

Laying of the Report Report No. 68 of the Director of Audit on the results of value for money audits was laid in the Legislative Council ("LegCo") on 26 April 2017. The Public Accounts Committee ("the Committee")'s Report (Report No. 68) was subsequently tabled on 12 July 2017, thereby meeting the requirement of Rule 72 of the Rules of Procedure of LegCo that the Report be tabled within three months of the Director of Audit's Report ("Audit Report") being laid.

2. **The Government Minute** The Government Minute in response to the Committee's Report No. 68 was laid in LegCo on 18 October 2017. A progress report on matters outstanding in the Government Minute was issued on 25 October 2018. The latest position and the Committee's further comments on these matters are set out in paragraphs 3 to 13 below.

Monitoring of charitable fund-raising activities
(Chapter 2 of Part 4 of P.A.C. Report No. 68)

3. Hon Abraham SHEK Lai-him declared that he was a director of the Absolutely Fabulous Theatre Connection, a founder member of the Construction Industry Charity Fund and a member of the School Council of St. Stephen's Girls' College, all of which might have conducted fund-raising activities. Hon Paul TSE Wai-chun declared that he had participated in charitable fund-raising activities. Hon Steven HO Chun-yin declared that he was a member of the Democratic Alliance for the Betterment and Progress of Hong Kong, which might have conducted fund-raising activities. Hon LAM Cheuk-ting declared that he was a member of the Democratic Party, which might have conducted fund-raising activities. Hon SHIU Ka-fai declared that he was a member of the Assessment Committee of the Liberal Party Caring Foundation, which might have conducted fund-raising activities. Hon Tanya CHAN declared that she was a member of the Civic Party, which might have conducted fund-raising activities.

4. The Committee was informed that:

Administration of public subscription permits for charitable fund-raising activities

- the Social Welfare Department ("SWD") had uploaded the "General Guidelines on the Scope of Public Subscription Permits" onto SWD's website since July 2018 to facilitate the public and organizations concerned to understand under what circumstances a Public

Subscription Permit ("PSP") issued under Section 4(17)(i) of the Summary Offences Ordinance (Cap. 228) was required for conducting charitable fund-raising activities;

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

- apart from monitoring the charitable fund-raising activities through administrative means (i.e. by imposing the eligibility criteria and conditions of PSP), SWD had implemented new deterrence measures on organizations which had submitted PSP applications on or after 1 August 2018 but were subsequently identified to have serious or repeated non-compliance with PSP conditions, including:
 - (a) publicizing the names of the non-compliant permittees and non-compliant incidents on SWD's website for at least six months and disqualified them from applying PSPs for and/or organizing all flag days (including its eligibility on the waiting list to stand in); and
 - (b) suspending PSP applications from the non-compliant organizations for at least six months;

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

- SWD had set up a "benchmark" of "Expenses-to-Gross Proceeds Ratio Reference Ceiling" for the following two types of general charitable fund-raising activities for voluntary compliance by those organizations with PSP applications submitted on or after 1 August 2018:
 - (a) 10% expenses-to-gross proceeds ratio for fund-raising activities which involved setting up money collection tools without deploying fund-raisers for solicitation; and
 - (b) 15% expenses-to-gross proceeds ratio for fund-raising activities which involved conducting charity sale only (net donation income of charity sale should be derived after deducting the cost of the charity sale items);

Fine-tuning the accounting requirements

- SWD had strengthened the accounting requirements on the permittees with PSP applications submitted on or after 1 August 2018 by imposing the following measures:
 - (a) the permittees should deposit balance of donations into the bank account concerned within 60 days of the last event day or before the commencement of auditing work, whichever was earlier;
 - (b) the income and expenditure accounts of the fund-raising activities should be prepared on an "accrual basis". Besides, the amount of donations and the relevant bank-in dates should be stated in the notes of the income and expenditure accounts;
 - (c) the permittees should refer to the benchmark of the latest Practice Note 850 "Reporting on Flag Days and General Charitable Fund-raising Activities Covered by Public Subscription Permits issued by the Social Welfare Department" published by the Hong Kong Institute of Certified Public Accountants for preparing the auditor's report/independent practitioner's assurance report; and
 - (d) the original copy and PDF file of the income and expenditure account of the fund-raising activity concerned, together with the auditor's report/independent practitioner's assurance report thereon, should be submitted to SWD within 90 days of the last event day. The PDF file would be uploaded onto GovHK for a period of 12 months for public inspection;

