

Laying of the Report Report No. 69 of the Director of Audit on the results of value for money audits was laid in the Legislative Council ("LegCo") on 22 November 2017. The Public Accounts Committee ("the Committee")'s supplemental report (Report No. 69A) on Chapter 1 of the Director of Audit's Report ("Audit Report") was tabled on 2 May 2018.

2. **The Government Minute** The Government Minute in response to the Committee's Report No. 69A was laid in LegCo on 31 October 2018. The latest position and the Committee's further comments on these matters are set out in paragraphs 3 to 5 below.

Administration of lump sum grants by the Social Welfare Department
(Part 4 of P.A.C. Report No. 69A)

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

4. The Committee was informed in the Government Minute which was laid before LegCo in October 2018 that:

Financial Monitoring

- SWD would continue to monitor NGOs' compliance with the relevant requirements stipulated in the LSG Manual and the Best Practice Manual and facilitate them to share, adopt and implement the good practices on the use of reserves, disclosure of the status of reserves and determination of the appropriate level of reserves;
- for NGOs incurring persistent and huge deficits or utilizing large sums of their reserves in service operation, SWD would continue to ascertain with them the underlying reasons and give appropriate advice and conduct reviews, so that the NGOs concerned could maintain a healthy financial position and ensure sustainability and stability in the provision of the required subvented services;

- the Administration Wing issued the updated set of guidelines for the control and monitoring of remuneration practices in respect of senior executives in subvented bodies on 27 August 2018 under which policy bureaux were required to request subvented bodies that were not exempted from the requirements to submit their review reports on remuneration packages and disclose them to the public. SWD was discussing with NGOs on revising the requirements concerning the monitoring of remunerations of senior staff of subvented NGOs in the LSG Manual, and planned to inform NGOs within 2018 of the updated guidelines and the specific arrangements and details for the submission of review reports in accordance with those guidelines;

Self-assessment of service quality by NGOs

- SWD had published the "Service Performance Monitoring System Performance Assessment Manual", which set out in detail the workflow of conducting performance assessment and had produced self-assessment guidelines and tools and forms for improvement actions;
- SWD issued a management letter in March 2018 to remind NGOs of the need for accurate reporting and self-assessment. Similar letters would be issued to NGO heads in March every year in future. SWD would conduct a briefing session for NGOs to share the good practices identified in NGOs' conduct of self-assessment;
- SWD would encourage NGOs, having regard to their own circumstances, to put in place an internal service inspection mechanism for enhancing their monitoring of service performance;

Monitoring of service delivery by SWD

- SWD had been implementing a special visitation programme ("SVP") since 2016-2017 to conduct visits within five years to all service units not having been visited. SVP visits for 2016-2017 and 2017-2018 had been carried out on schedule. SWD would continue to closely monitor the progress to ensure that the remaining SVP visits were conducted on schedule;
- SWD had reviewed the approach to conducting service performance visits for the monitoring cycle of 2018-2021, and had assessed the manpower needs to ensure that adequate manpower would be available

to conduct the performance visits. SWD had also formulated enhanced measures for its assessors to select service users for interviews or completing questionnaires and samples for examination. SWD conducted a briefing session in September 2018 and issued a management letter in October 2018 to brief all NGOs on the relevant details before the implementation of the enhanced measures;

- SWD had set up a Service Performance Monitoring Committee to closely monitor services with persistent underperformance and discuss appropriate measures with a view to taking timely follow-up actions;

Governance and management matters

- SWD had carried out on-site assessments in nine NGOs in the form of a pilot scheme between January and March 2018 to evaluate the actual implementation of Level One guidelines and inspect the implementation records of NGOs concerned to ensure accurate reporting by NGOs;
- SWD hosted a sharing session on the Best Practice Manual in September 2018 and invited NGOs to share their experiences and good practices identified in the implementation of Level Two guidelines;
- SWD had agreed with the management and staff side of NGOs on three items of the Best Practice Manual relating to human resource management. SWD would continue its efforts to forge agreement between the management and the staff side of NGOs on the final outstanding item relating to staff remuneration policy;
- SWD would continue with the existing practice to collect and collate employment data regularly for the sector's reference. Issues relating to pay structure, staff turnover rate and vacancies would be examined in detail in the ongoing review on enhancement of the LSG subvention system;

Review of the Lump Sum Grant subvention system

- the Task Force for Review on Enhancement of Lump Sum Grant Subvention System, which had been set up to conduct a comprehensive review on how to optimize the LSG subvention system, would conduct a number of sector consultation sessions and focus group meetings during the review process. The first round of sector consultation

sessions and focus group meetings were held in August and September 2018. The entire review was expected to be completed by mid-2020; and

- the following eight areas were formally established as the scope of the review:
 - (a) operating environment of NGOs under the LSG subvention system;
 - (b) review of staffing establishment and subvention benchmarks;
 - (c) use of LSG/Provident Fund reserve and financial planning;
 - (d) pay structures, staff turnover rates and vacancies;
 - (e) Funding and Service Agreement-related activities and flexibility provided for NGOs;
 - (f) mechanisms for reviewing Funding and Service Agreements and NGOs' service performance assessment;
 - (g) transparency and public accountability; and
 - (h) communication and participation of stakeholders.

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