

**REPORT OF THE  
PUBLIC ACCOUNTS COMMITTEE  
ON  
REPORT NO. 77 OF THE DIRECTOR OF AUDIT  
ON  
THE RESULTS OF  
VALUE FOR MONEY AUDITS**

*July 2022*

*P.A.C. Report No. 77*

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*Introduction*

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

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

**Chairman** : Hon CHAN Chun-ying, JP

**Deputy Chairman** : Hon Paul TSE Wai-chun, JP

**Members** : Hon YUNG Hoi-yan, JP  
Hon LUK Chung-hung, JP  
Hon LAU Kwok-fan, MH, JP  
Hon Tony TSE Wai-chuen, BBS, JP  
Prof Hon Nelson LAM Chi-yuen, JP (up to 18 June 2022)<sup>1</sup>

**Clerk** : Wendy JAN

**Legal Adviser** : Joyce CHAN

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<sup>1</sup> Nelson LAM Chi-yuen ceased to hold office as a member of the Legislative Council upon his resignation on 19 June 2022.

*Procedure*

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

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

*Procedure*

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

**2. Confidentiality undertaking by members of the Committee**

To enhance the integrity of the Committee and its work, members of the Committee have signed a confidentiality undertaking. Members agree that, in relation to the consideration of the Director of Audit's reports, they will not disclose any matter relating to the proceedings of the Committee that is classified as confidential, which shall include any evidence or documents presented to the Committee, and any information on discussions or deliberations at its meetings, other than at meetings held in public. Members also agree to take the necessary steps to prevent disclosure of such matters at all times unless the Committee decides to declassify the materials.

3. A copy of the Confidentiality Undertaking signed by members of the Committee has been uploaded onto the Legislative Council ("LegCo") website.

**4. Special arrangements for the Committee's Report** According to the Paper on Scope of Government Audit in the Hong Kong Special Administrative Region – 'Value for Money Audits' tabled in the Provisional LegCo on 11 February 1998 (*Appendix 2*), which sets out the arrangements for the submission of the Director of Audit's reports, the Director of Audit shall report his findings on value for money ("VFM") audits in LegCo twice every year.<sup>1</sup> For a term of office of LegCo which commences in October of a particular year, the Director of Audit would submit to the LegCo President the report on government accounts together with the first VFM audit report in late October of that year, and copies of both reports would be laid before LegCo in November of that year.

5. As the Sixth LegCo stood prorogued for two months from 30 October 2021, the Director of Audit could not follow the usual practice as described above and submit his report on the Accounts of the Government for the year ended 31 March

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<sup>1</sup> The first VFM audit report shall be submitted to the LegCo President within seven months of the end of the financial year (i.e. on or before 31 October), or such longer period as the Chief Executive may determine. Within one month, or such longer period as the LegCo President may determine, copies shall be laid before LegCo. The second VFM audit report shall be submitted to the LegCo President by 7 April each year, or such date as the Chief Executive may determine. By 30 April, or such date as the LegCo President may determine, copies shall be laid before LegCo.

*Procedure*

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2021 (“Report on Government Accounts”) and the first VFM audit report (i.e. the VFM Audit Report No. 77) for tabling in LegCo in November 2021. In the circumstances, the Director of Audit had, with the agreement of the LegCo President, the Committee and the Financial Services and the Treasury Bureau, advanced the submission of his Report on Government Accounts to the LegCo President to 10 September 2021 for its tabling in LegCo on 15 September 2021.<sup>2</sup> The Director of Audit had also sought the Chief Executive’s approval to defer the submission of the VFM Audit Report No. 77 to the LegCo President until the Seventh LegCo but not later than 7 April 2022 (i.e. the deadline for submission of the VFM Audit Report No. 78). Subsequently, the VFM Audit Report No. 77 was submitted to the LegCo President on 6 April 2022 for tabling in LegCo on 27 April 2022.

6. In light of the fifth wave of the Coronavirus Disease 2019 epidemic, the Director of Audit, with the Chief Executive’s approval, informed the Committee on 9 March 2022 of the deferment of the submission of the VFM Audit Report No. 78 to the LegCo President to no later than the deadline for submission of the VFM Report No. 79 (i.e. 31 October 2022).

7. **The Committee’s Report** This Report by the Public Accounts Committee corresponds with the VFM Audit Report No. 77. VFM audits are conducted in accordance with the guidelines and procedures set out in the aforesaid Paper tabled in the Provisional LegCo on 11 February 1998 relating to VFM audits.

8. In addition, this Report takes stock of the progress of the action taken by the Administration on the recommendations made in the Committee’s Report Nos. 74, 75 and 75A and offers the Committee’s views on the action taken. These are detailed in Parts 3, 4 and 5 of this Report.

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

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<sup>2</sup> The Committee’s Report on the Director of Audit’s Report on Government Accounts was tabled in LegCo on 20 October 2021.

**Laying of the Report** Report No. 74 of the Director of Audit on the results of value for money audits was laid in the Legislative Council (“LegCo”) on 29 April 2020. The Public Accounts Committee (“the Committee”)’s Report (Report No. 74) was subsequently tabled on 15 July 2020, which met the requirement of Rule 72 of the Rules of Procedure of LegCo that the Report be made within three months of the Director of Audit’s Report being laid.

2. **The Government Minute** The Government Minute in response to the Committee’s Report No. 74 was laid in LegCo on 28 October 2020. A progress report on matters outstanding in the Government Minute was issued on 25 October 2021. The latest position and the Committee’s further comments on these matters are set out in paragraphs 3 to 10 below.

### **Management of funding for sports development through the Arts and Sport Development Fund (Sports Portion)**

*(Chapter 1 of Part 4 of P.A.C. Report No. 74)*

3. The Committee was informed that:

#### Funding for international sports events

##### *Monitoring and evaluation of international sports events*

- for “M” Mark Events,<sup>1</sup> the template of programme report had been revised to request the grantees to report variances over 25% for approved expenditures against actual expenditures and estimated income against actual income. The new measure had been implemented since November 2020;

#### Funding for football development

##### *Governance of the Hong Kong Football Association (“HKFA”)*

- HKFA submitted an action plan on 15 September 2020 and had been reporting on a quarterly basis on the progress on how it would address the issues identified by the Audit Commission (“Audit”) and the Committee, and make improvements;

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<sup>1</sup> “M” Mark Events are events of world championships, world class level championships and intercontinental championships, having a signature effect in Hong Kong.

- to encourage members of the Board, committees and subcommittees to attend meetings, HKFA: (a) had required its Board, committees and subcommittees to work out a full-year meeting schedule at the start of each football season to facilitate members to reserve their diaries for the relevant meetings; (b) had required members to confirm their availabilities for relevant meetings by the time such meeting notices were served; and (c) had been issuing reminders to members one working day prior to the relevant meetings of the Board, committees and subcommittees. The attendance of its Board members was reported in its 2019-2020 Annual Report available on HKFA's website to increase transparency and accountability. In the 2019-2020 football season, the average attendance rate of all members of the HKFA Board, committees and subcommittees was 81.3%;
- on management of potential conflicts of interest, in the 2020-2021 football season, all 87 members of the HKFA Board, committees and subcommittees returned their first-tier declaration of conflicts of interest forms;<sup>2</sup>
- in the 2020-2021 football season, HKFA ensured that its Audit Committee complied with the latest requirements stipulated in the related terms of reference. The Audit Committee: (a) met three times (the requirement was at least three meetings per year); (b) had three members (the requirement was at least two members); (c) had all meetings attended by at least two members (the stipulated quorum of the meetings); and (d) met the stipulated requirements to ensure the independence of the Audit Committee that the chairman did not hold any position in the HKFA Board or other committees;
- in the 2020-2021 football season, the Marketing and Communications Committee of HKFA held five meetings, with all the related agendas and minutes duly kept by the General Secretary's Office;
- to identify possible areas of governance for further improvements, HKFA had engaged an external consultant to review its Board and committee structures;

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<sup>2</sup> HKFA adopts a two-tier system for declarations of conflicts of interest for members of its Board, committees and subcommittees. First-tier declaration of conflicts of interest is required when a Board/committee/subcommittee member is first appointed and annually thereafter.

*Human resource management*

- regarding staff recruitment, HKFA had:
  - (a) reviewed the staff recruitment policy guidelines and implemented the revised guidelines in phases since late 2020 to ensure that no deviations were allowed from the laid-down policy and procedures on recruitment;
  - (b) provided all hiring managers with the most updated recruitment guidelines. Each hiring manager was required to sign an acknowledgement form to confirm his/her understanding of the laid-down policy and procedures prior to the commencement of each interview process;
  - (c) in the 2020-2021 football season formed six recruitment panels for related recruitment exercises of senior positions and all members of these panels, in accordance with the revised guidelines, duly signed the relevant interview assessment forms prior to seeking the Board's approval for the job offerings;
  - (d) specified in the revised guidelines that proper and adequate declaration of all levels of acquaintances should be made by members of recruitment panels in recruitment exercises, and required members of recruitment panels to complete and sign declaration forms prior to the conduct of interviews; and
  - (e) stipulated clearly in the revised guidelines that alternative interview arrangements (e.g. change of interviewers) would be made to ensure that no conflict of interest would occur in the interviews held;
- department heads or managers as appropriate were required to assess the impact of the outgoing staff and propose retention strategies with reference to the results of the exit questionnaires and interviews. An employee survey was conducted in March 2021 to gauge staff's job satisfaction;

*Attendance of spectators and self-generated income*

- in the 2020-2021 football season, HKFA put in place a series of effective anti-pandemic measures to resume and allow spectators to attend

matches of the Hong Kong Premier League (“HKPL”) and international football matches, including six matches of the Asian Football Confederation Cup 2021 (Group J) held in June 2021. The average attendance per HKPL match with spectators was 1 080, while that per match of the Asian Football Confederation Cup (Group J) was 1 561;

- HKFA had reviewed the complimentary ticket statistics in the 2020-2021 football season and decided to strictly limit the issuance of complimentary tickets to a maximum of 5% of match venue capacity in the 2021-2022 football season;
- HKFA successfully renewed the HKPL title sponsorship with BOC Life, and Women Representative Team sponsorship with Wofoo Social Enterprises in February 2021;
- HKFA launched a new football e-sports event named “HKFA e-Football Open” in the 2020-2021 football season and generated over \$1 million of cash sponsorship and \$2.5 million of sponsorship in kind;

*Performance measurement and other administrative issues*

- on monitoring the performance of HKFA in the use of the funding support provided under the Arts and Sport Development Fund, HKFA had been submitting quarterly reports on the performance targets and indicators as set out in the funding agreement between the Home Affairs Bureau (“HAB”) and HKFA;
- HKFA had strengthened the monitoring on the accuracy of reported figures of sponsorship and advertising gross revenue, and was required to update HAB on any subsequent adjustments. HKFA had also been requested to verify the relevant figures with the support of the audited accounts in its report to HAB at the end of each year;
- on reporting of average attendance per HKPL match, HKFA had been reporting three types of figures in its quarterly progress reports from the 2020-2021 football season onwards, namely average attendance per HKPL match including the Football Association Cup and Senior Shield, average attendance per HKPL match excluding the Football Association Cup and Senior Shield, and average online viewership per HKPL match;



- HKFA had uploaded the attendance of all HKPL matches to its website. HKFA's Department of Competitions had been monitoring the attendance of all HKPL matches, which was further verified by two Finance Section staff members;
- HKFA had taken measures to ensure that the requirements on obtaining quotations as laid down in its latest procurement policies and guidelines were duly observed. In particular, prior approval from the Board would be sought for single tenders and in cases where the requirement on the minimum number of quotations could not be met; and
- HAB had reviewed the payment arrangement with HKFA to ensure that advance payment would be released to HKFA according to the payment schedule in a timely manner. The latest arrangement was implemented in the fourth quarter of 2020.

4. The Committee wishes to be kept informed of further development on the subject, and provided with time frames, where possible, for actions to be taken on the outstanding matters.

**Sports Federation & Olympic Committee of Hong Kong, China**  
*(Chapter 2 of Part 4 of P.A.C. Report No. 74)*

5. The Committee was informed that:

Operation of Sports Federation & Olympic Committee of Hong Kong, China  
("SF&OC")

*Selection of athletes for participating in international games*

- SF&OC had conducted a comprehensive review of the mechanism for the selection of athletes for participating in international multi-sports games and the related review and appeal procedures as well as the replacement/substitution mechanism with reference to overseas practice. In consultation with the Independent Commission Against Corruption ("ICAC") in June 2021, SF&OC had revised its policy and guideline on athlete selection, which would be adopted in the international multi-sports games, including the Asian Youth Games and the Winter Olympic Games. SF&OC conducted a briefing on 16 September 2021

to familiarize the National Sports Associations (“NSAs”)<sup>3</sup> with the revised policy and guideline on athlete selection, including the related review and appeal procedures;

- upon the implementation of the revised policy and guideline on athlete selection, SF&OC would have implemented 27 out of the 29 best practices in “Best Practice Reference for Governance of National Sports Associations — Towards Excellence in Sports Professional Development” (“BPR”) on transparency in selecting athletes. For the remaining two best practices relating to setting up appropriate channels to collect feedback from stakeholders on athlete selection and drawing up improvement or enhancement plans, SF&OC would issue questionnaires to collect the views of relevant NSAs on the selection exercise and identify areas for improvement after the international multi-sports games. SF&OC would submit reports on views collected for discussion at its Board meetings. SF&OC had uploaded the revised policy and guideline onto its website;
- having studied the appeal mechanisms in several countries and reviewed the set-up of its Appeal Panel for the selection of athletes, the President of SF&OC had ceased to serve as the Chairperson of the Appeal Panel with effect from 17 December 2020. Under the new arrangement, SF&OC’s Board would approve a list of four to six members to serve on the Appeal Board. Upon receipt of an appeal, a panel consisting of three members from the approved list, having regard to their availability and declaration of interest, would be established to handle the appeal. The three members shall elect one of themselves to be the convenor. Relevant provisions of SF&OC’s Articles of Association had been amended to reflect the above changes;
- SF&OC had updated the duties and responsibilities of head coaches/designated heads of team which required them, among other things, to report any material incidents that might affect an athlete’s participation in the international multi-sports games. Besides, SF&OC would issue instructions to NSAs and athletes requiring them to report any material incidents that might affect an athlete’s fitness to participate in the international multi-sports games. Such reports would be considered by the Selection Committee and Chief Medical Officer

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<sup>3</sup> NSAs are the local governing bodies for various types of sports (e.g. Hong Kong Badminton Association Limited). Their main objectives are to promote and develop sports in Hong Kong, and to train and select delegations to participate in international sports events. NSA members of SF&OC are recognized by SF&OC as the official representatives of their respective sports.

of the delegation. HAB would continue to closely monitor the implementation of the remaining best practices by SF&OC;

*Handling of membership affairs*

- SF&OC had set up an Independent Steering Committee to supervise the working direction of the NSA Corporate Governance Team from a strategic perspective and monitor the progress of the review exercise on the corporate governance and operation of all NSAs. To kick start the review exercise, the Team conducted a briefing for NSAs on 23 November 2020 to give them an in-depth understanding of the objectives and scope of the review. As at the end of August 2021, the Team had completed the review of 30 NSAs;
- to enhance the publicity and education on the compliance with the requirements of the Olympic Charter, the Code of Ethics of International Olympic Committee and SF&OC's Articles of Association by NSA members, SF&OC would disseminate International Olympic Committee Circulars, online courses and latest news to all NSA members on a regular basis. Besides, SF&OC would issue annual reminders to all NSA members on the compliance with the above requirements;
- SF&OC had devised a set of general procedural guidelines for handling complaints, including setting a time limit for NSAs to respond to the complainants. The guidelines had been issued to all NSAs for compliance with effect from 1 February 2021. SF&OC had also put in place a monitoring mechanism to keep track of the progress on the handling of complaints received against NSAs;

*Management of the Olympic House*

- the Architectural Services Department had commissioned a consultant to review the redevelopment of the Olympic House<sup>4</sup> based on the accommodation requirements from SF&OC and other development considerations, including the traffic and noise impact studies. The Administration was reviewing different development options to facilitate the planning of the way forward. HAB would consult relevant stakeholders and keep them informed of the progress;

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<sup>4</sup> The Olympic House is managed by the Management Company of the Olympic House Limited ("MCOHL"). It provides office spaces and ancillary facilities (e.g. meeting facilities and car parking spaces) to SF&OC and its affiliated companies, as well as NSAs and sports-related organizations.

- the Management Company of the Olympic House Limited (“MCOHL”) had reviewed the office requirements of tenants of the Olympic House and considered the feasibility of converting some meeting rooms into office space. After the review, the following exercises had been carried out:
  - (a) reallocating the existing office spaces at the Olympic House based on the existing number of staff of each tenant. The reallocation exercise would be carried out in three phases. The first phase of the renovation and removal works which involved five tenants was completed in September 2021;
  - (b) standardizing NSA staff’s office space entitlement in the Olympic House as per the requirements by the Government Property Agency; and
  - (c) converting two (out of seven) meeting rooms at the Olympic House into office space. The additional office space was allocated to one existing tenant who moved into the new office in May 2021;
  
- to boost up the utilization rate of the board room and lecture theatre at the Olympic House, revised booking measures had been implemented since September 2020 such that NSAs would be allowed to use the board room free of charge for holding statutory/official meetings four times per year. Besides, NSAs, sports-related organizations and corporate users could enjoy a discounted rate in booking the board room and lecture theatre. After the implementation of the revised booking measures, the average usage of board room and lecture theatre for the period from September 2020 to March 2021 had increased by 10% as compared to the period from April to August 2020;

*Procurement issues*

- SF&OC had completed a comprehensive review of the procurement policies and guidelines and was seeking comments from ICAC. Among others, SF&OC suggested in the revised guidelines that procurement with single quotation would only be allowed under exceptional circumstances with sufficient justifications and proper approval from the relevant authority. SF&OC had devised a set of guidelines on reimbursement of expenses by NSAs and other parties in relation to SF&OC’s events. SF&OC conducted a briefing on 16 September 2021 to familiarize NSAs with the new guidelines;

- pending comments from ICAC on the revised guidelines on procurement, SF&OC would conduct a briefing to familiarize its staff members with the revised guidelines and remind them of the importance of compliance. In particular, staff members would be reminded to provide sufficient justifications, seek approval from the relevant authority and keep proper documentation for cases involving single quotation or cases where no tendering was to be conducted. Upon SF&OC's invitation, ICAC conducted a seminar on "ICAC Best Practice Reference for Governance of National Sports Associations" for SF&OC staff and NSAs on 27 January 2021. SF&OC would invite ICAC to give seminar on a regular basis;

#### Government funding and monitoring

##### *Provision of subventions by HAB*

- the Financial Services and the Treasury Bureau had updated the list of organizations receiving government subvention in Financial Circular No. 9/2004 to include MCOHL;
- SF&OC Sports Legacy Company Limited ("SLCL")<sup>5</sup> had been charged with a management fee at non-subvented rate since 1 April 2020. To address the concern on cross subsidization, SF&OC had been charging SLCL a monthly fee for the supervisory services provided to oversee its operation with retrospective effect from 1 April 2020. Similarly, the Hong Kong Olympic Fans Club Limited<sup>6</sup> had been charged with a service fee by SF&OC with effect from 1 April 2021 since its commencement of active operation;<sup>7</sup>

##### *Monitoring by HAB*

- MCOHL had submitted the quarterly management accounts and reports to HAB in a timely manner after the new submission deadline took effect from 2020-2021. MCOHL had made public the remuneration of its staff at the top three tiers in such a way as agreed by the Administration

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<sup>5</sup> SLCL is one of the three affiliated companies of SF&OC. It promotes sports and blends character and career development for students in underprivileged schools and retired/retiring athlete coaches.

<sup>6</sup> The Hong Kong Olympic Fans Club Limited is one of three affiliated companies of SF&OC. It provides a platform for the public to interact and contribute to the Olympic Movement and for the promotion of the value of Olympism.

<sup>7</sup> Unlike MCOHL, SLCL and the Hong Kong Olympic Fans Club Limited do not receive any government funding.

in the 2019-2020 annual report. HAB would ensure that MCOHL would make such disclosure in subsequent annual reports;

- while SF&OC received on average less than 50% of its operating income from the Administration in the recent four-year period, it made public disclosure of the remuneration of its staff at the top three tiers in its 2019-2020 annual report so as to tie in with the arrangement for MCOHL. HAB would ensure that SF&OC would make such disclosure in subsequent annual reports as appropriate;
- with the adoption of a new committee structure and various enhancement measures, SF&OC had implemented all 73 best practices in BPR relating to board governance, integrity management, administration of membership and general administration;
- the performance indicators/targets and expected deliverables of the review exercise on the corporate governance and operations of all NSAs had been included in the subvention agreements between the Administration and SF&OC for 2021-2022;
- all performance indicators had been reviewed and defined as appropriate. Besides, the reporting mechanism had been improved such that, in addition to statistical data, narrative summary on achievements of performance together with supporting information would be included in the reports submitted to HAB on a quarterly basis;
- SF&OC conducted a briefing session on 25 January 2021 to familiarize its newly appointed Board members and staff with the code and related legislation on anti-corruption. Regular briefings would be conducted in future for newly appointed Board members and staff within a month from the date of their appointment, existing Board members on a biennial basis and all SF&OC staff during the annual training;
- SF&OC had publicized the time pledge for processing requests for membership admission on its website after endorsement by the Membership Affairs Committee on 27 October 2020;

Governance issues

*Management of meetings and attendance*

- SF&OC had conducted an overall review of its committee structure, which covered such issues as category and number of committees, frequency of meetings, membership of committees, clear guidelines on roles and duties of members, mechanisms to ensure compliance, etc. After the review, among other refinements: (a) members' attendance at meetings would be closely monitored and any absence would be subject to follow-up having regard to the frequency and seriousness of the situation; (b) the number of standing committees had been substantially reduced from 29 to 12 with the new committee structure taken effect since January 2021; and (c) an Audit Committee was set up on 1 June 2021;
- to ensure that members were aware of their roles and duties and would perform such faithfully, SF&OC had included relevant information on the requirements on attendance and related issues in the appointment letters for members of the new term starting from January 2021;

*Management of potential conflicts of interest*

- all members of the Board and committees of SF&OC appointed for the new term starting from January 2021 had been required to comply with a two-tier declaration mechanism; and
- SF&OC would conduct annual training to keep its staff abreast of any updated policies and guidelines on management of potential conflicts of interest. SF&OC conducted a briefing on 29 January 2021 to remind all relevant committee secretaries of their roles and responsibilities in serving committees. Regular briefings would be conducted to provide them with more professional training and equip them with good and proper practice in serving committees.

6. The Committee wishes to be kept informed of further development on the subject, and provided with time frames, where possible, for actions to be taken on the outstanding matters.

## **Employees Retraining Board**

*(Chapter 3 of Part 4 of P.A.C. Report No. 74)*

7. The Committee was informed that:

### Management of training services

#### *Planning and development of training courses*

- the independent agency commissioned to conduct the survey on the training needs of young people had completed the field work and submitted a report, the major findings of which were reported to the “Focus Group on Training for Youth” in January 2021. Employees Retraining Board (“ERB”) was consolidating the recommendations of the report, and would continue with follow-up actions;
- taking into account the discussion and recommendations of the “Focus Group on Training for Youth”, new courses addressing the training needs of young people, including three full-time placement-tied courses (viz. “Foundation Certificate in Professional Security Services Training”, “Certificate in Youth Inspiration Training”, and “Foundation Certificate in All-round Performer Training”) and two part-time skill upgrading courses dedicated for youth (viz. “Foundation Certificate in Techniques in Blow, Dry and Hair Cut (Part-time)” and “Foundation Certificate in Practical Knowledge for Pet Boarding (Part-time)”) were rolled out in 2020-2021;
- the survey on the training needs of ethnic minorities had been conducted to collect views from ethnic minorities on ERB’s training courses through questionnaire survey and focus group meetings. The survey was expected to be completed in 2022 and then reported to the “Focus Group on the Training for Ethnic Minorities” for deliberation, with a view to drawing up recommendations for follow-up;
- taking into account the discussion and recommendations of the “Focus Group on Training for Ethnic Minorities”, ERB introduced in 2020-2021 a course on “Foundation Certificate in Medical Clinic Assistant Training (English Medium)” to enhance skill training for ethnic minorities;
- at the meeting of “Focus Group on the Training for Ethnic Minorities” held in November 2020, ERB briefly reported the progress of relevant



work and invited members of the Group (including ethnic minority representatives) to comment on two new dedicated courses on e-business start-up and clinic assistant. The Group's comments had been incorporated in the specifications of the courses under development;

- ERB had completed the review and amended the Employees Retraining Ordinance (Cap. 423) to increase the maximum monthly amount of retraining allowance from \$4,000 to \$5,800 (increased by 45%) with effect from 25 May 2020. The rates of retraining allowance per day for all course categories (including ERB's regular courses and courses under the "Love Upgrading Special Scheme"<sup>8</sup> and Youth Training Programme) had all been increased by 45% accordingly;
- ERB had observed the relevant guidelines in handling the course suspension list for 2021-2022, which included following the practice to consult stakeholders, such as Technical Advisers and Industry Consultative Network, in drafting the suspension list. The suspension list was also submitted to the "Course and Service Development Committee" in November 2020;

#### *Managing waiting times for training courses*

- in early 2021, ERB extended the new enrolment measure of allowing two-year validity to applications received in or before March 2019, and had informed and incentivized individual applicants to consider enrolling in other similar courses or switching to other training bodies/centres with a view to improving the overall waiting time;

#### *Performance measurement*

- ERB consulted all training bodies on the review of key performance indicators and reference indicators in July 2021, and submitted review results and suggestions to the Quality Assurance and Review Committee in August 2021;

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<sup>8</sup> The "Love Upgrading Special Scheme" was launched by ERB in October 2019 to provide trainees affected by the economic downturn with training and allowance.

## Quality assurance

### *Quality assurance measures*

- to ensure that training bodies would follow the requirements when conducting self-evaluation, ERB updated the relevant guidelines in April 2020 to define more clearly the conditions and procedures for self-evaluation arrangements, including that the Executive Office had to conduct on-site audit if the training bodies had completed self-evaluation in the preceding year. ERB would monitor the performance of training bodies upon implementation of the aforementioned arrangement;
- ERB issued guidelines in April 2020 reminding staff to continuously monitor the performance of training bodies. ERB would cross-check the outcomes of self-evaluation with other evaluation data, such as student feedback, complaint analysis, effectiveness of the learning outcomes, etc. ERB would take follow-up actions if irregularities were identified;
- ERB upgraded the computer system in February 2019 to strengthen the function of generating samples for surprise class inspections in a timely manner, ensuring that class surprise inspections were conducted for training centres according to the guidelines;
- ERB improved its mechanism for conducting assessment observations according to “2021-22 Work Plan”. In case training bodies were suspected for not following the evaluation requirements, ERB would take appropriate follow up measures, including the conduct of re-assessment;

### *Course accreditation*

- ERB reviewed the selection criteria and mechanism for course accreditation and submitted suggestions to the Quality Assurance and Review Committee for approval. The suggestions were approved in November 2021 and would be implemented in 2022-2023;

Training support services

*Service Centre and Service Spots*

- in August 2021, ERB reviewed the relevant tender requirements and conditions for the Service Spots<sup>9</sup> with a view to striking a reasonable balance between synergy of services and encouragement of competition in the tender exercises, and attracting more operators to submit tenders;

*Job referral platforms*

- ERB would continue to conduct regular meetings with the operators of the “Smart Living Scheme”<sup>10</sup> to assist them in improving their performance by reviewing their service performance as well as sharing experience;
- in response to market development, ERB completed the review of the “Smart Living Scheme” in August 2021, including the revision of various performance indicators to step up monitoring of the operators’ performance. The review results would be used as reference to explore further improvements to the services of the “Smart Baby Care Scheme”;<sup>11</sup>
- ERB launched the “ERB Helper” mobile application in end March 2020 to facilitate registered helpers of the “Smart Living Scheme” and “Smart Baby Care Scheme” in searching for job vacancies and applying for jobs. A total of around 7 400 helpers had registered as users;
- ERB was developing another mobile application for use by household employers of the “Smart Living Scheme” and “Smart Baby Care Scheme”;
- from December 2020 to March 2021, ERB launched a series of four publicity videos in social media and would continue to launch

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<sup>9</sup> ERB sets up Service Spots in collaboration with different social service organizations in various districts to provide training services and information on training courses available to local residents. ERB procures the services for operation of the Service Spots through tendering.

