducted for FEHD venues before the Manual came into effect (i.e. for the period from 1 April 2011 to 2 April 2017).*

Note 37: *According to the LCSD, before the promulgation of the Circular in January 2017, there was no standard checklist form for conducting regular access audits on barrier-free facilities. Checking of barrier-free facilities was conducted during daily/regular inspection of venue facilities by venue staff or other staff in discharging their duties. Any irregularities or damages of facilities would be reported to the works agents for rectification.*

Work of FEHD and LCSD in providing and managing barrier-free facilities under their management

venue should conduct regular access audits and a checklist has been attached for this purpose. These records should be kept properly for monitoring and review purpose. However, the time interval for conducting the access audit was not specified in the Circular. In this connection, Audit noted that access audits were carried out at a period from 0.5 month to 17 months after promulgation of the Circular;

- (b) ***Access audits for some venues not carried out.*** Based on 406 access audit checklists for the audits completed as of June 2018, Audit found that the CS Branch conducted access audits for 101 (92%) out of 110 venues (Note 38) under its purview while the LS Branch carried out access audits for 810 (44%) out of 1,822 venues (Note 39) under its purview (Note 40);
- (c) ***Access audits not conducted by the designated AOs.*** Of the 406 audit checklists examined by Audit, 28 (7%) access audits were not conducted by their designated AOs of the venues, contrary to the LCSD's requirement (see item (a) above); and
- (d) ***Scope for improvement in compiling access audit checklist.*** Audit examination of completed access audit checklists provided by the CS Branch and the LS Branch revealed that:
 - (i) two districts each used an access audit checklist to cover all venues (e.g. parks and playgrounds, sports centres and sports ground) under their management despite the venues having different types of barrier-free facilities (see Appendix C);

Note 38: *The 110 venues did not include 3 heritage premises. According to the LCSD, these premises were not and would not be installed with barrier-free facilities due to historical status. Access audits were not required to be conducted for these venues.*

Note 39: *According to the LCSD, the 1,822 venues did not include 14 venues for which there was no access for the general public (e.g. the whole venue was a planter), and therefore no access audit was required.*

Note 40: *According to the LCSD, as barrier-free facilities were among the items covered in regular inspections of venues, some venues had not used a separate checklist for checking of barrier-free facilities, and hence the access audit checklists were not available.*

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- (ii) some DM 2008 requirements were not included in the access audit checklist for checking. They include, for example, the requirement that simple instructions in English, Chinese and braille on how to unfold the folding garb rail should be affixed to the wall of a toilet and, if a floor plan for the use of the public is provided, braille and tactile floor plan showing the main entrance, public toilet and major common facilities shall be provided in a conspicuous place to persons with visual impairment;
- (iii) findings in 13 LCSD's access audit checklists were at variance with those in Audit site visits (examples are shown in Table 4);

Table 4

Examples of variances between findings in the LCSD's access audits and Audit site visits

Venue	Particulars	LCSD's findings in access audit checklist (Date)	Audit site visits' findings (Date)
Sha Tin Town Hall	Handrails with braille and tactile information were provided at the staircases to auditorium and ramps to the entrance on podium floor and to the box office	Yes (13.2.2018)	Not found (27.6.2018 and 31.7.2018)
Hong Kong Heritage Discovery Centre	Tactile warning strips were provided at the entrances of the bubble lift	Yes (29.3.2018)	Not found (30.7.2018)
Shui Pin Tsuen Playground	An emergency call bell notice in braille was provided in the accessible toilet	Yes (30.7.2018)	Not found (23.8.2018)

Source: LCSD records and Audit site visits

Work of FEHD and LCSD in providing and managing barrier-free facilities under their management

- (iv) the names of preparers of 171 access audit checklists were not provided, making it difficult if not impossible to ascertain the responsible persons; and
- (v) for 170 access audit checklists, the dates of conducting the access audits were not provided.

3.15 FEHD's access audits. Audit noted that:

- (a) ***Delay in conducting access audits.*** According to the Operating Manual/Administrative Circular issued in April 2017 by the FEHD, access audits should be conducted on an annual basis by completing the designated audit checklists by the responsible AOs. All regular access audits should have been completed by March 2018. However, Audit examination of 1,274 completed access audit checklists found that, as of June 2018, 25 access audits (covering 29 venues) were conducted in June 2018, i.e. later than the deadline of March 2018;
- (b) ***Access audits for some venues not carried out.*** Based on 1,274 access audit checklists for the audits completed as of June 2018, Audit found that the FEHD conducted access audits for 1,460 (84%) out of 1,741 venues under its purview (Note 41);
- (c) ***Requirements on access audits not properly followed.*** Audit found that:
 - (i) according to the FEHD's Operating Manual for AOs and their assistants, each AO (assisted by his/her assistant) is responsible for conducting the access audit and the completion of the audit checklist on each venue under his/her management. AOs are required to submit completed checklists to respective Centre/Branch/District ACs for review. However, according to the procedure in the access audit checklist, access audit should be completed by an AO or

Note 41: *According to the FEHD, the discrepancy was mainly due to access audits not conducted for some refuse collection points in remote areas (in villages or being temporary structures, with simply rubbish bins).*

Work of FEHD and LCSD in providing and managing barrier-free facilities under their management

his/her assistant. The access audit checklists should be checked by the AO if the audit is completed by his/her assistant (Note 42);

- (ii) of the 1,274 access audit checklists examined by Audit, 248 (19%) were not completed nor checked by the designated AO of the venues, contrary to the FEHD's requirement (see para. 3.15(a)); and
 - (iii) according to the FEHD's Operating Manual, AOs are required to submit completed checklists to ACs for review. The CFS and the EHB advised Audit that the findings of access audits were discussed with Centre/Branch ACs and were not documented. Audit considers that the FEHD needs to improve the documentation in this regard; and
- (d) ***Scope for improvement in completing access audit checklist.*** Audit examination of 1,274 access audit checklists found that:
- (i) four access audit checklists covered two venues each (e.g. a checklist covered a public market and a cooked food market, and another checklist covered two offices with different types of barrier-free facilities). To facilitate monitoring, Audit considers that barrier-free facilities in individual venue need to be clearly specified on the checklists;
 - (ii) some DM 2008 requirements were not included in the access audit checklist for checking. They include, for example, that a notice of "Emergency Call" in both English, Chinese and braille should be fitted next to the emergency push button, and braille and tactile fire exit map should be provided directly above the call button of the

Note 42: *According to the FEHD, while specifying in the Operating Manual that the AO (assisted by his/her assistant) was responsible for conducting the access audit and the completion of access audit checklist, flexibility was allowed for the assistant of AO to assist in completing the access audit checklist which would be checked by the AO afterwards. The FEHD would clarify this flexibility in the coming review of the Operating Manual to meet operational needs and at the same time ensure accountability of AOs in completing access audits.*

Work of FEHD and LCSD in providing and managing barrier-free facilities under their management

accessible lift in the lobby if a fire exit map for the use of the public is provided (Note 43);

- (iii) findings in 12 FEHD's access audit checklists were at variance with those in Audit site visits (Note 44) (examples are shown in Table 5);

Table 5

Examples of variances between findings in the FEHD's access audits and Audit site visits

Venue	Particulars	FEHD's findings in access audit checklist (Date)	Audit site visits' findings (Date)
Tsung Man Street Refuse Collection Point	Signs, access route, ramp, dropped kerb with adequate visual and tactile warning, door for PWDs enter/leave without undue difficulties, and visual and audible fire alarm system were provided	Yes (16.11.2017)	Not found (16.8.2018)
Pak Shing Street Public Toilet cum bathhouse	Accessible bathrooms and shower compartments were provided	Yes (2.1.2018)	Not found (31.7.2018)
Lockhart Road Market	Dropped kerb with adequate visual and tactile warning was provided in a ramp to accommodate the change in level towards vehicular area	Yes (9.11.2017)	Not found (31.7.2018 and 11.9.2018)

Source: FEHD records and Audit site visits

Note 43: *According to the FEHD, it had drawn up the audit checklist based on its knowledge and the available reference materials in hand.*

Note 44: *According to the FEHD, its staff had conducted the access audits based on their knowledge and available reference materials in hand.*

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- (iv) in nine access audit checklists, the dates of conducting the access audits were not filled in. In three other access audit checklists (covering 175 venues), the date of conducting the access audit was not clearly specified (it was stated in the checklists that “the audits were carried out on various dates in 2017”) (Note 45); and
- (v) according to the FEHD, public toilets in markets were audited along with the access audits for the markets. However, for four public toilets in the FEHD markets covered in Audit site visits, the access audit checklists for the markets (without checking requirement for toilets) did not mention whether such toilets were covered. Given that the barrier-free facilities requirements for public toilets and markets are different, the FEHD needs to improve the documentation in this regard.

3.16 In Audit’s view, the LCSD and the FEHD need to take follow-up actions on the areas for improvement in conducting access audits as identified by Audit in paragraphs 3.14 and 3.15 respectively. The LCSD and the FEHD also need to take measures to enhance their access audits (e.g. issuing further guidelines or providing more training to their officers — see para. 3.37).

Audit recommendations

3.17 **Audit has *recommended* that the Director of Food and Environmental Hygiene and the Director of Leisure and Cultural Services should:**

- (a) **take follow-up actions on the areas for improvement in conducting access audits as identified by Audit; and**
- (b) **take measures to enhance access audits of the FEHD and the LCSD (e.g. issuing further guidelines or providing more training to their officers).**

Note 45: *According to the FEHD, as the access audit checklist summarised audit information of multiple venues, exact dates were not shown in the summary.*

Response from the Government

3.18 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that the FEHD will:

- (a) ensure carrying out annual access audits in a timely manner;
- (b) review the classification of venues in consultation with the BD and the ArchSD to decide on the scope and categories of venues provided with barrier-free facilities;
- (c) improve the documentation on the submission of completed checklists (e.g. remind staff to put down dates of conducting audits) and discussion on the findings of access audits;
- (d) seek the ArchSD's expert advice and revise the checklist to ensure that all appropriate DM 2008 requirements are included in the respective checklist; and
- (e) review its guidelines and provide more training to its AOs to facilitate staff to conduct access audits according to the relevant guidelines.

3.19 The Director of Leisure and Cultural Services agrees with the audit recommendations. She has said that the LCSD will take steps to review the arrangements for access audits as well as the content and format of the checklist being used.

Deficiencies identified in Audit site visits

3.20 Audit site visits to 20 FEHD venues and 30 LCSD venues found cases of deficiencies in the provision, maintenance and control of barrier-free facilities under their management. Deficiencies were noted in 14 (70% of 20) FEHD venues and 26 (87% of 30) LCSD venues. Audit site visit findings for FEHD and LCSD venues are summarised in Tables 6 and 7 respectively and the details are given in paragraph 3.21.

Table 6

**Audit site visit findings for FEHD venues
(May to September 2018)**

Type of venues (Number of venues visited)	Number of venues with deficiencies identified (Note)		
	Provision of barrier-free facilities	Maintenance of barrier-free facilities	Control of barrier-free facilities
Public toilet (8)	7	2	3
Cemetery and crematorium (1)	—	—	1
Public market (5)	5	2	5
Office (3)	1	—	—
Total	13	4	9

Source: Audit site visits

Note: The deficiencies involved a total of 14 FEHD venues.

Work of FEHD and LCSD in providing and managing barrier-free facilities under their management

Table 7

**Audit site visit findings for LCSD venues
(May to September 2018)**

Type of venues (Number of venues visited)	Number of venues with deficiencies identified (Note)		
	Provision of barrier-free facilities	Maintenance of barrier-free facilities	Control of barrier-free facilities
Beach (1)	1	1	—
Heritage and museum (3)	3	—	1
Library (3)	1	1	2
Major park (3)	3	1	1
Office (2)	1	—	—
Other indoor sports facility (1)	1	1	—
Park and playground (7)	5	—	1
Performance venue (2)	2	1	2
Sports centre (4)	4	1	2
Sports ground (1)	1	—	1
Stadium (1)	1	1	1
Swimming pool (2)	2	1	1
Total	25	8	12

Source: Audit site visits

Note: The deficiencies involved a total of 26 LCSD venues.

3.21 Audit site visits to FEHD and LCSD venues identified deficiencies in the following areas:

- (a) ***Provision of barrier-free facilities.*** Based on DM 2008, deficiencies were found in 13 FEHD and 25 LCSD venues, including the following:

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- (i) in 16 (4 FEHD and 12 LCSD) venues, simple instructions in English, Chinese and braille on how to unfold the folding grab rail were not affixed to the walls of the toilets;
- (ii) in 16 (4 FEHD and 12 LCSD) venues, tactile guide paths were not provided to entrance or facilities (e.g. accessible lifts and accessible toilets);
- (iii) in 15 (3 FEHD and 12 LCSD) venues, a notice of “Emergency Call” in both English, Chinese and braille was not provided next to the emergency push button for emergency call bell (see Photograph 3 for an example);

Photograph 3

Notice of “Emergency Call” of accessible toilet not provided at the LCSD’s Law Uk Folk Museum Rest Garden



Source: Photograph taken by Audit staff on 10 August 2018

- (iv) in 13 (4 FEHD and 9 LCSD) venues, the International Symbol of Accessibility (Note 46) was not provided at conspicuous location for purpose of identifying location of facilities (e.g. reserved car

Note 46: *The International Symbol of Accessibility shall be the wheelchair figure in white on a blue background and is to be provided at a conspicuous location.*

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parking facilities for PWDs, information/service counters, accessible toilets and lifts) or the signs did not meet the DM 2008 requirements;

(v) in 14 (2 FEHD and 12 LCSD) venues, braille and tactile information on directional arrow and floor number was not provided on handrails; and

(vi) in 6 (1 FEHD and 5 LCSD) venues, accessible public information/service counters were not provided;

(b) ***Maintenance of barrier-free facilities.*** Deficiencies were found in 4 FEHD and 8 LCSD venues, including the following:

(i) in 3 LCSD venues, the plates containing braille and tactile information on handrails were worn out;

(ii) in 3 (1 FEHD and 2 LCSD) venues, tactile guide paths were worn out;

(iii) in 1 FEHD venue, a folding grab rail in an accessible toilet was missing; and

(iv) in 1 LCSD venue, shower heads in two accessible shower rooms were removed; and

(c) ***Control of barrier-free facilities.*** Deficiencies were found in 9 FEHD and 12 LCSD venues, including the following:

(i) in 7 (4 FEHD and 3 LCSD) venues, tactile guide paths were obstructed by goods, boxes, carpets, chairs or trolleys (see Photograph 4 for an example);

Photograph 4

**Tactile guide path obstructed by tables and chairs
at the Cooked Food Centre in the FEHD's Tai Po Hui Market**



Source: Photograph taken by Audit staff on 31 July 2018

- (ii) in 4 (2 FEHD and 2 LCSD) venues, visitors could not use the handrails due to obstruction;
- (iii) in 2 FEHD venues, handrails on the ramps were obstructed by goods, boxes or trolleys and visitors could not use the handrails;
- (iv) in 1 FEHD venue, ramps were obstructed by goods, boxes and trolleys; and
- (v) in 2 FEHD venues, entrances of accessible toilets were obstructed by a bucket or boxes.

3.22 Audit considers that the FEHD and the LCSD need to take follow-up actions on the deficiencies in the provision, maintenance and control of barrier-free facilities at venues managed by the FEHD and the LCSD as identified by Audit in paragraphs 3.20 and 3.21, and take measures (e.g. providing more training to AOs and venue staff) to strengthen their work in these areas.

Audit recommendations

3.23 **Audit has *recommended* that the Director of Food and Environmental Hygiene and the Director of Leisure and Cultural Services should:**

- (a) take follow-up actions on the deficiencies in the provision, maintenance and control of barrier-free facilities at venues managed by the FEHD and the LCSD as identified by Audit in paragraphs 3.20 and 3.21; and**
- (b) take measures to strengthen the work of the FEHD and the LCSD in providing, maintaining and controlling barrier-free facilities at venues managed by them.**

Response from the Government

3.24 **The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that the FEHD will:**

- (a) work in collaboration with the ArchSD for repair works or further barrier-free access improvements as appropriate at the venues as identified by Audit, which have indeed been covered under the Retrofitting Programme; and**
- (b) remind relevant staff to improve management and monitoring work and to strengthen control and step up necessary enforcement action as necessary.**

3.25 **The Director of Leisure and Cultural Services agrees with the audit recommendations. She has said that the LCSD is taking follow-up actions to address the issues identified in this Audit Report.**

Other administrative issues

3.26 **Audit notes room for improvement in a number of other administrative issues concerning the provision and management of barrier-free facilities under the FEHD and the LCSD (see paras. 3.27 to 3.38).**

Scope for improvement in providing accessibility information

3.27 Audit notes that there is scope for improvement in providing accessibility information:

Contact information of AOs

- (a) according to the FEHD and the LCSD, the contact information of their ACs and AOs should be promulgated to the public via their websites. AOs are required to post notices, with their post titles and contact information on entrances/notice boards/conspicuous locations of the venues under their management;
- (b) Audit noted that the contact information of AOs had been published on the websites of the FEHD and the LCSD. However, Audit site visits of 50 venues (i.e. 20 FEHD venues and 30 LCSD venues) found that:
 - (i) in 29 venues (13 FEHD venues and 16 LCSD venues) (58% of 50 venues), contact information of AOs was not provided at the venues; and
 - (ii) in five venues (three FEHD venues and two LCSD venues) (10% of 50 venues), contact information of AOs (e.g. telephone number or email address) provided at the venues was different from that published on the websites;

Accessibility information on websites

- (c) according to the memorandum issued by the LWB in December 2010, AOs are required to make available information to PWDs about the accessibility of the venues (e.g. on websites and/or displaying suitable notices in the venue). The FEHD and the LCSD had promulgated this requirement vide circulars;
- (d) for the FEHD, Audit noted that as of August 2018, information on accessible toilets was provided on its website. However, accessibility information (e.g. whether and what barrier-free facilities were provided)

Work of FEHD and LCSD in providing and managing barrier-free facilities under their management

of other venues under its management (e.g. public markets) was not available; and

- (e) for the LCSD, Audit noted that as of August 2018, accessibility information on libraries was not provided on its website. Regarding other venues (Note 47), while information on accessible toilets was provided, information on other major barrier-free facilities (e.g. ramps, accessible lifts and tactile guide paths) was not available on its website for most venues.

In Audit's view, the FEHD and the LCSD need to take measures to ensure that adequate information about accessibility of venues is promulgated on their websites and/or at their venues to facilitate the PWDs' access to their venues.

Need to keep under review the appointment of AOs for venues

3.28 Similar to the LWB memorandum issued in December 2010, FEHD and LCSD Circulars also stipulate that an AO should be appointed for each venue under his/her management to handle accessibility issues. The LWB memorandum states that where applicable and appropriate, the same AO may be appointed for a group of venues which are not frequently visited by the public or are of a small scale.

3.29 According to the LWB Memorandum of September 2016, B/Ds need to review the number of AOs to ensure that they are adequate to discharge their duties properly in their review of operational practices and procedures on accessibility of government premises and facilities to PWDs. Under normal circumstances, at least one AO or a venue-based staff should be appointed for each venue under the management of the B/Ds.

3.30 In the annual return proforma issued by the LWB in April 2018 (see para. 2.14), individual B/Ds are required to report the ratios of AO/venue-based staff to facilities/venue. If the ratio is less than 1 (i.e. 1 AO/venue staff to more than

Note 47: *Audit reviewed the LCSD's website for accessibility information of its major venues covering libraries, beaches, sports centres, sports grounds, parks and playgrounds, swimming pools, heritage and museums, and performance venues (including town halls, theatres and civic centres).*

Work of FEHD and LCSD in providing and managing barrier-free facilities under their management

1 venue), B/Ds are requested to explain the difficulties encountered and briefly describe the special arrangement.

3.31 Audit examined the ratios of AOs to venues managed by the FEHD and the LCSD. As at 30 June 2018, 101 FEHD AOs and 347 LCSD AOs were appointed to manage 1,741 FEHD venues and 1,935 LCSD venues (Note 48) respectively. The ratios of AO to venues of these two departments varied significantly from 1:1 to 1:394 (see Table 8).

Note 48: *According to the LCSD, for 14 venues (e.g. the whole venue was a planter), there was no access for the general public, and therefore no AO was required.*

Work of FEHD and LCSD in providing and managing barrier-free facilities under their management

Table 8

**Ratios of AO to venues of the FEHD and the LCSD
(30 June 2018)**

Ratio of AO to venues (Note 1)	Number of AOs	
	FEHD	LCSD
1:1	45	203
1:2 to 1:5	27	90
1:6 to 1:10	10	9
1:11 to 1:30	8	25
1:31 to 1:50	2	16
1:51 to 1:70	1	2
1:71 to 1:100	3	1
1:101 to 1:200	4 (Note 2)	1 (Note 3)
1:201 to 1:394	1 (Note 4)	-
Total	101	347

Source: Audit analysis of FEHD and LCSD records

Note 1: According to LWB memorandum, and FEHD and LCSD Circulars, an AO should be appointed for each venue under his/her management to handle accessibility issues (see para. 3.28). In view of this requirement and the number of venue-based staff for each venue was not readily available (see para. 3.29), Audit analysis focused on the ratio of AO to venues.

Note 2: The AOs were responsible for managing aqua privies, refuse collection points and public toilets.

Note 3: The AO was responsible for managing basketball courts, mini-soccer pitch and parks and playgrounds.

Note 4: The AO was responsible for managing aqua privies, refuse collection points and public toilets.

Work of FEHD and LCSD in providing and managing barrier-free facilities under their management

3.32 In response to Audit's enquiries, the FEHD and the LCSD advised Audit in October 2018 that:

- (a) **FEHD.** Considering the uniform standard and design, small size and simple structure of certain types of venues (e.g. some public toilets and refuse collection points in the New Territories), a single AO might be able to perform his or her duties in respect of a large number of venues with the assistance of subordinate staff. Depending on operational requirements and changes in organisational structure in the future, the FEHD might review the appointment of AOs; and
- (b) **LCSD.** In some of the venues, four AOs were responsible for more than 50 venues (2+1+1 as shown in Table 8), all of which were leisure and recreational venues. In general, a venue manager would be assigned as the AO of that venue. As some venue managers oversaw a considerable number of small-scale parks and playgrounds with relatively low patronage, they acted as AOs for these venues under their charge, and hence an AO was responsible for many venues. Nonetheless, they should be in an appropriate and capable position to oversee the barrier-free facilities in these venues. The AO to venue ratio of major venues (e.g. sports centre and swimming pool) was generally maintained as 1:1.

3.33 Given that an AO serves as the first point of contact on accessibility issues at the venues and has to discharge various duties (including conducting access audits and taking timely follow-up actions if necessary, making recommendations to an AC on improvements of barrier-free access, providing assistance to PWDs at the venue and handling public enquiries and complaints), Audit considers that the FEHD and the LCSD need to keep under review the appointment of AOs for venues with a view to ensuring that adequate AOs are in place to properly address accessibility issues of venues under their purview.

Need to review training needs and organise suitable training on accessibility issues for officers concerned

3.34 According to the memorandum issued by the LWB in December 2010, an AC is tasked to co-ordinate the provision of suitable training and guidance to AOs and venue-based staff to enhance their awareness on accessibility issues. In the LWB Memorandum of September 2016, B/Ds are required to assess the training needs and

Work of FEHD and LCSD in providing and managing barrier-free facilities under their management

organise tailor-made seminars/workshops for AOs and venue-based staff concerned in collaboration with the Civil Service Training and Development Institute (CSTDI) having regard to the operational needs of individual B/Ds.

3.35 The Training Sections of the FEHD and the LCSD, and the CSTDI organised training courses on accessibility issues, as follows:

- (a) **FEHD.** One or two half-day departmental seminars on accessibility for its AOs and venue staff had been held every year from 2011 to 2017. According to the FEHD, the relevant training for 2018 will be arranged in the latter-half of 2018;
- (b) **LCSD.** A half-day seminar “Access for All” has been held each year since 2011 to provide ACs and AOs with a general knowledge of barrier-free environment and enable them to get familiar with the relevant ordinances; and
- (c) **CSTDI.** Officers of the FEHD and the LCSD are also invited to attend the seminars on accessibility issues organised by the CSTDI.

3.36 In response to Audit’s enquiries regarding the training on accessibility issues received by AOs, the FEHD and the LCSD informed Audit in September and October 2018 that:

- (a) **FEHD.** As of 30 June 2018, 49 out of the 101 AOs attended seminars on accessibility issues held by the FEHD Training Section or the CSTDI (Note 49); and

Note 49: *According to the FEHD, there were alternative sources, such as the LWB website in which materials and information pertaining to “accessibility” are available for reference by all officers. All civil servants can also access Cyber Learning Centre Plus (by the CSTDI), which had information relating to accessibility. Attendance of relevant seminars was but one of the factors relating to the FEHD’s work in the context of “accessibility” training.*

- (b) **LCSD.** As of 30 June 2018, 164 out of the 347 AOs had received training on accessibility issues (Note 50).

3.37 In Audit's view, the FEHD and the LCSD need to assess the training needs of and organise suitable training for their AOs and venue-based staff with a view to enhancing their awareness of accessibility issues (see para. 3.16).

Need to regularly compile statistics for complaints relating to the provision and management of barrier-free facilities

3.38 Audit enquired the FEHD and the LCSD about whether they had readily available complaint statistics relating to the provision and management of barrier-free facilities. In response to Audit's enquiry, the FEHD and the LCSD compiled the relevant information and informed Audit that the complaints received (e.g. obstruction in a tactile guide path and an accessible toilet was locked) by the FEHD and the LCSD for the period from June 2016 to May 2018 were 28 and 72 respectively. In Audit's view, the FEHD and the LCSD need to regularly compile and submit such statistics to the senior management with a view to enhancing barrier-free facilities at venues under their management.

Audit recommendations

3.39 **Audit has recommended that the Director of Food and Environmental Hygiene and the Director of Leisure and Cultural Services should:**

- (a) **take measures to ensure that adequate information about accessibility of venues is promulgated on the websites of the FEHD and the LCSD and/or at venues managed by them to facilitate the PWDs' access to these venues;**

Note 50: *According to the LCSD, training on accessibility issues had been provided since 2011 to 520 AOs (including those who were currently in post and those who had been posted out of their role). Under the two-pronged approach, aside from organising relevant seminars and training courses, the LCSD had also provided alternative learning resources. Links to reference materials for ACs and AOs provided by the LWB (including guidelines and videos) were made available at the LCSD training intranet to enable staff to enrich their knowledge on the subject.*

Work of FEHD and LCSD in providing and managing barrier-free facilities under their management

- (b) **keep under review the appointment of AOs for venues with a view to ensuring that adequate AOs are in place to properly address accessibility issues of venues under their purview;**
- (c) **assess the training needs of and organise suitable training for AOs and venue-based staff of the FEHD and the LCSD with a view to enhancing their awareness of accessibility issues; and**
- (d) **ensure that complaint statistics relating to the provision and management of barrier-free facilities are regularly compiled and submitted to the senior management with a view to enhancing barrier-free facilities at venues managed by the FEHD and the LCSD.**

Response from the Government

3.40 The Director of Food and Environmental Hygiene agrees with the audit recommendations. She has said that the FEHD will:

- (a) remind venue management of the need to provide specific contact information of AOs at venues under its management, and keep such information up-to-date;
- (b) review the appointment of AOs with regard to operational requirements;
- (c) provide suitable training for AOs and venue-based staff; and
- (d) review and improve the availability of management information and statistics on various aspects relating to the provision and management of barrier-free facilities.

3.41 The Director of Leisure and Cultural Services agrees with the audit recommendations. She has said that the LCSD is taking follow-up actions to address the issues identified in this Audit Report.

Way forward

Need to draw attention of other B/Ds to the audit findings and recommendations on the two selected departments

3.42 Audit notes that there is room for improvement in various areas on the work of the two selected departments (the FEHD and the LCSD) in providing and managing barrier-free facilities at premises managed by them (see paras. 3.6 to 3.41). As the audit findings and recommendations on the two selected departments may also be applicable to other B/Ds, Audit considers that the LWB needs to draw attention of other B/Ds to the audit findings and recommendations in this Audit Report with a view to improving the provision and management of barrier-free facilities at premises managed by them.

Audit recommendation

3.43 **Audit has *recommended* that the Secretary for Labour and Welfare should draw attention of other B/Ds to the audit findings and recommendations on the two selected departments as mentioned in this Audit Report with a view to improving the provision and management of barrier-free facilities at premises managed by them.**

Response from the Government

3.44 The Secretary for Labour and Welfare agrees with the audit recommendation.

PART 4: MANAGEMENT OF RETROFITTING WORKS FOR BARRIER-FREE FACILITIES AT GOVERNMENT PREMISES

4.1 This PART examines the work of the ArchSD and managing departments in managing retrofitting works for barrier-free facilities at government premises, focusing on:

- (a) works for barrier-free facilities under Retrofitting Programme (paras. 4.4 to 4.33); and
- (b) works for barrier-free facilities under other improvement programmes (paras. 4.34 to 4.40).

4.2 The ArchSD is the works agent for implementing barrier-free access improvement works initiated by the managing departments of government premises and facilities to upgrade or provide barrier-free facilities at existing government premises under its maintenance in accordance with the approved funding applications submitted by managing departments (see para. 1.10).

4.3 According to the ArchSD, the retrofitting works for barrier-free facilities at government premises are carried out through two channels:

- (a) the Retrofitting Programme which was dedicated for such works and was funded by a block vote (Head 703 (Buildings), Subhead 3101GX controlled by the ArchSD — Note 51) of the Capital Works Reserve Fund (CWRF — Note 52); and

Note 51: *Minor building works (including alterations, additions, improvement works and fitting-out works) are funded under this block vote (Head 703, Subhead 3101GX). The Director of Architectural Services is authorised to approve expenditure for individual items not exceeding \$20 million.*

Note 52: *The CWRF was set up in April 1982 for financing the Public Works Programme and the acquisition of land.*

Management of retrofitting works for barrier-free facilities at government premises

- (b) the refurbishment of government buildings which was funded under another block vote (Head 703 (Buildings), Subhead 3004GX controlled by the ArchSD) of the CWRF (Note 53). For example, the Public Toilet Refurbishment Programme (see para. 4.34) was funded by this block vote.

Works for barrier-free facilities under Retrofitting Programme

4.4 As mentioned in paragraph 1.15, the Retrofitting Programme covered 3,692 premises/facilities which were identified by managing departments. According to the ArchSD, from 2011-12 to 2017-18, the actual expenditure under the Retrofitting Programme for about 2,700 premises/facilities under its maintenance (Note 54) was \$1.07 billion (see Table 9), which was funded under a block vote (Head 703, Subhead 3101GX) (see para. 4.3(a)) of the CWRF.

Note 53: *Refurbishment works (including renewing or replacing building elements and facilities to enhance health and hygiene, public safety and security, and upgrading building standards and planned maintenance works) are funded under this block vote (Head 703, Subhead 3004GX). The Director of Architectural Services is authorised to approve expenditure for individual items not exceeding \$30 million.*

Note 54: *Of the 3,692 premises/facilities covered under the Retrofitting Programme, about 2,700 premises/facilities were maintained by the ArchSD. The remaining 992 premises/facilities were managed by the TD and the works agents were the HyD and the CEDD. According to the LWB, the expenditure for such works was \$28 million.*

**Management of retrofitting works
for barrier-free facilities at government premises**

Table 9

**Expenditure under the Retrofitting Programme
(2011-12 to 2017-18)**

Year	Expenditure (Note) (\$ million)
2011-12	73.87
2012-13	306.86
2013-14	299.77
2014-15	234.45
2015-16	119.93
2016-17	23.46
2017-18	14.37
Total	1,072.71

Source: ArchSD records

Note: The works under the Retrofitting Programme had been completed in 2014-15 and hence the expenditure decreased substantially thereafter. According to the ArchSD, the expenditures incurred after 2014-15 were mainly related to payments made to contractors after the final value of the works orders had been agreed, the relevant documents required from contractors under the contracts had been received and the completion had been certified by the ArchSD.

4.5 According to the Retrofitting Programme, retrofitting works for 3,306 and 386 premises/facilities were targeted to be completed by 30 June 2012 and 30 June 2014 respectively (see para. 1.15). According to the LWB's progress report to LegCo for the position as at June 2012, there were delays (ranging from 1 month to 12 months) in completing works for 20 (0.6% of 3,306) premises/facilities (Note 55) that were originally targeted for completion by 30 June 2012 (Note 56). According

Note 55: *Audit noted that the LWB only provided a breakdown of 19 premises/facilities in the progress report.*

Note 56: *According to the progress report, the delays were mainly due to the need to tie in with fitting-out works programme of the premises and meeting the needs of the managing departments and the users.*

to the LWB's progress report of September 2014 to LegCo, all items under the Retrofitting Programme had been completed by June 2014.

ArchSD's works arrangements for Retrofitting Programme

4.6 After managing departments identified the required barrier-free facilities in venues under their management, the ArchSD would engage consultants for conducting feasibility studies. Venues were grouped in batches for employment of consultants, with fixed lump sum fees, through selective tender (Note 57). According to the consultancy agreement, the consultant is required to, among other things:

- (a) conduct assessment on elementary aspects in accordance with all the relevant items in Regulation 72 of B(P)R and Third Schedule to the B(P)R and prepare the Compliance Checking Report;
- (b) prepare a barrier-free access upgrading feasibility study report which included works implementation programme and preliminary cost estimates for the proposed upgrading works with regard to site constraints; and
- (c) upon confirmation by the ArchSD, revise the feasibility study report which should include feedback from managing departments and responses to these feedback. The details of the revised barrier-free access upgrading feasibility study reports should be essential and sufficient for preparation of funding applications.

According to the ArchSD, for about 2,700 premises/facilities under the Retrofitting Programme, 11 consultants had been engaged for conducting feasibility studies and more than 1,000 feasibility study reports had been prepared.

Note 57: *According to the ArchSD, the tenderers were selected from Building Surveying category of the Architectural and Associated Consultants Selection Board. The Board approves the selection and appointment of architectural and associated consultants for government projects (other than those selected and appointed by departmental consultants selection committees), which is chaired by the Director of Architectural Services and comprises members from the ArchSD, the Housing Department and the Development Bureau.*

Management of retrofitting works for barrier-free facilities at government premises

4.7 The ArchSD awarded five design-and-build (D&B) term contracts for minor building works (see para. 4.3(a)) in different geographical areas. For the Retrofitting Programme, in October 2011, the ArchSD awarded five other D&B term contracts (Note 58) dedicated solely for carrying out barrier-free access upgrading works by selective tender. Contractors under these 10 D&B term contracts were responsible for design and construction of barrier-free facilities in accordance with DM 2008 in premises/facilities under their purview.

4.8 The ArchSD is responsible for administering term contracts. The work includes issuing works orders, inspecting works quality and certifying completion of works. The ArchSD officer is required to confirm with the contractor the completion date and certify the completion of a works order in accordance with requirements of the contract as soon as the works are completed.

Need to closely monitor the timely submission of documents relating to implementation of works orders by contractors

4.9 According to the ArchSD, 5,139 works orders had been issued from 2011 to 2017 for upgrading the barrier-free facilities in about 2,500 premises/facilities under the Retrofitting Programme (Note 59). Audit compared the expected dates and the actual dates of completion of the works orders and noted 414 works orders (8% of 5,139) with delay in completion of works orders (see Table 10).

Note 58: *The five term contracts were for four years from October 2011 to October 2015. The works scope included site survey, feasibility study, detailed design and construction of barrier-free facilities in government venues.*

Note 59: *According to the ArchSD, some venues had been subsequently removed from the Retrofitting Programme as mentioned in the LWB's progress reports and the number of premises/facilities with barrier-free facilities works completed under the Retrofitting Programme was about 2,500.*

**Management of retrofitting works
for barrier-free facilities at government premises**

Table 10

**Delay in completion of works orders
(June 2018)**

Works order delay (Time elapsed between expected date and actual date of completion of works order)	No. of works orders (%)
< 90 days	169 (41%)
≥ 90 days to < 180 days	112 (27%)
≥ 180 days to < 365 days	65 (16%)
≥ 365 days to < 730 days	38 (9%)
≥ 730 days to < 1,095 days	19 (4%)
≥ 1,095 days	11 (3%)
Total	414 (100%)

Source: Audit analysis of ArchSD records

4.10 Audit enquired the ArchSD about the reasons for the delay of the 30 works orders with the longest delay (i.e. 730 days or more). In September and October 2018, the ArchSD informed Audit that the delay for 29 works orders was mainly due to the contractors' late submission of documents which were required under the contracts (Note 60) and there was no delay in the provision of the barrier-free facilities on site for use by the public. Without such documents, the ArchSD could not certify the works completion under the terms and conditions of these contracts. In view of such delay, the ArchSD had imposed liquidated damages. For the remaining works order, the delay was due to the time taken to resolve land issue during the design stage. Audit considers that the ArchSD needs to take measures to closely monitor the timely submission of documents relating to implementation of works orders by contractors.

Note 60: *According to the D&B term contracts, the contractors shall serve notice to the ArchSD when the works detailed in a works order have been substantially completed and have passed commissioning tests. The contractors are also required to submit documents such as certificates of guarantee and warranty, test certificates on materials, etc.*

Need to learn from incidents involving slippery tactile guide paths

4.11 The Lai Chi Kok Park was one of the premises under the Retrofitting Programme. Since May 2012, the ArchSD had carried out barrier-free facilities retrofitting works for the Park by phases. The works included provision of ramp, replacement of railing and the installation of tactile guide path. Shortly after the completion of the installation of tactile guide path in June 2012, the LCSD received four complaints about tactile guide path being slippery (two expressly mentioned that the path was slippery after the rain) and posing safety risks to the public. The LCSD immediately investigated whether complaints had been received in other venues installed with the same type of ceramic tactile guide path. The LCSD noted that 14 other venues also had incidents involving slippery tactile guide paths.

4.12 According to the ArchSD, the materials used in the tactile guide paths in the 15 venues concerned complied with the slip resistance requirements of DM 2008. The laboratory tests carried out by accredited laboratory found that the static coefficient of friction of the tactile guide path floor tiles (representing the floor slip resistance properties) complied with slip resistance requirements of the DM 2008. In response to the complaints received, the ArchSD had arranged a test application of anti-slip coating in the Lai Chi Kok Park for the tactile floor tiles to further improve the slip resistance of the tactile floor tiles to a level exceeding the standard required under DM 2008. On 5 July 2012, the ArchSD applied an anti-slip coating as a trial enhancing scheme to address the incidents involving slippery tactile guide path in the Lai Chi Kok Park. However, the LCSD expressed concern about the durability and effectiveness of such measures when the path was heavily used or under wet weather condition and the frequency of re-application of coating. In response, the ArchSD informed the LCSD that based on the product information, the anti-slip coating once applied could improve the friction of the surface (Note 61) and last up to 5 years.

Note 61: *According to the ArchSD, the anti-slip coating once applied could improve the friction of the surface to a level exceeding the standard required under DM 2008.*

Management of retrofitting works for barrier-free facilities at government premises

4.13 In August 2012, the ArchSD completed the trial scheme in the Lai Chi Kok Park (see Photograph 5). In view of the satisfactory and effective result, the LCSD requested the ArchSD to apply the same anti-slip coating for venues with incidents involving slippery tactile guide paths. From August 2012 to February 2013, the ArchSD carried out similar remedial works by applying the anti-slip coating to tactile guide paths in 15 venues (Note 62) where 9 accidents (mainly involving visitors who slipped on the ground) had occurred and 23 complaints (concerning slippery floor) were received during May to September 2012 (see Appendix F).

Photograph 5

**Application of anti-slip coating for
tactile floor tiles in Lai Chi Kok Park**



Source: LCSD records

4.14 In September 2012, after the anti-slip coating was applied to the tactile guide path in the Victoria Park, the LCSD noted that the effect was not satisfactory, especially at inclined area. In October 2012, the ArchSD conducted a site visit and

Note 62: *According to the ArchSD, the retrofitting works for these 15 venues were carried out by the same contractor and the cost was borne by the ArchSD. The cost of application of anti-slip coating was about \$690,000.*

Management of retrofitting works for barrier-free facilities at government premises

agreed to partially replace the ceramic tactile guide path at the inclined area near the North Pavilion of the Victoria Park. In June 2013, the relevant works were completed.

4.15 In November 2012, two more accidents occurred (two visitors slipped on the ground) in the Tsing Yi Park. According to the ArchSD, with the LCSD's agreement, a portion of tactile floor tiles was removed in view of the gradient of the site and public safety, and to meet the LCSD's further enhancement requirement. In February 2013, the removal works and resurfacing works were completed. According to the ArchSD, the contractor would bear the cost of installation and removal as well as the resurfacing cost.

4.16 In April 2013, the media raised enquiries including the costs and reasons for removing the tactile floor tiles in Tsing Yi Park. The LCSD then decided to gather feedback from venue staff on the effectiveness of the anti-slip enhancement works mentioned in paragraph 4.13. Other than the Victoria Park and Tsing Yi Park, the LCSD still found the tactile guide paths of six venues slippery. The LCSD sought assistance from the ArchSD and further remedial works were carried out for these six venues (see Table 11).

**Management of retrofitting works
for barrier-free facilities at government premises**

Table 11

**Further remedial works carried out in venues
where anti-slip coating was applied**

Venues	Completion date of applying the anti-slip coating	Remedial works	Completion date of further remedial works
1. Chai Wan Park	September 2012	Re-application of anti-slip coating (Note 1)	October 2013
2. Cloud View Road Service Reservoir Playground	September 2012		October 2013
3. King's Road Playground	December 2012		October 2013
4. Choi Sai Woo Park	January 2013		October 2013
5. Quarry Bay Park	February 2013		November 2013
6. Lion Rock Park	September 2012	Re-designing of tactile guide path routing to avoid steeper areas and removal of the installed tactile floor tiles in such areas in September 2013, and installation of a new tactile guide path (Note 2)	November 2013

Source: Audit analysis of LCSD records

Note 1: According to the ArchSD, the relevant cost was borne by the contractor.

Note 2: According to the ArchSD, the cost of the relevant works was borne by it.

Management of retrofitting works for barrier-free facilities at government premises

4.17 According to the ArchSD, based on the laboratory test report, the friction of the tactile guide path floor tiles used in the 15 venues mentioned in paragraph 4.13 was in compliance with DM 2008 requirements. However, a number of accidents had occurred and complaints were received relating to slippery tactile guide paths of these venues. In response to Audit's enquiry, in October 2018, the ArchSD informed Audit that the slip resistance mentioned in an Appendix of DM 2008 was related to the static coefficient of friction of the materials which would be affected by the presence of contaminants, water, floor finishes and other factors not under the control of the designer or builder and not subject to design and construction guidelines. In each reported incident involving slippery tactile guide paths, the ArchSD took effort to further improve the slip resistance of the tactile floor tiles to a level exceeding the required standard.

4.18 Audit noted that after the application of the anti-slip coating, the incidents involving slippery tactile guide paths at some venues still remained unresolved (see paras. 4.14 to 4.16). The effect for three venues (the Victoria Park, the Tsing Yi Park and the Lion Rock Park), especially at inclined areas, was still not satisfactory and the tactile floor tiles had been removed. While the ArchSD considered that the anti-slip coating could last for 5 years (see para. 4.12), anti-slip coating was re-applied for five venues within 9 to 13 months after applying the first coating (see items 1 to 5 in Table 11). According to the ArchSD, the re-application of the anti-slip coating was made on request from the LCSD and the result was satisfactory after re-application of the anti-slip coating.

4.19 In Audit's view, the ArchSD needs to learn from the incidents involving slippery tactile guide paths (particularly those at outdoor venues) and take measures to prevent the recurrence of similar incidents in future with a view to enhancing safety of users.

4.20 In this connection, Audit noted that the issue of slip resistance requirements on tactile guide path was being reviewed by the Technical Committee on Design Manual (see para. 2.24), as follows:

- (a) at the Technical Committee meeting in September 2014, a Technical Committee member suggested, among others, that the slip resistance requirements of tactile guide path in DM 2008 should be reviewed. At the Technical Committee meeting in April 2015, the Secretary informed the

Management of retrofitting works for barrier-free facilities at government premises

members that information on slip resistance of an access route was under the best practice section of DM 2008 with details contained in an Appendix. The method of measuring slip resistance was used with reference to some international standards;

- (b) at the Technical Committee meeting in September 2015, the Chairman said that:
 - (i) further research and careful consideration were required before considering the need to put these requirements as mandatory provisions because the slip resistance of tactile guide path would be affected by many factors (e.g. weather, usage and maintenance) which were outside the control of a designer;
 - (ii) even though the design requirements were under the best practice section (instead of mandatory requirements), most building designers had been making reference to such requirements; and
 - (iii) the BD would closely liaise with concerned government departments on the updating of the slip resistance requirements and report back to the Technical Committee; and
- (c) the issue was discussed at the Technical Committee meeting in April 2018. According to the BD, the review of slip resistance requirements for tactile guide path by the relevant departments was still in progress. The issue would be brought up for further discussion after the completion of the review.

4.21 In Audit's view, the BD needs to closely liaise with the departments concerned regarding the updating of slip resistance requirements for tactile guide path in DM 2008 and timely report the progress to the Technical Committee on Design Manual.

Management of retrofitting works for barrier-free facilities at government premises

Scope for improving ArchSD's work in project administration for retrofitting works

4.22 Audit noted scope for improving ArchSD's work in project administration for retrofitting works and the Victoria Park was a case in point (see paras. 4.23 to 4.27).

4.23 In March 2012, in the course of submitting funding application under the block vote (Head 703, Subhead 3101GX) for the retrofitting works at the Victoria Park by the LCSD, the ArchSD informed the LCSD that the D&B term contractor estimated the cost of the works for retrofitting of barrier-free facilities in the Park to be \$10.66 million.

4.24 In March 2012, noting the target completion date of May 2012, the D&B term contractor sought confirmation from the LCSD to proceed with the barrier-free facilities upgrading works in two phases. Phase I works included the installation of tactile guide path which was targeted to complete by May 2012. Phase II works were improvement works (including installation of handrails, channel covers and provision of accessible urinals and mirrors) which were targeted to commence in May 2012.

4.25 Four works orders with a total cost of \$12.8 million were issued to the contractor between February 2013 and May 2014, as follows:

- (a) one works order of \$1.5 million was issued in February 2013 funded under Subhead 3004GX (see para. 4.3(b)) to cover a portion of barrier-free facilities for Phase I works; and
- (b) for Phases I and II works, another two works orders with a total cost of \$10.6 million were issued in September 2013 and May 2014 funded under Subhead 3101GX (see para. 4.3(a)) and a fourth works order of \$0.7 million was issued in February 2014 funded under Subhead 3004GX.

Up to June 2018, the expenditures under Subhead 3101GX and Subhead 3004GX were \$9.6 million and \$2.1 million respectively (i.e. totalling \$11.7 million).

Management of retrofitting works for barrier-free facilities at government premises

4.26 Audit noted that:

- (a) the ArchSD had instructed the contractor to commence works before the issuance of works orders in or after 2013 and the works were completed in June 2012. The ArchSD advised Audit in October 2018 that:
 - (i) the apparent delay of issuing works orders to contractor was due to the fact that while funding had been approved under block vote (Subhead 3101GX) for barrier-free facilities works, the funding allocated to the works for the Victoria Park was not yet available till 2013;
 - (ii) to meet the Government's target firmly set to complete the works by June 2012, the contractor was instructed to commence works first and works orders were subsequently issued to the contractor in 2013;
 - (iii) in some circumstances under the term contracts, the ArchSD could instruct the contractor to proceed works first and subsequently issue a works order to the contractor; and
 - (iv) the ArchSD already had control mechanism on the issuance of works orders. To tighten control on the use of covering works orders, the ArchSD was committed to reviewing its operational procedures to clarify the circumstances under which this applied and the related procedures, and reminding its project staff accordingly; and
- (b) the estimated cost of all the retrofitting works was \$10.66 million. However, the total cost for the four works orders issued for the retrofitting works was \$12.8 million (i.e. exceeding the cost estimates by \$2.14 million). According to the ArchSD, the excess was to cater for additional barrier-free facilities works carried out concurrently with the barrier-free facilities retrofitting works. Such additional barrier-free facilities works were agreed with the LCSD to suit site conditions and to avoid future disturbance to the public and the LCSD.

Management of retrofitting works for barrier-free facilities at government premises

4.27 In Audit's view, the ArchSD needs to strengthen measures for controlling the issuance of works orders and remind its staff and consultants to make more accurate cost estimates for works orders as far as practicable.

Need to provide assistance and technical advice to managing departments for barrier-free facilities improvement works initiated by them

4.28 Audit site visits found that 30 premises/facilities under the Retrofitting Programme (11 managed by the FEHD and 19 managed by the LCSD) did not fully comply with DM 2008 requirements. In response to Audit's enquiries of whether the 3,435 premises/facilities covered under the Retrofitting Programme fully complied with DM 2008 requirements, the feedback of the ArchSD and the FEHD was as follows:

- (a) the ArchSD informed Audit in September and October 2018 that:
 - (i) works carried out by it under the Retrofitting Programme were implemented with reference to the requirements of DM 2008 and complied with the requirements as far as practicable to meet requests from managing departments under the Retrofitting Programme;
 - (ii) the barrier-free facilities improvement works carried out were selected by the managing departments of the premises with reference to DM 2008 to suit the mode of operation of the premises. As the existing premises were in operation, the items of barrier-free facilities improvement works that could be carried out were restricted by a number of factors such as structural constraints, building layout and disposition, land availability, operational concerns, etc. Full compliance with DM 2008 may not be achievable in many cases. Completed barrier-free facilities improvement works were also subject to wear and tear; and
 - (iii) nevertheless, if the managing departments after review so request, the ArchSD would follow up as necessary to bring the barrier-free facilities up to the requirements of the DM as far as practicable; and

- (b) the FEHD informed Audit in October 2018 that for those venues under the Retrofitting Programme or subsequent refurbishment programmes, design and building works were entrusted to the ArchSD which would comply with the prevailing barrier-free access requirements in the DM published by the BD as far as possible to suit the operational requirement of the managing department. Given that DM 2008 has been revised several times after completion of the works, the FEHD would work in close collaboration with the ArchSD to ascertain if it is technically feasible to include barrier-free facilities in future retrofitting or refurbishment works.

4.29 In Audit's view, for barrier-free facilities improvement works initiated by managing departments, the ArchSD needs to provide assistance and technical advice to the managing departments concerned (e.g. the FEHD) with a view to bringing the barrier-free facilities up to the DM 2008 requirements as far as practicable.

Audit recommendations

4.30 **Audit has *recommended* that the Director of Architectural Services should:**

- (a) **take measures to closely monitor the timely submission of documents relating to implementation of works orders by ArchSD contractors;**
- (b) **learn from the incidents involving slippery tactile guide paths (particularly those at outdoor venues) and take measures to prevent the recurrence of similar incidents in future with a view to enhancing safety of users;**
- (c) **strengthen measures for controlling the issuance of works orders and remind ArchSD staff and consultants to make more accurate cost estimates for works orders as far as practicable; and**
- (d) **for barrier-free facilities improvement works initiated by managing departments, provide assistance and technical advice to the managing departments concerned (e.g. the FEHD) with a view to bringing the barrier-free facilities up to the DM 2008 requirements as far as practicable.**

Management of retrofitting works for barrier-free facilities at government premises

4.31 Audit has *recommended* that the Director of Buildings should closely liaise with the departments concerned regarding the updating of slip resistance requirements for tactile guide path in DM 2008 and timely report the progress to the Technical Committee on Design Manual.

Response from the Government

4.32 The Director of Architectural Services agrees with the audit recommendations in paragraph 4.30. She has said that the ArchSD will:

- (a) implement measures to closely monitor the timely submission of documents related to implementation of works orders by ArchSD contractors in accordance with the contractual requirements;
- (b) learn from the incidents involving slippery tactile guide paths especially at outdoor venues and explore other suitable materials for tactile guide paths to prevent the recurrence of similar incidents in future with a view to enhancing safety of users;
- (c) review the operational procedures in issuing works orders to contractors and will strengthen the measures on the issuance of works orders to contractors. Besides, the project officers will be reminded to make more accurate estimates for works orders according to the prevailing information available; and
- (d) for those barrier-free facilities improvement works initiated by managing departments, continue to provide assistance and technical advice to the managing departments concerned (e.g. the FEHD) with a view to bringing the barrier-free facilities up to the prevailing requirements of DM 2008 as far as practicable.

4.33 The Director of Buildings agrees with the audit recommendation in paragraph 4.31.

Works for barrier-free facilities under other improvement programmes

4.34 As mentioned in paragraph 2.17, 90 premises had been taken out from the Retrofitting Programme and transferred to other improvement programmes, including the Public Toilet Refurbishment Programme (Note 63) of the FEHD and the refurbishment programme of the ArchSD.

Need to ensure that improvement works for barrier-free facilities are completed as soon as practicable

4.35 Of the 90 premises transferred to other programmes, according to the ArchSD, the FEHD and the LCSD, as of September 2018, the retrofitting works for barrier-free facilities in 66 premises were completed and in 10 premises were cancelled mainly because the premises were demolished or subject to re-development. The retrofitting works for the remaining 14 premises had not been completed. These 14 premises were public toilets under the FEHD's Public Toilet Refurbishment Programme, of which works for 7 public toilets were still in progress and the related works for 7 public toilets were at planning stage.

Note 63: *Since 2000, the FEHD has implemented a Public Toilet Refurbishment Programme to give a new look to public toilets with enhancement in design and facilities. Priority is given to toilets that are aged or with high daily usage or at tourist spots.*

Management of retrofitting works for barrier-free facilities at government premises

4.36 According to the FEHD, a Public Toilet Refurbishment project involves various stages (Note 64). Approval from the Working Group on Upgrading of Public Toilets (Working Group — Note 65) will be sought on the pre-vetted design proposals of projects under the Public Toilet Refurbishment Programme. Upon final approval from the Working Group, the FEHD will conduct local consultation with the District Council and obtain tentative work schedule from the ArchSD. According to the ArchSD, the improvement works of the public toilets involves clarification on land status, comprehensive design and seeking approval of design from the Working Group before commencement.

4.37 In Audit's view, the FEHD needs to, in collaboration with the ArchSD, take measures to complete the improvement works for barrier-free facilities under its management (e.g. Public Toilet Refurbishment Programme) as soon as practicable.

Audit recommendation

4.38 **Audit has recommended that the Director of Food and Environmental Hygiene should, in collaboration with the Director of Architectural Services, take measures to complete the improvement works for barrier-free facilities managed by the FEHD (e.g. the Public Toilet Refurbishment Programme) as soon as practicable.**

Note 64: *According to the FEHD, in general, the process of a project (covering one toilet) under the Public Toilet Refurbishment Programme involves: (a) internal deliberation and funding approval; (b) detailed design, approval of works, land allocation, public consultation and pre-construction preparation, e.g. tendering; and (c) construction and commissioning.*

Note 65: *The Working Group on Upgrading of Public Toilets is chaired by a Deputy Director of the FEHD, with members from the FEHD and the ArchSD. It holds frequent discussions on how to optimise the FEHD's public toilets to ensure that the design of public toilet facilities could blend well with the surrounding environment and keep up with the times, with a view to making the public toilet facilities hygienic, clean, safe and decent. The Working Group will decide on the exterior design, installations and equipment, as well as materials having regard to the actual circumstances of individual toilets.*

Response from the Government

4.39 The Director of Food and Environmental Hygiene generally agrees with the audit recommendation. She has said that:

- (a) the Public Toilet Refurbishment Programme is an ongoing programme to improve the facilities based on the latest building and design standards. While the FEHD is keenly aware of the lack of barrier-free facilities in some public toilets, it makes much better sense to consider improvements of such premises in a holistic manner in order to avoid piecemeal improvement and abortive or short-lived works. Given a running stock of over 700 public toilets across the territory built over a long stretch of time according to the standards of the day, priorities of refurbishment projects must be set to make the most of the resources available to benefit the community in the most optimal way. In doing so, the FEHD is adamant to address the barrier-free access problem in good time as a critical part of the whole refurbishment programme; and
- (b) the FEHD will continue to work in close collaboration with the ArchSD to spearhead the Public Toilet Refurbishment Programme which will not only provide barrier-free facilities for PWDs but also significantly improve the public toilet facilities in general for the overall benefit of the public.

4.40 The Director of Architectural Services agrees with the audit recommendation. She has said that the ArchSD will provide assistance and technical advice to the FEHD to complete the improvement works for barrier-free facilities under its management (e.g. Public Toilet Refurbishment Programme) as soon as practicable.

Examples of DM 2008 requirements

Facility	Obligatory design requirement
1. Auditorium and related facilities	A minimum of 4 wheelchair spaces shall be provided at spectator level (see Photograph 1 in para. 1.6) in the auditorium with not more than 800 fixed seats (2 wheelchair spaces for every 400 fixed seats and any part thereof for auditorium with more than 800 fixed seats).
2. Handrails	Braille and tactile information on directional arrow and floor number shall be provided on handrail (see Photograph 2 in para. 1.6) on every floor at a designated location to facilitate persons with visual impairment. Where a directional sign exists on handrails, braille and tactile information shall also be provided.
3. Carparks	Adequate number of accessible car park spaces (e.g. 6 accessible car parking spaces for a car park with more than 450 parking space) shall be provided with proper access, proper designation and directional signage in the carparks.
4. Access route	Tactile guide paths shall be provided from a prominent point or points on the lot boundary, which is accessible to a public street or pedestrian way, directly to at least one entrance which is commonly used by the public and to an accessible lift. For specified category of building (e.g. museum and public library), tactile guide path shall also be installed from the main entrance to lift zone, the nearest accessible toilet, public information/service counter, braille and tactile floor plan and staircase.
5. Ramp	A ramp shall not be less than 1,050 millimetres (mm) in width. A clear space of not less than 1,500 mm x 1,500 mm shall be provided at the head and foot of every ramp (i.e. door swing and alike shall not be allowed to swing onto the landing).
6. Toilets and water closet cubicles	Where toilet is provided on a floor, at least one shall be designed as an accessible unisex sanitary facility for use by persons of both sexes and access to which does not necessitate traversing an area reserved for one sex only. It shall be designed for general use and includes adequate circulation space for wheelchair users.
7. Lift	Every floor of a building shall be accessible by at least one passenger lift which shall fully comply with all the obligatory design requirements and have direct access to main lobby. A lift shall have minimum internal car dimensions of 1,200 mm x 1,100 mm wide, with a minimum clear entrance width of 850 mm, and shall have handrails extending to within 150 mm of the corners at the rear and sides of the car. The top of the gripping surface of the handrails shall be at a height of 850 mm to 950 mm, with a space of 30 mm to 50 mm between the handrails and wall.

Source: *BD records*

**Examples of questions in the annual return
on accessibility of government premises and facilities to PWDs**

Awareness of needs of PWDs
<ul style="list-style-type: none"> ● Has B/D received any major concern(s) raised by the public or PWDs about the accessibility of B/D's facilities and services? If so, please set out key area(s) of concern and any measures taken to address these concerns. ● Has a mechanism been put in place to conduct regular reviews on the accessibility needs of PWDs to B/D's facilities and services? If so, please briefly describe the mechanism. If not, please explain the difficulties encountered and provide future plan/follow-up actions. ● Has a mechanism been put in place to ensure the proper maintenance and functioning of the barrier-free facilities? If so, please briefly describe the mechanism. If not, please explain the difficulties encountered and provide future plan/follow-up actions.
Appointment of ACs and AOs
<ul style="list-style-type: none"> ● What is the average ratio of AO/venue-based staff to facilities/venue? If the ratio is less than one, please explain the difficulties encountered and briefly describe the special arrangement. ● Are updated contact information of ACs and AOs maintained and uploaded on the official website of your B/D? If not, please provide future plan/follow-up actions.
Communication with AOs and venue-based staff
<ul style="list-style-type: none"> ● Has your B/D drawn up an operating manual and/or internal guidelines/instructions for AOs and other venue-based staff? If not, please provide future plan/follow-up actions. ● Are sharing/exchange sessions among ACs, AOs and venue-based staff conducted regularly to gauge the views and feedback of AOs and venue-based staff on implementing operating manual and/or internal guidelines/instructions? If not, please provide future plan/follow-up actions.

Training
<ul style="list-style-type: none"> ● Has your B/D offered training on accessibility for ACs, AOs and venue-based staff? If so, what is the number of attendees in 2018-19? If not, please provide future plan/follow-up actions.
Evacuation plan in case of fire
<ul style="list-style-type: none"> ● Is an evacuation plan (such as floor plans showing escape routes) available to PWDs in case of fire? If not, please provide future plan/follow-up actions. ● Has your B/D offered any staff training on evacuation of PWDs in case of fire? If not, please provide future plan/follow-up actions.
Review and feedback
<ul style="list-style-type: none"> ● Is the operating manual and/or internal guidelines/instructions reviewed and updated having regard to outcomes of regular review on accessibility needs of PWDs, feedback and suggestions from AOs and suggestions/complaints received from PWDs? If not, please provide future plan/follow-up actions. ● Is your B/D planning new facilities/venues or making major alterations and additions works to existing facilities/venues in the coming year? If so, please provide brief descriptions of the major facilities/venues and advise if there is plan to consult PWD groups.

Source: LWB records

**Examples of barrier-free facilities
provided in venues managed by the LCSD
(30 June 2018)**

Type of venues	Number of venues	Example of barrier-free facilities provided
Library	70	<ul style="list-style-type: none"> • Accessible entrance • Accessible toilet • Accessible lift • Accessible service counter • Visual fire alarm • Tactile guide path • Braille tactile layout map • Assistive listening system • Ramp
Heritage (Note) and museum	22	
Performance venue (including civic centre, cultural centre, indoor stadium, theatre, and town hall)	16	
Sports centre	99	<ul style="list-style-type: none"> • Accessible entrance • Accessible lift • Accessible toilet • Accessible service counter • Visual fire alarm • Tactile guide path • Braille tactile layout map • Accessible seating space • Accessible carpark
Swimming pool	44	
Sports ground	25	
Stadium	2	
Other indoor sports facility	10	
Beach	41	<ul style="list-style-type: none"> • Accessible entrance • Accessible toilet • Tactile guide path • Braille tactile layout map • Accessible carpark
Major park	26	
Park and playground	1,555	
Office	18	<ul style="list-style-type: none"> • Accessible entrance • Accessible toilet • Tactile guide path
Music centre	5	
Others	16	
Total	1,949	

Source: LCSD records

Note: According to the LCSD, there are three heritage premises which are not and will not be installed with barrier-free facilities due to their historical status.

**Examples of barrier-free facilities
provided in venues managed by the FEHD
(30 June 2018)**

Type of venues	Number of venues	Example of barrier-free facilities provided
<i>Toilet and bathhouse</i>		
Aqua privy	46	<ul style="list-style-type: none">• Emergency call bell in accessible toilet• Grab rail• Small wash basin
Public bathhouse	1	
Public toilet	767	
Public toilet cum bathhouse	25	
<i>Others</i>		
Animal/ livestock/ poultry monitoring inspection station	3	<ul style="list-style-type: none">• Accessible carpark• Access route• Assistive listening system• Audible and visible fire alarm system• Door and doorway for wheelchair user• Dropped kerb• Handrail• International Symbol of Accessibility• Accessible lift• Ramp• Tactile guide path
Cemetery and crematorium	8	
Cooked food market	25	
Exhibition centre	1	
Hawker bazaar	10	
Public market	73	
Market cum hawker bazaar	1	
Office	77	
Refuse collection point	704	
Total	1,741	

Source: FEHD records

**Audit site visits to FEHD and LCSD venues
(May to September 2018)**

(A) FEHD venues visited by Audit

Type of venues	Hong Kong	Kowloon	New Territories	Total
Public toilet	3	3	2	8
Cemetery and crematorium	—	1	—	1
Public market	2	1	2	5
Office (Note 1)	1	1	1	3
Public toilet cum bathhouse	—	—	1	1
Refuse collection point	1	—	1	2
Total	7	6	7	20

(B) LCSD venues visited by Audit

Type of venues	Hong Kong	Kowloon	New Territories	Total
Beach	1	—	—	1
Heritage and museum	1	2	—	3
Library	1	1	1	3
Major park	1	1	1	3
Office (Note 2)	—	1	1	2
Other indoor sports facility	1	—	—	1
Park and playground	1	—	6	7
Performance venue	—	1	1	2
Sports centre	1	2	1	4
Sports ground	—	—	1	1
Stadium	1	—	—	1
Swimming pool	—	1	1	2
Total	8	9	13	30

Source: Audit site visits

Note 1: These are Licensing Office and District Environmental Hygiene Offices which provide licensing services and public services (including enquiries) on a district basis.

Note 2: These are District Leisure Services Offices where the public can book facilities, enroll in recreational programmes, and make enquiries regarding facilities and sports programmes.

**Application of anti-slip coating to tactile guide paths in LCSD venues
(August 2012 to February 2013)**


Venue	No. of accidents occurred (Note 1)	No. of complaints received (Note 1)	Date reported to ArchSD for taking remedial action	Completion date of application of anti-slip coating (Note 2)
1. Lai Chi Kok Park	1	4	18.7.2012	23.8.2012
2. Tung Chau Street Park	—	2	18.7.2012	27.8.2012
3. Fa Hui Park	—	1	18.7.2012	20.9.2012
4. Victoria Park	—	1	18.7.2012	13.9.2012
5. Chai Wan Park (Note 3)	—	1	18.7.2012	15.9.2012
6. Cloud View Road Service Reservoir Playground	—	1	18.7.2012	10.9.2012
7. King's Road Playground	—	1	18.7.2012	31.12.2012
8. Choi Sai Woo Park	—	1	18.7.2012	8.1.2013
9. Quarry Bay Park	1	1	20.8.2012	18.2.2013
10. Kwok Shui Road Park	—	1	18.7.2012	8.9.2012
11. Shing Mun Valley Park	5	5	18.7.2012	8.9.2012
12. Tsing Yi Park	2	3	18.7.2012	4.8.2012
13. Lion Rock Park	—	—	2.5.2012	19.9.2012
14. Kowloon Park	—	1	13.9.2012	1.2.2013
15. Tuen Mun Recreation and Sports Centre	—	—	23.8.2012	15.10.2012
Total	9	23		

Source: Audit analysis of LCSD records

Note 1: The accidents mainly involved visitors who slipped on the ground and the relevant complaints were received during May to September 2012.

Note 2: According to the ArchSD, the retrofitting works for these 15 venues were carried out by the same contractor and the costs were borne by the ArchSD. The cost of application of anti-slip coating was about \$690,000.

Note 3: Apart from the Chai Wan Park, all other venues were under the Retrofitting Programme.

 *Further remedial works (e.g. re-application of anti-slip coating, and dismantling and re-routing of tactile guide paths) were carried out in these venues.*

Acronyms and abbreviations

AC	Access Co-ordinator
AO	Access Officer
ArchSD	Architectural Services Department
Audit	Audit Commission
BD	Buildings Department
BO	Buildings Ordinance
B/D	Bureau/department
B(P)R	Building (Planning) Regulations
CEDD	Civil Engineering and Development Department
C for R	Commissioner for Rehabilitation
CFS	Centre for Food Safety
CS	Cultural Services
CSTDI	Civil Service Training and Development Institute
CWRF	Capital Works Reserve Fund
DDO	Disability Discrimination Ordinance
DM	Design Manual
D&B	Design-and-build
EHB	Environmental Hygiene Branch
EOC	Equal Opportunities Commission
FEHD	Food and Environmental Hygiene Department
GPA	Government Property Agency
HA	Hong Kong Housing Authority
HyD	Highways Department
LCSD	Leisure and Cultural Services Department
LegCo	Legislative Council
LS	Leisure Services
LWB	Labour and Welfare Bureau
mm	Millimetre
PCAO	Private Columbaria Affairs Office
PNAP	Practice Notes for Authorized Persons, Registered Structural Engineers and Registered Geotechnical Engineers
PWD	Person with disabilities
TD	Transport Department

CHAPTER 7

Education Bureau

**Education Bureau's efforts in harnessing
information technology to facilitate
learning and teaching**

**Audit Commission
Hong Kong
30 October 2018**

This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.

Report No. 71 of the Director of Audit contains 10 Chapters which are available on our website at <https://www.aud.gov.hk>

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EDUCATION BUREAU'S EFFORTS IN HARNESSING INFORMATION TECHNOLOGY TO FACILITATE LEARNING AND TEACHING

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EDUCATION BUREAU'S EFFORTS IN HARNESSING INFORMATION TECHNOLOGY TO FACILITATE LEARNING AND TEACHING

Executive Summary

1. In line with the global trend of harnessing Information Technology (IT) to facilitate learning and teaching, the Education Bureau (EDB) has implemented various strategies on IT in education and other e-learning initiatives since 1998/99 school year (unless stated otherwise, all years mentioned hereinafter refer to school years). In November 1998, the EDB published the First Strategy on IT in Education (ITE1), and issued the Second and Third Strategies on IT in Education (ITE2 and ITE3) in 2003/04 and 2007/08 respectively. According to the EDB, ITE1 to ITE3 laid a solid foundation in areas such as the provision of basic IT infrastructure and learning resources, and enhancement of teachers' professional capacity and student learning.

2. In 2015/16, the EDB launched the Fourth Strategy on IT in Education (ITE4). According to the EDB, the goal of ITE4 is to unleash the learning power of students to learn to learn and to excel through realising the potential of IT in enhancing interactive learning and teaching experience. The main initiatives under ITE4 include: (a) WiFi-900 Scheme aiming to enable schools to acquire mobile computing devices to tie in with their acquisition of WiFi services covering all classrooms; and (b) a one-off grant to the Hong Kong Education City Limited (HKECL) for enriching e-learning resources. As at 31 March 2018, the actual expenditure on the implementation of ITE4 was \$99.5 million.

3. In addition to ITE1 to ITE4, the EDB has taken other measures to harness IT to facilitate learning and teaching, including: (a) the Composite Information Technology Grant (CITG) provided to all public sector schools (i.e. government schools, aided schools, caput schools and special schools) as a source of ongoing funding to meet their operational needs for IT in education; (b) professional development activities for education professionals to enhance their knowledge and skills to promote e-learning; (c) an education portal operated by the HKECL; (d) some IT related one-off projects funded by the Quality Education Fund to promote quality

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education in schools; (e) a three-year Pilot Scheme on E-Learning in Schools to tap into the changing pedagogical practices and pave the way for wider adoption of e-learning in schools; (f) E-textbook Market Development Scheme to facilitate the development of e-textbooks in line with the local school curricula; and (g) the Scheme for Supporting Schools to Adopt E-textbooks. In financial year 2016-17, the actual expenditure of the recurrent measures in items (a) to (c) was about \$390 million. In 2016/17, the actual expenditure of the recurrent measure in item (d) was about \$50 million. As at 31 March 2018, the actual expenditure of the non-recurrent measures (items (e) to (g)) was about \$150 million.

4. The IT in Education Section of the EDB is responsible for the formulation, implementation and monitoring of e-learning initiatives for enhancing learning and teaching effectiveness in primary and secondary education, including the provision of funding and other professional support to the schools. The Audit Commission (Audit) has recently conducted a review of the EDB's efforts in harnessing IT to facilitate learning and teaching.

Provision of resources to schools

5. *Need to provide further assistance to schools.* The WiFi-100 Scheme was launched in 2014 as a pioneer measure to provide funding to 100 public sector schools and local schools under Direct Subsidy Scheme (DSS) for setting up the necessary WiFi environment. As an extension to the WiFi-100 Scheme, the WiFi-900 Scheme was launched in 2015 to set up WiFi infrastructure by phases from 2015/16 to 2017/18 for the public sector schools and DSS schools not covered in the WiFi-100 Scheme. The EDB required the schools that intended to participate in the WiFi-900 Scheme to submit an Expression of Interest (EOI) to indicate their tentative e-learning implementation plan and their preference of the time to complete the WiFi enhancement. After reviewing the EOIs submitted by schools, the EDB found that among the 887 schools under the WiFi-900 Scheme, 334 (38%) were considered less ready to implement e-learning in terms of their teachers' readiness and engagement of stakeholders. The EDB provided funding to the 334 schools after obtaining their written confirmations committing to make improvement in these two aspects as the condition for receiving the funding. At the end of 2016/17, 224 (67%) of the 334 schools had enhanced their WiFi infrastructure. Audit examined the results of the annual school survey conducted by the EDB for 2016/17 and noted that: (a) information regarding stakeholders' engagement was not sought in the survey; and (b) of the 224 schools, 47 did not respond to the survey or did not provide information on their readiness in teacher development in their responses, and 88 considered

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themselves less than ready or not ready in the teacher development for integrating e-learning into their school curricula (paras. 2.3, 2.5, 2.7 to 2.9 and 2.11).