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

- the Food and Environmental Hygiene Department ("FEHD") had implemented new licensing procedures and administrative measures with effect from 15 January 2018 in respect of temporary hawker licences ("THLs") to further enhance financial accountability of fund-raising activities involving on-street sale of commodities, including:
 - (a) requiring licensees to display notices/banners to state the purposes of fund raising and reminding applicants to provide secure and

sealed boxes for collecting, storing and safekeeping the funds raised; and

- (b) requiring any tax-exempt charitable organizations and non-profit-making organizations that had been granted 12 THLs within 12 months to submit an application form if they wished to apply for the 13th THL, together with a financial report audited by a certified public accountant registered with the Hong Kong Institute of Certified Public Accountants. The report should disclose to FEHD the statements of income and expenditure accounts of fund-raising activities involving the sale of commodities covered by the previous 12 licences. Otherwise, its new application would be withheld from consideration. The above requirement was also applicable to subsequent THL applications made to FEHD;
- the three licensing Departments (i.e. SWD, the Home Affairs Department and FEHD) had started sharing/exchange of relevant information, including but not limited to cases of "repeated no-show without valid reasons" on a bi-annual basis since January 2018;

Way forward

- the Administration introduced a series of administrative measures with effect from 1 August 2018, including:
 - (a) jointly drawing up the new "Good Practice Guide on Charitable Fund-raising" to replace "the Reference Guide on Best Practices For Charitable Fund-raising Activities". The Guide had been uploaded onto GovHK to facilitate the public to make reference to and evaluate the performance of charitable organizations in organizing fund-raising activities as well as understanding donors' rights. The three licensing Departments would also step up promotion and encourage voluntary adoption of the Guide by charitable organizations;
 - (b) setting up a dedicated hotline for handling enquiries or complaints in relation to charitable fund-raising activities held by organizations in public places;

- (c) providing a one-stop service for charitable fund-raising activities organized on government land to obviate charitable organizations of the need to separately apply to the Lands Department ("LandsD") for temporary occupation of government land, when applying for permits or licences for different kinds of fund-raising activities; and
 - (d) providing a one-stop service for processing applications for waiver of THL in connection to PSP involving charity sale fund-raising activities; and
- the Administration would introduce a logo for charitable fund-raising activities in the first half of 2019 for display by holders of charitable fund-raising licences and permits during charitable fund-raising activities for identification by members of the public.
5. The Committee wishes to be kept informed of further development on the subject.

Management of squatter and licensed structures
(Chapter 3 of Part 4 of P.A.C. Report No. 68)

6. Hon SHIU Ka-fai declared that he was a non-official member of the Hong Kong Housing Authority.
7. The Committee was informed that:

Monitoring of squatter and licensed structures

- LandsD had completed inspection of all 136 surveyed squatter structures currently occupied for commercial purposes along the concerned seafront in Kowloon. LandsD was formulating an action strategy to handle cases with irregularities, taking into account any genuine difficulties encountered by the occupants and local sentiments;
- a new patrol and inspection system of all district Squatter Control Offices had been put in place since December 2017;

- LandsD had commenced a pilot scheme to digitize about 10 000 squatter control records since August 2017, which would be completed by end September 2018. The comprehensive squatter control record digitization exercise would be extended to cover all 600 000 records in the territory in two years' time. LandsD was also planning to set up a centralized database and develop a Geographical Information System for storing and managing the digitized squatter and licence records to facilitate patrol and inspection to capture breaches;
- LandsD had been exploring to use hand-held electronic devices as a pilot scheme for installing relevant land information and surveyed squatter structures information with an aim to facilitating patrol and inspection. LandsD would also procure additional hand-held electronic devices to facilitate the patrol and inspection work of Squatter Control Offices;
- LandsD issued instructions in December 2017 that District Lands Offices should set up District Review Boards to consider the following:
 - (a) to review whether the licensees had passed away and decide and monitor the follow-up actions of those Government Land Licences ("GLLs") where the death of the licensee was made known to the District Lands Offices if there was no approval of the transfer of GLLs;
 - (b) to formulate an inspection programme, based on the available staff resources such that each licence was subject to inspection within a specified period of time; and
 - (c) to review and monitor priorities of enforcement work in relation to GLLs of which irregularities were detected upon site inspections;
- LandsD had started uploading the essential GLL information onto the Survey and Mapping Office's Land Information System; and

Rates, government rent and licence fees on squatter and licensed structures

- since July 2017, based on information provided by LandsD, the Rating and Valuation Department had conducted a broader sample check and found that there were no strong justifications from the value for money angle to accord priority to the task of checking on

some 260 000 squatter structures with a view to identifying any unassessed cases, as the manpower cost required could far exceed the rates that might be recovered from the unassessed cases.

8. The Committee wrote to Director of Lands on 4 January 2019 to enquire about the measures to verify and ascertain the accuracy of the records of those squatter and licensed structures which had existed for a long time; the latest progress of the digitization of the squatter control records; and the timetables and progress of the setting up of the centralized database and Geographical Information System. The replies from **Director of Lands** are in *Appendix 3*.