<sup>10</sup> The “Smart Living Scheme” was launched in March 2009 to offer a one-stop referral platform for domestic, care and massage services to increase employment opportunities for ERB graduates of relevant courses. Engagement agreements will be signed between ERB and the operators for the operation of Smart Living – Regional Service Centres under the “Smart Living Scheme”.

<sup>11</sup> The “Smart Baby Care Scheme” was launched in June 2013 to provide centralized referral services for post-natal care and infant and child care for ERB graduates of relevant courses.

publicity videos on different topics so as to promote and reinforce the brand name of “Smart Baby Care Scheme” in 2021-2022. In addition, ERB introduced the concept of “Continuing Professional Development” in November 2020 for the “Smart Baby Care Scheme” and had organized skills enhancement workshops and value-added activities, and pre-employment core skills training and supplementary training on infant and child care services for graduate trainees;

### Corporate governance and administrative issues

#### *Corporate governance*

- to ensure compliance with the requirements of the Memorandum of Administrative Arrangements, ERB included their achievements in performance indicators, results of user opinion surveys and retention surveys in the Annual Plan submitted to the Secretary for Labour and Welfare (“SLW”) in March 2021. The Plan was approved by SLW;
- ERB had enhanced the procedures of making declarations of interests by Board/Committee members since 2020-2021, including sending requests for declarations of interests to members within one month upon commencement of each appointment year or upon their appointments, and sending reminders to members on timely submission of returns;

#### *Human resource management*

- ERB would continue to monitor the staff turnover rate and explore feasible measures to address the high turnover rate if the problem persisted, such as enhancing training opportunities for staff, and considering the conduct of organization and salary structure review with a view to retaining talents;
- ERB had included non-cash and retirement benefits in the organization and remuneration review for the top three tiers of staff submitted to SLW in December 2020;

#### *Management of Employees Retraining Fund*

- the Labour and Welfare Bureau would continue to monitor the financial condition of ERB through vetting of ERB’s annual plan and other appropriate channels. ERB would continue to closely monitor its

financial condition and report regularly to the Finance and Administration Committee and the Board;

*Financial incentives provided to trainees*

- ERB introduced a series of strengthened income surveillance measures in 2020-2021 to effectively detect cases of providing false information,<sup>12</sup> including imposing a second-tier surveillance with more intensive scale for training bodies or courses identified with suspicious cases. ERB had also proactively conducted additional surveillance on trainees who had been identified as having records of providing false information from 2019-2020 and enrolling in ERB courses again;
- from March 2021, ERB had introduced additional fee collection channels (Faster Payment System and payment at convenience stores) to enhance the efficiency of recovering financial incentives payable by trainees;
- ERB would review the mechanisms to recover financial incentives from trainees according to its “Three-year Strategic Plan” for 2020-2021 to 2022-2023. ERB would take on board the Audit’s recommendations, i.e. rationalizing the follow-up actions taken by different Sections in recovering the financial incentives from trainees, and considering stepping up efforts to refer cases involving provision of false information to law enforcement authorities for taking legal actions;

*Procurement and inventory management*

- ERB had reviewed its Procurement Policy and Guidelines, and adopted the Audit’s recommendation by specifying that the authority levels for accepting quotations should be determined in accordance with the number of valid quotations received (excluding invalid quotations). The revision had been effective from 1 April 2021; and
- ERB had reviewed its Guidelines on Stores Management, and adopted the Audit’s recommendation by introducing “sample checks” by the inventory holder and a representative from another Section, so as to

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<sup>12</sup> To encourage enrolment and provide assistance to persons in need, ERB provides financial incentives in the form of retraining allowances and course fee reduction for trainees attending placement-tied courses and non-placement-tied courses respectively. ERB would recover the financial incentives provided to trainees who had low attendance rate or had provided false information, such as education attainment, employment status and income level.

enhance the impartiality and effectiveness of inventory checks. The revision had become effective from 1 April 2021.

8. The Committee wishes to be kept informed of further development on the subject, and provided with time frames, where possible, for actions to be taken on the outstanding matters.

**Management of short-term tenancies by the Lands Department**  
*(Chapter 7 of Part 4 of P.A.C. Report No. 74)*

9. The Committee was informed that:

Granting and renewal of short-term tenancies

- in September 2020, the Lands Department (“LandsD”) issued additional guidelines to advise District Lands Offices that the processing of short-term tenancy (“STT”) applications should generally be completed within 12 months from the date of receiving a valid application. In the event that STT applications were not completed within the time target, the relevant District Lands Officer’s personal attention was required for follow-up actions;

Monitoring of tenancy conditions

- in September 2020, LandsD issued additional guidelines to implement additional measures for better monitoring of tenancy conditions. Besides, for the applications for regularization as a means of rectification of breaches of STT conditions, the District Lands Offices should complete processing the applications within six months upon receipt of all necessary information;
- LandsD would engage a consultant to revamp the Tenancy Information System for providing more comprehensive information for monitoring the management of STT and recording information of vacant government sites available for STT use (the invitation of development services for the revamp of the Tenancy Information System was issued on 20 December 2021 with the closing date on 19 January 2022). The revamp was expected to be completed in two years; and

*P.A.C. Report No. 77 – Part 3*  
*Report of the Public Accounts Committee on Report No. 74 of the Director of Audit*  
*on the Results of Value for Money Audits [P.A.C. Report No. 74]*

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- since May 2021, LandsD had published the information on site conditions of vacant government sites in a more consistent and user-friendly format to facilitate interested parties in making STT applications.

10. The Committee wishes to be kept informed of further development on the subject, and provided with time frames, where possible, for actions to be taken on the outstanding matters.

**Laying of the Report** The Report of the Director of Audit on the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2020 and his Report No. 75 on the results of value for money audits were laid in the Legislative Council (“LegCo”) on 25 November 2020. The Public Accounts Committee (“the Committee”)’s Report (Report No. 75) was subsequently tabled on 24 February 2021 which met the requirement of Rule 72 of the Rules of Procedure of LegCo that the Report be made within three months of the Director of Audit’s Report being laid.

2. **The Government Minute** The Government Minute in response to the Committee’s Report No. 75 was laid in LegCo on 26 May 2021. A progress report on matters outstanding in the Government Minute was issued on 25 October 2021. The latest position and the Committee’s further comments on these matters are set out in paragraphs 3 to 29 below.

### **Planning, provision and management of public parking spaces** *(Paragraphs 3 to 5 of Part 4 of P.A.C. Report No. 75)*

3. The Committee was informed that:

#### Planning and provision of public parking spaces

##### *Planning and provision of long-term public parking spaces*

- the Transport Department (“TD”) completed the review on the standards on parking spaces and loading/unloading bays stipulated in the Hong Kong Planning Standards and Guidelines in July 2021, and the Planning Department uploaded the newly revised parking standards to its website on 12 August 2021. The revision, which was based on the findings of TD’s latest parking demand survey, had raised the number of parking spaces for private cars in private and subsidized residential developments as well as the type and number of parking spaces for commercial vehicles in subsidized housing projects;
- the Tseung Kwan O Area 66 project<sup>1</sup> was currently under planning, in which the impact assessment study on various technical aspects was near

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<sup>1</sup> The Tseung Kwan O Area 66 project is an underground car park project which will provide about 395 parking spaces.



completion. TD explained the planning intention of the project to the Sai Kung District Council and Area Committee in Tseung Kwan O South again in May 2021. Both the District Council and Area Committee urged the Administration to expedite the project. The Administration applied to the Town Planning Board for planning permission in August 2021 and would continue to implement the project under the existing mechanism of taking forward projects in the Public Works Programme;

*Planning and provision of temporary public parking spaces*

- the Transport and Housing Bureau/TD was liaising with the relevant government bureaux/departments (“B/Ds”) on the details of the proposed arrangement for setting out the requirement for B/Ds to incorporate public parking spaces in government projects as part of the project scope;

Management of government multi-storey car parks

*Review of parking fees and sale of parking tickets*

- TD had commenced the project for installing the Bay Guidance System at multi-storey car parks under its purview to better monitor the availability and occupancy rates of parking spaces. The sensors to be installed in individual parking spaces would collect real-time parking occupancy information, which could assist drivers in identifying vacant parking spaces, and facilitate the handling of abandoned vehicles by identifying vehicles that had been parked at the same parking spaces for a prolonged period and were suspected to be abandoned vehicles. The Electrical and Mechanical Services Department was taking forward the project for completion in the second quarter of 2022;

*Facilities management*

- the Electrical and Mechanical Services Department had finished the installation of additional closed-circuit televisions in 9 out of 10 multi-storey car parks under TD’s purview;

## Management of on-street parking spaces

### *Management of on-street metered parking spaces*

- TD had commenced installation of the new generation on-street parking meters for public use by batches starting from 20 January 2021. It was expected that the installation of about 12 000 new generation on-street parking meters (including replacing 9 800 existing on-street parking meters) would be completed in the first half of 2022. The new parking meters would support multiple payment means, including remote payment through mobile application, and would be equipped with sensors to detect whether individual parking spaces were occupied so that real-time vacancy information of on-street parking spaces could be provided;

## Implementation of parking-related technology initiatives

### *Provision and management of electric vehicle charging facilities*

- the Administration planned to set up a smart system for its public electric vehicle (“EV”) charging network to support the development of Smart City. The system would collect instant electronic information on utilization status of EV chargers;
- TD would assist the Environmental Protection Department in exploring measures to cater for EVs, including the installation of more EV chargers in car parks under TD’s purview. In view of the latest utilization rates of car parks under TD’s purview, TD had implemented a trial scheme in four car parks (namely Rumsey Street, Star Ferry, City Hall and Tin Hau Car Parks) since 1 August 2020 to designate some parking spaces with EV chargers for the exclusive use by EVs. TD was keeping under review the effectiveness of the trial scheme so as to consider whether and how the trial scheme should be optimized or expanded; and

### *Implementation of automated parking systems*

- TD was taking forward a number of Automated Parking System (“APS”) projects, the progress of which was as follows:
  - (a) short-term tenancy sites at Hoi Shing Road in Tsuen Wan and Pak Shek Kok in Tai Po – APS in Tsuen Wan commissioned on

25 November 2021. As for the APS project in Tai Po, tender assessment was in progress. The project was expected to be commissioned in the second half of 2022;

- (b) open space at the junction of Yen Chow Street and Tung Chau Street in Sham Shui Po – TD applied to the Town Planning Board for planning permission in July 2021. It planned to seek LegCo’s funding approval in the fourth quarter of 2022 and complete the construction works of the project in three years upon obtaining LegCo’s funding approval of the project;
- (c) Joint-user Government Office Building in Area 67 in Tseung Kwan O – the construction works had commenced and were expected to be completed in 2025;
- (d) Sports Centre cum Public Vehicle Park project at Sze Mei Street in San Po Kong – tender was invited in the second quarter of 2021, and funding approval was targeted to be sought from LegCo in 2022 with project completion expected in 2026; and
- (e) two proposed government building sites respectively at Chung Kong Road in Sheung Wan and Sheung Mau Street in Chai Wan – TD was conducting feasibility assessment and would kick-start district consultation in due course for the APS project in Sheung Wan. In November 2021, TD kick-started district consultation for the proposed project in Chai Wan.

4. The Committee wishes to be kept informed of further development on the subject, and provided with time frames, where possible, for actions to be taken on the outstanding matters.

#### **Monitoring of charitable fund-raising activities**

*(Paragraphs 7 to 9 of Part 5 of P.A.C. Report No. 75)*

5. Hon Paul TSE Wai-chun declared that he had participated in charitable fund-raising activities.

6. The Committee was informed that the Home Affairs Bureau (“HAB”) continued to coordinate inputs from relevant B/Ds in formulating a response to the Law Reform Commission’s recommendations on the monitoring of the operation of charities.

7. The Committee wishes to be kept informed of further development on the subject, and provided with time frames, where possible, for actions to be taken on the outstanding matters.

### **Management of squatter and licensed structures**

*(Paragraphs 10 to 12 of Part 5 of P.A.C. Report No. 75)*

8. The Committee was informed that:

#### Monitoring of squatter and licensed structures

- the Lands Department (“LandsD”) was in discussion with the Development Bureau (“DEVB”) on the implementation framework of the pilot scheme for regularization by way of short-term tenancies and/or short-term waivers, and would seek the views of relevant B/Ds when ready; and

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

- LandsD had completed the analysis of the nature and various uses covered by some 15 000 Government Land Licences and their history, as well as collected the views of relevant B/Ds which issued some of these Government Land Licences. Based on the findings, LandsD was mapping out the proposed way forward on the suggested fee review of these Government Land Licences in a holistic manner.

9. The Committee wishes to be kept informed of further development on the subject, and provided with time frames, where possible, for actions to be taken on the outstanding matters.

## **Government’s support and monitoring of charities**

*(Paragraphs 17 to 19 of Part 5 of P.A.C. Report No. 75)*

10. Hon Paul TSE Wai-chun declared that he was a member of the Scout Association of Hong Kong and was involved in the work of a number of charities.

11. The Committee was informed that relevant B/Ds had been following up on the recommendations made by the Committee and the Audit Commission on Government’s support and monitoring of charities, including the administration of tax exemption of charities and tax-deductible donations and regulation of Chinese temples. HAB had been tasked to co-ordinate inputs from these B/Ds for formulating a response to the Law Reform Commission’s recommendations on the monitoring of the operation of Charities.

12. The Committee wishes to be kept informed of further development on the subject, and provided with time frames, where possible, for actions to be taken on the outstanding matters.

## **Hong Kong Academy for Performing Arts**

*(Paragraphs 24 and 25 of Part 5 of P.A.C. Report No. 75)*

13. The Committee was informed that:

### Provision of academic programmes

#### *Admission of non-local students*

- the Hong Kong Academy for Performing Arts (“HKAPA”) had completed the 2021-2022 review on non-local student tuition fee and decided to adjust upward the tuition fee level for 2021-2022 by 1.9% as compared with the 2020-2021 level (from \$52,000 to \$53,000 per annum for degree programmes and from \$39,000 to \$39,750 per annum for sub-degree programmes). The arrangement had balanced the cost recovery consideration and the need to sustain a satisfactory mix of international and local students. HKAPA aimed to achieve full recovery of the additional direct costs in 2022-2023 when the economy

picked up. HAB would continue to monitor HKAPA's action on setting of tuition fees applicable to non-local students;

#### *Student unit cost*

- HKAPA had implemented a series of enhancement measures with a view to boosting student enrolment, as follows:
  - (a) for the launch of the one year Diploma in Foundation Studies programme, HKAPA had recently conducted a review based on data on students enrolled in 2019-2020 and 2020-2021. According to the review, the programme generally met the programme objectives by providing students with a broad foundation of knowledge in performing arts, and served the purpose as a feeder pathway to degree programmes. The academic performance of undergraduate students articulated from the programme were comparable to those students admitted from direct entry;
  - (b) the Principals' Recommendation Scheme implemented since 2019 enabled principals of registered secondary schools to recommend students with distinguished achievements in performing arts to apply for admission to HKAPA's undergraduate and post-secondary programmes upon completion of secondary school education. For the cohort of students admitted in 2020-2021, a total of 29 students were selected through the Scheme; and
  - (c) for the development of the online application system, Phase 1 was launched in September 2019 and Phase 2 had been used for handling admission applications for the 2021-2022 cohort. HAB and HKAPA would continue to monitor the student unit cost of HKAPA;

#### Governance and government monitoring

##### *Government monitoring*

- HKAPA had appointed an external auditor to perform a reasonable assurance engagement of the Government Reserve Fund Account in the financial year ended 30 June 2020. Based on the assurance report, the auditor commented that the accounts of HKAPA were prepared, in all

material respects, in accordance with the requirements of the Administration and terms and conditions of the subvention as specified in the relevant subvention guidelines. To further enhance the presentation of financial information on the movement of reserve of unspent subvention retained, HKAPA would provide an income and expenditure report on subvented activities as a supplement to the audited Government Reserve Fund Account starting from the financial year ended 30 June 2021; and

#### Campus improvement and expansion

##### *Wanchai Campus expansion project*

- the subvention level of the main construction works of the on-campus expansion project had been cleared by the Architectural Services Department. HKAPA was actively working on the part on consultancy fees and employment of resident site staff cost claims under the project, as well as the expenditure incurred on furniture and equipment items. HKAPA targeted to finalize the project account within 2021-2022.

14. The Committee wishes to be kept informed of further development on the subject, and provided with time frames, where possible, for actions to be taken on the outstanding matters.

#### **Regulation of non-franchised bus and school private light bus services**

*(Paragraphs 44 and 45 of Part 5 of P.A.C. Report No. 75)*

15. The Committee was informed that TD planned to consult the relevant stakeholders as soon as possible on: (a) the implementation of the proposal of aligning the validity periods of Passenger Service Licence Certificates and related Passenger Service Licences; and (b) the proposed measures to enhance the existing regulatory framework to prevent Passenger Service Licence holders from avoiding sanctions, depending on the development of the Coronavirus Disease 2019 epidemic and recovery of the businesses of the non-franchised bus trades. Taking into account the consultation outcome, TD would proceed to work on the legislative amendment.

16. The Committee wishes to be kept informed of further development on the subject, and provided with time frames, where possible, for actions to be taken on the outstanding matters.

### **Operation of the Land Registry**

*(Paragraphs 46 and 47 of Part 5 of P.A.C. Report No. 75)*

17. The Committee was informed that upon reaching consensus with the stakeholders on the main issues concerning the “new land first” proposal,<sup>2</sup> the Land Registry (“LR”) would put forward more concrete proposed amendments to the Land Titles Ordinance (Cap. 585) and work out a more concrete implementation timetable in 2022.

18. The Committee noted that the Administration planned to brief the LegCo Panel on Development in the third quarter of 2022 on the proposed amendments to the Land Titles Ordinance for the implementation of the title registration on newly-granted land first.

19. The Committee wishes to be kept informed of further development on the subject, and provided with time frames, where possible, for actions to be taken on the outstanding matters.

### **Planning, provision and management of public toilets by the Food and Environmental Hygiene Department**

*(Paragraphs 60 and 61 of Part 5 of P.A.C. Report No. 75)*

20. The Committee was informed that the Food and Environmental Hygiene Department had started a review on the existing male-to-female toilet compartment ratio. This review also included whether sanitary fittings (including urinals and compartments) could be used as the basis of calculation.

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<sup>2</sup> Under the “new land first” proposal, title registration will be implemented on newly granted land first (i.e. land granted by the Government after the commencement of the Land Titles Ordinance (Cap. 585)).



21. The Committee wishes to be kept informed of further development on the subject, and provided with time frames, where possible, for actions to be taken on the outstanding matters.

### **Control of wild and stray animal nuisances**

*(Paragraphs 68 and 69 of Part 5 of P.A.C. Report No. 75)*

22. The Committee was informed that the Agriculture, Fisheries and Conservation Department (“AFCD”) issued the tender for the study on monkey population viability analysis in October 2021. The study would help devise suitable indicators for the monkey contraceptive programme for better assessment of the contractor’s performance. AFCD was exploring amendments to the Wild Animals Protection Ordinance (Cap. 170), including expanding the feeding ban area for wild animals and stepping up control of feeding activities to minimize the pull factor drawing wild pigs to urban areas. AFCD would also strengthen publicity and public education to remind the public not to feed wild pigs.

23. The Committee wishes to be kept informed of further development on the subject, and provided with time frames, where possible, for actions to be taken on the outstanding matters.

### **Acquisition and management of collection items in public museums**

*(Chapter 1 of Part 8 of P.A.C. Report No. 75)*

24. The Committee was informed that:

#### Acquisition and accession of museum collection items

- the Leisure and Cultural Services Department (“LCSD”) had completed the review on the performance target of new acquisition and would adopt the estimated number of collection items as the performance measure from 2022-2023 onwards;
- the Hong Kong Museum of History, the Hong Kong Heritage Museum and the Hong Kong Film Archive had expedited the accession of collection items. It was expected that the accession of the items concerned could be completed in the coming two years for the two Museums and in the coming seven to eight years for the Archive;

Stocktaking and storage of museum collection items

- the Hong Kong Museum of History and the Hong Kong Film Archive had expedited the stocktaking of their collection items. The stocktaking exercises for the Museum (10-year cycle ending in March 2021) and the Archive were expected to be completed in 2022 and by 2025 respectively;
- LCSD had collected and analyzed environmental data of the off-site stores of the Hong Kong Museum of History with a view to laying down guidelines for selecting suitable collection items to be kept in those off-site stores. Similar exercise was being conducted for storerooms inside museums and the off-site stores of other LCSD museums (i.e. other than the Hong Kong Museum of History and the Hong Kong Film Archive). The exercise was expected to be completed in 2022;
- LCSD was following up with the Government Property Agency and the Architectural Services Department on the tenancy and fitting-out works of the site identified in Tuen Mun for storage respectively. Relocation of part of the Hong Kong Museum of History's collection items stored in the aged building was in progress and was expected to be completed in 2022;
- two replacement and improvement works projects of the Hong Kong Film Archive on the dehumidification system and unit cooler system with automatic control were in progress and were expected to be completed by the end of 2022;
- LCSD was working out the detailed design and technical details of the Heritage Conservation and Resource Centre,<sup>3</sup> and planned to submit the funding application of the main construction works of the project to LegCo in due course; and

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<sup>3</sup> The Heritage Conservation and Resource Centre aims to provide a dedicated storage and conservation facility to meet the long-term preservation need of the ever-growing collections of the museums and heritage centres under the management of LCSD. The Finance Committee of LegCo had approved a funding of \$89 million for the pre-construction consultancy services and site investigation works for the construction of the Centre in June 2018.

Other related issues

- the Exhibit Maintenance Portal upgrading project to enhance its functions and to increase the accuracy of calculating the number of available interactive exhibits in the Space Museum had been completed.

25. The Committee wishes to be kept informed of further development on the subject, and provided with time frames, where possible, for actions to be taken on the outstanding matters.

**Funding schemes for conservation of built heritage managed by the Development Bureau**

*(Chapter 3 of Part 8 of P.A.C. Report No. 75)*

26. The Committee was informed that:

Management of the Revitalising Historic Buildings Through Partnership Scheme

- DEVB had followed up with the non-profit making organization (“NPO”) of the project<sup>4</sup> and completed the review of the validity of the works variations in June 2021. The NPO submitted the revised final accounts in August 2021;
- the review of guidelines relating to the time limit for submission of draft project accounts by NPOs under the Revitalising Historic Buildings Through Partnership Scheme had been initiated with a view to setting a more realistic time limit for the submission of draft project accounts by NPOs;
- DEVB had implemented measures to enhance efficiency in recording, analyzing and monitoring the project performance of NPOs. It had made better use of application software in maintaining relevant performance data of each project to facilitate data analysis and retrieval of information;

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<sup>4</sup> The project which had the highest approved project estimate out of the 11 projects under Batches I to III of the Revitalising Historic Buildings Through Partnership Scheme.

### Management of the two pilot funding schemes

- the Secretariat to the Built Heritage Conservation Fund had been liaising closely with the grantees to monitor the progress of the two pilot funding schemes, viz. the Funding Scheme for Public Engagement Projects on Built Heritage Conservation and the Funding Scheme for Thematic Research on Built Heritage Conservation. The grantees had been providing updates on the financial position of the projects, schedule and implementation plan of the remaining public engagement activities and research work. The Secretariat would continue to work closely with the grantees to keep track of the progress of the projects yet to be completed under the two pilot funding schemes; and
- DEVB planned to commence the review of these two pilot funding schemes after completion of the current projects in late 2021 so as to take due account of the operating experience of the schemes for mapping out the way forward.

27. The Committee wishes to be kept informed of further development on the subject, and provided with time frames, where possible, for actions to be taken on the outstanding matters.

### **Management of Mandatory Building Inspection Scheme by the Buildings Department**

*(Chapter 6 of Part 8 of P.A.C. Report No. 75)*

28. The Committee was informed that:

#### Selection of buildings for issuance of statutory notices

- the Buildings Department (“BD”) had scored all buildings covered by Mandatory Building Inspection Scheme (“MBIS”) in accordance with the Building Score System<sup>5</sup> for reviewing purpose since June 2021;

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<sup>5</sup> BD has developed a Building Score System to prioritize all buildings covered by MBIS. Under the Building Score System, scores will be given to buildings based on four selection criteria (i.e. building age, building condition, building management and risk to public) and priority will be given to buildings with higher scores (i.e. relatively higher potential risk) in selection of buildings for issuance of statutory notices under MBIS.

- the Building Condition Information System (“BCIS”)<sup>6</sup> contractor commenced the system enhancement works, such as recording the actual number of public reports received on building conditions and recording of the selection and replacement of buildings for issuance of statutory notices under MBIS, in September 2021 to enhance data accuracy. The enhancement works were targeted to complete in the first quarter of 2022;

Follow-up actions on compliance with statutory notices

- BCIS contractor had commenced the system enhancement works, such as recording LR registration date and issuing of alert when late registration was detected, in September 2021 to ensure timely referral of the statutory notices served on the common parts of a building to LR for registration, and timely and accurately updating of information about registration records of statutory notices at LR. The enhancement works were targeted to complete in the first quarter of 2022; and

Monitoring of registered inspectors’ submissions

- BCIS contractor commenced the system enhancement works in September 2021 to strengthen monitoring of registered inspectors’ MBIS submissions, ensure data accuracy and facilitate monitoring of compliance with the statutory requirement on the time limit for notification of appointment of registered inspectors. Enhancement works included:
  - (a) generating regular reports on compliance situation;
  - (b) mandatory data entry to all fields related to registered inspectors’ MBIS submissions before creating and storing of compliance records;
  - (c) issuing of alert when inaccurate compliance records were detected; and

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<sup>6</sup> BCIS is a computer system for recording, processing and retrieving details of public reports, planned surveys, statutory orders, works orders and consultancy assignments. In selection of buildings for issuance of statutory notices under MBIS, BD will retrieve data relating to buildings covered by MBIS in BCIS for analysis.