6. ***Need to continue to promote the usage of e-textbooks and e-learning resources.*** The key objective of enhancing the WiFi infrastructure for schools under the WiFi-100 Scheme and the WiFi-900 Scheme was to cater to the need of using e-textbooks and e-learning resources in class. The results of the annual school survey conducted for 2016/17 revealed the adoption rates of e-textbooks and e-learning resources among the 310 primary schools and 282 secondary schools that had completed the enhancement of their WiFi infrastructure. Two bases can be used to gauge adoption rates of e-textbooks and e-learning resources: (a) adoption rate on school basis is measured by dividing the number of schools that at least one class in the school had adopted e-textbooks/e-learning resources for any subject by the total number of schools; and (b) usage rate on class-level basis for a subject is measured by dividing the number of class levels in the schools that at least one class in the level had adopted e-textbooks/e-learning resources for the subject by the total number of class levels in the schools. On school basis, the adoption rates in 2016/17 of e-textbooks and e-learning resources in primary schools were 64% and 99.4% respectively, and in secondary schools were 32% and 96.8% respectively. However, on class-level basis, the average usage rates of e-textbooks and e-learning resources across subjects were 24% and 65% respectively in primary schools, and 8% and 66% respectively in secondary schools. The usage rates on class-level basis were lower than the adoption rates on school basis (paras. 2.12 to 2.14).

7. ***Need to further promote the EDB's recommended practice of separating WiFi network from schools' existing networks.*** According to the documents prepared by the consultant for schools' reference, the WiFi network is to be built as a separate network from existing school networks. In case schools opt for the mode of integrating the WiFi network with their existing networks, they may need to take note on the relevant security concerns. In June 2014, the EDB issued letters to 14 participating schools under the WiFi-100 Scheme that planned to integrate the WiFi network with their existing networks reminding them of the potential risk and extra resources that such practices might incur. In January 2016, the EDB added a new recommended practice to its guidelines on IT security in schools recommending schools to build the WiFi network completely separate from schools' existing networks with separate broadband line. Audit examination of implementation progress returns submitted by 50 participating schools under the WiFi-900 Scheme revealed that there were 11 (22%) schools that had integrated the WiFi network with their existing networks. Audit considers that the EDB needs to further promote the

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recommended practice of building the schools' WiFi network completely separate from their existing networks with separate broadband line for better security management. The EDB also needs to remind schools adopting the integrated mode of WiFi networks to address the security concerns on integrating the networks and take appropriate IT security measures accordingly (paras. 2.15, 2.16 and 2.18).

8. ***Need to improve the administration of CITG.*** In 2004/05, the EDB launched the CITG (see para. 3). Under the CITG, all public sector schools are provided with an annual grant to meet their operational needs for implementing IT in education. In financial year 2016-17, the total amount of CITG provided to 907 schools was \$352 million. Audit noted the following: (a) the EDB has stipulated in its circular to schools and in the CITG website that schools are required to relate the schools' IT budget to the annual School Development Plans. Audit examination of the annual School Development Plans of 40 schools revealed that 6 (15%) schools did not make such a correlation; and (b) some schools did not fully utilise the CITG allocation to develop IT in education. Audit examined the provision of the CITG to schools and the actual expenditure for the periods from financial years 2012-13 to 2016-17 for government schools and school years 2012/13 to 2016/17 for aided schools, and found that 517 (57.7%) of the 896 schools examined had used less than the total amount of CITG allocation in the five years, including 131 (14.6%) schools that had unused funds representing more than 20% of the total allocation in the five years (comprising 107 schools with percentages of unused allocation ranging from more than 20% to 40%; 21 schools with percentages ranging from more than 40% to 60%; and 3 schools with percentages of more than 60%). In September 2017, the EDB launched the Information Technology Staffing Support Grant (ITSSG). The provision of the ITSSG had significantly increased the resources provided to schools for the development of IT in education by 50% (from \$352 million in financial year 2016-17 to \$529 million in financial year 2017-18). This might result in a higher level of unused CITG allocation. The EDB needs to encourage schools to put into effective use the resources allocated to them for the development of IT in education (paras. 2.21, 2.23, 2.24 and 2.26 to 2.28).

Development of e-textbooks and procurement of e-learning resources

9. ***Need to step up efforts to facilitate the development of e-textbooks.*** In December 2011, the Secretary for Education accepted the recommendations of the Task Force to Review Learning and Teaching Materials that: (a) e-learning resources

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should move beyond their existing supportive role to a more vital role of e-textbooks, to form a complete and independent set of learning and teaching materials developed according to the requirements of the local curricula; and (b) the development of e-textbooks should be promoted in order to introduce competition for the purpose of regulating the distorted textbook market as well as to provide users with greater choice of effective learning and teaching materials. As at April 2018, 479 sets of printed textbooks were available on the Recommended Textbook List covering 46 subject sets, whereas only 49 sets of e-textbooks were available on the Recommended Textbook List for e-textbooks (eRTL) covering 20 subject sets. Audit analysis revealed that the number of e-textbook sets available for users to choose on the eRTL as at April 2018 for each of the four Key Stages, namely Primary 1 to 3, Primary 4 to 6, Secondary 1 to 3, and Secondary 4 to 6, were 13, 14, 22 and 0 respectively. Furthermore, the number of subject sets in which e-textbooks were available on the eRTL for the four Key Stages were 6, 6, 8 and 0 respectively. In particular, no e-textbooks were available on the eRTL for Key Stage 4 (i.e. class levels at Secondary 4 to 6) (paras. 3.2 and 3.6).

10. ***Considerable number of schools used e-textbooks not on eRTL.*** The eRTL has been published by the EDB since 2014/15. According to the EDB, the quality of e-textbooks submitted for review would be subject to the quality assurance criteria derived from the experience in the vetting of printed textbooks. Audit analysed the schools that adopted e-textbooks for the three major subjects (i.e. Chinese Language, English Language and Mathematics) and found that the percentages of primary schools and secondary schools that adopted e-textbooks not on the eRTL ranged from 28% to 34% and 45% to 48% respectively (paras. 3.8 and 3.9).

11. ***Need to improve the e-learning resources procured under the e-Resources Acquisition Project.*** Of the \$105 million earmarked for the implementation of ITE4, \$10 million was granted to the HKECL for the e-Resource Acquisition Project (eREAP). The HKECL was responsible to source suitable e-learning resources for use by schools. Of the 128 e-learning resources proposals received, 8 passed the screening and were made available for schools' adoption in eREAP. Audit noted the following: (a) a total of 205 schools participated in the first year of eREAP. Of these 205 schools, 46 (22%) did not participate in the second year. The main reasons for the schools' withdrawal from eREAP were the suitability of the e-learning resources to the schools and the schools' different priorities in learning and teaching; and (b) while the e-learning resources procured under eREAP covered various subjects including English Language, Mathematics and Liberal Studies, they did not cover Chinese Language. In December 2017, the HKECL

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conducted a survey to collect the views from 66 participating schools of eREAP. According to the survey results, about 39% of the teachers from the 66 schools suggested that Chinese Language should be covered in eREAP and it was one of the three subjects suggested by most teachers (paras. 3.15, 3.16 and 3.18 to 3.22).

12. *Need to improve the development and usage of Online Integration Services Platform for e-textbooks and e-learning resources.* In March 2014, the EDB and the HKECL entered into agreement for the development of the Online Integration Services Platform (OISP). The OISP included two components, namely the Single Sign On (SSO) for providing a one-stop account management for students, teachers and content providers of e-textbooks and e-learning resources, and EdBookshelf for serving as an exchange platform for delivery of e-textbooks and e-learning resources from content providers to students' network storage, and facilitating exchange of learning data between content providers and schools. Audit noted the following: (a) in the four-year period from 2014/15 to 2017/18, the total number of teacher members and student members of the HKECL as at the end of each school year ranged from 628,724 to 666,957. During the same period, the number of members using the SSO and EdBookshelf each year increased from 17,988 to 60,294 and 3,148 to 17,080 respectively. Notwithstanding the increase, there is still room to encourage more members to use the SSO and EdBookshelf; (b) as at 30 June 2018, 1,221 e-books were available at EdBookshelf. However, none of the e-books were e-textbooks on the eRTL. There is a need to enhance usage of EdBookshelf by e-textbook publishers; and (c) as at 30 June 2018, of the 1,221 e-books uploaded to EdBookshelf by 38 content providers, only eight e-books developed by one content provider had the function of retrieving learning data from them enabled. According to the EDB, designing e-books with learning data analysis is a more advanced design and is more effective to facilitate learning (paras. 3.25, 3.27, 3.28 and 3.30).

Professional development of school leaders and teachers

13. *Need to improve the award rate of certificate of some commissioned courses.* The IT in Education Section of the EDB organises professional development programmes to better equip school leaders and teachers with the necessary knowledge and skills on the latest practice of e-learning. Courses are provided by the EDB or commissioned to service providers. The EDB entered into separate contracts with the service providers for the provision of each commissioned course. A commissioned course may run a number of times (each time is known as an event). The service providers would issue a certificate to each participant who achieved full attendance and submitted the course-related work within two weeks after the last session of the

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event. The certificate award rate is the percentage of participants who fulfil both required conditions. Audit noted that the rates of some events were not high. For instance, in many events the rate was not higher than 70% (i.e. not more than 70% of participants having achieved full attendance and submitted course-related work before deadline). The percentage of events awarding the certificate to more than 70% of the participants, had decreased from 74.0% (57 of 77 events) in 2015/16 to 61.6% (45 of 73 events) in 2016/17 (paras. 4.2, 4.4, 4.5 and 4.7).

Monitoring of implementation of IT in education

14. ***Annual school survey on progress of implementation of IT in education.*** Since 2015/16, the EDB has conducted annual school surveys covering public sector schools and DSS schools. The annual school surveys collect information from schools on their progress of implementing IT in education covering aspects such as schools' IT environment and infrastructure, and the use of e-resources for learning (para. 5.2). Audit noted that:

- (a) ***Need to follow up with schools that did not respond to the annual school surveys.*** Of the 984 schools covered in the survey for 2016/17, 715 (72.7%) schools replied while 269 (27.3%) did not respond to the survey. Of the 269 schools which did not respond to the annual school survey for 2016/17, 187 (69.5%) also did not respond to or were not covered by the preceding survey for 2015/16. Omitting schools that decided not to respond to the survey may have a bearing on the survey results (para. 5.4); and
- (b) ***Some schools were behind their targets in implementing e-learning.*** Of the 715 schools that responded to the survey for 2016/17, 56 (7.8%) indicated that their progresses on implementing e-learning were behind the targets set in their three-year School Development Plans. The EDB had not ascertained why their progresses were behind targets and explored whether these schools would need any assistance from the EDB to help them catch up with the progresses (para. 5.5).

Audit recommendations

15. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has recommended that the Secretary for Education should:**

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Provision of resources to schools

- (a) **consider measures to keep track of how schools fulfil the commitment they made in seeking funding for enhancing their WiFi infrastructure and, where necessary, provide assistance to them to improve their readiness in implementing e-learning (para. 2.19(a));**
- (b) **understand the concerns and considerations of schools in adopting e-textbooks and take measures to encourage schools to extend their usage of e-textbooks where there are merits in doing so (para. 2.19(b));**
- (c) **continue the EDB's efforts in promoting the usage of e-learning resources (para. 2.19(c));**
- (d) **further promote the recommended practice of building the schools' WiFi network completely separate from the existing networks with separate broadband line for better security management (para. 2.19(d));**
- (e) **remind schools adopting the integrated mode of WiFi networks to address the security concerns on integrating the networks and take appropriate IT security measures accordingly (para. 2.19(e));**
- (f) **take measures to encourage schools to relate the schools' IT budgets to the annual School Development Plans with a view to enhancing the accountability and transparency of the schools' use of the CITG (para. 2.29(a));**
- (g) **take measures to encourage schools, in particular schools with significant level of unused CITG funding, to monitor the utilisation of the CITG and put into effective use the resources allocated to them for the development of IT in education (para. 2.29(b));**

Development of e-textbooks and procurement of e-learning resources

- (h) **in consultation with the Steering Committee on Strategic Development of Information Technology in Education, determine the way forward and consider ways to facilitate the future development of e-textbooks (para. 3.13(a));**

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- (i) continue to monitor the development of the eRTL (para. 3.13(b));
- (j) promote the eRTL as a quality vetting and assurance mechanism for e-textbooks among e-textbook developers and schools and encourage e-textbook developers to submit e-textbooks for review (para. 3.13(c) and (d));
- (k) in collaboration with the HKECL, consolidate the experience gained from the implementation of eREAP with a view to improving eREAP and determining the way forward for e-learning resources acquisition (para. 3.23(a));
- (l) explore ways to source more quality e-learning resources in the market, in particular for Chinese Language (para. 3.23(b));
- (m) urge the HKECL to further promote the usage of the SSO and EdBookshelf among HKECL members (para. 3.31(a));
- (n) urge the HKECL to keep in view the challenges faced by and considerations of e-textbook developers and take measures to address their concerns where necessary with a view to enhancing the usage of EdBookshelf by e-textbook publishers (para. 3.31(b));
- (o) urge the HKECL to encourage content providers to enable the function of EdBookshelf to retrieve data from their e-books with a view to facilitating exchange of learning data between content providers and schools (para. 3.31(c));

Professional development of school leaders and teachers

- (p) take measures to improve the certificate award rate of the commissioned courses (para. 4.10(a));

Monitoring of implementation of IT in education

- (q) step up efforts to follow up with schools that did not respond to the annual school survey as far as practicable (para. 5.7(a)); and

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- (r) **keep in view schools which considered their progresses of implementing e-learning behind the targets set in their School Development Plans, and proactively offer timely advice and assistance to them where necessary (para. 5.7(b)).**

Response from the Government

16. The Government fully appreciates Audit's efforts in conducting the review and making recommendations to improve the implementation of IT in education and generally agrees with the audit recommendations.

PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

Background

1.2 In line with the global trend of harnessing Information Technology (IT) to facilitate learning and teaching, the then Education Department (Note 1) has implemented various strategies on IT in education and other e-learning initiatives since 1998/99 school year (Note 2). The Education Bureau (EDB) published the first strategy document on promoting IT in education in November 1998, namely the First Strategy on IT in Education (ITE1). The EDB subsequently updated the document and issued the Second, Third and Fourth Strategies on IT in Education (ITE2, ITE3 and ITE4) in 2003/04, 2007/08 and 2015/16 respectively.

ITE1 to ITE3

1.3 In the period from 1998/99 to 2013/14, the EDB launched ITE1 to ITE3. Details are as follows:

- (a) **ITE1.** ITE1, covering the period 1998/99 to 2002/03, focused on equipping schools with necessary IT facilities, connecting them to the Internet and the provision of digital resources for learning and teaching. The funding earmarked for the implementation of ITE1 was \$3,223 million. The actual expenditure was \$3,103 million;

Note 1: *In January 2003, the then Education Department was merged with the then Education and Manpower Bureau. In July 2007, the Bureau was renamed as the Education Bureau upon the reorganisation of the Government Secretariat. For simplicity, the then Education Department and the then Education and Manpower Bureau are referred to as the Education Bureau in this Audit Report.*

Note 2: *Unless otherwise stated, all years mentioned hereinafter refer to school years, which start on 1 September of a year and end on 31 August of the following year.*

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- (b) **ITE2.** ITE2, covering the period 2003/04 to 2006/07, aimed to enhance students' IT literacy, build up teachers' capacity, nurture e-leadership among school leaders, engage the community in creating an environment conducive to the use of IT in education and narrow the digital divide. The funding earmarked for the implementation of ITE2 was \$336 million. The actual expenditure was \$292 million; and
- (c) **ITE3.** ITE3, covering the period 2007/08 to 2013/14, aimed to assist schools in drawing up and implementing school-based IT in education development plans, and integrating IT into learning and teaching activities so as to improve students' learning effectiveness. The funding earmarked for the implementation of ITE3 was \$252 million. The actual expenditure was \$247 million.

According to the EDB, ITE1 to ITE3 laid a solid foundation in areas such as the provision of basic IT infrastructure and learning resources, and enhancement of teachers' professional capacity and student learning. Appendix A shows the details of programmes and the outcomes of ITE1 to ITE3.

ITE4

1.4 In 2015/16, the EDB launched ITE4. According to the EDB, ITE4 took shape within evolving contexts — the macro environment, strengths and the experiences gained from previous strategies on IT in education and other interim e-learning projects. IT is evolving rapidly and there are multiple pathways and pedagogies developed to make use of IT in learning and teaching. The role of the EDB is to facilitate the school sector in harnessing the development with a view to helping students fully develop their potential.

1.5 According to the EDB, the goal of ITE4 is to unleash the learning power of students to learn to learn and to excel through realising the potential of IT in enhancing interactive learning and teaching experiences. ITE4 covers the following six key actions:

- (a) enhancing schools' IT infrastructure and re-engineering the operation mode;
- (b) enhancing the quality of e-learning resources (including e-textbooks);
- (c) renewing curriculum, transforming pedagogical and assessment practices;
- (d) building professional leadership, capacity and communities of practice;
- (e) involving parents, stakeholders and community; and
- (f) sustaining a coherent development of IT in education.

1.6 The EDB earmarked \$105 million to implement ITE4. Details are as follows:

- (a) **WiFi-900 Scheme.** An amount of \$90 million was provided for the WiFi-900 Scheme. The objective of the Scheme is to enable the public sector schools (i.e. government schools, aided schools, caput schools (Note 3) and special schools) and local schools under the Direct Subsidy Scheme (DSS) not covered by the WiFi-100 Scheme (see para. 1.8(g)(i)) to acquire mobile computing devices to tie in with their acquisition of WiFi services covering all classrooms (see para. 2.5);
- (b) **Grant to Hong Kong Education City Limited for enriching of e-learning resources.** A one-off grant of \$10 million was provided to the Hong Kong Education City Limited (HKECL) (see para. 1.8(c)) to enrich e-learning resources with a view to providing more choices for teachers and students; and
- (c) **Other supports.** An amount of \$5 million was provided to implement measures to reach out to parents and to provide schools with the necessary support including technical advisory services and/or centralised procurement procedures.

Note 3: *Caput schools are non-profit-making private secondary schools in receipt of government subsidy since 1971 when the Government bought school places from private schools due to inadequate supply of public secondary school places.*

Introduction

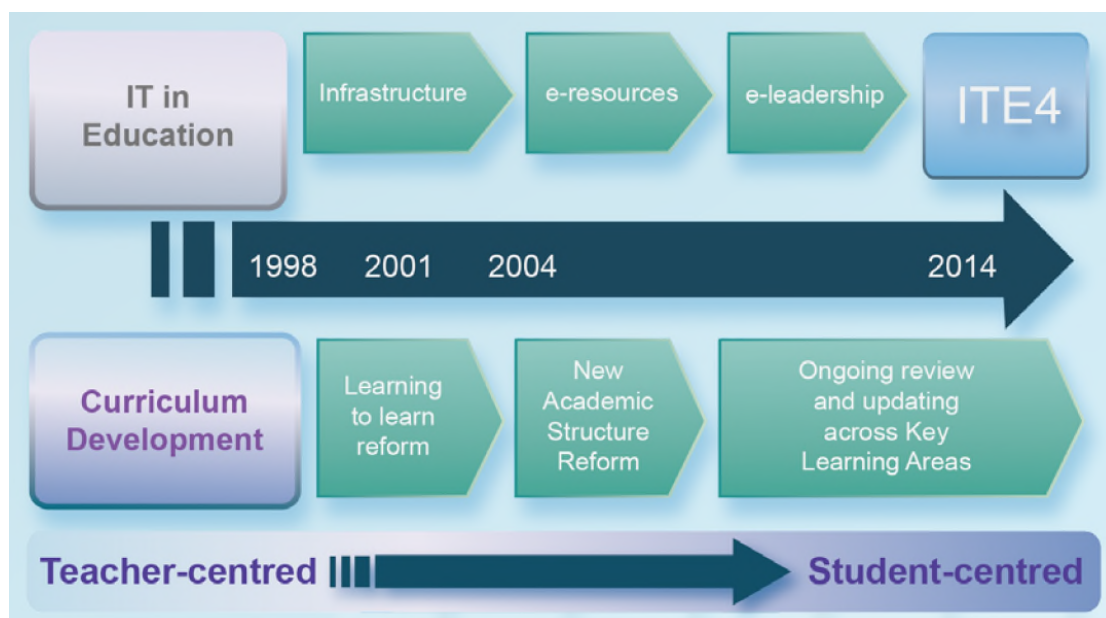
As at 31 March 2018, the actual expenditure on the implementation of ITE4 was \$99.5 million.

1.7 According to the EDB:

- (a) the EDB implemented the strategies on IT in education in tandem with the basic education curriculum reform and the New Senior Secondary Curriculum and Assessment Reform, focusing on students' learning to learn for lifelong learning and whole-person development. There is a common holistic vision between IT in education (with three key elements, namely infrastructure, e-resources and e-leadership) and curriculum development involving a paradigm shift from teacher-centred learning to student-centred learning (see Figure 1);
- (b) ITE4 has laid down the basic provisions in terms of hardware and resources for the practice of e-learning in schools. With the basic provisions, schools are able to devise their own plan having regard to their school circumstances and development needs. A rich repertoire of strategies in learning and teaching, beyond the use of e-textbooks (see para. 3.2) or e-teaching resources, are identified and disseminated via channels such as training/sharing sessions and the IT in Education Centres of Excellence (CoE — see para. 4.3) Scheme; and
- (c) in view of the evolving and diversified nature of e-learning, there is no best practice or standard towards which schools should comply with, not to mention that e-learning measures are not necessarily more effective than conventional measures in every case.

Figure 1

Implementation of the IT in education with curriculum development



Source: EDB records

Other measures to harness IT to facilitate learning and teaching

1.8 In addition to ITE1 to ITE4, the EDB has taken other measures to harness IT to facilitate learning and teaching:

Recurrent measures

- (a) **Composite Information Technology Grant.** All public sector schools are provided with recurrent financial assistance under the Composite Information Technology Grant (CITG) (Note 4) as a source of ongoing

Note 4: Prior to financial year 2004-05, schools were provided with four types of recurrent grants for various IT in education purposes, namely: (a) the recurrent grant of the Multimedia Computers for Primary School Project; (b) the recurrent grant of the IT in Education Project; (c) the incentive grant for extending the opening hours of school's computer facilities; and (d) the cash grant for employing on-site technical support personnel or hiring technical support services from a contractor. With effect from financial year 2004-05, the four types of recurrent grants have been merged to form an annual recurrent CITG.

funding to meet their operational needs for IT in education. The CITG is one of the constituent grants under a block grant. The aims of the block grant are to provide schools with greater flexibility in the use of resources and to support the implementation of school-based management (see paras. 2.22 and 2.25). In financial year 2016-17, the total amount of CITG provided to schools was \$352 million (included in the block grant);

- (b) ***Professional development activities.*** A range of professional development activities were organised by the EDB for education professionals (i.e. school leaders and teachers) to enhance their knowledge and skills to promote e-learning as part of the on-going professional capacity building programmes. Courses are either organised by the EDB (including events conducted by seconded teachers under the IT in Education CoE Scheme, or jointly organised with IT industry, relevant government departments and teachers associations), or commissioned to local tertiary institutions (see para. 4.4). The expenditure on the courses organised by the EDB was subsumed under the expenditure of the IT in Education Section. In financial year 2016-17, the expenditure on commissioned courses was \$3.8 million;
- (c) ***Education portal operated by the HKECL.*** The HKECL (Note 5) operates an education portal, which incorporates information, resources, interactive communities and online services, and promotes the use of IT in improving the effectiveness of learning and teaching. In financial year 2016-17, the amount of subvention provided to the HKECL was \$34 million;
- (d) ***Projects funded by the Quality Education Fund.*** The Quality Education Fund (QEF) funds a wide range of one-off projects that promote quality education in schools. These projects are of diverse nature that improve the quality of education of the individual applicant schools. Some projects are IT related. In 2016/17, the QEF approved \$170 million to support 560 projects to promote quality of education, of which 84 were IT related (total approved funding was \$52 million);

Note 5: *Established in 2000 with the support of the Quality Education Fund, the HKECL was incorporated in 2002 to become a wholly-owned company of the Government. The HKECL is managed by a Board of Directors which provides strategic guidance and direction for the company.*

Non-recurrent measures

- (e) ***Pilot Scheme on E-Learning in Schools.*** The three-year Pilot Scheme on E-Learning in Schools was implemented in the period from 2011 to 2013 with a non-recurrent funding of \$68 million to tap into the changing pedagogical practices and pave the way for wider adoption of e-learning in schools. The actual expenditure of the Pilot Scheme was \$65.8 million;
- (f) ***E-textbook Market Development Scheme.*** E-textbook Market Development Scheme (EMADS) was launched in 2012 with a non-recurrent commitment of \$50 million to facilitate the development of e-textbooks in line with the local school curricula for use starting from 2014/15. As at 31 March 2018, the actual expenditure of EMADS was \$36.6 million; and
- (g) ***Scheme for Supporting Schools to Adopt E-textbooks.*** A non-recurrent commitment of \$50 million covering the period from 2014 to 2017 was approved for the Scheme for Supporting Schools to Adopt E-textbooks. Details are as follows:
 - (i) ***WiFi-100 Scheme.*** Under the WiFi-100 Scheme, an amount of \$35 million was provided to 100 schools (including public sector schools and DSS schools) to enhance their IT infrastructure, mainly setting up of WiFi network and procurement of mobile computing devices;
 - (ii) ***Technical and project management support.*** An amount of \$3 million was used for the provision of centrally arranged technical and project management support for the implementation of the WiFi-100 Scheme;
 - (iii) ***Online Integration Services Platform.*** A one-off grant of \$10 million was provided to the HKECL for the development of an Online Integration Services Platform (OISP). The Platform can link up schools' learning management system and various online content platforms used by e-learning resources; and

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- (iv) ***Professional development.*** An amount of \$2 million was provided for the professional development programmes (see para. 4.2) to help teachers establish sound pedagogy for using e-textbooks.

As at 31 March 2018, the actual expenditure of the Scheme was \$48.9 million.

1.9 The IT in Education Section of the EDB is responsible for the formulation, implementation and monitoring of e-learning initiatives for enhancing learning and teaching effectiveness in primary and secondary education, including the provision of funding and other professional support to the schools. The Section is headed by a Chief Curriculum Development Officer. As at 31 August 2018, the Section had an establishment of 21 staff, including 17 civil service staff and 4 staff on contract terms. An extract of the organisation chart of the EDB is shown at Appendix B.

Audit review

1.10 In March 2018, the Audit Commission (Audit) commenced a review of the EDB's efforts in harnessing IT to facilitate learning and teaching. The review has focused on the following areas:

- (a) provision of resources to schools (PART 2);
- (b) development of e-textbooks and procurement of e-learning resources (PART 3);
- (c) professional development of school leaders and teachers (PART 4); and
- (d) monitoring of implementation of IT in education (PART 5).

Audit has found room for improvement in the above areas and has made a number of recommendations to address the issues.

General response from the Government

1.11 The Secretary for Education generally agrees with the audit recommendations. He has said that he fully appreciates Audit's efforts in conducting the review and making recommendations to improve the implementation of IT in education. He will consider appropriate actions to follow up the audit recommendations.

Acknowledgement

1.12 Audit would like to acknowledge with gratitude the full cooperation of the staff of the EDB during the course of the audit review.

PART 2: PROVISION OF RESOURCES TO SCHOOLS

2.1 This PART examines the provision of resources to schools by the EDB to facilitate schools' implementation of IT in education. Audit found room for improvement in the following areas:

- (a) enhancement of WiFi infrastructure at schools (paras. 2.2 to 2.20); and
- (b) administration of CITG (paras. 2.21 to 2.30).

Enhancement of WiFi infrastructure at schools

2.2 With the proliferation of mobile computing devices and their increased use for learning, the EDB considers that there is a need for the establishment of a robust WiFi infrastructure to cover all classrooms of the school premises. Provision of WiFi access in all public sector schools and DSS schools is a key action area under ITE4.

WiFi-100 Scheme

2.3 In January 2014, the EDB obtained the approval from the Finance Committee (FC) of the Legislative Council (LegCo) to launch the WiFi-100 Scheme as a pioneer measure. The objective of the Scheme is to support schools in using e-textbooks developed under EMADS in 2014/15. Under the Scheme, a one-off grant of \$35 million was provided to 100 public sector schools and DSS schools. On average, each school was granted \$350,000, of which:

- (a) an amount of \$100,000 was for acquiring mobile computing devices because the "bring-your-own-device" approach was not common. The EDB considered that an average of 50 devices per school should be sufficient for groups of two to three students to share one device to carry out technology-dependent activities such as Internet search, downloading worksheets, etc.; and

- (b) an amount of \$250,000 was for setting up the necessary WiFi environment in their school premises for use of e-textbooks in class, including the enhancement of their IT infrastructure and the subscription of WiFi services for three years from 2014/15 to 2016/17.

2.4 In mid-January 2014, the EDB invited schools to apply for the WiFi-100 Scheme. Applicant schools were required to formulate a three-year e-learning development plan. Based on the development plans and factors such as the schools' track record on IT in education and e-learning, the EDB reviewed the schools' readiness and suitability for joining the Scheme. Of 174 applications received, 100 were approved. To ensure that the necessary WiFi environment was built in time to enable the use of e-textbooks developed under EMADS in 2014/15, technical and project management support was centrally arranged by the EDB for servicing the 100 schools. The services arranged by the EDB included technical advice on the design of the WiFi infrastructure and monitoring of the work of service providers.

WiFi-900 Scheme

2.5 Taking into account the experience of the schools under the WiFi-100 Scheme, the EDB considered that WiFi infrastructure was an essential facility for the practice of e-learning, and all public sector and DSS schools should be provided with the support for WiFi infrastructure enhancement. As an extension to the WiFi-100 Scheme, the WiFi-900 Scheme was launched in August 2015. It aimed to set up a robust WiFi infrastructure by phases over three years from 2015/16 to 2017/18 for the public sector schools and DSS schools not covered in the WiFi-100 Scheme. A total of 887 schools participated in the WiFi-900 Scheme (Note 6). The EDB provided:

- (a) a one-off grant of \$90 million, at an average of about \$100,000 per school, for the schools to acquire mobile computing devices for shared use among students in class to tie in with their acquisition of WiFi services covering all classrooms; and

Note 6: *A total of 889 schools were eligible to participate in the WiFi-900 Scheme. Two DSS schools decided not to participate in the Scheme.*

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- (b) a recurrent grant at an average of about \$70,000 per school per year for the schools to pay for any service fees in setting up the necessary WiFi environment in their school premises for use of e-textbooks or curriculum-based e-learning resources in class, and also the maintenance fees for mobile computing devices (Note 7). In financial year 2017-18, the amount of grant provided to schools was about \$66 million.

2.6 The WiFi infrastructure enhancement works of the schools joining the WiFi-900 Scheme have been basically completed by 2017/18. As at 31 August 2018, of the 987 schools (100 schools under the WiFi-100 Scheme and 887 schools under the WiFi-900 Scheme), 976 (99%) had completed the WiFi infrastructure enhancement at their premises. Among the remaining 11 schools, 4 completed the WiFi infrastructure enhancement works in October 2018, 5 opted to join the WiFi-900 Scheme in 2018/19 and 2 will join in 2019/20 (due to special circumstances such as relocation of school premises). Annual school surveys were carried out by the EDB to give a holistic understanding of the implementation of ITE4 in schools in order to fine-tune the actions and identify future support measures. According to the survey conducted for 2016/17, each of the 715 schools that responded to the survey, on average, had 87 mobile computing devices.

Need to provide further assistance to schools

2.7 In February 2015, the EDB required the schools that intended to participate in the WiFi-900 Scheme to submit an Expression of Interest (EOI) to indicate their tentative e-learning implementation plan and their preference of the time to complete the WiFi enhancement among the three school years before 2017/18. Based on the EOIs, the EDB reviewed the readiness of the schools in implementing e-learning in terms of five aspects:

- (a) ***School Development Planning.*** This aspect was reviewed based on the school's development priorities in the implementation of e-learning in its three-year School Development Plan;

Note 7: *Schools that participated in the WiFi-100 Scheme were also eligible for the recurrent grant starting from 2017/18.*

- (b) ***Schedule for using e-textbooks or e-learning resources.*** This aspect was reviewed based on the coherence of school's schedule of using e-textbooks and e-learning resources, and its strategies of integrating IT in the subjects and levels;
- (c) ***Teachers' readiness.*** This aspect was reviewed based on the number of teachers considered ready for adopting e-learning, number of teachers who would be involved in adopting e-learning in the next three school years, their commitment to participate in the professional development activities on e-learning, and the school's own professional development plan on e-learning;
- (d) ***Engagement of stakeholders.*** This aspect was reviewed based on the support obtained from school management committee or incorporated management committee, teachers and parents on the whole-school adoption of e-learning; and
- (e) ***Plan for the build-up of mobile learning environment.*** This aspect was reviewed based on the existing IT infrastructure in terms of WiFi coverage in classrooms and number of mobile computing devices, the mode adopted for enhancement of WiFi infrastructure and the school's plan or policy on managing increasing number of mobile computing devices.

2.8 After reviewing the EOIs submitted by schools, the EDB found that some schools were less ready to implement e-learning in terms of their teachers' readiness and engagement of stakeholders. In April 2015, the Steering Committee on Strategic Development of Information Technology in Education (Note 8) advised the EDB for those schools considered to be less ready, the EDB would provide funding support to the schools on the condition that they would commit to taking further actions to enhance teachers' readiness and solicit stakeholders' support.

Note 8: *The Steering Committee on Strategic Development of Information Technology in Education is chaired by a Deputy Secretary of the EDB. As at April 2018, it had 11 non-official members and five official members. The terms of reference of the Steering Committee are to advise: (a) the EDB on the strategic direction, implementation and evaluation of integrating IT into education; (b) the EDB on the latest technologies and associated pedagogy as well as global trend on policies and practices in using IT to improve the quality of education; (c) on the implementation of e-learning in schools; and (d) the EDB on the way forward for e-learning in Hong Kong.*

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2.9 Among the 887 schools under the WiFi-900 Scheme, 334 (38%) were considered less ready to implement e-learning in terms of their teachers' readiness and engagement of stakeholders. Following the advice of the Steering Committee on Strategic Development of Information Technology in Education, the EDB provided funding to the 334 schools after obtaining their written confirmations committing to make improvement in the two aspects as the condition for receiving the funding to enhance their WiFi infrastructure. Various supports were also provided to the schools, e.g. on-site support service by the IT in Education CoE Scheme, relevant online resources as well as technical support services.

2.10 The EDB informed Audit in October 2018 that the 2015 EOI exercise was conducted to obtain an overview of the situation of schools joining the WiFi-900 Scheme for reference, in particular for facilitating funding requirement projection. It was a one-off snap-shot exercise and was not meant to be a tool for setting a base-line to track whether school had fulfilled their commitments.

2.11 At the end of 2016/17, 224 (67%) of the 334 schools had enhanced their WiFi infrastructure. Audit examined the results of the annual school survey conducted by the EDB for 2016/17 and noted that:

- (a) ***Stakeholders' engagement.*** Information regarding stakeholders' engagement was not sought in the survey; and
- (b) ***Teachers' readiness.*** Of the 224 schools (see Table 1):
 - (i) 47 did not respond to the survey or did not provide information on their readiness in teacher development in their responses; and
 - (ii) 88 considered themselves less than ready or not ready in the teacher development for integrating e-learning into their school curricula.

Table 1

Readiness in teacher development reported by schools that had committed to make improvement in the aspect (2016/17)

Teachers' readiness	No. of schools	Percentage
More than ready	4	1.8%
Ready	85	37.9%
Less than ready	86 } 88	38.4% } 39.3%
Not ready	2 }	0.9% }
No information	47	21.0%
Total	224	100.0%

Source: Audit analysis of EDB records

Audit considers that the EDB needs to consider measures to keep track of how schools fulfil the commitment they made in seeking funding for enhancing their WiFi infrastructure and, where necessary, provide assistance to them to improve their readiness in implementing e-learning.

Need to continue to promote the usage of e-textbooks and e-learning resources

2.12 The key objective of enhancing the WiFi infrastructure for schools under the WiFi-100 Scheme and the WiFi-900 Scheme was to cater for the need of using e-textbooks and e-learning resources (see paras. 3.2 and 3.15) in class. Since 2015/16, the EDB has conducted annual school surveys on the use of e-textbooks and e-learning resources among schools. In the annual school surveys, schools were asked, for each class level (Primary 1 to 6 and Secondary 1 to 6) and for each

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subject (Note 9), whether e-textbooks and/or e-learning resources were used. In April 2018, in response to questions raised by Members of LegCo, the EDB said that:

- (a) in 2015/16, 74.7% of primary schools and 10.0% of secondary schools used e-textbooks on a trial basis and/or purchased e-textbooks; and
- (b) in 2016/17, 62.7% of primary schools and 31.3% of secondary schools purchased and used e-textbooks for one or more than one subject.

2.13 Audit examined the results of the annual school survey conducted for 2016/17 to assess the extent to which e-textbooks and e-learning resources were adopted across class levels and subjects in schools. Audit noted that among the 310 primary schools and 282 secondary schools that had completed the enhancement of their WiFi infrastructure:

- (a) **Primary schools.** The average percentages of e-textbooks and e-learning resources adoption across class levels and subjects were 24% (ranging from 3% to 44%) and 65% (ranging from 35% to 77%) respectively (see Table 2); and
- (b) **Secondary schools.** The average percentages of e-textbooks and e-learning resources adoption across class levels and subjects were 8% (ranging from 3% to 17%) and 66% (ranging from 52% to 81%) respectively (see Table 3).

Note 9: For Primary 1 to 6, six subjects were surveyed, namely: (a) Chinese Language; (b) English Language; (c) Mathematics; (d) General Studies; (e) Computer Literacy; and (f) Visual Arts. For Secondary 1 to 6, eight subjects were surveyed, namely: (a) Chinese Language; (b) English Language; (c) Mathematics; (d) Liberal Studies; (e) Science; (f) Humanities; (g) Computer Literacy; and (h) Visual Arts.

Table 2

**Adoption of e-textbooks and e-learning resources in primary schools
(2016/17)**

Subject	Percentage of class levels that adopted	
	E-textbooks	E-learning resources
Chinese Language	23 %	64 %
English Language	24 %	73 %
Mathematics	25 %	77 %
General Studies	22 %	68 %
Computer Literacy	44 %	75 %
Visual Arts	3 %	35 %
Average	24 %	65 %

Source: Audit analysis of EDB records

Remarks: The percentage for a subject was calculated by dividing the number of class levels in the 310 primary schools that at least one class in the level had adopted e-textbooks/e-learning resources for the subject by the total number of class levels of 1,860 (i.e. 6 levels × 310 schools).

Table 3

**Adoption of e-textbooks and e-learning resources in secondary schools
(2016/17)**

Subject	Percentage of class levels that adopted	
	E-textbooks	E-learning resources
Chinese Language	7 %	61 %
English Language	7 %	67 %
Mathematics	8 %	67 %
Liberal Studies	N.A. (Note)	71 %
Science	8 %	69 %
Humanities	6 %	63 %
Computer Literacy	17 %	81 %
Visual Arts	3 %	52 %
Average	8 %	66 %

Source: Audit analysis of EDB records

Note: According to the EDB, schools are not recommended to use printed textbooks or e-textbooks for Liberal Studies.

Remarks: The percentage for a subject was calculated by dividing the number of class levels in the 282 secondary schools that at least one class in the level had adopted e-textbooks/e-learning resources for the subject by the total number of class levels of 1,692 (i.e. 6 levels × 282 schools).

2.14 The EDB has informed Audit in October 2018 that:

- (a) the EDB takes the adoption rates of e-textbooks and e-learning resources on school basis instead of class-level basis because:
 - (i) schools select learning and teaching resources, including printed textbooks, e-textbooks and other learning resources that suit their students' needs;

- (ii) to cater for learners' diversity, schools have their flexibilities to use e-resources or e-textbooks in any subjects in any classes of a particular level according to their school contexts and students' needs; and
 - (iii) schools should adopt a new series of textbooks/e-textbooks by progression and not at all year levels at any one time;
- (b) according to the results of the annual school survey conducted for 2016/17, 310 primary schools and 282 secondary schools had completed the enhancement of their WiFi infrastructure. On school basis, the adoption rates of e-textbooks and e-learning resources in the primary schools were 64% and 99.4% respectively, and in the secondary schools were 32% and 96.8% respectively. Adoption rate on school basis is measured by dividing the number of schools that at least one class in the school had adopted e-textbooks/e-learning resources for any subject by the total number of schools. On class-level basis (which is not recommended as schools should adopt new series of e-textbooks or e-learning resources by progression, and not all year levels together), the average usage rates of e-textbooks and e-learning resources across subjects were 24% and 65% respectively in the primary schools, and 8% and 66% respectively in the secondary schools. The EDB considers that the usage of e-learning resources is satisfactory;
- (c) e-textbooks and e-learning resources contain multi-media learning objects and interactive functions which facilitate students' understanding, self-directed and collaborative learning, and use of new pedagogy by teachers; and
- (d) e-textbooks and e-learning resources provide an alternative to their conventional counterparts but have to be adopted with the appropriate pedagogies and hence are not necessarily better than the latter. To equip teachers with e-learning pedagogies, including the use of e-textbooks and e-learning resources in different subjects, the EDB has been conducting various professional development programmes for teachers throughout the year.

Audit considers that the EDB needs to understand the concerns and considerations of schools in adopting e-textbooks and take measures to encourage schools to extend their usage of e-textbooks where there are merits in doing so. The EDB also needs

to continue its efforts in promoting the usage of e-learning resources where there are merits in using them.

Need to further promote the EDB's recommended practice of separating WiFi network from schools' existing networks

2.15 In March 2014, the EDB commissioned a consultant to provide technical and project management support services to the participating schools under the WiFi-100 Scheme (see para. 1.8(g)(i)). According to the documents prepared by the consultant for schools' reference:

- (a) the WiFi network is to be built as a separate network from existing school networks; and
- (b) in case schools opt for the mode of integrating the WiFi network with their existing networks, they may need to take note on the relevant security concerns.

In May 2014, upon the request of the EDB, the consultant provided a list of 14 participating schools under the WiFi-100 Scheme that planned to integrate the WiFi network with their existing networks. In June 2014, the EDB issued letters to these 14 schools reminding them of the potential risk and extra resources that such practices might incur.

2.16 In January 2016 (about five months after the commencement of the WiFi-900 Scheme in August 2015), the EDB updated its guidelines on IT security in schools (Note 10) for schools' reference in protecting their information and IT assets when implementing e-learning. A new recommended practice on information security for WiFi network was added to the guidelines, as follows:

- (a) the EDB recommended that schools build the WiFi network completely separate from schools' existing networks with separate broadband line; and

Note 10: *In 2002, the EDB issued guidelines on IT security in schools to assist schools in formulating IT security policies and standards for their computer systems. The EDB updates the guidelines from time to time.*

- (b) schools' IT personnel needs to consider, understand and eliminate the security issues and risks to existing networks when the WiFi network is integrated or connected to schools' existing networks.

2.17 Although the EDB has been recommending the practice through seminars since May 2015, some schools might not be aware of the new recommended practice or might have already carried out the WiFi enhancement works before the recommended practice was added to the EDB's guidelines (Note 11). Some other schools might have decided not to follow the recommended practice for various reasons, e.g. technical limitations in implementing two broadband lines. The EDB informed Audit in October 2018 that:

- (a) the recommended practice is not a mandatory requirement that schools were obliged to observe as schools could adopt different technical solutions; and
- (b) under the principle of school-based management, schools were responsible for taking appropriate IT security measures to protect the IT systems and data of their schools, and they may determine their own requirements to adopt the practice where applicable to their own environment and operational needs.

2.18 Audit examination of implementation progress returns submitted by 50 participating schools under the WiFi-900 Scheme revealed that there were 11 (22%) schools that had integrated the WiFi network with their existing networks. Audit considers that the EDB needs to further promote the recommended practice of building the schools' WiFi network completely separate from the existing networks with separate broadband line for better security management. The EDB also needs to remind schools adopting the integrated mode of WiFi networks to address the security concerns on integrating the networks and take appropriate IT security measures accordingly.

Note 11: *Under the WiFi-900 Scheme, 405 schools completed their WiFi enhancement works in 2015/16.*

Audit recommendations

- 2.19 **Audit has *recommended* that the Secretary for Education should:**
- (a) **consider measures to keep track of how schools fulfil the commitment they made in seeking funding for enhancing their WiFi infrastructure and, where necessary, provide assistance to them to improve their readiness in implementing e-learning;**
 - (b) **understand the concerns and considerations of schools in adopting e-textbooks and take measures to encourage schools to extend their usage of e-textbooks where there are merits in doing so;**
 - (c) **continue the EDB's efforts in promoting the usage of e-learning resources where there are merits in using them;**
 - (d) **further promote the recommended practice of building the schools' WiFi network completely separate from the existing networks with separate broadband line for better security management; and**
 - (e) **remind schools adopting the integrated mode of WiFi networks to address the security concerns on integrating the networks and take appropriate IT security measures accordingly.**

Response from the Government

2.20 The Secretary for Education agrees with the audit recommendations. He has said that:

- (a) the EDB has been gauging the progress of IT in education development in schools including those joining the WiFi-900 Scheme through various means such as school visits, on-site support visits, surveys, case studies and proformas returned from schools. The EDB will consider measures to provide further assistance to schools with regard to their needs;
- (b) schools select conventional textbooks or e-textbooks for students according to their needs and school contexts. A low adoption rate in using e-textbooks reflects schools' decisions with regard to their own circumstances or

concerns. The responses from school visits and interviews showed that schools are progressively adopting e-resources and e-textbooks in different subjects and levels according to their school plans as reflected in the increasing adoption rate from 2015/16 to 2017/18;

- (c) although the EDB considers that the usage of e-learning resources satisfactory (see para. 2.14(b)), the EDB will still continue its efforts in promoting the use of e-learning resources where there are clear merits in using them;
- (d) the EDB will continue to conduct school visits and focus group meetings to further understand schools' concerns and considerations in adopting e-textbooks and take various measures to equip teachers with e-learning pedagogies, including the use of e-textbooks in different subjects so that schools are well prepared to extend their usage of e-textbooks where they see clear merits in doing so; and
- (e) the EDB has all along been playing a supporting and advisory role to facilitate schools to implement IT security in accordance with their school-based operational needs. While the EDB has been promoting the recommended practice of building the schools' WiFi network completely separate from existing networks, the EDB will explore measures to further promote the recommended practice among schools and remind schools adopting the integration mode to address the security concerns and take appropriate IT security measures accordingly.

Administration of CITG

2.21 In 2004/05, the EDB launched the CITG (see para. 1.8(a)). Under the CITG, all public sector schools are provided with an annual grant to meet their operational needs for implementing IT in education. Schools can use the CITG to meet their operational needs in the following areas:

- (a) purchase of IT related consumables;
- (b) purchase of digital resource materials for learning and teaching;
- (c) Internet connection and Internet security service fees;

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- (d) employment of technical support personnel or hire of technical support services from service providers;
- (e) extension of opening hours for school's IT facilities;
- (f) hire of maintenance services for school's IT facilities procured by government funds; and
- (g) upgrading and replacement of school's IT facilities.

The amount of CITG provided to each school is determined by the school's category (e.g. primary/secondary/special schools) and the number of approved operating classes. The amount of CITG is adjusted annually in accordance with the movement of the Composite Consumer Price Index. In financial year 2016-17, the total amount of CITG provided to 907 schools was \$352 million. The amount received by each school ranged from \$292,691 to \$569,510, averaging around \$388,000.

2.22 The CITG is provided to schools as one of the constituent grants under the Block Grant (Note 12). Schools are required to keep a separate ledger account to reflect all incomes and expenditures chargeable to the CITG according to relevant EDB circular to schools and in the CITG website. If there is any surplus balance of the Block Grant as a whole up to its 12 months' provision, the surplus in excess of such level is subject to clawback by the EDB.

Need to encourage schools to follow recommended procedures of CITG

2.23 The EDB advises schools to make good resource planning to meet their expenses according to their priorities and has stipulated in its circular to schools and in the CITG website that schools are required to relate the schools' IT budgets to the annual School Development Plans.

Note 12: *The name of the Block Grant varies for different types of schools, namely Operating Expenses Block Grant or Expanded Operating Expenses Block Grant for aided schools, and Expanded Subject and Curriculum Block Grant for government schools. If surpluses are available under the CITG, schools may use such funds on items chargeable to other government subsidies.*

2.24 Audit examined the annual School Development Plans of 40 schools and found that 6 (15%) did not relate the schools' IT budgets to the annual School Development Plans. In October 2018, the EDB informed Audit that the word 'required' in its circular to schools and in the CITG website (see para. 2.23) was an inaccurate choice of word and should read 'encouraged'. According to the EDB, schools are not mandated to relate their IT budgets to the annual school-based development plans given the many initiatives that the EDB and schools are pursuing in recent years that are supported by grants (e.g. Science, Technology, Engineering and Mathematics education and renewed emphasis on Chinese History). It would be practically difficult for schools to relate the budget on every initiative to the annual school plan and certain leeway has to be given to schools. The requirements were only recommended procedures. Audit considers that the EDB needs to take measures to encourage schools to relate the schools' IT budgets to the annual School Development Plans with a view to enhancing the accountability and transparency of the schools' use of the CITG.

Need to encourage the utilisation of CITG for development of IT in education

2.25 The CITG is provided to schools as one of the constituent grants under the Block Grant. Schools are provided with great flexibility in the use of resources taking into account their own circumstances to meet the operational needs of schools. For example, schools may deploy the amount allocated under the CITG to other individual constituent grants. The EDB has an established mechanism in place to monitor the schools' spending on their Block Grant. The EDB will issue advisory letters to schools with high level of cumulative surplus of the Block Grant and request them to submit improvement plans. Overall speaking, after the launch of ITE4 in 2015/16, the total expenditure on CITG was about the same as the total allocation. For instance, in 2015/16 and 2016/17, the total expenditure of aided schools exceeded the total allocation by 0.7% and 1.1% respectively.

2.26 Audit recognises that in a short period of a couple of school years, there may be surplus or deficit in the amounts of CITG. To ascertain whether individual schools may make better use of the CITG for development of IT in education, Audit analysed the amount of CITG deployed by schools for the development of IT in education in a longer period. Hence, Audit examined the provision of the CITG to schools and the actual expenditure for the periods from financial years 2012-13 to 2016-17 for government schools and school years 2012/13 to 2016/17 for aided schools, and found that some schools did not fully utilise the CITG allocation for the

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development of IT in education. As at 31 July 2018, of the 904 schools that received the CITG in all the years over the five-year period, 8 aided schools have not submitted their audited accounts for school year 2016/17 to the EDB and therefore information on their usage of CITG allocation for 2016/17 was not available. Of the remaining 896 schools, 517 (57.7%) had used less than the total amount of CITG allocation in the five years, including 131 (14.6%) schools that had unused funds representing more than 20% of the total allocation in the five years (see Table 4).

Table 4

**Use of CITG by schools for development of IT in education
(financial years 2012-13 to 2016-17 for government schools
and 2012/13 to 2016/17 for aided schools)**

Percentage of unused CITG allocation	No. of schools	Percentage
No unused allocation	379	42.3 %
5 % or less	118	13.1 %
More than 5 % to 10 %	125	14.0 %
More than 10 % to 20 %	143	16.0 %
More than 20 % to 40 %	517 { 107	57.7 % { 12.0 %
More than 40 % to 60 %	21 { 131	2.3 % { 14.6 %
More than 60 %	3	0.3 %
Total	896	100.0 %

Source: Audit analysis of EDB records

2.27 In September 2017, the EDB launched the Information Technology Staffing Support Grant (ITSSG). Under the ITSSG:

- (a) each public sector school is granted \$300,000 per year for strengthening the IT staffing support to practise e-learning and take forward education initiatives which will harness IT. The amount of the ITSSG for each school is adjusted annually in accordance with the movement of the Composite Consumer Price Index; and

- (b) schools can use the ITSSG to employ their own staff or appoint IT companies to provide agency workers to render the required technical support in the school campus. Transfer of funds out of the ITSSG for other purposes is not allowed.

2.28 According to the EDB, under the current mechanism of Block Grant, schools can flexibly deploy their resources obtained under the CITG to meet their operational needs on e-learning. The EDB provided the ITSSG because many schools indicated that the level of the CITG was insufficient for schools to employ and retain stable IT support staff. The ITSSG could address the manpower need and schools would be able to use the CITG to procure other IT-related services. However, 131 (14.6%) of the 896 schools had unused CITG allocation of more than 20% (see Table 4). The provision of the ITSSG in September 2017 had significantly increased the resources provided to schools for the development of IT in education. This may result in a higher level of unused CITG allocation. In financial year 2016-17, the amount of the CITG was about \$352 million. In financial year 2017-18, the resources available for schools to develop IT in education from the CITG and the ITSSG was \$529 million (\$358 million from the CITG and \$171 million from the ITSSG), representing an increase of 50% over financial year 2016-17. Audit considers that the EDB needs to take measures to encourage schools, in particular schools with significant level of unused CITG funding, to monitor the utilisation of the CITG and put into effective use the resources allocated to them for the development of IT in education.

Audit recommendations

2.29 **Audit has *recommended* that the Secretary for Education should:**

- (a) **take measures to encourage schools to relate the schools' IT budgets to the annual School Development Plans with a view to enhancing the accountability and transparency of the schools' use of the CITG; and**
- (b) **take measures to encourage schools, in particular schools with significant level of unused CITG funding, to monitor the utilisation of the CITG and put into effective use the resources allocated to them for the development of IT in education.**

Response from the Government

2.30 The Secretary for Education agrees with the audit recommendations. He has said that:

- (a) under the principle of school-based management, schools are advised to give due regard to enhancing the accountability and transparency of their operations, and relating the school budget to the annual school plan which is amongst the practices that schools may adopt but are not mandatory requirements;
- (b) the EDB will consider measures to further encourage schools to enhance its reporting mechanism on the use of the CITG to their stakeholders while:
 - (i) recognising that each school has its own unique development considerations and flexibility has to be given to schools to deal with special circumstances; and
 - (ii) continuing to provide room for schools to set their own priorities in school development and accounting for use of their resources in the most appropriate way;
- (c) while there is room for some schools to make more effective use of the CITG, the average spending position of schools on the CITG over a prolonged period of five school years from 2012/13 to 2016/17 may not be reliable in reflecting the current utilisation of schools on the CITG as the launch of ITE4 in 2015/16 has created extra demand for schools in engaging more technical support manpower for operation of WiFi network, housekeeping of e-learning resources and managing mobile computing devices, etc. Thus, the CITG was in fact more effectively utilised in 2015/16 and 2016/17;
- (d) as schools can keep a surplus balance of the Block Grant as a whole up to its 12 months' provision to meet the operational needs of schools, focusing only on the utilisation of the CITG may not give a holistic picture of the schools' efforts in promoting IT in education. The EDB is pleased that the majority of around 70% schools have used over 90% of the CITG, and many of them in fact have recorded significant overspending; and

- (e) the EDB will continue to explore measures to further encourage the School Management Committee or Incorporated Management Committee of schools to make more effective use of the CITG and other related grants to promote the development of IT in education.

PART 3: DEVELOPMENT OF E-TEXTBOOKS AND PROCUREMENT OF E-LEARNING RESOURCES

3.1 This PART examines the EDB's work in the development of e-textbooks and the procurement of e-learning resources for use by schools. Audit found room for improvement in the following areas:

- (a) development of e-textbooks (paras. 3.2 to 3.14);
- (b) procurement of e-learning resources (paras. 3.15 to 3.24); and
- (c) development of OISP for e-textbooks and e-learning resources (paras. 3.25 to 3.32).

Development of e-textbooks

3.2 An e-textbook is a package with digital print-on-demand contents and electronic features (including multimedia such as video, audio and animation, and interactive learning, teaching and assessment activities) that are designed to support the implementation of a school subject. In June 2011, the EDB set up the Task Force to Review Learning and Teaching Materials (Note 13). In December 2011, the Task Force recommended and the Secretary for Education accepted that:

- (a) e-learning resources should move beyond their existing supportive role to a more vital role of e-textbooks, to form a complete and independent set of learning and teaching materials developed according to the requirements of the local curricula; and

Note 13: *The Task Force was chaired by the Under Secretary for Education. It comprised frontline experts and practitioners from the fields of education, business and IT, as well as representatives from parent associations and the Consumer Council.*

- (b) the development of e-textbooks should be promoted in order to introduce competition for the purpose of regulating the distorted textbook market as well as to provide users with greater choice of effective learning and teaching materials.

EMADS

3.3 In June 2012, the FC of LegCo approved \$50 million for EMADS (see para. 1.8(f)). EMADS aimed to:

- (a) facilitate and encourage the participation of potential and aspiring e-textbook developers to develop a diverse range of e-textbooks in line with the local curricula; and
- (b) try out a quality vetting and assurance mechanism for e-textbooks with a view to drawing up progressively a full-fledged Recommended Textbook List for e-textbooks (eRTL – Note 14) similar to the Recommended Textbook List (RTL) for printed textbooks.

3.4 EMADS was open to application from organisations, enterprises, academic institutes or societies registered under the laws of the Hong Kong Special Administrative Region. Under EMADS:

- (a) each application should cover one subject set (Note 15) of e-textbooks. Each applicant can submit applications for no more than four subject sets;

Note 14: *According to the EDB, to ensure the quality of e-textbooks adopted by schools, e-textbooks will be included in the eRTL only if they have met specific requirements, e.g. relevance to the curriculum guides and accuracy of content.*

Note 15: *The EDB divides primary and secondary education into Key Stages 1 to 4, namely Primary 1 to 3, Primary 4 to 6, Secondary 1 to 3, and Secondary 4 to 6. A subject set refers to a subject taught during a Key Stage, e.g. Mathematics for Primary 4 to 6.*

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- (b) the EDB would provide funding (Note 16) to the successful non-profit-making applicants under EMADS to cover part of their costs in developing e-textbooks to encourage them to participate in the e-textbook market; and
- (c) the Steering Committee on the Selection, Quality Assurance and Review of EMADS was set up to oversee the implementation of EMADS (Note 17). The Steering Committee was responsible for setting the criteria for assessing and approving applications under EMADS, monitoring the implementation of EMADS and advising the Government on all matters related to EMADS.

The e-textbooks developed under EMADS that have successfully passed the quality assurance mechanism were recognised for inclusion into the eRTL.

3.5 Two phases of EMADS were launched. The application periods of the first and second phases were from June to September 2012 and from August to November 2013 respectively. A total of 38 subject sets were open for application in the two phases. In the two phases, the EDB entered into agreements with 12 successful applicants to develop 36 sets of e-textbooks covering 19 subject sets (Note 18). There were no successful applications for the development of e-textbooks for the remaining 19 subject sets (see Appendix C for the results of EMADS).

Note 16: *The amount of funding was capped at 50% of the development cost of the e-textbook project or \$4 million per application, whichever was less.*

Note 17: *The Steering Committee was chaired by the Deputy Secretary for Education (Curriculum and Quality Assurance). It comprised experienced school principals and teachers, representatives from the business and the IT sectors, parents, representatives of the Consumer Council, the HKECL and the EDB.*

Note 18: *Of the 12 successful applicants, funding of \$39.5 million was provided to 6 non-profit-making applicants to develop 18 sets of e-textbooks. One set of e-textbooks refers to the e-textbooks covering a subject set. Funding was not provided to the remaining 6 successful applicants (not non-profit-making) to develop the remaining 18 sets of e-textbooks (i.e. 36–18). Eventually, two e-textbook sets could not pass the quality assurance mechanism and the developer concerned withdrew from EMADS.*

Need to step up efforts to facilitate the development of e-textbooks

3.6 The printed textbook review system for including printed textbooks on the RTL has been established since 1972. In contrast, the review of e-textbooks for inclusion on the eRTL was introduced only in late 2014. As at April 2018, 479 sets of printed textbooks were available on the RTL covering 46 subject sets. There were 49 sets of e-textbooks available on the eRTL covering 20 subject sets. There is room for the further development of e-textbooks. Audit noted that:

- (a) *Need to expand the number of subject sets provided with e-textbooks on the eRTL.* As at April 2018, the number of subject sets in which e-textbooks were available on the eRTL for each Key Stage ranged from 0 to 8. E-textbooks were available on the eRTL covering 20 subject sets. In particular, no e-textbooks were available on the eRTL for Key Stage 4 (see Table 5); and
- (b) *Need to enrich the choices of e-textbook sets.* It was important to have more e-textbook sets available for users to choose. The number of e-textbook sets available for users to choose on the eRTL as at April 2018 for each Key Stage ranged from 0 to 22. In total, there were 49 sets of e-textbooks available (see Table 5).

Table 5

**Number of subject sets with e-textbooks and
the number of e-textbook sets on the eRTL
(April 2018)**

Key Stage	Class level	No. of subject sets	No. of e-textbook sets
1	Primary 1 to 3	6	13
2	Primary 4 to 6	6	14
3	Secondary 1 to 3	8	22
4	Secondary 4 to 6	0	0
Total		20	49

Source: Audit analysis of EDB records

3.7 According to the EDB:

- (a) the supply of e-textbooks is market driven;
- (b) considering the short history of the eRTL and a much longer time is required for developing a new set of e-textbooks compared to printed textbooks, the number of e-textbook sets on the eRTL is within the EDB's expectation;
- (c) instead of pursuing the quantity of e-textbooks on the eRTL, efforts are made to enhance the quality and the pedagogy with the use of e-textbooks; and
- (d) schools are positive about the use of e-textbooks. From the regular meetings with the publisher associations and individual publishers' EOI, publishers have planned to submit more e-textbooks for review in the years ahead.

Audit considers that the EDB needs to, in consultation with the Steering Committee on Strategic Development of Information Technology in Education (see Note 8 to para. 2.8), determine the way forward and consider ways to facilitate the future development of e-textbooks.

Considerable number of schools used e-textbooks not on eRTL

3.8 One of the aims of EMADS was to draw up progressively a full-fledged eRTL similar to the RTL for printed textbooks (see para. 3.3(b)). According to the EDB, the quality of e-textbooks submitted for review would be subject to the quality assurance criteria derived from the experience in the vetting of printed textbooks. The eRTL has been published by the EDB since 2014/15. As at April 2018, there were 20 subject sets of which a total of 49 sets of e-textbooks were available on the eRTL (see Table 5 in para. 3.6).

3.9 In the annual school survey for 2016/17, schools were asked to indicate for each subject whether the e-textbooks they adopted were selected from the eRTL. A total of 666 schools (comprising 343 primary schools and 323 secondary schools)

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responded to the survey. Audit analysed the schools that adopted e-textbooks for the three major subjects (i.e. Chinese Language, English Language and Mathematics) and found that the percentages of primary schools that adopted e-textbooks not on the eRTL ranged from 28% to 34%, and the corresponding percentages for secondary schools ranged from 45% to 48% (see Table 6).

Table 6
Percentage of schools that adopted e-textbooks not on eRTL
(2016/17)

Subject	No. of primary schools			No. of secondary schools		
	Adopted e-textbooks (a)	Adopted e-textbooks not on eRTL (b)	Percentage (c) = (b) ÷ (a) × 100% (%)	Adopted e-textbooks (d)	Adopted e-textbooks not on eRTL (e)	Percentage (f) = (e) ÷ (d) × 100% (%)
Chinese Language	78	22	28%	27	13	48%
English Language	90	31	34%	25	12	48%
Mathematics	94	31	33%	31	14	45%

Source: Audit analysis of EDB records

Remarks: Only schools that have indicated in the survey whether the e-textbooks they adopted are on the eRTL are included in this table.

3.10 The RTL for printed textbooks was much better received by schools than the eRTL. Audit noted that:

- (a) the review system for the RTL has a long history since 1972; and
- (b) according to the report issued by the Task Force to Review Learning and Teaching Materials in December 2011:

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- (i) it was not a must for textbook publishers to submit their textbooks for review. Schools were free to select textbooks and learning materials that were not on the RTL for use. However, many schools regarded the review system as a quality assurance mechanism and would therefore select their textbooks according to the RTL. As a result, publishers considered it very important for their textbooks to pass the review and be included on the RTL; and
- (ii) the Task Force was of the view that the textbook review system had worked well to help enhance the quality of textbooks. The RTL had enabled schools and teachers to select textbooks efficiently.

3.11 The EDB informed Audit that:

- (a) many publishers of popular printed textbooks did not plan to submit the electronic version of the textbooks for review at the initial stage because of their business considerations;
- (b) many schools were still exploring e-learning pedagogies with the use of printed textbooks, e-textbooks and other e-resources in accordance with their teachers' readiness, infrastructure and students' needs. It was observed that many schools tend to choose these not-yet-reviewed e-textbooks together with their printed version from the same publishers at this transitional period, regardless of whether the e-textbooks were on the eRTL or not; and
- (c) the EDB has all along been promoting the use of eRTL to e-textbook developers and schools through various means and occasions including the following:
 - (i) briefings to textbook publishers on the submission of textbooks and e-textbooks for review;
 - (ii) meetings between the EDB and the textbook publishers' associations;

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- (iii) requiring schools to clearly indicate on the school textbook lists whether the textbooks and e-textbooks are on the RTL and eRTL respectively;
- (iv) seminars for teachers on the selection of learning and teaching resources; and
- (v) focus groups and try-outs on the use of e-textbooks on the eRTL.

3.12 Recognising that compared to the RTL, the eRTL is new and developing, Audit considers that the EDB needs to:

- (a) continue to monitor the development of the eRTL, and promote the eRTL as a quality vetting and assurance mechanism for e-textbooks among e-textbook developers and schools; and
- (b) encourage e-textbook developers to submit e-textbooks for review.

Audit recommendations

3.13 **Audit has *recommended* that the Secretary for Education should:**

- (a) **in consultation with the Steering Committee on Strategic Development of Information Technology in Education, determine the way forward and consider ways to facilitate the future development of e-textbooks;**
- (b) **continue to monitor the development of the eRTL;**
- (c) **promote the eRTL as a quality vetting and assurance mechanism for e-textbooks among e-textbook developers and schools; and**
- (d) **encourage e-textbook developers to submit e-textbooks for review.**

Response from the Government

3.14 The Secretary for Education generally agrees with the audit recommendations. He has said that:

- (a) given that development and effective use of e-resources and e-textbooks is one of the six major actions under ITE4, the EDB has been constantly reviewing and fine-tuning the development of e-resources and e-textbooks in supporting learning and teaching in different subjects and will continue to seek advice on further development from the Steering Committee on Strategic Development of Information Technology in Education;
- (b) the EDB will also continue to promote the use of e-textbooks in schools through various means, such as forming learning communities to strengthen pedagogies of using e-resources and e-textbooks, sharing of good practices in using e-textbooks in different subjects so as to encourage wider adoption of e-textbooks;
- (c) the EDB has all along been identifying ways to rendering the eRTL more user-friendly. To facilitate schools to make reference to the eRTL when selecting learning resources, the EDB has been constantly fine-tuning the display format and the information included on the eRTL, e.g. the combination with the RTL of printed textbooks and the inclusion of more description about the e-textbooks for teachers' easy reference;
- (d) the EDB has been making efforts to enhancing the quality of e-textbooks and the pedagogy with the use of e-textbooks in addition to encouraging the submission of more e-textbooks for review for inclusion on the eRTL; and
- (e) it is observed that publishers show interest and have planned to submit more e-textbooks for review in the years ahead. A special task group has also been set up in June 2018 with the textbook publisher associations to discuss the development and usage of e-textbooks and the fine-tuning of the review requirements.

Procurement of e-learning resources

3.15 An e-learning resource is an electronic media which is used to facilitate learning and teaching, for example, Internet websites, mobile applications and digital learning materials. According to the views collected from the public consultation on ITE4, there was overwhelming support that the acquisition of more quality e-learning resources from local and overseas developers would provide teachers and students with more choices and was crucial for the success of IT in education. Of the \$105 million earmarked for the implementation of ITE4, \$10 million was granted to the HKECL for the e-Resource Acquisition Project (eREAP). eREAP aims at:

- (a) enriching the pool of high quality and readily available e-learning resources for use by both teachers and students;
- (b) establishing a mechanism to coordinate evaluation, acquisition and licensing of e-learning resources to support large scale implementation in Hong Kong; and
- (c) lowering the overhead and achieving economy of scale for e-learning resources in the long run.

Procurement procedures of e-learning resources

3.16 eREAP commenced in January 2016 and would end at August 2019. The EDB signed a service agreement with the HKECL for eREAP, according to the agreement:

- (a) the HKECL was responsible to source suitable e-learning resources for use by schools; and
- (b) a Steering Committee of eREAP (Note 19) would be formed to oversee the implementation of eREAP, and establish the frameworks and guidelines of the e-learning resources acquisition.

Note 19: *The Steering Committee of eREAP was formed in January 2016. It comprised 10 members including school principals, school librarians and frontline teachers.*

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3.17 The e-learning resources may be subject/level specific (e.g. English Language for primary schools) or cover more than one subject/level. According to the guidelines promulgated by the Steering Committee of eREAP, the procurement procedures of e-learning resources were as follows:

- (a) ***Invitation for EOI.*** To identify potential quality e-learning resources, invitations for EOI were sent to local and overseas resource providers;
- (b) ***Proposal evaluation.*** The proposed e-learning resources submitted by the resource providers which matched the selection criteria were shortlisted for evaluation by Evaluation Panels. Each Evaluation Panel comprised several frontline teachers (members of the Steering Committee of eREAP were welcome to join the Panel); and
- (c) ***Tender.*** The providers who provided e-learning resources that were found suitable were invited to participate in the tender exercise. A Tender Evaluation Team was appointed by the Executive Director of the HKECL to evaluate the tenders submitted by the resource providers.

3.18 Two rounds of e-learning resource procurement exercises were conducted in the periods from April to November 2016 and from February to June 2017 respectively. Of the 128 e-learning resources proposals received, 8 passed the screening and were made available for schools' adoption in eREAP.

Need to determine the way forward for e-learning resource acquisition

3.19 Schools can use the e-learning resources under eREAP free of charge. They are required to renew their participation annually. A total of 205 schools participated in the first year of eREAP (i.e. 2016/17). Although there were new schools that joined eREAP in the second year, 46 (22%) of the 205 schools that joined in the first year did not participate in the second year.

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3.20 The EDB informed Audit in October 2018 that:

- (a) the main reasons for the schools' withdrawal from eREAP were the suitability of the e-learning resources to the schools and the schools' different priorities in learning and teaching;
- (b) the HKECL had closely monitored the withdrawal cases and taken follow-up action, and reported to the Steering Committee of eREAP;
- (c) although some schools had not renewed their participation, there was still a net increase of 16% (from 205 to 237 schools) in the number of schools joining eREAP in the second year (2017/18) which reflected the popularity of the project among schools;
- (d) the eREAP scheme was a pilot scheme for schools to have an opportunity to try out local and overseas e-learning resources. Since eREAP was just one of the many e-learning resources available in the market, the e-learning resources from eREAP would by no means satisfy the needs of all different schools; and
- (e) the project had shown good progress in lowering the purchase cost of e-learning resources. This pilot scheme was useful in collecting information for large scale implementation of e-learning resources acquisition in the future.

One of the aims of eREAP was to enrich the pool of high quality and readily available e-learning resources for use by teachers and students (see para. 3.15(a)). Audit considers that the EDB needs to, in collaboration with the HKECL, consolidate the experience gained from the implementation of eREAP with a view to improving eREAP and determining the way forward for e-learning resource acquisition.