9. The Committee wishes to be kept informed of further development on the subject.

Kai Tak Cruise Terminal

(Chapter 5 of Part 4 of P.A.C. Report No. 68)

10. The Committee was informed that:

Developing Hong Kong into a leading regional cruise hub

- the "2018-2019 Strategic Directions and Initiatives for Cruise Tourism Development in Hong Kong" was released in April 2018 and uploaded onto the website of the Tourism Commission. The Administration would review and, if necessary, update the relevant strategies and directions having regard to the latest development of the market and in consultation with the trade;
- an additional provision of \$14 million was allocated to the Hong Kong Tourism Board in 2018-2019 for introducing a series of initiatives to drive the development of cruise tourism in Hong Kong. In addition, the Hong Kong Tourism Board would launch special offer packages that cover cruise and local attractions, with a view to further strengthening the source markets in southern China;
- the number of ship calls and cruise passenger throughput in Hong Kong achieved a record high in 2017. For the Kai Tak Cruise Terminal in particular, the number of ship calls had nearly doubled

from 95 in 2016 to 186 in 2017 and the cruise passenger throughput had increased noticeably from 425 000 to 784 000 in this period; and

Monitoring expected economic benefits

- the Tourism Commission was collecting data in 2018 for a mid-term assessment on the economic benefits brought by the cruise industry. The Tourism Commission would make available the outcome of the mid-term assessment for the public and LegCo when ready.

11. The Committee wishes to be kept informed of further development on the subject.

Management of projects financed by the Lotteries Fund
(Chapter 6 of Part 4 of P.A.C. Report No. 68)

12. The Committee was informed that:

Administration of funding applications

- SWD and the Hong Kong Council of Social Service met regularly over the past year to follow up on the progress of various improvement measures and discussed the latest development of the Lotteries Fund ("LF") and the assistance required from non-governmental organizations ("NGOs") when making LF applications;
- SWD had implemented a "deadline" for replies to enquiries/requests for supplementary information for NGOs since late 2017 to expedite the processing of applications. SWD had also reviewed the deadline for replies for respective parties involved in the processing of applications and taking forward the approved projects (especially for major grants for renovation works), and streamlined the workflow. By the first quarter of 2018, all the applications for minor grants and over 90% of applications for major grants could be approved within four months and nine months respectively;
- the existing information system of LF was enhanced since September 2018 to facilitate recording the processing time required for different milestones during the application process and keeping track of the progress of approved projects. SWD had also kept track of progress

of identified long outstanding cases and assisted NGOs concerned to resolve the difficulties encountered, removed from SWD's database those projects no longer in need of LF grants and regarded those revised applications involving significant change of scope as new applications;

- SWD reported the progress of applications in process to the Lotteries Fund Advisory Committee on a half-yearly basis;
- regarding the Special Scheme on Privately Owned Sites for Welfare Uses ("Special Scheme"), the Labour and Welfare Bureau and SWD had conducted seven information exchange sessions with the applicant NGOs, and made further clarifications on and refinements to the various arrangements under the Special Scheme having regard to the views raised at these sessions;
- since the launch of the Special Scheme, a total of five progress reports had been made to the LegCo Panel on Welfare Services on the progress of the implementation of the Special Scheme. As at end September 2018, four projects under the Special Scheme had been completed and commenced service. Two projects were expected to be completed in 2018-2019. In addition, LF grants had been approved for 12 projects to conduct technical feasibility studies. One of these projects completed the technical feasibility study in November 2016 and received an LF grant for hiring consultants to proceed with work including detailed design, tender and works contract administration, etc.;

Administration of project implementation

- the Lotteries Fund Advisory Committee endorsed the implementation of additional measures in January 2018 to, inter alia, monitor the commencement date of respective projects in order to follow up the progress. SWD would request NGOs which could not commence their projects within a certain timeframe to provide justifications. In case of absence of justifications, SWD might consider cancelling the allocation, and/or recovering any payment already made to the grantee, and/or not proceeding with submitted payment claim, if any;
- in December 2017, SWD and the Architectural Services Department explored the possibility of streamlining the vetting process of approved LF projects to enable timely finalization of project accounts;

- SWD had revised the notification letters on funding approval with effect from March 2018, where NGOs were required to return the signed reply slips to confirm acceptance of the requirements of LF for the allocation;
- to facilitate timely finalization of project accounts, SWD issued written reminders to NGOs requiring them to finalize accounts of projects which had been completed or were about to complete. SWD might consider closing project accounts where final payment claims had not been submitted within six months after confirmation of final project costs;
- SWD provided detailed report on the progress of approved projects to the Lotteries Fund Advisory Committee on a half-yearly basis, including the progress of those major grant projects approved over five years and minor grant projects approved over three years while the project accounts were still not yet finalized by then;
- in January 2018, SWD informed all grantees in writing of the requirement to report the information of their boards' approvals for departures from LF procurement requirements for the periods from January to June 2018, and July to December 2018 respectively; and
- starting from November 2017, NGOs in receipt of LF grants for time-limited experimental projects and projects involving relatively higher amounts of allocations were required to submit project evaluation reports after project completion, which would be uploaded onto SWD's webpage in due course.

13. The Committee wishes to be kept informed of further development on the subject.