- (d) enabling recording of the appointment dates of registered inspectors.

The enhancement works were targeted to complete in the first quarter of 2022.

29. The Committee wishes to be kept informed of further development on the subject, and provided with time frames, where possible, for actions to be taken on the outstanding matters.

**Laying of the Report** Report No. 75 of the Director of Audit on the results of value for money audits was laid in the Legislative Council (“LegCo”) on 25 November 2020. The Public Accounts Committee (“the Committee”)’s supplemental report (Report No. 75A) on Chapters 1, 2 and 4 of the Director of Audit’s Report was tabled on 12 May 2021.

2. **The Government Minute** The Government Minute in response to the Committee’s Report No. 75A was laid in LegCo on 18 August 2021. The latest position and the Committee’s further comments on these matters are set out in paragraphs 3 to 10 below.

**Collection and removal of marine refuse by the Marine Department**  
*(Chapter 1 of Part 4 of P.A.C. Report No. 75A)*

3. The Committee was informed that the replacement of the lifting appliance in Ap Lei Chau marine refuse collection point was substantially completed in December 2021.

4. The Committee wishes to be kept informed of further development on the subject, and provided with time frames, where possible, for actions to be taken on the outstanding matters.

**Government’s efforts in tackling shoreline refuse**  
*(Chapter 2 of Part 4 of P.A.C. Report No. 75A)*

5. The Committee was informed that the Administration had not made further reports on this subject since the issuance of the Government Minute<sup>1</sup> in August 2021.

6. The Committee wishes to be kept informed of further development on the subject, and provided with time frames, where possible, for actions to be taken on the outstanding matters.

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<sup>1</sup> Please refer to paragraphs 29 to 34 and enclosure 2 of the Government Minute issued on 18 August 2021 (<https://www.legco.gov.hk/yr20-21/english/counmtg/papers/cm20210818-sp126-e.pdf>) for details.

**Efforts of the Home Affairs Department in facilitating building management**  
*(Chapter 3 of Part 4 of P.A.C. Report No. 75A)*

7. Hon Paul TSE Wai-chun declared that he served as legal adviser for a number of owners' corporations. Hon Tony TSE Wai-chuen declared that he was the Chairperson of the Property Management Services Authority.
8. The Committee was informed that the Administration had not made further reports on this subject since the issuance of the Government Minute<sup>2</sup> in August 2021.
9. The Committee noted that the Administration would report to the LegCo Panel on Home Affairs the progress of the review of the Building Management Ordinance (Cap. 344) in due course.
10. The Committee wishes to be kept informed of further development on the subject, and provided with time frames, where possible, for actions to be taken on the outstanding matters.

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<sup>2</sup> Please refer to paragraphs 35 to 53 and enclosure 3 of the Government Minute issued on 18 August 2021 (<https://www.legco.gov.hk/yr20-21/english/counmtg/papers/cm20210818-sp126-e.pdf>) for details.



**Consideration of the Director of Audit’s Report tabled in the Legislative Council on 27 April 2022** In line with past practice, the Committee did not consider it necessary to investigate in detail every observation contained in the Director of Audit’s Report. The Committee has therefore only selected those chapters in the Director of Audit’s Report No. 77 which, in its view, referred to more serious irregularities or shortcomings. It is the investigation of those chapters which constitutes the bulk of this Report.

2. **Meetings** The Committee held a total of five meetings and two public hearings in respect of the subjects covered in this Report. During the public hearings, the Committee heard evidence from a total of 13 witnesses, including two Directors of Bureau and three Heads of Department. The names of the witnesses are listed in *Appendix 3* to this Report.

3. **Organization of the Report** The evidence of the witnesses who appeared before the Committee, and the Committee’s specific conclusions and recommendations, based on the evidence and on its deliberations on the relevant chapters of the Director of Audit’s Report, are set out in Chapters 1 and 6 of Part 7 below.

4. The video and audio record of the proceedings of the Committee’s public hearing is available on the Legislative Council website.

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

## **A. Introduction**

The Audit Commission (“Audit”) conducted a review to examine the issues relating to maintenance of public footpaths by the Highways Department (“HyD”) with a view to identifying areas for improvement, and its findings and observations are set out in the Director of Audit’s Report No. 77 (“the Audit Report”). A related review of “Maintenance of public roads” was completed by the Audit in October 2011.<sup>1</sup>

2. Hon LAU Kwok-fan declared that he was Greater Bay Area Affairs Adviser of China Road and Bridge (H.K.) Limited.

### Background

3. HyD is responsible for conducting inspections, planning and managing the maintenance programme, supervising maintenance works and handling public complaints about public footpaths. As of June 2021, the total length of public footpaths maintained by HyD was approximately 2 600 kilometres. According to the management and maintenance (“M&M”) provisions of HyD’s local road maintenance contracts,<sup>2</sup> contractors are required to conduct inspections and routine maintenance works for road surfaces and related street furniture (e.g. railings, street name plates and traffic signs) of public roads (including footpaths) and will be paid a monthly fee. In 2020-2021, the M&M payment under the local road maintenance contracts included \$18 million for public footpaths. For non-routine maintenance and rehabilitation works not covered by the M&M provisions, HyD may issue works orders and pay the contractors to carry out such works. In 2020-2021, works orders with a total cost estimate of \$151 million were issued for non-routine maintenance and rehabilitation works of public footpaths.

4. The Committee held a public hearing on 17 May 2022 to receive evidence. Opening statements made by **Mr John CHU Nai-cheung, Director of Audit**, and **Mr Frank CHAN Fan, Secretary for Transport and Housing**, at the beginning of the hearing are in *Appendices 4* and *5* respectively.

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<sup>1</sup> Chapter 5 of the Director of Audit’s Report No. 57

<sup>2</sup> From April 2020 to March 2021, HyD administered six local road maintenance contracts. Please refer to Table 2 in paragraph 2.2 of the Audit Report for details.

Supervisory role of the Transport and Housing Bureau (“THB”)

5. In response to the Committee’s enquiry about the actions taken by THB to oversee the work of HyD and the Transport Department (“TD”) in enhancing the pedestrian safety and walkability of public footpaths, **Secretary for Transport and Housing** said at the public hearing and supplemented in his letter dated 10 June 2022 (*Appendix 6*) that:

- THB had been steering HyD in their maintenance of public footpaths to ensure the safety and serviceability of public footpaths. THB had also provided policy support to HyD to review such work, so as to expedite the progress and enhance the effectiveness;
- regarding maintenance works for public footpaths, THB would review HyD’s performance in meeting the stipulated key performance measures, while HyD would also report to THB on special incidents related to road maintenance;
- THB would request HyD to strengthen the checking of the contractors’ submission of inspection reports, improve the monitoring of routine maintenance and enhance the Electronic Maintenance Management System (“EMMS”)<sup>3</sup> to properly maintain all inspection and maintenance records. THB would oversee HyD in enhancing the management of the relevant works contracts, strengthening the monitoring of contractors and checking of works progress, and improving the planning of rehabilitation works with a view to expediting the maintenance progress. THB also supported HyD to make good use of innovative technology to enhance efficiency by developing a new digital management system to strengthen the inspection of contractors’ road maintenance work in a more cost-effective manner; and
- THB attached great importance to pedestrian safety when formulating initiatives in enhancing walkability and urged TD to take appropriate measures, including publicity and education programmes, to create a pedestrian-friendly and safe environment.

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<sup>3</sup> As part of the M&M works, the contractors are required to establish an effective EMMS, which facilitates planning, programming, inventory data collection, maintenance history recording, data storage, complaint handling, preparing management reports and retrieval of all aspects of inspection and maintenance works.

Handling of public complaints and claim cases about public footpaths

6. Noting from paragraph 1.3 of the Audit Report that HyD received complaints about damaged footpaths and cases of compensation claims against the Government on sustained injuries from time to time, the Committee enquired about the procedures for handling such complaints and claim cases. **Mr Jimmy CHAN Pai-ming, Director of Highways**, said at the public hearing and supplemented in his letter dated 10 June 2022 (*Appendix 7*) that:

- upon receipt of complaints about damaged footpaths, HyD would arrange the contractors concerned to conduct timely site inspections and carry out necessary repair works as appropriate; and
- for public compensation claims alleged to be caused by facilities maintained by HyD, it would request the contractors concerned to conduct investigations and carry out its own investigations and checks on road inspection reports to verify if the contractors concerned had fulfilled their contractual obligations. The contractors concerned would promptly notify the claimants of the investigation outcome and make arrangement for compensation for justified claims. The claimants might write to HyD requesting a review if they were not satisfied with the investigation results.

7. At the request of the Committee, **Secretary for Transport and Housing** provided in his letter dated 12 May 2022 (*Appendix 8*) the total amount of claims indicated by the claimants from January 2016 to July 2021.

**B. Inspection and routine maintenance works**

8. Referring to Table 2 in paragraph 2.2 of the Audit Report, the Committee enquired about the reasons for the significant increase in the estimated contract sum for the local road maintenance contracts for Hong Kong Island for the period from 1 April 2021 to 31 March 2025 (\$1,099 million for Contract G) when compared to the period from 1 April 2017 to 31 March 2021 (\$598 million for Contract B). **Director of Highways** and **Mr NG Wai-keung, Deputy Director of Highways**, explained at the public hearing and **Director of Highways** supplemented in his letter dated 10 June 2022 (*Appendix 7*) that:

- Contract B was tendered in 2016, and hence its estimated contract sum did not include the maintenance costs associated with the highway infrastructural facilities of the mega “Central - Wan Chai Bypass and Island Eastern Corridor Link” project, which were commissioned in 2019; and
- for local road maintenance contracts tendered after 2020, HyD had specified the minimum number of designated workers to be deployed for the daily maintenance works so as to improve the performance of road maintenance works. Taking Contract G as an example, the contractor should deploy about 320 designated workers for carrying out daily maintenance works under the new requirement of the local road maintenance contract for the Hong Kong Island.

9. The Committee noted from paragraph 2.3 of the Audit Report that HyD terminated Contract B in March 2021, two years before its original completion date of March 2023 due to the adverse performance of and suspected misconduct in preparing inspection reports by the contractor concerned. The Committee sought details of the circumstances under which HyD would exercise its right of early termination of local road maintenance contracts.

10. **Deputy Director of Highways** said at the public hearing, and **Director of Highways** supplemented in his letter dated 10 June 2022 (*Appendix 7*) that:

- according to the relevant provisions stipulated in the contracts, the major circumstances under which HyD would consider exercising its right of early termination of local road maintenance contracts included sustained poor performance in the execution of works; unsatisfactory capability of the contractor in the technical, commercial or financial aspect; the contractor was no longer on the List of Approved Contractors for Public Works (“the Approved List”); and repeated convictions under relevant employment related legislations;
- there was an established mechanism in the Contractor Management Handbook issued by the Development Bureau to impose regulating action on a contractor on the Approved List which had committed acts of misconduct or suspected misconduct. As a general rule, the contractor would be mandatorily suspended from tendering for public works contracts and the period of suspension would be determined taking into consideration the facts and circumstances of the case.

If a misconduct was serious in nature, the contractor would be removed from the Approved List; and

- regulating action had been taken in accordance with the above established mechanism to suspend the contractor of Contract B from tendering for all categories of public works from 12 November 2020 to 16 November 2021. Prior to uplifting the suspension, the contractor had been required to complete an independent audit to demonstrate that it had properly implemented improvement measures to prevent recurrence of similar incident in the future.

11. In response to the Committee's further enquiry regarding the payment deduction mechanism in place, **Director of Highways** said at the public hearing, and **Secretary for Transport and Housing** advised in his letter dated 12 May 2022 (*Appendix 8*) that:

- a contractor's performance was measured on a quarterly basis according to contract provisions;
- payments to the contractors for M&M works were performance-linked. HyD staff carried out Engineer's audits ("EAs"), on a sample basis, on M&M works performed by the contractors. An inspection conducted by a contractor was regarded as defective if an EA had identified more than one defect not included in the inspection report of the contractor. Monthly payments to the contractor for M&M works according to contract provisions would be progressively reduced if more defective inspections were found; and
- HyD staff also selected sites to conduct visits during the execution of works to ascertain whether the contractors had carried out M&M works (i.e. inspection and routine maintenance works) in accordance with the contracts. For non-compliance observed during Engineer's inspections ("EIs"), HyD would issue a default notice to the contractor and a fixed sum would be deducted from the contract payments.

12. At the request of the Committee, **Secretary for Transport and Housing** provided the calculation method under the payment deduction mechanism, and the total amount of deduction and its proportion to the estimated contract sum under each local road maintenance contract (up to 31 March 2021) (*Appendix 8*).

13. According to paragraph 2.13(a) of the Audit Report, Audit scrutinized HyD's records of the 12 districts for EAs on road routine inspections and road detailed inspections from July to December 2020 and found that HyD had informed the contractors more than 24 hours before conducting EAs in 11 cases. This practice was contrary to the requirement stipulated in the contracts.<sup>4</sup> The Committee asked about the reasons for the non-compliance cases and whether such non-compliance would nullify the effect of surprise checking of EAs.

14. **Deputy Director of Highways** explained at the public hearing, and **Director of Highways** supplemented in his letter dated 10 June 2022 (*Appendix 7*) that:

- the contractors of the 11 cases were only informed of the date and time for conducting EAs to facilitate the contractors to arrange staff to be present on site/prepare the necessary equipment (e.g. working tools such as shovel and crowbar) for EAs. The sites of EAs would be selected at random by an independent team of HyD shortly before EAs and the contractors would only be notified of these selected sites within two hours of EAs. The contractors would not be able to carry out any advanced works on site, and HyD considered the advance notification in the 11 cases would not nullify the effect of surprise checking of EAs; and
- in response to Audit's recommendation, HyD had issued reminders to its staff that they should strictly follow the requirement when conducting EAs.

15. Referring to paragraphs 2.17(d) and 2.22(b) of the Audit Report regarding the development of a new digital management system by HyD, the Committee asked how HyD would make better use of information technology to facilitate its monitoring of the inspection and routine maintenance works conducted by its contractors. **Director of Highways** and **Deputy Director of Highways** said at the public hearing, and **Director of Highways** supplemented in his letter dated 10 June 2022 (*Appendix 7*) that:

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<sup>4</sup> According to the contracts, unless prior arrangement for gaining access would be required, HyD normally would give not more than 24 hours' notice to the contractors before carrying out EAs.

- the new digital management system would digitalize the capturing of works information on site during EIs and EAs, and the reporting of completion of works for centralized storage. It could streamline the workflow as stipulated under the established guidelines with relevant records kept in the system for easy retrieval. The system could also facilitate the compilation of statistics for monitoring compliance with relevant requirements of the contracts or guidelines;
- under the existing workflow, HyD staff recorded and sent to contractors the results of EIs and EAs using paper forms, and monitored the progress of defect rectification works and submission of reports manually. The new digital management system would automatically send the results of EIs and EAs and notification to contractors to follow up on the rectification of defects identified in EIs, and issue reminders for delay in completion of defect rectification works and submission of reports on completion of works. In addition, the digital records on defects identified in EIs and performance standards evaluated in EAs would form a centralized and comprehensive database. This would not only reduce the time required in processing and transmission of the relevant records, but would help monitor the progress of defect rectification works, and provide information for better planning of the maintenance works; and
- the development of the new digital management system had commenced in April 2022 for completion in the fourth quarter of 2022 for trial.

16. Referring to paragraphs 2.29 and 2.30 of the Audit Report, the Committee noted with concern that Audit's field inspections to 35 footpaths in five districts (which were subject to routine inspection once every seven days)<sup>5</sup> in July and August 2021 found that 183 defects had not been identified in the routine inspections conducted by the contractors concerned, including 14 defects that might cause dangers to road users and need to be rectified immediately. The Committee was also concerned that, according to HyD, under the current inspection mechanism, the remaining 169 defects would only be recorded during detailed inspections which were conducted every six months as these defects were unlikely to pose danger and serious inconvenience to road users.

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<sup>5</sup> Audit prepared a checklist for assessing the conditions of the footpaths during the field inspections with reference to the contract provisions on the types of defects to be identified by the contractors in a routine inspection.



17. The Committee asked whether clear guidelines were in place to facilitate contractors' identification of defects which might cause dangers to road users and need to be rectified immediately, and those which were unlikely to pose danger and serious inconvenience to road users and did not require immediate rectification. The Committee also sought details of the measures to improve HyD's monitoring of the inspections conducted by contractors as well as the actions taken against the contractors concerned.

18. **Director of Highways** and **Deputy Director of Highways** said at the public hearing, and **Director of Highways** supplemented in his letter dated 10 June 2022 (*Appendix 7*) that:

- there were clear guidelines and procedures in HyD's Road Inspection Manual to facilitate contractors' identification of defects which might cause dangers to road users and need to be rectified immediately, and those which were unlikely to pose danger and serious inconvenience to road users and did not require immediate rectification;
- routine inspections were designed to identify all defects that were likely to create danger or serious inconvenience to users of the network (i.e. defects which need to be rectified immediately). Detailed inspections were designed to record only those types of defects likely to require routine maintenance (i.e. defects which were unlikely to pose danger and serious inconvenience to road users and did not require immediate rectification). While defects under the former category would receive immediate rectification, HyD required its contractors to monitor the defects under the latter category and rectify them immediately in case they deteriorated;
- HyD would continue reviewing the inspection requirements including the scope and frequencies from time to time with due consideration of the resources implications; and
- in addition to the issuance of default notices, HyD had reflected the contractors' poor performance in their quarterly performance reports in accordance with the guidelines in the Contractor Management Handbook. The contractors' performance records would have impact on their overall performance score which would in turn affect their chance of being awarded future public works contracts.

19. According to paragraph 2.35(b) of the Audit Report, HyD was keeping close monitoring of the conditions of the 169 defects which did not require immediate rectification and would arrange immediate rectification works when necessary. The Committee questioned how HyD could closely monitor the conditions of these defects given that they would only be recorded during detailed inspections which were conducted once every six months.

20. **Director of Highways** and **Deputy Director of Highways** said at the public hearing, and **Director of Highways** supplemented in his letter dated 10 June 2022 (*Appendix 7*) that the contractors concerned had already rectified all the 169 defects. Generally speaking, for defects which did not require immediate rectification, the contractors would closely monitor the conditions of these defects during routine inspections. If these defects later deteriorated and required immediate rectification, the contractors would take follow-up actions accordingly. In any case, these defects would be recorded during detailed inspections for rectification works to follow.

21. According to paragraph 2.33 and Table 6 of the Audit Report, from April 2020 to March 2021, for 774 footpaths of high significance (e.g. located within areas of pedestrianisation scheme) which the contractors were required to conduct routine inspections with higher frequency (every seven days or one month), the frequencies of these routine inspections had not been fully complied with in 16 (2%) footpaths. According to the checking conducted by HyD, non-compliance with the routine inspection frequency of footpaths (with higher frequency of seven days/one month) occurred because the contractors concerned had either misinterpreted the relevant contract requirements or failed to include the relevant footpaths in the inspection programmes due to oversight. Noting that HyD would review whether the wording of contract provisions could be enhanced in future contracts for better clarity, the Committee enquired about the details and timeline of the review.

22. **Deputy Director of Highways** said at the public hearing, and **Director of Highways** supplemented in his letter dated 10 June 2022 (*Appendix 7*) that HyD had already completed the review and revised the contract provisions. The frequency for routine inspections for footpaths was clearly specified under the new local road maintenance contracts commenced in April 2022. HyD would keep track of the reports submitted by contractors after their routine inspections to ensure contractors' compliance with the routine inspection frequency for footpaths of high significance.

**C. Non-routine maintenance and rehabilitation works**

23. According to paragraph 3.10 of the Audit Report, Audit selected 120 works orders (i.e. 5% of the 2 447 works orders relating to non-routine maintenance works of public footpaths issued from April 2020 to March 2021) for examination. Out of the 120 works orders, the contractors had failed to submit the reports on completion of works within two days after completion of works for 91 works orders, with delays ranging from 1 to 145 days (averaging 20 days). The dates of checking by HyD staff concerned<sup>6</sup> were not stated in the reports on completion of works in 18 works orders. For the remaining 102 works orders, there were delays in checking completion of works by HyD staff in 41 works orders, with delays ranging from 1 to 84 working days (averaging 17 working days). The Committee asked about the measures to be taken by HyD to prevent recurrence of the above problems.

24. **Director of Highways** explained at the public hearing and supplemented in his letter dated 10 June 2022 (*Appendix 7*) that:

- work-from-home arrangement had been implemented for government employees in light of the Coronavirus Disease 2019 epidemic for seven months during the period from April 2020 to March 2021. During this period, HyD's manpower was mainly deployed for maintaining emergency works and essential public services. In this connection, some of the completed non-routine footpath maintenance works could not be checked by HyD staff within the required time frame as stipulated in HyD's Maintenance Administration Handbook;
- as regards the late submission of reports on completion of works, HyD had duly reflected contractors' pertinent unsatisfactory performance in the contractors' performance reports; and
- HyD had reminded contractors to ensure that the reports on completion of works were timely submitted. HyD had also reminded its staff to conduct checking on works completion within the time limit stipulated in the Maintenance Administration Handbook. In addition, the new digital management system would be able to facilitate HyD's monitoring of the timeliness of report submission by contractors and the timeliness of checking completion of works by HyD staff.

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<sup>6</sup> HyD's Maintenance Administration Handbook required its staff to check whether the works have been satisfactorily completed within two working days from the date of receipt of the reports on completion of works from the contractors.

25. The Committee noted with concern that according to paragraphs 3.12 to 3.14 of the Audit Report, the 2011 Audit review had already highlighted that late submission of dimension books was one of the reasons for delays in finalizing works orders. However, as of June 2021, of the 497 completed works orders whose account had not yet finalized, the dimension books of 360 works orders (with a total cost estimate of \$54 million) were outstanding, with delays ranging from 1 to 2 050 days (averaging 353 days). The Committee questioned why the problem still existed after 10 years had lapsed, and asked about the measures taken/to be taken by HyD to ensure timely submission of dimension books by contractors.

26. **Director of Highways** and **Deputy Director of Highways** said at the public hearing, and **Director of Highways** supplemented in his letter dated 10 June 2022 (*Appendix 7*) that:

- regarding the delay in submission of dimension books by contractors for the 360 works orders, for some cases, contractors had not been able to deploy sufficient manpower resources to timely complete the dimension books. For other cases, the delay was mainly due to the longer time required for assessment of extension of time claims by the contractors;
- since 2011, HyD had put in place a measure under its local road maintenance contracts to recover from the contractor all previous interim payments under a works order if the contractor failed to submit the dimension book within 90 days of the date of completion of the works order without justified reasons to ensure that late submission of the dimension books would not lead to any overpayment; and
- HyD had added a new standing discussion item in the regular progress meetings with the contractors to closely monitor the timely submission of dimension books by contractors.

27. According to paragraph 3.18(a) and Note 31 of the Audit Report, Audit selected 20 projects out of the 228 rehabilitation projects for public footpaths approved from April 2015 to March 2021 for examination. Among the 20 rehabilitation projects, as of June 2021, six projects had been completed and 14 projects were in progress. For the six completed projects, there were delays ranging from 1 to 12 months (averaging six months) in completing four (67%) projects. In this connection, the Committee was concerned about the timely completion of the 228 rehabilitation projects and requested HyD to provide information in this regard.

28. **Director of Highways** replied in his letter dated 10 June 2022 (*Appendix 7*) that HyD issued a total of 675 works orders for the 228 rehabilitation projects. Of the 675 works orders, 626 (93%) had been completed within the time for completion. Amongst the remaining 49 (7%) works orders under 38 rehabilitation projects, the contractors concerned could not complete 37 works orders on time and total liquidated damages of about \$800,000 had been imposed upon the contractors concerned. The assessment for the causes of delay of the remaining 12 works orders was in progress.

29. Referring to Table 10 in paragraph 3.18(b) of the Audit Report, the Committee noted with concern that the project costs of all six completed rehabilitation projects (each with approved estimate of \$3 million or above, totalling \$20.3 million) had been over-estimated, ranging from 27% to 200%. The Committee asked about the reasons for the over estimation of project costs for these rehabilitation projects, and the measures taken/to be taken by HyD to improve the accuracy of project estimates for future rehabilitation projects. **Director of Highways** replied in his letter dated 10 June 2022 (*Appendix 7*) that:

- the main reasons for the over-estimation included:
  - (a) deletion of part of the works leading to savings under rehabilitation projects;
  - (b) due to urgency of the project, HyD had estimated the project costs based on desktop study to expedite the issue of works order. The actual amount of works measured on site was less than that originally estimated, resulting in reduction in project cost; and
  - (c) HyD had made allowance in the cost estimate to take into account potential discrepancies in measurement due to the differences in the estimated and actual road width and presence of obstructions on site. The actual amount of works measured on site was less than that originally estimated, resulting in reduced project cost; and
- HyD had updated its guidelines so as to gain a better understanding of the site through revised inspection requirements, thereby improving the accuracy of project estimates for future rehabilitation projects as far as practicable.

30. According to paragraph 3.18(c) of the Audit Report, upon completion of the works funded by Head 706 (Highways) Subhead 6100TX block allocation, accounts should be finalized and approval to delete the items from block vote 6100TX should be sought as early as practicable to avoid unnecessary lock-up of resources. However, HyD took 5 to 31 months to delete the six completed rehabilitation projects from the block vote after making final payment to the contractors. In four of these projects, HyD staff had not yet released the unused funds 12 to 24 months after respective approvals to delete the projects from the block vote were obtained, resulting in \$5 million unused funds being locked up. The Committee enquired about the measures to ensure timely finalization of account so as to release unused funds.

31. **Director of Highways** said at the public hearing and supplemented in his letter dated 10 June 2022 (*Appendix 7*) that the annual allocations under Subhead 6100TX in Financial Years 2020-2021 and 2021-2022 had been spent to 99.9% and 99.0% of the allocation respectively. HyD had reminded its staff to regularly review the funding requirement of the works funded by Head 706 (Highways) Subhead 6100TX block allocation and delete items after account finalization in a timely manner.

#### **D. Other related issues**

32. According to paragraph 4.8 of the Audit Report, HyD commenced arranging site trials for new eco-pavers<sup>7</sup> in November 2018, but the trials had not yet commenced as of June 2021. Noting from paragraph 4.11 of the Audit Report that HyD had subsequently commenced the site trials, the Committee enquired about the progress of the site trials and the measures to ensure stable supply of the new eco-pavers should the result of the trials be positive. **Director of Highways** and **Deputy Director of Highways** said at the public hearing, and **Director of Highways** supplemented in his letter dated 10 June 2022 (*Appendix 7*) that:

- HyD had mandated the use of eco-pavers with locally recycled glass cullet under local road maintenance contracts since 2010. The supply of the eco-pavers had been generally stable throughout these years. HyD would closely monitor the situation to ensure a stable supply of the new eco-pavers; and

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<sup>7</sup> A production trial carried out between 2017 and early 2018 suggested that the content of glass cullet in eco-pavers for footpaths could be increased (the new eco-pavers). Since 2018, the Environmental Protection Department has discussed with HyD regarding the use of a reasonable amount of new eco-pavers on a pilot basis.