Need to source more quality e-learning resources

3.21 In the two rounds of procurement exercise, eight e-learning resources were successfully sourced from four providers. Audit noted that while the e-learning resources procured covered various subjects including English Language, Mathematics and Liberal Studies, they did not cover Chinese Language. According to the EDB:

Development of e-textbooks and procurement of e-learning resources

- (a) the HKECL had already placed more emphasis on sourcing e-learning resources that were related to Chinese Language during the second round of the resource procurement exercise;
- (b) the proposed Chinese Language e-learning resources submitted by providers received low scores in the quality and/or suitability for use in Hong Kong. As a result, there was still no Chinese Language e-learning resources available in eREAP; and
- (c) eREAP is not the only form of e-learning resources available to schools. In fact, there are many free Chinese Language e-learning resources developed by the EDB or EDB funded projects.

3.22 In December 2017, the HKECL conducted a survey to collect the views from 66 participating schools of eREAP. According to the survey results, about 39% of the teachers from the 66 schools suggested that Chinese Language should be covered in eREAP and it was one of the three subjects suggested by most teachers (Note 20). Audit considers that the EDB needs to explore ways to source more quality e-learning resources in the market, in particular for Chinese Language.

Audit recommendations

3.23 **Audit has *recommended* that the Secretary for Education should:**

- (a) **in collaboration with the HKECL, consolidate the experience gained from the implementation of eREAP with a view to improving eREAP and determining the way forward for e-learning resources acquisition; and**
- (b) **explore ways to source more quality e-learning resources in the market, in particular for Chinese Language.**

Note 20: *The other two subjects that were suggested by most teachers to be covered in eREAP were Mathematics (about 41%) and English Language (about 39%).*

Response from the Government

3.24 The Secretary for Education generally agrees with the audit recommendations. He has said that:

- (a) there is room for eREAP, as a pilot project, to improve. The main objective of eREAP was to establish a mechanism to coordinate evaluation, acquisition and licensing of e-learning resources to support large scale implementation in addition to enriching the pool of e-learning resources available for schools;
- (b) the EDB considers that the project has shown good progress in lowering the purchase cost of e-learning resources via a bulk purchase mechanism. Besides, the HKECL has ongoing mechanism to monitor the use of e-resources by schools and report the progress and evaluation, including the needs and concerns of schools. The number of schools joining eREAP increased by 16% (from 205 schools to 237 schools) and the cost of e-learning resources acquired through the bulk purchase mechanism had been lowered in the second year (i.e. 2017/18);
- (c) the EDB will assist the HKECL to take further measures to improve eREAP taking the experience gained into account and consider the way forward for e-learning resources acquisition; and
- (d) the EDB will explore ways to source more quality e-learning resources in Chinese Language in the market. It should be noted that HKECL has tried their best in sourcing Chinese Language e-learning resources but in vain due to the lack of available e-learning resources in the market suitable for use in local schools as Hong Kong being a small market for Chinese Language and requires very localised contents. Apart from eREAP, there are many free Chinese Language e-learning resources from other sources, including those developed by the EDB or EDB funded projects.

Development of Online Integration Services Platform for e-textbooks and e-learning resources

3.25 The first batch of e-textbooks developed under EMADS was available for use by schools in 2014/15. In January 2014, the FC approved funding for various measures to support schools to adopt e-textbooks, including an amount of \$10 million for the development of the OISP (see para. 1.8(g)(iii)) to link up schools' systems and the various online content platforms used by content providers. The OISP included two components aimed to improve user experience for both students and teachers by:

- (a) ***Single Sign On (SSO)***. This component provides a one-stop account management for students, teachers and content providers; and
- (b) ***EdBookshelf***. This component serves as a common file exchange platform for delivery of e-textbooks and e-learning resources from content providers to students' network storage, and facilitates exchange of learning data (e.g. assessment data) between content providers and schools.

In March 2014, the EDB and the HKECL entered into an agreement for the development of the OISP. The OISP was launched in August 2014.

Need to encourage adoption of SSO and EdBookshelf by students and teachers

3.26 Without the OISP, students have to log in to various e-textbooks/e-learning resources systems separately to learn and/or to take on assessment tasks. Similarly, teachers have to log in to these individual systems to extract the learning data of their students. This creates much inconvenience to the students and the teachers. The OISP aimed to address this problem by a one-stop account management system. For example, users only need to log in through the SSO to EdBookshelf to gain access to all the e-textbooks and e-learning resources uploaded to EdBookshelf by various content providers. Each teacher member and student member of the HKECL can use

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their own user account (Note 21) to log in EdBookshelf.

3.27 In the four-year period from 2014/15 to 2017/18, the total number of teacher members and student members of the HKECL as at the end of each school year ranged from 628,724 to 666,957. During the same period, the numbers of members using the SSO and EdBookshelf each year increased from 17,988 to 60,294 and 3,148 to 17,080 respectively (see Table 7). Notwithstanding the increase, there is still room to encourage more members to use SSO and EdBookshelf. Audit considers that the EDB needs to urge the HKECL to further promote the usage of the SSO and EdBookshelf among HKECL members.

Table 7

**Usage of the SSO and EdBookshelf
(2014/15 to 2017/18)**

No. of HKECL members at school year end	2014/15	2015/16	2016/17	2017/18
— teacher members (a)	65,120	66,906	71,358	77,469
— student members (b)	601,837	561,818	578,847	577,715
Total (c)=(a)+(b)	666,957	628,724	650,205	655,184
No. of active members (login at least once in the school year)	174,913	212,542	245,772	266,466
No. of members who used the SSO at least once during the school year	17,988	38,715	37,580	60,294
No. of e-books available at EdBookshelf as at year end	379	644	971	1,221
No. of members who used EdBookshelf at least once during the school year	3,148	10,747	10,791	17,080

Source: Audit analysis of HKECL records

Note 21: *The HKECL operates a public education website to provide information for teachers, students and parents. Schools can apply for memberships for their teachers and students. The HKECL will assign a unique user account to each teacher member and student member. At the beginning of each school year, school administrators will update the membership profile with the HKECL to assign accounts to new teachers and students, and remove accounts of resigned teachers and graduated students.*

Need to enhance usage of EdBookshelf by e-textbook publishers

3.28 One of the aims of EdBookshelf was to serve as a common file exchange platform for delivery of e-textbooks and e-learning resources from content providers to students' network storage (see para. 3.25(b)). Audit noted that during the development of EdBookshelf, meetings and briefing sessions were conducted for publishers (including those who had participated or were participating in EMADS), and schools and teachers to collect their feedback on the functionality of EdBookshelf. The HKECL also organised promotional events for e-textbook developers to publicise EdBookshelf. As at 30 June 2018, 1,221 e-books were available at EdBookshelf. However, none of the e-books were e-textbooks on the eRTL. According to the EDB:

- (a) e-textbook developers were reluctant to put their e-textbooks on third-party systems, including EdBookshelf; and
- (b) as the technology and publishing ecosystem evolve rapidly, the HKECL would continue to evolve its services in order to provide the best support to the industry.

Audit considers that the EDB needs to urge the HKECL to keep in view the challenges faced by and considerations of e-textbook developers and take measures to address their concerns where necessary with a view to enhancing the usage of EdBookshelf by e-textbook publishers.

Need to promote exchange of learning data

3.29 There are various types of e-books uploaded to EdBookshelf, including reference books for academic subjects, children books and leisure books. Some e-books contain interactive elements (such as exercises and quizzes in which users can take part) and learning data are generated (such as results of the exercises and quizzes).

3.30 To facilitate the exchange of learning data between content providers and schools, EdBookshelf allows content providers to enable a function to retrieve data from their e-books. However, as at 30 June 2018, of the 1,221 e-books uploaded to EdBookshelf by 38 content providers, only eight e-books developed by one content provider had the function of retrieving learning data from them enabled. According to the EDB, designing e-books with learning data analysis is a more advanced design and is more effective to facilitate learning which should be encouraged, but the EDB understands that publishers need to review their business model and make investment to develop functions like learning data analysis for embedded questions or quizzes, etc. in their e-books. Such functions will become more common when e-books become more popular and publishers identify a viable business model. Audit considers that the EDB needs to urge the HKECL to encourage content providers to enable the function of EdBookshelf to retrieve data from their e-books with a view to facilitating exchange of learning data between content providers and schools.

Audit recommendations

3.31 Audit has *recommended* that the Secretary for Education should urge the HKECL to:

- (a) **further promote the usage of the SSO and EdBookshelf among HKECL members;**
- (b) **keep in view the challenges faced by and considerations of e-textbook developers and take measures to address their concerns where necessary with a view to enhancing the usage of EdBookshelf by e-textbook publishers; and**
- (c) **encourage content providers to enable the function of EdBookshelf to retrieve data from their e-books with a view to facilitating exchange of learning data between content providers and schools.**

Response from the Government

3.32 The Secretary for Education agrees with the audit recommendations. He has said that:

- (a) the numbers of active users of SSO and EdBookshelf have significantly increased by 2.35 times and 4.4 times respectively over the past 3 school years which means both services are becoming more popular among schools. The EDB will assist the HKECL to take measures to further promote the usage of the services;
- (b) despite the efforts of the HKECL in conducting different promotional and briefing events for publishers, it takes time for publishers to develop the e-textbooks market. E-textbook is new in publishing industry and the technology and publishing ecosystem will evolve rapidly. The EDB will assist the HKECL to consider appropriate measures to enhance the usage of EdBookshelf by e-textbook publishers;
- (c) as mentioned in paragraph 3.30, learning data analysis is a more advanced function for e-books and it takes efforts for the publishers to review their business model in developing such functions. It would take time for the publishers to develop and adopt data exchange functions in their e-books; and
- (d) the EDB will assist the HKECL to consider appropriate measures to encourage content providers to make use of the data exchange function of EdBookshelf.

PART 4: PROFESSIONAL DEVELOPMENT OF SCHOOL LEADERS AND TEACHERS

4.1 This PART examines the issues relating to professional development of school leaders and teachers provided by the EDB.

Professional development programmes

4.2 The IT in Education Section of the EDB organises professional development programmes (PDPs) to better equip school leaders (i.e. principals, middle management personnel and curriculum leaders) and teachers with the necessary knowledge and skills on the latest practice of e-learning (Note 22). Since the implementation of ITE4 in 2015/16, the EDB has classified the PDPs into five categories, namely e-Leadership series, e-Safety series, Pedagogical series, Subject-related series and Technological series. Various courses are provided under the five categories of PDPs and each course may run several times (each time is known as an event). In 2015/16 and 2016/17, the EDB organised 255 and 295 courses, and 452 and 438 events respectively.

4.3 Apart from the PDPs, the EDB provides on-site support services to individual schools through the IT in Education CoE Scheme. Under the IT in Education CoE Scheme, seconded teachers are selected from experienced frontline school leaders and teachers to provide training and on-site support services to schools on request for sharing of good practices and success experiences on IT in education. A total number of 337 and 278 on-site support services were provided to schools in 2015/16 and 2016/17 respectively.

Note 22: *According to the EDB, apart from the IT in Education Section, other sections of the EDB and outside bodies also organise other PDPs related to IT in education.*

Need to improve the award rate of certificate of some commissioned courses

4.4 PDP are provided in the following ways:

- (a) courses organised by the EDB, including those conducted by seconded teachers under the IT in Education CoE Scheme and jointly organised with IT industry, relevant government departments and teacher associations, etc. These courses also included conferences held by local tertiary institutions and teacher associations; and
- (b) courses commissioned to local tertiary institutions (i.e. service providers). The expenditures spent on such commissioned courses in financial years 2015-16 and 2016-17 were \$3.5 million and \$3.8 million respectively.

4.5 The EDB entered into separate contracts with the service providers for the provision of each commissioned course. A commissioned course may run a number of times (each time is known as an event). An event comprises two 3-hour sessions with more in-depth learning. The service providers will issue a certificate to each participant who:

- (a) achieved full attendance; and
- (b) submitted the course-related work within two weeks after the last session of the event.

4.6 According to the EDB:

- (a) only some of the assignments would be selected to enhance discussion in the second session of each event, the submission of assignment would not affect the overall effectiveness of the commissioned courses. Hence, the award of the certificate is to serve as an incentive for full attendance and is not a prerequisite for attaining the Continuing Professional Development hours. The Continuing Professional Development hours would be awarded to participating teachers according to their attendance; and

Professional development of school leaders and teachers

- (b) views of participating teachers collected from course evaluation meetings indicated that some participating teachers were too busy to attend all the sessions or submit their course-related work, and they were not very keen to obtain the certificate.

4.7 The certificate award rate of an event is the percentage of participants who fulfil the two required conditions (see para. 4.5). Audit analysed the certificate award rates of the commissioned courses conducted in 2015/16 and 2016/17. Audit noted that the rates of some events were not high. For instance, in many events the rate was not higher than 70% (i.e. not more than 70% of the participants having achieved full attendance and submitted course-related work before deadline). The percentage of events for commissioned courses with certificate award rate of more than 70% decreased from 74% (57 of 77 events) in 2015/16 to 61.6% (45 of 73 events) in 2016/17 (see Table 8). To enhance teachers' learning in training events, Audit considers that the EDB needs to take measures to improve the certificate award rate of the commissioned courses.

Table 8
Certificate award rate of commissioned courses
(2015/16 to 2016/17)

Award rate	No. of events	
	2015/16	2016/17
> 40% to 50%	1 (1.3%)	3 (4.1%)
> 50% to 60%	3 (3.9%)	8 (11.0%)
> 60% to 70%	16 (20.8%)	17 (23.3%)
> 70% to 80%	23 (29.8%)	16 (21.9%)
> 80% to 90%	18 (23.4%)	18 (24.6%)
> 90%	16 (20.8%)	11 (15.1%)
Total	77 (100.0%)	73 (100.0%)

Source: Audit analysis of EDB records

Need to timely disseminate materials of commissioned courses provided by service providers

4.8 According to the contracts between the EDB and the service providers of commissioned courses, the service providers are required to:

- (a) video-tape the whole teaching processes of an event during the course; and
- (b) compile all the course materials, including the video-tape of the whole teaching processes of an event, and develop a self-learning package for access by the public at the discretion of the EDB after completion of the course. A user guide, with descriptions and outlines of the course, should also be included for users' reference.

4.9 Audit noted that the EDB had received the materials of commissioned courses from the service providers as required by the contract but only made some of them available on the EDB webpages for access by the public. In response to Audit's enquiry, the EDB informed Audit that:

- (a) the relevant terms in the contracts were amended in 2015/16 with the intention to request the service providers to submit a complete set of course materials to the EDB, but not intended for uploading all the materials to webpages for reference of the public; and
- (b) most of the materials of the courses in both 2016/17 and 2017/18 had been uploaded on the website for reference of teachers.

In August 2018, Audit noted that the EDB had uploaded to its website materials of 14 of the 24 commissioned courses conducted in the period from 2015/16 to 2017/18. The materials of the remaining 10 (i.e. 24 – 14) commissioned courses had not been uploaded. Audit considers that the EDB needs to take measures to ensure timely dissemination of the materials of commissioned courses for access by the teachers (e.g. for teachers who could not attend the courses due to urgent school duties, or teachers who could not successfully enrol on the courses due to over-subscription) where appropriate.

Audit recommendations

4.10 Audit has *recommended* that the Secretary for Education should take measures to:

- (a) improve the certificate award rate of the commissioned courses; and
- (b) ensure timely dissemination of the materials of commissioned courses for access by the teachers where appropriate.

Response from the Government

4.11 The Secretary for Education generally agrees with the audit recommendations. He has said that:

- (a) the EDB will consider measures to improve the certificate award rate of the commissioned courses; and
- (b) materials appropriate for reference of teachers have been constantly uploaded to relevant webpages of the EDB website and most of the materials of the courses in 2016/17 and 2017/18 have been uploaded. Nonetheless, the EDB will explore measures to further disseminate the materials of commissioned courses to benefit more teachers.

PART 5: MONITORING OF IMPLEMENTATION OF IT IN EDUCATION

5.1 This PART examines the issues relating to the EDB's efforts in monitoring the implementation of IT in education. Audit found room for improvement in the following areas:

- (a) annual school survey on progress of implementation of IT in education (paras. 5.2 to 5.8); and
- (b) evaluation of progress of implementation of IT in education (paras. 5.9 to 5.12).

Annual school survey on progress of implementation of IT in education

5.2 The IT in Education Section of the EDB is responsible for the monitoring of e-learning initiatives for enhancing learning and teaching effectiveness in primary, secondary and special education. To capture information on the outcomes and fine-tune the implementation of IT in education, the EDB collects information through various means, e.g. school visits, on-site support, surveys and case studies to examine the changes resulting from the implementation and to identify support measures as appropriate. Since 2015/16, the EDB has conducted annual school surveys covering public sector schools and DSS schools to obtain a holistic understanding of the implementation of IT in education. The annual school surveys collect information from schools on their progress of implementing IT in education covering aspects such as schools' IT environment and infrastructure and the use of e-resources for learning.

Need to follow up with schools that did not respond to the annual school surveys

5.3 In 2016/17, there were 907 public sector schools (comprising 65 government schools, 780 aided schools, 2 caput schools and 60 special schools) and 82 DSS schools. The EDB issued the annual school survey to 984 of the 989

schools (Note 23). According to the EDB, it has made efforts in chasing schools for achieving a higher response rate by reminding schools using e-mails and phone calls.

5.4 Audit noted that of the 984 schools covered in the survey for 2016/17, 715 (72.7%) schools replied while 269 (27.3%) did not respond to the survey. Audit's further analysis revealed that of the 269 schools which did not respond to the annual school survey, 187 (69.5%) also did not respond to or were not covered by the preceding survey for 2015/16 (Note 24). The EDB informed Audit that apart from chasing the schools for their returns, it also made cross-reference to the general findings of Curriculum Development Visits (Note 25) and school inspections (Note 26) conducted by other sections of the EDB to generate a more holistic understanding of schools' progress of implementation of the IT in education. Audit noted that the results of Curriculum Development Visits and school inspections are not specifically designed for collecting information on implementation of IT in education, thus the information therein was very limited as compared to the information that the annual school survey sought to collect. Although the EDB considered that the current response rate was statistically good enough to reflect the situations in schools, Audit considers that omitting schools that decided not to respond to the survey may have bearing on the survey results. The EDB needs to step up efforts to follow up with schools that did not respond to the annual school survey as far as practicable.

Note 23: *The EDB did not send the annual school survey to five schools (comprising three DSS schools and two aided schools) due to reasons such as school closure during 2016/17.*

Note 24: *In conducting the annual school survey for 2015/16, the EDB covered 961 schools, including the 100 schools under the WiFi-100 Scheme and 861 schools which had expressed interest to join the WiFi-900 Scheme at the time of conducting the survey.*

Note 25: *Every year, the Curriculum Development Institute of the EDB conducts Curriculum Development Visits covering the implementation of curriculum in schools on a range of curriculum areas including e-learning.*

Note 26: *Every year, the Quality Assurance Section of the EDB conducts school inspections on selected public sector schools and DSS schools to review school's development at the whole school or Key Learning Area/subject levels.*

Some schools were behind their targets in implementing e-learning

5.5 Audit examined the annual school survey conducted for 2016/17 and noted that:

- (a) of the 715 schools that responded to the survey, 56 (7.8%) indicated that their progresses on implementing e-learning were behind the targets set in their three-year School Development Plans; and
- (b) for the 56 schools that were behind targets, the EDB had not:
 - (i) ascertained why their progresses were behind targets; and
 - (ii) explored whether these schools would need any assistance from the EDB to help them catch up with the progress.

5.6 The EDB informed Audit that:

- (a) the purpose of the survey was for a holistic understanding of the implementation of ITE4 in order to fine-tune the actions and identify further support measures instead of identifying individual schools for follow up;
- (b) schools were comparing their annual progresses with their own plans, and it did not necessarily mean that they had difficulties or under-performance in e-learning;
- (c) under the principle of school-based management, it was at the discretion of individual schools to determine their own pace of e-learning having regard to their school circumstances and development needs; and
- (d) the EDB played a supporting and advisory role to facilitate schools to implement e-learning in accordance with their school-based e-learning development plans. Schools were informed of the available IT in Education CoE on-site support services through relevant briefing sessions, the Circular Memorandum on school-based support services issued by School-based Professional Support Section as well as the website of the IT in Education Section.

Audit considers that the EDB needs to keep in view schools which considered their progresses of implementing e-learning behind the targets set in their School Development Plans, and proactively offer timely advice and assistance to them where necessary.

Audit recommendations

5.7 **Audit has *recommended* that the Secretary for Education should:**

- (a) **step up efforts to follow up with schools that did not respond to the annual school survey as far as practicable; and**
- (b) **keep in view schools which considered their progresses of implementing e-learning behind the targets set in their School Development Plans, and proactively offer timely advice and assistance to them where necessary.**

Response from the Government

5.8 The Secretary for Education agrees with the audit recommendations. He has said that:

- (a) the EDB has been making intensive efforts in encouraging schools to complete and return the survey through various means including e-mails and telephone calls, thus increasing the response rate to 72.7%, which is considered statistically good enough to generate holistic understanding of the implementation of ITE4 in schools. The EDB will explore measures to further enhance the response rate in future surveys; and
- (b) schools with progresses in implementing e-learning behind targets set by themselves are not necessarily having difficulties or are under-performing. They might have set too unrealistic targets or might have to adjust their progresses taking students' reception into account. Under the principle of school-based management, it is at the discretion of individual schools to determine their own pace having regard to their school circumstances and development needs.

Evaluation of progress of implementation of IT in education

5.9 Targets on implementation of e-learning were set in schools' Annual School Plans. Based on the school targets, the school works out its evaluation methods. The school then implements the plan, monitors progress of work and conducts evaluation on effectiveness during the school year. According to the EDB:

- (a) a web-based Resource Pack providing referenced evaluation tools were put on the website of IT in Education Section till the end of 2016;
- (b) since 2015/16, the EOI form, which was purposefully designed to serve as a checklist for schools' reference in formulating and evaluating their own e-learning development plans, has been available on the website;
- (c) apart from tools provided by the EDB, schools are also encouraged to make use of school-based evaluation tools to serve their specific needs; and
- (d) good practices with examples of e-learning development plans of various schools shared during relevant e-Leadership PDPs are also uploaded to the website from time to time.

Diverse evaluation methods were adopted by schools

5.10 Audit examined the 2017/18 Annual School Plans of 20 schools and found that diverse evaluation methods were adopted by schools to review their progresses of implementing IT in education (see Table 9). While recognising that different schools may use different evaluation tools specific to them, it would be conducive to improving the self-evaluation of schools if the EDB enhances the assistance provided to schools to facilitate their development of evaluation tools. The EDB needs to keep in view the evaluation tools used by schools in self-evaluation on the progress of implementing IT in education and, where necessary, provide assistance to schools to facilitate them in devising effective evaluation tools.

Monitoring of implementation of IT in education

Table 9

Diverse evaluation methods adopted by 20 schools to review their progresses of implementing IT in education (2017/18)

Evaluation method	School	
	Number	Percentage
Collect teachers' feedback by survey	16	80%
Collect students' feedback by survey	8	40%
Collect parents' feedback by survey	1	5%
Examine teachers' training records	2	10%
Examine students' training records	4	20%
Conduct class visits and observations	5	25%
The downtime of the school's computer network	1	5%
Target achievement rate of eye care exercises	1	5%
The number of in-school sharing sessions on IT in education	1	5%
The percentage of students saving their homework in cloud platform	1	5%
Students academic performance	1	5%
Journal of e-learning in classes	1	5%

Source: Audit research

Remarks: The numbers and percentages of schools do not add up because one school may adopt more than one evaluation method.

Audit recommendation

5.11 Audit has *recommended* that the Secretary for Education should keep in view the evaluation tools used by schools in self-evaluation on the progress of implementing IT in education and, where necessary, provide assistance to schools to facilitate them in devising effective evaluation tools.

Response from the Government

5.12 The Secretary for Education generally agrees with the audit recommendation. He has said that while the EDB has already been providing various online resources and PDPs to schools to assist them in devising their own e-learning development plans, the EDB will consider whether there are other measures that can be put in place to facilitate schools in devising effective self-evaluation tools on the progress of implementing IT in education.

**Programmes and outcomes of ITE1 to ITE3
(1998/99 to 2013/14)**

Programme	Funding (\$ million)	Outcomes as reported by the EDB
<i>ITE1 (covering 1998/99 to 2002/03)</i>		
(a) Provision of multimedia computers to all government and aided primary schools	253	<u>IT infrastructure and technical support</u> <ul style="list-style-type: none"> - The average number of computers installed in primary and secondary schools were 91 and 247 respectively (respective targets were 40 and 82). - Broadband connection to the Internet was established in all schools. - Over 60% of schools surveyed had intranet or learning management system. - All teachers had completed basic level IT training and 77% of them had completed intermediate level or above.
(b) Establishment of IT Learning Centres in all prevocational and secondary technical schools and acquisition of computer equipment and software packages for these Centres	46	
(c) Enhancement of IT facilities in public sector schools	2,583	<u>Learning and teaching</u> <ul style="list-style-type: none"> - 20 schools in various districts were identified as IT in Education Centres of Excellence to form a network schools for advising establishment of IT infrastructure, teacher training and integration of IT in curriculum. - The Hong Kong Education City Limited was established in 2000 to serve and promote quality education and IT for lifelong and life-wide learning. - More than 20,000 digital curriculum resources were produced to cater for schools' needs. <u>Parents and community support</u> <ul style="list-style-type: none"> - Expositions, competitions, awards and training for students and teachers were held to promote the use of IT in education, in collaboration with schools, professional bodies and private companies.
(d) Provision of additional training places and development of self-learning packages for teachers, and provision of computers and Internet access in community facilities	341	
Total	3,223	

Appendix A
(Cont'd)
(para. 1.3 refers)

Programme	Funding (\$ million)	Outcomes as reported by the EDB
<i>ITE2 (covering 2003/04 to 2006/07)</i>		
(a) Replacing and upgrading of IT facilities in schools	171	<u>IT infrastructure and technical support</u> <ul style="list-style-type: none"> - The Composite Information Technology Grant was formed by combining four IT-related recurrent grants for disbursement to schools to increase schools' flexibility in using IT-related funding. - E-leadership trainings, professional development programmes and symposium were held to foster school personnel's capability to implement IT in education in schools.
(b) Empowering learners with IT	13	
(c) Empowering teachers with IT	25	
(d) Enhancing school leadership for the knowledge age	9	
(e) Enriching digital resources for learning	40	
(f) Improving IT infrastructure and pioneering pedagogy using technology	6	<u>Learning and teaching</u> <ul style="list-style-type: none"> - Most schools had established e-learning platforms. - Through the platform on the Hong Kong Education City Limited, learning and teaching materials, e-learning products, showcases and examples of good practices were available for teachers. - 21 schools were invited to be the Centres of Excellence and organised into focus groups to promote good practices in using IT in teaching.
(g) Providing continuous research and development	10	
(h) Promoting community-wide support and community building	62	
		<u>Parents and community support</u> <ul style="list-style-type: none"> - Call centres and skill based IT courses were offered to IT technical staff and teachers. - About 10,000 families benefited from the Computer Recycling Scheme.
Total	336	

Appendix A
(Cont'd)
(para. 1.3 refers)

Programme	Funding (\$ million)	Outcomes as reported by the EDB
<i>ITE3 (covering 2007/08 to 2013/14)</i>		
(a) Replacing and upgrading of IT facilities in schools	200	<p><u>IT infrastructure and technical support</u></p> <ul style="list-style-type: none"> - Schools were basically well equipped, and classrooms were equipped with basic devices and network to support learning and teaching. - In addition to technical support staff, the central technical support team provided extra support to schools to troubleshoot technical problems. <p><u>Learning and teaching</u></p> <ul style="list-style-type: none"> - The Depository with resources of primary and secondary levels had been set up at the Hong Kong Education City Limited. More than 100 schools had tried out and more than 340 seminars were conducted. - Through professional development programmes, over 70% of respondent teachers were confident in using IT for learning and teaching. - Some degree of readiness towards student-centred learning was noted. <p><u>Parents and community support</u></p> <ul style="list-style-type: none"> - Parents' information literacy and awareness were enhanced through hotline and seminars, and over 98% of participants were satisfied with the contents for guiding their children to use IT at home.
(b) Providing a depository of curriculum-related teaching modules with appropriate digital resources	25	
(c) Continuing to sharpen teachers' IT pedagogical skills	- (Note 1)	
(d) Assisting schools to draw up and implement school-based IT in education development plan	- (Note 1)	
(e) Enabling schools to maintain effective IT facilities	3	
(f) Strengthening technical support to schools and teachers	5	
(g) Raising parents' information literacy	5	
(h) Continuing the Computer Recycling Programme	- (Note 2)	

Appendix A
(Cont'd)
(para. 1.3 refers)

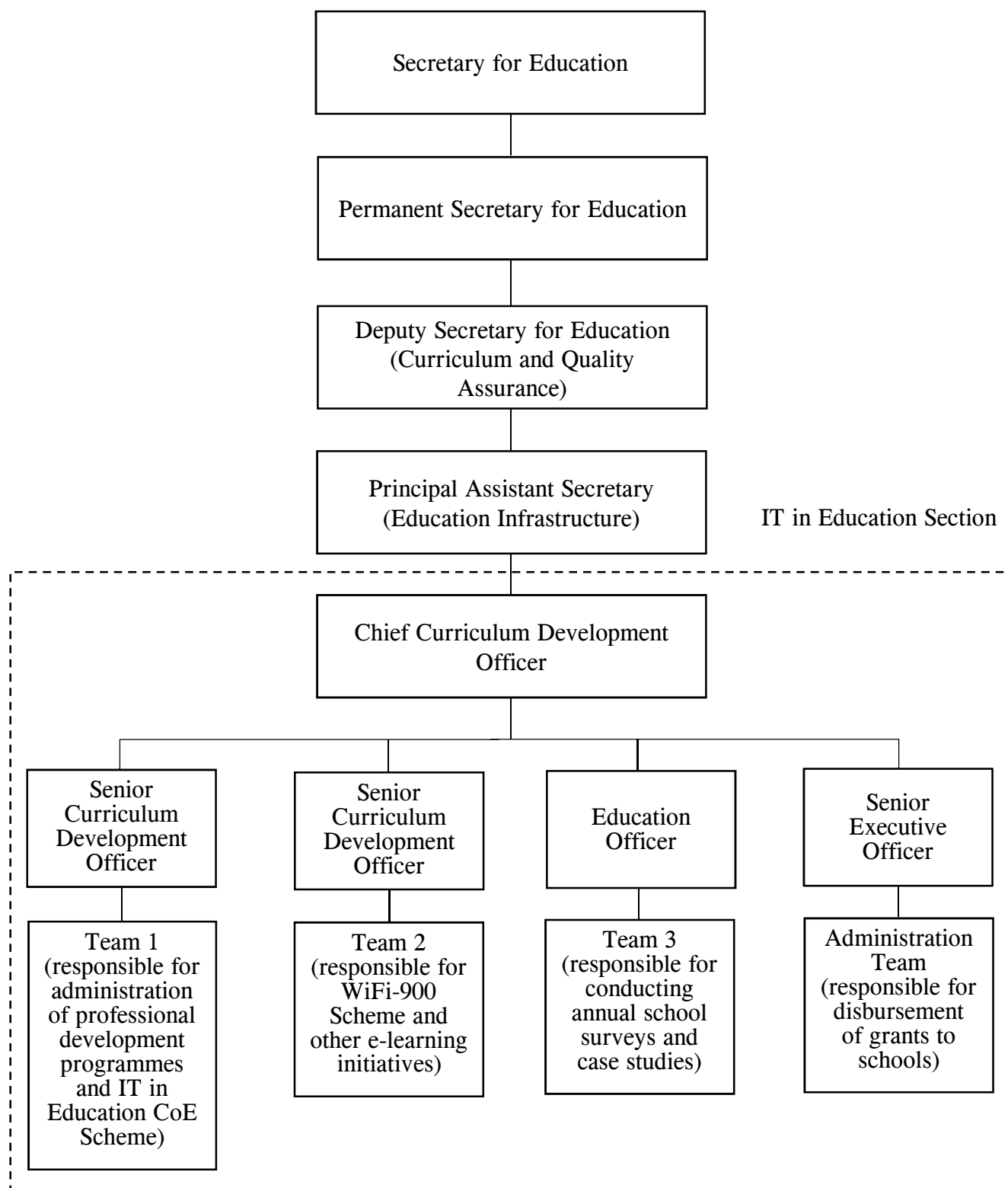
Programme	Funding (\$ million)	Outcomes as reported by the EDB
(i) Enhancing students' information literacy	2	
(j) Strengthening and expediting the development of the Depository of Curriculum-based Learning and Teaching Resources	12	
Total	252	

Source: EDB records

Note 1: The relevant expenditure was absorbed by the EDB.

Note 2: The programme in ITE3 used the unspent provision of ITE2.

EDB: Organisation chart (extract)
(31 March 2018)



Source: EDB records

**Results of EMADS
(October 2018)**

Key Stage	Subject sets with e-textbooks developed	Subject sets without e-textbooks developed
1	1. Chinese Language (2) 2. English Language (1) 3. Mathematics (1) 4. Putonghua (2) 5. General Studies (2) 6. Physical Education (1)	1. Music 2. Visual Arts
2	7. Chinese Language (2) 8. English Language (1) 9. Mathematics (1) 10. Putonghua (2) 11. General Studies (2) 12. Physical Education (1)	3. Music 4. Visual Arts
3	13. Chinese Language (1) 14. English Language (1) 15. Mathematics (2) 16. Computer Literacy (3) 17. Geography (4) 18. History (2) 19. Life and Society (3)	5. Putonghua 6. Science 7. Design and Technology 8. Home Economics 9. Religious Education 10. Chinese History 11. Physical Education 12. Music 13. Visual Arts
4	Nil	14. English Language 15. Biology 16. Chemistry 17. Physics 18. Geography 19. History

Source: EDB records

Remarks: The number in bracket represents the number of e-textbook sets developed for the subject.

Acronyms and abbreviations

Audit	Audit Commission
CITG	Composite Information Technology Grant
CoE	Centre of Excellence
DSS	Direct Subsidy Scheme
EDB	Education Bureau
EMADS	E-textbook Market Development Scheme
EOI	Expression of Interest
eREAP	e-Resource Acquisition Project
eRTL	Recommended Textbook List for e-textbooks
FC	Finance Committee
HKECL	Hong Kong Education City Limited
IT	Information Technology
ITE1	First Strategy on Information Technology in Education
ITE2	Second Strategy on Information Technology in Education
ITE3	Third Strategy on Information Technology in Education
ITE4	Fourth Strategy on Information Technology in Education
ITSSG	Information Technology Staffing Support Grant
LegCo	Legislative Council
OISP	Online Integration Services Platform
PDP	Professional development programme
QEF	Quality Education Fund
RTL	Recommended Textbook List
SSO	Single Sign On

CHAPTER 8

Trade and Industry Department

**Trade and Industry Department's work in
supporting small and medium enterprises**

**Audit Commission
Hong Kong
30 October 2018**

This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.

Report No. 71 of the Director of Audit contains 10 Chapters which are available on our website at <http://www.aud.gov.hk>

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TRADE AND INDUSTRY DEPARTMENT'S WORK IN SUPPORTING SMALL AND MEDIUM ENTERPRISES

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TRADE AND INDUSTRY DEPARTMENT'S WORK IN SUPPORTING SMALL AND MEDIUM ENTERPRISES

Executive Summary

1. The Government defines small and medium enterprises (SMEs) as: (a) manufacturing businesses which employ fewer than 100 individuals in Hong Kong; or (b) non-manufacturing businesses which employ fewer than 50 individuals in Hong Kong. As at 31 March 2018, there were over 330,000 SMEs in Hong Kong. They constituted over 98% of Hong Kong's total business units and provided job opportunities for 1.3 million people (about 45% of the workforce in the private sector). The Trade and Industry Department (TID) is responsible for providing service which aims to facilitate the development of SMEs in Hong Kong and help them enhance competitiveness. In 2017-18, the TID's expenditure on supporting SMEs and industries was \$476.7 million. The Audit Commission (Audit) has recently conducted a review of the TID's work in supporting SMEs.

Administration of SME Loan Guarantee Scheme and Special Loan Guarantee Scheme

2. *Need to monitor the declining number of applications approved under the SME Loan Guarantee Scheme (SGS).* The SGS aims at helping SMEs to secure loans from participating lending institutions (PLIs) for acquiring business installations and equipment, and meeting working capital needs through providing loan guarantees. In July 2011, the total guarantee commitment was increased from \$20 billion to \$30 billion. However, the number of applications approved under the SGS dropped by 46% from 1,381 in 2008 to 744 in 2017, and guarantees issued from 2012 to 2017 averaged \$1.26 billion per year. As at 31 March 2018, the total amount of guarantees issued was \$25 billion, representing 83% of the total guarantee commitment. The TID needs to monitor the declining number of applications approved under the SGS to ensure that the SGS continues to be an effective measure in helping SMEs (paras. 2.2 and 2.4 to 2.6).

Executive Summary

3. *Need to provide online enquiry service to facilitate SMEs in checking their available guarantee balances.* Under the SGS, the Government guarantees 50% of the approved loan amount for a maximum period of five years, subject to a guarantee limit of \$6 million for each SME. The available guarantee balance may change as the SME applies for new loans or repays the loans backed up by the guarantee. The TID, however, does not provide an online enquiry service for SMEs to check their available guarantee balances under the total guarantee limit. In the period from 2013 to 2017, the TID received annually an average of 87 (ranging from 63 to 142) written enquiries from SMEs about their available guarantee balances (paras. 2.7 and 2.8).

4. *Need to clear long outstanding default claims.* A PLI may lodge a default claim with the TID if the borrower fails to repay the guaranteed facility and such indebtedness remains outstanding 61 days after the repayment date. The PLI concerned is required to submit a payment request form and supporting documents (e.g. credit assessment and review reports, and evidence showing the recovery actions taken) within six months after the relevant repayment date of the defaulted facility. There were substantial number of outstanding default claims under the SGS and the Special Loan Guarantee Scheme (SpGS) which has ceased receiving applications since 1 January 2011. Audit noted that: (a) for the period from the launch of the SGS in December 2001 to 31 March 2018, there were 1,418 default claims (excluding 203 cases that were subsequently withdrawn by the PLIs and 593 cases that were fully repaid by the borrowers) amounting to \$597 million. Compensation payments of 596 (42% of the 1,418 claims) claims amounting to \$294 million had been outstanding for an average of seven years (ranging from 5 days to 15.9 years); and (b) for the period from the launch of the SpGS in December 2008 to 31 March 2018, there were 1,247 default claims (excluding 41 cases that were subsequently withdrawn by the PLIs and 243 cases that were fully repaid by the borrowers) amounting to \$1,009 million. Compensation payments of 359 (29% of the 1,247 claims) claims amounting to \$292 million had been outstanding for an average of 4.6 years (ranging from 10.5 months to 8.2 years). The TID needs to take measures to address the issue of long outstanding default claims (paras. 2.3, 2.11, 2.12 and 2.14).

Administration of SME Export Marketing Fund and SME Development Fund

5. *Areas for improvement in the administration of the SME Export Marketing Fund (EMF).* The EMF was launched in December 2001. It aims at helping SMEs expand markets outside Hong Kong through funding support for their

Executive Summary

participation in export promotion activities. For each successful application, the maximum amount of grant is 50% of the total approved expenditures incurred by the applicant, subject to the funding ceiling per application. Since 1 August 2018, the funding ceiling per application has been increased from \$50,000 to \$100,000, and the cumulative funding ceiling per SME has been increased from \$200,000 to \$400,000 (paras. 3.2 and 3.3). Audit noted the following:

- (a) ***Decreasing number of applications.*** In June 2015, members of the Panel on Commerce and Industry of the Legislative Council expressed concern over the decline in the number of the EMF applications received from some 27,000 in 2010 to some 17,000 in 2014. The number of applications received had further decreased by 6,777 (38%) from 17,672 in 2014 to 10,895 in 2017. The TID needs to take remedial measures (paras. 3.4 and 3.6);
- (b) ***Low utilisation of cumulative funding.*** In June 2013, the cumulative funding ceiling for each SME was raised from \$150,000 to \$200,000. As at March 2018, of the 47,082 SMEs which had obtained funding under the EMF since its launch, only 3,087 (6.5%) had been granted \$150,001 to \$200,000 including only 640 (1.4%) SMEs which had been granted the full \$200,000 (para. 3.7);
- (c) ***Need to enhance the check on connected SMEs.*** Applicant SMEs which have similar business registration details are treated as connected SMEs. Potentially connected SMEs will not be regarded by the TID as actually connected SMEs if they can prove that they are operating independently and their business nature is different from each other. The cumulative amount of funding received by a group of connected SMEs must not exceed the same cumulative funding ceiling of \$200,000 applicable to a single SME. However, in the period from 2010 to 2016, the TID granted cumulative funding exceeding the limit of \$200,000 (ranging from \$204,628 to \$261,434) to five groups of connected SMEs, aggregating \$1.17 million (paras. 3.8 and 3.10); and
- (d) ***Need to consider requiring the proof of eligibility from all EMF applicants.*** Applicant SMEs must have substantive business operations in Hong Kong to qualify for funding. However, the applicants are not required to provide supporting documents to prove that they have substantive business operations in Hong Kong unless so required by the TID. Of the 36,707 applications received in the period from 2015 to 2017,

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the TID requested all the 483 (1.3%) applicant SMEs which had been established for six months or less to provide the proof. For the remaining 36,224 applications, the TID requested applicant SMEs of 351 (0.97%) applications selected randomly to provide proof. Ninety-nine (20%) of the 483 and 50 (14%) of the 351 failed to provide proof of having substantive business operations in Hong Kong. If these applications had not been selected for checking, they would have been approved (subject to meeting other approval criteria) (paras. 3.12 to 3.14).

6. ***Areas for improvement in the administration of the SME Development Fund (SDF).*** The SDF aims at subsidising projects to enhance the competitiveness of SMEs. Audit noted the following:

- (a) as at 31 July 2018, of the 78 approved projects with applications received in the period from 2013 to 2017, 51, 46 and 43 were required to submit progress reports, final reports and post-project evaluation reports respectively to the Secretariat of the Vetting Committee. Audit noted that 77%, 50% and 37% of the progress reports, final reports and post-project evaluation reports respectively were submitted late;
- (b) grantees are required to return residual funds to the Government within one month after submission of the final audited account of the projects. As at 31 July 2018, of the 48 completed projects, 42 had returned their residual funds and six were not yet due for return. Of the 42 projects, 20 (48%) returned their residual funds late; and
- (c) a Report on Completed Projects containing the Secretariat's assessments on each project is submitted by the Secretariat to the Vetting Committee. The TID did not set time target on the submission. In the period from 2013 to 2017, the Secretariat prepared eight Reports on 66 completed projects. On average, the time elapsed between the receipt of post-project evaluation reports from grantees to the submission was 23 months. For 22 (33%) completed projects, the Secretariat took more than 24 months to submit the Reports (paras. 3.19 to 3.21 and 3.23 to 3.26).

Support and Consultation Centre for Small and Medium Enterprises

7. *Need to monitor the small number of visitors to Support and Consultation Centre for Small and Medium Enterprises (SUCCESS) and the small number of visits to the SUCCESS website.* SUCCESS provides SMEs with information services and consultation services free of charge. Audit noted that: (a) the number of visitors to SUCCESS decreased by 32,134 (90%) from 35,653 in 2008 to 3,519 in 2017; and (b) the number of visits to the SUCCESS website decreased by 150,186 (21%) from 699,170 in 2008 to 548,984 in 2017 (paras. 4.2 and 4.5).

8. *Need to promote SUCCESS membership.* Audit noted that: (a) representatives of most SMEs had not registered as SUCCESS members. As at 31 May 2018, there were 56,083 SUCCESS members, of whom 14,323 (26%) provided the names of their companies when registering for SUCCESS membership. These 14,323 members came from 9,994 companies. Even assuming that all the remaining 41,760 members came from different SMEs, the number of SUCCESS members was small compared to the some 330,000 SMEs in Hong Kong; and (b) after registration, a SUCCESS member will receive regular e-newsletters and email notices from SUCCESS. However, every year a few hundreds of members discontinued their subscription of the e-newsletters and email notices. From 2013 to 2017, on average 927 members per year (ranging from 623 to 1,497) unsubscribed the e-newsletters and email notices of SUCCESS (para. 4.10).

9. *Low utilisation of business publications and audio-visual materials in the reference library.* There is a reference library in SUCCESS. As at 30 June 2018, there were 3,236 business publications (550 on open shelves and 2,686 on closed stacks) and 130 items of audio-visual materials. In the period from the relocation of SUCCESS in mid-October 2015 to July 2018, no visitors had requested reading the publications on the closed stacks. Also, the number of requests for viewing the audio-visual materials was small, for instance, only 17 in 2016 and 16 in 2017 (paras. 4.11 and 4.12).

10. *Low attendance of some SUCCESS seminars.* SUCCESS regularly organises seminars to broaden SMEs' business knowledge and enhance their entrepreneurial skills. Audit examination revealed that: (a) the TID did not set any

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target on attendance rates for the seminars; and (b) in the period from 1 January 2016 to 31 May 2018, SUCCESS organised 74 seminars. While the average number of attendees was 90 and the average attendance rate was 66%, the attendance rates of 13 (18%) seminars ranged from 28% to 49% (paras. 4.14 and 4.15).

11. ***Long time taken to arrange consultation meetings for the Business Advisory Service (BAS) applicants.*** There was no target set for the time taken to arrange consultation meetings for BAS applicants, during which BAS applicants received free advice from advisors nominated by SUCCESS's strategic partners. Audit noted that the 95 consultation meetings for applications received in 2017 were conducted, on average, 24 working days (ranging from 0 to 196 working days) after receiving the applications. Of the 95 applications, Audit reviewed four applications with the longest time elapsed between the consultation meetings and the receipt of the applications. Audit found that the TID took more than 90 working days to arrange the consultation meetings for them (paras. 4.20, 4.25 and 4.26).

12. ***Need to make known the flexible approach taken in accepting applications for SME Mentorship Programme.*** According to the criteria on the TID's website, to be eligible for the Mentorship Programme, a person has to own and run a business which: (a) is registered in Hong Kong under the Business Registration Ordinance; (b) has been established for less than five years; and (c) employs fewer than 20 employees in Hong Kong. It was stated in the TID's internal guidelines that although they will be accorded lower priority, applications which do not meet the eligibility criteria will also be considered if explanations can be provided to justify the need to join the Programme. Audit noted that such arrangement was not made known to the public unless asked by the public. In the three SME Mentorship Programmes held in 2011 and 2012, 2014 and 2015 and 2016 to 2018, there were 196, 214 and 191 approved applications respectively. Of these approved applications, 23 (12%), 21 (10%) and 55 (29%) did not fully meet the eligibility criteria published on the TID's website (paras. 4.28 to 4.30).

13. ***Need to explore the feasibility of accepting applications to join the SME Mentorship Programme on an on-going basis.*** The SME Mentorship Programme aims at providing an opportunity for SME owners at their early stage of business (i.e. the business has been established for less than five years) to learn from and be guided by mentors through one-on-one free counselling. Audit noted that the last three Mentorship Programmes were launched in February 2011, February 2014 and November 2016. In other words, a person interested in the Mentorship Programme

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has to wait for a couple of years if he has not submitted application for the previous round (para. 4.31).

14. *Need to encourage mentors and mentees of the SME Mentorship Programme to have at least three meetings.* According to the guidelines for mentors and mentees, each pair of mentor and mentee of the SME Mentorship Programme is encouraged to have at least three face-to-face meetings during the 12-month period. Audit noted that for the 2014/15 Programme, only 10 (22%) of the 46 respondents to the evaluation questionnaires had met their mentors thrice or more (para. 4.34).

Governance and administrative issues

15. *Areas for improvement in the governance of the Small and Medium Enterprises Committee (SMEC).* The SMEC was set up in July 1996 to advise the Chief Executive on issues affecting the development of SMEs and suggest measures to support and facilitate their development and growth. For the current term of the SMEC, there are 28 members, including 22 non-official members and 2 official members. Audit noted the following: (a) Audit examined the attendance of the 21 meetings held in the five terms from 2009 to 2018 (up to 31 August). For the non-official members, Audit found that in each term, there were two to ten members who attended less than half of the meetings (ranging from 0% to 40%); and (b) there was no quorum requirement for the SMEC meetings (paras. 5.2, 5.3 and 5.5).

16. *Areas for improvement in the governance of the Vetting Committee.* The Vetting Committee is responsible to advise and make recommendations to the Director-General of Trade and Industry on matters relating to the SDF and the Organisation Support Programme of the Dedicated Fund on Branding, Upgrading and Domestic Sales. The current term of the Vetting Committee comprises one ex-officio member and 14 non-official members. Audit identified the following areas for improvement: (a) there were 22 meetings held in the period from 2013 to 2018 (up to 31 August). Audit found that in each year, there were a few (one to three) members who attended none or only one of the meetings in the year. Some meetings involved more than one session held on different days. When calculating attendance, the TID will count a member's attendance for a meeting if the member attended at least one session of the meeting. The 22 meetings involved 42 sessions. In each year, there were three to eight members who were present only in half or less than half of the sessions. As a function of the Vetting Committee is to assess and approve SDF

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funding applications, the attendance of members with sufficient and relevant background is important; and (b) there was no quorum requirement for the Vetting Committee meetings (paras. 5.11 to 5.16).

Audit recommendations

17. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Director-General of Trade and Industry should:**

Administration of SME Loan Guarantee Scheme and Special Loan Guarantee Scheme

- (a) **monitor the declining number of applications approved under the SGS and where necessary, take measures to ensure that the SGS continues to be an effective measure in helping SMEs obtain loans from PLIs (para. 2.9(a));**
- (b) **consider providing an online enquiry service to facilitate SMEs in checking their available guarantee balances under the total guarantee limit of the SGS (para. 2.9(b));**
- (c) **take measures to terminate in a timely manner prolonged default claims in which the PLIs of the SGS and SpGS failed to provide the information essential for vetting the claims (para. 2.19(a));**
- (d) **on a regular basis, issue letters to the PLIs of the SGS and SpGS to ascertain their intention to reactivate their default claims which have been dormant for over two years and take appropriate follow-up action accordingly (para. 2.19(b));**

Administration of SME Export Marketing Fund and SME Development Fund

- (e) **monitor the number of applications for the EMF and if the number of applications continues to decrease, devise effective measures to encourage more applications from SMEs (para. 3.17(b));**

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- (f) **keep in view the utilisation of the funding of the EMF and step up measures to encourage SMEs to make the best use of the available funding (para. 3.17(c));**
- (g) **enhance the check on potentially connected SMEs and take measures to ensure that EMF funding approved to connected SMEs do not exceed the funding ceiling (para. 3.17(d));**
- (h) **consider the feasibility of requiring all applicants of the EMF to provide proof of having substantive business operations in Hong Kong (para. 3.17(e));**
- (i) **take measures to ensure that reports are submitted by grantees of the SDF in accordance with the project agreement in a timely manner (para. 3.28(a));**
- (j) **take measures to ensure the timely return of residual funds by grantees of the SDF; (para. 3.28(b));**
- (k) **expedite the preparation of the Reports on Completed Projects of the SDF and endeavour to submit them to the Vetting Committee in a timely manner (para. 3.28(c));**

Support and Consultation Centre for Small and Medium Enterprises

- (l) **continue to take appropriate measures to boost the number of visitors to SUCCESS and the number of visits to the SUCCESS website (para. 4.18(b));**
- (m) **promote the membership of SUCCESS among SMEs, ascertain the reasons why some members discontinued subscription of e-newsletters and email notices from SUCCESS, and take measures to encourage members to subscribe to SUCCESS e-newsletters and email notices (para. 4.18(c) and (d));**
- (n) **ascertain whether the publications and the audio-visual materials of the reference library meet the information needs of the SMEs and where necessary, consider enhancing the support provided to SMEs to meet their needs (para. 4.18(e));**

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- (o) **step up promotion of SUCCESS seminars to improve their attendance rates (para. 4.18(f));**
- (p) **monitor the time taken to arrange BAS consultation meetings and take appropriate follow-up action for those applications where the consultation meetings could not be arranged within a reasonable time period (para. 4.35(c));**
- (q) **make known to the potential applicants that those who do not meet the eligibility criteria for the SME Mentorship Programme will also be considered if there is capacity and they can provide explanations to justify the need to join the Programme (para. 4.35(d));**
- (r) **explore the feasibility of accepting applications to join the SME Mentorship Programme on an on-going basis with a view to providing timely support to the SME owners at their early stage of business (para. 4.35(e));**
- (s) **take measures to encourage mentors and mentees to have at least three face-to-face meetings during the 12-month SME Mentorship Programme (para. 4.35(g));**

Governance and administrative issues

- (t) **take measures to improve the attendance rates of non-official members of the SMEC (para. 5.9(a));**
- (u) **specify quorum requirement for the SMEC meetings (para. 5.9(b));**
- (v) **take measures to encourage non-official members of the Vetting Committee to attend Vetting Committee meetings and be present as far as possible at all sessions of the meetings they attend to assess and approve SDF funding applications (para. 5.17(a)); and**
- (w) **specify quorum requirement for the Vetting Committee meetings (para. 5.17(b)).**

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Response from the Government

18. The Government generally agrees with the audit recommendations.

PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

Background

1.2 The Government defines small and medium enterprises (SMEs) as:

- (a) manufacturing businesses which employ fewer than 100 individuals in Hong Kong; or
- (b) non-manufacturing businesses which employ fewer than 50 individuals in Hong Kong.

1.3 SMEs are an important driving force in Hong Kong's economic development. As at 31 March 2018, there were over 330,000 SMEs in Hong Kong. They constituted over 98% of Hong Kong's total business units and provided job opportunities for 1.3 million people (about 45% of the workforce in the private sector). About 50% of the SMEs were in the import/export trade and wholesale industries, or the professional and business services industry, accounting for about half of the SME employment (see Table 1 and Table 2).

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Table 1
Number of SMEs analysed by industry and services
(31 March 2018)

	Number	Percentage
Industry		
Manufacturing	8,899	2.7%
Mining and quarrying; electricity and gas supply; waste management; and construction	1,429	0.4%
Services		
Import/export trade and wholesale	111,392	33.5%
Professional and business services	47,026	14.1%
Retail	44,338	13.3%
Social and personal services	43,207	13.0%
Financing and insurance	25,529	7.7%
Real estate	14,734	4.4%
Information and communications	14,210	4.3%
Accommodation and food services	13,749	4.1%
Transportation, storage, postal and courier services	8,272	2.5%
Total	332,785	100.0%

Source: Audit analysis of Trade and Industry Department records

Table 2

**Number of job opportunities provided by SMEs
analysed by industry and services
(31 March 2018)**

	Number	Percentage
Industry		
Manufacturing	52,966	4.1 %
Mining and quarrying; electricity and gas supply; waste management; and construction	14,270	1.1 %
Services		
Import/export trade and wholesale	447,740	34.5 %
Social and personal services	167,332	12.9 %
Professional and business services	157,428	12.1 %
Retail	144,871	11.1 %
Accommodation and food services	118,474	9.1 %
Financing and insurance	65,872	5.1 %
Information and communications	48,168	3.7 %
Transportation, storage, postal and courier services	48,118	3.7 %
Real estate	34,142	2.6 %
Total	1,299,381	100.0 %

Source: Audit analysis of Trade and Industry Department records

1.4 In 1996, the Small and Medium Enterprises Committee (SMEC — see para. 5.2) was set up to advise the Chief Executive of the Hong Kong Special Administrative Region on issues affecting the development of SMEs and suggest measures to support and facilitate their development and growth. The SMEC is appointed by the Secretary for Commerce and Economic Development under the

Introduction

delegated authority of the Chief Executive. The Trade and Industry Department (TID) is responsible for providing service which aims to facilitate the development of SMEs in Hong Kong and help them enhance competitiveness. The TID also provides secretariat support for the SMEC.

Work of the TID in supporting SMEs

1.5 The TID provides support to SMEs under its programme area “Support for SMEs and Industries”. Under this programme area, the main areas of work of the TID are:

- (a) to administer three SME funding schemes, namely the SME Loan Guarantee Scheme (SGS), the SME Export Marketing Fund (EMF), and the SME Development Fund (SDF);
- (b) to continue to follow up on the residual work relating to the Special Loan Guarantee Scheme (SpGS – Note 1);
- (c) to provide information services and consultation services for SMEs through its Support and Consultation Centre for SMEs (SUCCESS);
- (d) to provide secretariat support for the SMEC;
- (e) to administer the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund — see para. 1.9(b)); and
- (f) to maintain regular liaison with local industries and trade and industrial organisations.

1.6 Table 3 shows the major performance indicators of the TID’s work in supporting SMEs reported in the Controlling Officer’s Reports for the period from 2013 to 2017.

Note 1: *To tackle the credit crunch problem arising from the global financial crisis in 2008-09, the Government introduced in December 2008 the SpGS as a time-limited initiative to facilitate enterprises in obtaining cashflow relief from the commercial lending market (see para. 2.3). The SpGS has ceased receiving applications since 1 January 2011.*

Table 3

**Major performance indicators
of the TID's work in supporting SMEs
(2013 to 2017)**

Performance indicator	2013 (No.)	2014 (No.)	2015 (No.)	2016 (No.)	2017 (No.)	Change between 2013 and 2017	
						(No.)	(Percentage)
SGS							
Applications received and processed	1,200	1,124	978	787	770	−430	−36%
EMF							
Applications received and processed	18,682	17,672	14,425	11,387	10,895	−7,787	−42%
SDF							
Applications received and processed (Note 1)	42	53	41	34	36	−6	−14%
SUCCESS							
Visitors to SUCCESS	27,797	27,629	19,406	3,366	3,519	−24,278	−87%
Visits to SUCCESS website	700,945	744,462	957,201	533,099	548,984	−151,961	−22%
BUD Fund (Organisation Support Programme)							
Applications received and processed	50	28	21	26	21	−29	−58%
BUD Fund (Enterprise Support Programme)							
Applications received and processed (Note 2)	N.A.	N.A.	204	525	441	N.A.	N.A.

Source: Audit analysis of TID records

Note 1: The figures reported in the Controlling Officer's Reports included cases that were withdrawn before assessment (see para. 3.19).

Note 2: This new indicator was introduced in 2017. It also covered 2015 and 2016 retrospectively.

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1.7 The annual expenditure on the programme area “Support for SMEs and Industries” in 2017-18 was \$476.7 million (see Table 4).

Table 4

**Expenditure on the programme area “Support for SMEs and Industries”
(2013-14 to 2017-18)**

Nature	Expenditure						
	2013-14	2014-15	2015-16	2016-17	2017-18	Change between 2013-14 and 2017-18	
	(\$ million)	(\$ million)	(\$ million)	(\$ million)	(\$ million)	(Amount)	(Percentage)
Recurrent							
Operating expenses (a)	80.6	87.6	92.8	95.3	101.1	+20.5	+25.4 %
Non-recurrent — loan guarantee schemes (Note)							
SGS	18.9	21.7	18.2	17.7	29.6	+10.7	+56.6 %
SpGS	127.6	134.5	107.8	103.5	79.3	−48.3	−37.9 %
Sub-total (b)	146.5	156.2	126.0	121.2	108.9	−37.6	−25.7 %
Non-recurrent — funding schemes							
EMF	251.8	210.8	185.7	153.4	143.1	−108.7	−43.2 %
SDF	22.1	18.0	21.2	20.7	23.1	+1.0	+4.5 %
BUD Fund	74.7	101.1	53.3	71.9	100.5	+25.8	+34.5 %
Sub-total (c)	348.6	329.9	260.2	246.0	266.7	−81.9	−23.5 %
Total (d) = (a) + (b) + (c)	575.7	573.7	479.0	462.5	476.7	−99.0	−17.2 %

Source: Audit analysis of TID records

Note: The expenditure of the SGS and the SpGS represented payments made to lending institutions for their default claims. Up to 31 March 2018, the amounts of guarantees issued under the SGS and the SpGS had been \$25 billion and \$74 billion respectively.

1.8 The Industries Support Division of the TID (see Appendix A for an extract of the organisation chart of the TID) is responsible for the provision of support to SMEs. As at 31 July 2018, the Industries Support Division had a staff strength of 120.

Audit review

1.9 In 2006 and 2016, the Audit Commission (Audit) completed two reviews on TID's work in supporting SMEs, namely:

- (a) a review entitled "Four small and medium enterprise funding schemes" and the results were reported in Chapter 4 of the Director of Audit's Report No. 47 of October 2006; and
- (b) another review entitled "Dedicated Fund on Branding, Upgrading and Domestic Sales" and the results were reported in Chapter 7 of the Director of Audit's Report No. 66 of April 2016.

1.10 In March 2018, Audit commenced a review of the TID's work in supporting SMEs (Note 2). The audit has focused on the following areas:

- (a) administration of the SGS and the SpGS (PART 2);
- (b) administration of the EMF and the SDF (PART 3);
- (c) SUCCESS (PART 4); and
- (d) governance and administrative issues (PART 5).

Audit has found room for improvement in the above areas and has made a number of recommendations to address the issues.

Note 2: *This audit does not cover the BUD Fund, which was covered in a review conducted by Audit in 2016 (see para. 1.9(b)).*

General response from the Government

1.11 The Director-General of Trade and Industry generally agrees with the recommendations in this Audit Report. She has said that the TID attaches great importance to facilitate the development of SMEs, and administers various funding schemes to assist Hong Kong enterprises, in particular SMEs, in obtaining finance, exploring export markets and enhancing their overall competitiveness. The TID reviews the operation and the effectiveness of the funding schemes from time to time to ensure that appropriate support is provided to SMEs. Financial injection and enhancement measures to the various funding schemes have been introduced, including increasing the grant ceilings, expanding the funding scopes, improving the mode of operation to suit the industry's needs, etc. The TID will continue to closely monitor changes in the market and the needs of SMEs with a view to improving and enhancing the operation of the schemes where appropriate.

Acknowledgement

1.12 Audit would like to acknowledge with gratitude the full cooperation of the staff of the TID during the course of audit review.

PART 2: ADMINISTRATION OF SME LOAN GUARANTEE SCHEME AND SPECIAL LOAN GUARANTEE SCHEME

2.1 This PART examines the administration of the SGS and the SpGS. Audit found room for improvement in the following areas:

- (a) applications for the SGS (paras. 2.4 to 2.10);
- (b) processing of default claims of the SGS and the SpGS (paras. 2.11 to 2.20); and
- (c) evaluation of the SGS (paras. 2.21 to 2.24).

Background

2.2 **SGS.** The SGS was launched in December 2001. It aims at helping SMEs to secure loans from participating lending institutions (PLIs – Note 3) for acquiring business installations and equipment, and meeting working capital needs through providing loan guarantees. Details of the SGS are as follows:

- (a) ***Types of loans.*** The SGS covers two types of loans:
 - (i) ***Business Installations and Equipment Loans.*** Such loans must be in the form of either a non-revolving loan or a hire purchase agreement. The loans may be used for acquiring installations and equipment (e.g. machinery, computer software and hardware, and

Note 3: *All authorised institutions under the Banking Ordinance (Cap. 155) are eligible to join the SGS as PLIs. The institution has to sign a deed with the Government before it is accepted as a PLI. As at 31 July 2018, there were 39 PLIs under the SGS. Examples of the terms in the deed are: (a) the institution acknowledges that the Government places complete reliance on the institution in its professional skill, judgement and care as a prudent lender; (b) the institution should maintain a complete and accurate account for each facility; and (c) the institution should inform the Government within seven days upon the full repayment of each facility.*

Administration of SME Loan Guarantee Scheme and Special Loan Guarantee Scheme

furniture) relating to SME's business operations within or outside Hong Kong; and

- (ii) ***Working Capital Loans.*** Such loans must be in the form of a non-revolving loan. The loans may be for general business uses in meeting working capital needs of the SME;
- (b) ***Eligibility.*** An SME is eligible to apply for guarantee under the SGS if it is:
 - (i) registered under the Business Registration Ordinance (Cap. 310) with substantive business operations in Hong Kong (Note 4);
 - (ii) not an associate of the lender; and
 - (iii) not carrying on the business of a lender;
- (c) ***Guarantee ceiling and period.*** The amount of guarantee for an SME is 50% of the approved loan, subject to a guarantee ceiling of \$6 million. The maximum guarantee period is five years. If an SME has fully repaid the loans backed up by the guarantee, the SME is eligible one more time for the related guarantee amount up to a maximum "re-used" amount of \$6 million. In other words, the maximum amount of guarantee at any point of time is \$6 million, but together with the "re-used" guarantee amount, the total amount of guarantees issued under the Scheme for each SME can be up to \$12 million; and
- (d) ***Application procedures.*** The SMEs must lodge the SGS applications through the PLIs for approval of the loans. The TID does not require the PLIs to provide supporting documents (e.g. credit assessment and review reports) for verification during the application stage. According to the deed, the TID places complete reliance on the professional skill, judgement and care of the PLIs in assessing loan applications from SMEs. The SMEs deal directly with the PLIs. The PLIs assess the SMEs' creditworthiness,

Note 4: *In considering whether an enterprise has substantive business operations in Hong Kong, the TID makes reference to a number of aspects (e.g. assessability of profits to Hong Kong Profits Tax and volume of business operations in Hong Kong).*

Administration of SME Loan Guarantee Scheme and Special Loan Guarantee Scheme

arrange the terms of the loans, and apply for guarantees from the TID. Upon TID's approval of the applications, the PLIs will advance the loans to the SMEs and follow through with the repayments.

Under the SGS, the total guarantee commitment is \$30 billion. Up to 31 March 2018, the TID had received 34,055 applications (Note 5) of which 31,023 (91%) were approved. The total amount of guarantees issued for the approved applications was \$25 billion, representing 83% of the total guarantee commitment of \$30 billion. The default rate of the SGS as at 31 March 2018 was 2.27% (see Table 5).

2.3 **SpGS.** In December 2008, to tackle the credit crunch problem arising from the global financial crisis in 2008-09, the Government introduced the SpGS as a time-limited initiative to facilitate enterprises including SMEs in obtaining cashflow relief from the commercial lending market. Under the SpGS, the Government guaranteed up to 80% of the loan amount for a maximum period of five years, or up to 31 December 2015, whichever was earlier. The maximum loan amount was \$12 million for each enterprise. The SpGS has ceased receiving applications since 1 January 2011. Before 1 January 2011, the TID had received 43,000 applications (Note 6) and approved 39,275 (91%) of them. The total amount of guarantees issued for the approved applications was \$74 billion, representing 74% of the total guarantee commitment of \$100 billion. The default rate of the SpGS as at 31 March 2018 was 1.35% (see Table 5).

Note 5: *Of the 34,055 applications, 2,882 were subsequently withdrawn.*

Note 6: *Of the 43,000 applications, 3,331 were subsequently withdrawn.*

Administration of SME Loan Guarantee Scheme and Special Loan Guarantee Scheme

Table 5

Default rates of the SGS and the SpGS (31 March 2018)

	SGS	SpGS
Default claims (a)	\$596,792,615 (Note 1)	\$1,009,207,042 (Note 2)
Default claims subsequently recovered (b)	\$29,320,107	\$13,201,528
Net default claims (c) = (a) – (b)	\$567,472,508	\$996,005,514
Guarantees issued since launch of schemes (d)	\$25,039,194,967	\$74,017,169,425
Default rate (e) = (c) ÷ (d) × 100%	2.27%	1.35%

Source: Audit analysis of TID records

Note 1: The amount involved 1,418 default claims. The average claim was \$420,869.

Note 2: The amount involved 1,247 default claims. The average claim was \$809,308.

Applications for the SGS

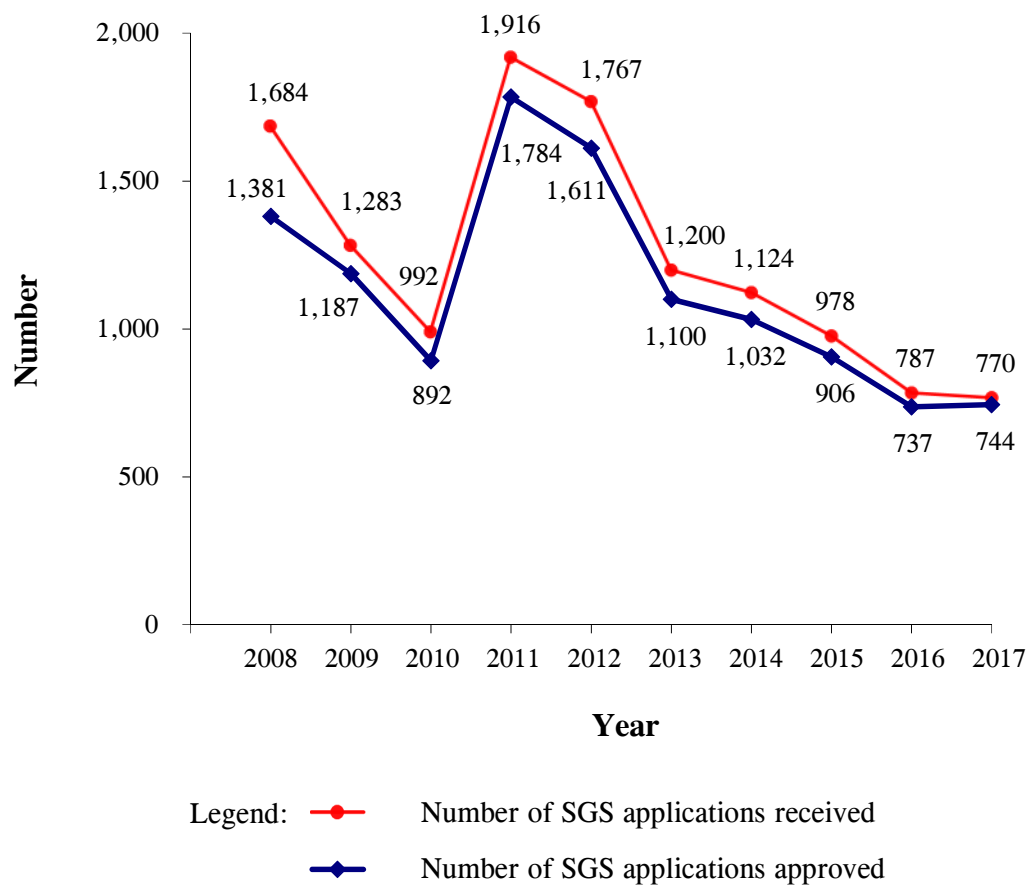
Need to monitor the declining number of applications approved

2.4 The number of applications approved under the SGS dropped by 46% from 1,381 in 2008 to 744 in 2017 (see Figure 1). In the same period, the amount of guarantees issued decreased by 24% from \$1,359 million to \$1,035 million (see Figure 2). The amount of guarantees issued from 2012 to 2017 averaged \$1.26 billion per year.

Administration of SME Loan Guarantee Scheme and Special Loan Guarantee Scheme

Figure 1

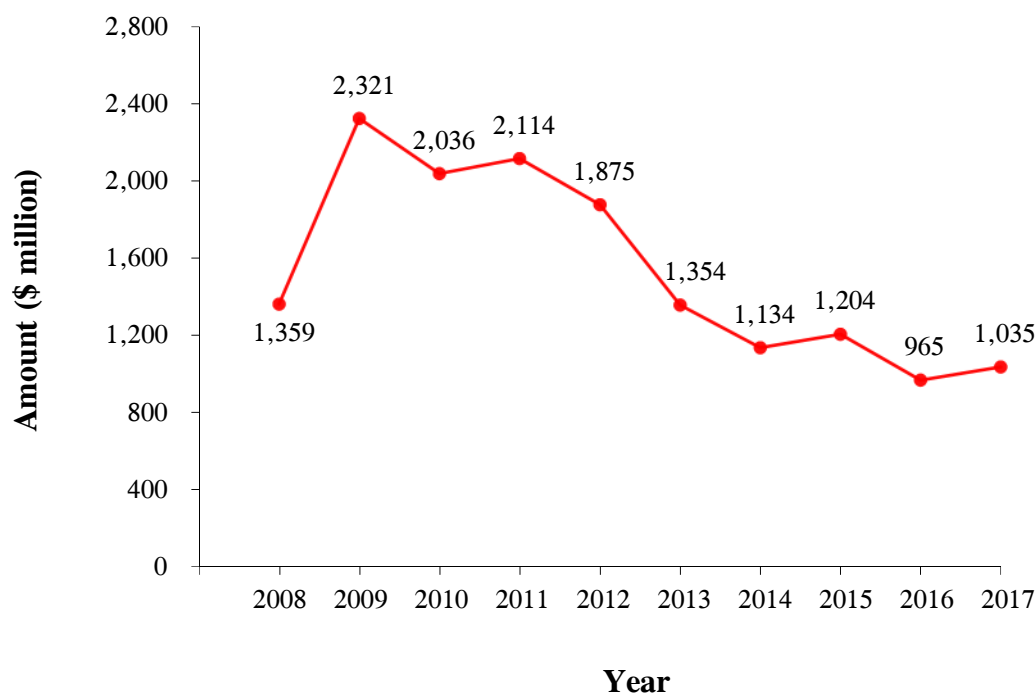
Numbers of SGS applications (2008 to 2017)



Source: Audit analysis of TID records

Figure 2

**Amounts of SGS guarantees issued
(2008 to 2017)**



Source: Audit analysis of TID records

2.5 Audit noted that in July 2011, when seeking approval from the Finance Committee (FC) of the Legislative Council (LegCo) to increase the total guarantee commitment from \$20 billion to \$30 billion, the TID informed the FC that the additional commitment would enable the SGS to run until late 2016. However, as at 31 December 2016, the total amount of guarantees issued had not reached the total guarantee commitment as predicted. The total guarantees issued was \$23.8 billion, representing only 79% of the total guarantee commitment. Even up to 31 March 2018, the total amount of guarantees issued had increased slightly to \$25 billion, representing only 83% of the total guarantee commitment.

2.6 The business environment in which the SMEs operate is dynamic and will be adversely affected by many factors. Audit considers that the TID needs to monitor the declining number of applications approved under the SGS and where necessary, take measures to ensure that the SGS continues to be an effective measure in helping SMEs obtain loans from PLIs.

***Need to provide online enquiry service
to facilitate SMEs in checking their available guarantee balances***

2.7 Under the SGS, the Government guarantees 50% of the approved loan amount for a maximum period of five years, subject to a guarantee limit of \$6 million for each SME. If an SME has fully repaid the loans backed up by the guarantee, the SME is eligible one more time for the respective amount of guarantee (see para. 2.2(c)). The available guarantee balance under the total guarantee limit may change as the SME applies for new loans or repays the loans backed up by the guarantee.

2.8 Unlike the EMF (see PART 3), the TID does not provide an online enquiry service for SMEs to check their available guarantee balances under the total guarantee limit. Audit noted that in the period from 2013 to 2017, the TID received annually an average of 87 (ranging from 63 to 142) written enquiries from SMEs about their available guarantee balances. As an enhancement measure to facilitate SMEs' planning and submission of loan applications, the TID needs to consider providing an online enquiry service for the SGS.

Audit recommendations

2.9 **Audit has *recommended* that the Director-General of Trade and Industry should:**

- (a) **monitor the declining number of applications approved under the SGS and where necessary, take measures to ensure that the SGS continues to be an effective measure in helping SMEs obtain loans from PLIs; and**
- (b) **consider providing an online enquiry service to facilitate SMEs in checking their available guarantee balances under the total guarantee limit of the SGS.**

Response from the Government

2.10 The Director-General of Trade and Industry generally agrees with the audit recommendations. She has said that:

- (a) the TID has been monitoring the number of SGS applications and the effectiveness of the SGS on an on-going basis. The average guarantee amount approved per application increased by 13% from \$1.23 million in 2013 to \$1.39 million in 2017. The SGS is market-driven and the number of applications is affected by various factors such as the prevailing economic situation and economic outlook, loan policy of PLIs and the availability of other similar support programmes for SMEs in the market, including the SME Financing Guarantee Scheme, which provides up to 80% loan guarantee. The TID has been promoting the SGS amongst SMEs by organising seminars and attending those organised by trade and industrial organisations. The TID also liaises with PLIs from time to time to publicise the SGS. The TID will continue to undertake various promotion efforts to promote the SGS to SMEs and review from time to time its operation and implementation to ensure its effectiveness; and
- (b) the TID is actively working to provide an online enquiry service for the SGS to facilitate SMEs in checking their available guarantee balances under the total guarantee limit.

Processing of default claims of the SGS and the SpGS

Need to clear long outstanding default claims

2.11 It was stated in the deeds of the SGS and the SpGS signed by the Government with the PLIs that:

- (a) the TID places complete reliance on the professional skill, judgement and care of the individual PLIs in assessing loan applications from borrowers; and
- (b) the target beneficiaries of the SGS/SpGS are borrowers that are creditworthy, are able to demonstrate business prospects, have a good track record, and with substantive business operations in Hong Kong.

Administration of SME Loan Guarantee Scheme and Special Loan Guarantee Scheme

The TID does not require PLIs to provide all supporting documents for verification during the application stage. The PLIs are required to provide supporting documents (e.g. credit assessment and review reports, records of background search on the borrowers, and evidence showing the recovery actions taken against the borrowers and the guarantors) to demonstrate that they have followed all the necessary procedures and complied with all the terms and conditions of the deeds when they submit default claims to the TID.

2.12 A PLI may lodge a default claim with the TID if the borrower fails to repay the guaranteed facility on its loan repayment date, and such indebtedness remains outstanding 61 days after the relevant repayment date. The PLI concerned is required to submit a payment request form and supporting documents (see para. 2.11) within six months after the relevant repayment date of the defaulted facility.

2.13 Before effecting a compensation payment, the TID will:

- (a) ascertain whether the PLI has exercised professional skill, judgment and care before granting approval to the loan application and in the subsequent monitoring of the facility. For example, the TID will obtain the credit assessment report from the PLI to ensure that it has duly considered the borrower's track record, business prospect and financial position in assessing the borrower's loan application;
- (b) ascertain whether the PLI has exercised due diligence to ensure that the borrower has substantive business in Hong Kong. For example, the TID will obtain from the PLI documentary evidence, such as the borrower's Mandatory Provident Fund contribution record and tax demand note;

Administration of SME Loan Guarantee Scheme and Special Loan Guarantee Scheme

- (c) ascertain whether the PLI has complied with all the requirements as stipulated under the deeds. For example, to ensure the PLI's compliance with the provision that the SGS facility was not used to repay or restructure any loans, the TID will review the credit facilities that the PLI has granted to the borrower and will ascertain whether any rescheduling of existing credit facilities has been made after the grant of the SGS loan;
- (d) assess the consistency between the information and documents provided by the PLI at the time of application and after the default claim is lodged; and
- (e) ensure that the PLI has taken practicable steps and actions for the purpose of recovering the outstanding indebtedness, and any amount recovered has been applied towards repayment of the indebtedness. For example, the TID will obtain from the PLI legal documents relating to the realisation of collateral.

The TID will effect compensation payment to the PLI for its default claim after all the necessary information and documents are received and checked in order.

2.14 Audit noted that there were substantial number of outstanding default claims under the SGS and the SpGS:

- (a) **SGS.** For the period from the launch of the SGS in December 2001 to 31 March 2018, there were 1,418 default claims (excluding 203 cases that were subsequently withdrawn by the PLIs and 593 cases that were fully repaid by the borrowers) amounting to \$597 million. Compensation payments of 596 (42%) of the 1,418 claims amounting to \$294 million had not yet been made. Audit noted that the 596 default claims had been outstanding for an average of seven years (ranging from 5 days to 15.9 years); and
- (b) **SpGS.** For the period from the launch of the SpGS in December 2008 to 31 March 2018, there were 1,247 default claims (excluding 41 cases that were subsequently withdrawn by the PLIs and 243 cases that were fully repaid by the borrowers) amounting to \$1,009 million. Compensation payments of 359 (29%) of the 1,247 claims amounting to \$292 million had not yet been made. Audit noted that the 359 default claims had been outstanding for an average of 4.6 years (ranging from 10.5 months to 8.2 years).

Administration of SME Loan Guarantee Scheme and Special Loan Guarantee Scheme

Table 6 shows the ageing analysis of the 596 outstanding SGS default claims and the 359 outstanding SpGS default claims.

Table 6

**Ageing analysis of the 596 outstanding SGS default claims
and the 359 outstanding SpGS default claims
(31 March 2018)**

Time lapsed from receipt date of default claim (No. of years)	Number of outstanding default claims	
	SGS	SpGS
≤2	145 (24%)	3 (1%)
>2 to 4	102 (17%)	151 (42%)
>4 to 6	30 (5%)	142 (40%)
>6 to 8	9 (2%)	59 (16%)
>8 to 10	66 (11%)	4 (1%)
>10 to 12	139 (23%)	N.A. (Note)
>12 to 14	72 (12%)	
>14	33 (6%)	
Total	596 (100%)	359 (100%)

Source: Audit analysis of TID records

Note: The SpGS was launched in December 2008 and has ceased receiving applications since 1 January 2011.

2.15 For the SGS, in the period from April 2003 to March 2018, the TID approved compensation payments for an average of 55 default claims each year. The TID's pace of approving compensation payments for default claims slowed down from approving on average 65 payments per year in the period from April 2003 to March 2013 to 35 in the period from April 2013 to March 2018. Assuming that the TID can approve an average of 55 compensation payments each year, it will take more than 10 years for the TID to clear the 596 backlog cases of outstanding default claims.

Administration of SME Loan Guarantee Scheme and Special Loan Guarantee Scheme

2.16 For the SpGS, in December 2016, in granting the approval for the extension of the special quota to engage Non-Civil Service Contract (NCSC) staff (Note 7) for processing default claims, the Civil Service Bureau advised the TID that it should expedite action to clear the backlog cases to avoid further prolonged engagement of NCSC staff. In December 2017, when it sought the approval of the Civil Service Bureau to further extend the NCSC special quota to 31 March 2020, the TID said that based on its pace of effecting compensation payments for some 100 default claims in the period from April 2016 to March 2017, it estimated that all the outstanding SpGS default claims could be cleared by 31 March 2021. Audit noted that in the period from April 2017 to March 2018, the TID approved compensation payments for 111 default claims.

2.17 Of the 105 SGS default claims which have been outstanding for more than 12 years (see Table 6), Audit examined ten claims and found that in eight (80%) default claims, the TID had, in the period from 2003 to 2007, written to the PLIs concerned alleging that there was non-compliance with the deed signed between the Government and the PLIs. Afterwards, there was no progress in the processing of those default claims and they became dormant.

2.18 Upon enquiry, the TID informed Audit in August 2018 that:

- (a) **SGS.** With a view to settling the prolonged default claims in a timely manner, the TID planned to take follow-up action to terminate the guarantees for the prolonged default claims in which the PLIs failed to provide information essential for vetting the claims for more than seven years after the date of request. As at 31 May 2018, there were 245 such default claims amounting to \$57.3 million; and
- (b) **SpGS.** As at 30 June 2017, there were 51 default claims which had been dormant for over two years. With a view to clearing all outstanding default claims by 31 March 2021, the TID assessed these 51 default claims and identified 11 default claims which had a higher chance of reactivation. The

Note 7: *In view of the workload arising from the implementation of the SpGS, the Civil Service Bureau approved in December 2008 a special quota for the TID to engage NCSC staff. Over the years, the number of NCSC staff engaged had been decreasing. In May 2018, 15 NCSC staff were engaged for the SpGS.*

TID issued letters to four PLIs concerned in mid-2017 to ascertain their intention in reactivating the 11 default claims. The TID planned to conduct another similar exercise by end of 2018.

Audit recommendations

2.19 Audit has *recommended* that the Director-General of Trade and Industry should:

- (a) take measures to terminate in a timely manner prolonged default claims in which the PLIs of the SGS and SpGS failed to provide the information essential for vetting the claims; and**
- (b) on a regular basis, issue letters to the PLIs of the SGS and SpGS to ascertain their intention to reactivate their default claims which have been dormant for over two years and take appropriate follow-up action accordingly.**

Response from the Government

2.20 The Director-General of Trade and Industry generally agrees with the audit recommendations. She has said that:

- (a) to tackle the problem of PLIs of the SGS and the SpGS failing to provide the information essential for vetting prolonged default claims, the TID has been maintaining close liaison with PLIs. Apart from drawing up a priority list with individual PLIs for both sides to focus efforts in processing those outstanding claims which are at a more mature stage, the TID has meetings with PLIs from time to time to deliberate over technical or complicated issues with a view to resolving the outstanding issues of the claims and effecting compensation payments as early as practicable. The TID will continue to issue letters to PLIs regularly to ascertain the latter's intention to reactivate their claims which have remained dormant for over two years; and**

- (b) in July and August 2018, the TID notified all PLIs that starting from late August 2018, for each SGS default claim that the TID had requested additional information essential for vetting and the PLI concerned had not responded for over seven years, the TID would issue a “Letter of Intent on Termination” to inform the PLI of the Government’s intention to terminate the guarantee concerned unless the overdue information was provided to the TID within two months. If the PLI could not provide the required information by the specified deadline, the TID would issue a “Letter of Termination” to terminate the guarantee with immediate effect. In late August 2018, the first batch of the “Letters of Intent on Termination” were issued to 12 PLIs for 53 claims. The TID will continue to issue the “Letters of Intent on Termination” for the rest of the prolonged claims by batches.

Evaluation of the SGS

Need to improve evaluation of the SGS

2.21 ***Low response rate to evaluation surveys.*** The SGS was launched in December 2001. In 2007, the TID completed an evaluation survey. Since October 2008, the TID has conducted the evaluation survey on an on-going basis. Details are as follows:

- (a) ***2007 evaluation survey.*** The TID engaged an education institution to conduct a survey to measure SMEs’ satisfaction with and the effectiveness of the SGS. The response rate of this survey was only 6.69%; and
- (b) ***On-going evaluation survey.*** The TID conducted the on-going evaluation survey by sending questionnaires to the successful applicants through the PLIs to collect their views on the effectiveness of the SGS. The return of the completed questionnaire was not compulsory. Up to 31 March 2018, of the 10,458 questionnaires sent, 209 (2%) had been returned. Further analysis indicated that the response rate was on a decreasing trend. The response rates for the period from 2016 to 2018 (up to 31 March 2018) ranged from 0.27% to 0.65% (see Table 7).

**Administration of SME Loan Guarantee Scheme
and Special Loan Guarantee Scheme**

Table 7

**Response rates of the evaluation surveys
(October 2008 to March 2018)**

Year	Number of questionnaires sent (a)	Number of questionnaires returned (b)	Response rate (c) = (b) ÷ (a) × 100%
2008 (from October)	312	15	4.81 %
2009	1,187	35	2.95 %
2010	892	35	3.92 %
2011	1,784	64	3.59 %
2012	1,611	27	1.68 %
2013	1,100	7	0.64 %
2014	1,032	6	0.58 %
2015	906	14	1.55 %
2016	737	3	0.41 %
2017	744	2	0.27 %
2018 (up to 31 March)	153	1	0.65 %
Overall	10,458	209	2.0 %

Source: Audit analysis of TID records

Audit considers that the very low response rate and the decreasing trend of the response rate in recent years are a cause for concern as it casts doubt on the usefulness and reliability of the survey results. In Audit's view, the TID needs to take measures to improve the response rate of the SGS evaluation survey with a view to improving the representativeness of the survey results and enhancing the usefulness of the information collected. For instance, the TID may send reminders or make telephone calls to follow up the return of questionnaires from the applicants.

Administration of SME Loan Guarantee Scheme and Special Loan Guarantee Scheme

2.22 *Need to analyse the survey results regularly and take follow-up action.*

There was no documentary evidence available showing that the TID had analysed the evaluation survey questionnaires returned. After Audit's enquiry in June 2018, the TID prepared an analysis report covering the 209 questionnaires returned in the period from November 2008 to March 2018. The results of the analysis revealed that:

- (a) 187 (89%) respondents were satisfied with the SGS;
- (b) 40 (19%) respondents suggested increasing the maximum guarantee amount;
and
- (c) 34 (16%) respondents suggested simplifying the application procedures or shortening the processing time taken by the PLIs.

Audit considers that in future, the TID needs to analyse the survey results regularly and take prompt follow-up action on the feedback of the respondents.

Audit recommendations

2.23 *Audit has recommended that the Director-General of Trade and Industry should:*

- (a) **take measures to improve the response rate of the SGS evaluation survey with a view to improving the representativeness of the survey results and enhancing the usefulness of the information collected; and**
- (b) **analyse the survey results regularly and take prompt follow-up action on the feedback of the respondents.**

Response from the Government

2.24 The Director-General of Trade and Industry generally agrees with the audit recommendations. She has said that:

- (a) with a view to improving the response rate of the SGS evaluation survey, the TID has, since late August 2018, specified a deadline for returning the completed questionnaire. The TID would issue reminders or make telephone calls to follow up the outstanding questionnaires; and
- (b) the TID recognises that survey results provide indicators for assessing the effectiveness of the SGS and has been reviewing the results on an on-going basis. The TID notes that nearly 90% of the respondents indicated that they are satisfied with the SGS and the SGS has assisted them in various aspects, including improving their capital liquidity, enabling their business expansion and improving their capability of securing bank loans. The TID will analyse the survey results regularly and take prompt follow-up actions on the feedback received.

PART 3: ADMINISTRATION OF SME EXPORT MARKETING FUND AND SME DEVELOPMENT FUND

3.1 This PART examines the administration of the EMF and the SDF. Audit found room for improvement in the following areas:

- (a) administration of the EMF (paras. 3.2 to 3.18); and
- (b) administration of the SDF (paras. 3.19 to 3.29).

Administration of the EMF

Background

3.2 The EMF was launched in December 2001. Details of the EMF are as follows:

- (a) ***Objective.*** The EMF aims at helping SMEs expand markets outside Hong Kong through funding support for their participation in export promotion activities;
- (b) ***Scope.*** The EMF covers the following marketing activities which mainly target at markets outside Hong Kong:
 - (i) participation in trade fairs/exhibitions and business missions outside Hong Kong, as well as local trade fairs/exhibitions;
 - (ii) advertisements on printed trade publications;
 - (iii) participation in export promotion activities (such as placing advertisement, keyword search, listing product information, setting up or enhancing online shop, etc.) conducted through electronic platforms/media; and

- (iv) setting up or enhancing a corporate website of the applicant enterprise;
- (c) ***Eligibility.*** SMEs are eligible to apply, if they are registered in Hong Kong under the Business Registration Ordinance with substantive business operations (Note 8) in Hong Kong at the time of application; and
- (d) ***Amount of grant and ceiling.*** For each successful application, the maximum amount of grant is 50% of the total approved expenditures incurred by the applicant or \$50,000, whichever is the less. The cumulative amount of grant an SME may obtain is \$200,000 (Note 9). The last \$50,000 of the total amount of grant must be used for participating in export promotion activities which are not previously funded by the initial grant amount of \$150,000.

Up to 31 March 2018, the TID had received 255,701 applications and approved 216,351 (85%) of them (Note 10). The total amount of grants provided for the approved applications was \$3,308 million (averaging \$15,290 per application), representing 63% of the aggregate commitment of \$5,250 million for the EMF and the SDF (Note 11).

Note 8: *In considering whether an SME has substantive business operations in Hong Kong, the TID makes reference to a number of aspects (e.g. completion of business transaction in Hong Kong and information on employment in Hong Kong).*

Note 9: *Since the launch of the EMF in December 2001, the cumulative funding ceiling per SME has been increased several times. The most recent increases were from \$100,000 to \$150,000 in November 2008, and to \$200,000 in June 2013.*

Note 10: *Examples of reasons leading to applications not being approved: (a) the activity did not relate to the funding scope; (b) the condition of use of the last \$50,000 of grants was not met; and (c) failure to provide sufficient information and supporting documents for vetting.*

Note 11: *To provide more flexibility in the deployment of resources, the commitments for the EMF, the SDF and another funding scheme, namely the SME Training Fund, were merged in June 2003. The SME Training Fund has ceased accepting new applications since 1 July 2005.*

Administration of SME Export Marketing Fund and SME Development Fund

3.3 *Recent developments.* With the approval by the FC of LegCo in June 2018 to increase the aggregate commitment from \$5,250 million by \$1,000 million to \$6,250 million, the EMF has been enhanced since 1 August 2018, as follows:

- (a) the funding ceiling per application has been increased from \$50,000 to \$100,000;
- (b) the cumulative funding ceiling per SME has been increased from \$200,000 to \$400,000; and
- (c) the condition on the use of the last \$50,000 of the grants has been removed. Before the removal, the last \$50,000 of the total amount of grant must be used for participating in export promotion activities which are not previously funded by the initial grant amount of \$150,000 (see para. 3.2(d)).

Decreasing number of applications

3.4 In June 2015, in deliberating the Government's proposal to inject \$1,500 million into the aggregate commitment for the EMF and the SDF (see Note 11 to para. 3.2), members of the Panel on Commerce and Industry of LegCo expressed concern over the decline in the number of the EMF applications received from some 27,000 in 2010 to some 17,000 in 2014 (see Figure 3). They urged the Government to step up publicity and proactively encourage SMEs to apply for funding support, and to provide more assistance to the SMEs to facilitate applications. The TID explained that there were two main reasons for the declining number of applications:

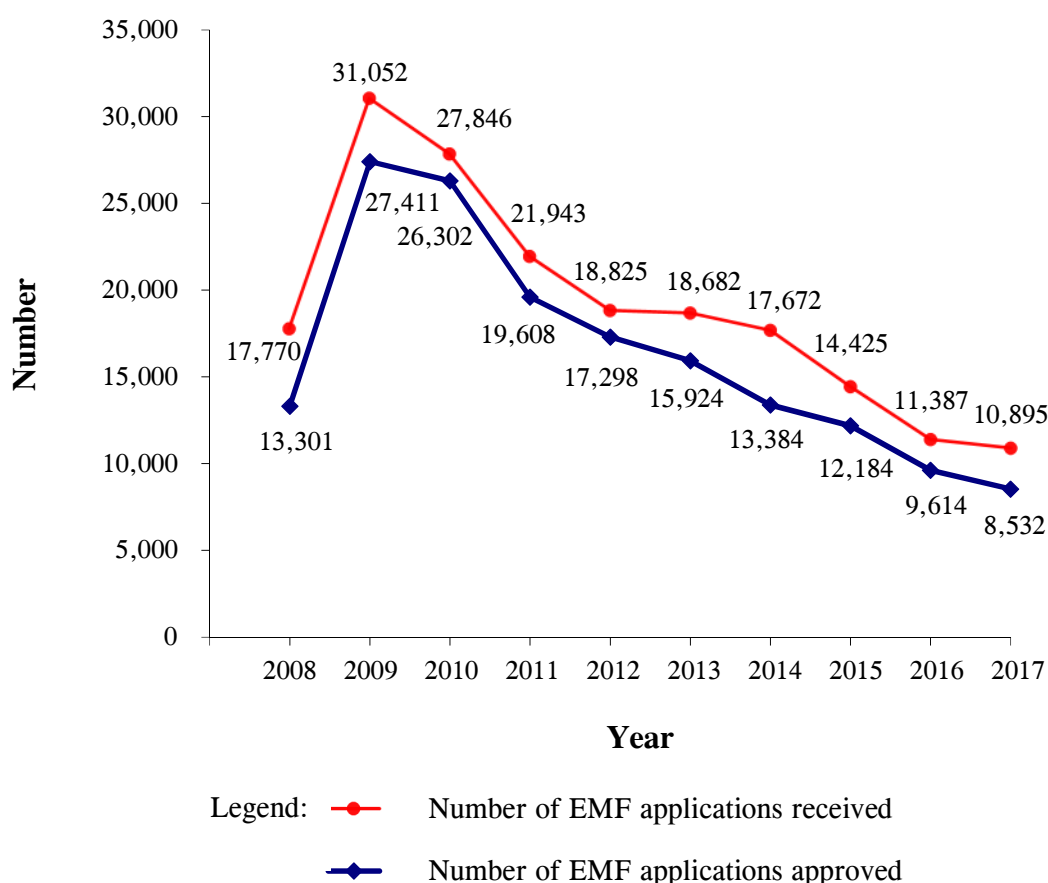
- (a) in view of sluggish performance of the traditional export markets since the global economic downturn induced by the worldwide financial turmoil in end of 2008, SMEs were more prudent in carrying out export promotion activities, or had reduced promotion activities; and
- (b) with the rapid advancement and prevalence of Internet technology to carry out export promotion activities, there had been a declining trend for SMEs to make use of traditional channels for export promotion.

Administration of SME Export Marketing Fund and SME Development Fund

Regarding the two reasons given by the TID explaining the declining number of applications, Audit noted that the decreasing trend persisted despite the increase in the annual values of total exports by 6% from \$3,673 billion in 2014 to \$3,876 billion in 2017, and the expansion of the EMF's scope to include export promotion activities conducted through electronic platforms and electronic media implemented in September 2015. The number of applications received decreased by 6,777 (38%) from 17,672 in 2014 to 10,895 in 2017 (see Figure 3). The amount of grants approved decreased by \$82 million (38%) from \$217 million in 2014 to \$135 million in 2017 (see Figure 4).

Figure 3

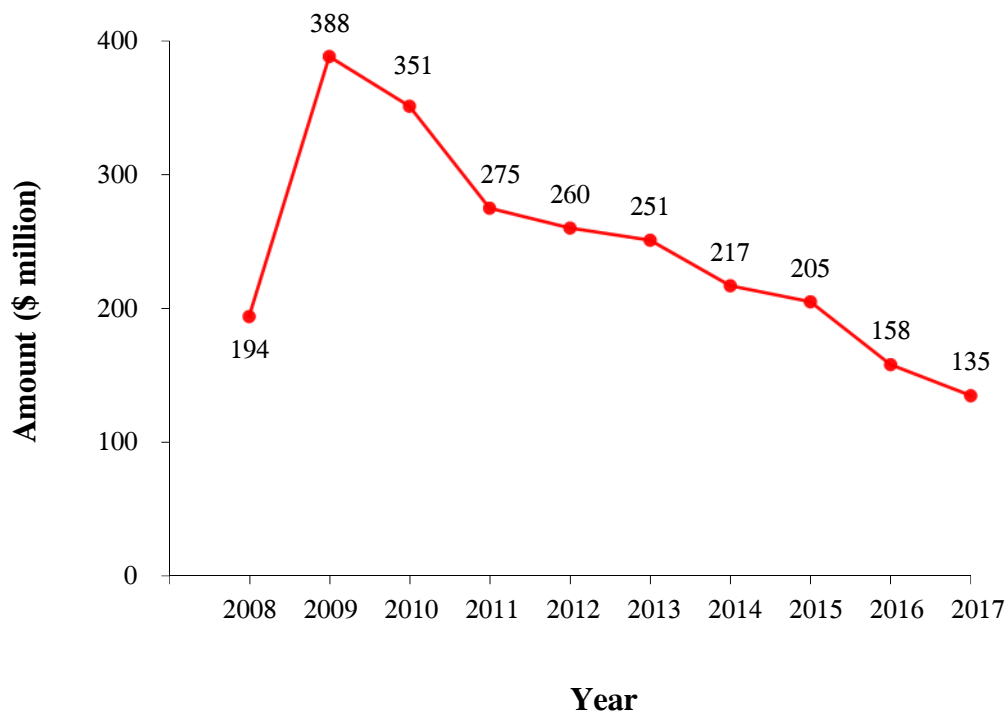
Numbers of EMF applications (2008 to 2017)



Source: Audit analysis of TID records

Figure 4

**Amounts of EMF grants approved
(2008 to 2017)**



Source: Audit analysis of TID records

3.5 The TID informed Audit in September 2018 that:

- (a) SMEs normally plan their export promotion activities based on their economic outlook for the years ahead. It takes time for SMEs to engage in more export promotion activities again after the economic outlook has improved;
- (b) the drop in the number of EMF applications relating to export promotion using traditional channels could not be fully compensated by the pick-up in the applications relating to electronic platforms/media; and
- (c) some SMEs might have sought funding support from the BUD Fund, which was launched in June 2012 and covers similar promotion activities in the Mainland.

3.6 In view of the introduction of the enhancement measures in August 2018 (see para. 3.3), Audit considers that the TID needs to step up its efforts in promoting the new enhancement measures and monitor the number of applications. If the number of applications continues to decrease, the TID needs to devise effective measures to encourage more applications from SMEs.

Low utilisation of cumulative funding

3.7 At the meeting of the Panel on Commerce and Industry held in June 2015 (see para. 3.4), a panel member expressed concern that only a small number of SMEs had fully utilised the additional \$50,000 since the cumulative funding ceiling for each SME was increased from \$150,000 to \$200,000 in June 2013. Audit noted that, as at March 2018, of the 47,082 SMEs which had obtained funding under the EMF since its launch:

- (a) 23,389 (49.7%) had been granted \$50,000 or below (averaging \$23,355);
- (b) 9,841 (20.9%) had been granted \$50,001 to \$100,000 (averaging \$73,486);
- (c) 10,765 (22.9%) had been granted \$100,001 to \$150,000 (averaging \$138,023); and
- (d) only 3,087 (6.5%) had been granted \$150,001 to \$200,000 (averaging \$179,023) including only 640 (1.4%) SMEs which had been granted the full \$200,000.

In view of the enhancement measures introduced in August 2018 (see para. 3.3), in particular, the increase of the cumulative funding ceiling per SME from \$200,000 to \$400,000, the TID needs to keep in view the utilisation of the funding and step up measures to encourage SMEs to make the best use of the available funding.

Need to enhance the check on connected SMEs

3.8 ***Connected SMEs.*** According to the EMF Guide to Application, applicant SMEs which have similar business registration details (e.g. similar nature of business and overlapping shareholders) are treated as connected SMEs. For SMEs identified by the TID as potentially connected SMEs, they will not be regarded as actually

Administration of SME Export Marketing Fund and SME Development Fund

connected SMEs only if they can prove that they are operating independently and their business nature is different from each other (see para. 3.9(b)). For the purpose of the cumulative funding ceiling, connected SMEs are treated as if they were one entity. The cumulative amount of funding received by a group of connected SMEs must not exceed the same cumulative funding ceiling applicable to a single SME (see para. 3.3(a)).

3.9 Check on connected SMEs. Since July 2005, the TID has required all applicant SMEs to provide Passport Numbers/the details of the Hong Kong Identity Cards of their owners/shareholders/directors (Note 12). Potentially connected SMEs are those SMEs that may be connected subject to the results of checking by the TID. The procedures of the check on connected SMEs are as follows:

- (a) upon the receipt of an application, the processing officer inputs the application information, including the identities of the owners/shareholders/directors of the applicant SME, into the computer system of the EMF. The computer system matches these information against its database and generates alerts relevant to the applicant SME and its potentially connected and actually connected SMEs:
 - (i) **Alert for potentially connected SMEs.** If the amount applied for plus the aggregate cumulative amount of funding already received by the owners/shareholders/directors of the group of potentially connected SMEs reaches the preset threshold, the computer system will generate a threshold alert to remind the processing officer to check whether the applicant SME is actually connected to its potentially connected SMEs; and
 - (ii) **Alert for actually connected SMEs.** For SMEs that have been identified as actually connected, they would be recorded in the computer system as connected SMEs. The computer system will generate a warning alert to draw the attention of the processing

Note 12: *For sole proprietorships and partnerships, information of all owners and partners have to be provided to the TID. For limited companies, information of shareholders with 30% shares or more are required. For corporate shareholders, the names and relevant information of all directors of the applicant SME are required.*

officer whenever any member of the group of connected SMEs submits an application;

- (b) for potentially connected SMEs, the TID will request the applicant SME for documentation to demonstrate that it is not actually connected to other SMEs (e.g. it operates independently and its business nature is different from its potentially connected SMEs); and
- (c) for cases without alert issued by the computer system, if there is any dubious information contained in the application (e.g. when the applicant SME participated in an export promotion activity in the name of another SME or when its expenses were settled by another SME), the processing officer will also request the applicant SME to provide documentation to show that it is not connected to other SMEs (e.g. it operates independently and its business nature is different from its potentially connected SMEs).

3.10 Up to April 2018, the TID had identified 681 groups of connected SMEs. During the processing of EMF applications, the TID found that in the period from 2010 to 2016, it granted cumulative funding exceeding the limit of \$200,000 (ranging from \$204,628 to \$261,434) to five groups, aggregating \$1.17 million. Details are as follows:

- (a) ***Two cases where threshold for generating alert was set above funding ceiling.*** Before October 2010, for unknown reasons, the preset threshold (see para. 3.9(a)(i)) of the computer system had been set at an amount higher than the then cumulative funding ceiling of \$150,000. Therefore, no threshold alert was triggered to remind the processing officers of the two cases to check whether the applicant SME concerned was actually connected to another SME;
- (b) ***One case where cumulative funding for triggering threshold alert excluded funding granted before July 2005.*** Before July 2005, applicants were not required to provide information about owners/shareholders/directors. Since July 2005, applicants had been required to provide such information (see para. 3.9). The group of two connected SMEs submitted five applications before July 2005. Their owners/shareholders/directors information was not submitted. The total funding granted was about \$96,000. When generating threshold alert, the computer system had not taken into account the approved funding amounts

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of these applications submitted before July 2005. The TID approved five applications from the two SMEs after July 2005 and the aggregate cumulative funding received by the two SMEs exceeded the funding ceiling. In September 2018, the TID informed Audit that the computer system had been enhanced. After the enhancement, applications without owners/shareholders/directors information submitted before July 2005 would also be taken into account;

- (c) ***One case where connected SMEs were not identified.*** In an application submitted in March 2011, as the aggregate cumulative funding received by the SME and its potentially connected SMEs exceeded the threshold, the processing officer initiated checking procedures. However, without obtaining the necessary supporting documents, the officer concluded that the SME was not connected to the other SMEs. Subsequently, the SME submitted another application in April 2015. The processing officer considered that the SME was not connected to other SMEs by referring to the results of the checking in 2011; and
- (d) ***One case where connected SMEs were not recorded in the computer system as connected.*** In an application submitted in March 2016, the TID found that the applicant SME was connected to another SME. However, the processing officer did not record the two SMEs as connected SMEs in the computer system. Subsequently, the SME submitted another application in September 2016. In the absence of alert that the SMEs had been identified as actually connected, the processing officer approved the application.

3.11 Audit considers that the TID needs to enhance the check on potentially connected SMEs and take measures to ensure that funding approved to connected SMEs do not exceed the funding ceiling.

***Need to consider requiring the proof of eligibility
from all EMF applicants***

3.12 SMEs registered in Hong Kong under the Business Registration Ordinance with substantive business operations in Hong Kong at the time of application are eligible to apply for the EMF (see para. 3.2(c)). To apply for the EMF, an applicant has to declare in the application form that the SME concerned has substantive business operations in Hong Kong. Unless requested by the TID, the applicant is not required to provide supporting documents to prove that the SME concerned has substantive business operations in Hong Kong.

3.13 According to the TID's Operation Manual, to ensure that the applicant SMEs fulfil the eligibility of having substantive business operations in Hong Kong, the TID requests:

- (a) all applicants whose businesses have been established for six months or less to provide evidence of business transactions as proof that they have substantive business operations in Hong Kong; and
- (b) 1% of the applicants selected randomly every quarter to provide evidence of business transactions as proof that they have substantive business operations in Hong Kong.

3.14 Of the 36,707 applications received in the period from 2015 to 2017, the TID conducted checks on 483 (1.3%) applications from SMEs that had been established for six months or less. Of the 483 applications, 99 (20%) were rejected due to failure to provide proof of having substantive business operations in Hong Kong. For the remaining 36,224 applications, the TID conducted checks on 351 (0.97%) applications. Of the 351 applications, 50 (14%) were rejected due to failure to provide proof of having substantive business operations in Hong Kong (see Table 8). If these applications had not been selected for checking, they would have been approved (subject to meeting other approval criteria).

Table 8

**50 EMF applications rejected due to failure to provide proof
of having substantive business operations in Hong Kong
(2015 to 2017)**

Year	Number of applications	
	Checked	Rejected
2015	141	18 (13 %)
2016	103	16 (16 %)
2017	107	16 (15 %)
Overall	351	50 (14 %) (Note)

Source: Audit analysis of TID records

Note: The 50 rejected applications included 14 applications that had failed to provide sufficient proof of having substantive business operations in Hong Kong and 36 that did not respond to requests for proof.

3.15 In view of the notable percentage of applicants who could not provide proof of having substantive business operations in Hong Kong, the TID needs to consider the feasibility of requiring all applicants to provide proof of having substantive business operations in Hong Kong.

Need to improve evaluation of EMF

3.16 Since the EMF was launched in December 2001, the TID had completed two satisfaction surveys in 2007 and 2014 respectively. Since February 2018, the TID has conducted the satisfaction survey on an on-going basis. Details of the surveys are as follows:

- (a) **2007 survey.** The TID engaged an education institution to conduct a survey to measure the overall perceived satisfaction and effectiveness of the EMF. The response rate was 5.4%;

- (b) **2014 survey.** In 2014, the TID sent 17,371 questionnaires to the successful applicants upon approving their applications. Of the 17,371 questionnaires, 436 (2.5%) were returned; and
- (c) **On-going survey.** Similar to the 2014 survey, the TID sends questionnaires to the applicants upon approving their applications. Up to 31 May 2018, of the 2,798 questionnaires sent, 139 (5%) had been returned.

Audit considers that the very low response rate is a cause for concern as it casts doubt on the usefulness and reliability of the survey results. With a view to improving the representativeness of the respondents of the survey and enhancing the usefulness of the survey results, Audit considers that the TID needs to take measures to improve the response rate of the satisfaction survey. For instance, the TID may send reminders or make telephone calls to the applicants urging them to return the questionnaires.

Audit recommendations

3.17 Audit has recommended that the Director-General of Trade and Industry should:

- (a) **step up efforts in promoting the new enhancement measures of the EMF;**
- (b) **monitor the number of applications and if the number of applications continues to decrease, devise effective measures to encourage more applications from SMEs;**
- (c) **keep in view the utilisation of the funding and step up measures to encourage SMEs to make the best use of the available funding;**
- (d) **enhance the check on potentially connected SMEs and take measures to ensure that funding approved to connected SMEs do not exceed the funding ceiling;**
- (e) **consider the feasibility of requiring all applicants to provide proof of having substantive business operations in Hong Kong; and**

- (f) **take measures to improve the response rate of the satisfaction survey for the EMF.**

Response from the Government

3.18 The Director-General of Trade and Industry generally agrees with the audit recommendations. She has said that:

- (a) the demand for funding support for export promotion from the trade has remained generally steady. The average amount of grant approved remained at some \$15,000 in the past five years and the approval rate was around 80%. The TID has been actively promoting the EMF through various channels, such as briefing at seminars, panels in trade exhibitions; and e-banners and articles on websites and publications of trade and industrial organisations;
- (b) to strengthen support to SMEs, the TID advanced implementation of the enhancements to the EMF from the fourth quarter of 2018 to August 2018. Since March 2018, the TID has promoted the enhancements at 24 seminars, among other promotion efforts. The number of applications received in August 2018, i.e. the first month upon the implementation of the enhancement measures, has increased by 28% as compared to August 2017. The TID will continue to step up its promotion efforts to SMEs including producing a new Announcement in the Public Interest and setting up booths/panels in trade exhibitions;
- (c) the TID has introduced a number of enhancement measures to encourage SMEs to make the best use of the fund. These include, among others, increasing the maximum cumulative grant per SME from \$200,000 to \$400,000 and the maximum grant per application from \$50,000 to \$100,000, as well as relaxing the conditions of funding by removing the condition of use for the last \$50,000 of the grants. The TID will continue to monitor the utilisation of the fund and consider suitable measures to encourage SMEs to make the best use of the available funding;

- (d) since July 2018, a number of measures have been introduced to enhance the check on potentially connected SMEs. Specifically, the procedures for updating the preset threshold to generate alerts have been tightened, and the computer programme has been enhanced to provide clear indication on the cumulative grant position of connected SMEs and easy assessment of the funding position of potentially connected SMEs. The TID will review and refine its work processes on an on-going basis to ensure that funding approved to connected SMEs do not exceed the funding ceiling;
- (e) the TID has been adopting a risk-based approach in respect of requiring applicants to provide proof of having substantive business operations in Hong Kong. We will strive to increase the ratio of applications selected for checking without compromising the processing time; and
- (f) the TID agrees that there is room for improving the response rate of the satisfactory survey for the EMF. The TID will set a deadline for response and send reminders or make phone calls to applicants to encourage them to return the evaluation questionnaires.

Administration of the SDF

3.19 The SDF was launched in December 2001. Details of the SDF are as follows:

- (a) **Objective.** The SDF aims at subsidising projects carried out by eligible organisations to enhance the competitiveness of SMEs in general or SMEs in specific sectors;
- (b) **Scope of funding.** Proposals that are conducive to enhancing the competitiveness of Hong Kong's SMEs in general or in specific sectors can apply. Examples include seminars, workshops, research studies and award schemes;
- (c) **Eligibility.** Non-profit-distributing organisations, such as trade and industrial organisations, professional bodies and research institutes, are eligible to apply. Projects which are or will be in receipt of other Government funding support will not be considered; and

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- (d) ***Funding principle and project duration.*** The maximum amount of funding support for each approved project is \$5 million, or 90% of the approved project expenditure, whichever is the less. The applicant has to contribute the remaining 10% of the project expenditure, which may be in cash, in kind or in the form of sponsorship. The maximum duration of a project is three years.

Up to 31 March 2018, the TID had received 1,035 applications (excluding 115 applications that were withdrawn before assessment) and approved 290 (28%) of them. The total amount of grants provided for the approved applications was \$359 million (averaging \$1.2 million per application), representing 7% of the aggregate commitment of \$5,250 million for the EMF and the SDF (see Note 11 to para. 3.2).

Need to ensure timely submission of reports

3.20 To facilitate the monitoring and evaluation of SDF projects, the project agreement signed between the Government and the grantees stipulated that grantees are required to submit progress reports, final reports and post-project evaluation reports to the Secretariat of the Vetting Committee as follows:

- (a) ***For project not exceeding \$1 million and the implementation period not exceeding one year.*** The grant will be disbursed in one lump sum within 30 days after satisfying the Secretariat's requirements (e.g. in-kind contribution). The grantee has to submit the final report together with the audited account within three months and the post-project evaluation reports within six months after completion of the project;
- (b) ***For project with implementation period not exceeding two years (other than those in (a)).*** The grant will be disbursed in two instalments according to the cash flow projection in the approved project proposal. The first instalment is paid within 30 days after satisfying the Secretariat's requirements. Thereafter, the grantee has to submit:
 - (i) the progress report together with the audited account not later than two months before payment of the second instalment;

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- (ii) the final report together with the audited account within three months after completion of the project; and
 - (iii) the post-project evaluation report within six months after completion of the project; and
- (c) ***For project with implementation period of more than two years.*** The grant will be disbursed in three instalments according to the cash flow projection in the approved project proposal. The first instalment is paid within 30 days after satisfying the Secretariat's requirements. Thereafter, the grantee has to submit:
- (i) the first progress report together with the audited account not later than two months before payment of the second instalment;
 - (ii) the second progress report together with the audited account not later than two months before payment of the third instalment;
 - (iii) the final report together with the audited account within three months after completion of the project; and
 - (iv) the post-project evaluation report within six months after completion of the project.

The TID issues letters to the grantees before the due date to remind them to submit the reports on time. Chaser letters/warning letters will also be issued at monthly intervals in case of late submissions.

3.21 There were 78 approved projects with applications received in the period from 2013 to 2017. As at 31 July 2018, of these 78 approved projects, 51, 46 and 43 were required to submit progress reports, final reports and post-project evaluation reports respectively. Audit noted that many reports were submitted late, namely 77%, 50% and 37% of the progress reports, final reports and post-project evaluation reports respectively were late (see Table 9).

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Table 9

**Timeliness of submission of progress reports,
final reports and post-project evaluation reports
(31 July 2018)**

Delay	Progress reports		Final reports		Post-project evaluation reports	
	Number	Percentage	Number	Percentage	Number	Percentage
No delay	12	23 %	23	50 %	27	63 %
≤ 3 months	35	69 %	18	39 %	11	26 %
> 3 months to 6 months	4	8 %	3	7 %	3	7 %
> 6 months to 9 months	0	0 %	1	2 %	1	2 %
> 9 months	0	0 %	1 (Note 1)	2 %	1 (Note 2)	2 %
Total	51	100 %	46	100 %	43	100 %

Source: Audit analysis of TID records

Note 1: The final report was submitted 322 days after the due date.

Note 2: The post-project evaluation report was submitted 295 days after the due date.

3.22 To facilitate proper and timely monitoring of SDF projects, the TID needs to take measures to ensure that reports are submitted by grantees in accordance with the project agreement in a timely manner.

Need to ensure timely return of residual funds

3.23 Upon the completion of a project or termination of a project agreement, the grantee is required to return residual funds to the Government within one month after submission of the final audited account of the project. The TID issues letters to the grantees before the due date to remind them to return the residual funds on time. Chaser letters/warning letters are issued at monthly intervals in case of late returns.

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3.24 As at 31 July 2018, of the 78 approved projects with applications received in the period from 2013 to 2017, 48 were completed. Of the 48 completed projects, 42 had returned their residual funds and six were not yet due for return. Of the 42 projects, 20 (48%) returned their residual funds (ranging from \$0.14 to \$228,839, averaging \$58,333) late (see Table 10). In Audit's view, the TID needs to take measures to ensure the timely return of residual funds by grantees (e.g. stepping up follow-up action on late return).

Table 10

Timeliness of return of residual funds of SDF projects (31 July 2018)

Delay	Number of projects	Percentage
No delay	22	52%
≤ 1 month	7	17%
> 1 month to 2 months	5	12%
> 2 months to 3 months	7	17%
> 3 months	1 (Note)	2%
Total	42	100%

Source: Audit analysis of TID records

Note: The residual funds of this project were returned 109 days after the due date.

Need to expedite the preparation of the Reports on Completed Projects

3.25 According to the Guide to Application, each completed project will be evaluated and rated. Unsatisfactory rating may affect the chance of the applicant or the project team in obtaining SDF grant in future. The Secretariat evaluates the completed projects based on the reports (including the final reports together with the audited accounts and the post-project evaluation reports) submitted by the grantees and information gathered from the TID's on-going monitoring of the projects. A Report on Completed Projects containing the Secretariat's assessments on each project

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is submitted by the Secretariat to the Vetting Committee (Note 13). In the Report on Completed Projects, an overall rating is given based on the ratings in five aspects, namely:

- (a) project outcome;
- (b) project implementation;
- (c) report submission;
- (d) return of residual funds; and
- (e) feedback of beneficiaries.

3.26 The TID did not set any time target for submitting the Reports on Completed Projects to the Vetting Committee. In the period from 2013 to 2017, the Secretariat prepared eight Reports on Completed Projects containing the assessments on 66 completed projects (Note 14). Audit noted that on average, the time elapsed between the receipt of post-project evaluation reports from grantees to the submission of the Reports on Completed Projects was 23 months. For 22 (33%) completed projects, the Secretariat took more than 24 months to submit the Reports on Completed Projects to the Vetting Committee (see Table 11).

Note 13: *The Vetting Committee is responsible to advise and make recommendations to the Director-General of Trade and Industry on matters relating to the SDF and the Organisation Support Programme of the BUD Fund. It is chaired by the Director-General of Trade and Industry. As at May 2018, it comprised one ex-officio member (i.e. a Deputy Director-General of Trade and Industry) and 14 non-official members from various sectors (e.g. information technology, accounting and manufacturing).*

Note 14: *Of the 66 completed projects, 10 were rated “good”, 44 “satisfactory”, 11 “acceptable” and one “below standard”.*

Table 11

**Time taken for submission of
Reports on Completed Projects to the Vetting Committee
(2013 to 2017)**

Time elapsed after receipt of post-project evaluation reports	Number of projects
≤ 6 months	1
> 6 months to 12 months	9
> 12 months to 24 months	34
> 24 months to 36 months	11
> 36 months to 48 months	10
> 48 months to 60 months	0
> 60 months to 72 months	1 (Note)
Total	66

Source: Audit analysis of TID records

Note: The report was submitted 64 months after the receipt of the post-project evaluation report.

3.27 To facilitate proper and timely evaluation of the effectiveness of the SDF, the TID needs to expedite the preparation of the Reports on Completed Projects and endeavour to submit them to the Vetting Committee in a timely manner.

Audit recommendations

3.28 **Audit has recommended that the Director-General of Trade and Industry should:**

- (a) **take measures to ensure that reports are submitted by grantees in accordance with the project agreement in a timely manner;**
- (b) **take measures to ensure the timely return of residual funds by grantees; and**

- (c) **expedite the preparation of the Reports on Completed Projects and endeavour to submit them to the Vetting Committee in a timely manner.**

Response from the Government

3.29 The Director-General of Trade and Industry generally agrees with the audit recommendations. She has said that:

- (a) the TID has put in place a mechanism for monitoring the submission of reports by grantees. Reminder letters are issued to the grantees before the due date to remind them to submit the progress/final report and post-project evaluation report on time. Chaser letters and/or warning letters are issued in case of late submissions at monthly interval. To ensure the timely submission of the progress reports, the TID does not disburse the second or third instalment of the grant until the receipt and acceptance of the progress reports. In addition, the timing of submission of reports by grantees are taken into account in determining the overall rating of the project for the Vetting Committee's endorsement upon completion of the project. The Vetting Committee will be informed of the rating when the grantee's future applications are considered;
- (b) the TID has put in place a mechanism for monitoring the return of residual funds by grantees. Reminder letters are issued to the grantees before the due date to remind them to return the residual fund on time. Chaser letters and/or warning letters are issued in case of late submissions at monthly intervals. In addition, the timing of returning the residual funds by grantees are taken into account in determining the overall rating of the project for the Vetting Committee's endorsement upon completion of the project. The Vetting Committee will be informed of the rating when the grantee's future applications are considered; and
- (c) the preparation of the Reports on Completed Projects involved the vetting of the grantees' final report/audited account and post-project evaluation report. The time required for the preparation differs depending on the complexity of the project and the responsiveness of the grantee. Despite the considerable time and resources needed for the vetting, the TID will continue its efforts in expediting the process.

PART 4: SUPPORT AND CONSULTATION CENTRE FOR SMALL AND MEDIUM ENTERPRISES

4.1 This PART examines the operation of SUCCESS, focusing on the following areas:

- (a) information services (paras. 4.4 to 4.19); and
- (b) consultation services (paras. 4.20 to 4.36).

Background

4.2 SUCCESS was established in November 2001. It collaborates with industrial and trade organisations, professional bodies, private enterprises and other Government departments to provide SMEs with information services and consultation services free of charge. SMEs can register as members free of charge to receive updates on business development and information on SUCCESS' activities.

4.3 SUCCESS was relocated from Mong Kok to Kwun Tong in mid-October 2015, and then to Kowloon City in late February 2018. SUCCESS is now located at the Trade and Industry Tower in Kowloon City occupying a total floor area of 225 square metres. A Principal Trade Officer, underpinned by 18 staff, is responsible for the operation of SUCCESS in addition to their other duties in supporting SMEs. The TID does not allocate departmental costs to SUCCESS and does not calculate the operating costs of SUCCESS.

Information services

4.4 SUCCESS provides a range of information services to SMEs:

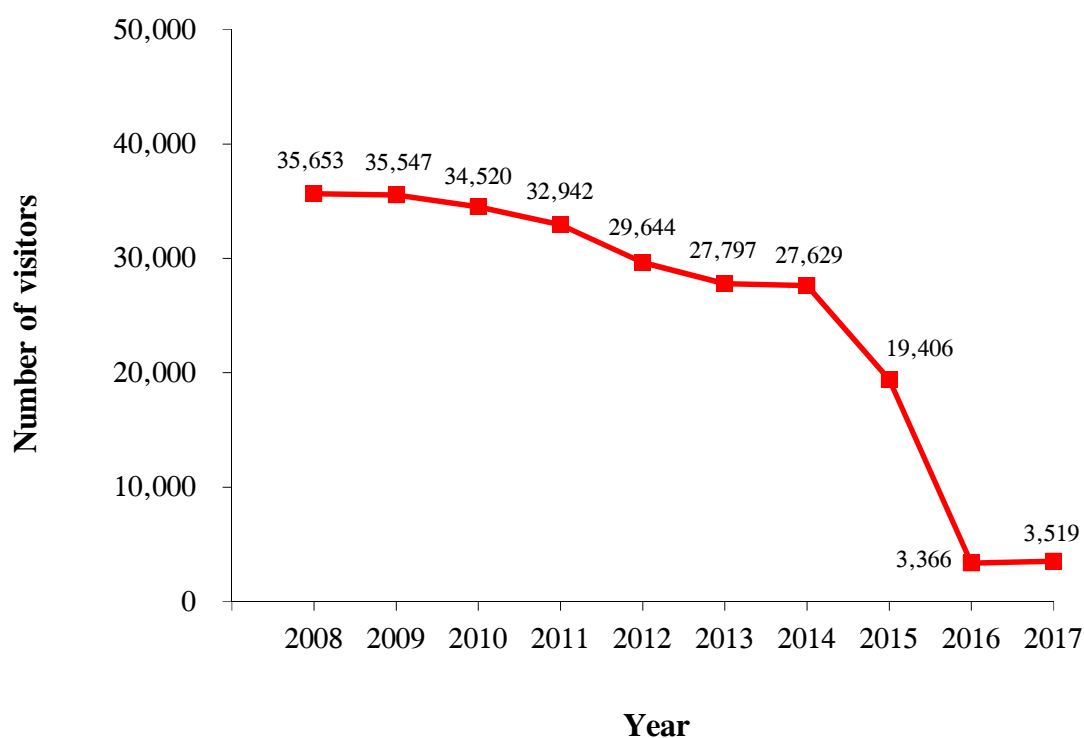
- (a) it provides information on government licences or permits for running different types of businesses and starting a business in Hong Kong;
- (b) it provides information on SME-related activities, services and facilities through the SUCCESS website;
- (c) it provides free access to electronic business databases (e.g. company profiles for global market opportunities);
- (d) it operates a reference library, which provides a collection of business reference materials;
- (e) it publishes bi-weekly e-newsletters and half-yearly publications to provide information on SME topical issues; and
- (f) it organises seminars and workshops to help broaden SMEs' business knowledge and enhance their entrepreneurial skills.

Need to monitor the small number of visitors to SUCCESS and the small number of visits to the SUCCESS website

4.5 Audit analysis of the number of visitors to SUCCESS (see Figure 5) and the number of visits to the SUCCESS website (see Figure 6) for the period from 2008 to 2017 revealed that:

Figure 5

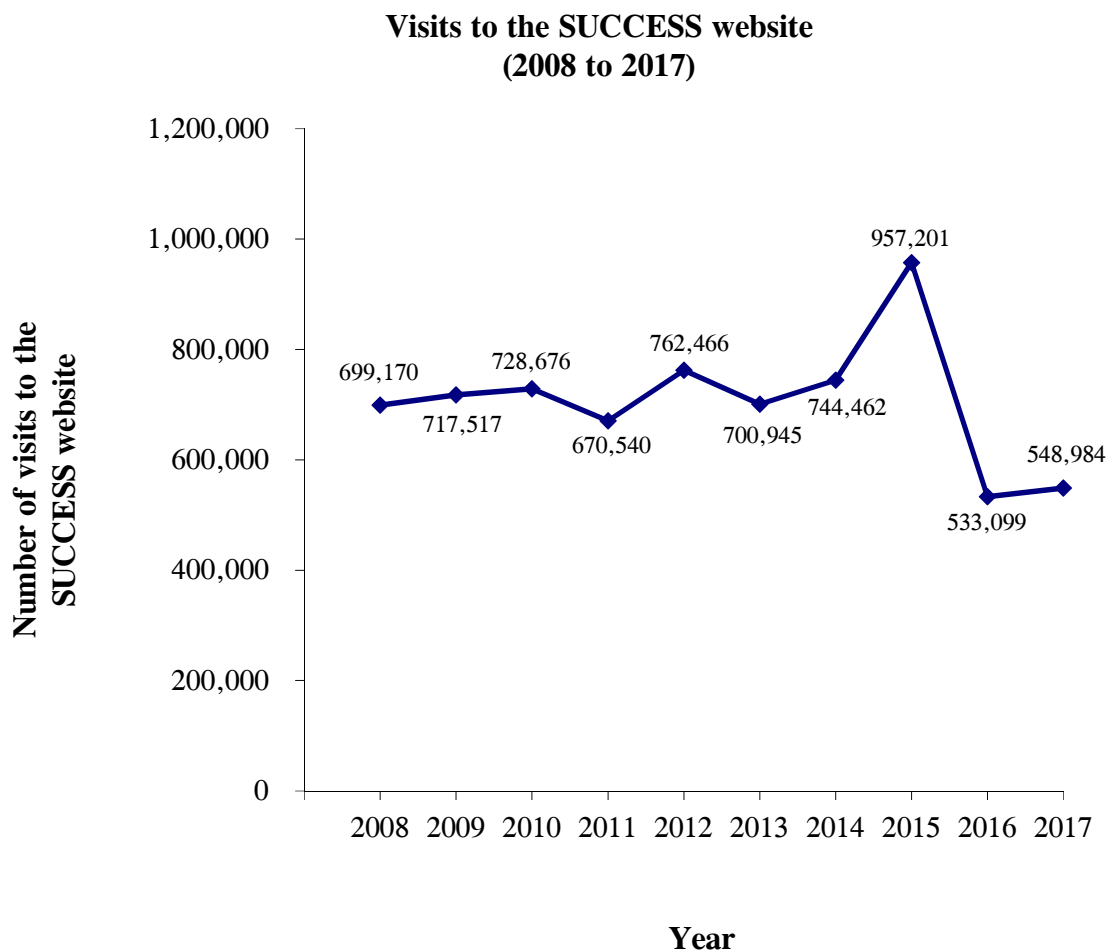
Visitors to SUCCESS
(2008 to 2017)



Source: Audit analysis of TID records

Remarks: The number of visitors to SUCCESS for the period from January to June 2018 was 2,164 (see Table 12).

Figure 6



Source: Audit analysis of TID records

Remarks: The number of visits to the SUCCESS website for the period from January to June 2018 was 454,254 (see Table 13).

- (a) ***Small number of visitors to SUCCESS.*** The number of visitors to SUCCESS decreased by 32,134 (90%) from 35,653 in 2008 to 3,519 in 2017. In particular, the number decreased drastically from 19,406 in 2015 to 3,366 in 2016 after the relocation of SUCCESS from Mong Kok to Kwun Tong in October 2015; and
- (b) ***Small number of visits to the SUCCESS website.*** The number of visits to the SUCCESS website decreased by 150,186 (21%) from 699,170 in 2008 to 548,984 in 2017. The number was rather stable in the period from 2008 to 2014, fluctuating between about 700,000 to 750,000. The number increased to a peak of 957,201 in 2015 and dropped drastically by about 42.6% to about 550,000 in 2016 and 2017.

4.6 The TID explained that the reasons for the decreases in the number of visitors to SUCCESS and the number of visits to the SUCCESS website in the Controlling Officer's Report 2017-18 were as follows:

- (a) ***Visitors to SUCCESS.*** The decrease in the number of visitors to SUCCESS was attributable to:
 - (i) the relocation of SUCCESS in late 2015 leading to less enquiries made in person in SUCCESS; and
 - (ii) the downward trend of visitors to SUCCESS as a result of regular updating of SME-related information on the SUCCESS website and regular notifications sent to SME contacts electronically (see para. 4.9(a)); and
- (b) ***Visits to the SUCCESS website.*** The decrease in the number of visits to the SUCCESS website in 2016 subsequent to a substantial surge in 2015 might be attributable to more visitors searching for information relating to the relocation of SUCCESS in late 2015.

4.7 Audit noted that both the number of visitors to SUCCESS and the number of visits to the SUCCESS website increased in 2018, as follows:

- (a) ***Visitors to SUCCESS.*** Since late March 2018, the service counter for the EMF (see PART 3) has been relocated to SUCCESS with a view to building synergy among the services provided by the TID to SMEs. In addition to submitting applications by post, EMF applicants could submit their applications at the EMF counter. As visitors submitting applications at EMF counter did not use the services of SUCCESS, they should not be included in the total number of visitors to SUCCESS. In the period from March to June 2018, visitors to the EMF counter accounted for 50% of the total visitors to SUCCESS. Disregarding these visitors, the number of visitors to SUCCESS remained small (see Table 12) though the half-year number of 2,164 is higher than half of the full-year number of 3,519 for 2017; and

- (b) ***Visits to the SUCCESS website.*** According to the TID, the number of visits to the SUCCESS website increased in 2018 (see Table 13) because:
 - (i) many visitors searched for information relating to the relocation of SUCCESS in February 2018; and
 - (ii) more SMEs were aware of SUCCESS subsequent to the TID's promotion of the relocation of SUCCESS.

Table 12

**Visitors to SUCCESS
(January to June 2018)**

Month	Number of visitors		Total number of visitors
	Using service of SUCCESS (a)	Submitting applications at EMF counter (b)	
January	278 (100%)	—	278 (100%)
February	113 (100%)	—	113 (100%)
March	367 (79%)	97 (21%)	464 (100%)
April	325 (34%)	629 (66%)	954 (100%)
May	575 (45%)	700 (55%)	1,275 (100%)
June	506 (42%)	710 (58%)	1,216 (100%)
Overall	2,164 (50%)	2,136 (50%)	4,300 (100%)

Source: Audit analysis of TID records

Remarks: 1. SUCCESS was relocated from Kwun Tong to Kowloon City in late February 2018.

2. The EMF service counter was relocated to SUCCESS in late March 2018.

3. Assuming the number of visitors in the second half of 2018 is the same as the first half, the total number of visitors (excluding visitors to EMF counter) in 2018 will be about 4,300.

Table 13

**Visits to the SUCCESS website
(January to June 2018)**

Month	Number of visits
January	70,752
February	56,939
March	81,967
April	75,663
May	86,580
June	82,353
Total	454,254

Source: Audit analysis of TID records

4.8 Audit considers that the TID needs to monitor the number of visitors to SUCCESS excluding visitors to the service counter of the EMF and the number of visits to the SUCCESS website. The TID also needs to continue to take appropriate measures to boost the number of visitors to SUCCESS and the number of visits to the SUCCESS website.

Need to promote SUCCESS membership

4.9 SUCCESS membership aims at facilitating the TID in disseminating information on SUCCESS activities and services, as well as the latest business news to the trading community in an expeditious, reliable and cost-effective way. Any person (including owners, potential owners and managerial staff of SMEs) holding an email account can register for SUCCESS membership free of charge. SUCCESS membership is not a pre-requisite for the use of SUCCESS services. After registration, SUCCESS members:

- (a) will receive regular updates on the latest business development and information on SUCCESS seminars, workshops and other services through e-newsletters and email notices;
- (b) can retrieve their recent search records of business licence information on the SUCCESS website; and
- (c) can register for SUCCESS activities and services more conveniently.

4.10 Audit examined the TID records and noted that:

- (a) ***Room for promoting SUCCESS membership.*** Representatives of most SMEs had not registered as SUCCESS members. It was not mandatory for the members to provide the names of their companies. As at 31 May 2018, there were 56,083 SUCCESS members, of whom 14,323 (26%) provided the names of their companies when registering for SUCCESS membership. These 14,323 members came from 9,994 companies. Even assuming that all the remaining 41,760 members came from different SMEs, the number of SUCCESS members was small compared to the some 330,000 SMEs in Hong Kong; and
- (b) ***Some members discontinued subscription of e-newsletters and email notices.*** After registration, a SUCCESS member will receive regular e-newsletters and email notices from SUCCESS. However, every year a few hundreds of members discontinued their subscription of the e-newsletters and email notices. From 2013 to 2017, on average 927 members per year (ranging from 623 to 1,497) unsubscribed the e-newsletters and email notices of SUCCESS (see Table 14).

Table 14

**Number of SUCCESS members who unsubscribed
the e-newsletters and email notices
(2013 to 2017)**

Year	Number of members discontinued subscription
2013	1,497
2014	682
2015	787
2016	623
2017	1,045
Average	927

Source: Audit analysis of TID records

Audit considers that the TID needs to promote the membership of SUCCESS among SMEs. The TID also needs to ascertain why some members unsubscribed the e-newsletters and email notices from SUCCESS and take measures to encourage members to subscribe to the e-newsletters and email notices for SUCCESS.

***Low utilisation of business publications
and audio-visual materials in the reference library***

4.11 There is a reference library (see Photograph 1) in SUCCESS, which maintains a collection of business publications and audio-visual materials, as follows:

Photograph 1

Reference library in SUCCESS



Source: TID records

- (a) ***Business publications.*** As at 30 June 2018, there were 3,236 publications in the reference library. Examples of the publications included the half-yearly publications issued by SUCCESS, periodicals issued by industrial and trade organisations, and publications on China business information. Of the 3,236 publications, 550 were placed on the open shelves. For the remaining 2,686 publications which were placed on the closed stacks, they can be searched on the SUCCESS website and borrowed from SUCCESS on request; and
- (b) ***Audio-visual materials.*** As at 30 June 2018, there were 130 recordings capturing 130 SUCCESS seminars held in the period from January 2011 to June 2018.

All the publications and the audio-visual materials can be borrowed for reading or viewing in the reference library. They cannot be taken away from SUCCESS.

4.12 Audit noted that in the period from the relocation of SUCCESS in mid-October 2015 to July 2018, no visitors of SUCCESS had requested reading those publications on the closed stacks (Note 15). Audit also noted that the number of requests for viewing the audio-visual materials of SUCCESS seminars was small. For instance, there were only 17 and 16 requests for viewing in 2016 and 2017 respectively.

4.13 In Audit's view, the TID needs to ascertain whether the publications and the audio-visual materials meet the information needs of the SMEs and consider other effective alternatives of providing support to SMEs instead of operating the reference library. For instance, the TID may explore the feasibility of uploading the recordings of SUCCESS seminars to an electronic platform for online viewing.

Low attendance of some SUCCESS seminars

4.14 SUCCESS regularly organises seminars (e.g. Practical Legal Matters for SMEs) to broaden SMEs' business knowledge and enhance their entrepreneurial skills. The TID adopted different channels to promote seminars organised by SUCCESS (e.g. placing advertisements in newspapers and sending e-notices to SUCCESS members).

4.15 Audit noted that the TID recorded the number of registration and attendance of the seminars but did not set any target on attendance rates for the seminars. In the period from 1 January 2016 to 31 May 2018, SUCCESS organised 74 seminars. Audit reviewed the attendance rates (i.e. the number of attendees as a percentage of the capacity of the venue) of these seminars and found that while the average number of attendees was 90 and the average attendance rate was 66%, the attendance rates of 13 (18%) seminars were below 50%, ranging from 28% to 49% (see Table 15).

Note 15: *Prior to the relocation of SUCCESS from Mong Kok to Kwun Tong in mid-October 2015, all the publications were placed on open shelves in the reference library for reading by visitors.*

Table 15

**Attendance rates of SUCCESS seminars
(2016 to 2018 (up to May))**

Year	No. of seminars held	Average no. of attendees	Average attendance rate	Seminars with attendance rate below 50%	
				No. (%) of seminars held	Range of attendance rates
2016	23	78	61%	6 (26%)	28% to 49%
2017	35	97	67%	4 (11%)	36% to 43%
2018 (up to May)	16	91	73%	3 (19%)	all were 49%
Overall	74	90	66%	13 (18%)	28% to 49%

Source: Audit analysis of TID records

Remarks: The attendance rates were calculated by dividing the number of attendees by the capacity of the venue.

4.16 Audit considers that the TID needs to step up promotion of SUCCESS seminars to improve their attendance rates.

Low response to the questionnaires of SUCCESS seminars

4.17 After each seminar, questionnaires are distributed to the attendees to collect their feedback. Audit reviewed the summaries of the completed questionnaires compiled by the TID and found that the response of the questionnaires was low (see Table 16).

Table 16

**Response rates of the questionnaires of SUCCESS seminars
(2016 to 2018 (up to May))**

Year	Number of seminars held	Overall response rate of questionnaires	Range of response rates
2016	23	56 %	24 % to 89 %
2017	35	46 %	7 % to 83 %
2018 (up to May)	16	39 %	10 % to 91 %

Source: Audit analysis of TID records

In October 2018, the TID informed Audit that it had been working on improving the response rate of the questionnaires of SUCCESS seminars. Since April 2018, electronic questionnaires had been sent to the participants. Participants could also fill in electronic questionnaires by scanning a Quick Response Code provided at the seminars. Audit considers that the TID needs to monitor the response of the questionnaires of SUCCESS seminars and if necessary, take further measures to improve the response.

Audit recommendations

4.18 **Audit has *recommended* that the Director-General of Trade and Industry should:**

- (a) **monitor the number of visitors to SUCCESS excluding visitors to the EMF service counter and the number of visits to the SUCCESS website;**
- (b) **continue to take appropriate measures to boost the number of visitors to SUCCESS and the number of visits to the SUCCESS website;**
- (c) **promote the membership of SUCCESS among SMEs;**

- (d) **ascertain the reasons why some members discontinued subscription of e-newsletters and email notices from SUCCESS, and take measures to encourage members to subscribe to SUCCESS e-newsletters and email notices;**
- (e) **ascertain whether the publications and the audio-visual materials of the reference library meet the information needs of the SMEs and where necessary, consider enhancing the support provided to SMEs to meet their needs;**
- (f) **step up promotion of SUCCESS seminars to improve their attendance rates; and**
- (g) **monitor the response of the questionnaires of SUCCESS seminars and if necessary, take further measures to improve the response of the questionnaires.**

Response from the Government

4.19 The Director-General of Trade and Industry generally agrees with the audit recommendations. She has said that:

- (a) SUCCESS was relocated from Kwun Tong to Kowloon City in the first quarter of 2018. To build synergy of SUCCESS services with other services of the TID, the service counter of the EMF was moved to SUCCESS in the first quarter of 2018. In tandem with the relocation, the TID has taken the opportunity to rebrand the SUCCESS logo and to enrich the design and content of the SUCCESS website. The TID has been monitoring the number of visits to the SUCCESS website and the number of visitors to SUCCESS, with the number of visitors to the EMF counter recorded separately. Both the number of visitors to SUCCESS and the number of visits to the SUCCESS website have increased (by 14% and 108% respectively) in the first eight months of 2018;
- (b) the TID has arranged various groups, including representatives of SME trade and industry bodies to visit SUCCESS. It will continue to take further measures to boost the number of visitors to SUCCESS and visits to the SUCCESS website;

- (c) the services of SUCCESS are open to all SMEs and interested persons. SUCCESS membership is not a pre-requisite for the use of SUCCESS services. That said, the TID has been promoting SUCCESS membership through various channels, including inviting users of SUCCESS services and applicants of SME funding schemes to register, conducting promotion at SME-related exhibitions, seminars and events organised by partner organisations, and placing promotional articles on publications or hyperlink on websites of trade and industrial organisations;
- (d) the TID will continue its efforts in recruiting SUCCESS members and highlighting the convenience offered by SUCCESS membership in its promotion so as to encourage subscription for the e-newsletters and email notices of SUCCESS;
- (e) as part of the support services provided by SUCCESS, the TID will review and update the collection of publications and audio-visual materials in the reference library of SUCCESS from time to time, either on its initiative or upon receiving suggestions. Upon the relocation of SUCCESS to Kowloon City in the first quarter of 2018, new publications relating to the Belt and Road Initiative and e-commerce were added to the library. The TID will also consider other measures with a view to meeting the information needs of SMEs; and
- (f) the TID has been organising SUCCESS seminars and workshops taking into account topics suggested by participants and the prevailing issues of interest to SMEs. The TID has also been sending reminders to enhance attendance of SUCCESS seminars. Of the 74 seminars organised by SUCCESS in the period from January 2016 to May 2018, the attendance rates of 28 (38%) seminars were above 90%. The TID will continue to step up promotion of SUCCESS seminars and workshops to enhance their attendance rates.