- HyD had commenced the site trials for new eco-pavers at 11 locations since the fourth quarter of 2021. Up to May 2022, site works for 5 out of 11 planned site trial locations had been completed and HyD would progressively complete works at the remaining locations in the third quarter of 2022. Should the site trial results of the new eco-pavers be satisfactory, HyD would review the feasibility of a wider use of the new eco-pavers under the local road maintenance contracts.

33. According to paragraphs 4.12, 4.13 and 4.18 of the Audit Report, TD reviewed the provision of pedestrian railings and issued guidelines from 2017 to 2020 to pursue the policy objective of enhancing walkability. Since the third quarter of 2019, TD had commenced reviewing the pedestrian railings across the territory and progressively arranged with HyD to remove unnecessary railings. However, TD did not maintain a dedicated database to record the review of railing provisions. The Committee asked how TD could monitor and review whether existing pedestrian railings should be retained or removed without a dedicated database, and whether TD would consider creating a dedicated database in this regard.

34. **Miss Rosanna LAW Shuk-pui, Commissioner for Transport**, replied at the public hearing and supplemented in her letter dated 10 June 2022 (*Appendix 9*) that:

- the provision of railings was highly related to the specific characteristics of a street as well as pedestrian behaviour. Records relating to review of railing provisions (including the complaints received, accident records, planning of traffic improvement works, etc.) were kept under individual street/road files which could be retrieved readily through TD's Electronic Documents Management System, whenever necessary;
- the review of railing provisions would be regularly reported and the progress of relevant works, including the removal, installation and revision of railings covered under works requests issued to HyD would be reviewed at the senior management meetings in TD, and appropriate follow-up actions would be taken against delayed works; and
- TD agreed with Audit's recommendation to create a dedicated database to record the review of railing provisions, which would cover the road sections, recommended works, scheduled and actual completion dates, reasons for not implementing the recommended works, etc. The dedicated database was anticipated to put in use in the fourth quarter of

2022 and would be updated on a yearly basis to facilitate management monitoring and review of relevant progress.

35. Referring to paragraphs 4.24(b) and 4.24(c) of the Audit Report, the Committee asked about the measures taken/to be taken by TD to demonstrate to the public the enhanced benefits of appropriately removing railings without compromising safety, and to promote road safety awareness and observing traffic rules.

36. **Commissioner for Transport** replied at the public hearing and supplemented in her letter dated 10 June 2022 (*Appendix 9*) that:

- TD would keep on stepping up efforts in demonstrating to the public the benefits of suitably removing railings without compromising safety through appropriate consultation, explanation, site meetings, etc. with a view to consolidating public support to the railings decluttering proposals; and
- TD would also work with the Road Safety Council and the Hong Kong Police Force to promote road safety to pedestrians through various means and channels, such as social media platforms, publicity video clips and leaflets. In addition, at the regular working group meetings under the Road Safety Council, TD would continue to share information on accident blackspots (including those accidents blackspots related to pedestrians) for the Hong Kong Police Force's consideration when prioritizing enforcement actions and publicity/education activities at district levels.

## **E. Conclusions and recommendations**

<b>Overall comments</b>
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37. The Committee:

- stresses that public footpaths are prone to daily wear and tear due to frequent usage, and major defects will undermine pedestrian safety. It is incumbent upon HyD to closely monitor the inspection and maintenance works on public footpaths carried out by its contractors to



ensure that public footpaths are maintained in a safe condition at all times;

Monitoring of the inspection and routine maintenance works

- expresses serious concern about HyD’s ineffectiveness in monitoring the inspection and maintenance works on public footpaths carried out by its contractors as evidenced by the 183 defects<sup>8</sup> which were not identified in the contractors’ routine inspections, including 14 defects that might cause dangers to road users and need to be rectified immediately;
- expresses concern that according to HyD, under the current inspection mechanism, the remaining 169 defects would only be recorded during detailed inspections which are conducted once every six months as these defects were unlikely to pose danger and serious inconvenience to road users;
- urges THB, which is responsible for overseeing the operations of HyD, to strengthen its efforts to ensure effective monitoring of the contractors’ performance by HyD and timely completion of HyD’s new digital management system for supervision of the road maintenance works;<sup>9</sup>
- urges HyD to:
  - (a) step up the monitoring of the performance of contractors and enforce penalty clauses under the local road maintenance contracts against contractors for their non-compliance with the terms of the contracts;
  - (b) ensure that the contract provisions on the types of defects to be identified by contractors in a routine inspection are consistent with the requirements of the prevailing inspection mechanism;

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<sup>8</sup> The defects were identified by Audit during field inspections to 35 footpaths in five districts in July and August 2021. These footpaths were subject to routine inspection once every seven days. Audit prepared a checklist for assessing the conditions of the footpaths during the field inspections with reference to the contract provisions on the types of defects to be identified by the contractors in a routine inspection. Please refer to paragraphs 2.29 and 2.30 of the Audit Report and paragraphs 16 to 20 of this Chapter for details.

<sup>9</sup> HyD advised that the new digital management system is expected to be completed by the fourth quarter of 2022 for trial. Please refer to paragraph 2.22(b) of the Audit Report and paragraph 15 of this Chapter for details.

- (c) require the contractors to record all defects during routine inspections to facilitate monitoring of their conditions, and ensure that all “small” defects are rectified by the contractors under the monthly fee payable to them in a timely manner, so as to prevent these defects from deteriorating over time;<sup>10</sup> and
- (d) expedite the development of its new digital management system and explore the wider use of information technology to facilitate its monitoring of the inspection and routine maintenance works conducted by contractors;

#### Over-estimation of project costs

- expresses grave concern that HyD had over-estimated the project costs of six completed rehabilitation projects (each with approved estimate of \$3 million or above, totalling \$20.3 million), ranging from 27% to 200%, which would unnecessarily lock up funds available for other projects;<sup>11</sup>
- expresses concern that HyD took 5 to 31 months to delete six completed rehabilitation projects from the block vote after making final payment to the contractors. In four of these projects, HyD staff did not release the unused funds 12 to 24 months after approvals to delete the projects from the block vote were obtained, which resulted in \$5 million unused funds being locked up; and
- strongly urges HyD to improve the accuracy of project estimates for rehabilitation projects as far as practicable and promptly release unused funds upon completion of works, with a view to creating a culture of prudent fiscal management.

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<sup>10</sup> Under HyD’s local road maintenance contracts with M&M provisions, contractors are required to carry out rectification works on the “small” defects as defined in the contracts (e.g. rectifying defective area in a footpath not exceeding 10 square metres in size at one location) with the costs of works being covered in the monthly fee. As regards rectification works on “large” defects (e.g. rectifying defective area in a footpath exceeding 10 square metres in size at one location), HyD has to separately issue work orders and pay the contractors for such works.

<sup>11</sup> Please refer to paragraph 3.18(b) and Table 10 of the Audit Report and paragraph 29 of this Chapter for details.

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<b>Specific comments</b>
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38. The Committee:

Inspection and routine maintenance works

- expresses concern that:

- (a) from April 2020 to March 2021, of the 3 312 public roads maintained by HyD, 15 roads had not been inspected nor included in the inspection programmes submitted by the contractors. For three roads, the contractors only submitted detailed inspection reports but not routine inspection reports during the period;
- (b) from April 2020 to March 2021, submission dates were not recorded in EMMS for 15 997 (16%) of the 101 566 inspection reports submitted by the contractors, which was mainly attributable to the fact that there were system bugs in EMMS of the two contracts. In another contract, the contractor would only upload reports to EMMS by batches at a later time after submitting hard copies of inspection reports to HyD;
- (c) in 513 completion reports submitted by contractors in 12 districts (for the inspections carried out in June 2020), the defect rectification works were not completed within the time limits in accordance with contract provisions in 32 (6%) cases, with delays ranging from 1 to 48 days (average eight days). Of these 32 cases, the contractors did not have valid reasons for not completing the works within time limits in 31 cases;
- (d) in EAs on routine inspections and detailed inspections from July to December 2020 covering 12 districts, HyD had informed the contractors more than 24 hours before conducting EAs in 11 cases. This practice was contrary to the requirement stipulated in the contracts;<sup>12</sup>

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<sup>12</sup> According to the contracts, unless prior arrangement for gaining access would be required, HyD normally would give not more than 24 hours' notice to the contractors before carrying out EAs. Please also refer to Note 21 in paragraph 2.13(a) of the Audit Report for details.

- (e) some maintenance records for public roads such as completion reports for rectification of defects under EAs were not centrally kept in EMMS, which was not in compliance with the contractual requirement that maintenance history recorded in EMMS should include those maintenance works carried out by the contractors; and
  - (f) from April 2020 to March 2021, for 774 footpaths of high significance (e.g. located within areas of pedestrianisation scheme) which the contractors were required to conduct routine inspections with higher frequency (every seven days or one month), the frequencies of these routine inspections had not been fully complied with in 16 (2%) footpaths. According to the checking conducted by HyD, non-compliance with the routine inspection frequency of footpaths (with higher frequency of seven days/one month) occurred because the contractors concerned had either misinterpreted the relevant contract requirements or failed to include the relevant footpaths in the inspection programmes due to oversight;
- notes that the Director of Highways has agreed with Audit's recommendations in paragraphs 2.10, 2.16, 2.26 and 2.34 of the Audit Report and has taken/will take various actions in response to these recommendations as set out in paragraphs 2.11, 2.17, 2.27 and 2.35 of the Audit Report;

#### Non-routine maintenance and rehabilitation works

- expresses concern that:
  - (a) out of 2 447 works orders relating to non-routine maintenance works of public footpaths issued from April 2020 to March 2021 (at a total cost estimate of \$151 million), the actual completion dates of 310 (13%) works orders were not available in HyD's Maintenance Accounting and Information System for administering works orders as of June 2021;
  - (b) in 120 (5% of 2 447) works orders selected for audit examination, contrary to contractual provisions, the contractors had failed to submit the reports on completion of works within two days after completion of works for 91 (76%) works orders, with delays ranging from 1 to 145 days (averaging 20 days);

- (c) out of the 120 works orders mentioned in (b) above, the dates of checking by HyD staff concerned<sup>13</sup> were not stated in the reports on completion of works in 18 (15%) works orders. For the remaining 102 (85%) works orders, there were delays in checking by HyD staff in 41 (40% of 102) works orders, with delays ranging from 1 to 84 working days (averaging 17 working days); and
- (d) as of June 2021, out of six completed rehabilitation projects (each with approved estimate of \$3 million or above, totalling \$20.3 million), there were delays ranging from 1 to 12 months (averaging six months) in completing four (67%) projects;<sup>14</sup>
- expresses serious concern that, as of June 2021, of the 497 completed works orders whose account had not yet finalized, the dimension books of 360 (72%) works orders (with a total cost estimate of \$54 million) were outstanding, with delays ranging from 1 to 2 050 days (averaging 353 days).<sup>15</sup> Although the 2011 Audit review had highlighted that the late submission of dimension books was one of the reasons for delays in finalizing works orders, the problem still existed after 10 years have lapsed;
  - notes that the Director of Highways has agreed with Audit's recommendations in paragraphs 3.15 and 3.19 of the Audit Report and has taken/will take various actions in response to these recommendations as set out in paragraphs 3.16 and 3.20 of the Audit Report;
  - strongly urges HyD to take effective measures to ensure timely submission of dimension books by contractors to avoid delays in finalizing works orders;

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<sup>13</sup> HyD's Maintenance Administration Handbook required its staff to check whether the works have been satisfactorily completed within two working days from the date of receipt of the reports on completion of works from the contractors.

<sup>14</sup> For the project with the longest delay of 12 months, HyD had not carried out public consultation on the temporary traffic arrangement at the planning stage before seeking funding approval, resulting in a long time incurred to consult local schools and residents on temporary traffic arrangement during project implementation.

<sup>15</sup> Contractors are required to submit dimension books to HyD within 90 days of completion of the works order, or the date specified for completion of the works order, whichever is earlier.

Other related issues

- expresses concern that:
  - (a) Audit’s field inspections in July and August 2021 revealed that 13 footpath locations paved with paving blocks and situated at the vehicular over-runs had been damaged, which might pose safety threat to pedestrians;
  - (b) while HyD commenced arranging site trials for new eco-pavers in November 2018, the trials had not yet commenced as of June 2021;<sup>16</sup> and
  - (c) while TD had commenced reviewing the provision of pedestrian railings in the territory since the third quarter of 2019, it did not maintain a dedicated database to record the review of railing provisions;
- notes that the Director of Highways and the Commissioner for Transport have agreed with Audit’s recommendations in paragraphs 4.10 and 4.23 of the Audit Report, and have taken/will take actions in response to these recommendations as set out in paragraphs 4.11 and 4.24 of the Audit Report;
- urges HyD to expedite the site trials for new eco-pavers, and take measures to ensure their stable supply should the result of the trials be positive; and
- urges TD to step up efforts in demonstrating to the public the enhanced benefits of appropriately removing pedestrian railings without compromising safety, and promoting pedestrians’ road safety awareness and observance of traffic rules through publicity and education activities.

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<sup>16</sup> Since 2018, the Environmental Protection Department has discussed with HyD regarding the use of a reasonable amount of new eco-pavers on a pilot basis for monitoring and reviewing the actual performance before full-scale implementation.

<p><b>Follow-up action</b></p>
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39. The Committee wishes to be kept informed of the progress made in implementing the various recommendations made by the Committee and Audit.

*Kai Tak District Cooling System*

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The Audit Commission (“Audit”) conducted a review to examine the work of the Electrical and Mechanical Services Department (“EMSD”) in managing the implementation and operation of a district cooling system at the Kai Tak Development (“KTDCS”).<sup>1</sup>

2. KTDCS is the first of its kind in Hong Kong. EMSD is responsible for the planning, design, construction, operation and maintenance of KTDCS. The Environment Bureau is responsible for policy matters on energy efficiency and conservation, and for overseeing the operation of EMSD on the implementation of KTDCS. As of August 2021, \$4,120.1 million had been incurred for KTDCS project. The operation of KTDCS commenced in January 2013 and there were 11 consumers under KTDCS as of August 2021.

3. The Committee noted the following findings from the Director of Audit’s Report No. 77 (“the Audit Report”):

Administration of Kai Tak District Cooling System Project

- EMSD awarded 11 works contracts (Contracts A to K) between February 2011 and August 2020 for implementation of KTDCS project in three phases. The works of Phases I and II were completed by September 2014 and the works of Phase III were scheduled for completion by December 2025;
- of the 11 work contracts, except for the four contracts which were still in progress as of August 2021, the other seven contracts were completed 1 to 16.4 months later than their original contract completion dates;
- Audit’s examination of the administration of Contract A,<sup>2</sup> Contract B<sup>3</sup> and Phase III works revealed that:

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<sup>1</sup> A district cooling system is a centralized air-conditioning system of a very large scale. To further promote energy efficiency and conservation, and to reduce carbon dioxide emissions substantially, the Chief Executive announced in the 2008-2009 Policy Address that the Government would implement KTDCS to supply chilled water to buildings in the new development area for centralized air-conditioning.

<sup>2</sup> Contract A was awarded to Contractor A in February 2011 at a contract sum of \$129.7 million for implementing Phase I works which mainly involved pipe laying.

<sup>3</sup> Contract B was a design-build-operate contract awarded to Contractor B in February 2011 for the design, construction, operation and maintenance (Phase II works) of KTDCS at a contract sum of \$1,941.1 million. Please refer to Note 9 in paragraph 1.11 of the Audit Report for details of a design-build-operate contract arrangement.



*Kai Tak District Cooling System*

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- (a) during pipe laying works under Contract A, congested underground utilities (e.g. electricity cables and sewage pipes) were found at four locations, leading to the issue of four variation orders at a total cost of \$6.4 million to change the pipe laying method;
- (b) during the construction stage of Contract B, Consultant X<sup>4</sup> instructed Contractor B to carry out some builder's works originally scheduled under Phase III, leading to claims from Contractor B settled at \$47.2 million; and
- (c) as of September 2021, defects rectification works of the malfunction of water leakage detection cables for all three sections of pipeline under Contract D<sup>5</sup> had not been completed (about four years after the expiry of the maintenance period in October 2017);

Monitoring of operation of Kai Tak District Cooling System

- Contractor B would operate KTDCS for 14.5 years from January 2013 to July 2027 under the design-build-operate contract. Audit's examination of the eight performance audits<sup>6</sup> of KTDCS facilities revealed that:
  - (a) chilled water return temperatures at KTDCS supply side were lower than the design temperature in all eight performance audits; and
  - (b) the automatic operating mode of district cooling instrumentation, control and communication system<sup>7</sup> was not fully in use in all eight performance audits;

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<sup>4</sup> Consultant X was awarded Consultancy X in April 2011 to supervise the design and construction of the works under Phase II and the first 18-month operation of KTDCS.

<sup>5</sup> Contract D mainly involved chilled water pipe laying works, which included the construction of a water leakage detection system for chilled water pipes. The contract was substantially completed in October 2016.

<sup>6</sup> According to Contract B, Contractor B is required to appoint an independent professional engineer to carry out a performance audit of KTDCS facilities annually. As of October 2021, eight performance audits had been completed.

<sup>7</sup> District cooling instrumentation, control and communication system is provided for controlling and monitoring of the whole KTDCS. It comprises computers and network links to manage the operation of field devices and network controllers.

*Kai Tak District Cooling System*

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- up to 30 June 2021, all 25 incident reports submitted by Contractor B since the commissioning of KTDCS in January 2013 had not reported the level of the incidents;<sup>8</sup> and

Provision of District Cooling Services

- the estimated overall project cost for KTDCS project increased significantly by \$3,274.5 million (196%) from \$1,671 million in 2009 to \$4,945.5 million in 2013.

4. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses regarding EMSD's work in the administration and monitoring of the operation of KTDCS as well as the provision of district cooling services. The replies from the **Director of Electrical and Mechanical Services** are in *Appendix 10*.

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

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<sup>8</sup> According to Contractor B's incident reporting procedures, incidents are classified into four levels (from Levels 1 to 4 (being the most serious)) with different reporting requirements. For Levels 3 and 4 incidents, Contractor B needs to inform EMSD within 15 minutes. For Levels 2 to 4 incidents, Contractor B needs to submit separate incident reports to EMSD.

The Audit Commission (“Audit”) conducted a review of the provision and management of the Leisure and Cultural Services Department (“LCSD”) sports grounds.

2. LCSD provides support to the Home Affairs Bureau in the planning, provision and management of sports and recreation facilities, including sports grounds.<sup>1</sup> As of August 2021, LCSD managed 25 sports grounds. In 2020-2021, the expenditure incurred in operation and management of LCSD sports grounds amounted to about \$213 million.

3. The Committee noted the following findings from the Director of Audit’s Report No. 77 (“the Audit Report”):

Planning and provision

- Audit estimated that there could be a shortfall of 4.6 sports grounds based on a provision standard of one sports ground per 250 000 population<sup>2</sup> and the population of Hong Kong in 2020;
- Audit’s examination of the calculation of average usage rate of sports grounds<sup>3</sup> from 2016 to 2020 noted that:
  - (a) the average usage rate of sports grounds reported in LCSD’s Controlling Officer’s Reports did not reflect the usage rate of a sports ground for its main function (i.e. to provide venues for educational institutes and other relevant organizations to hold athletic events);
  - (b) the actual number of joggers and the capacity of the running tracks<sup>4</sup> were not taken into consideration in calculating the average usage rate of sports grounds; and

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<sup>1</sup> According to LCSD, in general, a sports ground contains facilities for athletic track and field events and an in-field grassed area.

<sup>2</sup> LCSD makes reference to the Hong Kong Planning Standards and Guidelines in planning new sports facilities or improvement works. According to this manual, the standard of provision is one sports ground per 200 000 to 250 000 population in urban areas and new towns.

<sup>3</sup> Please refer to Note 12 in paragraph 2.3 of the Audit Report for the formula of calculating the average usage rate of sports grounds in a year.

<sup>4</sup> The usage by the public for jogging accounted for over 80% of the total usage of sports grounds.

- (c) staff of sports grounds were not required to compile statistics on the number of joggers using running tracks;
- as of August 2021, long-term enhancement and short-term improvement measures for the drainage system, and enhancement measures for the irrigation system in in-field turf pitches/areas had been completed/implemented in only 3, 20 and 14 sports grounds respectively;
- as of November 2021, only 4 (4%) of 99 water dispensers provided in the 25 sports grounds were of the bottle-filler type and 8 (32%) of the 25 sports grounds were provided with bubbler-type water dispensers only;

#### Operational matters

- Audit's examination of the records of 150 cases of successful applications between 2016 and 2020 by schools and organizations for using three sports grounds revealed that LCSD guidelines were not complied with in the following cases:
  - (a) in 68 (45%) cases, the applicants did not use the designated application forms or provided incomplete information;
  - (b) in 60 organization applications involved payment of hire charges,<sup>5</sup> the payment due dates in 32 (53%) applications were set at later dates than those required by the booking guidelines;<sup>6</sup>
  - (c) in 22 cases involved cancellation or no-show, only four (18%) cases had the hirers complied with LCSD booking guidelines by notifying LCSD of the cancellation more than 20 days in advance of the date of use; and
  - (d) the justifications for adjusting the maximum number of sessions allocated to schools and organizations<sup>7</sup> were not documented in the monthly registers of bookings for using the in-field turf pitches;

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<sup>5</sup> Please refer Note 26 in paragraph 3.10 of the Audit Report for the payment criteria of organization bookings.

<sup>6</sup> Please refer to paragraph 3.10 of the Audit Report for the booking guidelines.

<sup>7</sup> According to LCSD's booking guidelines, a maximum of 30 sessions for using an in-field turf pitch shall be allocated to schools and organizations each month.

- there were different practices of concurrent use of in-field turf pitch and running track<sup>8</sup> in different sports grounds in response to local demand;

Venue management

- Audit's inspection of the facilities<sup>9</sup> provided in three sports grounds between June and August 2021 noted that:
  - (a) while LCSD's stocktakes conducted between 2017 and 2021 identified no irregularities, Audit's sample stocktake of 60 inventory items found discrepancies in 35 (58%) items;
  - (b) not all standard first-aid equipment and items were provided in the first-aid rooms and first-aid boxes respectively; and
  - (c) venue staff did not conduct daily inspections on automatic external defibrillators and notices showing locations of the automatic external defibrillators were not displayed conspicuously; and
- Audit's examination of the records on the inspections<sup>10</sup> conducted between 2017 and June 2021 found that:
  - (a) the supervisory inspection records of 2019 and 2020 in two sports grounds respectively were not available; and
  - (b) no documentation of the justifications for not conducting or reducing the frequency of inspections.

4. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses regarding the provision and planning, operational matters and venue management of sports grounds. The replies from the **Director of Leisure and Culture Services** are in *Appendix 11*.

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<sup>8</sup> With effect from 1 October 2002, only the outer three lanes of the running track can be used when ball games are conducted in the in-field turf pitch to provide adequate buffer for safety of users. However, Audit noted that, in response to local demand, the outer four lanes (instead of three) of the running tracks in two sports grounds could be used for jogging since February 2010 and February 2011 respectively.

<sup>9</sup> Please refer to paragraph 4.3 of the Audit Report for facilities provided in sports grounds.

<sup>10</sup> Please refer to paragraph 4.24 of the Audit Report for the details of LCSD inspection guidelines of sports grounds.

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

The Audit Commission (“Audit”) conducted a review to examine the vehicle licensing and examination services provided by the Transport Department (“TD”). A related review was conducted in March 2008.<sup>1</sup>

2. Prof Hon Nelson LAM Chi-yuen declared that he was a member of the Transport Advisory Committee.

3. TD currently operates four licensing offices<sup>2</sup> to provide various types of licensing services, including licensing services for vehicles and drivers. It also oversees the operation of government vehicle examination centres and monitors the operation of privately-owned Designated Car Testing Centres (“DCTCs”).<sup>3</sup> In 2021-2022, the total estimated expenditure for the licensing of vehicles and drivers was \$604.1 million.<sup>4</sup>

4. The Committee noted the following findings from the Director of Audit’s Report No. 77 (“the Audit Report”):

Operation of TD’s licensing offices

- while the number of annual transactions of driving and vehicle licences dropped from about 3.7 million in 2019 to about 3 million in 2020, the number of staff in licensing offices increased by 69 (24%) from 289 as at 1 April 2019 to 358 as at 1 April 2021;

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<sup>1</sup> Chapter 4 of the Director of Audit’s Report No. 50 – “Licensing of vehicles under the passenger service licence system”

<sup>2</sup> There are four licensing offices, namely the Hong Kong Licensing Office, the Kowloon Licensing Office, the Kwun Tong Licensing Office and the Sha Tin Licensing Office.

<sup>3</sup> As at 30 June 2021, there were three government vehicle examination centres, including the Transport Department Vehicle Examination Complex in Tsing Yi, the To Kwa Wan Vehicle Examination Centre and the Sheung Kwai Chung Vehicle Examination Centre, and 40 privately-owned DCTCs.

<sup>4</sup> The Administration and Licensing Branch of TD is responsible for operating an efficient vehicle and driver registration and licensing system, and promoting road safety through the efficient regulation of vehicles and drivers. It includes the VALID and Licensing Division and the Vehicle Safety and Standards Division. The Vehicle Safety and Standards Division is tasked with the responsibility of examining vehicles to ensure their compliance with the Road Traffic Ordinance (Cap. 374).

- Audit’s visits of the four licensing offices in August and September 2021 noted that longer queues and more congested environment at the Kowloon Licensing Office as compared with the other three licensing offices;<sup>5</sup>
- TD has introduced an e-service to remind vehicle owners of the expiry dates of their vehicle licences since April 2012. However, as at 30 June 2021, the number of vehicles having this e-service was 15 204, representing only 2% of total licensed vehicles;
- in 2015 and 2016, TD conducted two trial runs on the queue ticket arrangement to ascertain the practicability and effectiveness of adopting a queue ticket arrangement which obviated the need for physical queueing. Despite the positive customer feedback, TD decided not to take forth the implementation of a queue ticket arrangement;<sup>6</sup>
- Audit’s analysis of the applications for licensing services using the Appointment Booking System<sup>7</sup> from 2016 to 2020 found that 19% to 25% of the booked appointments turned out to be no-show cases;
- from 2016 to 2020, while the percentage of online application<sup>8</sup> for renewal of full driving licences increased from 23% to 34%, the percentage of online application for renewal of vehicle licences was less than 1%;
- the actual performance for providing non-counter licensing services within 10 working days upon application in 2020 was only 89%, which was below the key performance target of 95%;

#### Vehicle examination

- in 2020, the Vehicle Inspection Office of TD (“VIO”) took more than three weeks to inspect 716 (14% of 4 946) vehicles after receipt of

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<sup>5</sup> Please refer to paragraph 2.9 of the Audit Report for details.

<sup>6</sup> Please refer to paragraphs 2.16 to 2.18 of the Audit Report for details of the trial runs.

<sup>7</sup> Applicants can access the Appointment Booking System through the Internet or telephone system to make an appointment for licensing services at preferred timeslots and licensing offices.

<sup>8</sup> Members of the public could apply for renewal of full driving licences and vehicle licences via various means including over-the-counter, drop-in box, postal and online submission.



defective vehicle reports, which was not in compliance with the three-week requirement in VIO's guidelines;<sup>9</sup>

- on 17 June 2021, there was a suspected hacking of the computer system of the Transport Department Vehicle Examination Complex<sup>10</sup> resulting in the suspension of the online vehicle examination booking systems of government vehicle examination centres and DCTCs;
- despite that vacancies of Motor Vehicle Examiner II and Vehicle Tester were anticipated in April 2020 and April 2021 respectively, recruitments of the two ranks only commenced in October 2020 and July 2021 respectively;
- from 2018 to 2020, while the number of vehicle examinations conducted at DCTCs increased by 26 320 (8%) from 345 377 to 371 697, the number of surprise checks significantly decreased by 829 (43%) from 1 911 to 1 082, and the number of spot checks decreased by 737 (21%) from 3 584 to 2 847. For the first seven months of 2021, the percentage of spot checks was 0.6%, which was below the 1% target laid down in DCTC Monitoring Procedures;<sup>11</sup> and

#### Administration of Lantau Closed Road Permits (“LCRPs”)<sup>12</sup>

- Audit's sample check of the 50 applications for LCRPs approved on 30 November 2020 and 1 June 2021 revealed that:
  - (a) in two cases, there were irregularities in the supporting documents submitted by the applicants;<sup>13</sup> and

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<sup>9</sup> Under the Road Traffic Ordinance, if a vehicle is suspected to have defects, the driver or the registered owner may be ordered to produce the vehicle concerned at a government vehicle examination centre for an inspection to ensure that the reported defects, if verified, are rectified to the required standard. Please refer to paragraph 3.9 of the Audit Report for details of VIO's guidelines.

<sup>10</sup> In December 2017, TD obtained funding of \$2,862.7 million for re-provisioning of its vehicle examination centres. The scope of works included, among others, the construction of a new four-storey vehicle examination centre at Tsing Yi, and decontamination and demolition of the three existing vehicle examination centres. The Transport Department Vehicle Examination Complex has started services in phases since 1 April 2021.

<sup>11</sup> Please refer to paragraph 3.33 of the Audit Report for details of DCTC Monitoring Procedures.

<sup>12</sup> LCRPs cover all closed roads on South Lantau. Vehicles travelling on those closed roads must possess valid LCRPs issued by TD.

<sup>13</sup> Please refer to paragraph 4.7(a) of the Audit Report for details.

- (b) it is a statutory requirement for permittees to return LCRPs to TD upon expiry. While the return rate of expired LCRPs was very low, TD had not taken any follow-up actions with the permittees concerned.<sup>14</sup>

5. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses regarding the operation of the licensing offices, vehicle examination and administration of LCRPs. The replies from the **Commissioner for Transport** are in *Appendix 12*.

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

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<sup>14</sup> Please refer to paragraph 4.9(a) of the Audit Report for details.

*Management of flushing water supply*

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The Audit Commission (“Audit”) conducted a review on the work of the Water Supplies Department (“WSD”) in managing flushing water supply. A related review was conducted in April 2015.<sup>1</sup>

2. Hong Kong is the world’s first city to systematically utilize seawater for flushing. Seawater flushing was introduced in Hong Kong in late 1950s. The seawater supply network for flushing currently covers about 85% of the population in Hong Kong. WSD is responsible for the operation and maintenance of the seawater supply systems. In 2020-2021, the total operating and administration expenses related to flushing water supply was about \$976 million.

3. The Committee noted the following findings from the Director of Audit’s Report No. 77 (“the Audit Report”):

Management of projects for extension of seawater supply network

- WSD awarded four and nine contracts respectively under the projects for extension of seawater supply network in Pok Fu Lam and Northwest New Territories between 1996 and April 2012. The works were substantially completed in July 2013 and March 2015 respectively. As of June 2021, the total project expenditure was \$1,380.9 million. Audit’s examination of WSD’s work in managing the projects noted that:
  - (a) there were disputes under Contract D<sup>2</sup> (Contractor D’s claims settled at \$50.7 million) and WSD’s counterclaims against the consultant (Consultant X) for supervising the works of Contract D (settled at \$13.6 million). The disputes under Contract D were mainly involved measurement and valuation of formwork and omitted items in the Bills of Quantities;<sup>3</sup>

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<sup>1</sup> Chapter 4 of the Director of Audit’s Report No. 64 – “Management of water supply and demand”

<sup>2</sup> Contract D was a lump sum contract covering the construction of two salt water service reservoirs and two salt water pumping stations, and laying of associated salt water mains in Pok Fu Lam. The accounts for Contract D was finalized in April 2016 and the total contract expenditure was \$231.8 million. Please refer to Note 18 in paragraph 2.4 of the Audit Report for details of a lump sum contract.

<sup>3</sup> Please refer to paragraphs 2.4 to 2.17 of the Audit Report for details.

*Management of flushing water supply*

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- (b) under Contract J,<sup>4</sup> significant extensions of time totalling 22.1 months had been granted mainly due to additional works arising from the adverse ground conditions, trees not shown in contract drawings and substantial increase in the volume of rocks excavated, leading to prolongation costs of \$8.7 million;<sup>5</sup>
- (c) according to the Project Administration Handbook, a post-completion review should be carried out within a reasonable period (say, six months) after the substantial completion of a works contract. While all works of Project E<sup>6</sup> were substantially completed in March 2015, WSD had not conducted a post-completion review for the project as of June 2021;
- (d) as of June 2021 (about eight and six years after the completion of the extension projects in Pok Fu Lam and Northwest New Territories respectively), over 80% of temporary mains fresh water for flushing accounts in the two areas had not been converted to seawater for flushing; and
- (e) as of June 2021, there were 4 134 temporary mains fresh water for flushing accounts in seawater supply zones (excluding those in Pok Fu Lam and Northwest New Territories) still using fresh water for flushing;

Operation and maintenance of seawater supply systems

- for sampling of flushing water quality, the number of monitoring points<sup>7</sup> at customer ends (covering 70 different monitoring points between 2018-2019 and 2020-2021) decreased from 63 in 2018-2019 to 30 in 2020-2021. The same 25 (36%) monitoring points had been selected throughout the three years;

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<sup>4</sup> Contract J was a remeasurement contract covering the construction of the Lok On Pai Salt Water Pumping Station and associated works. Contractor J was awarded Contract J at \$116.9 million in January 2010. Please refer to Note 25 in paragraph 2.18 of the Audit Report for details of a remeasurement contract.

<sup>5</sup> Please refer to paragraphs 2.18 to 2.25 of the Audit Report for details.

<sup>6</sup> Project E was one of the two projects for the extension of seawater supply network in Northwest New Territories and its total project expenditure was \$798.2 million as of June 2021.

<sup>7</sup> WSD has implemented a programme for monitoring flushing water quality. Under the programme, samples are taken from monitoring points at salt water pumping stations, salt water service reservoirs and customer ends (such as publicly accessible toilets at estate management offices, shopping centres, government buildings and community facilities).

*Management of flushing water supply*

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- WSD developed a scoring system to prioritize all water mains into five ranks<sup>8</sup> for risk-based improvement works. As of March 2021, two (67%) of the three salt water mains of the highest risk and 23 (38%) of the 61 salt water mains of high risk had not been selected for improvement works;
- of the 73 salt water main burst cases which were caused by corrosion of water mains from January 2018 to March 2021, the salt water mains for 68 (93%) cases had not been identified as high risk and therefore had not been selected for improvement works. Of the 68 cases, 19 (28%) cases were major emergency incidents of main bursts; and
- WSD identified 44 hot spots of salt water main bursts<sup>9</sup> requiring improvement works. As of April 2021, the improvement works for 14 (32%) hot spots were still in progress, and the works for 13 (93%) of the 14 hot spots had not been completed for about 4.5 years on average after the last burst at the hot spot;

Quality Water Supply Scheme for Buildings — Flushing Water

- as at 30 September 2021, only two government buildings under WSD participated in the “Quality Water Supply Scheme for Buildings — Flushing Water”,<sup>10</sup> and the remaining 1 947 participating buildings were private buildings; and

Upgrading of seawater supply systems

- WSD issued three adverse performance reports to Contractor Q<sup>11</sup> in 2014, 2019 and 2021 respectively, and 81 warning letters to Contractor Q from January 2016 (original contract completion date) to August 2021 for unsatisfactory performance of the works under Contract Q. As of September 2021, the works for Contract Q were still not yet completed.

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<sup>8</sup> Water mains are prioritized into five ranks (from Rank 1 (the highest risk) to Rank 5 (the lowest risk), taking into account the probability of failure and the consequence of bursts or leaks.

<sup>9</sup> According to WSD, a hot spot refers to a location where at least two bursts (other than damage or suspected damage cases) of water mains (in diameter of 150 millimetres or above) occurred in two years within a road section in 400 metres length.

<sup>10</sup> WSD has launched the “Quality Water Supply Scheme for Buildings — Flushing Water” since July 2013. Please refer to paragraph 4.2 of the Audit Report for the objectives of the Scheme.

<sup>11</sup> Contractor Q was awarded Contract Q at \$165.6 million in January 2012. Contract Q was a remeasurement contract for mainlaying works under the Wan Chai upgrading project.

*Management of flushing water supply*

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4. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses regarding the management of projects for extension of seawater supply network, operation and maintenance of seawater supply systems, the “Quality Water Supply Scheme for Buildings — Flushing Water” and uprating of seawater supply systems. The consolidated replies from the **Secretary for Development** and the **Director of Water Supplies** are in *Appendix 13*.

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

## **A. Introduction**

The Audit Commission (“Audit”) conducted a review to examine the Labour Department (“LD”)’s work in safeguarding employees’ rights and benefits under labour laws. Its findings and observations are set out in the Director of Audit’s Report No. 77 (“the Audit Report”). Previous related Audit’s reviews were conducted in March 2004<sup>1</sup> and April 2015.<sup>2</sup>

### Background

2. “Employees’ rights and benefits” is one of the programme areas of LD. LD achieves the aim of safeguarding the rights and benefits of employees under labour laws by:

- administering the Protection of Wages on Insolvency Fund (“PWIF”);<sup>3</sup>
- conducting inspections to workplaces and taking enforcement actions against breaches of the provisions of labour laws;
- processing employees’ compensation claims; and
- organizing publicity activities to assist employers and employees in understanding their respective rights and obligations.

3. During the period from 2016-2017 to 2020-2021, the expenditure on the above programme area increased by 31% from \$384 million to \$504 million.

4. The Committee held a public hearing on 23 May 2022 to receive evidence. Opening statements made by **Mr John CHU Nai-cheung, Director of Audit**, and **Dr LAW Chi-kwong, Secretary for Labour and Welfare**, at the beginning of the hearing are in *Appendices 14* and *15* respectively.

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<sup>1</sup> Chapter 8 of the Director of Audit’s Report No. 42 – “Provision of labour inspection services and administration of the Protection of Wages on Insolvency Fund”

<sup>2</sup> Chapter 6 of the Director of Audit’s Report No. 64 – “Employees’ compensation for injuries and fatalities”

<sup>3</sup> PWIF is established under the Protection of Wages on Insolvency Ordinance (Cap. 380) to provide timely relief in the form of ex gratia payment to employees affected by their insolvent employers.

Manpower resources on safeguarding employees' rights and benefits under labour laws

5. The Committee questioned why LD's expenditure on the administration of PWIF decreased by 4% from \$24 million to \$23 million during the period between 2016-2017 and 2020-2021<sup>4</sup> while the number of outstanding PWIF applications increased by 58% from 1 073 in 2016 to 1 690 in 2020.<sup>5</sup> The Committee further asked about the measures taken by LD to clear the outstanding PWIF applications.

6. **Mr Chris SUN Yuk-han, Commissioner for Labour** explained at the public hearing, and supplemented in his letter dated 14 June 2022 (*Appendix 16*) that:

- LD's Wage Security Division was responsible for processing applications to PWIF and providing administrative support to the PWIF Board. From March 2016 to September 2017, an additional contract Labour Officer was engaged by the Wage Security Division on a time-limited basis for assisting the processing of shortfall claims arising from the judgement of the Court of Final Appeal made in May 2016 on the judicial review case concerning the method of calculation of ex gratia payment on severance payment. The decrease in expenditure in 2020-2021 as compared to that in 2016-2017 was mainly due to the lapse of this time-limited employment; and
- LD would increase manpower or deploy internal resources to process PWIF applications. As PWIF in the fourth quarter of 2019 received 1 000 applications which almost doubled the 553 applications received in the third quarter, the number of applications brought forward to early 2020 reached 1 690. In August and November 2021, one Assistant Labour Officer II and one Labour Officer were respectively deployed from another division to the Wage Security Division to assist in processing PWIF applications.

**B. Administration of the Protection of Wages on Insolvency Fund**

7. Referring to paragraphs 2.5 and 2.18(c) of the Audit Report about the long time elapsed from submission of applications to effecting of ex gratia payments for PWIF applications, the Committee noted that the percentage of applications with time elapsed of more than one year increased from 5% (83 of 1 690) in 2018 (for the whole

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<sup>4</sup> Please refer to Table 1 in paragraph 1.5 of the Audit Report for details.

<sup>5</sup> Please refer to Table 2 in paragraph 1.6 of the Audit Report for details.



year) to 21% (325 of 1 604) in the first six months of 2021. The Committee enquired about the measures to be taken by LD to speed up the granting of ex gratia payments, and whether LD would explore ways to expedite the signing of the “Statement of Inability to Pay” by the employers concerned, so that the whole process could be taken forward as early as possible.

8. **Secretary for Labour and Welfare** and **Commissioner for Labour** advised at the public hearing, and **Commissioner for Labour** supplemented in his letter dated 14 June 2022 (*Appendix 16*) that:

- LD was conducting a comprehensive review of the application and processing procedures of PWIF and had set up an internal working group to review the workflow and explore measures to strengthen the monitoring of case progress. As recommended by the internal working group, LD had set time frame for each vetting procedure so that case officers could follow up on each step in a timely manner. LD aimed to shorten the time taken on information collection for verification in order to expedite the vetting of applications and to release ex gratia payment to qualified applicants as soon as practicable;
- LD was also exploring the feasibility of LD or PWIF engaging legal professionals or providing legal service to assist employees in filing bankruptcy or winding-up petition against their employers at court so that applicants were no longer required to apply for legal aid and undergo means test conducted by the Legal Aid Department (“LAD”). Such measure was expected to shorten the application procedures by up to 12 weeks or more;
- under the mechanism proposed above, the Labour and Welfare Bureau (“LWB”) estimated that for straight-forward cases (for example, the number of applicants involved was relatively small, the claim items were relatively simple and straight-forward, such as those involving arrears of wages and wages in lieu of notice for termination only, without the need to obtain other information for verification), ex gratia payments could be released from PWIF within two to three months upon receipt of applications;
- in handling cases involving employers’ cessation of business, LD would actively advise insolvent employers if reached to sign the “Statement of Inability to Pay” to confirm the items and amounts of payments owed to their employees. This measure could save the employees from seeking

adjudication at the Labour Tribunal/Minor Employment Claims Adjudication Board to ascertain their claim items and amounts. They could then file winding-up or bankruptcy petitions at court against their employers with the assistance from LAD and apply ex gratia payments from PWIF as soon as possible; and

- in 2022, LD revised the performance pledge to “issuing payments to qualified applicants within eight weeks (originally set as 10 weeks) upon receipt of all relevant information and documents required for processing PWIF applications”.

9. Referring to paragraphs 2.7 and 2.18(a) of the Audit Report about the long time taken to collect the required information and documents for processing PWIF applications, the Committee raised concerns about the long time elapsed (ranging from 28 weeks to 104 weeks) from submission of applications to effecting of ex gratia payments in some cases, and requested LD to explore possible ways, such as making use of information technology, to expedite the documents collection process.

10. **Commissioner for Labour** advised at the public hearing, and supplemented in his letter dated 14 June 2022 (*Appendix 16*) that:

- at present, applicants could submit the required information and documents by post, by fax, by email or in person to the office of the Wage Security Division;
- some major reasons for the long time elapsed included the times taken waiting for winding-up/bankruptcy petitions, payment recommendations from LAD (such as the need to wait for the judgements of the District Court and the delay of applicants in attending LAD appointments) and submission of the required information from employees for verification. The case that took 104 weeks before ex gratia payment was released involved signs of suspected abuse of PWIF by the employer and applicants, as well as theft and falsification of account/documents. LD had to wait for the investigation results from the law enforcement department and unit before releasing ex gratia payment to the applicants;
- the Wage Security Division had put in place a mechanism, including a Bring-up System and the holding of case conferences, to monitor the progress of application processing. To strengthen the monitoring mechanism, the specified time period had been shortened from

six months to three months for outstanding cases to be brought for prompt follow-up by case officers and attention of their supervisors; and

- according to LD's internal processing guidelines, a Senior Labour Officer performed spot checks on cases processed by Assistant Labour Officers and approved by Labour Officers in each quarter, and an Assistant Commissioner performed spot checks on cases processed by Labour Officers and approved by the Senior Labour Officer in each quarter to ensure that PWIF applications were processed in a consistent and fair manner.

11. Regarding LD's internal processing guidelines on spot checks, the Committee noted from paragraphs 2.10 and 2.12 of the Audit Report that from 2018 to 2020, none of the PWIF applications reconsidered and approved by Labour Officers was selected for spot checks by a Senior Labour Officer as recommended by the Independent Commission Against Corruption. The Committee asked how the new guidelines on spot checks could address this issue, and whether LD would consider selecting reconsideration cases separately for spot checks.

12. **Commissioner for Labour** explained at the public hearing, and further advised in his letter dated 14 June 2022 (*Appendix 16*) that:

- LD had all along included reconsideration cases in the pool of all approved cases, and hence both types of cases stood an equal chance of being selected for spot checks. However, as the number of reconsideration cases was small (an average of two to five cases each quarter), there was a possibility that such cases might not be selected for spot checks. In response to Audit's recommendation, starting from the second quarter of 2021, LD had separately selected cases seeking reconsideration and then approved by Labour Officers for the Senior Labour Officer's inspection to ensure consistent and fair practice of vetting; and
- in accordance with LD's guidelines on selection of approved PWIF cases for spot checks, LD would select 3% of the approved cases in the quarter for inspection by the Assistant Commissioner and the Senior Labour Officer. They were required to complete the inspection within the first month after the end of each quarter.

13. According to his letter dated 19 May 2022 (*Appendix 17*), Commissioner for Labour advised that LD had increased the number of questionnaires to 1 000 for the PWIF customer opinion survey of 2021-2022 and would provide each respondent with a supermarket coupon for the duly completion of questionnaire. In this regard, the Committee asked about the target response rate of the 2021-2022 survey, whether LD considered the response rate of 27% (up to end April 2022) satisfactory and whether there were any other measures/incentives to further increase the response rate.

14. **Secretary for Labour and Welfare** and **Commissioner for Labour** advised at the public hearing, and **Commissioner for Labour** supplemented in his letter dated 14 June 2022 (*Appendix 16*) that LD commenced the customer opinion survey of 2021-2022 on 18 January 2022 which would cover a period of eight months. Up to end April 2022, the response rate of this year's customer opinion survey was 27%, almost a two-fold increase as compared with the average response rate at 15% of the last three opinion surveys. Upon completion of this year's customer opinion survey, LD would review the effectiveness of the above arrangement.

15. Referring to paragraphs 2.20 and 2.28(a) of the Audit Report about the refined guidelines on the issuance of Gazette notices for discretionary ex gratia payment cases, the Committee asked how the 90-day period for the issuance of Gazette notices was determined and whether LD would explore other feasible and more effective measures, such as "name and shame" mechanism, against unscrupulous employers.

16. **Secretary for Labour and Welfare** and **Commissioner for Labour** explained at the public hearing, and **Commissioner for Labour** further advised in his letter dated 14 June 2022 (*Appendix 16*) that:

- for cases where the ex gratia payment was made under section 16(1)(a)(ii) and section 18 of the Protection of Wages on Insolvency Ordinance (Cap. 380) (i.e. no winding-up/bankruptcy petition was involved), LD would issue demand letters to the concerned employers to enforce the subrogation right on behalf of the PWIF Board. The employers were required to make payment to the PWIF Board within 14 days from the date of the letter. If no response was received from the employers by the deadline, LD would arrange the publication of Gazette notices, which would in general be completed within 90 days after the applicants had presented the cheques; and

- Gazette notices were published once a month and were in general arranged to be published on the last Friday of each month. To allow sufficient time for employers to respond to the demand letters and to arrange repayment to the PWIF Board, it was considered appropriate to arrange the publication of Gazette notices within 90 days after the applicants had presented the cheques. The time frame of 90 days had been operating smoothly. LD was studying measures to further strengthen the effect of Gazette notices, such as issuing press releases after the publication of Gazette notices.

17. The Committee noted from paragraph 2.25 of the Audit Report that, for discretionary ex gratia payment cases where no proof of debt could be filed (i.e. cases without the issue of a winding-up or bankruptcy order against the employer and no liquidator/provisional liquidator was involved), LD did not enforce the subrogation rights against the employers concerned direct. According to paragraph 2.28(c) of the Audit Report, LD had issued demand letters to the employers concerned for cases approved in 2021 onwards with an attempt to recover ex gratia payments to their ex-employees. The Committee enquired about the outcome of this measure and whether LD would also issue demand letters to the employers concerned for those cases approved before 2021.

18. **Commissioner for Labour** advised at the public hearing, and supplemented in his letter dated 14 June 2022 (*Appendix 16*) that in 2021, LD issued demand letters to insolvent employers of 348 cases and employers of nine cases repaid some \$300,000 to PWIF. The response rate of employers was 2.6% and the recovery rate on the payout amount of these cases was 0.7%. As for cases approved before 2021, since the insolvent employers had ceased business or their contact addresses in general were no longer valid, LD had no plan to issue demand letters to such employers.

19. In response to the Committee's enquiry about the measures/mechanisms put in place by LD to prevent possible abuse of PWIF by both employers and employees, **Commissioner for Labour** advised at the public hearing, and elaborated in his letter dated 14 June 2022 (*Appendix 16*) that:

- in the course of investigating suspected wage offences and verifying applications for PWIF, LD would look into whether the responsible individuals of companies had acted unlawfully when operating the businesses and managing the companies' financial resources or even conspired with their employees in making false applications for PWIF.

Suspected cases were referred to relevant law enforcement agencies for action. For cases referred by LD, the Official Receiver's Office also considered applying to the court to disqualify the responsible individuals of companies from being appointed as directors and taking part in the promotion, formation or management of a company; and

- an inter-departmental task force comprising representatives from the Commercial Crime Bureau of the Hong Kong Police Force, the Official Receiver's Office, LAD and LD, which was set up to strengthen co-operation among the departments concerned, actively pursued the responsible individuals of companies, including employers, company directors, etc., who might have illegally transferred company assets and/or deceived creditors through fraud, theft and conspiracy to abuse PWIF before business closure.

20. With reference to paragraph 2.35 of the Audit Report about the review of the rate of levy on business registration certificates ("BRCs") and ceilings of payment items of PWIF, the Committee noted from the opening statement of the Secretary for Labour and Welfare that LD had completed the review and planned to introduce the relevant legislative amendments into the Legislative Council in June 2022 to raise the maximum amounts of ex gratia payment items under PWIF and reduce BRC levy rate.<sup>6</sup>

### **C. Enforcement work**

21. Referring to Table 8 in paragraph 3.3 of the Audit Report about the number of workplace inspections conducted by LD from 2016 to 2020, the Committee asked how the target number of inspections was determined for each year and whether LD would consider making upward adjustment to the current target number of inspections (i.e. 140 000) given the over-achievement ranging from 8% to 15% in the numbers of inspections conducted during the period (except 2020 due to the epidemic of the Coronavirus Disease 2019).

22. **Commissioner for Labour and Mr Simon LI Chi-chung, Assistant Commissioner for Labour (Employees' Rights and Benefits)** explained at the

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<sup>6</sup> LD introduced the relevant legislative amendments into the Legislative Council in June 2022. The adjusted maximum amounts of ex gratia payment items and the reduced BRC levy rate came into effect on 17 June 2022.

public hearing, and **Commissioner for Labour** further advised in his letter dated 14 June 2022 (*Appendix 16*) that:

- LD set the target number of workplace inspections in the Controlling Officer's Report having regard to such factors as the staffing of Labour Inspectors ("LIs"), manpower requirement in light of the complexity of inspections, nature of enforcement actions and staff turnover rate; and
- the target number of inspections was a longer term work indicator. Having taken all relevant factors into consideration, the target number was revised in 2013 and 2017. While the target number was maintained at 140 000 in recent years, LD strove to ensure effective conduct of inspection work. LD would from time to time review the target number of inspections and make the required adjustments.

23. The Committee further asked why the target numbers of inspections for the period from 2016 to 2020 had not been adjusted upwards correspondingly while LD's expenditure on the labour inspection work rose by 19% from \$153 million in 2016-2017 to \$182 million in 2020-2021 according to Table 1 in paragraph 1.5 of the Audit Report.

24. **Commissioner for Labour** explained in his letter dated 14 June 2022 (*Appendix 16*) that the increase of expenditure on labour inspection work by 19% from 2016-2017 to 2020-2021 was mainly due to increase in personal emoluments arising from the creation of posts of two Labour Officer grade staff, 17 LI grade staff and two Clerical Officer grade staff. The additional LI posts were primarily created for reinforcing the protection for imported workers and non-skilled employees of government service contractors, as well as providing policy and administrative support. As more in-depth workplace inspections of complicated issues (for example, checking of compliance with standard employment contracts and the Supplementary Labour Scheme requirements) were involved in addition to checking statutory employment rights and not all the created posts undertook inspection work, the target number of inspections had not been adjusted upwards proportionately.

25. With reference to paragraphs 3.10 and 3.11 of the Audit Report, the Committee asked whether LD considered it necessary to include all the companies successfully applying for the Employment Support Scheme ("ESS") of the Anti-epidemic Fund in its Labour Inspection Division ("LID")'s workplace database for routine inspections, and enquired about the concrete measures taken by LD to

ensure the comprehensiveness of the workplace database and that the information contained therein would be updated in a timely manner.

26. **Commissioner for Labour** explained at the public hearing, and supplemented in his letter dated 14 June 2022 (*Appendix 16*) that:

- LID had adopted a risk-based approach for formulating inspection strategy. LID had maintained a workplace database covering establishments with past violation or conviction records, complaints and referrals, new establishments, establishments in offence-prone industries, etc. LD would continue to enrich and refine the workplace database through various channels such as territory-wide and district-based campaigns, detection of new workplaces or relocated establishments during routine inspections, and complaints received and cases referred by other parties; and
- as there was generally no relationship between enterprises' receipt of subsidies under ESS and their violation of labour laws or not, LD considered that there was little benefit for committing resources to include the entire database of ESS in the workplace database of LID, and it would be more focused and cost-effective to include complaint cases referred to LD for follow-up in LID's workplace database.

27. Referring to paragraphs 3.14 and 3.26(f) of the Audit Report about the selection of workplaces of government outsourcing contractors employing non-skilled workers for inspection in the period from 2016 to 2020, the Committee asked why LD did not conduct inspections during the period to the workplaces of the government contractors engaged by 5 out of 60 bureaux/departments ("B/Ds"), and about the selection criteria set out in the new guidelines introduced by LD.