Consultation services

4.20 SUCCESS operates a Business Advisory Service (BAS) and an SME Mentorship Programme:

- (a) **BAS.** SMEs can obtain free advice under 25 advisory areas (Note 16) from advisors nominated by SUCCESS's strategic partners, which are well-established organisations and industry-specific associations (e.g. Association of Chartered Certified Accountants, The Hong Kong Federation of Commerce for SMEs and Hong Kong Federation of E-Commerce); and
- (b) **SME Mentorship Programme.** The SME Mentorship Programme provides an opportunity for SME owners at their early stage of business to learn from and be guided by mentors through one-on-one free counselling. The mentors are experienced entrepreneurs, senior executives and professionals recruited and recommended by co-organisers, which are industrial and trade organisations and professional bodies (e.g. the Hong Kong SME Association and the Chinese General Chamber of Commerce). Each mentorship lasts for 12 months, and each pair of mentor and mentee is encouraged to have at least three face-to-face meetings during the period.

***Description of performance target
in Controlling Officer's Reports not clear***

4.21 Upon receipt of BAS applications, the TID seeks necessary clarifications from the applicants on their problems and questions, and then assesses if arrangements of meetings with advisors are suitable. For applications requiring provision of general information only (e.g. licensing requirements and SME support services), the TID conducts necessary research, collates and provides the relevant information to the applicants direct in writing without arranging consultation meetings between the advisors and the applicants. For suitable applications, the TID arranges consultation meetings for the applicants by liaising with both the advisors and the applicants to work out a mutually convenient timeslot. The TID issues confirmation of meetings after both the advisors and the applicants have agreed on a date of meeting. In 2017, there were 235 applications. Of these 235 applications, the TID considered that 135 applications required provision of general information and the remaining

Note 16: *The 25 advisory areas are: setting up business, funding schemes, marketing, China trade, legal, accounting, financing, franchising, taxation, equipment leasing, Mandatory Provident Fund, customer relations, corporate strategy/governance, export credit management, human resource management, electronic commerce, information technology, supply chain management, intellectual property, production technology, environmental management, quality assurance, product testing, branding and ISO certification.*

100 applications required arrangement of consultation meetings. Up to 31 May 2018, consultation meetings for 95 applications were conducted and 5 were not yet conducted.

4.22 The TID stated in the Controlling Officer's Report a target relating to consultation meeting, as follows:

"confirming consultation meeting with applicants of Business Advisory Service within ten working days upon receipt of all necessary documents and information"

Audit reviewed the TID's achievement of the performance target in the five years from 2013 to 2017 and noted that the TID reported in the Controlling Officer's Reports that it had fully (i.e. 100%) met the target. Audit examination of the 95 meetings for the applications received in 2017 revealed that the TID had not met the target. While details (including the date) of consultation meetings for 47 (49%) of the 95 meetings were provided to the applicants within ten working days after receipt of an application, the meetings for 48 (51%) applications were not. On average, the dates of the 48 meetings were provided 36 working days (ranging from 11 to 190 working days) after receipt of an application.

4.23 In October 2018, the TID informed Audit that the performance target stated in the Controlling Officer's Report was meant to be:

"confirming with applicants of Business Advisory Service within ten working days upon receipt of all necessary documents and information if a consultation meeting is considered suitable, and if not, provide them with the required information"

The TID had fully (i.e. 100%) met this target.

4.24 Audit considers that the TID needs to ensure that the description of the performance target in the Controlling Officer's Report is clear. Furthermore, as the TID had fully met the intended performance target in the period from 2013 to 2017, the TID needs to consider setting a performance target at a level that is challenging and achievable.

Long time taken to arrange consultation meetings for BAS applicants

4.25 Apart from the target of confirming consultation meetings with BAS applicants within ten working days (see para. 4.22), there was no target set for the time taken to arrange consultation meetings for BAS applicants. Audit noted that the 95 consultation meetings for applications received in 2017 (see para. 4.21) were conducted, on average, 24 working days (ranging from 0 to 196 working days) after receiving the applications (see Table 17).

Table 17

**Time elapsed between consultation meetings
and receipt of applications
(31 May 2018)**

Time elapsed (No. of working days)	Number of applications	Percentage
0 to 30 (Note 1)	78	82 %
31 to 60	9	10 %
61 to 90	4	4 %
91 to 180	3	3 %
over 180	1 (Note 2)	1 %
Total	95	100 %

Source: Audit analysis of TID records

Note 1: One application was submitted to the BAS booth set up by the TID in an exhibition relating to SMEs. The consultation meeting was arranged on the same day of the application and therefore, the time elapsed was 0 day.

Note 2: The time elapsed for this case was 196 working days.

4.26 Of the 95 applications, Audit reviewed four applications with the longest time elapsed between the consultation meetings and the receipt of the applications. The TID took more than 90 working days to arrange the consultation meetings for them. Audit noted that in three applications, the TID contacted the advisors for arranging the consultation meetings 85, 151 and 168 working days after the dates of receipt of the applications. In the remaining application, after the applicant had declined the proposed dates of meeting twice, the TID took 88 working days to contact another advisor for arranging the meeting.

4.27 Audit noted that it was the TID's practice to group together a few applications under the same or similar advisory areas for an advisor in order to hold the meetings on the same day. This practice will facilitate the advisors, who may be busy, to arrange for meetings. However, Audit considers that such practice will inevitably lengthen the waiting time of some applications. With a view to ensuring that advice is provided to the BAS applicants in a timely manner, the TID needs to monitor the time taken to arrange consultation meetings and take appropriate follow-up action for those applications where the consultation meetings could not be arranged within a reasonable time period.

***Need to make known the flexible approach taken
in accepting applications for SME Mentorship Programme***

4.28 The eligibility criteria for the SME Mentorship Programme are promulgated on the TID's website. According to the criteria on the website, to be eligible for the Mentorship Programme, a person has to own and run a business which:

- (a) is registered in Hong Kong under the Business Registration Ordinance;
- (b) has been established for less than five years; and
- (c) employs fewer than 20 employees in Hong Kong.

4.29 It was stated in the TID's internal guidelines that although they will be accorded lower priority, applications which do not meet the eligibility criteria will also be considered if explanations (e.g. change of business nature and change of ownership of the business) can be provided to justify the need to join the Programme. Audit noted that such arrangement was not made known to the public unless asked by the public.

4.30 Audit noted that in the three SME Mentorship Programmes held in 2011 and 2012, 2014 and 2015 and 2016 to 2018, there were 196, 214 and 191 approved applications respectively. Of these approved applications, 23 (12%), 21 (10%) and 55 (29%) did not meet the eligibility criteria published on the TID's website (e.g. the criteria that the company of the applicant employed fewer than 20 employees). This indicated that there were also demands from people who do not fully meet the eligibility criteria for the Mentorship Programme. Audit considers that the TID needs

to make known to the potential applicants that although a lower priority will be accorded, applicants who do not meet the eligibility criteria for the SME Mentorship Programme will also be considered if there is capacity and they can provide explanations to justify the need to join the Programme.

***Need to explore the feasibility of accepting applications to join
the SME Mentorship Programme on an on-going basis***

4.31 The SME Mentorship Programme aims at providing an opportunity for SME owners at their early stage of business (i.e. the business has been established for less than five years) to learn from and be guided by mentors through one-on-one free counselling. Audit noted that the last three Mentorship Programmes were launched in February 2011, February 2014 and November 2016. In other words, a person interested in the Mentorship Programme has to wait for a couple of years if he has not submitted application for the previous round. As the Mentorship Programme aims at providing support for SME owners whose businesses have been established for less than five years, Audit considers that the TID needs to explore the feasibility of accepting applications to join the Mentorship Programme on an on-going basis with a view to providing timely support to the SME owners at their early stage of business.

***Need to improve the response rate of the evaluation questionnaires
of the SME Mentorship Programme***

4.32 After each round of the SME Mentorship Programme, SUCCESS sends an evaluation questionnaire to every mentee, mentor and co-organiser to collect their feedback on the Programme (e.g. the number of times the mentor meets the mentee, and the programme arrangement). Based on the returned questionnaires, the TID prepares a review report. Audit examined the review reports of the 2011/12 and 2014/15 Programmes and noted that the response rates of the evaluation questionnaires ranged from 23% to 55% (see Table 18).

Table 18

**Response rates of evaluation questionnaires
(2011/12 and 2014/15 Programmes)**

Programme	Response rate		
	Mentee	Mentor	Co-organiser
2011/12	36 %	51 %	50 %
2014/15	23 %	55 %	53 %

Source: Audit analysis of TID records

4.33 While the response rates for mentors and co-organisers were 50% or above, the response rates for mentees were much lower (36% and 23% for the 2011/12 and 2014/15 Programmes respectively). Audit considers that the TID needs to take measures to improve the response rate of the evaluation questionnaires.

***Need to encourage mentors and mentees of
the SME Mentorship Programme to have at least three meetings***

4.34 According to the guidelines for mentors and mentees, each pair of mentor and mentee of the SME Mentorship Programme is encouraged to have at least three face-to-face meetings during the 12-month period (see para. 4.20(b)). In the evaluation questionnaire (see para. 4.32), mentees were asked whether they and their mentors had three face-to-face meetings. Audit noted that for the 2014/15 Programme, only 10 (22%) of the 46 respondents had met their mentors thrice or more. Audit considers that the TID needs to take measures to encourage mentors and mentees to have at least three face-to-face meetings during the 12-month Programme.

Audit recommendations

4.35 **Audit has *recommended* that the Director-General of Trade and Industry should:**

- (a) **ensure that the description of the performance target of the BAS in the Controlling Officer's Report is clear;**
- (b) **consider setting a performance target of the BAS at a level that is challenging and achievable;**
- (c) **monitor the time taken to arrange BAS consultation meetings and take appropriate follow-up action for those applications where the consultation meetings could not be arranged within a reasonable time period;**
- (d) **make known to the potential applicants that those who do not meet the eligibility criteria for the SME Mentorship Programme will also be considered if there is capacity and they can provide explanations to justify the need to join the Programme;**
- (e) **explore the feasibility of accepting applications to join the SME Mentorship Programme on an on-going basis with a view to providing timely support to the SME owners at their early stage of business;**
- (f) **take measures to improve the response rate of the evaluation questionnaires of the SME Mentorship Programme; and**
- (g) **take measures to encourage mentors and mentees to have at least three face-to-face meetings during the 12-month SME Mentorship Programme.**

Response from the Government

4.36 The Director-General of Trade and Industry generally agrees with the audit recommendations. She has said that:

- (a) having regard to the substance of services requested by the applicants, applications for BAS may result in arrangement of a consultation meeting with advisors or provision of information direct. The TID has adopted the target to confirm with all applicants within ten working days if a consultation meeting is considered suitable, and if not, provide them with the required information. The TID will consider the best way to revise the performance target for clarity sake;
- (b) the TID has been monitoring the time required for arranging individual consultation meetings between the advisors and the applicants. The TID will liaise with the applicant if it foresees that a consultation meeting cannot be arranged within a short period of time, and will take appropriate follow-up actions having regard to the wish of the applicant. The TID will continue to monitor the situation and take appropriate follow-up actions when consultation meetings cannot be arranged within a reasonable period of time;
- (c) to enable more SMEs in their early stage of business to benefit from the SME Mentorship Programme, the TID has recruited more co-organisers to provide support in nominating mentors. In the 2016/18 Mentorship Programme, the TID was able to accept all applicants who could not fully meet the eligibility requirements through recruiting a record high number of co-organisers. The TID will explain to interested SMEs that applications failing to meet all the requirements will still be considered though a lower priority would be accorded. The TID will make known the flexibility in the relevant promotion materials for future SME Mentorship Programmes;

- (d) the TID reviews the operation of the SME Mentorship Programme from time to time to ensure that timely support can be provided to interested SME owners at their early stage of business. Under the 2016/18 Mentorship Programme, the period for accepting applications was extended to ten months from one to two months in the past programmes to enable more interested SMEs to submit applications. The TID will continue to explore measures to ensure that the SME Mentorship Programme provides timely support to SMEs;
- (e) the TID considers that feedback from co-organisers, mentors and mentees is important for enhancing the SME Mentorship Programme. The TID will continue to encourage participating parties through different means to complete the evaluation questionnaires; and
- (f) the TID has devised guidelines to mentors and mentees for the conduct of the mentorship in the 2016/18 SME Mentorship Programme, including encouraging them to have at least three face-to-face meetings. The TID will continue to encourage mentors and mentees to have at least three meetings under the programme, and/or to communicate through other means like e-mails, phone calls or messages if the mentors and mentees consider such means of communication more effective.

PART 5: GOVERNANCE AND ADMINISTRATIVE ISSUES

5.1 This PART examines the governance and administrative issues relating to the provision of support for SMEs. Audit found room for improvement in the following areas:

- (a) SMEC (paras. 5.2 to 5.10); and
- (b) Vetting Committee (paras. 5.11 to 5.18).

SMEC

5.2 The SMEC was set up in July 1996 to advise the Chief Executive on issues affecting the development of SMEs and suggest measures to support and facilitate their development and growth. Members of the SMEC are appointed by the Secretary for Commerce and Economic Development. Each term of SMEC membership is two years. For the term from 1 January 2017 to 31 December 2018, the SMEC comprises 28 members:

- (a) the non-official Chairman;
- (b) 22 non-official members (including businessmen, professionals, bankers and academics);
- (c) 3 representatives from organisations that provide support to SMEs (i.e. the Hong Kong Productivity Council, the Hong Kong Trade Development Council and the Vocational Training Council); and
- (d) 2 official members (i.e. the Director-General of Trade and Industry and a Deputy Secretary for Commerce and Economic Development (Commerce and Industry)).

Low attendance rates of some non-official members

5.3 Audit examined the attendance of the 21 meetings held in the five terms from 2009 to 2018 (up to 31 August). The average attendance rate of these 21 meetings was 70% (ranging from 50% to 91%). For the two official members and the three representatives from organisations that provided support to SMEs, their attendance rates in the five terms were satisfactory (ranging from 81% to 100%). For the non-official members, Audit found that in each term, there were two to ten members who attended less than half of the meetings (ranging from 0% to 40% — see Table 19).

Table 19

**Attendance rates of non-official members of the SMEC
(2009 to 2018 (up to 31 August))**

Attendance rate (%)	Number of non-official members				
	2009 to 2010 term (5 meetings)	2011 to 2012 term (5 meetings)	2013 to 2014 term (5 meetings)	2015 to 2016 term (3 meetings)	2017 to 2018 term (up to 31 August) (3 meetings)
0	1 (Note 1)	0	1 (Note 1)	2 (Note 2)	1 (Note 3)
1 to 24	1 – 3	1 – 2	1 – 8	0 – 10	0 – 7
25 to 49	1	1	6	8	6
50 to 74	5	6	0	6	7
75 to 100	14	14	13	6	10
Total (Note 4)	22	22	21	22	24

Source: Audit analysis of TID records

Note 1: These two members were not reappointed for their subsequent term due to low attendance.

Note 2: The two members attended one SMEC activity (see para. 5.6) although they had not attended any SMEC meetings.

Note 3: The member resigned in August 2017 after the first meeting in the term. A new member was appointed to replace him in February 2018 after the second meeting in the term.

Note 4: There is no fixed number of non-official members in each term of the SMEC.

5.4 Attendance at meetings is an important indicator to reflect members' commitment to serving an organisation. Audit considers that the SMEC Secretariat needs to take measures to improve the attendance rates of non-official members. For instance, the Secretariat may notify the members of the date of meeting as early as possible to facilitate their arrangement and urge them to make efforts to attend meetings as far as possible.

No quorum set for the SMEC meetings

5.5 According to the TID, before fixing the meeting dates, the Secretariat would ensure that at least one third of the non-official members would be available on the meeting dates. The Secretariat would arrange the meeting to be held on another day if less than one third of the non-official members were available. However, Audit noted that there was no quorum requirement for the SMEC meetings. As decisions made and agreements reached during the SMEC meetings are important, to ensure that decisions made and agreements reached reflect the collective view of SMEC members in general, Audit considers that as a good practice, the SMEC Secretariat needs to specify quorum requirement for the SMEC meetings.

Need to facilitate the SMEC in enhancing its roles and functions

5.6 At the SMEC meeting held in November 2013, the issue was raised that the roles and functions of the SMEC could be enhanced to better support and facilitate the development of the SMEs. In February 2014, with a view to more effectively discharging its functions stipulated in the terms of reference (i.e. to advise the Chief Executive on issues affecting the development of SMEs and suggest measures to support and facilitate their development and growth), the SMEC discussed the ways to enhance its roles and functions. After the meeting, the Secretariat drew up the 2014 to 2016 Work Plan, which was endorsed by the Chairman of the SMEC. The four work items covered in the Work Plan were:

- (a) regular SMEC meetings;
- (b) regular meetings with trade and industrial organisations relating to SMEs;
- (c) participation in overseas visit activities; and
- (d) participation in events relating to SMEs.

Governance and administrative issues

5.7 Since the meeting held in February 2014 (see para. 5.6), the SMEC has drawn up Three-year Work Plans every three years. Two Work Plans had been drawn up, namely the 2014 to 2016 Work Plan drawn up in February 2014 and the 2017 to 2019 Work Plan drawn up in September 2016. Audit noted that up to 31 December 2017, the SMEC could only achieve some of the plans set out in its two Work Plans covering 2014 to 2016 and 2017 to 2019 (see Table 20).

Table 20

**Performance of the SMEC
compared to the Three-year Work Plans
(2014 to 2017)**

Work item	2014 to 2016 Work Plan						2017 to 2019 Work Plan	
	2014		2015		2016		2017	
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual
Regular SMEC meetings	3	3	2	1	3	2	2	2
Regular meetings with trade and industrial organisations relating to SMEs	2	1	2	2	2	1	1	1
Participation in overseas visit activities	0	0	1	1	0	0	1	1
Participation in events relating to SMEs	Note	3	Note	0	Note	0	Note	0

Source: Audit analysis of TID records

Note: According to the Work Plans, participation in SME activities is on an on-going basis and no target number was specified.

5.8 With a view to enhancing the roles and functions of the SMEC, the SMEC Secretariat needs to take appropriate measures to facilitate the SMEC's achievement of its plans set in the Work Plans.

Audit recommendations

5.9 Audit has *recommended* that the Director-General of Trade and Industry should:

- (a) take measures to improve the attendance rates of non-official members of the SMEC;
- (b) specify quorum requirement for the SMEC meetings; and
- (c) take appropriate measures to facilitate the SMEC's achievement of its plans set in the Work Plans.

Response from the Government

5.10 The Director-General of Trade and Industry generally agrees with the audit recommendations. She has said that:

- (a) the TID will continue to make its best efforts to notify members of the date of meeting as early as possible and encourage members to attend meetings;
- (b) the Secretariat has taken steps to ensure that a reasonable number of members are available before fixing the date of meeting. The TID will adopt a quorum formally for future SMEC meetings; and
- (c) the Work Plans serve to provide general indicators on the number of meetings to be held and the activities to be arranged in the next three years for planning purpose, rather than performance pledges per se. The TID will continue to take measures to facilitate members' participation in SMEC meetings and activities, taking into account the views of members and having regard to the prevailing situation which may affect the development of SMEs in Hong Kong.

Vetting Committee

5.11 The Vetting Committee is responsible to advise and make recommendations to the Director-General of Trade and Industry on matters relating to the SDF and the Organisation Support Programme of the BUD Fund (see para. 1.5(e)). Its terms of reference are as follows:

- (a) to advise on the assessment criteria;
- (b) to advise whether applications for funding should be approved, the amount to be granted to each approved project, and the terms of conditions for approving funds;
- (c) to monitor implementation of funded projects; and
- (d) to evaluate the effectiveness of the SDF and the Organisation Support Programme of the BUD Fund.

5.12 The Vetting Committee is chaired by the Director-General of Trade and Industry. As at May 2018, it comprised one ex-officio member (i.e. a Deputy Director-General of Trade and Industry) and 14 non-official members from various sectors (e.g. information technology, accounting and manufacturing). Each term of membership is two years.

Need to encourage non-official members to attend meetings and sessions of meetings

5.13 For the period 2013 to 2017, there were four meetings each year. For 2018, up to 31 August, there had been two meetings. Audit examined the attendance of the 22 meetings held in the period from 2013 to 2018 (up to 31 August). The average attendance rate of these 22 meetings was 77% (ranging from 50% to 100%). Audit found that in each year, there were a few (one to three) members who attended none or only one of the meetings in the year (see Table 21).

Table 21

**Attendance rates of non-official members of the Vetting Committee
(2013 to 2018 (up to 31 August))**

Attendance rate (%)	Number of non-official members					
	2013 (4 meetings)	2014 (4 meetings)	2015 (4 meetings)	2016 (4 meetings)	2017 (4 meetings)	2018 (up to 31 August) (2 meetings)
0	1 } 1	0 } 0	0 } 0	1 } 3	1 } 2	3 } 3
25	0 } 1	0 } 1	0 } 1	2 } 3	1 } 2	0 } 1
50	4	1	0	2	3	4
75	3	4	6	3	6	0
100	6	9	8	6	4	7
Total (Note)	14	14	14	14	15	14

Source: Audit analysis of TID records

Note: There is no fixed number of non-official members in each term of the Vetting Committee.

5.14 Audit noted that some meetings involved more than one session held on different days. When calculating attendance, the TID will count a member's attendance for a meeting if the member attended at least one session of the meeting. The 22 meetings held during the period 2013 to 2018 (up to 31 August) involved 42 sessions. Audit examined the participation of the Vetting Committee members in the 42 sessions and noted that on average, in each of the 42 sessions, about 60% (ranging from 29% to 100%) of the members were present. In each year, there were three to eight members who were present only in half or less than half of the sessions (see Table 22).

Table 22

**Presence of non-official members at the Vetting Committee sessions
(2013 to 2018 (up to 31 August))**

Percentage of sessions present (%)	Number of non-official members					
	2013 (12 sessions)	2014 (7 sessions)	2015 (8 sessions)	2016 (7 sessions)	2017 (5 sessions)	2018 (up to 31 August) (3 sessions)
0	1	0	0	1	1	3
> 1 to ≤ 25	3 } 8	0 } 3	0 } 6	2 } 6	1 } 4	0 } 7
> 25 to ≤ 50	4	3	6	3	2	4
> 50 to ≤ 75	4	4	5	2	3	4
> 75 to ≤ 100	2	7	3	6	8	3
Total	14	14	14	14	15	14

Source: Audit analysis of TID records

5.15 One of the functions of the Vetting Committee is to assess and approve SDF funding applications. The attendance of members with sufficient and relevant background in Vetting Committee meetings is important. It is also important for members to be present at all sessions of the meetings they attend. Audit considers that the Secretariat needs to take measures to encourage non-official members to attend Vetting Committee meetings and be present as far as possible at all sessions of the meetings they attend. For instance, the Secretariat may notify the members of the dates of meetings and sessions as early as possible to facilitate their arrangement.

No quorum set for Vetting Committee meetings

5.16 According to the TID, the Secretariat of the Vetting Committee will usually fix the meetings on dates with the highest number of available members. However, there was no quorum requirement for the Vetting Committee meetings. As decisions made and agreements reached during the Vetting Committee meetings are important, to ensure that decisions made and agreements reached reflect the collective view of

Vetting Committee members in general, Audit considers that as a good practice, the Vetting Committee Secretariat needs to specify quorum requirement for the Vetting Committee meetings.

Audit recommendations

5.17 Audit has *recommended* that the Director-General of Trade and Industry should:

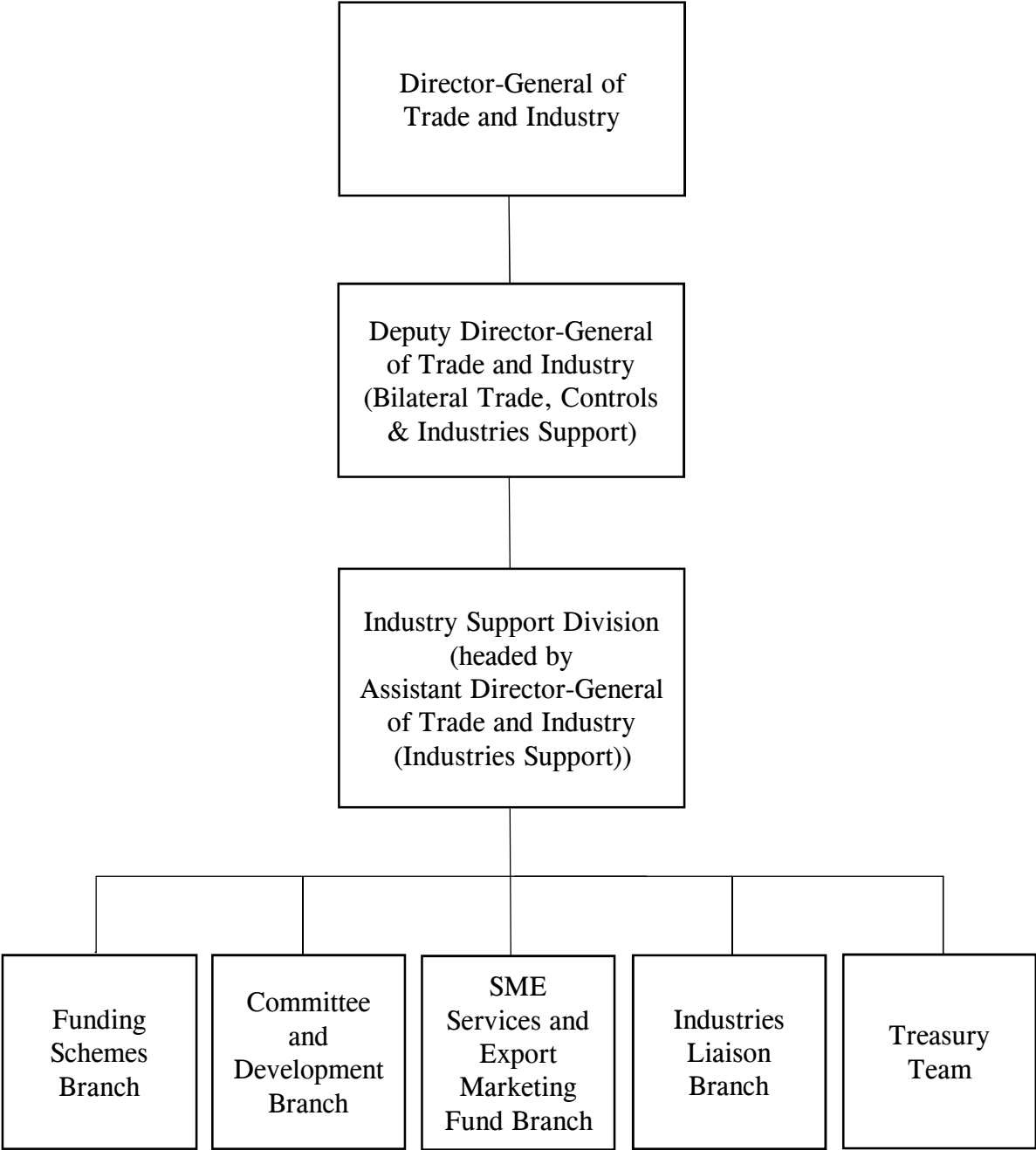
- (a) take measures to encourage non-official members of the Vetting Committee to attend Vetting Committee meetings and be present as far as possible at all sessions of the meetings they attend to assess and approve SDF funding applications; and**
- (b) specify quorum requirement for the Vetting Committee meetings.**

Response from the Government

5.18 The Director-General of Trade and Industry generally agrees with the audit recommendations. She has said that:

- (a) the TID will continue to make its best effort to facilitate members in attending the Vetting Committee meetings. The Secretariat will mark members' diaries for the tentative meeting dates of the year (usually two days for each quarter) at the start of each year. Prior to each meeting, the Secretariat will remind and re-confirm members' availability and fix the meeting on dates with the highest number of available members. Depending on the number of applications, sometimes a meeting may last for two days; and**
- (b) for each meeting, the Secretariat ensures that there is a reasonable number of members available before fixing the date of meeting. Nonetheless, the Vetting Committee has formally adopted a quorum requirement since September 2018.**

TID: Organisation chart (extract)
(31 July 2018)



Source: TID records

Acronyms and abbreviations

Audit	Audit Commission
BAS	Business Advisory Service
BUD Fund	Dedicated Fund on Branding, Upgrading and Domestic Sales
EMF	SME Export Marketing Fund
FC	Finance Committee
LegCo	Legislative Council
NCSC	Non-Civil Service Contract
PLIs	Participating lending institutions
SDF	SME Development Fund
SGS	SME Loan Guarantee Scheme
SMEC	Small and Medium Enterprises Committee
SMEs	Small and medium enterprises
SpGS	Special Loan Guarantee Scheme
SUCCESS	Support and Consultation Centre for SMEs
TID	Trade and Industry Department

CHAPTER 9

Civil Service Bureau

Training and development work of the Civil Service Training and Development Institute

**Audit Commission
Hong Kong
30 October 2018**

This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.

Report No. 71 of the Director of Audit contains 10 Chapters which are available on our website at <https://www.aud.gov.hk>

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TRAINING AND DEVELOPMENT WORK OF THE CIVIL SERVICE TRAINING AND DEVELOPMENT INSTITUTE

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TRAINING AND DEVELOPMENT WORK OF THE CIVIL SERVICE TRAINING AND DEVELOPMENT INSTITUTE

Executive Summary

1. With overall policy responsibility for the management of the civil service, the Civil Service Bureau (CSB) works in collaboration with bureaux/departments (B/Ds) to provide learning opportunities for some 183,000 government employees that would equip them with the skills, knowledge and mind-set necessary for providing quality services to the public. In 2016-17, the CSB and B/Ds spent a total of \$1.2 billion on the provision of civil service training and development for some 700,000 participants. While B/Ds are mainly responsible for providing their staff with vocational training to meet job-specific needs, the CSB has a dedicated Civil Service Training and Development Institute (CSTDI) responsible for providing training programmes that fulfil the common training needs of civil servants in areas of senior leadership development, national studies, communication and management. The CSTDI also implements initiatives to promote continuous learning in the civil service, such as providing e-learning resources through the e-learning portal, i.e. the Cyber Learning Centre Plus (CLC Plus) and training sponsorship to encourage civil servants to attend job-related courses in their own spare time. As at 31 March 2018, the CSTDI had an establishment of 116 staff and training facilities including an auditorium, 22 training rooms and a Learning Resource Centre (LRC). The financial provision of the CSTDI in 2017-18 amounted to \$148.3 million. The Audit Commission (Audit) has recently conducted a review to examine the training and development work of the CSTDI.

Management of training programmes

2. *Training administration.* Training programmes organised by the CSTDI can be broadly classified into local and non-local programmes. In 2017, the CSTDI organised 1,216 classes of local training programmes for 57,414 trainees, comprising 610 classes of central programmes (i.e. open to all B/Ds) and 606 classes of customised programmes for specific B/Ds. The CSTDI also organised 25 classes of Mainland national studies programmes for 683 civil servants, and civil service exchange programmes held in the Mainland and overseas study programmes for another 34 civil servants. The successful delivery of training events depends on both

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the contribution of trainers and trainees, and effective and efficient training administration. The CSTDI is assisted by the computerised Training Information and Administration System (TIAS) in various training administration functions, including inviting and processing nominations, training place allocation, attendance status update, training record maintenance and management reporting. Authorised users of B/Ds (e.g. Training Managers) can login to the TIAS to input training nominations and download training records. The TIAS also supports interface with two computerised training management systems installed by 14 B/Ds (as at September 2018) to facilitate electronic transfer of applications/nominations (paras. 2.2 to 2.5 and 2.12). Audit examination has revealed room for wider use of technology in enhancing the training administration process:

- (a) ***Manual processing of training applications/nominations by some B/Ds.*** The CSTDI issues invitations to training courses to B/Ds for direct dissemination to their staff. While the application and nomination process is automated for 14 B/Ds using the two computerised training management systems, other B/Ds need to consolidate applications from staff and upload nominations to the TIAS. According to the CSTDI, some B/Ds have developed their own computerised systems to facilitate training administration though such systems have no direct interface with the TIAS. However, for those B/Ds without any computerised system for training management, they need to manually collate application details for uploading to the TIAS, which is time and resource consuming, and prone to errors. The CSB needs to explore ways to make better use of technology to enhance the administration of training applications/nominations by B/Ds (para. 2.5);
- (b) ***Scope for wider use of e-forms.*** For those classes which do not require prioritisation of nominations by B/Ds, applicants may e-mail or fax their completed applications direct to the CSTDI. Prior to 2016, CSTDI staff had to manually input details of such applications into the TIAS. As a measure to reduce the time and efforts in processing these applications, the CSTDI has since 2016 introduced an e-form solution whereby the application details are uploaded automatically to the TIAS. However, only 58 (10%) of the 610 classes of central programmes held in 2017 used e-forms for enrolment. In Audit's view, the CSTDI needs to make wider use of e-forms to streamline the training enrolment process in B/Ds as far as practicable, especially for courses with short application periods such as re-run classes (additional classes held in the same year for popular courses) or second round of applications for under-subscribed classes (para. 2.6); and

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- (c) ***Collecting trainees' feedback by electronic means.*** To improve operational efficiency and reduce manual efforts on data input of attendance status of individual trainees into the TIAS, the CSB informed Audit in September 2018 that a project would be commenced shortly to develop an e-registration system which could: (i) generate unique Quick Response Code to trainees for on-site registration; and (ii) integrate with the TIAS for automatic updating of attendance records. However, for course evaluation, the CSTDI currently uses paper-based evaluation forms to collect feedback from participants. The CSTDI should consider collecting trainees' feedback by electronic means (paras. 2.3(d) and 2.8).

3. ***Need to meet the demand for training places of over-subscribed courses.*** Of the 610 classes of central programmes held in 2017, 346 (57%) were over-subscribed. According to the CSTDI, for over-subscribed seminar-type classes which involve mainly dissemination of principles and guidelines, it may change to a larger venue to accommodate more eligible trainees. For over-subscribed workshop-type classes which are not practical to increase the class size without compromising training effectiveness, additional classes may be arranged in the same year (i.e. re-run) or the following year. However, Audit found that for 83 classes (involving 33 workshops and 2 seminars) with over-subscription rate of 100% or more in 2017, no re-run was held for 19 workshops and 1 seminar. Moreover, 7 of the 19 workshops were also over-subscribed by 100% or more in 2016 but without increase in the number of scheduled classes in 2017. While the CSTDI in conjunction with individual B/Ds had organised 55 customised classes for 2 of the 7 over-subscribed workshops during 2013 to 2017, the over-subscription of these 2 popular workshops under the central programmes was not addressed during the period. For the over-subscribed seminar without a re-run in 2017, the CSTDI had not arranged video-taping or uploading the course materials on the CLC Plus. There is a need to step up efforts to meet the demand for training places of over-subscribed courses, including arranging additional classes for persistently over-subscribed courses and making use of the CLC Plus to provide alternative learning opportunities for unselected nominees (paras. 2.14 to 2.17).

4. ***Need to improve the planning of target class size.*** According to the CSTDI, annual training plans are prepared to set out the target participants, mode of delivery, class size and schedule of each training programme. However, Audit found that the practice of setting target class size varied among different training units. While a target class size was set for each management course organised by two training units, it was not set for individual language or national studies courses

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organised by another two training units. Instead, an overall target number of trainees was set for each category of courses. For instance, an overall target of 3,000 trainees was set in the 2017 annual plan for all Putonghua courses but the target class size for each Putonghua course was not available. Moreover, the target class size for individual courses (even available as in the case of management courses) was not recorded in the TIAS to facilitate the selection of nominees. There is a need to improve the setting and documentation of the target class size for better management of training resources (paras. 2.18 and 2.19).

5. ***Need to fully utilise training places.*** According to the CSTDI, to minimise wastage of training places, when allocating training places for over-subscribed classes, it would: (a) select more trainees than the target class size as a buffer for withdrawals and absences of trainees where practicable (i.e. the buffer arrangement); and (b) maintain a waiting list so that unselected nominees will be enrolled to fill the training places upon receipt of withdrawal notifications from selected nominees. However, Audit found that for 25 (7%) of the 346 over-subscribed classes in 2017, the number of selected nominees fell short of their respective target class sizes by 1% to 14% (averaging 6%). For example, for a language course with a target class size of 25 to 35, the number of selected nominees in 9 over-subscribed classes was less than the maximum class size of 35 by 9% to 14% (averaging 12%), resulting in unused training places. Audit also found that in 7 over-subscribed classes of other courses with the actual attendance less than the target class size, there was no record to show that unused training places arising from withdrawals had been reallocated to waitlisted nominees. There is a need to make better use of the buffer arrangement and the waiting list mechanism to fully utilise training places. In 2017, the CSTDI arranged re-runs for 8 over-subscribed seminars. However, it had not invited new applications for the re-runs even when the venues could accommodate more attendees because of time constraint. Audit considers that there is merit to consider using e-forms (see para. 2(b) above) to save time and efforts in coordinating applications (paras. 2.20 to 2.23, 2.25 and 2.26).

6. ***Difficulties in arranging all middle-level civil servants to attend national studies programmes within six years.*** Over the years, the CSB has been encouraging B/Ds to arrange middle-level civil servants (i.e. officers at Master Pay Scale Point 34 to 44 or equivalent) to attend national studies programmes with a time schedule drawn up in 2018 for them to attend such programmes within 6 years from reaching Master Pay Scale Point 34 or equivalent. Up to 2017, some 13,000 middle-level civil servants had yet to attend the programmes. Audit noted that the number of planned training places would only increase from 280 in 2017 to 340 in 2018 and further to 420 in

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2019. On this basis, it is unlikely that all middle-level civil servants can attend national studies programmes within 6 years. Moreover, based on the attendance records of such programmes from 2013 to 2017 and the maximum number of training places of 320 each year, Audit found that on average, 37 (12%) additional trainees could be accommodated. There is a need to review the 6-year time schedule, and further promote and encourage B/Ds to nominate more middle-level civil servants to attend such programmes in order to make full use of the training places (paras. 2.30 to 2.32).

Initiatives to promote continuous learning

7. ***Provision of e-learning resources.*** The CSTDI launched the web-based CLC Plus in September 2002 to provide a range of online training resources for civil servants to learn at their own time and according to their own pace. As at May 2018, the CLC Plus hosted 2,384 items of CSTDI e-learning resources and 351 items of departmental-specific training resources. All government employees are eligible to use the e-learning resources through two channels, i.e. the Internet (requiring registration of a CLC Plus account) or departmental portal via the Government Intranet (no prior registration required). As at May 2018, there were 139,362 user accounts, of which 79,713 (57%) were CLC Plus accounts and 59,649 (43%) were departmental portal accounts (paras. 3.2 to 3.4). Audit examination has revealed the following issues that warrant the CSTDI's attention:

- (a) ***Large number of inactive accounts.*** As at May 2018, 14,955 (11%) of 139,362 accounts were not usable, e.g. deleted accounts or locked accounts. For the remaining 124,407 usable accounts, Audit found that 85,788 (69%) accounts were inactive (i.e. the user had not used the CLC Plus for one year or more) and the CSTDI's reminder e-mails could not reach the 41,941 inactive departmental portal account users because the CSTDI did not have their e-mail addresses as no prior registration was required for such accounts. There is a need to step up efforts to motivate inactive account users to use the CLC Plus, including enlisting the assistance of relevant B/Ds in this regard for the inactive departmental portal account users (paras. 3.6 and 3.7);
- (b) ***Inadequacies in user account management.*** In accordance with the relevant information technology security policy and guidelines issued by the Office of the Government Chief Information Officer in 2016, all user access rights should be reviewed periodically and revoked after a pre-defined

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period of inactivity or when no longer required (e.g. upon a staff's termination or change of employment). Of the 85,788 inactive accounts, 17,910 (21%) accounts had remained inactive for 5 years or more. Moreover, in one B/D, the number of user accounts had exceeded its establishment by over 100%, suggesting that some accounts could have been held by officers who have left the B/D. There is a need to review the user access rights of such accounts (paras. 3.6 and 3.9); and

- (c) ***Low participation rate of the CLC Plus in some B/Ds.*** In analysing user accounts of B/Ds (see (b) above), Audit also found that the number of user accounts of 15 B/Ds only accounted for less than 50% (ranging from 13% to 49%) of their establishment. There is a need for the CSTD I in collaboration with relevant B/Ds to find out the reasons for the low participation rate of the CLC Plus with a view to devising effective measures to attract new users (para. 3.10).

8. ***Measures to facilitate mobile learning.*** To facilitate the use of e-learning resources through mobile devices, the CLC Plus was enhanced in April 2018 to provide an optimal viewing and interactive experience to support effective mobile learning. A mobile application, namely the CSTD I App, was also launched for two mobile operating systems in March 2014 and March 2015 respectively (para. 3.11). Audit examination of the measures to facilitate mobile learning has revealed the following areas for improvement:

- (a) ***Need to expedite actions on migration/retirement of e-learning resources developed using a legacy software.*** Based on a test check of 30 e-learning resources, Audit found that 17 (57%) could not be viewed on mobile devices because they were developed using a legacy software not supported by major operating systems of mobile devices. There is a need to improve accessibility of e-learning resources on mobile devices. As at September 2018, of 130 e-learning resources on the CLC Plus developed using the legacy software, 33 items had been migrated to prevailing technology platforms or retired. The remaining 97 items were planned to be migrated or retired by 2020. However, the migration plan did not cover 32 e-learning resources acquired from third party suppliers. There is a need to expedite actions on the migration/retirement of e-learning resources developed using the legacy software, especially those not included in the plan (paras. 3.12, 3.14 and 3.15); and

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- (b) ***Need to enhance the CSTD App.*** Audit noted that since the launch of the CSTD App for two mobile operating systems in 2014 and 2015 respectively, there had not been significant enhancements to its functions. The numbers of downloads and visits decreased from 3,197 in 2015 to 1,136 in 2017 and from 18,260 in 2015 to 5,967 in 2017 respectively. There is a need to commence the enhancement work of the CSTD App as soon as practicable (paras. 3.16 and 3.18).

9. ***Need to improve services of the LRC.*** The LRC provides basic services including borrowing of books and multi-media learning resources. However, the usage of the LRC in terms of numbers of visits and borrowing records had been on a decreasing trend from 2015 to 2017 (paras. 3.22 and 3.23). Audit has noted that there is room for improving the provision of LRC services:

- (a) ***Simplifying LRC membership registration procedure.*** Borrowing services are only available to government employees who have registered as CLC Plus users. A first-time borrower also needs to register as an LRC member in person by providing basic information on a membership form. As the information to be supplied in the LRC membership form is the same as that required for registering as a CLC Plus user, the CSTD should consider simplifying the LRC membership registration procedure (para. 3.24(a)); and
- (b) ***Reviewing opening hours of the LRC.*** The opening hours of the LRC are from 9:15 am to 5:15 pm, Monday to Friday. Audit analysis revealed that about 46% of the visitors of the LRC were trainees of CSTD training courses. To facilitate trainees visiting the LRC before and after class (which normally starts at 9:00 am and ends at 5:30 pm), there is merit to explore the feasibility and usefulness of extending the opening hours of the LRC (para. 3.24(b)).

10. ***Need to improve the management of training sponsorship.*** Since 2005, the CSTD has launched a training sponsorship scheme for frontline staff to take work-related training courses outside working hours. In a sample check of 106 approved applications, Audit has found that: (a) in 2 approved applications, the applicants were offered gifts (e.g. a new model smartphone) by the external training institutions. The CSTD needs to lay down guidelines for B/Ds to ensure the proper handling of applications with gifts offered by external training institutions; (b) in 10

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approved applications for attending bus-driving courses/pre-service courses for public-light-bus drivers, there was no documentation on how the approved courses were related to the work of the applicants; and (c) in 3 approved applications, the applications were submitted 5 to 33 days after the courses had started, contrary to the application requirements. In respect of (b) and (c), the CSTDI needs to remind B/Ds to take improvement measures accordingly (paras. 3.30 and 3.33).

Other administrative issues

11. *Need to improve booking arrangements of training venues.* CSTDI training venues are designed to cater for different training settings, such as group-based workshops or seminars. Most of them are also opened up for use by other B/Ds subject to availability. While the utilisation rates for most CSTDI training venues from January 2013 to May 2018 were generally above 50%, Audit examination revealed the following issues which could not optimise the utilisation of the training venues (paras. 4.2 and 4.5):

- (a) *Bookings cancelled at short notices.* A total of 3,105 (i.e. 35% of a total of 8,830) advance bookings of the training venues for the period from January 2017 to March 2018 made by the CSTDI and the General Grades Office of the CSB were subsequently cancelled. The notices given for 1,077 (35% of 3,105) cancelled bookings were less than 15 days and the released time slots of only 141 (13% of 1,077) cancelled bookings were subsequently taken up by other users. Audit found that better utilisation of the released time slots could be achieved by giving earlier notice of cancellation, e.g. up to 58% of 260 cancelled bookings with notice periods longer than 90 days were used (paras. 4.6 and 4.7);
- (b) *Manual system of booking by other B/Ds.* The CSTDI made use of a web-based booking system to automate the booking by its internal users and the users of the General Grades Office. However, other B/Ds were still required to follow a set of manual booking procedures (para. 4.8); and
- (c) *Unused bookings not reported.* The CSTDI's computer room was reserved by the General Grades Office from February 2018 to April 2019 for conducting recruitment tests on computer skills every day. However, Audit's site visits on 35 working days in June and July 2018 revealed that the room had not been used for a total of 26 (74%) working days. There

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was no cancellation of the bookings and a 100% utilisation rate was registered for both June and July 2018 (para. 4.10).

12. ***Reporting of performance information.*** The CSB has set six performance pledges on training and development and quality of services, and reported the actual results on its website. The CSB has also set key performance indicators on the training and development work of the CSTDI in its Controlling Officer's Reports, covering service outputs of classroom training, e-learning programmes and other services such as advice and consultancies (paras. 4.16 and 4.17). Audit examination has revealed the following issues:

- (a) ***Need to review the target levels of some performance targets.*** The performance for four of the six performance pledges reported on the CSB's website was persistently above the target levels from 2014-15 to 2016-17, e.g. the actual time taken for submitting service proposals to B/Ds for customised training services only averaged 2.9 days as against the target of 4 weeks. The CSTDI needs to review these targets to ensure that they remain useful in motivating continuous improvement (para. 4.18); and
- (b) ***Need to improve the accuracy of reported performance.*** The actual results of three of the four types of performance indicators reported in the Controlling Officer's Reports for 2016 and 2017 were less than those shown in the supporting records by 1% to 19%. For example, while CSB reported that the page views of the CLC Plus were 4,101,000 and 4,120,000 in 2016 and 2017 respectively, the page views based on the supporting records were 5,085,560 and 4,739,679 in the two years. There is a need to improve the accuracy in reporting performance information in future (para. 4.19).

Audit recommendations

13. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has recommended that the Secretary for the Civil Service should:**

- (a) **make wider use of technology to enhance the administration of training applications/nominations by B/Ds (para. 2.9(a));**

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- (b) **step up efforts to meet the demand for training places of over-subscribed courses (para. 2.27(a));**
- (c) **make better use of the buffer arrangement to fully utilise training places (para. 2.27(c));**
- (d) **review the 6-year time schedule for all middle-level civil servants to attend national studies programmes, and further promote and encourage B/Ds to nominate more middle-level civil servants to attend such programmes (para. 2.35(a) and (c));**
- (e) **step up efforts to promote the usage of the CLC Plus and review the user access rights of the inactive accounts of the CLC Plus (para. 3.19(a) and (b));**
- (f) **improve the accessibility of e-learning resources on mobile devices (para. 3.19(d));**
- (g) **improve the services of the LRC with a view to improving its usage (para. 3.28(a));**
- (h) **lay down guidelines for B/Ds in handling training sponsorship applications with gifts offered to trainees by external training institutions (para. 3.34(a));**
- (i) **make greater efforts to optimise the utilisation of CSTDI training venues (para. 4.14); and**
- (j) **improve the accuracy in reporting performance information (para. 4.21(b)).**

Response from the Government

14. The Government generally agrees with the audit recommendations.

PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

Background

1.2 Training and development is an integral and important part of an organisation's comprehensive human resource management strategy to align staff efforts towards the organisation's vision, mission and values. The Government provides civil servants learning opportunities that would equip them with the skills, knowledge and mind-set necessary for providing quality services to the public. In March 2018, there were about 173,000 civil servants and 10,000 full-time non-civil service contract (NCSC) staff (Note 1).

1.3 ***Roles and responsibilities.*** With overall policy responsibility for the management of the civil service, the Civil Service Bureau (CSB) works in collaboration with bureaux/departments (B/Ds) to enhance the human resource capacity of the civil service, as follows:

- (a) ***CSB.*** The CSB has a dedicated Civil Service Training and Development Institute (CSTDI) responsible for:
 - (i) formulating training and performance management policies and guidelines;
 - (ii) providing training programmes to civil servants in areas of senior leadership development, national studies, communication and management;
 - (iii) providing consultancy and advisory services to B/Ds on human resource development; and
 - (iv) promoting a culture of continuous learning in the civil service; and

Note 1: *The provision of training for NCSC staff includes orientation programmes, job-related training and training activities that are held in Hong Kong.*

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- (b) ***B/Ds.*** B/Ds are responsible for: (i) assessing their staff training and development needs; (ii) formulating, implementing and reviewing their training and development plans and activities to ensure that they support their policy/departmental objectives; and (iii) providing their staff with vocational training to meet job-specific needs.

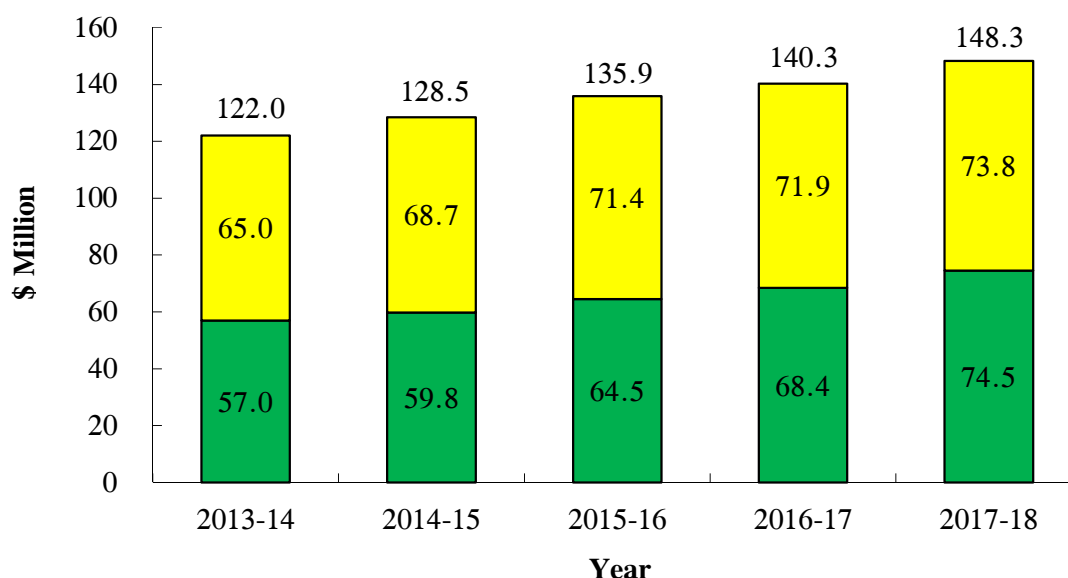
According to CSB statistics, the CSB together with other B/Ds spent a total of \$1.2 billion on the provision of civil service training and development for some 700,000 participants in 2016-17.

Civil Service Training and Development Institute

1.4 As at 31 March 2018, the CSTDI had an establishment of 116 staff including 60 Training Officer Grade staff. An extract of the organisation chart of the CSB is at Appendix A. Figure 1 shows the financial provision of the CSTDI from 2013-14 to 2017-18.

Figure 1

**Financial provision of the CSTDI
(2013-14 to 2017-18)**



Legend: ■ Training and general departmental expenses
■ Personal emoluments and personnel related expenses

Source: *Audit analysis of CSB records*

Remarks: *The increase in financial provision was generally in line with the increase in training output (see Table 1 in para. 1.6).*

1.5 **Major training and development work.** The CSTDI is mainly responsible for providing training programmes that fulfil the common training needs of civil servants. Its training and development work focuses on the following areas:

- (a) **Leadership and management development.** Apart from helping B/Ds draw up leadership development strategies, the CSTDI designs and delivers leadership and management training programmes. The CSTDI also forges partnership with different universities and institutions in organising programmes for civil servants to enhance their leadership and management skills. These programmes include: (i) leadership courses that run for 10 days to 3 weeks; (ii) workshops that run for one to two days; (iii) overseas executive development programmes; and (iv) a wide spectrum of management and communication courses;

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- (b) ***National studies and Basic Law training.*** The CSTDI joins hands with various institutions and universities in the Mainland to organise national studies programmes that run for five to 17 days. The CSTDI also organises local seminars of various themes on the latest policies and trends in the Mainland. On Basic Law training, the CSTDI organises foundation courses for new recruits, intermediate/advanced courses for middle and senior-level officers, and thematic seminars for all civil servants;
 - (c) ***Language and communication.*** The CSTDI organises training to cater for civil servants' job-specific requirements and enhance their communication and language capabilities, including writing classes, workshops, seminars, and e-learning resources on English and Chinese languages;
 - (d) ***Consultancy services on human resource management.*** The CSTDI provides consultancy services on training and performance management for individual B/Ds, such as analysis of staff training needs, formulation of training and development plans, development and implementation of competency-based performance management systems, and use of e-learning; and
 - (e) ***Other initiatives to promote continuous learning.*** To promote continuous learning in the civil service, the CSTDI provides web-based learning resources through the e-learning portal, i.e. the Cyber Learning Centre Plus (CLC Plus). The CSTDI also operates a Learning Resource Centre (LRC) which contains a library of printed and multi-media learning materials for loan or on-site use. In addition, the CSTDI implements a sponsorship scheme by providing reimbursement of fees to encourage civil servants to attend job-related courses in their own spare time (Note 2).
- 1.6 ***Performance measures.*** Table 1 shows the CSB's performance indicators on civil service training and development from 2014 to 2018 as reported in its Controlling Officer's Reports (CORs).

Note 2: *The scheme was launched in 2005 to encourage frontline staff to pursue continuous learning and was extended in 2018-19 to staff whose salary point is on Master Pay Scale Point 49 and below or equivalent. This is an additional training support to those provided under the Civil Service Regulations. Under the scheme, heads of Department/Grade may approve reimbursement of course and examination fees for their staff undertaking courses run by institutions outside of the Government.*

Table 1
The CSB's performance indicators on
civil service training and development
(2014 to 2018)

Performance indicator	2014 (Actual)	2015 (Actual)	2016 (Actual)	2017 (Actual)	2018 (Estimate)
	(Number)				
(a) Classroom training (Note)					
Senior leadership development					
Trainees	2,600	2,700	2,700	2,700	2,700
Trainee-days	5,000	5,300	5,500	6,000	6,000
National studies					
Trainees	13,000	13,200	15,300	16,700	17,600
Trainee-days	14,100	14,100	14,900	15,000	16,500
Management courses					
Trainees	27,500	28,600	28,800	30,000	30,000
Trainee-days	35,100	35,500	35,500	37,500	37,500
Language courses					
Trainees	15,000	16,200	17,000	17,800	17,800
Trainee-days	30,100	28,400	25,000	22,500	22,200
(b) E-learning programmes					
Learning resources	2,250	2,250	2,330	2,400	2,450
Page views	4,050,000	4,080,000	4,101,000	4,120,000	4,150,000
Visits to the CLC Plus	590,000	595,000	600,000	605,000	610,000
(c) Departmental services					
Consultancies conducted	270	270	270	270	270
Advice rendered to departments	1,400	1,400	1,400	1,400	1,400
(d) Learning projects and schemes	20	20	20	21	21

Source: CSB records

Note: The classroom training figures included those provided for general grades staff by the General Grades Office and for Administrative Officer grade staff by the Administrative Service Division of the CSB (see Appendix A). The financial provision for training of general grades staff was included in another CSB programme area of human resource management.

Introduction

1.7 **Performance pledges.** The CSTDI has set pledges on its services provided to B/Ds. Table 2 shows the attainment statistics of the performance pledges for 2015-16 and 2016-17.

Table 2
Performance pledges of the CSTDI
(2015-16 and 2016-17)

Service	Time/service target	Target achieved	
		2015-16	2016-17
<i>Training and development</i>			
(a) Submit proposals to B/Ds on requests for customised training services	4 weeks	100 %	100 %
(b) Submit proposals to B/Ds on requests for consultancy services or Human Resources Development studies	8 weeks	100 %	100 %
(c) Issue regular invitations to B/Ds for course nomination	4 weeks before deadline of nomination	100 %	100 %
(d) Issue notifications to B/Ds to confirm placement	2 weeks before commencement of course	100 %	100 %
<i>Quality of service</i>			
(e) Provide training programmes	For 80 % of the courses/programmes, 80 % of the trainees rate them “very effective” or “outstanding” on a 5-point scale	100 %	100 %
(f) Provide consultancy services/Human Resources Development studies	80 % of client departments are “very satisfied” or “completely satisfied” with the services provided on a 5-point scale	100 %	100 %

Source: CSB records

1.8 ***Training venues and facilities.*** The CSTD I is located in the North Point Government Offices (NPGO) with a total floor area of 6,244 square metres (see Appendix B for layout plans of the training venues and facilities). The training facilities comprise an auditorium with a maximum seating capacity of 140 (see Photograph 1), 22 training rooms of different setting and capacity (see Photograph 2 for one of the training rooms) and the LRC (see para. 1.5(e)). The CSTD I also hires other off-site venues (e.g. Lecture Theatre of the Hong Kong Central Library) to organise seminars with a large number of participants. While the training facilities at the NPGO are mainly used by the CSTD I for running its training programmes, they are also available for reservation and use by other B/Ds subject to availability.

Photograph 1

The auditorium located on the fifth floor of the NPGO



Source: CSB records

Photograph 2

**A classroom located on the
third floor of the NPGO**



Source: CSB records

Establishing a civil service college

1.9 In her 2017 Policy Address, the Chief Executive of the Hong Kong Special Administrative Region proposed to establish a new civil service college with upgraded training facilities so as to further enhance training for civil servants in the areas of leadership development, interaction and communication with the public, innovation, use of technology, etc. The new civil service college should also place emphasis on deepening civil servants' understanding of the development of the People's Republic of China and the relationship between the Central Authorities and the Hong Kong Special Administrative Region, enhancing their awareness of international affairs, as well as promoting exchanges with civil servants in other places, through which knowledge, experience and insights gained from local public service management could be shared. According to the 2018 Policy Address, the new civil service college is expected to be completed in 2026.

Audit review

1.10 In April 2018, the Audit Commission (Audit) commenced a review to examine the training and development work of the CSTDI, focusing on:

- (a) management of training programmes (PART 2);
- (b) initiatives to promote continuous learning (PART 3); and
- (c) other administrative issues (PART 4).

In connection with the review on the use of computer systems for training administration in PART 2 and the administration of training sponsorship in PART 3, Audit examined the records of the Office of the Government Chief Information Officer (OGCIO), the Hong Kong Police Force (HKPF), the Fire Services Department (FSD) and the Correctional Services Department (CSD). Audit has found room for improvement in the above areas and has made a number of recommendations to address the issues.

General response from the Government

1.11 The Secretary for the Civil Service generally agrees with the audit recommendations.

Acknowledgement

1.12 Audit would like to acknowledge with gratitude the assistance and full cooperation of the staff of the CSB, OGCIO, HKPF, FSD and CSD.

PART 2: MANAGEMENT OF TRAINING PROGRAMMES

2.1 This PART examines the CSTDI's work in managing training programmes, focusing on:

- (a) training administration (paras. 2.3 to 2.11);
- (b) management of local training programmes (paras. 2.12 to 2.28); and
- (c) management of national studies and Basic Law training (paras. 2.29 to 2.36).

Training programmes provided by the CSTDI

2.2 The CSTDI focuses on providing training programmes that fulfil the common training needs of civil servants. For 2018-19, it planned to organise training programmes for about 68,000 participants at an estimated expenditure of \$165.8 million. Training programmes organised by the CSTDI can be broadly classified into local and non-local programmes:

- (a) ***Local programmes.*** They cover the training areas of: (i) leadership development; (ii) management; (iii) language; and (iv) national studies and the Basic Law. These training programmes are typically organised in the form of seminars or workshops, and are delivered by in-house or commissioned trainers (Note 3). An analysis of a total of 5,453 classes of local training programmes from 2013 to 2017 by training areas is shown in Table 3; and

Note 3: *In 2017, about 60% of the local programmes were outsourced to course providers at a total cost of some \$27 million.*

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Table 3

Analysis of local training programmes by training areas (2013 to 2017)

Training area	Training output	2013	2014	2015	2016	2017	Percentage change from 2013 to 2017
		(Number)					
Senior leadership development	Classes	56	62	76	78	82	+46 %
	Trainees attended	1,902	1,875	1,967	2,500	2,237	+18 %
National studies	Classes	107	101	110	113	200	+87 %
	Trainees attended	12,316	12,054	14,144	14,308	16,516	+34 %
Management	Classes	373	443	476	502	532	+43 %
	Trainees attended	18,996	21,285	21,437	23,565	23,940	+26 %
Language (Note)	Classes	512	458	422	348	402	−21 %
	Trainees attended	12,997	14,000	13,702	13,750	14,721	+13 %
Overall	Classes	1,048	1,064	1,084	1,041	1,216	+16 %
	Trainees attended	46,211	49,214	51,250	54,123	57,414	+24 %

Source: Audit analysis of CSB records

Note: According to the CSTDI, the number of language classes decreased from 512 in 2013 to 402 in 2017 because: (a) there was a decrease in the number of Putonghua classes as the demand had dropped due to the improved Putonghua proficiency of the younger generation of civil servants; and (b) while the CSTDI had organised more courses on English speaking and Chinese writing in recent years to meet the growing demand for such training from B/Ds, these courses were seminar-type training with a larger class size.

Remarks: The above figures were collated from the CSTDI's Training Information and Administration System (see paras. 2.3 and 2.4(a)) and excluded training programmes provided by the CSB's General Grades Office and Administrative Service Division (see Note to Table 1 in para. 1.6).

- (b) **Non-local programmes.** They mainly comprise: (i) Mainland national studies programmes; (ii) civil service exchange programmes held in the Mainland; and (iii) overseas study programmes. In 2017, the CSTDI

organised 25 classes of Mainland national studies programmes, which were attended by 683 civil servants. Another 34 civil servants (Note 4) participated in the civil service exchange programmes held in the Mainland and overseas study programmes.

Training administration

2.3 The successful delivery of training events depends on both the contribution of trainers and trainees, and effective and efficient training administration. The CSTDI is assisted by the computerised Training Information and Administration System (TIAS — see para. 2.4(a)) in various training administration functions. According to the CSTDI, the administration of the training process involves the following major stages of work:

- (a) **Planning.** In the fourth quarter of each year, the CSTDI draws up an annual training plan for the following calendar year based on an assessment of training needs, which takes into consideration: (i) Policy Address of the Chief Executive and other central initiatives; (ii) manpower and financial resources available; (iii) training and development requests from B/Ds (including customised training programmes for dedicated B/Ds); and (iv) past enrolment statistics and feedback from participants of central programmes (i.e. those open to all B/Ds). The training plan sets out the target participants, mode of delivery (e.g. workshop or seminar), class size, and schedule of each training programme. The annual plan would be regularly updated taking into account changing circumstances, such as new central initiatives, ad-hoc requests from B/Ds, and latest usage and enrolment situation;
- (b) **Enrolment and placement.** The CSTDI invites nominations from B/Ds on a bi-monthly basis for training courses which are run on a regular basis and about 2 to 3 weeks before enrolment deadline for other courses. For courses with a small class size, the CSTDI requires the B/Ds' Training Managers to set priority in their nominations. Trainees are mainly selected having regard to the priority set by nominating B/Ds, rank/salary point, years of active service, relevancy of the training to the work of the nominees, and class mix. For over-subscribed courses, the CSTDI

Note 4: *The figure excluded overseas study and attachment programmes for Administrative Officers arranged by the Administrative Service Division.*

normally maintains a waiting list (see para. 2.20(b)) and will enrol those on the waiting list if there are withdrawals from the selected participants;

- (c) ***Attendance management.*** On the day of training, participants are required to sign on an attendance register. Registration usually starts 15 minutes before the start of the training session. CSTDI staff will update the trainees' attendance in the TIAS after class. To shorten the admission time for large-scale seminars that involve more than 1,500 trainees (e.g. pre-retirement seminars), numbered tickets are printed and distributed to individual trainees by dispatch service beforehand. Admission to the training venue requires presentation of the ticket. After the training event, CSTDI staff would match the unique tracking reference number on the ticket stubs against the master list of trainees and update their attendance in the TIAS; and
- (d) ***Evaluation.*** To ensure that the training programmes are effective, useful and relevant to the work of the participants, the CSTDI assesses the course effectiveness by collecting feedback from participants using paper-based evaluation forms. The ratings given are then input into the TIAS by CSTDI staff manually. For some programmes, assessment would also be made by pre-course surveys, class observations, focus group meetings or inputs from the course providers. In 2017, 82% of the trainees submitted evaluation forms to the CSTDI and 94% of the responding trainees rated their courses as either "outstanding" or "very effective".

Computer systems for training administration

2.4 The following computer systems are currently used by the CSTDI and some B/Ds for managing and monitoring staff training:

- (a) ***TIAS developed for the CSTDI.*** Launched in 2008, the TIAS is a departmental portal application which supports the CSTDI in various training administration functions, including inviting and processing nominations, training place allocation, attendance status update, training record maintenance and management reporting. Authorised users of B/Ds (e.g. Training Managers) can login to the TIAS to input training nominations and download training records. The TIAS also supports interface with two computerised training management systems installed at

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B/Ds' side (see (b) below) to facilitate electronic transfer of applications/nominations; and

- (b) ***Computerised training management systems installed by some B/Ds.*** There are two departmental training management systems with interface with the TIAS of the CSTDI:
- (i) ***Training Administration System (TAS).*** Launched in 2005, the TAS automates and increases efficiency in the training administration processes at B/D level. B/D staff can view the CSTDI's training course invitations, submit applications together with supervisors' endorsement and obtain their training records in the TAS. B/Ds' Training Managers can endorse, prioritise and submit nominations and compile training statistics. In 2007, the CSB announced a service-wide rollout of the TAS. However, the rollout was subsequently curtailed in light of OGCIO's initiative to develop another system (see (ii) below) in 2010. Currently, there are nine B/Ds using the TAS; and
- (ii) ***Government Human Resources Management Services (GovHRMS).*** The GovHRMS project was initiated by OGCIO and the then Efficiency Unit (Note 5) in 2009 to transform the management of human resources in the Government through the use of common information technology services. In November 2009, a working group comprising representatives from the four early adopter B/Ds of the GovHRMS (i.e. OGCIO, the CSB, the Rating and Valuation Department and the then Efficiency Unit) and the Treasury was formed to examine the business case of the GovHRMS programme. In June 2010, the working group agreed that a programme management office and a governance mechanism would be set up to take forward the development of the GovHRMS, using cloud computing to integrate and automate human resources activities. The Training Management Module (TRM), which is one of the core modules of the GovHRMS, automates the training management workflow and provides improvements including:

Note 5: *The Efficiency Unit was transferred from the Chief Secretary for Administration's Office to the Innovation and Technology Bureau and renamed as the Efficiency Office on 1 April 2018.*

(1) allowing staff in B/Ds to obtain up-to-date training course information and submit applications online; (2) facilitating B/Ds' Training Managers in organising departmental training; and (3) generating training statistical information as required by B/Ds and the CSTDI. After rollout of the GovHRMS to the four early adopter B/Ds from 2014 to 2016, the GovHRMS Programme Steering Committee (Note 6) endorsed in August 2016 the wider rollout of the basic modules to other B/Ds starting from July 2017. According to OGCIO, as at September 2018, one more department had rolled out the TRM. Implementation of the GovHRMS was underway in six B/Ds for system rollout by January 2019. Three other B/Ds also planned to roll out the system within 2019. Engagement with some more B/Ds was in progress.

Need for wider use of technology in training administration

2.5 *Manual processing of training applications/nominations by some B/Ds.* The CSTDI issues invitations to training courses to Training Managers or departmental secretaries of B/Ds for direct dissemination to their staff. While the application and nomination process is automated for 14 B/Ds using the GovHRMS or the TAS, other B/Ds need to consolidate applications from staff and upload nominations to the TIAS (see para. 2.4(a)) after assigning application priority (see para. 2.3(b)). According to the CSTDI, some B/Ds have developed their own computerised systems to facilitate training administration though such systems have no direct interface with the TIAS. However, for those B/Ds without any computerised system for training management, they need to manually collate application details for uploading to the TIAS, which is time and resource consuming, and prone to errors. The CSB needs to explore ways to make better use of technology to enhance the administration of training applications/nominations by B/Ds.

2.6 *Scope for wider use of e-forms to streamline the enrolment process.* For those classes which do not require prioritisation of nominations by B/Ds, applicants may e-mail or fax their completed applications direct to the CSTDI. Prior to 2016,

Note 6: *The GovHRMS Programme Steering Committee, chaired by the Government Chief Information Officer and comprising key senior management representatives from the early adopter B/Ds and the Treasury, provides the overall strategic direction for the implementation of the GovHRMS Programme.*

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CSTDI staff had to manually input details of such applications into the TIAS. As a measure to reduce the time and efforts in processing these applications, the CSTDI has since 2016 introduced an e-form solution whereby the application details are uploaded automatically to the TIAS. However, e-forms are used for some training courses only. In 2017, out of the 610 classes of central programmes (see Table 4 in para. 2.12), only 58 (10%) classes used e-forms for enrolment. The CSB informed Audit in October 2018 that for the remaining 552 classes, 17 classes did not require prioritisation of nominations by B/Ds and could therefore be processed by e-forms. In Audit's view, the CSTDI needs to make wider use of e-forms to streamline the training enrolment process in B/Ds as far as practicable, especially for courses with short application periods such as re-run classes (see para. 2.26) or second round of applications for under-subscribed classes.

2.7 *Manual registration and attendance record updating.* At present, trainees are required to sign on an attendance register for every training session and CSTDI staff conduct manual checking before inputting attendance status of individual trainees into the TIAS. According to the CSTDI: (a) 16 clerical staff were deployed, among other duties assigned to them (Note 7), to man the registration counters and process over 54,000 attendance records created for over 1,000 classes held in 2016; and (b) after a class ended, it took 4 to 8 weeks for checking and updating attendance records in the TIAS. In 2010, some B/Ds expressed concerns about the long time taken to receive the attendance records from the CSTDI. Audit noted that from 2013 to 2017, the CSTDI took on average 2 months (ranging from 1 to 4 months) to make the attendance reports available to B/Ds. When analysing the enrolment and attendance statistics generated from the TIAS, Audit also noted discrepancies due to manual input errors (e.g. duplicated entries).

2.8 *Wider use of technology to improve registration, attendance record-keeping and course evaluation.* With a view to improving operational efficiency and reducing manual efforts on data input, the CSTDI submitted a funding application to OGCI0 in July 2017 for developing an e-registration system which could: (a) generate unique Quick Response Code to trainees for on-site registration; and (b) integrate with the TIAS for automatic updating of attendance records. In September 2018, the CSB

Note 7: *According to the CSTDI, the clerical staff concerned were also required to: (a) provide general office support; (b) handle course administration and nomination logistics; (c) set up training venues; and (d) provide administrative support for learning projects. Manning of registration counters and processing of attendance records only represented a small percentage of their overall duties.*

informed Audit that with OGCIO's funding approval, the CSTDI would commence the project shortly and continue to explore different information technology alternatives to enhance the administration of training service. For example, it planned to launch a pilot scheme to use a cloud-based e-registration service to further enhance registration and attendance management in late 2018. Audit appreciates the CSTDI's efforts to use technology to enhance the operational efficiency of registration and attendance record-keeping. In this connection, the CSTDI should also consider collecting trainees' feedback by electronic means instead of paper-based evaluation forms (see para. 2.3(d)).

Audit recommendations

2.9 Audit has *recommended* that the Secretary for the Civil Service should:

- (a) make wider use of technology to enhance the administration of training applications/nominations by B/Ds, including:**
 - (i) in collaboration with the Government Chief Information Officer, exploring ways to expedite the service-wide implementation of the TRM of the GovHRMS or other computerised systems to automate the training administration functions; and**
 - (ii) facilitating B/Ds with their own computerised systems for training management other than the TAS and GovHRMS to interface their systems with the TIAS;**
- (b) make wider use of e-forms to streamline the training enrolment process in B/Ds; and**
- (c) consider collecting trainees' feedback by electronic means.**

Response from the Government

2.10 The Secretary for the Civil Service generally agrees with the audit recommendations. He has said that:

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- (a) the CSB will continue to encourage B/Ds to use information technology or other electronic means to enhance the management of their training services, and facilitate B/Ds in interfacing their computerised systems for training management with the TIAS, including the GovHRMS, TAS and other departmental human resources systems as necessary; and
- (b) the CSB will continue to make wider use of e-forms or other electronic means to streamline the training enrolment process.

2.11 The Commissioner for Efficiency agrees with the audit recommendations on making wider use of technology to enhance the administration of training applications/nominations by B/Ds.

Management of local training programmes

2.12 From 2013 to 2017, the CSTDI organised an average of 1,090 classes of local training programmes a year, which comprised 669 (61%) classes of central programmes and 421 (39%) classes of customised programmes (see para. 2.3(a)). The overall attendance rate was 90%. The enrolment and attendance statistics for local training programmes from 2013 to 2017 are summarised in Table 4.

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Table 4

**Enrolment and attendance statistics of
local training programmes
(2013 to 2017)**

Type of training programmes	2013	2014	2015	2016	2017
	(Number)				
<i>Central programmes</i>					
Classes	735	738	666	598	610
Nominations received (a)	48,954	51,501	50,954	54,140	51,971
Selected nominees (b)	40,649	43,886	44,328	45,464	43,900
Percentage of unselected nominees (c)=[(a) – (b)]/(a) × 100 %	17.0 %	14.8 %	13.0 %	16.0 %	15.5 %
Attendees (d)	36,052	38,768	38,510	39,555	37,766
Attendance rate (e) = (d)/(b) × 100 %	88.7 %	88.3 %	86.9 %	87.0 %	86.0 %
Withdrawals (f)	2,953	3,254	3,867	3,870	4,263
Withdrawal rate (g)=(f)/(b) × 100 %	7.3 %	7.4 %	8.7 %	8.5 %	9.7 %
Absentees (h)	1,644	1,864	1,951	2,039	1,871
Absence rate (i)=(h)/(b) × 100 %	4.0 %	4.3 %	4.4 %	4.5 %	4.3 %
<i>Customised programmes</i>					
Classes	313	326	418	443	606
Nominations received (j)	10,196	10,462	12,865	14,639	19,791
Selected nominees (k)	10,196	10,457	12,792	14,639	19,789
Attendees (l)	10,159	10,446	12,740	14,568	19,648
Attendance rate (m) = (l)/(k) × 100 %	99.6 %	99.9 %	99.6 %	99.5 %	99.3 %
Withdrawals (n)	3	1	15	28	65
Withdrawal rate (o)=(n)/(k) × 100 %	0.0 %	0.0 %	0.1 %	0.2 %	0.3 %
Absentees (p)	34	10	37	43	76
Absence rate (q)=(p)/(k) × 100 %	0.4 %	0.1 %	0.3 %	0.3 %	0.4 %

Source: Audit analysis of CSB records

Remarks: According to the CSTDI, withdrawal referred to non-attendance with notification irrespective of whether the notification was received before, on the day of or after the class. Absence referred to non-attendance without any notification.

Need to meet the demand for training places of over-subscribed courses

2.13 As shown in Table 4 in paragraph 2.12, the overall percentage of unselected nominees for classes of central programmes ranged from 13% to 17% between 2013 and 2017, indicating that these classes were generally over-subscribed. Over-subscription was rarely found for classes of customised programmes because the class sizes were tailor-made for the requesting B/Ds, with enrolment and attendance coordinated by their Training Managers.

2.14 According to the CSTDI, for over-subscribed seminar-type classes which involve mainly dissemination of principles and guidelines, it may change to a larger venue, subject to availability, to accommodate more eligible trainees. For over-subscribed workshop-type classes (e.g. those involving group discussions, case studies, individual presentations and trainer's feedback) which are not practical to increase the class size without compromising training effectiveness, additional classes may be arranged in the same year (i.e. re-run) or the following year.

2.15 Of the 610 classes of central programmes held in 2017 (see Table 4 in para. 2.12), 346 (57%) were over-subscribed. An analysis of the over-subscription rates for the 346 classes is shown in Table 5.

Table 5

**Analysis of over-subscription rates of 346 classes
of central programmes
(2017)**

Over-subscription rate	Number of classes
< 25 %	134 (39 %)
25 % to < 50 %	59 (17 %)
50 % to < 75 %	36 (10 %)
75 % to < 100 %	34 (10 %)
≥ 100 %	83 (24 %)
Total	346 (100 %)

Source: Audit analysis of CSB records

Remarks: The 346 over-subscribed classes were related to 131 courses as some courses were held more than once in the year.

2.16 Audit examined the measures taken by the CSTDI in meeting the excess demand with reference to the 83 classes with over-subscription rate of 100% or more. These 83 classes were related to 35 courses, comprising 33 with a class size of 40 or less each (hereinafter referred to as workshops for simplicity) and 2 with a class size of 100 or more (hereinafter referred to as seminars). Audit has noted that there is room for improvement in meeting the demand for training places of some over-subscribed courses:

- (a) **Workshops.** The CSTDI held 25 re-runs in 2017 for 14 of the 33 over-subscribed workshops. For the remaining 19 workshops without re-runs in 2017, Audit found that 7 of them were also over-subscribed by 100% or more in 2016 but without increase in the number of scheduled classes of central programmes in 2017. In two extreme cases, there was no increase in the number of scheduled classes for five consecutive years despite persistent over-subscription (see Table 6). Audit understands that there might be practical difficulties (e.g. resources constraints) in arranging additional classes for all over-subscribed courses. However, the CSTDI needs to accord priority to those courses which are persistently over-subscribed or are important for supporting central initiatives. A case

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in point is the workshop on “Replying to complaints” with over-subscription rates increasing from 26% in 2016 to 86% in 2017 and its objective aligns with the 2017 Policy Address to enhance civil service training on interaction and communication with the public (see para. 1.9); and

Table 6

**Number of applications and selected nominees of
two over-subscribed workshops
(2013 to 2017)**

Year	Number of			Over-subscription rate (c) = [(a) – (b)]/(b) × 100%
	classes	applications (a)	selected nominees (b)	
“Workshop on Practical Negotiation Skills”				
2013	6	614	232	165%
2014	6	422	224	88%
2015	6	388	219	77%
2016	6	474	223	113%
2017	6	534	227	135%
“Financial Management Course: Capital Works Expenditure”				
2013	3	200	110	82%
2014	2	104	71	46%
2015	2	132	62	113%
2016	2	190	74	157%
2017	2	171	76	125%

Source: Audit analysis of CSB records

- (b) **Seminars.** Of the two over-subscribed seminars, the CSTDI organised a re-run for one of them in a larger venue. For the other seminar without a re-run, the CSTDI had not arranged video-taping or uploading the course materials on the CLC Plus.

2.17 In response to Audit’s enquiry, the CSB in September and October 2018 said that it had all along been closely monitoring the training demands on different subject areas and would organise more training in those areas with high demand as far as practicable. For example, it would organise more central programmes in regular intervals and customised training classes dedicated for individual B/Ds. Regarding the three over-subscribed courses mentioned in paragraph 2.16(a):

- (a) there was a substantial increase in the number of customised classes (i.e. from 4 classes in 2016 to 12 classes in 2017) for the workshop on “Replying to complaints”, despite that the number of central classes remained the same for 2016 and 2017. The total number of trainees who had attended such classes (including both central and customised) increased from 282 in 2016 to 486 in 2017. E-learning resources on the subject were also available on the CLC Plus. Training needs were addressed through a multi-pronged approach according to the demand of B/Ds; and
- (b) similarly, for the two over-subscribed courses shown in Table 6, there was a substantial increase in the number of customised classes (i.e. from 7 classes in 2016 to 13 classes in 2017 for the “Workshop on Practical Negotiation Skills” and from 1 class in 2016 to 5 classes in 2017 for the “Financial Management Course: Capital Works Expenditure”). The total number of trainees (including both central and customised classes) increased from 399 in 2016 to 572 in 2017 for the “Workshop on Practical Negotiation Skills” and from 167 in 2016 to 320 in 2017 for the “Financial Management Course: Capital Works Expenditure”. In total, the CSTDI organised 45 customised classes on the “Workshop on Practical Negotiation Skills” and 10 customised classes on the “Financial Management Course: Capital Works Expenditure” from 2013 to 2017 to address the training needs of different B/Ds.

Notwithstanding the customised classes, Audit noted that there was persistent over-subscription of these courses under the central programmes, indicating that there was still a need to address the unmet demand over the years. Audit considers that in the event that arranging re-runs of the central programmes is not practicable, the CSTDI needs to consider using the CLC Plus to provide alternative learning opportunities, e.g. video-taping the courses or uploading the course materials for online viewing (after obtaining speakers’ consent or reaching contractual agreements with the course providers) by the unselected nominees.

Need to improve the arrangements for the setting and documentation of target class size of training courses

2.18 According to the CSTDI, the annual training plan sets out the target participants, mode of delivery, class size, and schedule of each training programme (see para. 2.3(a)). Audit examined the annual training plans from 2013 to 2017 of individual training units of the CSTDI and found that the practice of setting target class size varied among different training units. For example, while a target class size was set for each management course organised by the Human Resource Management Advisory Units 1 and 2 in their annual training plans, a target class size was not set for individual language or national studies courses organised by the National Studies and Training Services Units 1 and 2. Instead, an overall target number of trainees was set for each category of courses. For instance, an overall target of 3,000 trainees was set in the 2017 annual plan for all Putonghua courses but the target class size for each Putonghua course was not available. Moreover, the target class size for individual courses (even available as in the case of management courses) was not recorded in the TIAS to facilitate the selection of nominees.

2.19 Given that the target class size for each course was neither readily available in the annual training plans nor the TIAS (see para. 2.18), Audit requested the CSTDI to provide such information in May 2018. In the course of analysing the target class size information provided by the CSTDI in July 2018, Audit found the following issues:

- (a) the target class size of 3-day Putonghua courses commissioned (involving 47 individual classes) to two course providers was 25 trainees per class according to the information provided by the CSTDI in July 2018. Audit however found that the number of trainees stated in both of the service agreements with the course providers was about 30 per class, and the number of attendees for each class ranged from 19 to 39. In response to Audit's enquiry, the CSB in September 2018 said that although the class size stated in the agreements was "about 30 participants", the range of class size should be between 20 and 40 participants depending on the content design of each course instead of 25 participants previously provided to Audit; and
- (b) the target class size of a workshop "Effective Putonghua telephone skills" was 20 trainees per class according to the information provided by the CSTDI in July 2018. Audit found that the number of trainees stated in the

service agreement was 20 to 40, and the number of attendees for each class ranged from 16 to 39. In response to Audit's enquiry, the CSB in September 2018 said that the optimal class size of the workshop should be between 20 and 40, which allowed some flexibility to cater for different training needs. The target class size previously provided to Audit was the lowest optimal class size.

According to the "Step-by-step guide to performance measurement" issued by the then Efficiency Unit in 2000, performance targets should be specific and clearly defined to avoid problem of misinterpretation. In Audit's view, the CSTDI needs to improve the arrangements for the setting and documentation of the target class size for better management of training resources.

Need to fully utilise training places

2.20 Given that CSTDI training courses are popular in general, it is important to fully utilise the available training places. As shown in Table 4 in paragraph 2.12, the withdrawal rate averaged about 7% to 10%, and the absence rate averaged around 4% for central programmes from 2013 to 2017. According to the CSTDI, the following measures have been put in place to minimise wastage of training places due to absences or withdrawals:

- (a) **Buffer arrangement.** When allocating training places for over-subscribed classes, the CSTDI would select more trainees than the target class size as a buffer for drop-outs (i.e. withdrawals and absences) where practicable. The target class size, range of buffer and/or the actual class size depend on a number of factors, including: (i) nature and design of the course; (ii) actual number of enrolment; (iii) seating capacity of the training venue; (iv) whether re-runs could be arranged; and (v) the estimated number of trainees as stated in service agreements with course providers; and
- (b) **Waiting list.** In general, the CSTDI issues notifications to selected nominees to confirm their places at least 2 weeks before a class commences. Selected nominees are advised to notify the CSTDI if they cannot attend the class, normally by 1 week before the class date. The CSTDI maintains a waiting list so that unselected nominees will be enrolled to fill the training places upon receipt of withdrawal notifications.

2.21 *Need to make better use of the buffer arrangement to fully utilise training places.* As a test check on the effectiveness of the buffer arrangement, Audit analysed the number of selected nominees of the 346 over-subscribed classes in 2017 (see para. 2.15). As it is important to fully utilise the available training places for over-subscribed classes, when the target class size provided by the CSTDI was in a range (e.g. 25 to 35 per class), the upper limit of the range (i.e. 35) was used for comparing with the number of selected nominees in the analysis. Audit found that for 25 (7%) over-subscribed classes, the number of selected nominees fell short of their respective target class sizes by 1% to 14% (averaging 6%). For example, for a 1-day course on “Better spoken English for frontline staff”, the target class size provided by the CSTDI was a range of 25 to 35. In 9 of the 10 over-subscribed classes, the number of selected nominees was less than the maximum class size of 35 by 9% to 14% (averaging 12%), resulting in unused training places. In response to Audit’s enquiry, the CSB in September 2018 said that the course was an oral course with group activities and designed with a target class size of 30 for training effectiveness. However, to allow certain flexibility, the CSTDI accepted a range of 25 to 35 participants. Based on the original target class size of 30 and discounting the number of absentees, the number of unused training places should be 19. In Audit’s view, the available training places should be fully utilised having regard to training quality for achieving cost-effectiveness and fulfilling the training demand for over-subscribed classes. The CSTDI needs to make better use of the buffer arrangement to fully utilise training places.

2.22 *Need to improve utilisation of training places arising from withdrawals.* As shown in Table 4 in paragraph 2.12, the withdrawal rate of central programmes had been on an increasing trend from 7.3% in 2013 to 9.7% in 2017. While the CSTDI informed Audit that the waiting list mechanism was in place (see para. 2.20(b)), the TIAS did not track the change of status of those waitlisted nominees who were subsequently selected to fill training places arising from withdrawals. Audit examined CSTDI records of 10 over-subscribed classes with the actual attendance less than the target class size but no documentary evidence was available showing that the waiting list mechanism had been used in 7 classes (Note 8). For example, the class of “Performance appraisal writing in English” held on 29 November 2017 with a target class size of 30 was significantly over-subscribed with a total of

Note 8: *For one of the remaining three classes, there was evidence of calling waitlisted nominees to fill the training places arising from withdrawals. For the other two classes, the waiting list mechanism could not be used for various reasons such as withdrawals at very short notices or lack of suitable applicants on the waiting list.*

227 nominations received. However, only 32 nominees were selected. Confirmation e-mails were sent on 27 October 2017, advising the selected nominees to inform the CSTDI by 23 November 2017 if they could not attend the workshop. By 23 November 2017, 5 withdrawal notifications were received. While the expected number of attendees of 27 (32 less 5) fell short of the target class size by 3, there was no record to show that these unused training places had been reallocated to waitlisted nominees.

2.23 In response to Audit's enquiry, the CSB in September 2018 said that the 7 classes examined by Audit were courses with high demands and the CSTDI had adopted a series of measures to fully utilise the training places and meet the training demands as far as possible, including: (a) organising more central classes and re-runs; (b) arranging nominees who were not selected to other classes in the same round of invitation or to an additional class held on the same date; (c) re-distributing applicants to under-subscribed classes; and (d) making arrangements with B/Ds to organise customised courses. For example, all unselected nominees in 2 of the 7 classes were arranged to join other classes of the same course. While noting the above measures taken by the CSTDI to meet the training needs, Audit considers that there is still a need to make full use of training places arising from withdrawals as far as practicable, as some waitlisted nominees might not be able to attend classes in alternative time slots provided by the CSTDI.

2.24 Currently, withdrawal notifications from selected nominees are received by e-mail or fax and are processed manually. This may cause delays in inviting waitlisted nominees to take up the unused training places. Before the service-wide implementation of the GovHRMS or other computerised systems for training management (see paras. 2.4(b)(ii) and 2.5) which can automate this process, the CSTDI needs to remind relevant staff to take prompt actions in reallocating unused training places arising from withdrawals.

Need to optimise the use of training places for re-run seminars

2.25 In 2017, the CSTDI arranged re-runs for 8 over-subscribed seminars to meet the excess demand. Audit found that the CSTDI had not invited new applications for the re-runs even when the venues could accommodate more attendees than the excess demand. In the event, there were unused training places in 3 of the 8 re-runs (see Table 7).

Table 7
**Re-run seminars with unused training places
(2017)**

Class	Venue capacity (a)	Number of			
		applications (b)	selected nominees (c)	attendees (d)	unused places (e) = (a) - (c)
“從中國傳統典籍看中國文化 — 第三講”					
Scheduled	140	238	134	121	6
Re-run	140	—	104	78	36
“從中國傳統典籍看中國文化 — 第四講”					
Scheduled	140	280	150	134	—
Re-run	140	—	121	93	19
“從中國傳統典籍看中國文化 — 第五講”					
Scheduled	140	241	150	125	—
Re-run	140	—	90	71	50

Source: Audit analysis of CSB records

2.26 In response to Audit’s enquiry, the CSB in September 2018 said that the 3 re-run seminars were held about 3 to 5 weeks after the original scheduled classes. Due to limited time between the scheduled classes and the re-runs, it was considered not practicable or cost-effective to request B/Ds to submit another round of applications for these re-runs. While noting the CSB’s concern over time constraint, Audit considers that the CSTD I needs to take effective measures to optimise the use of training places for re-run seminars, including inviting new applications. In this connection, there is merit to consider using e-forms (see para. 2.6) for inviting new applications for such re-run seminars to save time and efforts of B/Ds’ Training Managers in coordinating applications.

Audit recommendations

2.27 **Audit has *recommended* that the Secretary for the Civil Service should:**

- (a) step up efforts to meet the demand for training places of over-subscribed courses, including:**
 - (i) arranging additional classes especially for courses which are persistently over-subscribed or are important for supporting central initiatives; and**
 - (ii) making use of the CLC Plus to provide alternative learning opportunities for unselected nominees where feasible, such as video-taping the courses or uploading the course materials for online viewing;**
- (b) improve the arrangements for the setting and documentation of target class size of training courses;**
- (c) make better use of the buffer arrangement to fully utilise training places;**
- (d) remind relevant staff to take prompt actions in reallocating unused training places arising from withdrawals of trainees; and**
- (e) take effective measures to optimise the use of training places for re-run seminars, including inviting new applications using e-forms.**

Response from the Government

2.28 The Secretary for the Civil Service generally agrees with the audit recommendations. He has said that:

- (a) the CSB will continue to monitor the training demand for different courses and strive to arrange additional classes for those with high demand subject to availability of resources. Civil servants will also be encouraged to use**

Management of training programmes

on-line learning resources in the CLC Plus as an alternative training platform; and

- (b) during the administration of training programmes, the CSB will try to accept as many participants as possible while ensuring that the training quality would not be compromised. For example, for the 47 3-day Putonghua classes held in 2017 (see para. 2.19(a)), the average number of attendees selected per class was 35, which was about 17% higher than the class size of about 30 participants per class as set out in the service agreements with the course providers.

Management of national studies and Basic Law training

2.29 *National studies training.* According to the Chief Executive's 2010-11 Policy Address, the CSB would enhance training and organise more exchange activities for civil servants to deepen their understanding of national development and affairs. In April 2011, the CSTDI launched an enhanced training plan on national studies. Under the enhanced training plan, the CSTDI would: (a) increase the number of training places of Mainland national studies programmes and thematic visits; (b) incorporate a module on national studies in the induction programme for new recruits of degree and professional grades; and (c) organise more in-depth local seminars on various aspects of the latest developments in the Mainland. On e-learning resources, a one-stop learning portal, providing comprehensive and up-to-date information about the Mainland, is available on the CLC Plus for civil servants to pursue national studies at their own pace and in their own time. In 2017, the CSTDI organised 25 classes of Mainland national studies programmes for 683 trainees, and 58 local national studies seminars for around 6,000 trainees. The national studies learning portal recorded around 78,000 page views in the same year.

Difficulties in arranging all middle-level civil servants to attend national studies programmes within six years

2.30 Over the years, the CSB has been encouraging B/Ds to arrange middle and senior-level officers to attend national studies programmes according to the following time schedules:

- (a) *Since 2011.* Directorate officers and officers at Master Pay Scale (MPS) Point 45 to 49 or equivalent have been strongly encouraged to attend

courses held in the Mainland. Directorate officers should attend courses at the Chinese Academy of Governance within 3 years from their promotion to Directorate Pay Scale Point 1 and 3 respectively. For officers at MPS Point 45 to 49 or equivalent, they should attend a course organised by either Tsinghua University or Peking University within 6 years from reaching MPS Point 45 or equivalent; and

- (b) *Since 2018.* Officers at MPS Point 34 to 44 or equivalent (hereinafter referred to as middle-level civil servants) should attend a course organised by Jinan University, Nanjing University or Zhejiang University within 6 years from reaching MPS Point 34 or equivalent.

2.31 According to the CSB's statistics, as at 31 March 2017, there were about 16,000 middle-level civil servants who should attend national studies programmes within 6 years. Up to 2017, about 3,000 middle-level civil servants had attended such programmes. In other words, some 13,000 middle-level civil servants had yet to attend the programmes. According to the CSTDI, the number of civil servants attending such programmes would depend on the number of staff nominated and released by B/Ds. In the past few years, the CSTDI had been increasing the provision of Mainland national studies courses to middle-level civil servants, and in general the number of training places offered was enough to entertain all the nominations received by B/Ds. However, Audit noted that the number of planned training places provided by the three designated universities would only increase from 280 in 2017 to 340 in 2018 and further to 420 in 2019. On this basis, it is unlikely that all middle-level civil servants can attend national studies programmes within 6 years. The CSB needs to review the 6-year time schedule taking into account the feasibility of commissioning more Mainland universities in organising suitable training programmes and the expected number of nominations submitted by B/Ds. In the interim, the CSTDI also needs to work closely with B/Ds in the selection and release of trainees for attending the programmes so that priority would be accorded to those with pressing need for updated knowledge of the national social and economic policies in their work.

Need to make full use of the training places of national studies programmes for middle-level civil servants

2.32 Every year, the CSTDI enters into agreements with the three designated universities setting out the terms and conditions of running the national studies

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programmes for middle-level civil servants. According to the agreements from 2013 to 2017:

- (a) the training cost was charged based on a standard class size of either 30 or 35 trainees, but the agreements allowed a maximum class size of 40 trainees; and
- (b) one university accepted additional trainees above the standard class size without additional fee, while the other two universities charged additional fee on additional trainees on a per-head basis (at a rate lower than the average cost per head calculated using standard class size).

Audit examined the attendance records of the national studies programmes organised by the three universities from 2013 to 2017 and found that on average, 37 (12%) additional trainees could be accommodated based on the maximum number of training places of 320 each year (see Table 8). Given that some 13,000 middle-level civil servants had yet to attend the national studies programmes (see para. 2.31), there is a need for the CSTDI to further promote and encourage B/Ds to nominate more middle-level civil servants to attend such courses in order to make full use of the training places.

Table 8

**Utilisation of training places of
national studies programmes for middle-level civil servants
(2013 to 2017)**

Year	Maximum number of trainees (a)	Actual number of trainees (b)	Unused training places (c) = (a) – (b)
2013	320	253	67
2014	320	303	17
2015	320	297	23
2016	320	284	36
2017	320	278	42
Total	1,600	1,415	185 (averaging 37 a year)

Source: Audit analysis of CSB records

Need to enhance the tracking of Basic Law training for civil servants

2.33 **2008-09 action plan.** Since the promulgation of the Basic Law in the early 1990s, the CSTD has been providing training on Basic Law for civil servants centrally. The CSB regularly reports its work in this regard to the Working Group on Civil Servants under the Basic Law Promotion Steering Committee (Note 9). In line with the Chief Executive's 2007-08 Policy Address on enhancing Basic Law training to form an integral part of training for civil servants, the CSB drew up an action plan to ensure that Basic Law training would be provided in a systematic and well-planned manner with effect from 2008-09:

- (a) ***Three core programmes for civil servants of different levels.*** They included: (i) introductory courses for all new appointees (Note 10); (ii) intermediate courses for all middle-level civil servants to be completed within 7 years; and (iii) advanced courses for all officers at MPS Point 45 to 49 to be completed within 5 years and all directorate officers to be completed within 2 years; and
- (b) ***Thematic seminars and e-learning resources.*** Thematic seminars would be provided to cater for the needs for more in-depth understanding of specific topics of the Basic Law. Basic Law content in the CLC Plus would be enriched and a web-based introductory course on the Basic Law would also be launched.

In December 2007, the CSB decided that instead of making Basic Law training mandatory in nature at that time, officers should be encouraged to take the courses while the CSB should keep in view progress on a regular basis to see if more coercion

Note 9: *The Basic Law Promotion Steering Committee was established in January 1998 to further step up promotional efforts of the Basic Law. The Working Group on Civil Servants, comprising official members from the CSB and the Department of Justice, is responsible for reviewing the strategies, drawing up action plans, monitoring, evaluating and reviewing activities for promotion of the Basic Law among civil servants, and fostering cooperation and exchange of experience within government departments, where appropriate.*

Note 10: *In 2016, the CSB introduced an enhanced Basic Law training plan under which all new civil service appointees, recruited in 2016 recruitment exercises and thereafter, would receive Basic Law training as part of their induction training within 3 years upon joining the civil service.*

Management of training programmes

was necessary. The TIAS (see para. 2.4(a)) would enable the CSB to monitor the progress of Basic Law training among different levels of staff.

2.34 ***Tracking progress on Basic Law training.*** According to the CSTDI, since the implementation of the 2008-09 action plan, it has reiterated the training schedules for middle and senior-level officers in its invitations to B/Ds for nominations of Basic Law training courses. By the end of 2012, about 28,000 civil servants had attended the three core programmes (see para. 2.33(a)). To facilitate B/Ds to keep track of their progress in meeting the training schedules, the CSTDI provided them with records of their middle and senior-level officers who had attended pertinent Basic Law training courses on a regular basis. Similarly, since the launch of the central initiative in 2016 for new appointees to attend Basic Law training within 3 years upon joining the civil service (see Note 10 to para. 2.33(a)), the CSTDI has been providing B/Ds every 6 months with records of their staff who have attended the Basic Law foundation courses. According to CSTDI records, as at May 2018, about 15,000 new recruits had completed such training courses. However, B/Ds have not been required to report on the results of their monitoring. As such, the CSTDI has not been informed of the overall progress of meeting the training schedules (especially the number of officers who have yet to attend the stipulated training courses) and whether any follow-up action is necessary (such as adjusting the number of training courses to meet demand and considering stepping up measures if the progress is unsatisfactory).

Audit recommendations

2.35 **Audit has *recommended* that the Secretary for the Civil Service should:**

- (a) **review the 6-year time schedule for all middle-level civil servants to attend national studies programmes, taking into account the feasibility of commissioning more Mainland universities in organising suitable training programmes and the expected number of nominations submitted by B/Ds;**
- (b) **in the interim, work closely with B/Ds in the selection and release of middle-level civil servants for attending national studies programmes so that priority would be accorded to those with pressing need for updated knowledge of the national social and economic policies in their work;**

- (c) **further promote and encourage B/Ds to nominate more middle-level civil servants to attend the national studies programmes organised by the three designated universities to make full use of the training places; and**
- (d) **require B/Ds to report on the progress of meeting the Basic Law training schedules promulgated in 2008-09 (for middle and senior-level civil servants) and 2016 (for new appointees) and based on which, take necessary follow-up actions accordingly.**

Response from the Government

2.36 The Secretary for the Civil Service generally agrees with the audit recommendations. He has said that:

- (a) in the past few years, the CSTDI has been increasing the provision of Mainland national studies courses to middle-level civil servants and, in general, the number of training places provided is adequate for entertaining all the nominations received from B/Ds. The CSTDI will continue to encourage B/Ds to nominate and release more middle-level civil servants to join these courses, and will correspondingly increase the number of training places offered to meet their training demand; and
- (b) since the promulgation of the Basic Law training schedules in 2008-09, around 70,000 civil servants have attended different classes of Basic Law training. Regarding the initiative introduced in 2016 to provide Basic Law training for all new appointees within 3 years of joining the service, the CSTDI will collate attendee data from B/Ds by September 2019 to assess the effectiveness of this initiative.

PART 3: INITIATIVES TO PROMOTE CONTINUOUS LEARNING

3.1 This PART examines the CSTDI's initiatives in promoting continuous learning in the civil service, focusing on the provision of:

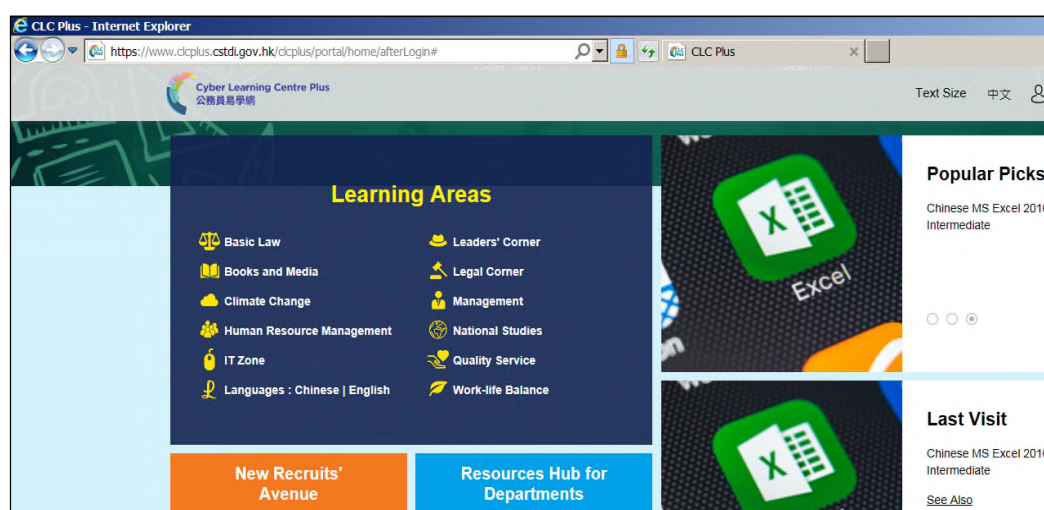
- (a) e-learning resources (paras. 3.2 to 3.21);
- (b) library services (paras. 3.22 to 3.29); and
- (c) training sponsorship (paras. 3.30 to 3.35).

Provision of e-learning resources

3.2 **CLC Plus.** As part of its commitment to promote a culture of continuous learning in the civil service, the CSTDI launched the web-based CLC Plus (see Figure 2 for the CLC Plus homepage — <https://www.clcplus.cstdi.gov.hk>) in September 2002 to provide a range of online training resources for civil servants to learn at their own time and according to their own pace.

Figure 2

The CLC Plus homepage



Source: CLC Plus homepage

3.3 Types of resources. The CLC Plus hosts a wide range of e-learning resources spanning across 14 different content categories (Note 11). Apart from those offered by the CSTDI, other B/Ds may also make use of the CLC Plus to host department-specific training resources for their staff. As of May 2018, 25 B/Ds used the CLC Plus to host their learning materials. The CSTDI also makes use of the CLC Plus to disseminate latest information, such as details of seminars and programmes and booking arrangements of training venues. Table 9 shows the major types of e-learning resources hosted on the CLC Plus as of May 2018.

Table 9
Major types of e-learning resources hosted on the CLC Plus
(May 2018)

Type of e-learning resources	Source of e-learning resources	
	CSTDI	Other B/Ds (including the Official Languages Division of the CSB)
	(Number)	
Learning tips	1,230	5
E-books and publications	893	0
Course reference materials	117	34
Web courses	86	97
Video clips	28	201
Theme-based portals (Note)	14	7
Guidelines and best practices	13	0
Others	3	7
Total	2,384	351

Source: Audit analysis of CSB records

Note: Theme-based portals are purpose-built websites which provide multi-media learning resources, such as videos, web courses, audio clips, e-books and articles on specific subjects.

Note 11: *They are the Basic Law, books and media, climate change, human resource management, information technology zone, languages, leaders' corner, legal corner, management, national studies, new recruits' avenue, quality service, work-life balance and departmental resources.*

Initiatives to promote continuous learning

3.4 ***CLC Plus users.*** All government employees (including civil servants and NCSC staff) are eligible to use the e-learning resources on the CLC Plus through the following two channels:

- (a) ***Internet.*** To access the CLC Plus via the Internet, a government employee needs to register for a CLC Plus account on the website's login page and login his/her account with a password; and
- (b) ***Departmental portal.*** To promote the wider use of the CLC Plus, the CSTDI launched the "Easy Sign-on to CLC Plus" Scheme in 2012. Under the Scheme, access to the CLC Plus is available via the Government Intranet, i.e. the departmental portals of B/Ds, for which no prior registration or Internet connection is required. At present, 57 B/Ds have joined the Scheme.

The CSTDI advises users with both a CLC Plus account and a departmental portal account to link the two accounts if they wish to keep a complete learning history, e.g. their total learning time of a web course regardless of their access channels. The CSTDI also advises users with only a departmental portal account to register a CLC Plus account for accessing a full range of learning resources, including those web resources which are available through the Internet only. Depending on their learning habits and availability of Internet services at the time of learning, users are free to choose accessing the CLC Plus via their CLC Plus accounts or departmental portal accounts. Based on CSTDI computer records, as at 17 May 2018, there were 139,362 user accounts, of which 79,713 (57%) were CLC Plus accounts and 59,649 (43%) were departmental portal accounts.

Areas for improvement on CLC Plus

3.5 From 2014 to 2017, the usage of the CLC Plus as reflected by the numbers of page views and visits to the CLC Plus only showed moderate increases of 1.7% and 2.5% respectively, i.e. from 4,050,000 views to 4,120,000 views and 590,000 visits to 605,000 visits (see item (b) of Table 1 in para. 1.6). Audit examination has revealed the following issues that warrant the CSTDI's attention:

- (a) large number of inactive accounts (paras. 3.6 and 3.7);
- (b) inadequacies in user account management (paras. 3.8 and 3.9); and

- (c) low participation rate of the CLC Plus in some B/Ds (para. 3.10).

3.6 ***Large number of inactive accounts.*** According to CSTD computer records, of the 139,362 user accounts as at 17 May 2018, 14,955 (11%) were not usable, e.g. deleted accounts of resigned civil servants, expired accounts of ex-NCSC staff, locked accounts due to wrong passwords and accounts pending activation/resetting passwords. For the remaining 124,407 usable accounts, Audit examined their last login dates and found that users of 85,788 (69%) accounts had not used the CLC Plus for one year or more (hereinafter referred to as inactive accounts). An analysis of these inactive accounts by their duration of inactivity is shown in Table 10.

Table 10

**Analysis of inactive accounts
(17 May 2018)**

Duration of inactivity	Number of inactive accounts	
1 to <2 years	24,511	(28%)
2 to <3 years	18,143	(21%)
3 to <4 years	15,246	(18%)
4 to <5 years	9,978	(12%)
≥5 years	17,910	(21%)
Total	85,788	(100%)

Source: Audit analysis of CSB records

3.7 ***Need to step up efforts to motivate inactive account users to use the CLC Plus.*** Audit noted that the CSTD had been taking a number of measures to promote the usage of the CLC Plus, including: (a) issuing regular e-mails/e-newsletters to promote various learning resources and activities; (b) hosting CLC Plus briefings for B/Ds; (c) recommending learning resources to trainees participating in CSTD training courses; (d) partnering with B/Ds to promote selected learning resources to specific target groups from time to time; and (e) automatically issuing reminder e-mails through the CLC Plus computer system to users who have not used the CLC Plus for over 6 months. However, one of the above measures

Initiatives to promote continuous learning

(i.e. item (e)) could not reach the departmental portal account users because the CSTDI did not have their e-mail addresses as no prior registration was required for such accounts (see para. 3.4(b)). Of the 85,788 inactive accounts, 41,941 (49%) were departmental portal accounts. There is a need to step up efforts to motivate inactive account users to use the CLC Plus, including enlisting the assistance of relevant B/Ds in this regard for the inactive departmental portal account users.

3.8 ***User account management.*** According to the CSTDI, the following user account management measures are in place to prevent unauthorised access:

- (a) for managing the user accounts of NCSC staff, the CSTDI has set an expiry date for each user account in the CLC Plus computer system such that the accounts would be automatically disabled upon contract expiry;
- (b) as regards civil servants, departmental portal account users would not be able to access the CLC Plus once they leave the service or are transferred out of the departments. For CLC Plus account users, they are required to notify the CSTDI once they cease to be government employees (i.e. resignation or retirement). The CSTDI would remove the accounts upon receipt of the notifications or whenever it has come to the CSTDI's notice that the accounts would no longer be required (e.g. B/Ds with learning resources hosted in the CLC Plus may update the CSTDI when their staff leave the service). Retirees who wish to retain access to the CLC Plus can apply for accounts with restricted access to certain learning resources (e.g. generic content categories such as languages and climate change). For changes of posts/ranks, users are required to update their personal profiles in the CLC Plus. The CSTDI would remind users to update personal profiles through the monthly e-newsletters, or when they register for the online learning activities held throughout the year; and
- (c) for B/Ds with departmental training resources hosted in the CLC Plus, there are in-built functions in the CLC Plus computer system for the B/Ds' Training Managers to approve applications for accessing departmental training resources to ensure that their resources could be accessed by the intended serving officers only.

3.9 ***Inadequacies in user account management.*** In accordance with the relevant information technology security policy and guidelines issued by OGCIO in 2016, all user access rights should be reviewed periodically and revoked after a pre-defined period of inactivity or when no longer required (e.g. upon a staff's termination or change of employment). In view of the large number of inactive CLC Plus user accounts (with some 18,000 accounts having remained inactive for 5 years or more — see Table 10 in para. 3.6), there is a need to review the user access rights of such accounts in accordance with the relevant information technology security policy and guidelines issued by OGCIO. To obtain an understanding of how well the present self-reporting updating arrangements have been working (see para. 3.8(b)), Audit also compared the number of usable user accounts (see para. 3.6) held by civil servants in B/Ds against their establishment. Audit found that the number of user accounts of the Transport and Housing Bureau (i.e. 462) exceeded its establishment (i.e. 207) by 255 or 123%. Given that a government employee can have at most two user accounts (i.e. a CLC Plus account and a departmental portal account — see para. 3.4), the number of user accounts in a B/D in excess of its staff establishment by over 100% suggests that some accounts could have been held by officers who have left the B/D due to resignation, change of post or retirement. In Audit's view, the CSB should in consultation with the Transport and Housing Bureau ascertain the reasons for such excessive number of user accounts in the Transport and Housing Bureau to see if there is a need to step up control against improper access to the CLC Plus.

3.10 ***Low participation rate of the CLC Plus in some B/Ds.*** In analysing CLC Plus user accounts of B/Ds (see para. 3.9), Audit also found that the number of user accounts of 15 B/Ds only accounted for less than 50% (ranging from 13% to 49%) of their establishment. There is a need for the CSTDI in collaboration with relevant B/Ds to find out the reasons for the low participation rate of the CLC Plus with a view to devising effective measures to attract new users.

Measures to facilitate mobile learning

3.11 In light of the high smartphone penetration rate and the emerging trend of mobile learning in recent years, the CSTDI implemented a number of measures to facilitate the use of various e-learning resources through mobile devices, including the following:

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- (a) ***Mobile website.*** In 2011, the CSTDI launched the mobile website of the CLC Plus, which was designed to support the mobile devices' operating systems and screens of the second/third generation mobile phones. With the launch of the new user interface of the CLC Plus in 2018 (see (b) below), the mobile website was retired;
- (b) ***New user interface.*** In December 2015, the CSTDI obtained funding of \$2.7 million for the enhancement of the CLC Plus. The enhancement work mainly included two aspects: (i) optimisation of system infrastructure (e.g. enhancement of server capacity); and (ii) enhancement of the system application. Revamping the CLC Plus with a new user interface was one of the key enhancements of the system application. The new user interface of the CLC Plus was launched on 21 April 2018. With the new user interface, web pages can be automatically adjusted to fit the screen display of different types of computers and mobile devices so as to provide an optimal viewing and interactive experience to support effective mobile learning; and
- (c) ***Mobile application.*** The CSTDI launched its mobile application, namely the "CSTDI App" for two mobile operating systems in March 2014 and March 2015 respectively. The CSTDI App shows details of seminars and courses to be held in the coming two months (see Figure 3(a)) and provides users with bite-size learning resources (see Figure 3(b)).

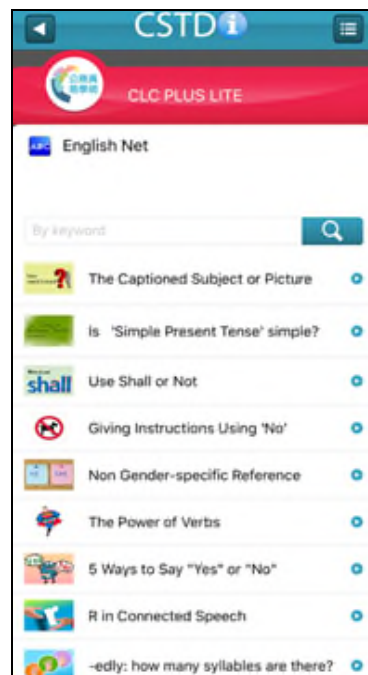
Figure 3(a)

Details of seminars and courses to be held in the coming two months shown on the CSTD App



Figure 3(b)

Bite-size learning resources shown on the CSTD App



Source: CSB records

E-learning resources developed using a legacy software

3.12 *Some e-learning resources not accessible through mobile devices.* As a test check on the accessibility of the e-learning resources on the CLC Plus through mobile devices, Audit tried to access 30 resources with the highest number of page views from January to April 2018 using a tablet computer and a smartphone in July 2018. Audit found that 17 (57%) e-learning resources could not be viewed on both mobile devices because they were developed using a legacy software not supported by major operating systems of mobile devices. There is a need to improve the accessibility of e-learning resources on mobile devices.

3.13 *Migrating/retiring e-learning resources developed using the legacy software.* In April 2017, the CSTD started an internal discussion on the legacy software issue. In July 2017, the vendor of the legacy software announced its plan to

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cease supporting the software at the end of 2020, i.e. stop updating and distributing the software after that time. In December 2017, OGCIO advised B/Ds to:

- (a) retire the relevant contents/applications before the end-of-support of the legacy software if they were no longer required; and
- (b) work out the migration plan (i.e. to migrate to prevailing technology platforms) at the earliest to allow adequate time to replace the aged technologies to avoid unnecessary risk to the web services.

3.14 *Need to expedite actions on migration/retirement of the e-learning resources.* In January 2018, the CSTDI identified 142 e-learning resources on the CLC Plus (including 86 items offered by the CSTDI and 56 items offered by 16 other B/Ds) which had been developed using the legacy software. In September 2018, the CSTDI informed Audit that:

- (a) for the 86 e-learning resources offered by the CSTDI, 12 items were subsequently found not developed using the legacy software. For the remaining 74 items, 28 items had been migrated to prevailing technology platforms and 46 items would be migrated or retired by 2020; and
- (b) for the 56 e-learning resources developed by 16 other B/Ds, the CSTDI requested the B/Ds to provide their migration/retirement schedules between March and May 2018. Up to September 2018, 5 of the 56 e-learning resources had been migrated to prevailing technology platforms or retired. The positions for the remaining 51 resources were as follows:
 - (i) 22 (43%) e-learning resources would be migrated to prevailing technology platforms before June 2020; and
 - (ii) 29 (57%) e-learning resources would be retired before June 2020.

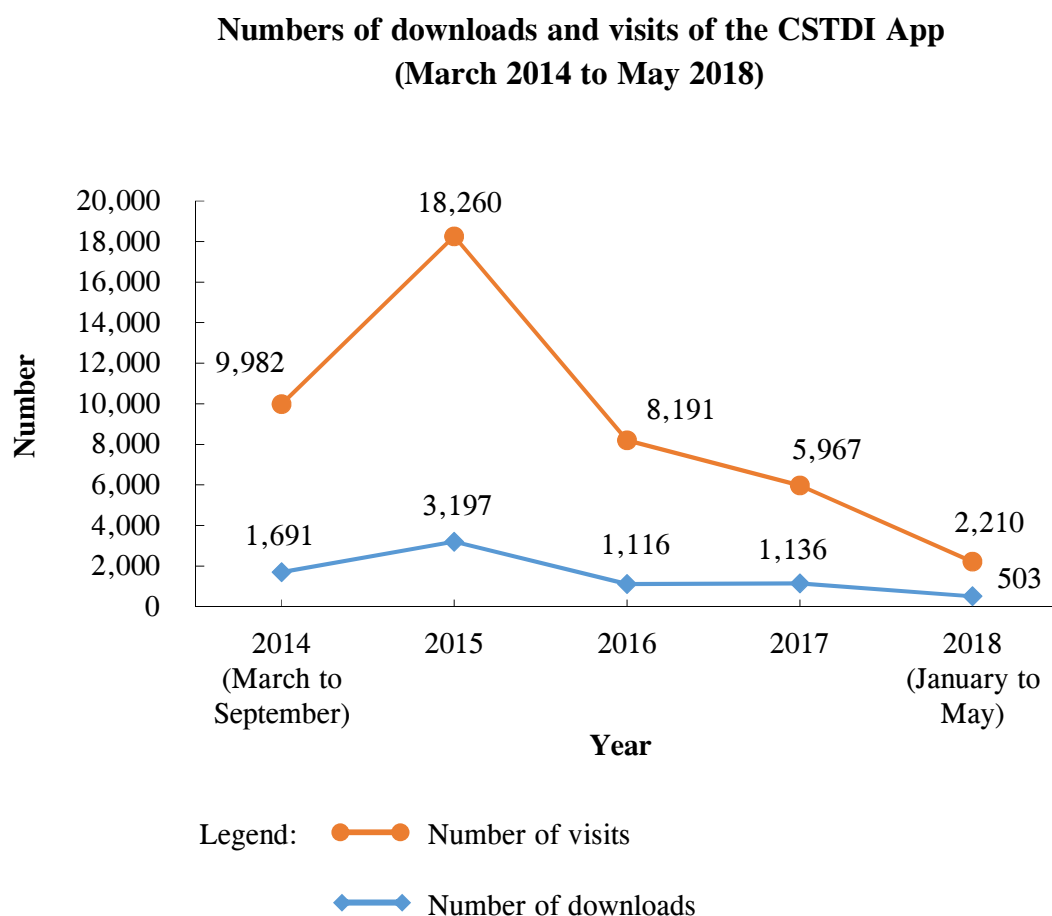
According to OGCIO, some web browser makers may phase out the legacy software earlier than 2020, i.e. restricting the legacy software from running in their browsers. To minimise the disruption of e-learning services to mobile device users, the CSTDI and relevant B/Ds need to expedite actions on the migration/retirement of their e-learning resources.

3.15 Audit also noted that the CSTDI's migration plan did not cover e-learning resources acquired from third party suppliers. There were 32 acquired e-learning resources on information technology (e.g. web courses on personal computer skills) which had been developed using the legacy software. The CSTDI needs to include such e-learning resources in its migration plan.

Decreasing usage of mobile application

3.16 From 2013-14 to 2015-16, the CSTDI outsourced the development, implementation and maintenance of the CSTDI App to contractors with one-off development and enhancement costs (including the first-year maintenance) of \$146,500 and an annual maintenance cost of \$36,000. Audit noted that since the launch of the CSTDI App for two mobile operating systems in March 2014 and March 2015 respectively, there had not been significant enhancements to its functions. Audit examination of the usage statistics of the CSTDI App revealed that both the numbers of downloads and visits were on a decreasing trend since its first launch (see Figure 4).

Figure 4



Source: *Audit analysis of CSB records*

3.17 **2016 review.** In 2015-16, the CSTDI conducted a survey of CLC Plus users on the CSTDI App. According to the survey, 77% of 2,084 respondents had not used the CSTDI App before. The respondents also commented that new functions such as receiving course enrolment notifications and sending reminders before start of course could be added. After an internal review in May 2016, the CSTDI decided that: (a) the CSTDI App should be enhanced to offer more personalised services to users, such as sending targeted notifications and gathering data about users' preference; and (b) the enhancement of the CSTDI App should commence after completion of the CLC Plus enhancement project (see para. 3.11(b)). According to the CSTDI, with the completion of the CLC Plus enhancement enabling web pages to be automatically adjusted to fit the screen of different mobile devices, the CSTDI App could be further enhanced to facilitate users to login to the CLC Plus using mobile devices.

3.18 ***Need to commence the enhancement work of CSTDI App.*** In view of the decreasing usage of the CSTDI App in recent years (see Figure 4 in para. 3.16), the CSTDI needs to take measures to improve its usefulness and user-friendliness. According to the CSTDI's 2016 review (see para. 3.17), the planned enhancement work of the CSTDI App should commence after completion of CLC Plus enhancement project which had nevertheless been deferred from May 2017 to 31 October 2018 due to the complexity of the project. In Audit's view, the CSTDI needs to commence the enhancement work of the CSTDI App as soon as practicable, taking into account users' feedback obtained during the 2015-16 survey and any latest development.

Audit recommendations

3.19 **Audit has *recommended* that the Secretary for the Civil Service should:**

- (a) **step up efforts to promote the usage of the CLC Plus, including:**
 - (i) **enlisting the assistance of relevant B/Ds to motivate their inactive departmental portal account users to use the CLC Plus; and**
 - (ii) **ascertaining the reasons for the low participation rate of the CLC Plus in the 15 B/Ds (mentioned in para. 3.10) with a view to devising effective measures to attract new users;**
- (b) **review the user access rights of the inactive accounts of the CLC Plus in accordance with the relevant information technology security policy and guidelines issued by OGCIO;**
- (c) **in consultation with the Secretary for Transport and Housing, ascertain the reasons for the excessive number of user accounts in the Transport and Housing Bureau to see if there is a need to step up control against improper access to the CLC Plus;**
- (d) **improve the accessibility of e-learning resources on mobile devices by expediting actions on the migration/retirement of e-learning resources developed using the legacy software, especially those not included in the CSTDI's migration plan; and**

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- (e) **commence the enhancement work of the CSTDI App as soon as practicable, taking into account the users' feedback and any latest development.**

Response from the Government

3.20 The Secretary for the Civil Service generally agrees with the audit recommendations. He has said that:

- (a) the CSTDI will strive to have the e-learning resources developed using the legacy software migrated to prevailing technology platforms or retired by June 2020; and
- (b) actions are being taken to enhance the CSTDI App to facilitate user access to the CLC Plus via mobile devices.

3.21 Regarding the excessive number of CLC Plus user accounts of the Transport and Housing Bureau (see paras. 3.9 and 3.19(c)), the Permanent Secretary for Transport and Housing (Transport) has said that:

- (a) the Transport and Housing Bureau is not involved in the process of registration or management of CLC Plus user accounts of individual staff;
- (b) the CLC Plus is managed by the CSTDI; and
- (c) the Transport and Housing Bureau shall render the necessary assistance to the CSB to facilitate their investigation, if required.

Provision of library services

3.22 The LRC (see Photograph 3), located on the third floor of the NPGO, has been established with the mission to support: (a) continuous learning in the civil service; and (b) the work of Training Officers in design and development of training programmes. The LRC provides: (i) basic services including borrowing of books and multi-media learning resources, and on-site use of desktop and tablet computers for online learning and accessing library catalogue; (ii) online library services such as

resource searching, reservation and renewal via the CLC Plus platform; and (iii) other related services (Note 12). As at 31 March 2018, 4,566 items of learning resources were available for loan.

Photograph 3

The LRC



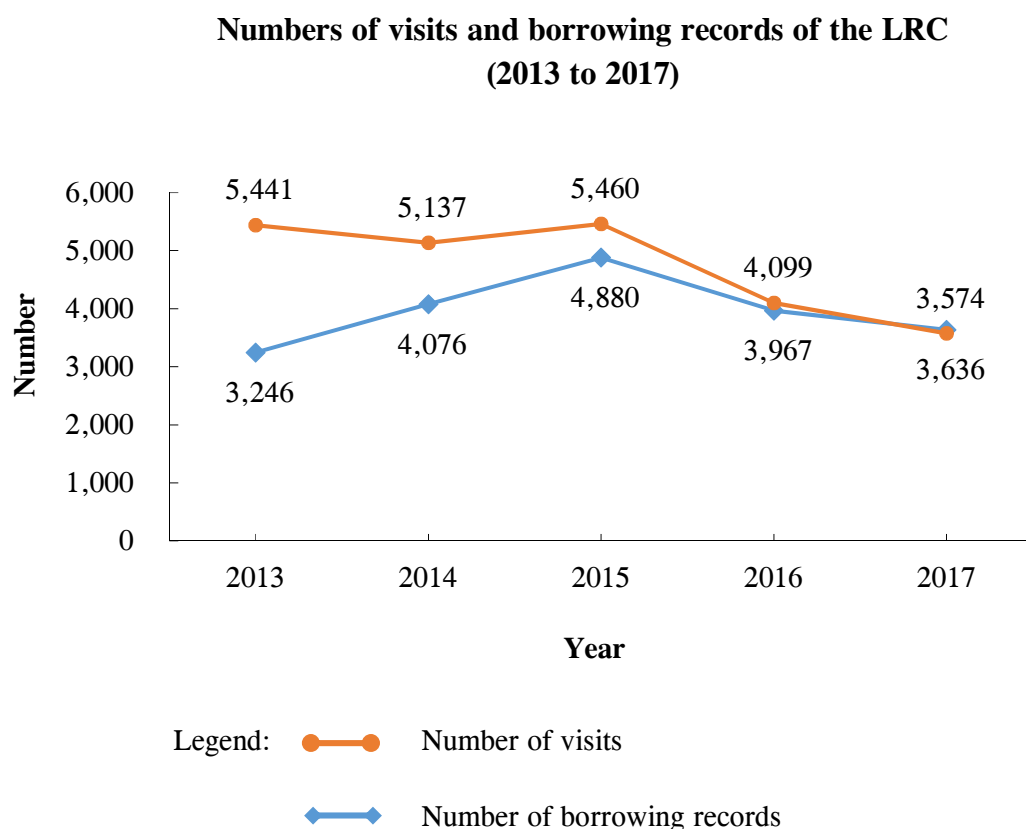
Source: CSB records

Need to improve the usage of the LRC

3.23 *Usage statistics.* Audit analysed the visitor register and borrowing records of the LRC from 2013 to 2017 and noted that after reaching their peaks in 2015, both usage figures were on a decreasing trend in the following two years (see Figure 5).

Note 12: *The LRC also operates a book-cross scheme and organises book exhibitions on different themes. Moreover, it regularly produces e-newsletters that feature titles available at the LRC, and book summaries and e-books offered by the CLC Plus.*

Figure 5



Source: Audit analysis of CSB records

3.24 **Room for improving the LRC services.** In light of the decreasing usage of the LRC in the recent two years, the CSTDI needs to explore ways to attract more users. In this connection, Audit has noted that there is room for improving the provision of the LRC services:

- (a) **Simplifying LRC membership registration procedure.** According to the borrowing rules of the LRC, while all serving government employees can use the facilities of the LRC, borrowing services are only available to those who have registered as members of the CLC Plus. For the effective management of borrowing records and follow-up on overdue cases, a first-time borrower needs to register as an LRC member in person by providing basic information on a membership form. An LRC member can use the online library services (see para. 3.22(ii)) via the CLC Plus platform. As at 31 May 2018, there were 1,159 LRC members. Audit notes that the information to be supplied in the LRC membership form (e.g. the first four digits of Hong Kong identity card number, B/D, rank and

e-mail address) is the same as that required for registering as a CLC Plus user. As such information has been checked at the time of registering as a CLC Plus user, the CSTDI should consider simplifying the LRC membership registration procedure for CLC Plus users; and

- (b) ***Reviewing opening hours of the LRC.*** Currently, the opening hours of the LRC are from 9:15 am to 5:15 pm, Monday to Friday. Based on the CSTDI's records, there were about 25,000 visitors during the period from January 2013 to May 2018. Audit analysis of the visitor register revealed that about 46% of the visitors were trainees of CSTDI training courses. To facilitate trainees visiting the LRC before and after class (which normally starts at 9:00 am and ends at 5:30 pm — Note 13), there is merit to explore the feasibility and usefulness of extending the opening hours of the LRC.

Need to dispose of unserviceable resources in a timely manner

3.25 According to the CSTDI's records, apart from the 4,566 items of learning resources available for loan (see para. 3.22), there were another 2,526 items of obsolete and physically deteriorated learning materials with a total purchase cost of about \$1.4 million being kept in two storerooms pending disposal (see Photograph 4).

Note 13: *Audit noted that in May and June 2018, all 52 full-day training programmes held in CSTDI training venues at the NPGO started at 9:00 am and ended at 5:30 pm.*

Photograph 4

Unserviceable LRC learning resource items pending disposal



*Source: Photograph taken by Audit staff
on 6 August 2018*

3.26 **Disposal arrangement.** According to the CSTDI, a stocktaking exercise was conducted annually on the learning resource items at the LRC in accordance with the Stores and Procurement Regulations (SPRs). In the course of the stocktaking exercise, officers would review the items and identify unserviceable ones, i.e. those unsuitable for use because they were either worn out or obsolete having regard to the latest training development. The unserviceable items would be disposed of subject to the agreement of the departmental disposal committee set up in accordance with the SPRs. During the five years from 2013 to 2017, a total of 4,631 unserviceable items with a total purchase cost of about \$2 million had been disposed of.

3.27 However, Audit noted that there was no record showing when the 2,526 unserviceable resource items (see para. 3.25) had been identified and why they had not been dealt with in previous disposal exercises. In response to Audit's enquiry, the CSTDI in August 2018 said that:

- (a) of the 2,526 unserviceable resource items, 1,501 (59%) items (with a total cost of about \$0.4 million) had been identified in 2016 and the remaining 1,025 (41%) items (with a total cost of about \$1 million) had been identified in 2017; and

- (b) the approval of departmental disposal committee would be sought for disposing of the 1,501 items identified in 2016 first and the remaining by batches, with an aim to have 90% or more of the whole lot of the unserviceable resource items submitted to the departmental disposal committee for approval in 2018-19.

To save storage space and administrative efforts (e.g. annual stocktaking), the CSTDI needs to expedite the disposal of the unserviceable resource items in accordance with the SPRs.

Audit recommendations

3.28 **Audit has *recommended* that the Secretary for the Civil Service should:**

- (a) **improve the services of the LRC with a view to improving its usage by:**
 - (i) **considering simplifying the LRC membership registration procedure for CLC Plus users; and**
 - (ii) **exploring the feasibility and usefulness of extending the opening hours of the LRC; and**
- (b) **expedite the disposal of the unserviceable LRC resource items in accordance with the SPRs.**

Response from the Government

3.29 The Secretary for the Civil Service generally agrees with the audit recommendations.

Provision of training sponsorship

3.30 *Training Sponsorship Scheme for Frontline Staff (TSSF).* In 2005, the CSTDI launched the TSSF which aimed at providing additional training support to frontline staff to pursue continuous learning and to enhance their capacity in meeting

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new challenges at work. The training courses should: (a) be work-related; or (b) help enhance applicants' education up to secondary education level. The staff should take the courses outside working hours. The TSSF was operated on a reimbursement basis and applicants could claim the full amount of the course fee and examination fee, subject to a ceiling of \$6,000. Applicants must submit applications to their respective B/Ds before commencement of the courses.

3.31 ***Training Sponsorship Scheme (TSS).*** Since 2018-19, the CSTDI has enhanced the TSSF and renamed it as TSS. The enhancements include:

- (a) widening the eligible group from officers whose starting salary is on MPS Point 16 and below or equivalent to officers whose salary point is on MPS Point 49 and below or equivalent; and
- (b) raising the sponsorship ceiling amount from \$6,000 to \$10,000.

In 2016-17 and 2017-18, of 1,406 applications received under the TSSF, 1,320 (94%) were approved and training sponsorship of about \$5 million was provided.

Need to improve the management of training sponsorship

3.32 According to the operational guidelines of the TSSF/TSS issued by the CSTDI, as the approving authority for individual sponsorship applications, B/Ds are responsible for vetting applications and processing reimbursement claims of their staff in accordance with the requirements set out in the guidelines (Note 14). They are required to keep records of all applications and submit reports showing the latest position of applications received and cash flow requirements to the CSTDI in accordance with the submission schedule. Upon receipt of the reports, the CSTDI will provide the required funding to the B/Ds for reimbursement to individual applicants. The CSTDI will also prepare a summary report analysing the applications received based on the reports submitted by the B/Ds.

Note 14: *Reimbursement will be made upon production of receipts and evidence of passing the end-of-course examinations or, if no examination is needed, certificates of completion or at least 70% attendance of the course.*

3.33 To ascertain how well the training sponsorship has been administered, Audit selected three B/Ds (i.e. the HKPF, the FSD and the CSD) with the highest number of approved applications in 2016-17 for examination. During 2016-17 and 2017-18, the three selected B/Ds approved a total of 778 applications and rejected 16 applications. Audit test checks of 106 (Note 15) approved applications and all 16 rejected applications of the three B/Ds have identified the following areas for improvement:

- (a) ***Need for guidelines in handling applications with gifts offered to trainees by external training institutions.*** In one approved application of the HKPF in May 2017, the external training institution offered a smartphone as a gift (Note 16) to the applicant for enrolling in a social media graphic design course with a course fee of \$6,980. The applicant was reimbursed \$6,000, i.e. the maximum claimable amount under the TSSF (see para. 3.30) in January 2018. In September 2018, in response to Audit's enquiry, the HKPF said that the applicant had withdrawn the application and returned the reimbursed amount to the Government in September 2018. In another approved application of the FSD, the external training institution offered a \$100 dining gift voucher to the applicant for early enrolment of a course on effective e-mail writing skills with a course fee of \$3,180. The application for reimbursement of the full course fee of \$3,180 was under processing up to August 2018. In September 2018, in response to Audit's enquiry, the FSD said that the applicant concerned had returned the gift voucher to the external training institution concerned in September 2018. Audit notes that for other publicly-funded training schemes, such as the Continuing Education Fund (Note 17), participating training course providers are advised not to offer gifts or other financial inducements to applicants of the Fund. As there are no specified participating training course providers for the TSSF/TSS, the CSTD needs to lay down guidelines for B/Ds to ensure the proper handling of applications with gifts offered by external training institutions;

Note 15: *Audit initially selected 100 approved applications for test checks and in light of the audit findings examined 6 more applications of similar nature.*

Note 16: *Audit research found that the smartphone was a new model launched in May 2017 with a suggested retail price of \$5,698.*

Note 17: *The Fund is administered by the Working Family and Student Financial Assistance Agency of the Labour and Welfare Bureau for Hong Kong residents with aspirations to pursue continuing education and training courses.*

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(b) *Need to improve the documentation on how the approved courses are work-related.* Among the applications examined, Audit noted that:

- (i) the HKPF had approved 4 applications for attending pre-service courses for public-light-bus drivers. According to the Transport Department, the course aimed at improving the driving attitude of new public-light-bus drivers and hence the safety and quality of public-light-bus service, before the issue of relevant driving licence. There was no documentation on how the approved training course was related to the work of the applicants; and
- (ii) the HKPF had approved 6 applications for attending bus-driving courses (5 of the applicants were the HKPF's transport team officers and the remaining one was a patrol team officer) but rejected 3 applications for attending similar bus-driving courses (all applicants were patrol team officers). There was no documentation on the basis of approving some applications but rejecting others.

In September 2018, in response to Audit's enquiry, the HKPF said that police officers who were required to perform driving duties would benefit from attending the pre-service courses for public-light-bus drivers for enhancing the quality and diversity of their driving skills as they might have to drive a public vehicle in case of emergency. As regards the bus-driving courses, the approved application for a patrol team officer was processed in 2016-17. Due to the increase in number of applications for such courses in 2017-18, the HKPF only approved those lodged by officers of the transport team and rejected those of the patrol team. Moreover, there was no guideline requiring B/Ds to document how the approved courses were work-related. In Audit's view, the CSTDI needs to remind B/Ds to improve the documentation on how the approved courses are work-related (especially when special consideration has been taken into account); and

(c) *Need to comply with the application requirements.* In 3 approved applications, the applicants submitted their applications 5 to 33 days after the courses had started (i.e. delays of 18 and 33 days for two HKPF-related cases and a delay of 5 days for one CSD-related case), contrary to the application requirements (see para. 3.30). The CSTDI needs to remind B/Ds to check the applications' compliance with the laid-down requirements before granting approval.

Audit recommendations

3.34 **Audit has *recommended* that the Secretary for the Civil Service should:**

- (a) **lay down guidelines for B/Ds in handling TSS applications with gifts offered to trainees by external training institutions to ensure proper use of the financial sponsorship solely for training purpose; and**
- (b) **remind B/Ds to:**
 - (i) **improve the documentation on how the approved training courses are work-related; and**
 - (ii) **check TSS applications' compliance with the laid-down requirements before granting approval.**

Response from the Government

3.35 The Secretary for the Civil Service generally agrees with the audit recommendations. He has said that according to the TSSF guidelines issued by the CSTDI to B/Ds, as the approving authority for individual sponsorship applications, the respective B/Ds are responsible for vetting applications and processing reimbursement claims of their staff in accordance with the requirements set out in the guidelines. The TSSF guidelines stipulate that the financial assistance provided to staff under the TSSF should cover tuition and examination fees of courses only, and other expenses (such as registration fees or textbook costs) are not reimbursable. Adopting this principle, if the courses include the provision of gifts, the financial assistance provided under the TSSF should not be used for gift items. The CSB will revise the guidelines to make this clear to B/Ds.

PART 4: OTHER ADMINISTRATIVE ISSUES

4.1 This PART examines other administrative issues relating to the training and development work of the CSTDI, focusing on:

- (a) management of training venues and ancillary facilities (paras. 4.2 to 4.15);
and
- (b) reporting of performance information (paras. 4.16 to 4.22).

Management of training venues and ancillary facilities

4.2 *Training venues of the CSTDI.* CSTDI training venues are designed to cater for different training settings, such as group-based workshops or seminars. They are fully equipped with audio-visual equipment and provided with both wired and wireless Internet access. Details of CSTDI training venues are shown in Table 11. Apart from running its training programmes, the CSTDI uses its training venues for meetings, receptions of delegations and other events. The CSTDI also opens up these venues (except the syndicate rooms) for other B/Ds' use by reservation three months in advance subject to availability. The training venues are available from 9:00 am to 5:30 pm, Monday to Friday. There are two time slots available for booking each day, i.e. morning and afternoon sessions. Guidelines for booking and use of the training venues are promulgated on a web page of the CLC Plus.

Table 11

**Training venues of the CSTDI
(30 June 2018)**

Type of training venues	Number	Purpose	Maximum seating capacity	Size (square metre)	Available for booking by other B/Ds
Auditorium	1	Seminar	140	210	✓
Executive classroom	2	Group-based training	30 and 36	112 and 182	✓
Lecture room	3	Seminar	40 and 41	68 to 193	✓
Classroom	11	Group-based training	24 to 36	52 to 155	✓
Computer room (Note 1)	1	Computer training	28	92	✓
Syndicate room (Note 2)	5	Small-group activity	6 to 8	Not available	✗

Source: CSB records

Note 1: The computer room was managed by the Information Technology Management Unit (see Appendix A).

Note 2: The five syndicate rooms were mainly used in conjunction with the executive classrooms for small-group activities during a training programme.

Utilisation of training venues

4.3 ***Monitoring of venue utilisation.*** The CSTDI is assisted by a web-based Shared Online Reservation System (SORS) (developed by OGCI — see para. 4.8) in managing its training venues and ancillary facilities. The system can generate different management reports such as monthly utilisation by room type, summary of cancellation and non-occupancy statistics. On a monthly basis, the Divisional Administration Unit of the CSTDI (see Appendix A) consolidates information in these reports for management review.

Other administrative issues

4.4 Based on the management reports of the SORS, the utilisation rates (Note 18) of various types of training venues of the CSTDI from January 2013 to May 2018 are summarised in Table 12.

Table 12

**Utilisation rates of CSTDI training venues
(January 2013 to May 2018)**

Type of training venues	Utilisation rate					
	2013	2014	2015	2016	2017	2018 (Jan to May)
Auditorium	78.0%	58.4%	62.6%	42.5%	45.5%	44.9%
Executive classroom	74.9%	57.9%	60.7%	55.0%	58.5%	62.6%
Lecture room	67.1%	59.6%	59.8%	42.4%	58.5%	53.5%
Classroom	68.6%	72.8%	68.2%	70.8%	73.1%	77.2%
Computer room	25.1%	42.3%	19.6%	60.9%	35.8%	86.6%
Syndicate room	72.7%	65.6%	59.1%	52.8%	62.9%	73.0%

Source: Audit analysis of CSB records

Areas for improvement in booking arrangements

4.5 As can be seen from Table 12 in paragraph 4.4, while the utilisation rates for most of the training venues were generally above 50%, those for the auditorium and the computer room were relatively lower. Audit examination of the booking arrangements revealed the following issues which could not optimise the utilisation of the training venues:

- (a) bookings cancelled at short notices (paras. 4.6 and 4.7);

Note 18: *Utilisation rate was calculated by dividing the number of booked time slots by the number of available time slots.*

- (b) manual system of booking by other B/Ds (paras. 4.8 and 4.9); and
- (c) unused bookings not reported (para. 4.10).

Bookings cancelled at short notices

4.6 ***Advanced bookings and subsequent cancellations.*** To coordinate the use of training venues, training units of the CSTDI and the General Grades Office hold bi-monthly meetings to discuss their venue requirements 12 to 13 months in advance (e.g. the allocation of training venues for December 2017 and January 2018 was discussed at a meeting of December 2016). After agreeing on the allocation, the respective training units of the CSTDI and the General Grades Office can login to the SORS to book their required training venues 11 months in advance (e.g. the reservation of training venues for December 2017 was made in January 2017). Audit found in a test check that most of the available time slots of the training venues (which are managed by the CSTDI and opened up for other B/Ds' use — see Table 11 in para. 4.2) had been reserved through the advance booking arrangement. For example, 546 (90%) of 608 available time slots of the training venues for December 2017 had been reserved by different training units of the CSTDI and the General Grades Office. However, according to the records of the SORS, a total of 3,105 (i.e. 35% of a total of 8,830) bookings of the training venues made by different training units of the CSTDI and the General Grades Office for the period from January 2017 to March 2018 were subsequently cancelled.

4.7 ***Need to minimise cancellation of venue bookings at short notices.*** Audit analysed the 3,105 cancelled bookings by their notice periods and found that the notices given for 1,077 (35%) cancelled bookings were less than 15 days. Audit further analysed the utilisation of the released time slots of these 1,077 cancelled bookings and found that the released time slots for only 141 (13%) cancelled bookings were subsequently taken up by other users. By comparison, Audit found that better utilisation of the released time slots could be achieved by giving earlier notices of cancellation, i.e. of the released time slots for the 896 cancelled bookings with notice periods between 15 to 30 days, 225 (25%) were used by other users. This was further increased to 397 (46%) for the 872 cancelled bookings with notice periods between 31 to 90 days, and 150 (58%) for the 260 cancelled bookings with notice periods longer than 90 days (see Table 13). There is a need to remind the training units of the CSTDI and the General Grades Office to minimise cancellation of venue bookings at short notices.