28. **Commissioner for Labour** explained at the public hearing, and supplemented in his letter dated 14 June 2022 (*Appendix 16*) that:

- from 2016 to 2020, LD did not receive any complaint or referral against government service contractors engaged by the Home Affairs Bureau, the Information Services Department, the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service, the Treasury and the Rating and Valuation Department. There were no more than two service contracts concurrently in force in



these B/Ds and only a small number of workplaces and non-skilled employees were involved. Having regard to the selection criteria, the service contracts of the above five B/Ds were not considered as high-risk targets and hence not selected for inspections; and

- LD had been adopting the risk assessment approach for selecting service contracts more susceptible to breaches and targeting workplaces of the contractors concerned for inspections. Relevant written guidelines were incorporated into LID's Operation Manual in May 2022. The guidelines had encompassed various risk factors, for example, past records of suspected offences, complaints or referrals, number of non-skilled employees involved, new service or job types involved.

29. With reference to paragraph 3.16 of the Audit Report, the Committee enquired about the long-term measures that could be taken by LD to enhance the comprehensiveness of its information on workplaces of government contractors employing non-skilled workers and the details about the procuring B/Ds which gave no reply to LD's requests for information on the service contracts under their purview.

30. **Commissioner for Labour** advised at the public hearing, and supplemented in his letters dated 19 May and 14 June 2022 (*Appendices 17 and 16* respectively) that LD had enhanced liaison with procuring B/Ds for regular collection of information on government service contracts that relied heavily on the deployment of non-skilled employees. LD in November 2021 strengthened the follow-up mechanism in a bid to increase the response rate from B/Ds. LD was also liaising with the Government Logistics Department and the Housing Department to explore possible means to enrich the database. From 2015 to 2021, 21 B/Ds did not provide information of government service contracts under their purview to LID when being approached.

31. Referring to paragraph 3.19 of the Audit Report about inspections to construction sites, the Committee asked whether there was a notification mechanism between LD and B/Ds for intelligence on construction contractors persistently involved in non-payment or late payment of wages. **Commissioner for Labour** advised at the public hearing, and supplemented in his letter dated 14 June 2022 (*Appendix 16*) that the Housing Department consolidated and provided LD with intelligence on past suspected cases of late/non-payment of wages involving contractors in construction sites of the Hong Kong Housing Authority on a monthly basis. Other works departments also referred to LD such intelligence relating to their construction sites on an ad hoc basis.

32. With reference to paragraphs 3.21 to 3.24 of the Audit Report, the Committee questioned why some construction sites fulfilling the selection criteria set out in LID's Operation Manual were not inspected, and how LD could ensure inspections were conducted before the completion of construction works.

33. **Commissioner for Labour** explained at the public hearing, and elaborated in his letter dated 14 June 2022 (*Appendix 16*) that LD adopted a risk-based approach in planning the inspections. Based on the intelligence from relevant departments, LD identified more serious wage default cases which were of higher risk and selected them for arranging inspection. This could ensure more effective manpower utilization to safeguard the employment rights and benefits of construction workers. LD had adopted the following measures with a view to inspecting construction sites before completion of the construction works:

- liaising with the Housing Department to shorten the time for providing intelligence to two months from occurrence of the suspected wage default incidents;
- requesting departments to provide the project completion dates of the contractors in the intelligence; and
- contacting relevant departments to ensure that the target contractors were still in operation at the construction sites before inspection.

34. The Committee further questioned the effectiveness of construction site inspection work in identifying cases of non-payment or late payment of wages, and asked about the concrete measures taken by LD to ensure that inspections to construction sites were duly conducted. **Commissioner for Labour** said at the public hearing, and elaborated in his letter dated 14 June 2022 (*Appendix 16*) that LIs were required to follow the related operation procedures as stipulated in LID's Operation Manual for conducting inspections to construction sites. Regarding the effectiveness of LD's construction site inspection work in identifying cases of non-payment or late payment of wages, according to **Commissioner for Labour**, from 2016 to 2021, a total of 7 737 inspections were conducted to construction works (both government and private) and 1 456 summonses were recommended for wage and other offences under the Employment Ordinance (Cap. 57).

35. According to paragraph 3.27 of the Audit Report, from 2016 to 2019, the numbers of summonses heard and summonses convicted increased from 1 697 to 2 754

and from 1 344 to 2 464 respectively. The Committee asked whether the increase in the number of prosecutions taken by LD during the period suggested that the existing labour legislation failed to pose sufficient deterrence effect. **Commissioner for Labour** explained at the public hearing, and supplemented in his letter dated 14 June 2022 (*Appendix 16*) that:

- as the number of cases handled by the investigation divisions of LD had increased in recent years, the number of summonses heard and summonses convicted under the purview of the Prosecutions Division (“PD”) from 2016 to 2019 also increased accordingly; and
- if a defendant was convicted and imposed heavy sentence (including imprisonment, community service order or heavy fine) by the court for breaching labour laws, PD would issue a press release to drive home the deterring message, and remind employers to comply with labour laws and underline that LD would not tolerate non-compliance. LD considered that the above strategy had effectively achieved the deterrence and safeguarded employees’ statutory rights.

36. According to paragraph 3.29 of the Audit Report, from 2018 to 2020, PD sought legal advice from the Department of Justice (“DOJ”) on 452 cases. For 37 (8%) cases, the time elapsed between PD receiving a case and seeking legal advice from DOJ ranged from 182 days to 581 days. In this regard, the Committee asked whether the existing manpower of PD was adequate to ensure the timely processing of cases without undue delay in seeking advice from DOJ and before bar dates.

37. **Commissioner for Labour** and **Assistant Commissioner for Labour (Employees’ Rights and Benefits)** advised at the public hearing, and **Commissioner for Labour** supplemented in his letter dated 14 June 2022 (*Appendix 16*) that LD had from time to time reviewed the manpower deployment of PD to press ahead with effective law enforcement. For example, additional manpower was deployed in 2019 for stepping up enforcement efforts to combat offences of the Employees’ Compensation Ordinance (Cap. 282). In light of the complexity of prosecution cases and the circumstances of court proceedings, PD also suitably redeployed its staff and re-assigned cases where necessary to ensure timely processing of cases and seeking of advice from DOJ before bar dates.

**D. Other issues**

38. With reference to paragraph 4.5 of the Audit Report, the Committee enquired about the collaborative measures that could be taken by LD and the Hospital Authority to reduce the no-show rate of the Employees' Compensation (Ordinary Assessment) Board ("OAB") assessments, and the handling mechanism and follow-up actions for non-attendance cases.

39. **Commissioner for Labour** advised at the public hearing, and elaborated in his letter dated 14 June 2022 (*Appendix 16*) that:

- if an employee failed to attend OAB assessment for more than once without good reasons, OAB would conduct the assessment based on available medical records and information in the absence of the injured employee (i.e. paper assessment). An assessment made by examining the medical records and information was no different from an assessment conducted with the physical attendance of injured employee as both were to assess the percentage of permanent loss of earning capacity and the period of absence from duty certified to be necessary due to the work injury; and
- the above measure was implemented for some assessment boards on 15 June 2019 on a trial run basis and in full swing at all the 16 hospitals since the fourth quarter of 2019. From 15 June 2019 to 31 December 2020, OAB conducted 116 assessments based on available medical records owing to injured employees' absence without good reasons. In 2021, 110 assessments were conducted under the same circumstances. The percentage of absence from OAB assessments without good reasons by injured employees fell from 5.3% in 2019 to 3.7% in 2021. LD would timely review the effectiveness of the measure.

40. With reference to paragraph 4.6 of the Audit Report, the Committee asked whether the special arrangement of conducting OAB assessments by examining employees' medical records or through video conferencing had given rise to the increase in the numbers of cases of review/appeal against OAB assessment results, and whether such arrangement would continue and be regularized in future.

41. **Commissioner for Labour and Assistant Commissioner for Labour (Employees' Rights and Benefits)** advised at the public hearing, and **Commissioner for Labour** supplemented in his letter dated 14 June 2022 (*Appendix 16*) that:

- over one-fifth of the injured employees received more than one OAB assessment involving more than one specialty and/or more than one hospital for a single work injury case. Accordingly, an injured employee might undergo more than one mode of assessment in respect of any single work injury case, including attending the assessment in person at hospital and assessment based on medical records/video-conferencing. Irrespective of whether the injured employees had undergone more than one mode of assessment, the reviews raised should be against the overall assessment results of the work injury cases;
- according to the statistics of 2020 and 2021, the percentage of requests for review on the assessments conducted by examining medical records/through video-conferencing was slightly higher than that of cases with assessments solely conducted with the physical attendance of injured employees. Relevant figures were provided in detail in paragraph 49 of the above letter; and
- depending on the development of the epidemic situation, LD would continue to work with the Hospital Authority to monitor the waiting time of individual hospitals/specialties, and to review the need of implementing different modes of assessments.

## **E. Conclusions and recommendations**

<b>Overall comments</b>
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42. The Committee:

- stresses that PWIF is set up to provide timely relief in the form of ex gratia payment to employees affected by their insolvent employers. LD, which is responsible for processing applications and providing administrative support for the operation of PWIF, should make every endeavour to provide appropriate and prompt payments to the aggrieved employees to protect their rights to statutory entitlements. LD should at the same time make all efforts to recover payments from the insolvent employers to safeguard PWIF against any possible abuse;

### Processing of PWIF applications

- expresses grave concern and dissatisfaction that LD's inadequacies in processing PWIF applications have undermined the intent of PWIF to provide timely relief in the form of ex gratia payment to employees affected by their insolvent employers, as evidenced by the following:
  - (a) for some PWIF applications approved from 1 January 2018 to 30 June 2021, the time elapsed from the dates of receipt of applications by LD up to the dates of effecting payment to applicants was long, despite the fact that LD had stepped up its efforts in clearing backlog cases.<sup>7</sup> The percentage of applications with time elapsed of more than one year increased from 5% (83 of 1 690) in 2018 (for the whole year) to 21% (325 of 1 604) in the first six months of 2021; and
  - (b) LD has failed to take timely actions to collect required information and documents in processing some PWIF applications. Audit's examination of 30 applications approved from 2018 to 2020 revealed that, though the ex gratia payments were effected within 10 weeks upon receipt of all the required information and documents,<sup>8</sup> the payments for all the 30 applications on average were only effected 64 weeks (ranging from 28 weeks to 104 weeks) after the applications were received;
- welcomes that:
  - (a) LWB is exploring the feasibility of LD or PWIF engaging legal professionals or providing legal service to assist affected employees in filing a bankruptcy or winding-up petition against their insolvent employers, so as to alleviate the need for affected employees to apply for legal aid for the purpose of commencing such proceedings against their insolvent employers. The application procedures are estimated to be shortened for up to 12 weeks or more;<sup>9</sup>

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<sup>7</sup> The Committee has noted that the increase in the percentage of applications with time elapsed of more than one year and in the average time elapsed in the first half of 2021 was due to the fact that during the period, LD stepped up its efforts in clearing cases which had already been outstanding for some time.

<sup>8</sup> LD previously set a performance target on processing of PWIF applications that payment would be effected to qualified applicants within 10 weeks upon receipt of all relevant information and documents required.

<sup>9</sup> Please refer to paragraphs 7 and 8 of this Chapter for details.

- (b) under the mechanism proposed in (a) above, LWB estimates that for cases which are relatively straight-forward (for example, the number of applicants involved is relatively small, the claim items are relatively simple and straight-forward, such as those involving arrears of wages and wages in lieu of notice for termination only, without the need to obtain other information for verification), ex gratia payments can be released from PWIF within two to three months upon receipt of applications;
  - (c) LD has set up an internal working group to review the existing workflow and explore measures to strengthen the monitoring of case progress. As recommended by the internal working group, LD has set time frame for each vetting procedure with a view to shortening the time taken on information collection for verification and releasing ex gratia payments to qualified applicants as soon as practicable;<sup>10</sup> and
  - (d) LD has revised the performance pledge as “issuing payments to qualified applicants within eight weeks (originally set as 10 weeks) upon receipt of all relevant information and documents required for processing PWIF applications”;
- expects LD to:
- (a) make an early implementation of the initiatives to engage legal professionals or to provide legal service, if proven feasible, to assist employees in filing a bankruptcy or winding-up petition against their insolvent employers;
  - (b) explore ways to expedite the signing of the “Statement of Inability to Pay”<sup>11</sup> by the employers concerned with a view to speeding up the PWIF application process; and

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<sup>10</sup> Please refer to paragraph 2.18(c) of the Audit Report and paragraphs 7 and 8 of this Chapter for details.

<sup>11</sup> The purpose of the “Statement of Inability to Pay” is to prove that the employer concerned is indeed unable to pay the statutory or contractual entitlements owed to the employees. Generally speaking, if the employer has signed the “Statement of Inability to Pay” and recognized the employment relationship, the payment item(s) and the amount owed by the company being wound up to the employees, LD can then refer the employees concerned to LAD to secure legal aid and to trigger the process of seeking a winding-up petition against the relevant company and apply to PWIF for ex gratia payments. Otherwise, LD is required to refer the case to the Labour Tribunal for determination before referring to the case to LAD, so as to ascertain the claim item(s) and amount due to the employees and establish the fact about the inability of the employer to pay the amount. Please refer to paragraphs 7 and 8 of this Chapter for further details.

- (c) closely follow the time frame set by LD's internal working group to collect the required information and documents, and consider further measures to expedite the processing of PWIF applications;

Enforcement of subrogation rights of PWIF against employers

- expresses serious concern about LD's failure to strictly enforce the PWIF Board's subrogation rights against employers to safeguard PWIF from any possible abuse. For cases where no proof of debt could be filed (i.e. cases without the issue of a winding-up or bankruptcy order against the employer and no liquidator/provisional liquidator was involved), LD did not enforce the subrogation rights against the employers concerned direct, for example, through issuing demand letters to the employers for the ex gratia payments granted to their ex-employees;
- notes that:
  - (a) LD has issued demand letters to employers for cases approved in 2021 onwards with an attempt to recover ex gratia payments granted to their ex-employees where the Commissioner for Labour has made payment from PWIF at his discretion and no proof of debt could be filed. In 2021, LD issued demand letters to employers of 348 cases and employers of nine cases repaid some \$300,000 to PWIF. The response rate of employers was 2.6% and the recovery rate on the payout amount of these cases was 0.7%;
  - (b) for cases approved before 2021, since the insolvent employers had ceased business or their contact addresses in general were no longer valid, LD had no plan to issue demand letters to such employers; and
  - (c) LD has put in place mechanisms to prevent possible abuse of PWIF by both employers and employees;<sup>12</sup> and
- strongly urges LD to make every effort to recover from the insolvent employers the ex gratia payments made to their ex-employees and closely monitor the effectiveness of the new measure to issue demand letters to employers in recovering discretionary ex gratia payments made to their ex-employees.

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<sup>12</sup> Please refer to paragraph 19 of this Chapter for details.



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<b>Specific comments</b>
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43. The Committee:

Administration of PWIF

- expresses serious concern that:
  - (a) spot checks on approved cases were not conducted in a timely manner.<sup>13</sup> For example, of the 12 cases with applications approved from 2018 to 2020 selected for spot checks by an Assistant Commissioner, six (50%) cases were only checked 16 to 30 months after being selected. The spot checks on five (42%) cases had not been conducted for 5 to 35 months after being selected (as of 30 June 2021), and according to LD, the five outstanding cases were only checked by the end of August 2021;
  - (b) LD had not selected any cases from the lists of cases reconsidered and approved by Labour Officers for inspection by Senior Labour Officer;<sup>14</sup>
  - (c) for the three customer opinion surveys conducted for PWIF applicants from 2015 to 2020, the response rates of the surveys were on the low side (averaging 15%);
  - (d) contrary to the requirement of LD's guidelines, in the period from 1 January 2018 to 31 March 2021, Gazette notices were not issued as soon as possible after the cheques for ex gratia payments had been cashed for some discretionary ex gratia payment cases. Of the 996 cases with first ex gratia payment cheques cashed in the above period, up to 30 June 2021, no Gazette notices were given in 19 (2%) cases. The time elapsed since cashing of the first cheque

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<sup>13</sup> LD conducts spot checks on cases with applications approved. For every quarter (or a shorter period if LD considers necessary), a minimum of 3% of approved cases will be selected for spot checks. Please refer to paragraph 2.9 of the Audit Report for details.

<sup>14</sup> In an assignment report on the administration of PWIF completed in July 2005, the Independent Commission Against Corruption recommended that a list of cases reconsidered and approved by Labour Officers should be compiled for the Senior Labour Officer to conduct random inspection to ensure consistent and fair practice. LD agreed with the recommendation.

ranged from 96 to 573 days, averaging 218 days. In the remaining 977 (98%) cases, the average time taken to give notice in the Gazette was 85 days after the cheques were cashed; and

- (e) the review of BRC levy rate and ceilings of payment items of PWIF had long been held up.<sup>15</sup> The BRC levy rate was last revised in July 2013, and the previous adjustments to the ceilings of payment items of PWIF had been in effect since a long time ago (i.e. in the period from 1996 to 2012);<sup>16</sup>
- notes that the Commissioner for Labour has agreed with Audit's recommendations in paragraphs 2.17, 2.27 and 2.36 of the Audit Report, and has taken/will take actions in response to these recommendations as set out in paragraphs 2.18, 2.28 and 2.37 of the Audit Report;
- strongly urges LD to:
  - (a) explore effective measures to deter employers from evading their responsibility to pay arrears of wages and severance payments, etc., and relying on PWIF to make ex gratia payments of the sums owed to their employees; and
  - (b) step up its support to the PWIF Board to ensure that BRC levy rate and ceilings of payment items of PWIF are reviewed on a regular basis;

#### Enforcement work

- expresses concern that:
  - (a) in 2020, LD only conducted 104 138 inspections (i.e. 26% below LD's performance target of 140 000 a year) to workplaces to ensure employers' compliance with the labour laws and combat illegal employment;<sup>17</sup>

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<sup>15</sup> Please refer to paragraphs 2.29 to 2.37 of the Audit Report for details.

<sup>16</sup> The Committee has noted that LD introduced the relevant legislative amendments into the Legislative Council in June 2022 to raise the maximum amounts of ex gratia payment items under PWIF and reduce BRC levy rate. The adjusted maximum amounts of ex gratia payment items and the reduced BRC levy rate came into effect on 17 June 2022.

<sup>17</sup> The Committee has noted that the annual number of inspections exceeded the target by 11 132 (8%) to 18 968 (15%) from 2016 to 2019. The drastic decrease in the number of inspections in 2020 was due to the special work arrangements for government employees in the light of the epidemic of the Coronavirus Disease 2019.

- (b) Audit's examination of 30 of the 698 complaints received by LD in 2020 revealed that, counting from the dates of receipt by LD, in 3 (10%) of the 30 complaints, LIs did not start investigation within one week upon receipt of the complaints. The wording of the performance target of "Starting investigation of complaints by LI within one week upon receipt" reported in the Controlling Officer's Report should be revised as it may cause misunderstanding of the target as "Starting investigation of complaints by LI within one week upon receipt by LD";
- (c) as at 31 December 2020, 33 (42%) out of 78 companies which had successfully applied for ESS of the Anti-epidemic Fund<sup>18</sup> were not included in LID's workplace database and therefore would not be covered in the routine inspections by LD;<sup>19</sup>
- (d) from 2016 to 2020, 60 B/Ds signed about 3 000 contracts with 244 government contractors employing non-skilled workers. LD did not conduct inspections to workplaces of the government contractors engaged by 5 of the 60 B/Ds, involving seven contractors and nine contracts;
- (e) of the 285 requests sent by LD to 61 B/Ds to collect information on contracts with government contractors employing non-skilled workers starting from 2016 to 2020, no reply was received for 31 requests concerning 23 B/Ds, and five B/Ds did not have their contracts (15 in total) reported to LD. Two B/Ds, other than the above 61 B/Ds, had two contracts under which non-skilled workers might have been employed;
- (f) there was no documentary evidence showing that 3 162 suspected cases of non-payment or late payment of wages involving government construction contractors referred to LD from January 2016 to May 2021 had been evaluated for the purpose of identifying construction sites falling within LD's selection criteria for priority inspection, or that LD had given priority to the sites

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<sup>18</sup> Under ESS of the Anti-epidemic Fund, employers participating in the Mandatory Provident Fund Schemes are eligible to apply for wage subsidies of employees. To examine the completeness of the workplace database, Audit selected 78 companies which had successfully applied for the wages subsidies under ESS and checked them with the information in the workplace database.

<sup>19</sup> Please refer to paragraphs 25 and 26 of this Chapter for details.

fulfilling the selection criteria.<sup>20</sup> Of the above 3 162 cases, Audit identified 1 235 cases as falling within the selection criteria, and site inspections were however not arranged for 514 (42%) of those cases;

- (g) in 201 (19%) of the 1 045 inspections of government construction sites conducted from January 2016 to May 2021, the construction works were found completed at the time of the inspection and no construction workers were present; and
- (h) from 2018 to 2020, PD sought legal advice from DOJ on 452 cases. For 37 (8%) cases, the time elapsed between PD receiving a case and seeking legal advice from DOJ ranged from 182 days to 581 days;
- notes that the Commissioner for Labour has agreed with Audit's recommendations in paragraphs 3.25 and 3.32 of the Audit Report, and has taken/will take actions in response to these recommendations as set out in paragraphs 3.26 and 3.33 of the Audit Report;
- strongly recommends that:
  - (a) LD should review the target number of workplace inspections, given that the annual number of inspections exceeded the target number by 8% to 15% between 2016 and 2019;
  - (b) LD should conduct workplace inspections for each government service contract as far as practicable while selecting inspection targets of government service contractors based on a risk-based approach;
  - (c) LD should explore the feasibility of establishing a notification mechanism or shared database between LD and B/Ds for the collection and exchange of intelligence on construction contractors which have a track record of non-compliance with labour legislation, and formulating a penalty mechanism to deal with such non-compliance, such as barring those contractors from participating in government construction projects for a specific period of time; and

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<sup>20</sup> Please refer to paragraph 3.19 of the Audit Report for details of LD's selection criteria for priority inspection.

- (d) LD should review the effectiveness of its construction site inspection work in identifying cases of non-payment or late payment of wages;

Other issues

- expresses concern that:
  - (a) the average waiting time for OAB assessments<sup>21</sup> conducted in 16 hospitals of the Hospital Authority increased from 8.7 weeks in 2019 to 12.6 weeks in 2020;<sup>22</sup>
  - (b) from 2016 to 2020, the average no-show rates of OAB assessments ranged from 4.4% to 6.7%, and varied significantly among individual hospitals; and
  - (c) the epidemic of the Coronavirus Disease 2019 had impact on some of the LD's publicity work, especially physical activities involving gathering of people. For example, in 2020-2021, planned physical exhibitions at some districts were first postponed and then cancelled. LD launched a pilot online exhibition on the Employment Ordinance (Cap. 57) on its website for an exhibition period of two days in March 2021 but the response was lukewarm. The total number of page views was only 163;
- notes that:
  - (a) the Commissioner for Labour has agreed with Audit's recommendations in paragraphs 4.8, 4.16 and 4.28 of the Audit Report, and has taken/will take actions in response to these recommendations as set out in paragraphs 4.9 and 4.29 of the Audit Report; and

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<sup>21</sup> For injury involving temporary incapacity for a period of not more than seven days, the employer can agree with the employee as to the compensation payable under the Employees' Compensation Ordinance (Cap. 282). If the injury will likely result in permanent incapacity (either total or partial), the employees will be referred to OAB for assessment after they have recovered or their medical conditions have stabilized. The assessments are conducted by the relevant specialty departments in 16 hospitals of the Hospital Authority.

<sup>22</sup> The Committee has noted that the longer average waiting time for OAB assessments in 2020 was due to the fact that the Hospital Authority adjusted OAB assessments in order to focus manpower and resources on anti-epidemic efforts.

- (b) the Chief Executive, Hospital Authority has agreed with Audit's recommendation in paragraph 4.8(a), and has taken/will take the follow-up actions as set out in paragraph 4.10 of the Audit Report; and
- recommends that:
  - (a) LD should study the feasibility of allowing employees to choose how to conduct OAB assessments, either at hospitals or through video conferencing/examination of employees' medical records; and
  - (b) LD should step up publicity efforts to enhance employees' understanding of their statutory rights and benefits.

<b>Follow-up action</b>
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44. The Committee wishes to be kept informed of the progress made in implementing the various recommendations made by the Committee and Audit.

The Audit Commission (“Audit”) conducted a review of the corporate governance, delivery of mental health services and administrative matters of the Mental Health Association of Hong Kong (“MHAHK”).

2. The Social Welfare Department (“SWD”) provides subventions (mainly under the Lump Sum Grant (“LSG”) subvention system)<sup>1</sup> to non-governmental organizations (“NGOs”) in the social welfare sector, which in turn deliver a wide range of mental health services in Hong Kong, including mental health promotion and rehabilitation services. Established in 1954, MHAHK is an NGO providing mental health-related services to the public. It has developed a comprehensive spectrum of rehabilitation services for persons with mental health needs, persons with intellectual disabilities and the disadvantaged. As at 31 March 2021, MHAHK operated 53 Agreement Service Units (“ASUs”). In 2020-2021, subventions from SWD to MHAHK amounted to \$329 million (61% of MHAHK’s total income of \$543 million), of which \$275 million was in the form of LSG.<sup>2</sup>

3. The Committee noted the following findings from the Director of Audit’s Report No. 77 (“the Audit Report”):

Corporate governance

- no terms of reference were drawn up for two sub-committees of MHAHK;<sup>3</sup>
- there were inadequacies in the conduct of meetings by MHAHK’s committees during the term years from 2015-2016 up to 30 June 2021 as follows:

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<sup>1</sup> Under the LSG subvention system, Funding and Service Agreements (“FSAs”) are signed between SWD as a funder and NGOs as service providers. The service units under FSAs are referred to as Agreement Service Units (“ASUs”). NGOs are required to observe the advice on best management practices and processes in the Social Welfare Services Lump Sum Grant Manual as a condition of receiving LSG subvention. Please refer to paragraphs 1.12 to 1.14 of the Director of Audit’s Report No. 77 (“the Audit Report”) for details of the LSG subvention system.

<sup>2</sup> Apart from LSG, MHAHK receives other subventions from SWD, including funding from the Lotteries Fund.

<sup>3</sup> MHAHK’s Executive Committee is supported by three panels. Underpinning the panels are 15 sub-committees that provide advice and monitor performance on service operation.

- (a) one panel and three sub-committees did not hold any meetings;<sup>4</sup>
- (b) two sub-committees each had one meeting which had not complied with the quorum requirement;<sup>5</sup>
- (c) 4 (27%) out of 15 members of the Executive Committee were absent from meetings of the Executive Committee on three or more consecutive occasions and no documentation showed that leave of absence had been granted; and
- (d) although financial matters were discussed at the meetings, no declaration of interests by members nor confirmations of having no interests requiring declaration were recorded in the Executive Committee's minutes of meetings;

#### Delivery of mental health services

- for 2019-2020 and 2020-2021, some services of MHAHK were suspended or provided on a limited scale due to the Coronavirus Disease 2019 epidemic, resulting in more output and outcome standards set out in the Funding and Service Agreements (“FSAs”)<sup>6</sup> not being achieved as compared with 2016-2017 to 2018-2019;
- from 2016-2017 to 2020-2021, the occupancy rate of an ASU providing day care service for persons with severe disabilities was below the target of 90% (ranging from 22% to 87%);
- from 2016-2017 to 2020-2021, the user turnover rate of Supported Employment service decreased from 102% to 46% due to extension of the post-placement services, while the average number of applicants on the waiting list for the service increased from 31 to 40 during the same period;<sup>7</sup>

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<sup>4</sup> The frequencies of meetings of the Executive Committee, panels and sub-committees are laid down in their respective terms of reference. Please refer to paragraphs 2.7 and 2.8 of the Audit Report for details.

<sup>5</sup> Please refer to paragraph 2.16 of the Audit Report for details of the quorum requirement.

<sup>6</sup> An NGO's attainment of the service requirements and service standards (e.g. output standards and outcome standards) stipulated in FSAs serves as a performance measurement of the NGO's service delivery under the LSG subvention system. Please refer to paragraphs 3.2 to 3.5 of the Audit Report for details.

<sup>7</sup> Please refer to paragraphs 3.10 to 3.12 of the Audit Report for details.



Administrative issues

- Audit's examination of MHAHK's accounting and financial records in six service centres discovered that a number of irregularities on the internal control procedures identified in previous SWD accounting inspections<sup>8</sup> still existed, and the relevant internal control advice in the Social Welfare Services Lump Sum Grant Manual had not been incorporated in MHAHK's guidelines on accounting and financial procedures;
- Audit's examination of the payroll records from 2016-2017 to 2020-2021 revealed that for staff engaged in both FSA and non-FSA activities,<sup>9</sup> there was no apportionment of their remuneration between the two types of activities; and
- Audit's sample check of procurement of goods and services of MHAHK's headquarters and seven service centres found that laid-down procurement guidelines were not complied with in the following cases:<sup>10</sup>
  - (a) no documentary evidence showed that a quotation exercise had been conducted by one ASU on food items; and
  - (b) no record could be found for the price and quality reviews had been conducted by another ASU.

4. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses regarding the corporate governance, delivery of mental health services and administrative matters of MHAHK. The replies from the **Director of Social Welfare** and the **Chairman, Executive Committee of MHAHK** are in *Appendices 18* and *19* respectively.

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<sup>8</sup> SWD conducted accounting inspections on MHAHK for 2013-2014, 2015-2016 and 2018-2019. Please refer to Appendix J to the Audit Report for the areas of internal control weaknesses identified by SWD.

<sup>9</sup> Under the LSG subvention system, MHAHK receives a lump sum amount of grant for all its ASUs, and may redeploy resources across its ASUs as long as they are within those governed by FSAs. In accordance with the principles of the LSG subvention system, it is important to ensure that the subvention is spent for the intended purposes within the scope of FSAs, and no cross-subsidization between FSA and non-FSA activities in money or in kind.

<sup>10</sup> Please refer to paragraphs 4.29 and 4.30 of the Audit Report for details.

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

*Youth College*

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The Audit Commission (“Audit”) conducted a review of the Youth College (“YC”), which focused on the management of training programmes, campus management and other administrative issues.

2. YC is one of the member institutions of the Vocational Training Council (“VTC”). YC, which has eight campuses,<sup>1</sup> provides vocational and professional education and training to Secondary 3 to 6 school leavers to equip them with knowledge and skills for further studies and employment. In academic year 2020-2021 (unless stated otherwise, all years mentioned hereinafter refer to academic years), there were 9 491 students studying in YC. As at 31 March 2021, YC had an establishment of 727.5 staff, comprising five principals, 399.5 teaching staff and 323 non-teaching staff. For financial year 2020-2021, YC received income of \$67 million, mainly from tuition fees. The expenditure incurred was \$424 million, comprising staff expenditure of \$364 million and operating expenditure of \$60 million. The shortfall of \$357 million was funded by Government subvention.

3. The Committee noted the following findings from the Director of Audit’s Report No. 77 (“the Audit Report”):

Management of training programmes<sup>2</sup>

- Audit’s analysis of the 33 full-time Diploma of Vocational Education programmes offered every year from 2018-2019 to 2020-2021 noted that:
  - (a) nine (27%) programmes had under/over-enrolment of Year 1 students of more than 10% in each and every year; and
  - (b) the Year 1 student enrolment of three (9%) programmes in 2020-2021 decreased by more than 50% as compared to the enrolment in 2018-2019. Moreover, no students were enrolled in one of these three programmes in both 2019-2020 and 2020-2021;

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<sup>1</sup> The eight campuses are Kowloon Bay, Kwai Chung, Kwai Fong, Pokfulam, Tin Shui Wai, Tseung Kwan O (located at Tsui Lam of Tseung Kwan O), Tuen Mun and Yeo Chei Man (located at Po Lam of Tseung Kwan O).

<sup>2</sup> YC offers full-time Diploma of Vocational Education programmes, full-time Diploma of Vocational Baccalaureate programmes, part-time Diploma/Certificate programmes, Teen’s Programme and Project for Tradesman Trainees. Please refer to paragraph 1.5 of the Audit Report for details of the training programmes.

*Youth College*

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- Audit’s examination of the Programme Quality Analysis Reports (“PQARs”) <sup>3</sup> from 2015-2016 to 2019-2020 revealed that, of the 45 training programmes offered by YC in every academic year:
  - (a) the retention rates of five programmes were below targets for three years or more; and
  - (b) the pass rates of 11 programmes in 2019-2020 decreased by five percentage points or more (ranging from 5 to 11 percentage points) as compared to those in 2015-2016;
- Audit examined the Survey of Employers’ Views<sup>4</sup> conducted for the employers of graduates. Audit noted that the employers’ views on graduates from 14 (33%) of 43 programmes in 2016, 9 (19%) of 47 programmes in 2017 and 18 (37%) of 49 programmes in 2018 were not collected due to graduates not agreeing to survey their employers or the employers not responding to the Survey;

Campus management

- the utilization rates<sup>5</sup> of 211 teaching and learning facilities<sup>6</sup> averaged 48% in 2018-2019, and of all these facilities, the utilization rates of 105 (50%) facilities were below 50%;
- Audit’s examination of the 91 hires of facilities to organizations outside VTC from 2015-2016 to 2019-2020 revealed that VTC guidelines<sup>7</sup> were not complied with in the following hires:
  - (a) in 24 (26%) hires, hire charges were calculated on a half-hourly basis instead of an hourly basis;

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<sup>3</sup> YC is required to submit PQARs annually to VTC headquarters. In PQARs, YC reports the performance of its training programmes under six performance indicators, including enrolment rate, retention rate, employment rate, pass rate, student satisfaction and employer satisfaction.

<sup>4</sup> Employers are invited to participate in the survey if the graduates they employed have been employed in jobs relevant to their training programmes for at least three months and the graduates agree that their employers are surveyed.

<sup>5</sup> Please refer to Note 17 in paragraph 3.4 of the Audit Report for the definition of utilization rate.

<sup>6</sup> The teaching and learning facilities mainly include classrooms, computer laboratories and language laboratories.

<sup>7</sup> Please refer to paragraph 3.7 of the Audit Report for VTC guidelines on hire of facilities.

*Youth College*

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- (b) in two (2%) hires, the revised charge rates were not used; and
- (c) in 27 (30%) hires, the hire charges were not collected in advance;

Staff management

- Audit examined the attainment of Continuous Professional Development (“CPD”) hours<sup>8</sup> by YC staff covered by CPD Scheme in two CPD cycles from 1 October 2015 to 30 September 2017 and from 1 October 2017 to 30 September 2019. Audit noted that 54 (12%) of the 444 staff for the first CPD cycle and 62 (15%) of the 426 staff for the second CPD cycle attained less than 40 CPD hours;
- Audit’s examination of the 17 approved cases on further employment of staff beyond the age of 60 from 1 April 2015 to 31 March 2021 revealed that VTC guidelines<sup>9</sup> were not complied with in the following cases:
  - (a) in eight (47%) cases, the principals supported the applications but had not provided the action plans/succession plans as required;
  - (b) in two (12%) cases, there was no documentary evidence showing that consideration had been given to whether the applicants’ extension of service would cause promotion blockage; and
  - (c) in 13 (76%) cases, there was no documentary evidence showing that the physical fitness of the applicants had been considered;
- Audit’s examination of the appointment records of 20 new recruits from financial years 2018-2019 to 2020-2021 noted that the sexual conviction record check results of three new recruits had not been documented as required by VTC guidelines;<sup>10</sup>

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<sup>8</sup> YC encourages all teaching staff and some designated non-teaching staff to attain not less than 40 CPD hours within a CPD cycle of 24 months.

<sup>9</sup> Please refer to paragraph 4.5 of the Audit Report for VTC guidelines on further employment of staff beyond the age of 60.

<sup>10</sup> Please refer to paragraph 4.11 of the Audit Report for VTC guidelines on sexual conviction record checks.

Inventory management

- Audit's review of the inventory lists of the eight YC campuses noted that there were inconsistencies among campuses in their criteria for classifying valuable and attractive stores. Moreover, four campuses did not classify any of their inventory items as valuable and attractive stores and hence no stocktaking<sup>11</sup> on valuable and attractive stores had been conducted;
- Audit's examination of eight YC campuses' records of surprise stock and security checks from financial years 2015-2016 to 2020-2021 found that six of the eight campuses did not conduct surprise stock and security checks;<sup>12</sup> and

Student support services

- Audit's analysis of the student activities organized by the eight Student Development Offices in 2020-2021 noted that the number of activity-hours varied among campuses (ranging from 27 hours to 169.5 hours).

4. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses regarding the management of training programmes, campus, staff and inventory, and student support services of YC. The replies from the **Executive Director of VTC** are in *Appendix 20*.

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

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<sup>11</sup> YC is required to complete a full stocktaking on all valuable and attractive stores every two years and submit a list of valuable and attractive items checked to VTC headquarters with effect from financial year 2017-2018.


<sup>12</sup> According to VTC guidelines, surprise stock and security checks should be carried out at irregular intervals at least once every year and as a separate exercise from the annual stocktaking exercise.

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

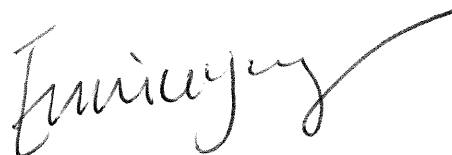
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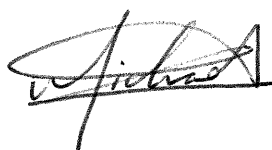
CHAN Chun-ying  
(Chairman)



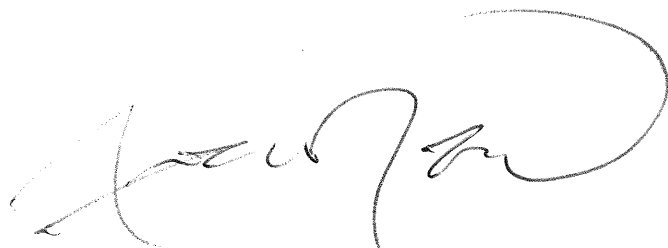
Paul TSE Wai-chun  
(Deputy Chairman)



YUNG Hoi-yan



LUK Chung-hung



LAU Kwok-fan



Tony TSE Wai-chuen

21 June 2022

**CHAPTERS IN THE DIRECTOR OF AUDIT'S REPORT NO. 77  
DEALT WITH IN THE PUBLIC ACCOUNTS COMMITTEE'S REPORT**

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**Director of  
Audit's Report  
No. 77**

**P.A.C.  
Report No. 77**

<u>Chapter</u>	<u>Subject</u>	<u>Chapter</u>
1	Highways Department: Maintenance of public footpaths	1
2	Kai Tak District Cooling System	2
3	Leisure and Cultural Services Department: Provision and management of sports grounds	3
4	Licensing and examination services for vehicles	4
5	Management of flushing water supply	5
6	Safeguarding employees' rights and benefits under labour laws	6
7	The Mental Health Association of Hong Kong	7
8	Youth College	8



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

**72. Public Accounts Committee**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**SCOPE OF WORK**

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

## GUIDELINES

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

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

6. The Director of Audit may also -

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

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

## **PROCEDURES**

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

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

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

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

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

Mr Frank CHAN Fan	Secretary for Transport and Housing
Mrs Sharon YIP LEE Hang-ye	Deputy Secretary for Transport and Housing (Transport) 1
Miss Gillian LAM Yuk-ting	Principal Assistant Secretary for Transport and Housing (Transport) 5
Mr Jimmy CHAN Pai-ming	Director of Highways
Mr NG Wai-keung	Deputy Director of Highways
Mr PANG Chi-chiu	Chief Highway Engineer/NTE
Miss Rosanna LAW Shuk-pui	Commissioner for Transport
Mr Patrick HO Kwong-hang	Assistant Commissioner for Transport /Urban
Dr LAW Chi-kwong	Secretary for Labour and Welfare
Mr Chris SUN Yuk-han	Commissioner for Labour
Mr Simon LI Chi-chung	Assistant Commissioner for Labour (Employees' Rights and Benefits)
Ms Jessie LAM Choi-ping	Senior Labour Officer (Wage Security) Labour Department
Ms Serina LEE Lai-chu	Senior Labour Officer (Labour Inspection) Labour Department

Note: The above post titles were those of the witnesses at the time when they attended the public hearings of the Committee.

**A brief account of Chapter 1 of Report No. 77  
“Highways Department: Maintenance of public footpaths”  
by the Director of Audit  
at the Public Hearing of the Public Accounts Committee  
of the Legislative Council on Tuesday, 17 May 2022**

Mr. Chairman,

Thank you for inviting me here to give a brief account of Chapter 1 of Report No. 77 of the Director of Audit, entitled “Highways Department: Maintenance of public footpaths”.

This Audit Report comprises four PARTs.

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

The inspection and maintenance of public footpaths are vital to keep the footpaths in good condition and provide a safe walking environment for pedestrians. According to the Highways Department (HyD), in 2020-21, management and maintenance payment to contractors for inspection and routine maintenance works included \$18 million for public footpaths. In addition, in 2020-21, works orders at a total cost estimate of \$151 million were issued for non-routine maintenance and rehabilitation works of public footpaths.

**PART 2 of the Report examines HyD’s monitoring of the inspection and routine maintenance works.**

The Audit Commission (Audit) found that from April 2020 to March 2021, of the 3,312 public roads maintained by HyD, 15 roads were not inspected nor included in the inspection programmes submitted by the contractors.

From July to December 2020, in the 12 districts selected for examination, Audit found that in 11 cases, HyD informed the contractors more than 24 hours before conducting Engineer’s Audits (EAs), contrary to the contract requirement; and in 166 cases, there was no documentary record of notifying the contractors of the EA results.

Audit’s field inspection on footpaths in July 2021 found 189 defects. In August 2021, Audit conducted another field inspection and noted that 183 (97%) of the defects found in July had not been identified in the routine inspections conducted by the contractors. Of the 183 defects, 14 (8%) defects might cause dangers to road users.

**PART 3 of the Report examines HyD’s management of non-routine maintenance and rehabilitation works.**

Of the 120 works orders selected for Audit examination, 91 (76%) involved contractors who, contrary to contract provisions, failed to submit reports on completion of works within two days after completion of works, with delays ranging from 1 to 145 days.

Audit also noted that in 6 rehabilitation projects selected for Audit examination, there were delays ranging from 1 to 12 months in completing 4 (67%) projects; and the project costs had been over-estimated in all 6 projects, ranging from 27% to 200%.

**PART 4 of the Report examines other issues relating to the maintenance of public footpaths.**

Audit’s field inspections in July and August 2021 found that 13 footpath locations paved with paving blocks and situated at vehicular over-runs (footpath locations subject to heavy loading) had been damaged, which might pose a safety threat to pedestrians.

To pursue Government’s pledge in the 2017 Policy Address to foster a pedestrian-friendly environment, the Transport Department (TD) has promulgated a “minimal approach” since November 2019 in the provision of pedestrian railings. In this connection, TD in consultation with HyD would draw up a priority list for review on whether existing pedestrian railings should be retained or removed. However, TD did not maintain a dedicated database to record such work. Moreover, Audit noted that it might be necessary to retain existing railings in locations where the pedestrian flow and vehicular traffic were high, and found that there was jaywalking of pedestrians at some road sections in which railings had been removed.

Our views and recommendations were agreed by HyD and TD. I would like to take this opportunity to express my gratitude to their staff.

Thank you, Mr. Chairman.



**Public Accounts Committee Public Hearing on  
17 May 2022**

**Chapter 1 of Director of Audit's Report No. 77  
Highways Department: Maintenance of public footpaths**

**Opening remarks of the  
Secretary for Transport and Housing**

**Chairman,**

- I would like to thank the Audit Commission for its comprehensive review and valuable comments with regard to the maintenance of public footpaths. I am also grateful to the Public Accounts Committee (PAC) of the Legislative Council for inviting the Transport and Housing Bureau (THB), the Highways Department (HyD) and the Transport Department to the hearing today to provide further information to the PAC.
- The Government attaches importance to the inspection and maintenance of public footpaths and is committed to keeping the footpaths in good condition to provide a safe walking environment for pedestrians. THB welcomes the Audit Commission's recommendations and will work with relevant departments to follow up on them as appropriate.
- HyD is responsible for the inspecting, planning and management of the maintenance programme for over 2 600 kilometres of public footpaths in Hong Kong and oversees the relevant maintenance works. For the maintenance of public footpaths, HyD has entered into local road maintenance contracts with contractors. Contractors are required to carry out inspections and routine maintenance works for the pavement and associated street furniture of public roads, including carriageways, footpaths and cycle tracks in the designated areas in accordance with the contract

provisions. HyD may also direct the contractors to carry out non-routine maintenance and rehabilitation works that are not covered by the contracts, including rectification of “large” defects, reconstruction of footpaths and installation of new street furniture. HyD will issue works orders and payments to contractors for such works.

- The Audit Commission pointed out in the report that there was room for improvement in HyD’s inspection and maintenance of public footpaths. We agree with the recommendations made in the Audit Report and HyD has taken immediate follow-up actions, including the completion of the rectification works of the defects on the footpaths mentioned in the Audit Report.
- In respect of inspection and routine maintenance works, HyD will strengthen the checking of the submission of inspection reports, improve the monitoring of routine maintenance and enhance the Electronic Maintenance Management System to properly maintain all inspection and maintenance records. For non-routine maintenance and rehabilitation works, HyD will enhance the management of the relevant works contracts, strengthen the monitoring of contractors and checking of works progress, improve the planning of rehabilitation works, identify the relevant stakeholders at an early stage, and consult them on the implementation arrangements before commencement of the works. In addition, to ensure that the public footpaths under its management are maintained in a safe and good condition, HyD will make good use of innovative technology to enhance work efficiency by developing a new digital management system to centralise the processing of various tasks online, thereby streamlining work processes that are labour- and time- consuming so as to free up manpower to strengthen the inspection of contractors’ road maintenance work.

- THB will continue to oversee the work of the departments and support them in actively following up on and implementing the recommendations of the Audit Report. It will also continue to review and improve the maintenance of public footpaths to ensure that they are properly maintained and provide safe walking routes for pedestrians.
- My colleagues and I will be happy to respond to questions from Members.  
Thank you, Chairman.

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Transport and  
Housing Bureau  
Government Secretariat  
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來函檔號 YOUR REF.: CB4/PAC/R77

電話 Tel. No.: 3509 8181  
傳真 Fax No.: 2136 8017

10 June 2022

The Public Accounts Committee  
Legislative Council Complex  
1 Legislative Council Road,  
Central, Hong Kong  
(Attn.: Ms Wendy JAN)

**By Email:** wyjan@legco.gov.hk

Dear Ms JAN,

**Public Accounts Committee**  
**Consideration of Chapter 1 of the Director of Audit's Report No. 77**  
**Highways Department: Maintenance of public footpaths**

Thank you for your letter dated 20 May 2022 to the Secretary for Transport and Housing concerning some follow-up questions after the public hearing of the Public Accounts Committee on Chapter 1 of the Director of Audit's Report.

Transport and Housing Bureau (THB) is committed to providing a safe and pleasant pedestrian environment for the public. Over the years, THB has implemented a wide array of initiatives to enhance the overall walkability of Hong Kong. THB also encourages the public to walk more, ride less, thus reducing the use of mechanised transport for short-distance commuting with a view to alleviating traffic congestion, improving air quality and making walking an integral part of life in Hong Kong as a sustainable city, thereby developing Hong Kong into a more walkable city.

To achieve the aforesaid policy goals, THB has been steering the Highways Department (HyD) in their maintenance of public footpaths to ensure the safety and serviceability of public footpaths. THB has also provided policy support to HyD to review such work, with a view to expediting progress and enhancing the effectiveness. Regarding maintenance works for public footpaths, THB will review HyD's performance in meeting the stipulated key performance measures, while HyD will also report to THB on special incidents related to road maintenance. For instance, during the social unrest, some

60 kilometres of railings and 22 000 square metres of paving blocks of footpaths were removed. In order to repair the facilities concerned as soon as possible, THB urged HyD to immediately implement interim measures to safeguard pedestrian safety, and to reinstate the railings as early as possible and improve the railing design to strengthen the connections between railings for better reinforcement. HyD has also repaired all damaged pavements of footpaths and has explored different options to enhance road pavement design.

THB will urge HyD to actively follow up and implement the recommendations of the Audit Report, and will request HyD to strengthen the checking of the contractors' submission of inspection reports, improve the monitoring of routine maintenance and enhance the Electronic Maintenance Management System to properly maintain all inspection and maintenance records. THB will oversee HyD in enhancing the management of the relevant works contracts, strengthening the monitoring of contractors and checking of works progress, and improving the planning of rehabilitation works with a view to expediting the maintenance progress. THB also supports HyD to make good use of innovative technology to enhance efficiency by developing a new digital management system to strengthen the inspection of contractors' road maintenance work in a more cost-effective manner.

In addition, THB attaches great importance to pedestrian safety when formulating initiatives in enhancing walkability and urges the Transport Department to take appropriate measures, including publicity and education programmes, to create a pedestrian-friendly and safe environment. THB has also been supporting HyD in carrying out beautification works for road structures including bridges and subways and has been carrying out renovation and beautification works for some 300 bridges and subways and about 10 880 lamp posts from 2017 to mid-2022. HyD will continue the beautification works with a view to providing a comfortable pedestrian environment for the public.

THB will continue to oversee the works of relevant departments and actively follow up on the recommendations in the Audit Report to provide a safer environment for pedestrians.

Yours sincerely,



( Wakeman FUNG )

for Secretary for Transport and Housing

Encl.

c.c.

Secretary for Financial Services and the Treasury

Director of Highways

Commissioner for Transport

Director of Audit



**HIGHWAYS DEPARTMENT**

5<sup>TH</sup> FLOOR, HO MAN TIN GOVERNMENT OFFICES  
88 CHUNG HAU STREET, HOMANTIN, KOWLOON, HONG KONG  
Web site : <http://www.hyd.gov.hk>

**路政署**

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本署檔案 Our Ref. : ( ) in HyD CR 4/35/1  
來函檔號 Your Ref. : CB4/PAC/R77  
電話 Tel. : 2762 3310  
圖文傳真 Fax : 2714 5203

10 June 2022

Clerk to Public Accounts Committee  
Legislative Council,  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong

(Attn: Ms. Wendy JAN)

Dear Madam,

**Public Accounts Committee**

**Consideration of Chapter 1 of the Director of Audit's Report No. 77**

**Highways Department: Maintenance of public footpaths**

Thank you for your letter of 20 May 2022. The requested response and information set out in your letter are attached at the **Annex**.

Yours faithfully,

( Iman W M LAI )  
for Director of Highways

c.c.	STH	(email: <a href="mailto:sthoffice@thb.gov.hk">sthoffice@thb.gov.hk</a> )
	SDEV	(email: <a href="mailto:sdev@devb.gov.hk">sdev@devb.gov.hk</a> )
	SFST	(email: <a href="mailto:sfst@fstb.gov.hk">sfst@fstb.gov.hk</a> )
	Director of Audit	(email: <a href="mailto:john_nc_chu@aud.gov.hk">john_nc_chu@aud.gov.hk</a> )
	C for T	(email: <a href="mailto:comr@td.gov.hk">comr@td.gov.hk</a> )

**Public Accounts Committee**  
**Consideration of Chapter 1 of the Director of Audit's Report No. 77**  
**Highways Department: Maintenance of Public Footpaths**

**Part 1: Introduction**

- (a) **With reference to Table 1 in paragraph 1.3 of the Audit Report, please advise the procedures for handling complaints received by the Highways Department (“HyD”) about damaged footpaths and cases in which members of the public alleged having sustained injuries and lodged claims for compensation;**

Under the terms of the Highways Department’s (HyD) term contracts, the contractors are required to handle public complaints in relation to damaged footpaths under their respective purview. Upon receipt of complaints about damaged footpaths, HyD will arrange the term contractor concerned to conduct timely site inspections and carry out necessary repair works as appropriate. For most public complaint cases involving damaged footpaths, HyD has been able to complete the follow up actions with a detailed reply provided to the complainants within 7 working days. For more complicated cases, HyD will provide interim replies within 7 working days, which will be followed by detailed replies as soon as information is available.

HyD has established procedures to handle public compensation claims alleged to be caused by facilities maintained by HyD. Upon receipt of a claim for compensation, HyD will request the contractor concerned to conduct an investigation. HyD will also carry out its own investigation and check road inspection records submitted by the contractor to verify if the contractors concerned have fulfilled their contractual obligations. HyD will then monitor the progress of the investigation carried out by the contractors and examine its findings. If the claim is considered to be justified after investigation, the contractor or its insurance company will liaise with the claimant direct to make arrangement for compensation. If the claim is considered to be not justified after investigation, the contractor will promptly notify the claimant of the investigation outcome. The claimant may write to HyD requesting for a review if he/she is not satisfied with the investigation results.

**Part 2: Inspection and routine maintenance works**

- (b) **With reference to Table 2 in paragraph 2.2 of the Audit Report, please advise:**
- (i) **the reasons for the significant increase in the estimated contract sum for the local road maintenance contracts for Hong Kong Island for the period from 1 April 2021 to 31 March 2025 (\$1,099**



**million for Contract G) when compared to the period from 1 April 2017 to 31 March 2021 (\$598 million for Contract B); and**

**(ii) the measures in place to attract more contractors to bid for local road maintenance contracts so as to enhance tender competition and avoid over reliance on a small number of contractors;**

(i) By the time when Contract B was tendered in 2016, the highway infrastructural works under the mega “Central - Wan Chai Bypass and Island Eastern Corridor Link” project have not yet been completed. As such, the estimated contract sum of Contract B did not include the maintenance costs associated with these new highway infrastructural facilities which were commissioned in 2019. In addition, HyD has specified the minimum number of designated workers to be deployed for the daily maintenance works, which is a new requirement, under road maintenance term contracts tendered after 2020 to improve the performance of road maintenance works. For Contract G, it has specified in the Contract that the contractor should deploy about 320 designated workers for carrying out daily maintenance works under the new requirement for the Hong Kong Island. The associated increase in resources deployed by the contractor of Contract G for maintenance of these new highway infrastructural works and that required for maintaining the specified designated maintenance work force throughout the contract period from 1 April 2021 to 31 March 2025, together with the increase in price level and beautification works of structures, were reflected in the estimated contract sum of \$1,099 million under Contract G.