Table 13

**Analysis of utilisation of released time slots
arising from cancelled bookings by their notice periods
(January 2017 to March 2018)**

Notice period of cancelled bookings	Number of cancellations	Cancellations with released time slots utilised	
	(a)	Number (b)	Percentage (c) = (b)/(a) × 100%
< 15 days	1,077 (35%)	141	13%
15 to 30 days	896 (29%)	225	25%
31 to 90 days	872 (28%)	397	46%
> 90 days	260 (8%)	150	58%
Overall	3,105 (100%)	913	29%

Source: Audit analysis of CSB records

Manual system of booking by other B/Ds

4.8 **SORS.** In 2009, OGCIO obtained funding of \$2.9 million to develop the SORS for use by B/Ds which did not have meeting room booking systems or would like to share the use of their meeting rooms and facilities with other B/Ds. Ten potential users including the CSTDI (which could benefit from the SORS in automating the processing of enquiry, reservation, approval and reservation cancellation of their meeting rooms and facilities) were identified. In the event, the CSTDI was the only user when the SORS was rolled out in 2010. In 2014, the SORS was transferred to the CSTDI which also took over the system maintenance responsibility from OGCIO. However, the CSTDI has only made use of the SORS to automate the booking by its internal users and the users of the General Grades Office. Other B/Ds are still required to follow a set of manual booking procedures, as follows:

- (a) the B/D concerned is required to call the CSTDI to check the availability of the venue;

- (b) if the venue is available, the B/D is requested to complete and submit a booking form within three working days to the CSTDI by fax or e-mail;
- (c) upon the receipt of the booking form from the B/D, the CSTDI inputs the reservation details into the SORS and sends a confirmation reply e-mail to the B/D to confirm the booking; and
- (d) any cancellation should be made at least two weeks in advance in writing to the CSTDI by fax or e-mail.

4.9 *Need to streamline manual venue booking procedures.* Audit analysis of the utilisation of the training venues by users indicated that some facilities were regularly used by other B/Ds, e.g. of the 44.9% utilisation rate of the auditorium from January to May 2018 (see Table 12 in para. 4.4), other B/Ds constituted 12.1% while the CSB constituted 32.8%. To allow more efficient and user-friendly booking of CSTDI training venues by other B/Ds, there is a need to streamline the manual venue booking procedures, such as making better use of the SORS to provide updated information to other B/Ds about venue availability.

Unused bookings not reported

4.10 *Need to tighten monitoring of prolonged booking of training venues.* As shown in Table 12 in paragraph 4.4, there was a sharp increase in the utilisation rate of the computer room from 35.8% in 2017 to 86.6% during the five months from January to May 2018. According to CSTDI booking records, the computer room was reserved by the General Grades Office from February 2018 to April 2019 (i.e. 15 months) for conducting recruitment tests on computer skills every day. However, Audit's site visits to the computer room on 35 working days in June and July 2018 revealed that it had not been used for a total of 26 (74%) working days. Moreover, there was no cancellation of the bookings for these 26 working days and CSTDI records still registered a 100% utilisation rate of the computer room for both June and July 2018. In Audit's view, there is a need to tighten monitoring of any prolonged booking of CSTDI training venues to ensure that these venues are put into effective use and any unused time slots will be released in a timely manner for reallocation.

Utilisation of ancillary facilities

4.11 ***Ancillary facilities of the CSTDI.*** Apart from training venues, the CSTDI has two multi-function areas (MFAs — i.e. MFA 1 and MFA 2 as shown in Appendix B). According to the CSTDI, the MFA 1 (see Photograph 5) is an open area with Internet booths, relaxing sofas and vending machines for receiving and welcoming trainees and visitors to the CSTDI. It is used by trainees and visitors for short-breaks and informal exchanges between classes, and photo-taking of graduation and other presentation ceremonies. Owing to the limited space of the CSTDI's classrooms, the CSTDI would also make use of the open space of the MFA 1 for group discussions and activity-based training sessions of classes. Likewise, the MFA 2 (see Photograph 6) is designed for similar activities for reception and receiving visitors and guest speakers. Moreover, it can be combined with the adjacent classroom (see Appendix B) to form a larger area for classroom activities. Both MFAs are ancillary facilities to support classroom training and not available for booking by other B/Ds.

Photograph 5

**The MFA 1 located on the
third floor of the NPGO**



Source: Photograph taken by Audit staff on 2 October 2018

Photograph 6

The MFA 2 located on the third floor of the NPGO



Source: Photograph taken by Audit staff on 10 May 2018

4.12 **Room for improving utilisation of MFA 2.** Based on the management reports of the SORS, the utilisation rates of the two MFAs of the CSTD from January 2013 to May 2018 are summarised in Table 14.

Table 14

**Utilisation rates of the MFAs
(January 2013 to May 2018)**

Venue	Utilisation rate					
	2013	2014	2015	2016	2017	2018 (Jan to May)
MFA 1	18.4%	4.9%	5.5%	3.4%	4.5%	3.0%
MFA 2	26.3%	59.6%	38.4%	25.2%	30.4%	23.3%

Source: CSB records

4.13 *Need to improve utilisation of MFA 2.* While the MFA 1 is an open space (see para. 4.11), the MFA 2 is a self-contained room which can be combined with the adjacent classroom to form a larger area for classroom activities. Audit considers that the CSTDI needs to explore ways to improve the utilisation of the MFA 2, such as opening it up for reservation and use by other B/Ds.

Audit recommendations

4.14 *Audit has recommended that the Secretary for the Civil Service should make greater efforts to optimise the utilisation of CSTDI training venues and ancillary facilities, including:*

- (a) **reminding the training units of the CSTDI and the General Grades Office to minimise cancellation of their bookings of the training venues at short notices;**
- (b) **streamlining the manual venue booking procedures such as making better use of the SORS to provide updated information to other B/Ds about venue availability;**
- (c) **tightening monitoring of any prolonged booking of the training venues to ensure that these venues are put into effective use and any unused time slots will be released in a timely manner for reallocation; and**
- (d) **exploring ways to improve the utilisation of the MFA 2.**

Response from the Government

4.15 The Secretary for the Civil Service generally agrees with the audit recommendations. He has said that:

- (a) the computer room has a purpose-built setting for computer training only and it is difficult to use the room for other types of classroom training. The CSB plans to remodel the room so that its internal settings could be flexibly adjusted to cater for different types of training; and

- (b) while the MFA 2 is a self-contained room, its entrance is a glass door, the room is not sound-proof, and its layout is quite narrow. It is difficult to use the MFA 2 for normal classroom training given its physical constraints. However, it can be combined with the adjacent classroom to form a larger area for certain classroom activities. The CSB will explore ways to improve the utilisation of the MFA 2.

Reporting of performance information

4.16 *Performance targets.* According to CSB Circular No. 7/2009 on performance pledges in the civil service, performance pledges, if reviewed and updated regularly, help B/Ds to monitor their performances in service delivery and to enhance such performances where practicable. While the CSTD I only provides services to internal customers, it has set six performance pledges on its training and development and quality of services (see Table 2 in para. 1.7), and reported the actual results on the CSB's website. The CSB has implemented a three-tier monitoring mechanism, comprising: (a) day-to-day continuous tracking of service levels of the performance targets; (b) a mid-term review; and (c) a comprehensive biennial review (i.e. every two years) to monitor performance. According to the biennial review conducted in 2017, the CSTD I achieved its performance pledges in the last two years and did not propose any revision to the existing performance pledges and/or the corresponding time targets.

4.17 *Performance indicators.* The CSB has set key performance indicators on the training and development work of the CSTD I in its CORs, covering service outputs of classroom training, e-learning programmes and other services such as advice and consultancies (see Table 1 in para. 1.6). The Divisional Administration Unit of the CSTD I is responsible for consolidating inputs from various training units of the CSTD I, the General Grades Office and the Administrative Service Division (see Note to Table 1 in para. 1.6) for compiling performance reports in the CSB's CORs.

Need to review the target levels of some performance targets

4.18 According to CSB Circular No. 7/2009, performance targets should be challenging enough to drive continuous improvement, while being realistic and achievable, and persistent over-achievements may provide a basis for B/Ds to review

the pledges and raise the standards. In this connection, Audit has noted that the reported performance for four of the CSTDI's six performance pledges (see items (a), (b), (e) and (f) of Table 2 in para. 1.7) was persistently above the target levels from 2014-15 to 2016-17, as follows:

- (a) ***Submitting service proposals.*** The CSTDI has set time targets for submitting service proposals to B/Ds, i.e. 4 weeks for customised training services and 8 weeks for consultancy services or Human Resources Development studies. Based on an examination of 410 service proposals submitted during the three years from 2014-15 to 2016-17, the actual time taken from receipt of a request to submission of a proposal only averaged 2.9 days (as against the target of 4 weeks) for customised training services, and 4.7 days (as against the target of 8 weeks) for consultancy services or Human Resources Development studies; and
- (b) ***Evaluating service quality.*** The CSTDI has set a service target for 80% of the courses/programmes attaining "very effective" or "outstanding" rating on a 5-point scale by 80% of the trainees. A similar service target has also been set for consultancy services/Human Resources Development studies with 80% of the client departments rating "very satisfied" or "completely satisfied" with the services on a 5-point scale. For both service targets, the actual achievement ranged from 95.5% to 99.5% for the period from 2014-15 to 2016-17, i.e. exceeding the service target of 80%.

In Audit's view, the CSTDI should review the need to raise the service/time targets of the four performance pledges to ensure that they remain useful in motivating continuous improvement.

Need to improve the accuracy of reported performance

4.19 The usefulness of performance information depends on its reliability and validity. To assess the reliability of the performance information reported by the CSTDI, Audit examined the supporting records provided by the CSTDI and found that the actual results of three of the four types of performance indicators reported in the CORs for 2016 and 2017 were less than those shown in the supporting records by 1% to 19% (see Table 15). In Audit's view, there is a need to ascertain the reasons for the discrepancies in the reported performance of the CSTDI for 2016 and 2017 with a view to improving the accuracy in reporting performance information in future.

Table 15

**Discrepancies between CSTD I performance indicators reported
in the CORs and the supporting records
(2016 and 2017)**

Performance indicator	2016			2017		
	Reported in the CORs (a)	Based on supporting records (b)	Discrepancies (c) = [(a) – (b)] / (b) × 100%	Reported in the CORs (d)	Based on supporting records (e)	Discrepancies (f) = [(d) – (e)] / (e) × 100%
(A) Classroom training (Note)						
Trainees	50,677	54,869	-8 %	52,338	58,131	-10 %
Trainee-days	58,142	58,755	-1 %	54,484	62,612	-13 %
(B) E-learning programmes						
Learning resources	2,330	2,371	-2 %	2,400	2,520	-5 %
Page views	4,101,000	5,085,560	-19 %	4,120,000	4,739,679	-13 %
Visits to the CLC Plus	600,000	644,874	-7 %	605,000	612,899	-1 %
(C) Departmental services						
Consultancies conducted	270	275	-2 %	270	284	-5 %
Advice rendered to departments	1,400	1,721	-19 %	1,400	1,560	-10 %

Source: Audit analysis of CSB records

Note: Audit only examined the records of classroom training provided by the CSTD I but not those provided by the General Grades Office and the Administrative Service Division which were outside the scope of this review.

Need to clearly define services to be covered by a performance target

4.20 The CSTDI reported on the CSB website that its service target for issuing notifications to B/Ds to confirm placement 2 weeks before commencement of courses (see item (d) of Table 2 in para. 1.7) was 100% met in 2016-17. However, based on a sample check of 30 classes, Audit found that for 5 (17%) classes, notifications had only been issued less than 14 days before commencement of the classes, suggesting that the actual achievement of the target was less than the reported 100%. In September 2018, in response to Audit's enquiry, the CSTDI said that:

- (a) the service target for issuing notifications to B/Ds was for regular training programmes, including the CSTDI's year-start, mid-year and bi-monthly calls for nominations, Basic Law Foundation Courses and regular Advanced Management Workshops for senior staff. The CSTDI pledged to issue notifications to B/Ds to confirm placement 2 weeks before commencement of courses; and
- (b) the five classes identified by Audit were all non-regular courses and therefore should be excluded from calculation of the actual results of the performance target.

In Audit's view, the CSTDI should clearly define services to be covered by the performance target to improve the clarity of the expected level of services (see para. 2.19).

Audit recommendations

4.21 **Audit has *recommended* that the Secretary for the Civil Service should:**

- (a) **review the need to raise the service/time targets of the four performance pledges with persistent over-achievement to ensure that they remain useful in motivating continuous improvement;**
- (b) **ascertain the reasons for the discrepancies in the reported performance of the CSTDI for 2016 and 2017 with a view to improving the accuracy in reporting performance information; and**

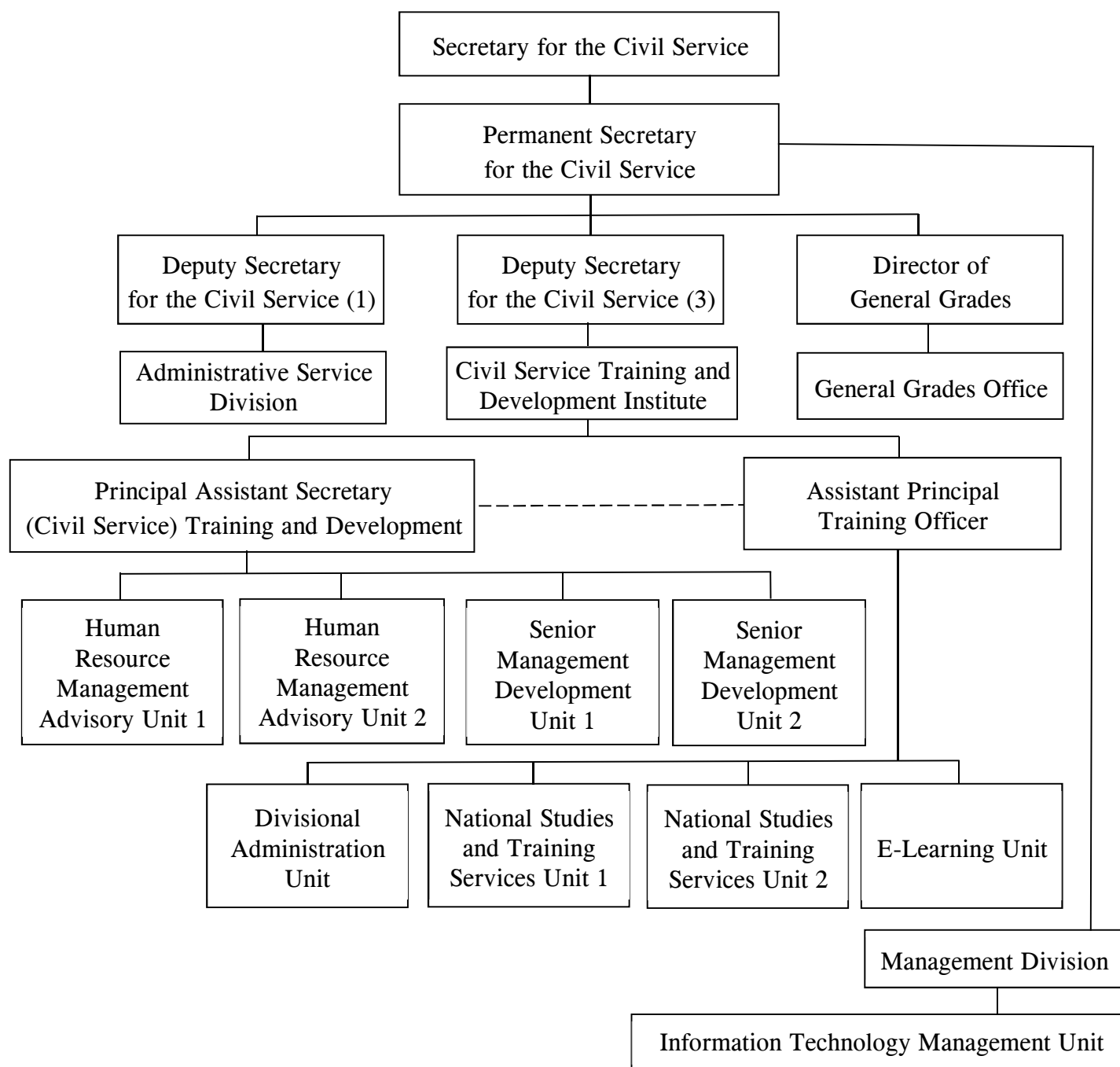
- (c) clearly define services to be covered by the performance target for issuing notifications to B/Ds to confirm placement.

Response from the Government

4.22 The Secretary for the Civil Service generally agrees with the audit recommendations. He has said that:

- (a) the actual outputs of the performance indicators were generally higher than those reported in the 2016 and 2017 CORs as more time was required to collate and cross-check certain statistics and the CSTDI adopted a prudent approach to compile the figures in the CORs; and
- (b) the CSTDI will explore ways to cut short the time required for collating and cross-checking the key statistics.

**Civil Service Bureau:
Organisation chart (extract)
(31 March 2018)**



Source: CSB records

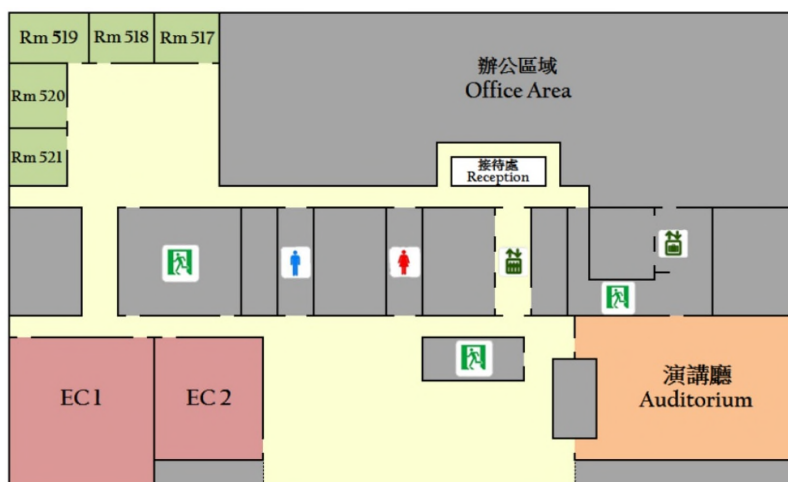
Remarks: Each unit under the CSTDI is headed by a Chief Training Officer, except the Divisional Administration Unit, which was headed by a Senior Executive Officer up to 2 July 2018 and is headed by a Chief Executive Officer effective from 3 July 2018.

Layout plans of training venues and facilities (31 March 2018)

1. Training venues and facilities located on the third floor of the NPGO



2. Training venues and facilities located on the fifth floor of the NPGO



Legend:	C1 to C11	Classrooms
	LRC	Learning Resource Centre
	LR1, LR 2A and LR 2B	Lecture rooms
	EC 1 and EC 2	Executive classrooms
	MFA 1 and MFA 2	Multi-function areas
	Rm 517 to Rm 521	Syndicate rooms
	CR	Computer room
	C12	Lactation room

Source: CSB records

Acronyms and abbreviations

Audit	Audit Commission
B/Ds	Bureaux/departments
CLC Plus	Cyber Learning Centre Plus
COR	Controlling Officer's Report
CSB	Civil Service Bureau
CSD	Correctional Services Department
CSTDI	Civil Service Training and Development Institute
FSD	Fire Services Department
GovHRMS	Government Human Resources Management Services
HKPF	Hong Kong Police Force
LRC	Learning Resource Centre
MFA	Multi-function area
MPS	Master Pay Scale
NCSC	Non-civil service contract
NPGO	North Point Government Offices
OGCIO	Office of the Government Chief Information Officer
SORS	Shared Online Reservation System
SPRs	Stores and Procurement Regulations
TAS	Training Administration System
TIAS	Training Information and Administration System
TRM	Training Management Module
TSS	Training Sponsorship Scheme
TSSF	Training Sponsorship Scheme for Frontline Staff

CHAPTER 10

**Home Affairs Bureau
Leisure and Cultural Services Department
Architectural Services Department**

**Hong Kong Velodrome and
Hong Kong Velodrome Park**

**Audit Commission
Hong Kong
30 October 2018**

This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.

Report No. 71 of the Director of Audit contains 10 Chapters which are available on our website at <https://www.aud.gov.hk>

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HONG KONG VELODROME AND HONG KONG VELODROME PARK

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HONG KONG VELODROME AND HONG KONG VELODROME PARK

Executive Summary

1. The Leisure and Cultural Services Department (LCSD) was the client department and the Architectural Services Department (ArchSD) was the works agent for the development of a town park and an indoor velodrome-cum-sports centre in Tseung Kwan O (hereinafter referred to as the Project). The town park and the velodrome-cum-sports centre were named the Hong Kong Velodrome Park (HKVP) and the Hong Kong Velodrome (HKV) respectively in November 2013. In February 2010, the Finance Committee of the Legislative Council approved the Project at an approved project estimate (APE) of \$1,129.7 million. In February 2014, the Secretary for Financial Services and the Treasury approved an increase in the APE by \$14.5 million to \$1,144.2 million. The total project expenditure was \$1,143.6 million (\$0.6 million below the final APE of \$1,144.2 million), comprising actual contract expenditure of \$1,061.2 million, consultancy fees of \$45.3 million, resident site staff costs of \$16.8 million, and costs of furniture, equipment and other miscellaneous items of \$20.3 million.

2. The HKV and the HKVP officially opened on 30 April 2014. They occupy an area of 1.3 hectares (with four floors) and 5.3 hectares respectively and provide a variety of leisure and sports facilities (including a 250-metre long wooden cycling track that meets the Union Cycliste Internationale (UCI) Category 1 standard with supporting facilities meeting international competition standards) for public use.

3. The HKV and the HKVP are managed by the LCSD. The LCSD and its works agents (mainly the ArchSD) are responsible for the maintenance of all internal/external facilities at the HKV and the HKVP. The Audit Commission (Audit) has recently conducted a review of the HKV and the HKVP.

Executive Summary

Project management

4. The ArchSD issued the tender in September 2009 and awarded a lump sum works contract (Contract A) to a contractor (Contractor A) in March 2010 for the implementation of the Project at a contract sum of \$1,002.7 million. Consultant X was the Architect responsible for supervising the contract works. Consultant Y was the Quantity Surveyor responsible for valuing the cost of works. The contract works were completed in December 2013 (about 12 months later than the original contract completion date of December 2012) and the final contract sum was \$1,063.9 million, representing an increase of \$61.2 million (6%) over the original contract sum. During the contract period of Contract A, Consultant X issued 271 architect's instructions (AIs) covering 1,613 variation items and amounting to \$80.8 million in total, among which there were 22 variation items with a value over \$1 million each and their total value amounted to \$46 million. Audit selected these 22 items for examination and noted room for improvement in the ArchSD's contract management work (paras. 2.2 to 2.4), including:

- (a) *Need to incorporate fire engineering requirements for a specialised building into tender documents.* Audit noted that the detailed requirements for the installation of smoke ventilators at the multi-purpose arena (located at the main hall of the HKV) under an approved fire engineering report for the HKV of August 2009 had not been fully incorporated into the tender documents of Contract A issued in September 2009. As a result, in September 2011, Consultant X issued an AI to Contractor A to cover this variation of works. In the event, the ArchSD paid \$4.2 million to Contractor A for the variation item (paras. 2.6 and 2.7);
- (b) *Need to finalise building design and contract drawings before tender.* According to the ArchSD, in the process of design development, Consultant X revised the architectural layout of the HKV building before the issue of the tender for Contract A in September 2009 and there was consequential change in loading for structural elements at various locations. However, Audit noted that: (i) Consultant X had not updated the structural loading schedules (which specified the loading of the structural elements such as columns and walls in the building) to match the revision in architectural layout before the issue of the tender for Contract A in September 2009; and (ii) the structural loading schedules were only updated after tendering of Contract A and provided to Contractor A through an AI in May 2010. In the event, the ArchSD paid \$1.1 million to Contractor A for the variation item (paras. 2.14 and 2.15);

Executive Summary

- (c) ***Need to improve cost estimation for contract variations.*** Audit noted that for 11 AIs (each containing 1 to 20 variation items and at least a variation item with value over \$1 million) under Contract A, the estimated costs differed significantly from the actual costs (ranging from \$0.9 million to \$4.2 million). According to the ArchSD, the difference between the estimated value and actual cost of the AIs was mainly attributed to: (i) inaccurate cost estimate of AIs by Consultant Y; (ii) unforeseen site conditions arising after the AIs were issued; and (iii) different scope and extent of an AI perceived among the project team when the estimate was prepared (paras. 2.17 and 2.18); and
- (d) ***Need to minimise contract variations made under a lump sum contract.*** Audit noted that there was scope for minimising contract variations through, for example, incorporating necessary requirements into the tender documents, and finalising building design and contract drawings before the issue of the tender. Audit considers that, in implementing a works project through a lump sum contract in future, the ArchSD needs to remind its staff and consultants to incorporate all works items into the contract as far as practicable with a view to facilitating fair and competitive tendering, and minimising the resources for handling contract variations and the risk of disputes arising therefrom (paras. 2.21 and 2.22).
5. ***Difficulties in meeting special user requirements.*** According to the LCSD, the HKV has a core mission to provide a local, stable and quality training base for the Hong Kong Cycling Team (HKC Team) and was designed to meet the training needs of the HKC Team. Notwithstanding this objective, it was after holding at the HKV the HKC Team's performance test in November 2013 and the International Track Cup in January 2014 that the LCSD was informed that: (a) the cycling track which achieved UCI Category 1 standard could not fully meet the training mode and practical needs of The Cycling Association of Hong Kong, China Limited (CAHK) which had reservation on using the HKV as the HKC Team's training base; and (b) the requirements for the cycling track needed to be enhanced beyond the UCI Category 1 standard in order to fully meet the CAHK's training mode and practical needs. In the event, the main hall (where the cycling track is located) in the HKV was closed for about two months for carrying out the cycling track surface enhancement at a cost of \$4.2 million to suit the training mode of the HKC Team. According to the LCSD, the CAHK had already been fully consulted during the planning, design and construction stages of the Project and the proposed enhancement of the cycling track was only raised after the test ride. Audit appreciates the difficulties encountered in

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building for Hong Kong the first ever indoor cycling facility that met international standards for world-class cycling training and competitions. In providing a specialised sports facility in future, there is a need for the LCSD to ascertain the special requirements, particularly those of the major stakeholders, as far as possible (paras. 2.29, 2.30, 2.32 and 2.34).

6. *Need to comply with requirements for changes in accommodation.* According to the Accommodation Regulations of the Government, where, for any reason after the approval of schedule of accommodation (SoA) by the Property Vetting Committee (PVC) for a specialist/departmental building, the net operational floor area (NOFA) of any individual item varies by more than 10% from the approved area, the user bureau/department should resubmit the SoA to the PVC for further approval. In September 2009, the PVC approved an SoA for the Project. Audit compared the NOFA of items approved in the SoA of September 2009 with those shown on the as-built records of December 2013 and noted that the NOFA for some items varied by more than 10%. For example, the NOFA for a control room varied by 1,130% from 10 square metres (m²) as per the approved SoA to 123 m² as per the as-built records. According to the ArchSD, the deviations from the area figures in the approved SoA were unavoidable in some cases and it was necessary to align with the LCSD's new initiative on enhancement of baby care provision. While appreciating such changes were unavoidable and were, in part, done to accommodate the need for baby care facilities, Audit considers that the changes to the NOFA of accommodation under the Project should have been approved by the PVC (paras. 2.35 to 2.38).

Operation and maintenance of facilities

7. *Need to tackle water seepage problem in main hall.* The cycling track, arena and spectator stand facilities are located at the main hall of the HKV. According to LCSD records, since the completion of the HKV in December 2013, water seepage had been found in the main hall. According to the ArchSD, during the period from December 2013 to June 2018, there were 129 water seepage cases. To tackle the water seepage problem in the main hall, the LCSD requested the ArchSD to instruct Contractor A to implement a series of rectification works from May 2014 to January 2017. However, after the completion of rectification works in January 2017 and up to June 2018, there were still 28 water seepage cases in the main hall. Audit noted that these 28 cases involved 17 spots, of which 8 (47%) spots with water seepage occurred more than once (paras. 3.3 to 3.6).

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8. *Need to keep under review effectiveness of pest control measures.* During the fieldwork of this audit review, Audit noted an incident of termite infestation in the two washrooms inside the doping control room in the HKV and informed the LCSD about the incident. The LCSD sought the assistance of the ArchSD which arranged a termite specialist to conduct inspections. The termite specialist found termite nests at the maintenance chamber locating above the false ceiling of the two washrooms and applied pest control treatments to the area concerned. In the event, the termite infestation problem was resolved in mid-June 2018. Given that wooden structure is susceptible to termite damage, any termite infestation in the HKV might cause damage to the wooden cycling track which in turn might pose risks to users of the cycling track. There is a need for the LCSD to keep under review the effectiveness of pest control measures taken at the HKV (paras. 3.9 and 3.11).

9. *Need to enhance inspection and control for proper use of facilities in HKVP.* The LCSD's venue staff at the HKVP are responsible for conducting daily inspections at the HKVP to ensure that the facilities are safe, clean and serviceable for use by the public, and controlling the proper use of facilities by the users. Audit conducted five site visits between June and August 2018 to the HKVP and found that while the management of facilities in the HKVP was generally in order, some cases of inadequacies were observed during Audit's site visits. These included some damaged benches (the conditions had remained unchanged as observed in Audit's first and last site visits on 28 June and 9 August 2018 respectively) and users riding in the skatepark without wearing head-protected safety helmets, which should not be allowed (paras. 3.19 and 3.20).

10. *Need to keep under review turf and drainage condition of central lawn.* According to the LCSD: (a) after the commissioning of the HKVP in April 2014, it found that the condition of the central lawn was unsatisfactory as stagnant water could hardly be drained away (in particular after torrential rain), which hindered the use of the lawn by the public; and (b) in order to address the drainage problem of the central lawn, improvement works were conducted in June 2014, and March and August 2016. However, Audit's site visit in May 2018 after days of heavy rain revealed that stagnant water accumulated in the lawn area and the turf condition was less than satisfactory, indicating that the drainage problem might still remain unresolved (paras. 3.24 and 3.25).

Executive Summary

Usage of facilities

11. ***Scope for enhancing utilisation of leisure and sports facilities.*** The leisure and sports facilities in the HKV include, among others, a cycling track, an arena in the centre of the cycling track, a fitness room, 3 activity rooms and a dance room. Audit examined the utilisation rates for these facilities since their commissioning in early 2014 and up to June 2018, and noted that the utilisation rates of the: (a) cycling track were below 35%; (b) fitness room ranged from 37% to 56% and had generally decreased from 56% in 2015 to 43% in 2018 (up to June); (c) activity rooms and dance room (measuring as a whole) ranged from 35% to 58% and were the second lowest among the six government sports centres in Tseung Kwan O area in recent years (since 2015); and (d) arena ranged from 67% to 74% and were the lowest among the six government sports centres in Tseung Kwan O area. According to the LCSD: (a) the HKV has a core mission to provide a local, stable and quality training base for the HKC Team and to develop the sports of track cycling in Hong Kong; (b) the availability of the cycling track for use by the public is lower in order to give priority to the training needs of the HKC Team; and (c) the venue management of the HKV does not accept priority booking by organisations for the use of the arena during the training sessions of the HKC Team in order to maintain the training flexibility for the HKC Team. While noting the mission of the HKV, there is still scope for the LCSD to further enhance the utilisation of these facilities (e.g. organising more related training courses) (paras. 4.2, 4.3, 4.5 and 4.10 to 4.13).

12. ***Need to explore possibility of putting function rooms into better beneficial use.*** The HKV is furnished with seven specific function rooms, including 2 VIP boxes, a judge referee box, technical areas (i.e. a function room for broadcasters and event organisers), a VIP room, a doping control room and a meeting room. They serve as supporting facilities when major international competitions are held at the HKV. These function rooms are available for booking by organisations and government bureaux/departments and are not available for booking by the general public. According to the LCSD, these function rooms: (a) had been put into use for 20 days when 7 major international competitions were held at the HKV; and (b) would be used for conducting various activities (e.g. guest reception rooms, classrooms and temporary meeting rooms) during the period with no international competitions being held at the HKV. However, Audit noted that the LCSD did not compile statistics on the utilisation of the function rooms for such activities. In May, July and August 2018, Audit conducted three site visits to the function rooms to ascertain their utilisation and found that all the function rooms were vacant (except the room which was assigned by the LCSD to Audit staff as a temporary office for conducting the

Executive Summary

fieldwork of this audit review). There is merit for the LCSD to explore measures for putting the function rooms into better beneficial use (paras. 1.8 and 4.16 to 4.20).

Audit recommendations

13. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has recommended that the Government should:**

Project management

- (a) **in implementing a works project in future:**
 - (i) **ensure that fire engineering requirements for a specialised building are duly incorporated into the tender documents for tendering as far as practicable (para. 2.23(a));**
 - (ii) **finalise the building design and contract drawings (including structural loading schedules) before the issue of the tender as far as practicable (para. 2.23(c));**
 - (iii) **take measures to strengthen checking of the cost estimate and scope and extent of works for contract variations with a view to enhancing cost control (para. 2.23(d)); and**
 - (iv) **incorporate all works items into a lump sum contract as far as practicable (para. 2.23(e));**
- (b) **in providing a specialised sports facility in future, ascertain the special requirements, particularly those of the major stakeholders, as far as possible (para. 2.33);**
- (c) **follow up with the PVC for the changes to the NOFA of accommodation under the Project in accordance with the requirements of the Accommodation Regulations (para. 2.39);**

Executive Summary

Operation and maintenance of facilities

- (d) **take effective measures to tackle the water seepage problem in the main hall of the HKV with a view to minimising nuisance and risks to users (para. 3.15(a));**
- (e) **keep under review the effectiveness of pest control measures taken at the HKV, including keeping alert of sign of pest infestation and taking control measures as appropriate (para. 3.15(b));**
- (f) **take measures to improve the effectiveness of the LCSD's inspections at the HKVP and enhance the LCSD's control for the proper use of HKVP facilities with a view to ensuring that HKVP facilities are safe and serviceable for use by the public (para. 3.28(a));**
- (g) **keep under review the turf and drainage condition of the central lawn in the HKVP and carry out improvement works as appropriate (para. 3.28(b));**

Usage of facilities

- (h) **make better use of the cycling track in the HKV with a view to further promoting track cycling in Hong Kong and enhance the utilisation of the fitness room, the activity rooms, the dance room and the arena in the HKV (para. 4.14(a) and (b)); and**
- (i) **compile statistics for the utilisation of the HKV function rooms for management review and explore measures for putting them into better beneficial use (para. 4.21(b) and (c)).**

Response from the Government

14. The Government agrees with the audit recommendations.

PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

Background

1.2 The Hong Kong Velodrome (HKV — see Photograph 1) and the Hong Kong Velodrome Park (HKVP — see Photograph 2) officially opened on 30 April 2014. They are located at 105-107 Po Hong Road, Tseung Kwan O and provide a variety of leisure and sports facilities (including a cycling track with supporting facilities meeting international competition standards — see paras. 1.8 and 1.9) for public use.

Photograph 1

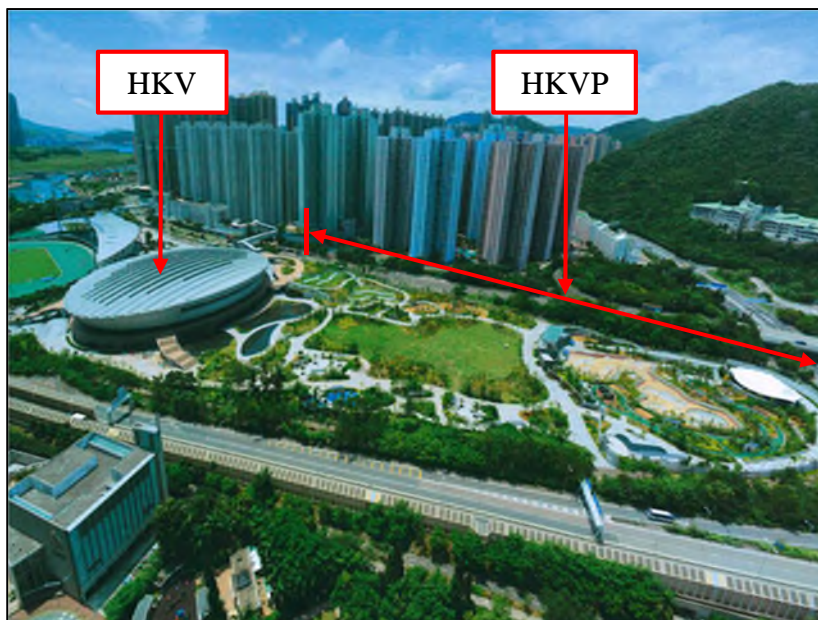
HKV



Source: Architectural Services Department records

Photograph 2

HKV and HKVP



Source: Architectural Services Department records

Construction of HKV and HKVP

1.3 The Leisure and Cultural Services Department (LCSD) was the client department and the Architectural Services Department (ArchSD) was the works agent for the development of a town park and an indoor velodrome-cum-sports centre in Tseung Kwan O (hereinafter referred to as the Project). The town park and the velodrome-cum-sports centre were named the HKVP and the HKV respectively in November 2013. For simplicity, they were also referred to as the HKVP and the HKV before their naming (i.e. mainly during the construction stage) in this Audit Report. The ArchSD engaged two consultants for the Project (Note 1) as follows:

Note 1: *The consultancy fees for site investigation, detailed design, preliminary environmental review and preparation of tender documents of \$19.4 million in total were funded under the block allocation Subhead 3100GX of the Capital Works Reserve Fund Head 703 under the control of the ArchSD. The consultancy fees for contract administration and site supervision work as well as valuing the cost of works were funded under the project vote (see para. 1.5).*

- (a) a lead architectural consultant (Consultant X) was engaged in April 2008 for detailed design, site investigation, preliminary environmental review, preparation of tender documents, and contract administration and site supervision work; and
- (b) a quantity surveying consultant (Consultant Y) was engaged in July 2008 for preparation of tender documents and valuing the cost of works.

1.4 In 2010, in seeking funding approval from the Finance Committee (FC) of the Legislative Council (LegCo) for the implementation of the Project, the Home Affairs Bureau (HAB) informed LegCo that:

- (a) there was a need to provide more public open space to meet the demand for leisure facilities in Tseung Kwan O and the Project would help alleviate the shortfall of leisure space in Tseung Kwan O;
- (b) due to the lack of an indoor cycling track in Hong Kong, elite cyclists had to undergo training in the Mainland and other countries frequently. This arrangement was costly and disruptive to the athletes' preparation for competitions, especially as the timing and duration of training was subject to the availability of the facilities outside Hong Kong. To help Hong Kong's athletes realise their full potential, it was necessary to build an indoor velodrome that met international standards for top-level cycling training and international competition;
- (c) the proposed indoor velodrome could also serve as a multi-purpose facility suitable for other indoor sports and would help meet the increasing demand for indoor sports facilities in Tseung Kwan O; and
- (d) the Project was planned to start construction in March 2010 for completion in April 2013.

1.5 In February 2010, the FC of LegCo approved the Project at an approved project estimate (APE) of \$1,129.7 million. In February 2014, the Secretary for Financial Services and the Treasury approved an increase in the APE by \$14.5 million to \$1,144.2 million (see Table 1).

Table 1
Funding approvals for the Project
(February 2010 to February 2014)

Date	Particulars	Approved amount (\$ million)
February 2010	Implementation of the Project	1,129.7 (Note 1)
February 2014	Increase in APE to meet anticipated payments for contract price fluctuation	14.5 (Note 2)
Total		1,144.2

Source: ArchSD records

Note 1: According to the ArchSD: (a) since the HKV and the HKVP were developed together as one single project, there was no cost breakdown between the building and the park; and (b) the breakdown of the APE by cost types (e.g. site works, piling, drainage, consultancy fees, and furniture and equipment) was provided in the paper submitted to LegCo.

Note 2: Under delegated authority from the FC of LegCo, the Secretary for Financial Services and the Treasury may approve an increase in APE which does not exceed \$15 million.

1.6 In March 2010, the ArchSD awarded a works contract (Contract A) to a contractor (Contractor A) for the implementation of the Project at a contract sum of \$1,002.7 million. In the event, the contract works were completed in December 2013, about 12 months later than the original contract completion date of December 2012. The account of Contract A was finalised in October 2016 and the final contract sum was \$1,063.9 million (of which \$1,061.2 million was funded under the project vote and \$2.7 million was funded under LCSD departmental vote). Subsequently, Consultancies X and Y were completed in December and July 2017 respectively.

1.7 The total project expenditure was \$1,143.6 million (\$0.6 million below the final APE of \$1,144.2 million — see para. 1.5), which comprised actual contract expenditure under Contract A (\$1,061.2 million), consultancy fees (\$45.3 million),

resident site staff costs (\$16.8 million — Note 2), costs of furniture and equipment (\$15.2 million) and other miscellaneous costs (\$5.1 million).

Facilities in HKV and HKVP

1.8 **HKV.** The HKV occupies an area of 1.3 hectares and, with four floors, provides various facilities, including:

- (a) ***Cycling track (2,721 square metres (m²)) and supporting facilities (696 m²).*** A 250-metre long wooden cycling track (located at the first floor — see Photograph 3) that meets the Union Cycliste Internationale (UCI — Note 3) Category 1 standard (Note 4) with supporting facilities (including 2 VIP boxes, a VIP room, a judge referee box, technical areas (a function room for broadcasters and event organisers), a doping control room and a meeting room located at the ground floor or the upper second floor) meeting international competition standards;
- (b) ***Arena (2,592 m²).*** A multi-purpose arena (located in the centre of the cycling track at the first floor — see Photograph 3) which can be converted into 8 badminton courts, 2 basketball courts or 2 volleyball courts, or used for organising cultural and sports events;

Note 2: *Consultants are required to employ resident site staff in different grades (e.g. professional grade and technical grade) for supervising contractors' works. The Government reimburses consultants the personal emoluments of resident site staff and pays an on-cost to consultants to cover their costs in managing the resident site staff.*

Note 3: *The UCI is the worldwide governing body for cycling which represents the interests of 190 National Federations from 5 Continental Confederations. It manages and promotes the nine cycling disciplines, including road, track, mountain bike, bicycle motocross (racing), bicycle motocross (freestyle), para-cycling, cyclo-cross, trials and indoor cycling. The UCI also organises cycling events at the highest level such as the World Championships and the World Cups.*

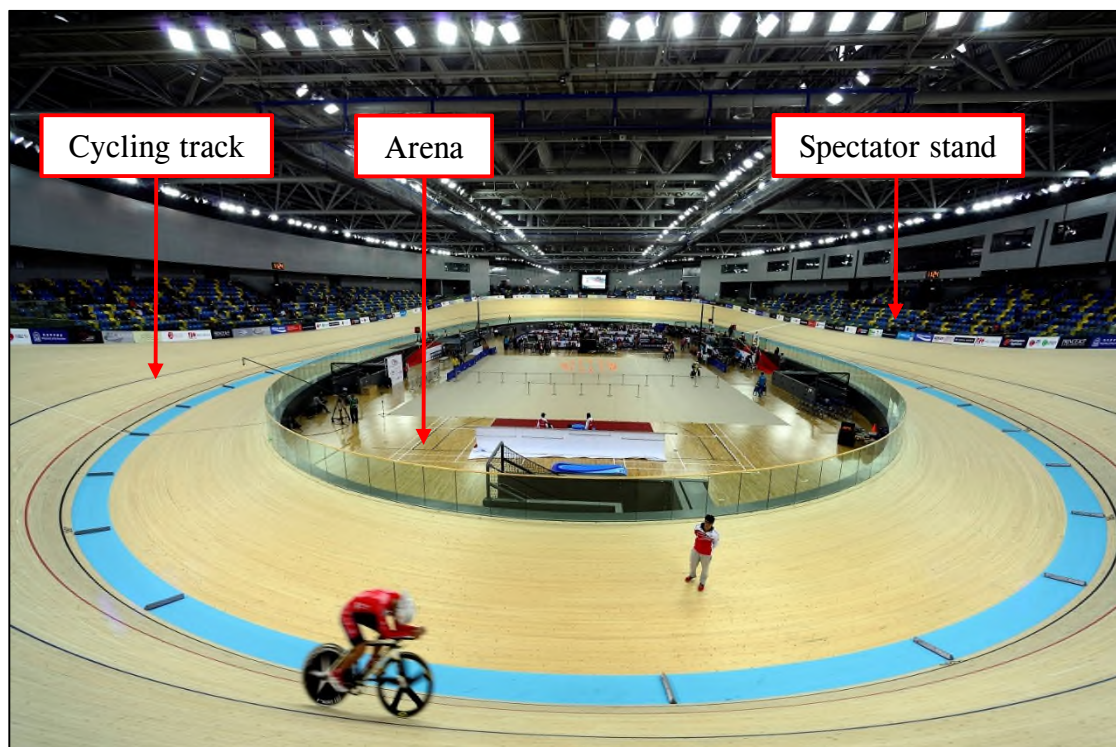
Note 4: *According to the UCI Cycling Regulations: (a) velodromes shall be classified into four categories on the basis of the technical quality of the track and installations; and (b) the category determines the level of competition which can be organised in the velodrome. A Category 1 track is of the highest standard which is suitable for organising UCI World Championships and Olympic Games.*

Introduction

- (c) ***Spectator stand facilities (2,211 m²).*** A spectator stand (located at the second floor — see Photograph 3) with 2,000 permanent seats and 1,000 retractable seats;

Photograph 3

Main hall of HKV



Source: ArchSD records

- (d) ***Other recreational facilities (1,699 m²).*** These facilities (located at the ground floor) include a children's playroom (see Photograph 4), a fitness room (see Photograph 5), 2 multi-purpose rooms (subsequently converted into a table tennis room (see Photograph 6) with 6 table tennis tables), 3 activity rooms, a dance room (see Photograph 7) and 2 dressing rooms; and

Photographs 4 to 7

Other recreational facilities in HKV

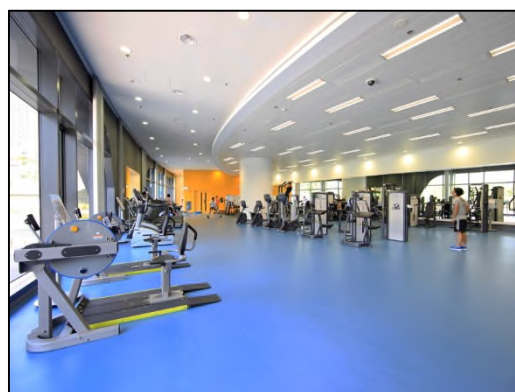
Photograph 4

Children's playroom



Photograph 5

Fitness room



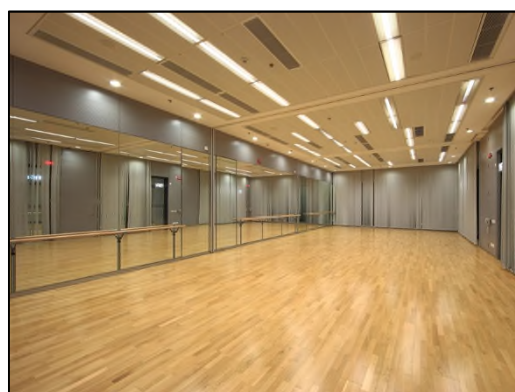
Photograph 6

Table tennis room



Photograph 7

Dance room



Source: ArchSD and LCSD records

- (e) **Other ancillary facilities (829 m²).** These facilities (located at the ground floor) include a restaurant, a pro-shop, a bike kiosk and offices (Note 5).

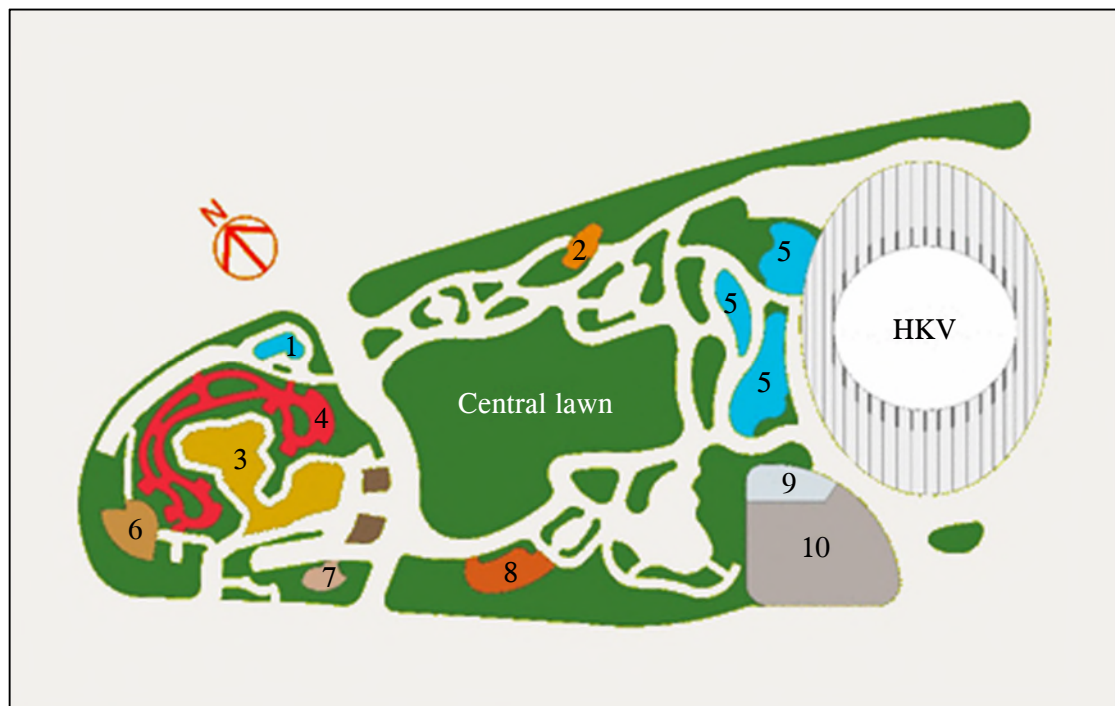
Note 5: *Apart from the facilities as mentioned in paragraph 1.8(a) to (e), there are also other facilities in the HKV, including sanitary facilities, plant and equipment rooms and a fee-charging car park.*

Introduction

1.9 **HKVP.** The HKVP occupies an area of 5.3 hectares and provides a variety of leisure and sports facilities (see Figure 1), including a central lawn (see Photograph 8), a sports climbing wall (see Photograph 9), an amphitheatre (see Photograph 10), a skatepark (see Photograph 11), a jogging track, a children's play area, a fitness corner for the elderly, 3 artificial lakes and a model boat pool.

Figure 1

Layout of HKVP



- Legend:
1. Model boat pool
 2. Fitness corner for the elderly
 3. Skatepark
 4. Jogging track
 5. Artificial lake
 6. Amphitheatre
 7. Sports climbing wall
 8. Children's play area
 9. Bike kiosk
 10. Car park

Source: LCSD records

Photographs 8 to 11

Facilities in HKVP

Photograph 8

Central lawn



Photograph 9

Sports climbing wall



Photograph 10

Amphitheatre



Photograph 11

Skatepark



Source: ArchSD and LCSD records

Management and maintenance of HKV and HKVP

1.10 The HKV and the HKVP are managed by the LCSD. An extract of the LCSD's organisation chart relevant to the management of the HKV and the HKVP is at Appendix A. Cleansing, security and horticultural maintenance services are outsourced to contractors through open tenders. The LCSD and its works agents are responsible for the maintenance of all internal/external facilities at the HKV and the HKVP. Regarding the cycling track in the HKV, the LCSD conducts daily inspection

Introduction

and minor touch-ups of the track while the ArchSD is responsible for the major and structural maintenance. Operation and maintenance services to electrical and mechanical systems and building services installations at the HKV are provided by the Electrical and Mechanical Services Department (EMSD) through the Electrical and Mechanical Services Trading Fund (Note 6). The ArchSD is responsible for the maintenance and repair of the HKV building as well as the facilities (other than the items under the purview of the LCSD and the EMSD) at the HKV and the HKVP. In 2016-17, the actual revenue and recurrent expenditure of the HKV amounted to \$5.1 million and \$18.3 million respectively, and the actual recurrent expenditure of the HKVP amounted to \$6.9 million.

Audit review

1.11 In April 2018, the Audit Commission (Audit) commenced a review of the HKV and the HKVP. The review focuses on room for improvement and lessons to be learned in the following areas:

- (a) project management (PART 2);
- (b) operation and maintenance of facilities (PART 3); and
- (c) usage of facilities (PART 4).

Audit has found room for improvement and lessons to be learned in the above areas, and has made a number of recommendations to address the issues.

Acknowledgement

1.12 Audit would like to acknowledge with gratitude the full cooperation of the staff of the LCSD and the ArchSD during the course of the audit review.

Note 6: *The Electrical and Mechanical Services Trading Fund (the trading arm of the EMSD) provides electrical and mechanical services to customers (including government bureaux/departments).*

PART 2: PROJECT MANAGEMENT

2.1 This PART examines the management of the Project by the ArchSD and the LCSD, focusing on:

- (a) variations of works under Contract A (paras. 2.4 to 2.24);
- (b) cycling track surface enhancement (paras. 2.25 to 2.34); and
- (c) changes in accommodation (paras. 2.35 to 2.42).

Contract A

2.2 Contract A was a lump sum contract (Note 7) for the implementation of the Project. The ArchSD issued the tender in September 2009 and awarded Contract A to Contractor A in March 2010 at a contract sum of \$1,002.7 million. The works commenced in March 2010 with a contract period of about 33 months. Consultant X was the Architect responsible for supervising the contract works. Consultant Y was the Quantity Surveyor responsible for valuing the cost of works. In the event, the contract works were completed in December 2013, about 12 months (366 days — Note 8) later than the original contract completion date of December 2012.

Note 7: *Under a lump sum contract, the contractor agrees in advance to undertake a specified amount of works for a lump sum price. Contract A was a lump sum contract with certain quantities in the Bills of Quantities firm and other quantities provisional (i.e. to be expended as directed by the Architect). Bills of Quantities, which form part of the tender documents and subsequently the contract documents after the award of a contract, contain quantities of various works items. A tenderer needs to provide a tender price for the relevant Bills of Quantities items. For the successful tenderer, the Bills of Quantities prices would be used for valuing the actual works performed.*

Note 8: *Extensions of time of 366 days were granted to Contractor A owing to inclement weather (288 days), additional improvement works conducted to satisfy the latest requirements under the Buildings Ordinance (Cap. 123) (38.5 days) and unforeseen utility diversion works (39.5 days).*

Cost increase under Contract A

2.3 The account of Contract A was finalised in October 2016 and the final contract sum was \$1,063.9 million, representing an increase of \$61.2 million (6%) over the original contract sum of \$1,002.7 million (see para. 2.2). Audit noted that the cost increase was mainly attributed to variations of works under Contract A (see Table 2).

Table 2

**Final contract sum of Contract A
(October 2016)**

Particulars	Amount	
	(\$ million)	(\$ million)
Original contract sum		1,002.7
Add: Variations of works	80.8	
Excess contract price fluctuation adjustments (Note)	40.4	
Less: Contingencies allowed in Contract A	(60.0)	
Cost increase under Contract A		61.2
Final contract sum		1,063.9

Source: ArchSD records

Note: The original contract sum of Contract A already included provision for price fluctuation adjustments of \$69.7 million. This amount is the additional sum to cover excess price fluctuation adjustments.

Variations of works under Contract A

2.4 During the contract period of Contract A, Consultant X issued 271 architect's instructions (AIs) covering 1,613 variation items and amounting to \$80.8 million in total. Audit noted that:

- (a) each approved AI covered 1 to 64 variation items; and
- (b) nearly all (1,591 (99%) of 1,613) variation items were of a value below \$1 million each. There were 22 items with a value over \$1 million each and their total value amounted to \$46 million (accounted for 57% of the total amount of contract variations of \$80.8 million).

In view of the relatively high value of these 22 items (over \$1 million each) and the fact that their total value accounted for over half of the total amount of contract variations, Audit selected them for examination and noted that there was room for improvement in the ArchSD's contract management work (see paras. 2.5 to 2.23).

Need to incorporate fire engineering requirements for a specialised building into tender documents

2.5 In order to achieve the objectives of providing fire service installations and equipment for the protection of life and property of the occupants within premises, it is the Government's established practice that government buildings need to comply with the Codes of Practice published by the Buildings Department and the Fire Services Department. For the Project, the applicable Codes of Practice were the Code of Practice for Fire Resisting Construction 1996, the Code of Practice for the Provision of Means of Access for Firefighting and Rescue Purposes 2004 and the Code of Practice for the Provision of Means of Escape in Case of Fire 1996 published by the Buildings Department (Note 9) and the Codes of Practice for Minimum Fire Service Installations and Equipment and Inspection, Testing and Maintenance of Installations and Equipment (Note 10) published by the Fire Services Department.

Note 9: *In September 2011, the three Codes of Practice were subsumed into the Code of Practice for Fire Safety in Buildings 2011 published by the Buildings Department.*

Note 10: *Compliance with the prescriptive provisions in the Codes of Practice published by the Fire Services Department may be regarded as a reliable way to satisfy the requirements for fire service installations or equipment. However, the Director of Fire Services may, in case of any particular building, vary any of the requirements of the Codes. For buildings of special designs or hazards which necessitate special considerations, the Director of Fire Services may accept, on a case by case basis, fire engineering approach as an alternative to the prescriptive provisions provided that the fire engineering approach shall not provide a level of safety inferior to that provided by prescriptive requirements.*

Project management

2.6 In September 2011, Consultant X issued an AI to Contractor A for the additional details for the supply and installation of smoke ventilators at the multi-purpose arena in accordance with a fire engineering report for the HKV (Note 11). In the event, the ArchSD paid \$4.2 million to Contractor A for the variation item.

2.7 Audit noted that:

- (a) in March 2009, the fire engineering report for the HKV was submitted to the relevant authority (Note 12) for endorsement. In May 2009, the relevant authority held a meeting to discuss the report. In August 2009, the relevant authority informed the ArchSD that it had no further comments on the fire engineering report of August 2009 and advised that referral back of the report for its further advice was not required. According to the ArchSD, the fire engineering report was approved in August 2009; and

Note 11: *According to Consultant X's fire engineering report for the HKV:*

- (a) *the objective of the fire engineering report for the HKV was to provide fire engineering solutions to achieve the fire safety level equivalent to the level with full compliance with the prescriptive requirements of the Codes of Practice, and to provide appropriate fire safety provisions as an effective solution to achieve a fire safety environment for the occupants to evacuate; and*
- (b) *due to the design constraint and operational need, there were several deviations from the prescriptive requirements of the Codes of Practice.*

Note 12: *According to the ArchSD, before May 2012, the relevant authority was the Fire Safety Committee (its membership included a representative from the Fire Services Department) of the Buildings Department (i.e. in force when processing the fire engineering report for the HKV). Since May 2012, the Fire Engineering Advisory Committee of the ArchSD is responsible for processing fire engineering reports for ArchSD building projects. A project consultant is required to submit a fire engineering report (which needs to comply with the Code of Practice for Fire Safety in Buildings 2011 published by the Buildings Department) separately to both the Committee and the Fire Services Department for comments and approval.*

- (b) the detailed requirements for the installation of smoke ventilators at the multi-purpose arena under the fire engineering report of August 2009 had not been fully incorporated into the tender documents of Contract A issued in September 2009. As a result, an AI was issued to cover this variation of works (see para. 2.6).

2.8 In September 2018, in response to Audit's enquiry, the ArchSD said that:

- (a) to meet the tight development programme of the Project (Note 13), Consultant X could not include all the detailed requirements for the installation of smoke ventilators into the tender drawings and decided to implement such requirements through issuing AI to the contractor during construction stage; and
- (b) Consultant X had endeavoured to submit the fire engineering report the earliest possible. However, it took five months for the report to be approved by the relevant authority, rendering no time for Consultant X to include all requirements in the tender documents before tendering, given the need to meet the tight development programme.

2.9 Audit considers that, in implementing a works project in future, the ArchSD needs to remind its staff and consultants to ensure that fire engineering requirements for a specialised building are duly incorporated into the tender documents for tendering as far as practicable.

Note 13: *The Project Definition Statement (see Note 15 to para. 2.11(a)) issued by the HAB in April 2007 stated that the Project was a priority item and urged that construction should commence no later than 2009 for completion as soon as possible.*

Need to address lighting design issue at design stage

2.10 In August 2011, Consultant X issued an AI to Contractor A for revising the lighting design (Note 14) in the HKVP. According to the ArchSD, the revision was to address public concern on park lighting design regarding glare and lighting intensity, and to meet the LCSD's latest operational requirements. In the event, the ArchSD paid \$1.9 million to Contractor A for the variation item.

2.11 Audit noted that:

Before award of Contract A

- (a) according to the ArchSD's Technical Feasibility Statement (Note 15) for the Project of August 2007, there were sensitive receivers including nearby residential developments and schools adjacent to the site, which meant that the ArchSD and Consultant X had already known this information before the issue of the tender for Contract A in September 2009;

Note 14: *Major revisions of the lighting design included: (a) provision of localised surface-mounted downlights at the rain shelters in the HKVP; (b) adoption of semi-concealed downlights at balustrades in lieu of the original exposed linear compact light type at the elevated walkway; and (c) adoption of bollard light fittings in lieu of the original bulkhead type at skirting level along pathways and ramp at the lawn terrace.*

Note 15: *A works department should submit a Technical Feasibility Statement of a proposed capital works project to the Development Bureau for approval after the receipt of a Project Definition Statement from the responsible policy bureau. The responsible policy bureau should submit bids for the necessary resources for implementing the proposed works project under the Government's Capital Works Resource Allocation Exercise by providing the Financial Services and the Treasury Bureau with an approved Technical Feasibility Statement.*

- (b) in October 2008, in vetting the Project, the then Project Brief and Design Vetting Committee (Note 16) of the ArchSD asked the project team to pay special attention to the lighting provision for the landscape areas and avoid light pollution due to over-provision of external lighting;
- (c) in April 2009, Consultant X revised the lighting provision to avoid light pollution due to over-provision of external lighting; and

After award of Contract A

- (d) according to the ArchSD, Consultant X revised the lighting provision to enhance the lighting design so as to improve the ambience of the HKVP and to avoid direct glare to park users and nearby residents through issuing the AI in August 2011.

2.12 In September 2018, in response to Audit's enquiry, the ArchSD said that:

- (a) the major reason for adjusting the numbers and types of lighting by issuing the AI (see para. 2.10) was to improve the lighting design so as to avoid glare and enhance the ambience for park users; and
- (b) the change of types of light fittings under the AI was to address glare to park users but not light pollution to the area in the vicinity. In fact, the site was separated from the nearby residential developments on both sides by 4-lane carriageways.

Note 16: *The Project Brief and Design Vetting Committee was renamed as the Project Quality and Design Vetting Committee in October 2010. The Committee comprises mainly ArchSD staff and its purpose is to ensure that a recognised standard has been attained for all ArchSD projects before they are presented to clients at the conclusion of each work stage from inception to completion.*

Project management

2.13 According to the ArchSD, concerning the environmental design of a project, ArchSD staff and its consultants are required to apply user-friendly lighting design to minimise glare and light pollution. Audit considers that, in implementing a works project in future, the ArchSD needs to take measures to ensure that its staff and consultants properly address lighting design issue at the design stage of the project.

Need to finalise building design and contract drawings before tender

2.14 After the commencement of Contract A in March 2010, Consultant X provided Contractor A with the HKV building's contract drawings relating to structural loading schedules (which specified the loading of the structural elements such as columns and walls in the building) on 23 April 2010. Later, Consultant X provided Contractor A with a revised set of structural loading schedules on 30 April 2010 and issued an AI on 7 May 2010 to cover such variation of works. According to the ArchSD:

- (a) in the process of design development, Consultant X revised the architectural layout of the HKV building before the issue of the tender for Contract A in September 2009 and there was consequential change in loading for structural elements at various locations;
- (b) however, the structural loading schedules in the tender documents were not updated before tendering of Contract A; and
- (c) the AI of 7 May 2010 was issued to Contractor A to reflect the loading schedule amendments.

In the event, the ArchSD paid \$1.1 million to Contractor A for the variation item.

2.15 Audit noted that:

- (a) Consultant X had not updated the structural loading schedules to match the revision in architectural layout before the issue of the tender for Contract A in September 2009; and
- (b) the updated structural loading schedules to match the design development was provided to Contractor A through a contract variation on 7 May 2010.

2.16 In Audit's view, in implementing a works project in future, the ArchSD needs to remind its staff and consultants to finalise the building design and contract drawings (including structural loading schedules) before the issue of the tender as far as practicable.

Need to improve cost estimation for contract variations

2.17 For Contract A, Consultant Y was responsible for providing estimate of cost for a proposed AI, and Consultant X was required to obtain prior approval from the ArchSD (approving authority based on the estimated cost for the proposed AI — Note 17) before issuing an AI to Contractor A for ordering any variations of works. As far as could be ascertained, for 11 AIs (AIs A to K in Table 3, each containing 1 to 20 variation items and at least a variation item with value over \$1 million) under Contract A, the estimated costs differed significantly from the actual costs (see Table 3).

Note 17: *The approving authority for a proposed AI is determined based on the estimated cost for the AI as follows:*

<i>Estimated cost for proposed AI up to</i>	<i>ArchSD approving officer</i>
<i>\$0.2 million</i>	<i>Professional</i>
<i>\$0.4 million</i>	<i>Senior professional</i>
<i>\$1.3 million</i>	<i>Chief professional</i>
<i>\$4 million</i>	<i>Project Director/Assistant Director</i>
<i>No limit</i>	<i>Controlling Officer</i>

For an AI with an estimated cost exceeding \$300,000, referral to the Project Director/Assistant Director of the ArchSD separately for confirmation of no objection is required before ordering the variation.

Table 3

**Selected AIs issued under Contract A with
significant difference between estimated and actual costs
(October 2016)**

AI (No. of variation items involved)	Nature of variation	Estimated additional cost/(saving) per AI approved by the ArchSD (Note) (a) (\$)	Actual cost addition (b) (\$)	Cost increase (c) = (b) – (a) (\$)
A (1 item)	Landscape	(22,000)	4,193,680	4,215,680
B (8 items)	Landscape	261,000	4,339,264	4,078,264
C (20 items)	Architectural	(4,000)	3,038,536	3,042,536
D (14 items)	Architectural	7,600	2,363,582	2,355,982
E (1 item)	Building services	Nil	2,210,627	2,210,627
F (6 items)	Architectural	279,000	2,219,296	1,940,296
G (1 item)	Building services	(230,000)	1,597,956	1,827,956
H (4 items)	Architectural	16,000	1,541,868	1,525,868
I (8 items)	Architectural	170,000	1,353,317	1,183,317
J (2 items)	Landscape	224,000	1,331,616	1,107,616
K (2 items)	Building services	219,000	1,112,281	893,281

Source: ArchSD records

Note: The amounts shown in this column were Consultant Y's estimated additional cost or saving (in bracket) arising from contract variations under Contract A as approved by the ArchSD.

2.18 In September 2018, in response to Audit's enquiry, the ArchSD said that:

- (a) the difference between the estimated value and actual cost of the AIs as shown in Table 3 in paragraph 2.17 was mainly attributed to:
 - (i) inaccurate cost estimate of AIs by Consultant Y;
 - (ii) unforeseen site conditions arising after the AIs were issued; and
 - (iii) different scope and extent of an AI perceived among the project team when the estimate was prepared; and
- (b) warning letters had been issued to Consultant Y regarding poor performance of cost estimates and requesting immediate improvement of the same.

2.19 According to the Project Administration Handbook issued by the ArchSD, regarding variations and cost control, ArchSD staff and its consultants must ensure that the cost implications of an instruction will not lead to the contract sum being exceeded, and are required to monitor and ensure that every effort is made to meet the set standards relating to quality, cost control and programme. In Audit's view, in implementing a works project in future, the ArchSD needs to take measures to strengthen checking of the cost estimate and scope and extent of works for contract variations (e.g. reminding its consultants to make a more accurate cost estimate and a better assessment of scope and extent of works) with a view to enhancing cost control.

Need to minimise contract variations made under a lump sum contract

2.20 In 2010, in seeking funding approval from LegCo for the implementation of the Project, the HAB informed LegCo that it would deliver the construction works through a lump sum contract because it could clearly define the scope of the works in advance. Accordingly, in March 2010, the ArchSD awarded a lump sum contract (Contract A) to Contractor A.

Project management

2.21 Under Contract A, Contractor A agreed in advance to undertake a specified amount of works for a lump sum price (i.e. the scope and quantities of works were substantially measured firm with few variations of works expected). However, 271 AIs covering 1,613 variation items and amounting to \$80.8 million (8% of the original contract sum of \$1,002.7 million) were made under Contract A. Audit noted that there was scope for minimising contract variations through, for example, incorporating necessary requirements into the tender documents, and finalising building design and contract drawings before the issue of the tender (see paras. 2.5 to 2.19).

2.22 Audit considers that, in implementing a works project through a lump sum contract in future, the ArchSD needs to remind its staff and consultants to incorporate all works items into the contract as far as practicable with a view to facilitating fair and competitive tendering, and minimising the resources for handling contract variations and the risk of disputes arising therefrom.

Audit recommendations

2.23 Audit has *recommended* that, in implementing a works project in future, the Director of Architectural Services should:

- (a) **remind ArchSD staff and consultants to ensure that fire engineering requirements for a specialised building are duly incorporated into the tender documents for tendering as far as practicable;**
- (b) **take measures to ensure that ArchSD staff and consultants properly address lighting design issue at the design stage of the project;**
- (c) **remind ArchSD staff and consultants to finalise the building design and contract drawings (including structural loading schedules) before the issue of the tender as far as practicable;**
- (d) **take measures to strengthen checking of the cost estimate and scope and extent of works for contract variations (e.g. reminding ArchSD consultants to make a more accurate cost estimate and a better assessment of scope and extent of works) with a view to enhancing cost control; and**

- (e) remind ArchSD staff and consultants to incorporate all works items into a lump sum contract as far as practicable with a view to facilitating fair and competitive tendering, and minimising the resources for handling contract variations and the risk of disputes arising therefrom.

Response from the Government

2.24 The Director of Architectural Services agrees with the audit recommendations. She has said that the ArchSD will:

- (a) remind its staff and consultants to finalise the design including fire engineering requirements, lighting design and structural loading schedules as far as practicable before tender invitation so that the relevant details can be incorporated into the tender documents with a view to minimising contract variations; and
- (b) remind its consultants that accurate cost estimates should be provided for contract variations and that clear scope and extent of works should be provided to enable accurate cost estimation for contract variations.

Cycling track surface enhancement

2.25 According to the LCSD:

- (a) the HKV has a core mission to provide a local, stable and quality training base for the Hong Kong Cycling Team (HKC Team);
- (b) during the detailed design stage of the Project, the ArchSD, in conjunction with the LCSD and Consultant X, had sought the advice of The Cycling Association of Hong Kong, China Limited (CAHK — Note 18), which is the “national sports association” responsible for training and developing the HKC Team, on the provisions and operational requirements of the HKV

Note 18: *The main duties of the CAHK include promoting different cycling activities, organising local and international events, and training and developing the HKC Team, which have been taken over from the then Hong Kong Cycling Association since July 2014. For simplicity, the Hong Kong Cycling Association is also referred to as the CAHK in this Audit Report.*

and had incorporated the CAHK's requirements into the tender documents of Contract A. Regarding the cycling track, Consultant X consulted the CAHK in September and November 2008, and confirmed with the CAHK the surface material and design parameters (which would comply with the then latest requirements of the UCI for homologation with a Category 1 standard — see Note 4 to para. 1.8(a)) in March and April 2009 respectively; and

- (c) the design requirements for the cycling track were included in the tender documents of Contract A. Subsequent to the award of Contract A, provisional approval for the velodrome was issued by the UCI on 1 May 2012 and the CAHK confirmed no further comment on the design of the velodrome on 4 May 2012.

2.26 Under Contract A, Contractor A was required to construct a cycling track meeting UCI Category 1 standard in the HKV. In September 2013, the construction of the HKV was substantially completed. In October 2013, the HKV was handed over to the LCSd. In December 2013, the cycling track in the HKV was granted with a Category 1 standard by the UCI with validity until December 2023. According to the ArchSD, the HKV had achieved the standard as specified from the outset.

2.27 After the handover of the HKV to the LCSd in October 2013, the CAHK would use the cycling track for the HKC Team's training and holding competitions. In late November 2013, the LCSd invited the HKC Team to conduct a performance test to ascertain whether the track could fully meet their training mode and practical needs. Subsequently, during the International Track Cup held at the HKV in mid-January 2014, the LCSd received some comments from the professional cyclists on the track surface performance (Note 19). After the performance test and the International Track Cup, the CAHK commented that:

- (a) certain problems (i.e. wavy problem and track surface performance — see para. 2.28) of the track had distracted the attention of the riders during high level training and the performance of the track was below their expectation;

Note 19: *The participating teams (including both local and foreign teams) during the International Track Cup held at the HKV in mid-January 2014 had comments about the level difference and gaps between the wooden slats on the cycling track.*

- (b) enhancement was needed to be carried out to resolve the wavy problem of the track and enhance the track surface performance; and
- (c) if no enhancement was being implemented, it had reservation on using the HKV as the HKC Team's training base since the track could not fully meet their training mode and practical needs.

2.28 To address the CAHK's comments on the cycling track, the following enhancement was carried out:

- (a) **Wavy problem.** The ArchSD required Contractor A to carry out track improvement in December 2013 and March 2014 to the satisfaction of the CAHK for resolving the wavy problem of the track. After the improvement, the CAHK was satisfied with the result and Contractor A's responsibility for track installation under Contract A was discharged; and
- (b) **Enhancement of track surface performance.** In April 2014 (i.e. after the completion of works under Contract A in December 2013), the LCSD, in collaboration with the CAHK, requested the ArchSD to carry out cycling track surface enhancement in accordance with the requirements set by the CAHK to suit the training mode of the HKC Team. According to Consultant X, the specific and stringent technical requirements set by the LCSD in collaboration with the CAHK in May 2014 for the track surface enhancement (Note 20) were higher than the then prevailing UCI requirements on track surface for a Category 1 track. The enhancement for the track surface was procured through a single quotation contract to Contractor A (Note 21). In September 2014, Contractor A was engaged to

Note 20: *In May 2014, the LCSD, in collaboration with the CAHK, finalised the specifications of the cycling track surface enhancement, including: (a) the tolerance of flatness for the track surface be 1 millimetre over 2 metres; (b) the level difference between adjoining wood strips be not exceeding 0.3 millimetre; and (c) the gaps between adjoining wood strips be not exceeding 0.5 millimetre.*

Note 21: *In May 2014, the Director of Architectural Services approved the use of a single quotation contract to Contractor A for carrying out the enhancement due to the following reasons: (a) Contractor A had proven knowledge on the HKV building which would facilitate the enhancement; (b) Contractor A gained knowledge and experience on various aspects of timber cycling track construction; (c) the Project was under maintenance period of Contract A so that attendance by Contractor A was reasonable; and (d) Contractor A would maintain full liabilities of the track under both the original and newly provided guarantee.*

Project management

carry out the enhancement, which commenced in November 2014. In the event, the cycling track surface enhancement was completed in January 2015 to the satisfaction of the LCSD and the CAHK at a total cost of \$4.2 million (including the consultancy fee of \$0.5 million paid to Consultant X) which was funded under LCSD departmental vote.

Difficulties in meeting special user requirements

2.29 Audit noted that:

- (a) in 2010, in seeking funding approval from LegCo for the implementation of the Project, the HAB informed LegCo that it was necessary to build an indoor velodrome that met international standards for top-level cycling training and international competition to help Hong Kong's athletes realise their full potential (see para. 1.4(b)); and
- (b) according to the LCSD, the HKV has a core mission to provide a local, stable and quality training base for the HKC Team (see para. 2.25(a)) and was designed to meet the training needs of the HKC Team.

2.30 Notwithstanding the objective of the HKV as abovementioned, it was after the HKC Team's performance test in late November 2013 and the International Track Cup in mid-January 2014 (see para. 2.27) that the LCSD was informed that:

- (a) the cycling track which achieved UCI Category 1 standard could not fully meet the training mode and practical needs of the CAHK which had reservation on using the HKV as the HKC Team's training base (see para. 2.27(c)); and
- (b) in order to fully meet the CAHK's training mode and practical needs, the requirements for the cycling track needed to be enhanced beyond the UCI Category 1 standard (see para. 2.28(b)).

In the event, the main hall (where the cycling track is located — see Photograph 3 in para. 1.8) in the HKV was closed for about two months (from late November 2014 to late January 2015) for carrying out the cycling track surface enhancement at a cost of \$4.2 million to suit the training mode of the HKC Team.

2.31 In September 2018, in response to Audit’s enquiries, the ArchSD and the LCSD said that:

ArchSD

- (a) according to Financial Circular No. 11/2001 “Requirement for Project Definition Statement and Technical Feasibility Statement for Capital Works Projects” of November 2001 (which was superseded by Financial Circular No. 4/2012 of July 2012 (Note 22)), the policy bureaux were required to justify and define the scope of each proposed capital works project with a Project Definition Statement (see Note 15 to para. 2.11(a)). The Circular also required that the description of project scope/special requirements should be included in the Project Definition Statement. Hence, the special performance requirements for the sports facilities should be provided by the LCSD (e.g. the requirement on the cycling track to comply with the latest requirements of the UCI for homologation as a UCI Category 1 velodrome was stated in the Project Definition Statement of the Project);

LCSD

- (b) the HKV was the first ever indoor cycling facility built in Hong Kong, which was new to all major stakeholders including the LCSD, the ArchSD and the CAHK at that time. All major stakeholders had tried their best at the early planning and design stages to draw up the design parameters to suit the objectives and specifications of the cycling track as required by the UCI; and

Note 22: *Following the issuance of Financial Circular No. 4/2017 in June 2017, consequential amendments have been made to the relevant parts of Financial Circular No. 4/2012.*

Project management

- (c) the cycling track was constructed in accordance with the user requirements, which had already taken into account the CAHK's advice at the time. The HKV was granted a Category 1 standard by the UCI, thereby achieving the standard as specified from the outset. However, after the conduct of a performance test and the International Track Cup, there were some comments from the professional cyclists (both local and foreign teams) concerning the level difference and gaps between the wooden slats on the cycling track. Given the aforesaid professional cyclists' comments, the LCSD considered that post-contract enhancement proposed by the CAHK should be implemented as soon as possible to improve the track surface performance and to better suit the training mode and practical needs of the HKC Team. Since the requirements for the enhancement arose after the test ride on the cycling track, it was not possible to incorporate them into the user requirements in advance.

2.32 Audit appreciates the difficulties encountered in building for Hong Kong the first ever indoor cycling facility that met international standards for world-class cycling training and competitions. In Audit's view, in providing a specialised sports facility in future, the LCSD needs to ascertain the special requirements, particularly those of the major stakeholders, as far as possible.

Audit recommendation

2.33 **Audit has *recommended* that, in providing a specialised sports facility in future, the Director of Leisure and Cultural Services should ascertain the special requirements, particularly those of the major stakeholders, as far as possible.**

Response from the Government

2.34 The Director of Leisure and Cultural Services accepts the audit recommendation. She has said that the CAHK had already been fully consulted during the planning, design and construction stages of the Project and the proposed enhancement of the cycling track was only raised after the test ride.

Changes in accommodation

2.35 The Accommodation Regulations of the Government set out the policy and guiding principles on government accommodation and related matters for government bureaux/departments (B/Ds). According to the Accommodation Regulations:

- (a) the user B/D of a specialist/departmental building (Note 23) has to prepare a schedule of accommodation (SoA) and seek the approval of the Property Vetting Committee (PVC — Note 24) for the accommodation concerned; and
- (b) where, for any reason after the approval of SoA, the net operational floor area (NOFA — Note 25) of any individual item varies by more than 10% from the approved area or the total NOFA varies by more than 5% from the approved area, the user B/D should resubmit the SoA to the PVC for further approval (Note 26).

As the HKV is a specialist/departmental building, the LCSD, as the user department, should abide by the above requirements. In addition, according to the ArchSD's

Note 23: *According to the Accommodation Regulations, specialist/departmental buildings include buildings (e.g. standalone departmental headquarters buildings, law courts, police stations, libraries, museums, clinics, town halls and community centres) and structures (e.g. sewage treatment plants) used to meet the policy objectives and/or operational needs of pertinent B/Ds.*

Note 24: *The PVC is the approving authority in respect of SoAs for specialist/departmental buildings. It is chaired by an Assistant Director of the ArchSD and comprises representatives from the Financial Services and the Treasury Bureau and the Government Property Agency as members.*

Note 25: *The NOFA refers to the floor area actually allocated to the users for carrying out their intended activities. For example, the NOFA does not include areas for toilets, bathrooms and shower rooms, lift lobbies, stair halls, public/shared corridors, stairwells, escalators and lift shafts, parking spaces, loading and unloading areas and mechanical plant rooms.*

Note 26: *According to the Accommodation Regulations: (a) the PVC will not allow alterations to the approved SoA except for minor refinements during the design stage agreed by a directorate officer of the relevant works department; and (b) such refinements must not incur significant additional staff resources, cause delay to the construction programme or lead to an increase in the project estimate as assessed by the works department.*

Project management

operational instructions, the ArchSD, as the works agent, also needs to ensure compliance with the Accommodation Regulations in implementing an ArchSD building project.

Need to comply with requirements for changes in accommodation

2.36 In September 2009, the PVC approved an SoA for the Project. The contract works for the implementation of the Project were substantially completed in December 2013. Audit compared the NOFA of items approved in the SoA of September 2009 with those shown on the as-built records of December 2013 and noted that the NOFA for some items varied by more than 10% (see Table 4 for some examples).

Table 4

Examples of items with NOFA varied by more than 10% from approved SoA (December 2013)

Facility	NOFA		
	Per SoA of September 2009	Per as-built records of December 2013	Percentage variation
	(a)	(b)	(c) = $\frac{(b) - (a)}{(a)} \times 100\%$
	(m ²)	(m ²)	(%)
(a) Control room	10.0	123.0	1,130%
(b) Baby care facility	7.5	64.0	753%
(c) Staff room cum roll-call room	9.0	70.0	678%
(d) First aid room	15.0	32.0	113%
(e) Dressing room for stage performance	70.0	132.0	89%
(f) Physiotherapy/massage room	30.0	48.0	60%
(g) Booking office	15.0	23.0	53%
(h) Judge referee box	50.0	70.0	40%

Source: Audit analysis of ArchSD and LCSD records

2.37 Audit noted that the changes to the NOFA of accommodation (see Table 4) under the Project had not been approved by the PVC. Between August and October 2018, in response to Audit's enquiries, the LCSD and the ArchSD said that:

LCSD

- (a) it was of utmost importance that the cycling track with all supporting facilities should be built up to international standards for hosting large-scale international events. It was also equally essential to meet ever-increasing demands from the public and to follow the latest government policies (e.g. provision of baby care facilities);
- (b) the LCSD had attended some client meetings with the ArchSD and the CAHK during the planning and design stages to ensure that the provisions of the HKV could meet the requirements for hosting large-scale international events. The LCSD was not aware of or specifically being informed of the extent of accommodation changes of the HKV after the SoA was approved by the PVC in September 2009 and hence was not able to resubmit the SoA to the PVC accordingly;

ArchSD

- (c) the variations identified by Audit arose from a lack of sensitivity in the LCSD and the ArchSD to strictly comply with the approved SoA during the design development process;
- (d) during the design and construction stages, the ArchSD and the LCSD held meetings to review the design of the internal space to suit various functional requirements by specialist sports associations, media, venue management, etc. In the long process of coordination, the NOFA of certain accommodation had exceeded the area figures in the approved SoA without going back to the PVC for approval;
- (e) regarding the reasons for changes to the NOFA of accommodation under the Project:
 - (i) the HKV building was a special building uniquely designed for specific purposes as per LCSD's operational needs, statutory

requirements and good architectural practice. As the layout of the building was dominated by the oval shape and specific dimensions of the cycling track and the building's external appearance, the planning of internal spaces was much constrained. In some cases, the deviations from the area figures in the approved SoA were unavoidable. In addition, the approved SoA included many items (including the cycling track, the arena, the spectator stand, and the toilet/changing facilities, etc.) with areas marked "as appropriate", meaning that their areas were subject to the architectural layout. The area of these "as appropriate" items accounted for a substantial portion of the total floor area provided in the building and the configuration of these items reduced the flexibility in the planning of those items with area figures in the approved SoA. Although the area of some individual items deviated from the area figures in the approved SoA by more than 10%, the total area involved in such deviations was not significant, taking into account the bulk of floor area provided in the building; and

- (ii) it was necessary to align with the LCSD's new initiative on enhancement of baby care provision. Social awareness of the need for baby care facilities had arisen during the design development of the Project. As the HKV was not only the focal venue of Sai Kung District, but also the first ever local indoor cycling facility that met international standards, more baby care rooms had been provided at the HKV building to achieve a high level of customer satisfaction. In addition, to match with the LCSD's initiative to change the catering services at the HKV from food factory licence to full restaurant licence, the size and associated provision of the restaurant had to be augmented; and
- (f) since 2014 (i.e. after the completion of works under Contract A in December 2013), the ArchSD had already tightened control on compliance with approved SoA by implementing a series of enhancement measures for new projects, as follows:
 - (i) the ArchSD had set up an electronic room data sheet information system, under which information technology was used to compare the accommodation requirements from user departments against the approved SoA;

- (ii) on project administration level, the ArchSD issued an internal instruction highlighting the procedures in carrying out building projects so as to ensure that government accommodations and facilities were constructed in accordance with the approved SoA; and
- (iii) more check points had been added at different work stages of a project to remind project officers to timely follow up the discrepancies between the user requirements and the approved SoA with user departments.

2.38 While appreciating some changes were unavoidable and were, in part, done to accommodate the need for baby care facilities (see para. 2.37(e)), Audit considers that the changes to the NOFA of accommodation under the Project should have been approved by the PVC. In Audit's view, the LCSD needs to, in collaboration with the ArchSD, follow up with the PVC for the changes to the NOFA of accommodation under the Project in accordance with the requirements of the Accommodation Regulations. In implementing a project in future, the LCSD and the ArchSD need to take measures (e.g. through improving their coordination and communication and the ArchSD's enhanced control measures on compliance with approved SoA) to ensure that subsequent changes to an approved SoA are properly approved by the PVC in accordance with the requirements of the Accommodation Regulations.

Audit recommendations

2.39 **Audit has *recommended* that the Director of Leisure and Cultural Services should, in collaboration with the Director of Architectural Services, follow up with the PVC for the changes to the NOFA of accommodation under the Project in accordance with the requirements of the Accommodation Regulations.**

2.40 **Audit has *recommended* that, in implementing a project in future, the Director of Leisure and Cultural Services and the Director of Architectural Services should take measures (e.g. through improving the coordination and communication of the LCSD and the ArchSD, and the ArchSD's enhanced control measures on compliance with approved SoA) to ensure that subsequent**

changes to an approved SoA are properly approved by the PVC in accordance with the requirements of the Accommodation Regulations.

Response from the Government

2.41 The Director of Leisure and Cultural Services agrees with the audit recommendations.

2.42 The Director of Architectural Services agrees with the audit recommendations. She has said that:

- (a) in handling future projects, the ArchSD will continue to enhance its communication with the LCSD to ensure compliance with the approved SoA; and
- (b) the ArchSD will check the NOFA provided for various accommodations at the design and construction stages against the area figures in the approved SoA and alert the LCSD the need to seek the PVC's approval for changes as necessary.

PART 3: OPERATION AND MAINTENANCE OF FACILITIES

3.1 This PART examines the LCSD's work in the operation and maintenance of facilities in the HKV (paras. 3.2 to 3.17) and the HKVP (paras. 3.18 to 3.29).

Operation and maintenance of facilities in Hong Kong Velodrome

3.2 The LCSD is responsible for the management of the HKV. Audit has found room for improvement in its operation and maintenance of facilities in the HKV (see paras. 3.3 to 3.15).

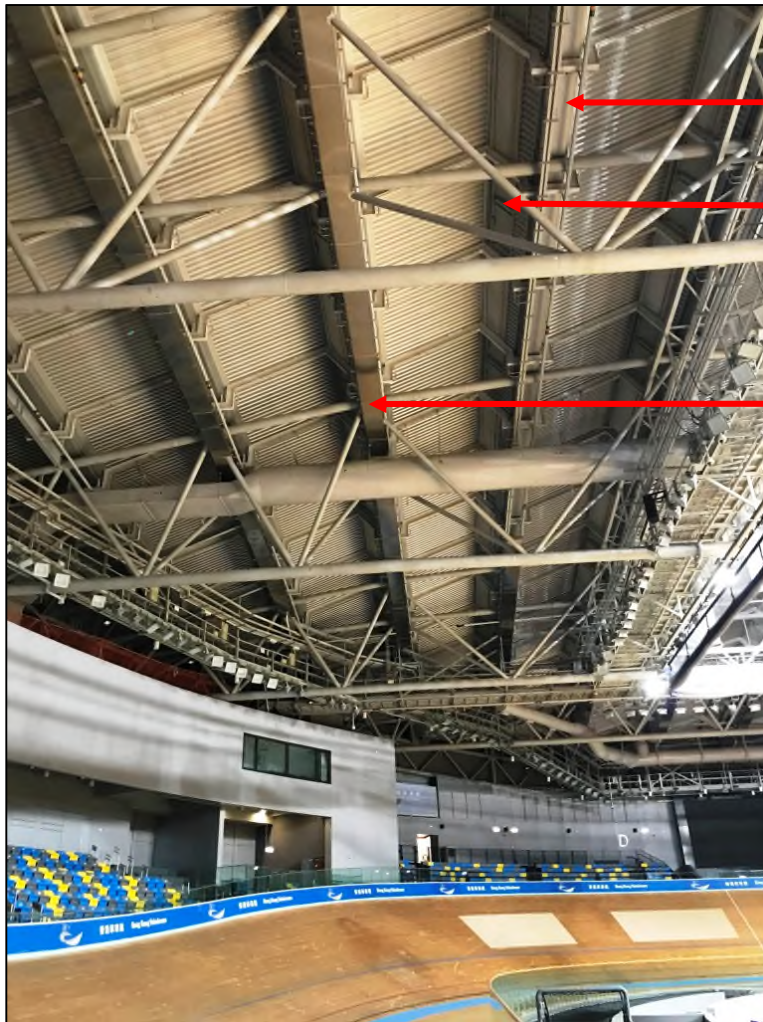
Need to tackle water seepage problem in main hall

3.3 The cycling track, arena and spectator stand facilities are located at the main hall of the HKV (see Photograph 3 in para. 1.8). According to the LCSD, the roof of the main hall of the HKV is a huge metallic structure with numerous windows, smoke ventilators and gutters, and all these installations contribute to numerous joints (Note 27) where sealant, flashing and other architectural details were used for ensuring water tightness (see Photograph 12).

Note 27: *According to the ArchSD, water droplets or moisture could penetrate through the joints of the roof into the main hall of the HKV.*

Photograph 12

Roof of main hall of HKV



Gutter

Smoke ventilator

Drip tray

Source: LCSD records

3.4 According to LCSD records, since the completion of the HKV in December 2013, water seepage had been found in the main hall. Under the LCSD's practice, its venue staff conduct daily inspection at the main hall to monitor the water seepage situation and would report the situation to both the ArchSD and Contractor A. Contractor A would then liaise directly with the LCSD to conduct urgent inspections and repair works (Note 28). During the period from December 2013 to June 2018, the LCSD had made 77 requests involving 234 water seepage incidents (Note 29) to both the ArchSD and Contractor A for carrying out urgent inspections and repair works. According to the ArchSD, it treated the incidents as 129 water seepage cases (Note 30).

Note 28: *The roof of the HKV is under warranty provided by Contractor A for a period of 20 years from December 2013. As such, all costs of the repair and rectification works (see para. 3.5) were borne by Contractor A. According to the ArchSD, repair works could only be conducted: (a) in fine weather and after the roof components were completely dried; (b) when access to the facilities was allowed by the LCSD as the repair works may occupy certain areas of the arena or the cycling track; and (c) on the pre-scheduled maintenance days for the whole venue (works involving smoke ventilators were only carried out on these venue maintenance days due to technical reason).*

Note 29: *According to the LCSD: (a) the 77 requests involved 234 water seepage incidents and each request involved 1 to 10 incidents; and (b) in order to facilitate the necessary follow-up actions by the ArchSD and Contractor A, the LCSD had provided them with a layout plan showing the spots relating to water seepage incident together with relevant photographs.*

Note 30: *According to the ArchSD: (a) water seepage incidents involving the same spot were repeatedly reported by the LCSD before repair works could be carried out; (b) each batch of repair works conducted by Contractor A addressed a number of water seepage incidents; (c) to comprehensively reflect the water seepage situation, the reported incidents involving the same spot addressed by each batch of repair works should be grouped and treated as one water seepage case; and (d) accordingly, it considered that the 234 reported incidents should be treated as 129 water seepage cases.*

Operation and maintenance of facilities

3.5 To tackle the water seepage problem in the main hall, the LCSD requested the ArchSD to instruct Contractor A to implement a series of rectification works (implementation of some of the works required closure of the main hall for 104 days) from May 2014 to January 2017 (Note 31). According to the ArchSD, from December 2013 to December 2016 (i.e. before the completion of the series of rectification works in January 2017), there were 101 water seepage cases. Audit noted that:

- (a) for the 101 cases, 47 spots were involved. For 25 (53%) of the 47 spots, water seepage occurred more than once (see Table 5); and

Note 31: *The rectification works included:*

- (a) *from May to June 2014 (with closure of the main hall for 18 days), installation of five drip trays (see Photograph 12 in para. 3.3) at the rooftop over some parts of the cycling track (i.e. those parts with more serious water seepage problem);*
- (b) *in November 2015, installation of waterproof membrane at the gutter joints;*
- (c) *from March to August 2016, cleaning, checking and rectifying all sealant joints surface, rectifying the defective gutter joint membrane, and applying protective roof coating to all gutter joints; and*
- (d) *from November 2016 to January 2017 (with closure of the main hall for 86 days), installation of additional drip trays at the rooftop over the remaining parts of the cycling track (i.e. those parts not involved in the rectification works in 2014 (see (a) above)).*

According to the ArchSD, installation of waterproof membrane (see (b) above) and application of sealant and protective coating (see (c) above) would help ensure water tightness at joints of the roof of the main hall, and installation of drip trays over the cycling track (see (a) and (d) above) acted as a second line of defence against water seepage.

Table 5

**Spots in main hall relating to water seepage cases
(December 2013 to December 2016)**

No. of cases	No. of spots			
	Cycling track	Arena	Spectator stand	Total
1	13	3	6	22 (47%)
2	4	6	1	11
3	4	1	1	6
4	3	1	—	4
5	—	1	2	3
8	—	—	1	1
Total	24	12	11	47 (100%)

Source: ArchSD records

- (b) the water seepage problem at the cycling track was apparently more serious as there were more spots on the cycling track during the period from December 2013 to December 2016.

3.6 According to the ArchSD, after the completion of rectification works in January 2017 and up to June 2018, there were still 28 water seepage cases in the main hall. Audit noted that:

- (a) the 28 water seepage cases involved 17 spots, of which 12 spots (70%) were on the cycling track, 2 spots (12%) were on the arena and 3 spots (18%) were on the spectator stand (see Table 6). For 8 (47%) of the 17 spots, water seepage occurred more than once; and

Table 6

**Spots in main hall relating to water seepage cases
(January 2017 to June 2018)**

No. of cases (Note)	No. of spots			
	Cycling track	Arena	Spectator stand	Total
1	8	—	1	9 (53%)
2	3	1	2	6
3	—	1	—	1
4	1	—	—	1
Total	12	2	3	17 (100%)

Source: ArchSD records

Note: For those spots with water seepage occurring more than once, the most recent cases were found on the cycling track and the spectator stand in June 2018, and on the arena in September 2017.

- (b) the water seepage problem at the cycling track was again apparently more serious as there were more spots on the cycling track.

3.7 In Audit's view, the LCSD needs to, in collaboration with the ArchSD, take effective measures to tackle the water seepage problem in the main hall of the HKV with a view to minimising nuisance and risks to users.

Need to keep under review effectiveness of pest control measures

3.8 According to the LCSD, its pest control measures are as follows:

- (a) since March 2013, the LCSD has engaged a contractor to provide cleansing services (including the pest control work) at the HKV and the HKVP;
- (b) since December 2013, in order to keep the wooden cycling track in the HKV in good condition and avoid any termite (Note 32) infestation, the LCSD has engaged a termite specialist to conduct regular termite prevention work on a monthly basis;
- (c) since October 2017, the LCSD has engaged a service provider to conduct additional pest control work targeting two types of pests (Note 33) in the changing rooms, washrooms and baby care rooms in the HKV in response to users' complaints; and
- (d) the LCSD would seek the assistance of the ArchSD and the Food and Environmental Hygiene Department in enhancing the pest control work as and when required.

3.9 During the fieldwork of this audit review, Audit noted an incident of termite infestation in the doping control room in the HKV. On 23 May 2018, Audit staff discovered 20 to 30 termites in the two washrooms inside the doping control room and informed the LCSD about the incident. On 1 June 2018, the situation worsened with hundreds of termites found by Audit staff in the two washrooms (see Photograph 13) and nearby areas. The LCSD sought the assistance of the ArchSD which arranged a termite specialist to conduct inspections. The termite specialist found termite nests at the maintenance chamber (containing pipes for air conditioners and drainage) locating above the false ceiling of the two washrooms and

Note 32: *Termites are insects which consume any cellulose-containing materials like living or dead wood, paper, cardboard, fibreboard and cotton fabrics as their food. Wooden fixtures and furniture are susceptible to damages caused by termites, which in turn cause property loss.*

Note 33: *The two types of pests are psychodidae and tinea pellionella. According to the LCSD, while these two types of pests are not harmful to humans and fixtures and furniture, they would cause nuisance to the users of the HKV.*

applied pest control treatments to the area concerned. In the event, the termite infestation problem was resolved in mid-June 2018.

Photograph 13

Termites found in a washroom inside doping control room



Source: Photograph taken by Audit staff on 1 June 2018

3.10 In July and September 2018, in response to Audit's enquiry, the LCSD said that:

- (a) as the termite nests were hidden in a concealed maintenance chamber of the two washrooms inside the doping control room, the LCSD could not detect the termite infestation during its regular inspections; and
- (b) before July 2018, the regular termite prevention service (see para. 3.8(b)) covered the wooden cycling track and the timber store area (where the spare wood for repair of the cycling track is stored). In view of the incident of termite infestation, the service had been extended to the doping control room since July 2018.

3.11 Given that wooden structure is susceptible to termite damage, any termite infestation in the HKV might cause damage to the wooden cycling track which in turn might pose risks to users of the cycling track. Infestation of termites or other types of pests at the facilities of the HKV would also cause nuisance to the users. Audit considers that the LCSD needs to keep under review the effectiveness of pest control measures taken at the HKV, including keeping alert of sign of pest infestation and taking control measures as appropriate.

Need to draw lessons from tendering of general restaurant business

3.12 In the HKV, there is a restaurant located at the ground floor. From August 2013 to July 2016, the LCSD invited four rounds of tenders for the light refreshment/general restaurant business at the HKV. However, there were no bids received in the first three rounds of tender exercises and the LCSD could only award the contract for the general restaurant business to an operator in December 2016 (for a contract period of seven years up to November 2023) in the fourth tender exercise. In March 2017, the restaurant in the HKV commenced operation, nearly three years after the commissioning of the HKV in April 2014.

3.13 In this connection, Audit noted that, to make the tender for the general restaurant business at the HKV more attractive to potential operators:

- (a) the LCSD had reviewed the tender requirements by making reference to the comments on the unsuccessful tender exercises as well as the feedbacks from current operators in the industry and made changes to the tender requirements in each of the four rounds of tender exercises (see Table 7 for examples); and

Table 7

**Examples of changes to tender requirements
(August 2013 to July 2016)**

Particulars	First tender exercise	Second tender exercise	Third tender exercise	Fourth tender exercise
Type of tender	Restricted to non-governmental organisations	Open	Open	Open
Minimum industry experience of tenderer	3 years	3 years	2 years	2 years
Type of business	Light refreshment restaurant	General restaurant (non-Chinese style cuisine)	General restaurant	General restaurant
Business area	307 m ² (including indoor seating area and kitchen)	346 m ² (including indoor and outdoor seating area, and kitchen)	346 m ² (including indoor and outdoor seating area, and kitchen)	387 m ² (including indoor and outdoor seating area, kitchen, store room and kiosks)
Vending machine operating rights	Nil	Nil	Nil	5 vending machines

Source: LCSD records

- (b) in March 2016 (before the fourth tender exercise with tender period from June to July 2016), the LCSD requested the ArchSD to carry out improvement works (Note 34) at the restaurant. The related works commenced in August 2016 and were completed in November 2016 at a cost of \$280,000. According to the LCSD, the tenderers were informed of such improvement works through tender documents, tender briefing and site visit.

Note 34: *The improvement works included: (a) levelling the kitchen floor; (b) providing floor drains connecting to the existing drainage system; (c) providing a food serving opening between the kitchen and the indoor seating area; and (d) converting part of the corridor space into a store room of the restaurant.*

3.14 Audit considers that the LCSD needs to draw lessons from the long time taken in sourcing the catering services at the HKV with a view to improving the sourcing of such services at sports centres in future.

Audit recommendations

3.15 Audit has *recommended* that the Director of Leisure and Cultural Services should:

- (a) in collaboration with the Director of Architectural Services, take effective measures to tackle the water seepage problem in the main hall of the HKV with a view to minimising nuisance and risks to users;
- (b) keep under review the effectiveness of pest control measures taken at the HKV, including keeping alert of sign of pest infestation and taking control measures as appropriate; and
- (c) draw lessons from the long time taken in sourcing the catering services at the HKV with a view to improving the sourcing of such services at sports centres in future.

Response from the Government

3.16 The Director of Leisure and Cultural Services agrees with the audit recommendations.

3.17 The Director of Architectural Services agrees with the audit recommendation in paragraph 3.15(a). She has said that the ArchSD will continue to monitor and take effective measures with relevant parties to tackle the water seepage problem in the main hall of the HKV.

Operation and maintenance of facilities in Hong Kong Velodrome Park

3.18 The LCSD is responsible for the management of the HKVP. Audit has found room for improvement in its operation and maintenance of facilities in the HKVP (see paras. 3.19 to 3.28).

Need to enhance inspection and control for proper use of facilities in HKVP

3.19 The LCSD's venue staff at the HKVP are responsible for conducting daily inspections at the HKVP to ensure that the facilities are safe, clean and serviceable for use by the public, and controlling the proper use of facilities by the users. Apart from the venue staff, the District Leisure Manager (Sai Kung) would conduct inspections at the HKVP every six months while the Chief Leisure Manager (New Territories East) would conduct surprise inspections as and when necessary. According to the LCSD, the venue-based officers who are responsible for the day-to-day management and maintenance of the facilities in the venue should record any damaged item/observation on the occurrence book and take immediate follow-up action as well as report to their supervisors on any significant issues.

3.20 ***Inadequacies in HKVP.*** Between June and August 2018, Audit conducted five site visits (Note 35) to the HKVP to examine the conditions of its facilities and the control for the proper use of its facilities. Audit found that while the management of facilities in the HKVP was generally in order, some cases of inadequacies were observed during Audit's site visits, as follows:

- (a) ***Damaged fixtures.*** During the five site visits to the HKVP, Audit observed that some benches were damaged and that the paint of some columns at the amphitheatre was peeled off. Photograph 14 (taken on 9 August 2018) shows a damaged bench with a screw sticking out, which might cause injury to users. Photograph 15 shows a column with paint peeled off at the amphitheatre. The conditions of damaged fixtures had remained unchanged as observed in Audit's first and last site visits (on 28 June and 9 August 2018 respectively). Audit examined the occurrence book of the

Note 35: *The dates of visits were 28 June, 31 July and 7, 8 and 9 August 2018.*

LCSD's venue staff for the period from January to early August 2018 and noted that these damaged fixtures were not recorded; and

Photograph 14

Damaged bench



Source: Photograph taken by Audit staff on 9 August 2018

Photograph 15

Column with paint peeled off at amphitheatre



Source: Photograph taken by Audit staff on 9 August 2018

Operation and maintenance of facilities

- (b) ***Control inadequacies.*** There were two cases of control inadequacies, as follows:
- (i) according to the LCSD, the skatepark in the HKVP is provided with extreme sports facilities, which is open for co-use of freestyle bicycle motocross, skateboarding, aggressive inline skating and freestyle scootering activities, and a bilingual standard notice of Players' Guide (Note 36) is posted up at the conspicuous locations of the skatepark. According to LCSD guidelines, all users of the skatepark must wear a head-protected safety helmet when riding in the skatepark, and the venue staff deployed to the skatepark should keep alert on whether users have worn the required helmets and remind them to read the Players' Guide (see Photograph 16) before entry to the play area. As stipulated in LCSD guidelines, if users are found not wearing the required helmets, they should not be allowed to ride in the skatepark. However, Audit's site visits on 28 June and 31 July 2018 found that there were users riding in the skatepark without wearing head-protected safety helmets (see Photograph 17), which should not be allowed. In this connection, Audit noted that the LCSD had received complaints on users riding in the skatepark without wearing safety helmets in 2014 (one complaint) and 2016 (two complaints). In response, the LCSD said that it would continue to monitor the performance of the venue staff to ensure that they would require users to follow the wearing of helmet requirement; and

Note 36: *According to the LCSD, to enhance public safety awareness, all skatepark users must read thoroughly the Players' Guide before admission to the skatepark. The Players' Guide stipulates, among others, that: (a) all players are advised that they must assess their ability to use the skatepark; and (b) all players use/skate at the facility at their own risk as extreme sports can be dangerous and may cause serious injury.*

Photograph 16

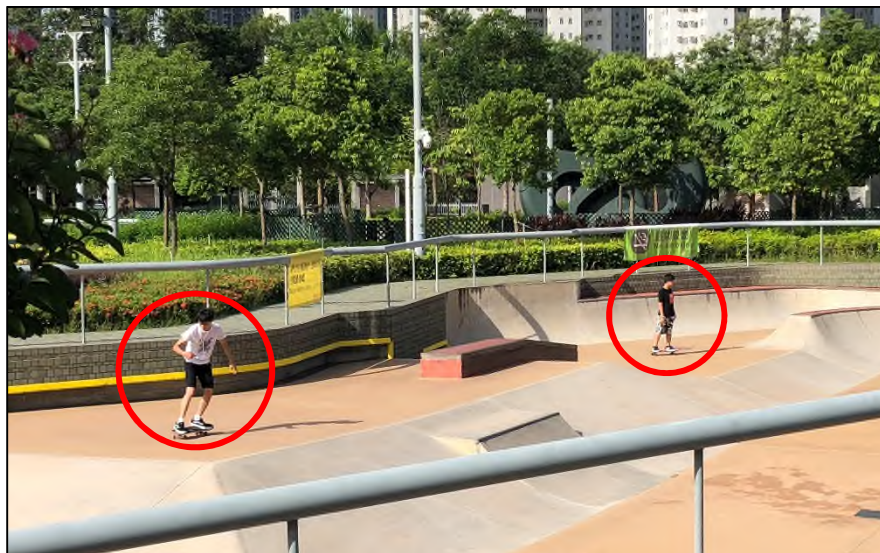
Signage showing Players' Guide for use of skatepark



Source: LCSD records

Photograph 17

Users riding in skatepark without wearing safety helmets



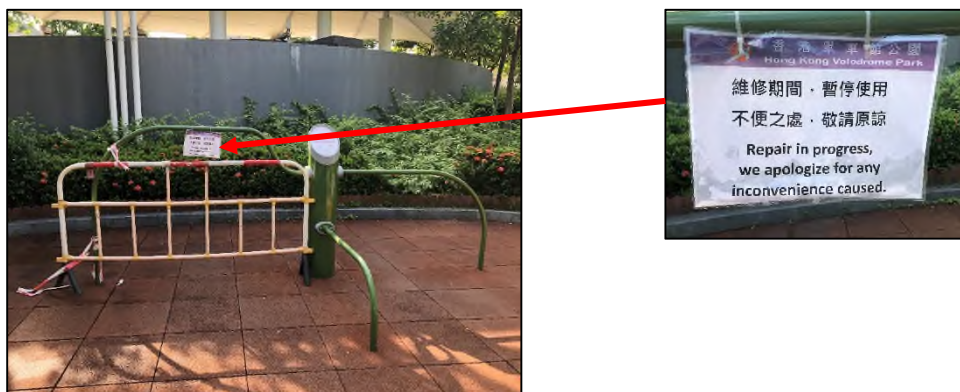
Source: Photograph taken by Audit staff on 31 July 2018

Operation and maintenance of facilities

- (ii) according to LCSD guidelines, when defects were found at playground equipment, the venue staff should immobilise the equipment, and put up a warning notice and cordon off the defective equipment. Photograph 18 shows a defective fitness equipment with a warning notice and cordoned off to prevent the public from using the defective equipment and getting injured. According to the LCSD, repair works of the fitness equipment was completed in the afternoon of 8 August 2018 and the equipment was reopened for public use on 10 August 2018 after inspection by venue staff and site clearance. However, Audit's site visits on 7 (afternoon) and 8 (morning) August 2018 found that while the repair works of the fitness equipment had not yet been completed, the warning notice was missing and the mills barrier had been moved aside from the defective equipment (see Photograph 19).

Photograph 18

Defective fitness equipment with warning notice and cordoned off



Source: Photograph taken by Audit staff on 28 June 2018

Photograph 19

**Defective fitness equipment without warning notice and
with mills barrier moved aside**



Source: Photograph taken by Audit staff on 8 August 2018

3.21 In September 2018, in response to Audit's enquiry, the LCSD said that:

- (a) regarding the damaged fixtures (see para. 3.20(a)), the repair works for 7 damaged benches in the HKVP and the repainting works for 12 columns with paint peeled off at the amphitheatre were completed on 12 September 2018 by the ArchSD;
- (b) regarding the control inadequacy at the skatepark (see para. 3.20(b)(i)), the venue management of the HKVP faced great difficulties in implementing the requirement of wearing safety helmet in the skatepark. It was the LCSD's established practice to encourage skatepark users to wear safety helmets during their riding and playing in the skatepark. However, with the background of street culture where extreme sports players (including skatepark users) were aware of the risk but prided themselves on being informed of the risk and working to explore their own comfort zones, the attitudes of skatepark users towards the wearing of helmet requirement were widely negative and the users often disregarded the safety requirements and came into conflict with the venue staff. Based on the venue staff's observation, most users entered the skatepark with safety helmets but did

Operation and maintenance of facilities

not wear them when riding despite being given repeated verbal advices by the venue staff. According to LCSD records, over 10 incidents of clashes in the skatepark were reported to the Police for assistance in the past; and

- (c) regarding the control inadequacy concerning the defective fitness equipment (see para. 3.20(b)(ii)), the venue staff found the fitness equipment defective in mid-June 2018 and accordingly, put up a warning notice and temporarily cordoned off the defective equipment by warning tape and mills barrier. However, according to the surveillance camera record of the HKVP, the mills barrier was removed by a user during nighttime of 6 August 2018. During the inspection on 9 August 2018, the venue staff cordoned off the equipment again until its reopening on the next day.

3.22 In its Controlling Officer's Report, the LCSD has pledged to provide safe and good quality recreation facilities (including parks) for the public. In Audit's view, the various cases of inadequacies noted during Audit's site visits show room for improvement in this regard. Audit considers that the LCSD needs to take measures to improve the effectiveness of its inspections at the HKVP and enhance its control for the proper use of HKVP facilities with a view to ensuring that HKVP facilities are safe and serviceable for use by the public.

Need to keep under review turf and drainage condition of central lawn

3.23 Shortly after the commissioning of the HKVP in April 2014, there were media reports in May 2014 on the drainage problem of the central lawn in the HKVP, leading to accumulation of stagnant water in the lawn after rain and breeding of mosquitoes (Note 37) in the nearby area. In addition, since the commissioning of the HKVP in April 2014 and up to June 2018, the LCSD received six complaints about the mosquito infestation within the area of the HKVP.

Note 37: *Mosquitoes are the vectors for the transmission of some diseases such as dengue fever (through *Aedes albopictus*) and Japanese encephalitis (through *Culex* mosquitoes). People get the disease by the bite of mosquitoes infected with the virus.*

3.24 According to the LCSD:

- (a) after the commissioning of the HKVP in April 2014, it found that the condition of the central lawn was unsatisfactory as stagnant water could hardly be drained away (in particular after torrential rain), which hindered the use of the lawn by the public;
- (b) in order to address the drainage problem of the central lawn, it requested the ArchSD to instruct Contractor A to carry out defects rectification works in June 2014 (Note 38). To further improve the drainage of the central lawn, it also implemented improvement works in March and August 2016 (Note 39) at a total cost of \$394,000; and
- (c) according to the daily inspections at the HKVP, no apparent water ponding problem was identified after the implementation of improvement works at the central lawn, and it was observed that stagnant water could be drained away properly after raining.

3.25 However, Audit's site visit in May 2018 after days of heavy rain revealed that stagnant water accumulated in the lawn area and the turf condition was less than satisfactory (see Photograph 20), indicating that the drainage problem might still remain unresolved.

Note 38: *The defects rectification works in June 2014 included enhancement of percolation of soil, plantation of water resistance plantings and excavation of vertical drain pits.*

Note 39: *The improvement works in March and August 2016 included the installation of main carriers and lateral pipe drains at underground of the central lawn in two phases.*

Photograph 20

Drainage problem and less-than-satisfactory turf condition of central lawn



Source: Photograph taken by Audit staff on 8 May 2018

3.26 In August and September 2018, in response to Audit's enquiry, the LCSD said that:

- (a) it was observed that some common problems such as soil compaction and thatch accumulation impeded rapid drainage of the central lawn. Holding of some large-scale events (e.g. Sai Kung District Music Arts and Cultural Festival and New Territories East Lunar New Year Lantern Carnival) in 2017-18 at the central lawn might have caused further deterioration of the condition of the lawn as these events attracted over thousands of visitors to the HKVP who trampled on and damaged the lawn, resulting in soil compaction which would prevent rapid drainage of the lawn;
- (b) routine maintenance measures (e.g. application of enhanced cultivation techniques including coring, spiking and splitting on a regular basis to relieve soil compaction) had been carried out by the horticultural maintenance contractor to improve the drainage condition of the lawn;
- (c) in order to improve the condition of the central lawn and enhance the visual amenity of the HKVP, the LCSD arranged to returf the central lawn and

re-establish the top soil of the damaged area. The returfing works were conducted from June to mid-August 2018 in two phases. The phasing arrangement ensured that the remaining portion of the lawn could still be open for public use. After the returfing exercise, the condition of the central lawn had improved; and

- (d) in response to the complaints about the mosquito infestation within the area of the HKV and the HKVP, the LCSD had stepped up inspection on the cleanliness of the venues. The LCSD had also carried out a series of mosquito control measures (e.g. removing stagnant water and fallen leaves and applying larvicidal oil regularly) to keep the environment clean and to eliminate breeding of mosquitoes. Moreover, the cleansing contractor (see para. 3.8(a)) conducted special preventive work and fogging services at the venues weekly to reduce the nuisance to the users caused by mosquitoes.

3.27 In Audit's view, given that the accumulation of stagnant water and poor turf condition in the central lawn of the HKVP may hinder its use by the public and pose a risk for breeding of mosquitoes, the LCSD needs to keep under review the turf and drainage condition of the central lawn in the HKVP and carry out improvement works as appropriate.

Audit recommendations

3.28 Audit has *recommended* that the Director of Leisure and Cultural Services should:

- (a) **take measures to improve the effectiveness of the LCSD's inspections at the HKVP and enhance the LCSD's control for the proper use of HKVP facilities with a view to ensuring that HKVP facilities are safe and serviceable for use by the public; and**
- (b) **keep under review the turf and drainage condition of the central lawn in the HKVP and carry out improvement works as appropriate.**

Response from the Government

3.29 The Director of Leisure and Cultural Services agrees with the audit recommendations. She has said that:

- (a) regarding the requirement of wearing safety helmet in the skatepark, the LCSD will put the issue under close monitoring and review with the concerned “national sports associations” to enhance the users’ safety in playing at the venue; and
- (b) to tackle the ponding problem of the central lawn in the HKVP, action has already been taken to returf the field with sandy soil to further improve its drainage capacity.

PART 4: USAGE OF FACILITIES

4.1 This PART examines the usage of leisure and sports facilities (paras. 4.2 to 4.15) and the usage of function rooms (paras. 4.16 to 4.22) in the HKV.

Usage of leisure and sports facilities

4.2 The leisure and sports facilities in the HKV include, among others, a 250-metre long wooden cycling track, an arena in the centre of the cycling track, a children's playroom, a fitness room, a table tennis room, 3 activity rooms and a dance room (see para. 1.8 and Photographs 3 to 7). The LCSD has compiled utilisation rates for these facilities since their commissioning in early 2014 (see Table 8 and Note 40).

Note 40: *It is the LCSD's established practice not to compile utilisation rates for non-fee charging facilities (including those facilities in the HKVP) under its management.*

Table 8
Utilisation rates of leisure and sports facilities in HKV
(2014 to 2018)

Facility	Utilisation rate (Note 1)				
	2014 (Note 2)	2015	2016	2017	2018 (up to June)
(a) Cycling track	21 %	16 %	11 %	24 %	31 %
(b) Fitness room	37 %	56 %	48 %	51 %	43 %
(c) Activity rooms and dance room (Note 3)	35 %	44 %	51 %	55 %	58 %
(d) Arena	72 %	67 %	74 %	74 %	69 %
(e) Table tennis room	48 %	57 %	70 %	74 %	75 %
(f) Children's playroom	93 %	92 %	97 %	93 %	84 %

Source: LCSD records

Note 1: The facilities' utilisation rates were calculated as follows:

(a) for the fitness room (item (b)) and the children's playroom (item (f)), the utilisation rate in a period was calculated as follows:

$$\frac{\text{Actual number of users}}{\text{Total capacity}} \times 100\%$$

(b) for other facilities (i.e. items (a), (c), (d) and (e)), the utilisation rate in a period was calculated as follows:

$$\frac{\text{Actual number of hours used}}{\text{Total available hours}} \times 100\%$$

Note 2: The commissioning dates for the facilities were as follows:

Facility	Commissioning date
Fitness room (item (b))	27 January 2014
Activity rooms and dance room (item (c))	
Table tennis room (item (e))	
Children's playroom (item (f))	16 April 2014
Cycling track (item (a))	30 April 2014
Arena (item (d))	

Note 3: According to the LCSD, activity rooms are designed for serving as committee rooms or team storage areas during major cycling events and can be used for various types of sports activities, including dance. As such, the LCSD compiles utilisation rates for activity rooms and dance room as a whole.

4.3 Audit selected the facilities with utilisation rates below 70% in 2018 (up to June) (see items (a) to (d) in Table 8) for further examination and notes that there is still scope for the LCSD to further enhance the utilisation of the cycling track (see paras. 4.4 to 4.9), the fitness room (see para. 4.10), the activity rooms and the dance room (see para. 4.11), and the arena (see para. 4.12).

Scope for enhancing utilisation of leisure and sports facilities

4.4 **Cycling track.** Regarding the usage of the cycling track in the HKV, only holders of a valid track pass (Note 41) issued by the LCSD are allowed to use the cycling track in order to ensure the safety of the users and the proper use of the cycling track. As of June 2018, there were 561 track pass holders (Note 42). In general, members of the public could make 10-day advance booking for the use of the cycling track through the Internet or the LCSD's booking counters on a first-come-first-served basis. According to the LCSD, the following parties are eligible to reserve the cycling track up to 12 months in advance in descending order of priority, as follows:

- (a) the HAB or the LCSD;
- (b) the Hong Kong Sports Institute (see para. 4.5(b) and (c)); and

Note 41: *The following categories of riders may apply to the LCSD for track passes:*

- (a) *inexperienced riders who have attended and passed the track cycling training courses organised by the LCSD or the CAHK;*
- (b) *experienced riders who have attended and passed the track pass workshop organised by the CAHK;*
- (c) *riders possessing equivalent qualification(s) issued by an organisation recognised by the CAHK; and*
- (d) *members of the HKC Team who joined after 2000.*

Note 42: *The number of track passes issued by year were as follows:*

2013	2014	2015	2016	2017	2018 (up to June)	Total
49	119	72	68	169	84	561

Usage of facilities

- (c) organisations eligible for priority booking as stipulated in LCSD guidelines (Note 43).

4.5 As shown in item (a) in Table 8 in paragraph 4.2, the utilisation rates of the cycling track in the HKV were below 35% since its commissioning in April 2014 and up to June 2018. According to the LCSD:

- (a) the HKV has a core mission to provide a local, stable and quality training base for the HKC Team;
- (b) the HKC Team normally conducts cycling training six days a week (Monday to Saturday) from 9 a.m. to 6 p.m. and the elite training at the HKV will highly depend on race schedules and on-the-spot physical condition of individual athletes;
- (c) in order to allow flexibility in using the cycling track to meet the training needs of the HKC Team, the cycling track in the HKV during the aforementioned timeslots has been reserved under the Hong Kong Sports Institute;
- (d) when the Hong Kong Sports Institute does not conduct training for the HKC Team during the aforementioned timeslots, the public could book and use the cycling track on-the-spot;
- (e) as a result, the availability of the cycling track for use by the public is lower; and
- (f) if counting the total hours available for public use (i.e. excluding the timeslots reserved under the Hong Kong Sports Institute — see (b) and (c) above), the utilisation rate of the cycling track would be around 45% during the period from January to June 2018.

Note 43: *Examples of organisations eligible for priority booking are “national sports associations” (such as the CAHK), schools and those organisations supported by the LCSD or District Councils.*

4.6 While recognising the mission of the HKV as mentioned in paragraph 4.5(a) to (f), in view of the spare capacity of the cycling track in the HKV available for meeting further demand, there is merit for the LCSD to explore measures to make better use of the track with a view to further promoting track cycling in Hong Kong, including the possibility of organising more track cycling training courses for the public (see paras. 4.7 to 4.9).

4.7 *Track cycling training courses.* Since September 2015, the LCSD has organised track cycling training courses (with the assistance provided by the CAHK — Note 44) for the public to enable them to obtain track passes (Note 45). According to the LCSD, after satisfying the priority booking of the cycling track by eligible parties (see para. 4.4), it would make use of the residual timeslots to conduct training courses. The track cycling training courses are classified into three levels, namely Levels I, II and III. Participants must attend and pass the assessment of a training course before proceeding to the next level and those participants who passed the assessment of a Level III training course may apply to the LCSD for track passes.

4.8 Each track cycling training course of Levels I, II and III has 20 training places and lasts for 4 hours. Levels I and II training courses were held in a temporary outdoor velodrome in Ma On Shan during the period from September 2015 to July 2017, and have been held in the HKV since August 2017 (Note 46). All Level III training courses have been held in the HKV since September 2015. Up to June 2018, a total of 83 training courses for all these 3 levels had been organised. The number

Note 44: *According to the LCSD, the CAHK would provide qualified coaches for a track cycling training course for a service fee.*

Note 45: *According to the LCSD, during the period between the commissioning of the HKV in April 2014 and the launch of the track cycling training courses in September 2015, it had collaborated with the CAHK in conducting the preparatory work for organising the training courses, including the design of course syllabus and sourcing of qualified coaches.*

Note 46: *According to the LCSD, to avoid causing damages to the cycling track in the HKV, all Levels I and II training courses (participants being less experienced in track cycling) were not held in the HKV before August 2017. After reviewing the syllabus of Levels I and II training courses and the accident statistics of participants of such training courses, the LCSD and the CAHK decided that it would be appropriate to hold Levels I and II training courses in the HKV since August 2017.*

Usage of facilities

of training courses by level organised and their average enrolment rates during the period from September 2015 to June 2018 are shown in Table 9. The average passing rates for Levels I, II and III training courses during the period from September 2015 to June 2018 were 54%, 63% and 79% respectively.

Table 9
Number and average enrolment rates
of track cycling training courses by level
(September 2015 to June 2018)

Level	No. of training courses (average enrolment rate)					
	2015 (since September)	2016	2017 (up to July)	2017 (since August)	2018 (up to June)	Overall
	Held in Ma On Shan			Held in HKV		
I	6 (100%)	19 (89%)	10 (83%)	6 (100%)	10 (95%)	51 (91%)
II	2 (55%)	6 (66%)	2 (53%)	4 (74%)	5 (87%)	19 (71%)
	Held in HKV					
III	2 (40%)	4 (29%)	1 (70%)	2 (43%)	4 (68%)	13 (48%)
Overall	10 (79%)	29 (76%)	13 (77%)	12 (82%)	19 (87%)	83 (80%)

25
(79%)

Source: Audit analysis of LCSD records

4.9 As shown in Table 9, 19 training courses had been organised during the first six months in 2018, which already reached 76% and 66% of the 25 and 29 courses organised in the full year of 2017 and 2016. While relatively more courses had been held in the first half of 2018, the overall enrolment rate had still been increasing from 76% in 2016 to 87% in 2018, which indicated the popularity of the

courses. In particular, for Level I training courses (which accounted for over half of the courses organised each year), they were highly popular and nearly fully enrolled (average enrolment rates ranged from 95% to 100%) since August 2017 (when all these courses have been held in the HKV). In view of the popularity of the track cycling training courses, and that the passing of the assessment of a Level III training course is a prerequisite for applying for a track pass to use the cycling track, Audit considers that the LCSD needs to explore the possibility of organising more training courses with a view to further promoting track cycling in Hong Kong.

4.10 ***Fitness room.*** According to the LCSD, individuals aged 15 or above and with a fitness training qualification (Note 47) may use the LCSD's fitness rooms. Audit examination found that, since the commissioning of the fitness room in the HKV in January 2014 and up to June 2018, the utilisation rates of the fitness room ranged from 37% to 56% and were the third highest among the six government sports centres in Tseung Kwan O area in recent years (since 2016 — see Table 10). Nevertheless, its utilisation rates had generally decreased from 56% in 2015 to 43% in 2018 (up to June), while the utilisation rates of the other five fitness rooms had generally increased or remained unchanged. In Audit's view, there is scope for the LCSD to explore measures (e.g. organising more fitness training courses as mentioned in Note 47) to enhance the utilisation of the fitness room in the HKV.

Note 47: *Individuals with any one of the following qualifications may use the LCSD's fitness rooms:*

- (a) participants who have completed the "Fitness (Multi-gym) Training Courses" organised by the LCSD from May 2006 onwards and attained 80% or higher attendance rate;*
- (b) participants who have completed the "Briefing on Proper Ways to Use Fitness Equipment" and passed the assessment organised by the LCSD;*
- (c) holders of LCSD Fitness Gold Card; or*
- (d) holders of equivalent qualifications recognised by the Physical Fitness Association of Hong Kong, China.*

Table 10

Utilisation rates of fitness rooms in sports centres in Tseung Kwan O area
(2014 to 2018)

Sports centre	Utilisation rate				
	2014	2015	2016	2017	2018 (up to June)
Tseung Kwan O Sports Centre	27%	21%	19%	23%	25%
Po Lam Sports Centre	39%	31%	29%	30%	31%
Tsui Lam Sports Centre	56%	41%	34%	38%	39%
HKV	37% (Note 1)	56%	48%	51%	43%
Hang Hau Sports Centre	50%	54%	57%	60%	62%
Tiu Keng Leng Sports Centre	N/A (Note 2)	48% (Note 2)	69%	79%	76%

Source: LCSD records

Note 1: The fitness room in the HKV opened for public use on 27 January 2014.

Note 2: Tiu Keng Leng Sports Centre opened for public use on 23 April 2015.

4.11 **Activity rooms and dance room.** Audit examination found that, since the commissioning of the activity rooms and the dance room in the HKV in January 2014 and up to June 2018, the utilisation rates of these rooms measuring as a whole (see Note 3 to Table 8 in para. 4.2) ranged from 35% to 58% and were the second lowest among the six government sports centres in Tseung Kwan O area in recent years (since 2015 — see Table 11). In Audit's view, there is scope for the LCSD to explore measures (e.g. publicising the HKV to schools and other organisations for holding events and activities) to enhance the utilisation of the activity rooms and the dance room in the HKV.

Table 11

**Utilisation rates of activity rooms in sports centres in Tseung Kwan O area
(2014 to 2018)**

Sports centre	Utilisation rate				
	2014	2015	2016	2017	2018 (up to June)
Tsui Lam Sports Centre	48%	43%	48%	54%	51%
HKV	35% (Note 1)	44%	51%	55%	58%
Po Lam Sports Centre	55%	63%	65%	67%	64%
Tseung Kwan O Sports Centre	66%	63%	67%	72%	67%
Hang Hau Sports Centre	69%	70%	71%	74%	72%
Tiu Keng Leng Sports Centre	N/A (Note 2)	58% (Note 2)	68%	76%	79%

Source: LCSD records

Note 1: The activity rooms and the dance room in the HKV opened for public use on 27 January 2014.

Note 2: Tiu Keng Leng Sports Centre opened for public use on 23 April 2015.

4.12 **Arena.** According to the Controlling Officer's Reports of the LCSD, the targets for the average usage rate of arena in sports centres in Hong Kong were 73% in 2014 and 2015, 75% in 2016 and 2017, and 80% in 2018. Audit examination found that, in the five years from the commissioning of the arena in the HKV in April 2014 and up to June 2018, the utilisation rates of the arena (ranging from 67% to 74%) were below the target average rates in all the five years and were the lowest among the six government sports centres in Tseung Kwan O area (see Table 12). In Audit's view, there is scope for the LCSD to explore measures (e.g. publicising the HKV to schools and other organisations for holding events and activities) to enhance the utilisation of the arena in the HKV.

Table 12

Utilisation rates of arenas in sports centres in Tseung Kwan O area
(2014 to 2018)

Sports centre	Utilisation rate				
	2014	2015	2016	2017	2018 (up to June)
HKV (Note 1)	72% (Note 2)	67%	74%	74%	69%
Tsui Lam Sports Centre	72 %	72 %	75 %	76 %	71 %
Po Lam Sports Centre	80 %	79 %	82 %	81 %	80 %
Tseung Kwan O Sports Centre	81 %	82 %	82 %	82 %	82 %
Hang Hau Sports Centre	85 %	85 %	85 %	87 %	85 %
Tiu Keng Leng Sports Centre	N/A (Note 3)	88 % (Note 3)	89 %	89 %	89 %
Target average rate	73 %	73 %	75 %	75 %	80 %

Source: LCSD records

Note 1: According to the LCSD: (a) while the arena and the cycling track of the HKV could be used concurrently when conducting badminton activities in the arena which would not interfere with the cyclists' training at the cycling track, the arena and the cycling track could not be used concurrently when conducting basketball and volleyball activities in the arena which would pose safety risks to the cyclists; (b) to maintain the training flexibility for the HKC Team, the venue management of the HKV does not accept priority booking by organisations (see para. 4.4(c)) for the use of the arena during the training sessions of the HKC Team (see para. 4.5(b) and (c)); and (c) the abovementioned arrangements would affect the utilisation of the arena.

Note 2: The arena in the HKV opened for public use on 30 April 2014.

Note 3: Tiu Keng Leng Sports Centre opened for public use on 23 April 2015.

4.13 In September and October 2018, in response to Audit's enquiry, the LCSD said that:

- (a) ***Cycling track.*** The HKV had a core mission to provide a local, stable and quality training base for the HKC Team and to develop the sports of track cycling in Hong Kong. In view of this objective, the LCSD had worked closely with the major stakeholders, such as the CAHK, the Hong Kong Sports Institute, the Sai Kung District Sports Association and other sports organisations, on various aspects to promote the usage of the HKV;
- (b) ***Fitness room.*** The drop in usage of the fitness room in the HKV might be due to the opening of Tiu Keng Leng Sports Centre, which was located near the Mass Transit Railway station, in April 2015. Currently, the quota of the fitness room of each session was divided into two user types, namely the hourly ticket users and the monthly ticket users. In order to fully utilise the quota of the fitness room of each session, the venue management of the HKV had released the remaining quota of a user type at the start of each session to another user type on a first-come-first-served basis;
- (c) ***Activity rooms and dance room.*** As the activity rooms in the HKV were designed for serving as committee rooms or team storage areas during major cycling events, the equipment provision in these rooms was not the same as that in activity rooms in other government sports centres (e.g. the activity rooms in the HKV had not been equipped with public address system and mirrors, which were usually provided at activity rooms in other government sports centres). As a result, the popularity of activity rooms in the HKV was lower; and
- (d) ***Arena.*** Unlike other government sports centres, there was no priority booking by schools and organisations for the use of the arena in the HKV during the training sessions of the HKC Team (see para. 4.5 (b) and (c)) in order to maintain the training flexibility for the HKC Team.

Audit recommendations

4.14 **Audit has *recommended* that the Director of Leisure and Cultural Services should explore measures to:**

- (a) **make better use of the cycling track in the HKV with a view to further promoting track cycling in Hong Kong (including exploring the possibility of organising more track cycling training courses for the public); and**
- (b) **enhance the utilisation of the fitness room, the activity rooms, the dance room and the arena in the HKV.**

Response from the Government

4.15 The Director of Leisure and Cultural Services agrees with the audit recommendations. She has said that the LCSD:

- (a) recognises the unique role of the HKV to provide a local, stable and quality training base for the HKC Team and to develop the sports of track cycling in Hong Kong; and
- (b) will continue to work closely with the major stakeholders, such as the CAHK, the Hong Kong Sports Institute, the Sai Kung District Sports Association and other sports organisations to promote the usage of facilities in the HKV.

Usage of function rooms

4.16 According to the LCSD:

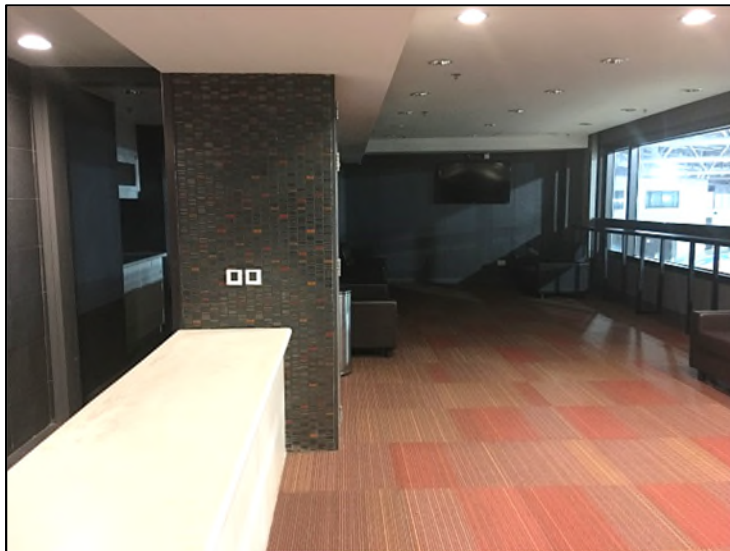
- (a) the HKV is the unique indoor cycling venue in Hong Kong that meets the international standards of the UCI for holding international track cycling events at the highest level; and

- (b) to ensure that the HKV achieves its objective to provide a competition ground and an elite training base for track cycling, the HKV is furnished with various specific function rooms, including:
- (i) 2 VIP boxes (78 m² each — see Photograph 21), a judge referee box (70 m² — see Photograph 22) and technical areas (i.e. a function room (see para. 1.8(a)) of 156 m²) located at the upper second floor; and
 - (ii) a VIP room (112 m² — see Photographs 23 and 24), a doping control room (99 m² — see Photograph 25) and a meeting room (103 m² — see Photograph 26) located at the ground floor.

These function rooms serve as supporting facilities when major international competitions are held at the HKV.

Photograph 21

VIP box at upper second floor



Source: Photograph taken by Audit staff on 6 July 2018

Photograph 22

Judge referee box



Source: Photograph taken by Audit staff on 6 July 2018

Photographs 23 and 24

VIP room at ground floor

Photograph 23

One end of VIP room



Photograph 24

Another end of VIP room



Source: Photographs taken by Audit staff on 2 August 2018

Photograph 25

Doping control room



Source: LCSD records

Photograph 26

Meeting room



Source: LCSD records

Need to explore possibility of putting function rooms into better beneficial use

4.17 The seven function rooms mentioned in paragraph 4.16(b) are available for booking by organisations and B/Ds (see Table 13 for the booking arrangements). However, according to the LCSD, it had not informed other B/Ds of the booking arrangements of the function rooms. Furthermore, they are not available for booking by the general public.

Table 13

Booking arrangements for HKV function rooms

Function room	Booking arrangement (Note)
<i>Upper second floor</i>	
2 VIP boxes (78 m ² each)	Available for booking by organisations (e.g. “national sports associations”) when the main hall (where the cycling track, arena and spectator stand facilities are located) is exclusively used for holding events and activities (e.g. international competition)
Judge referee box (70 m ²)	
Technical areas (i.e. a function room — 156 m ²)	
<i>Ground floor</i>	
VIP room (112 m ²)	Available for booking by B/Ds, “national sports associations” and the Hong Kong Sports Institute
Doping control room (99 m ²)	
Meeting room (103 m ²)	

Source: LCSD records

Note: Except for the 2 VIP boxes and technical areas located at the upper second floor, the use of all other function rooms is free of charge.

4.18 According to the LCSD:

- (a) since the commissioning of the HKV in 2014 and up to June 2018, all the 7 function rooms had been put into use for 20 days when 7 major international competitions (Note 48) were held at the HKV; and
- (b) during the period with no international competitions being held at the HKV, the function rooms would be used for conducting various activities, such as:
 - (i) guest reception rooms for receiving VIPs during events in the HKV and the HKVP;
 - (ii) classrooms for hosting training courses and seminars by B/Ds; and
 - (iii) temporary meeting rooms for conducting meetings with government works departments, service contractors and other sports organisations.

However, Audit noted that the LCSD did not compile statistics on the utilisation of the function rooms for such activities.

4.19 In May, July and August 2018, Audit conducted three site visits to the function rooms to ascertain their utilisation and found that all the function rooms were vacant (except the room which was assigned by the LCSD to Audit staff as a temporary office for conducting the fieldwork of this audit review).

4.20 In Audit's view, the LCSD needs to inform all B/Ds of the booking arrangements of the HKV function rooms and compile statistics for their utilisation for management review. There is also merit for the LCSD to explore measures for putting the function rooms (e.g. the meeting room shown in Photograph 26) into better beneficial use.

Note 48: *Examples of international competitions are: (a) 2015/16 UCI Track Cycling World Cup — Hong Kong (in 2016); (b) 2017 UCI Track Cycling World Championships (in 2017); (c) Asian Judo Championships 2017 (in 2017); and (d) Hong Kong International Track Cup 2018 (in 2018).*

Audit recommendations

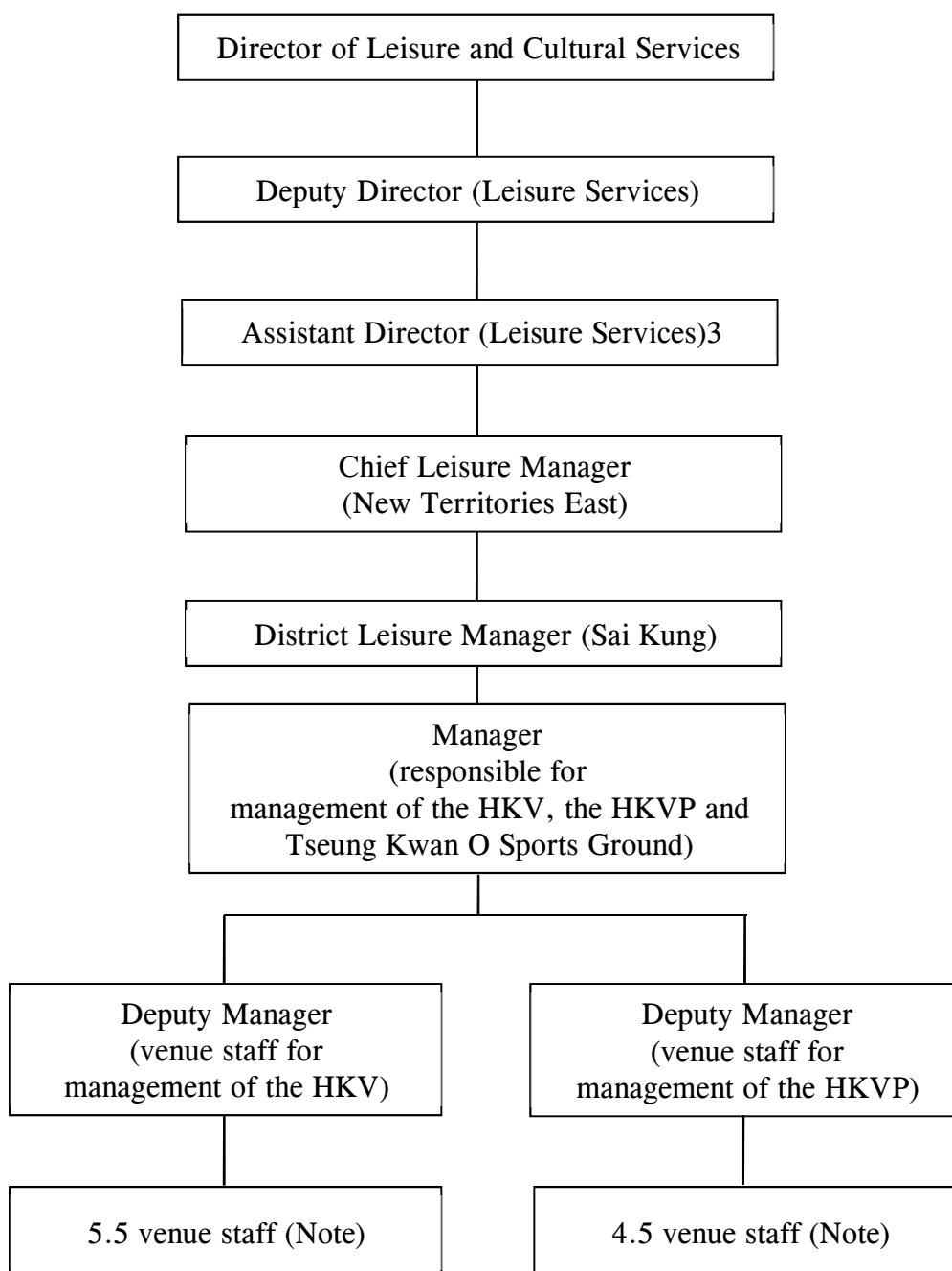
4.21 **Audit has *recommended* that the Director of Leisure and Cultural Services should:**

- (a) **inform all B/Ds of the booking arrangements of the HKV function rooms;**
- (b) **compile statistics for the utilisation of the HKV function rooms for management review; and**
- (c) **explore measures for putting the HKV function rooms (e.g. the meeting room shown in Photograph 26) into better beneficial use.**

Response from the Government

4.22 The Director of Leisure and Cultural Services agrees with the audit recommendations.

**Leisure and Cultural Services Department:
Organisation chart (extract)
(30 June 2018)**



Source: LCSD records

Note: One venue staff was responsible for the management of the HKV and the HKVP.

Acronyms and abbreviations

AI	Architect's instruction
APE	Approved project estimate
ArchSD	Architectural Services Department
Audit	Audit Commission
B/Ds	Government bureaux/departments
CAHK	The Cycling Association of Hong Kong, China Limited
EMSD	Electrical and Mechanical Services Department
FC	Finance Committee
HAB	Home Affairs Bureau
HKC Team	Hong Kong Cycling Team
HKV	Hong Kong Velodrome
HKVP	Hong Kong Velodrome Park
LCSD	Leisure and Cultural Services Department
LegCo	Legislative Council
m ²	Square metres
NOFA	Net operational floor area
PVC	Property Vetting Committee
SoA	Schedule of accommodation
UCI	Union Cycliste Internationale