(ii) In order to attract more contractors to participate in HyD’s road maintenance works, we have adopted the strategy of splitting large local road maintenance term contracts into smaller scale contracts. In this regard, HyD has split Contract A (local road maintenance term contract for New Territories West) into two separate local road maintenance contracts, namely Contract H for Tuen Mun and Yuen Long districts and Contract I for Tsuen Wan and Kwai Tsing districts in 2020. As a result, the number of local road maintenance term contracts has increased from 6 in 2020 to 7 in 2021.

At present, there are 62 contractors in Group C under the Category of Roads and Drainage in the List of Approved Contractors for Public Works who can bid for HyD’s local road maintenance term contracts. We have imposed tender restrictions such that each contractor can only undertake one term contract within the same region, i.e. at most one in the Urban Region and one in the New Territories Region.

HyD will keep monitoring the situation for enhancing tender competition to avoid over reliance on a small number of contractors.

**(c) With reference to paragraph 2.3 of the Audit Report, please advise:**

- (i) **the circumstances under which HyD will exercise its right of early termination of local road maintenance contracts;**
- (ii) **in addition to the measures mentioned in paragraph 2.3(b) in the Audit Report, whether any other mechanisms or measures were in place to prevent contractors from submitting falsified information. If yes, the details; and**
- (iii) **whether HyD will debar contractors who have committed serious misconduct from participating in the tendering for future local road maintenance contracts or remove them from the list of approved contractors. If yes, the details; if no, why not;**

(i) According to the relevant provisions stipulated in the term contracts, the major circumstances under which HyD will consider exercising its right of early termination of local road maintenance contracts include:

- (a) Sustained poor performance in the execution of works;
- (b) Unsatisfactory capability of the contractor in the technical, commercial or financial aspect;
- (c) The contractor is no longer on the List of Approved Contractors for Public Works; and
- (d) Repeated convictions under relevant employment related legislations.

(ii) After implementing the measures mentioned in paragraph 2.3(b) of the Audit Report, HyD had not found further falsified photo records in inspection reports submitted by contractors. HyD has also deployed additional resources to carry out more auditing and inspection on contractors' road maintenance works.

(iii) Pursuant to the Contractor Management Handbook issued by the Development Bureau (see relevant extract at **Appendix A**), there is an established mechanism to impose regulating action on a contractor on the List of Approved Contractors for Public Works (the Approved List) which has committed acts of misconduct or suspected misconduct. As a general rule, a contractor which has committed misconduct or suspected misconduct will be mandatorily suspended from tendering for public works contracts and the period of suspension will be determined taking into consideration the facts and circumstances of the case. If a misconduct is serious in nature, the contractor will be removed from the Approved List.

For the case involving the contractor of Contract B, regulating action had been taken in accordance with the established mechanism to suspend that contractor from tendering for all categories of public works from 12 November 2020 to 16 November 2021. Prior to uplifting the suspension, the contractor had been required to complete an independent audit to demonstrate that it has properly implemented improvement measures to prevent recurrence of similar incident in the future.

**\*Note by Clerk, PAC: Appendix A not attached.**

**(d) With reference to paragraphs 2.5(b), 2.14 and 2.17(d) of the Audit Report regarding the use of the Electronic Maintenance Management System, the Mobile Data Collection System and the development of the new digital management system, please advise:**

**(i) how the new digital management system could facilitate HyD's supervision on road maintenance works and the progress of the development of the new system; and**

**(ii) how HyD will make use of information technology to enhance the effectiveness in managing the maintenance of public footpaths;**

(i) The new digital management system will digitalise the capturing of works information on site during Engineer's Inspections (EIs) and Engineer's Audits (EAs), and the reporting of completion of works for centralised storage. It can streamline the workflow as stipulated under the established guidelines with relevant records kept in the system for easy retrieval. The system can also facilitate the compilation of statistics for monitoring compliance with relevant requirements of the contract or guidelines. The system development already commenced in April 2022 for completion in Q4 2022 for trial.

(ii) With the new digital management system in place, the workflows related to EIs, EAs, and checking of reports on completion of works can be digitalised for process review and information retrieval more expeditiously. Comparing with the existing paper-based workflow, under which HyD's staff record and send to contractors the results of EIs and EAs using paper forms, and monitor the progress of defect rectification works and submission of reports manually, the system will automatically send the results of EIs and EAs and notification to contractors to follow up on the rectification of defects identified in EIs, and issue reminders for delay in completion of defect rectification works and submission of reports on completion of works. The digitalisation of EAs can therefore reduce the processing time required for paper work such that manpower resources can be better utilized and deployed for conducting site supervision of the contractors' road maintenance works, and errors could be minimised with the automated system. The digital records on defects identified in EIs and performance standards evaluated in EAs will form a comprehensive database, which centralise all relevant maintenance records and data. This will not only reduce the time required in processing and transmission of the relevant records, but will help monitor the progress of defect rectification works, and will provide information for better planning of the maintenance works. These improvements are expected to enhance the effectiveness in managing the maintenance of public footpaths, such that road defects and completion of works are timely rectified and reported respectively.

**(e) With reference to paragraph 2.13(a) of the Audit Report, please explain:**

**(i) why HyD had notified the contractors more than 24 hours**

**(ranging from 3 to 20 days) before conducting Engineer's audit in 11 cases; and**

**(ii) whether non-compliance with the notification requirement (normally not more than 24 hours) would nullify the effect of surprise checking of Engineer's audits;**

(i) It must be emphasized that for those 11 cases concerned, the contractors were only informed of the date and time for EAs to facilitate the contractors to arrange staff to be present on site/prepare the necessary equipment (e.g. working tools such as shovel and crowbar) for EAs as stated in Note 21 of the Audit Report. The sites of the EAs would be selected at random by an independent team of HyD shortly before the EAs and the contractors would only be notified of these selected sites within 2 hours of the EAs. In response to Audit's recommendation, HyD has already issued reminders to its staff that they should strictly follow the requirements when conducting EAs.

(ii) The sites of the EAs would be selected randomly by an independent team of HyD shortly before the EAs and the contractors would only be notified of these selected sites within 2 hours of the EAs. The contractors would not therefore be able to carry out any advanced works on site. As such, we consider the advance notification in the 11 cases would not nullify the effect of surprise checking of the EAs.

**(f) With reference to paragraph 2.14(a) of the Audit Report, please advise the measures taken/to be taken, such as the use of information technology, to ensure the compliance on the frequency of conducting Engineer's inspections by HyD's staff as stipulated in HyD's guidelines, and the time frame for implementation of the measures;**

In order to better manage the workflow for HyD's staff to conduct EIs and the associated record-keeping / statistics-compilation work, HyD has commenced developing a new digital management system for handling of the records for EIs, EAs, and reports on completion of works. The system will also facilitate the compilation of statistics on EIs, EAs and reports on completion of works, and the issue of reminders if there is any sign of deviation from the requirements of the contract or departmental guidelines. With relevant records to be kept in the new system, the information can more easily be retrieved regularly for compilation of statistical reports for monitoring the EIs conducted by HyD's staff. The system development already commenced in April 2022 for completion in Q4 2022 for trial.

**(g) With reference to paragraphs 2.29 to 2.30 of the Audit Report regarding the two rounds of field inspections conducted by the Audit Commission to 35 footpaths in five districts which were subject to routine inspection once every seven days, please advise:**

**(i) whether any clear guidelines and procedures are in place to**

**facilitate contractors' identification of defects which may cause dangers to road users and need to be rectified immediately and defects which are unlikely to pose danger and serious inconvenience to road users and do not require immediate rectification. If yes, a copy of such guidelines and procedures; if no, why not;**

**(ii) in addition to the issuance of default notices, whether other sanctions had been imposed on the contractors concerned for their failure in the identification of defects which might cause dangers to road users and need to be rectified immediately during the routine inspections. If yes, the details; and**

**(iii) whether HyD would consider, for the sake of safeguarding the safety of road users, enhancing the scope of routine inspections of footpaths, including the scope of defects which required immediate rectification and the scope of defects to be recorded in routine inspection reports for follow up. If yes, the details and timetable; if no, why not;**

- (i) There are clear guidelines and procedures to facilitate contractors' identification of defects which may cause danger to road users and need to be rectified immediately and those which are unlikely to pose danger and serious inconvenience to road users and do not require immediate rectification. While defects under the former category will receive immediate rectification, HyD requires its contractors to monitor the defects under the latter category and rectify them immediately in case they deteriorate.

Routine Inspections are designed to identify all defects that are likely to create danger or serious inconvenience to users of the network (i.e. defects which need to be rectified immediately). The relevant guidelines and procedures for conducting Routine Inspections are provided under Section 6 in the Road Inspection Manual (RIM) (see **Appendix B**). In particular, Section 6.4 of the RIM covers examples of defects to be identified at Routine Inspections.

Detailed Inspections are designed to record only those types of defects likely to require routine maintenance (i.e. defects which are unlikely to pose danger and serious inconvenience to road users and do not require immediate rectification). The relevant guidelines and procedures for conducting Detailed Inspections are provided under Section 7 of the RIM (see **Appendix B**). In particular, Section 7.3 of the RIM covers examples of defects to be identified at Detailed Inspections.

- (ii) For the case concerned, in addition to the issuance of default notices, HyD had also reflected the contractors' poor performance in their quarterly performance reports in accordance with the guidelines in the Contractor Management Handbook. The contractors' performance records will have impact on their overall performance score which will in turn affect their

**\*Note by Clerk, PAC: Appendix B not attached.**

chance of being awarded future public works contracts.

(iii) For the sake of safeguarding the safety of road users, defects which required immediate rectification are to be identified in Routine Inspections as mentioned in Item (g)(i) above. HyD will continue reviewing the inspection requirements including the scope and frequencies from time to time with due consideration of the resources implications.

(h) **With reference to paragraphs 2.33 and 2.35(c) of the Audit Report, please advise the details and timeline of the review on the wording of contract provisions in future contracts to ensure contractors' compliance with the routine inspection frequency for footpaths of high significance;**

HyD has already completed the review and revised the contract provisions on the frequency for Routine Inspections for footpaths. The revised table 37.14B as attached at Appendix C has been adopted, where the frequency for Routine Inspections for footpaths is clearly specified under the new local road maintenance contracts commenced in April 2022. HyD will keep track of the reports submitted by contractors after their routine inspections to ensure contractors' compliance with the routine inspection frequency for footpaths of high significance.

(i) **According to paragraph 2.35 of the Audit Report, HyD is keeping close monitoring of the conditions of the 169 defects which did not require immediate rectification and will arrange immediate rectification works when necessary. Please advise how HyD can closely monitor the conditions of these defects given that they will only be recorded during detailed inspections which are conducted once every six months;**

Contractors have already rectified all these 169 defects. Generally speaking, for defects which do not require immediate rectification, the contractors will closely monitor the conditions of these defects during Routine Inspections. If these defects later deteriorate and require immediate rectification, the contractors will take follow up actions accordingly. In any case, these defects will be recorded during Detailed Inspections for rectification works to follow.

### **Part 3: Non-routine maintenance and rehabilitation works**

(j) **with reference to paragraph 3.10 of the Audit Report regarding the 120 works orders relating to non-routine maintenance works of public footpaths selected by the Audit Commission for examination, please advise:**

(i) **why the contractors had failed to submit the reports on completion of work within two days after completion of works for 91 (76%) works orders (paragraph 3.10(b) of the Audit Report**

*\*Note by Clerk, PAC: Appendix C not attached.*

refers);

- (ii) **why HyD had failed to check whether the works had been satisfactorily completed within two working days from the date of receipt of the reports on completion of works from the contractors in 41 works orders (paragraph 3.10(c) of the Audit Report refers); and**
- (iii) **in view of the above, whether HyD will come up with measures to prevent late submission of reports on completion of works by contractors and delay in checking completion of works by HyD, say reviewing the deadline for submission of reports on completion of works by contractors and the deadline for checking completion of works by HyD;**

- (i) As mentioned in paragraph 3.10(b) of the Audit Report, the reports on completion of works were paper-based documents prepared after completion of the works, and the new digitalisation system will help address the issue as it could facilitate HyD's monitoring of the timely submission of reports from the contractors, who also have a more convenient and efficient channel to submit their reports upon completion of works.
- (ii) As mentioned in paragraph 2.9 of the Audit Report, work-from-home arrangement had been implemented for government employees in light of the coronavirus disease (COVID-19) epidemic for 7 months during the period from April 2020 to March 2021. During such period, HyD manpower was mainly deployed for maintaining emergency works and essential public services. In this connection, some of the completed non-routine footpath maintenance works could not be checked by HyD staff within the required time frame as stipulated in the Maintenance Administration Handbook.
- (iii) As regards the late submission of reports on completion of works, HyD has duly reflected contractors' pertinent unsatisfactory performance in the contractors' performance reports. HyD has also reminded contractors to ensure that the reports on completion of works under works orders are timely submitted. On the other hand, HyD has also reminded its staff to conduct checking on works completion within the time limit stipulated in Maintenance Administration Handbook.

As mentioned in item (d) above, HyD is also developing a new digital management system which will include the digitalisation of workflow related to checking of completion reports for non-routine maintenance works. The system can facilitate HyD's monitoring of the timeliness of report submission upon completion of works by contractors and the timeliness of checking completion of works by HyD.

- (k) **With reference to paragraphs 3.12 to 3.14 of the Audit Report, please advise:**

- (i) reasons for the delay in the submission of dimension books by contractors for 360 (72%) works orders as of June 2021;**
- (ii) while the 2011 audit review had highlighted that late submission of dimension books was one of the reasons for delays in finalizing works orders, why the problem still existed after a lapse of 10 years; and**
- (iii) in addition to the measures mentioned in paragraph 3.16(f) of the Audit Report, whether HyD will come up with other measures to ensure timely submission of dimension books by contractors. If yes, the details; if no, why not;**

(i) Regarding the delay in submission of dimension books by contractors for 360 works orders as of June 2021, for some cases, contractors had not been able to deploy sufficient manpower resources to timely complete the dimension books. For other cases, the delay was mainly due to the longer time required for assessment of extension of time claims by the contractors. To address the delay, HyD had added a new standing discussion item in the regular progress meetings with the contractors to closely monitor the timely submission of dimension books by contractors.

(ii) According to the contractors, for some of the works orders, the submission of dimension books hinged on other contractual matters such as assessment of extension of time claimed by contractors. For other cases, the contractors have prioritised their manpower resources for planning and implementation of maintenance works, handling of emergency incidents and the planning and implementation of urgent maintenance works. In this connection, they had not been able to deploy sufficient manpower resources to timely complete the dimension books.

Since 2011, HyD had already put in place a measure under its local road maintenance contracts to recover from the contractor all previous interim payments under a works order if the contractor fails to submit the dimension book within 90 days of the date of completion of the works order without justified reasons to ensure late submission of the dimension books will not lead to any overpayment. As mentioned in (i) above, HyD will closely monitor the submission status with the contractor under the newly-added standing discussion item in their regular progress meetings.

(iii) HyD had already put in place a measure under its local road maintenance contracts to recover from the contractor all previous interim payments under a works order if the contractor fails to submit the dimension book within 90 days of the date of completion of the works order without justified reasons. HyD will also monitor the submission status under the newly-added standing discussion item in the regular progress meetings with the contractors.



- (l) With reference to paragraph 3.18(a) and Note 31 of the Audit Report regarding the 228 rehabilitation projects for public footpaths approved by HyD between April 2015 to March 2021, please provide the number of projects which were not completed as scheduled, the reasons for the delay and the amount of penalties (if any) imposed on the contractors concerned due to the delay in the projects;**

HyD issued a total of 675 works orders for these 228 public footpath rehabilitation projects. Of the 675 works orders, 626 (93%) had been completed within the time for completion as stated on works orders. Amongst the remaining 49 (7%) works orders (under 38 rehabilitation projects), the contractors could not complete 37 works orders on time and total liquidated damages of about \$800,000 had been imposed upon the contractors concerned. The assessment for the causes of delay of the remaining 12 works orders was in progress.

- (m) According to Table 10 in paragraph 3.18(b) of the Audit Report, the project costs of six completed rehabilitation projects had been over-estimated, ranging from 27% to 200%. Please advise:**

- (i) the reasons for the over estimation of the approved estimate for rehabilitation projects 1 to 4 and rehabilitation project 6; and**
- (ii) the measures taken/to be taken by HyD to improve the accuracy of project estimates for future rehabilitation projects;**

- (i) The main reasons for the over estimation of the approved estimate for rehabilitation projects 1 to 4 and rehabilitation project 6 are as follows:

- (a) Deletion of part of the works leading to savings under rehabilitation project;
- (b) Due to urgency of the project, HyD had estimated the project costs based on desktop study to expedite the issue of works order. The actual amount of works measured on site was less than that originally estimated, resulting in reduction in project cost; and
- (c) HyD had made allowance in the cost estimate to take into account potential discrepancies in measurement due to the differences in the estimated and actual road width and presence of obstructions on site. The actual amount of works measured on site was less than that originally estimated, resulting in reduced project cost.

- (ii) To make assessment of site conditions more comprehensive, HyD has updated its guidelines so as to gain a better understanding of the site through revised inspection requirements, thereby improving the accuracy of project estimates for future rehabilitation projects as far as practicable.

- (n) According to paragraph 3.18(c) of the Audit Report, upon completion of the works funded by Head 706 (Highways) Subhead 6100TX block allocation, accounts should be finalized and approval to delete the items**

**from block vote 6100TX should be sought as early as practicable to avoid unnecessary lock-up of resources. Please advise the measures taken/to be taken by HyD to ensure timely finalization of account so as to release unused funds; and**

HyD had reminded its staff to regularly review the funding requirement of the works funded by Head 706 (Highways) Subhead 6100TX block allocation and delete items after finalization in a timely manner. In fact, the annual allocations under Subhead 6100TX in Financial Years 2020/21 and 2021/22 had been spent to 99.9% and 99.0% of the allocation respectively.

#### **Part 4: Other related issues**

- (o) **Referring to paragraph 4.8(b) of the Audit Report regarding the site trials for new eco-pavers, please advise the progress of the site trials and measures taken/to be taken by HyD to ensure stable supply of new eco-pavers.**

HyD has already commenced the site trials for new eco-pavers at 11 locations since the fourth quarter of 2021. Up to May 2022, site works for 5 out of 11 planned site trial locations have been completed and HyD will progressively complete works at the remaining locations in the third quarter of 2022. Should the site trial results of the new eco-pavers be satisfactory, HyD will review the feasibility of a wider use of the new eco-pavers under the local road maintenance contracts.

HyD has mandated the use of eco-pavers with locally recycled glass cullet under local road maintenance contracts since 2010. The supply of the eco-pavers has been generally stable throughout these years. HyD will closely monitor the situation to ensure a stable supply of the new eco-pavers.

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12 May 2022

The Public Accounts Committee  
Legislative Council Complex  
1 Legislative Council Road,  
Central, Hong Kong  
(Attn.: Ms Wendy JAN)

**By Email:** [wyjan@legco.gov.hk](mailto:wyjan@legco.gov.hk)

Dear Ms JAN,

**Public Accounts Committee**  
**Consideration of Chapter 1 of the Director of Audit's Report No. 77**  
**Highways Department: Maintenance of public footpaths**

Thank you for your letter dated 29 April 2022 to the Secretary for Transport and Housing concerning the captioned Chapter 1 of the Director of Audit's Report. Having consulted the Highways Department (HyD), please find our response in the Annex to this letter to facilitate consideration of the matter by the members of the Public Accounts Committee.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Wakeman FUNG', written in a cursive style.

( Wakeman FUNG )  
for Secretary for Transport and Housing

Encl.

c.c.  
Secretary for Financial Services and the Treasury  
Director of Highways  
Commissioner for Transport  
Director of Audit

**Response to questions asked and information requested by  
the Public Accounts Committee of the Legislative Council for  
consideration of Chapter 1 of the Director of Audit’s Report No. 77  
Highways Department: Maintenance of public footpaths**

**Part 1: Introduction**

*(a) with reference to Table 1 in paragraph 1.3 of the Audit Report, please advise:*

- (i) the total amount of claims involved each year; and*
- (ii) the numbers of complaints and claims arising from allegations of improper maintenance or inadequate inspections by contractors each year, and details of such cases;*

(i) The Highways Department (“HyD”) attaches great importance to the repairs and maintenance of the public roads (including footpaths) and ancillary facilities within its ambit. Regular inspections of public roads are conducted across the territory, and HyD has strived to carry out repairs and maintenance in a timely manner, with a view to keeping the roads in good condition and ensuring the safety of road users.

Table 1 in paragraph 1.3 of the Audit Report shows the numbers of complaints about damaged footpaths and cases in which members of the public alleged having sustained injuries and lodged claims for compensation from January 2016 to July 2021.

The total amount of claims indicated by the claimants is as follows:

	2016	2017	2018	2019	2020	2021 (Up to July)
Total amount of claims (\$ million)	0.79	1.58	6.60	4.27	3.85	0.53

- (ii) Upon receipt of complaints about damaged footpaths, HyD will arrange the maintenance contractors to carry out timely site inspections and necessary repair works. Most of the complainants will provide descriptions of the footpath damages in the complaints without indicating the perceived causes of damages. The most common footpath damages include footpath unevenness, damaged pavement, damaged paving blocks, loosened paving blocks and subsided paving blocks. For the majority of complaints about footpath damages handled during the period from January 2016 to July 2021, the complainants did not have further comments after receiving HyD's replies informing them of the completion of repair works. As such, HyD does not have information on the number of complaints arising from allegations of improper maintenance or inadequate inspections by contractors each year. Similarly, while it is difficult to delineate the claims arising from such allegations, there were a total of 147 cases in which members of the public alleged having sustained injuries and lodged claims for compensation from January 2016 to July 2021 as set out in Table 1 in paragraph 1.3 of the Audit Report.

***(b) according to paragraph 1.5(d) of the Audit Report, the contractors are entitled to a monthly fee for each type of services provided under management and maintenance provisions, and payment deductions will be made if performance standards are not achieved. Please advise:***

- (i) ***details of the payment deduction mechanism, including the calculation method; and***
- (ii) ***under each local road maintenance contract administered by the Highways Department ("HyD"), the total amount of deduction up to March 2021 and its proportion to the estimated contract sum;***
- (i) Payments to the contractors for management and maintenance ("M&M") works are performance-linked. A contractor's performance is measured on a quarterly basis according to contract provisions. HyD has adopted the following

independent checking procedures in monitoring the contractor's performance:

Engineer's audits ("EAs")

HyD staff carry out EAs, on a sample basis, on M&M works performed by the contractors. An inspection conducted by a contractor is regarded as defective if an EA has identified more than one defect not included in the section report of the contractor. Monthly payments to the contractor for the M&M works according to contract provisions will be progressively reduced if more defective inspections are found.

Defect percentage (%)*	Entitlement to monthly sum for conducting inspections and undertaking associated general road maintenance works in the relevant 3-month period (%)
Not exceeding 5	100
Exceeding 5 but not exceeding 10	90
Exceeding 10 but not exceeding 15	80
Exceeding 15 but not exceeding 20	70
Exceeding 20 but not exceeding 25	50
Exceeding 25 but not exceeding 30	30
Exceeding 30	0

\* The defect percentage is calculated on a 3-month average. It composes of (A) the number of inspections under which defects were identified; and (B) the total number of inspections performed by HyD. The percentage is calculated by dividing (A) by (B) x 100%.

Engineer's inspections ("EIs")

HyD staff also select sites to conduct visits during the execution of works to ascertain whether the contractors have carried out M&M works (i.e. inspection and routine maintenance works) in accordance with the contracts. For non-compliance observed during EIs, HyD will issue a DN to the contractor and a fixed sum will be deducted from the contract payments. A sample summary of payment deduction for DN of various types of defaults is attached at **Appendix A**.

- (ii) Referring to Table 2 of the Audit Report, the total amount of deduction from contract commencement up to 31 March 2021 and its proportion to the estimated contract sum of each local road maintenance contract are attached at **Appendix B**.

**Part 2: Inspection and routine maintenance works**

***(c) referring to paragraph 2.2(a) of the Audit Report, a copy of the Road Inspection Manual issued by HyD;***

A copy of the Road Inspection Manual is attached at **Appendix C**.

***(d) with reference to Table 2 in paragraph 2.2 of the Audit Report, a sample of the local road maintenance contracts administered by HyD;***

Contract documents include –

- (1) Articles of Agreement;
- (2) Letter of Acceptance;
- (3) Correspondence forming part of the Contract;
- (4) Form of Tender;
- (5) Contractor's technical resources and technical proposal;
- (6) General Conditions of Contract;
- (7) Special Conditions of Contract;
- (8) Particular Specification;
- (9) Appendix to the Particular Specification and its Annexes;
- (10) Preambles, Units and Method of Measurement to the Schedule of Rates;
- (11) Schedule of Rates; and
- (12) Relevant additions/amendments and Drawings.

**\*Note by Clerk, PAC: Appendices A and C not attached.**

The part relevant to maintenance works is Particular Specification Clauses 37.14 and 37.15. The table of content of Particular Specification Section 37 and a sample of Particular Specification Clauses 37.14 and 37.15 of the local road maintenance contract covering Kowloon West (Contract F) are attached at **Appendix D**. Parts under Particular Specification Section 37 that are not relevant to road maintenance can be provided upon request.

*(e) according to paragraph 2.2 of the Audit Report, HyD has issued guidelines for each local road maintenance contract to provide a reference to its maintenance staff in carrying out their work. Please provide a sample of the guidelines;*

A sample of the guidelines for the road maintenance contract covering Kowloon West (Contract F) is attached at **Appendix E**.

*(f) according to paragraph 2.5(a)(i) of the Audit Report, routine inspections and detailed inspections had not been conducted for 110 roads from April 2020 to March 2021. Please provide a breakdown of these 110 cases by contractors and locations, and follow-up actions taken by HyD on these cases;*

As noted in paragraph 2.5(a)(i) in the Audit Report, upon HyD's further checking during the audit, 95 roads (including extended sections of main roads) out of the 110 roads had been inspected already together with the main roads nearby and included in the same inspection reports, and therefore these 95 roads have not been covered in separate inspection reports.

The remaining 15 roads (which included some minor rural roads in Outlying Islands and other roads), equivalent to 0.5% of 3,312 roads maintained by HyD, had not been conducted routine inspections nor detailed inspections from April 2020 to March 2021.

When the omissions were brought to the attention of HyD in September 2021, the department immediately required the concerned contractors to include these 15 omitted roads into the inspection programmes and

**\*Note by Clerk, PAC:**  *Appendices D and E not attached.*



the inspections for those roads have been completed. HyD issued DN's to relevant contractors for the omitted inspections.

A breakdown of these 110 roads by contractors and locations is attached at **Appendix F**.

*(g) with reference to paragraph 2.30 of the Audit Report, the relevant extracts of the contract provisions in Contracts E and F on the types of defects to be identified in routine inspections;*

In general, the types of defects to be identified in routine inspections include potholes, damaged paving blocks, damaged railings, and damaged traffic signs.

The relevant extracts of the contract provisions in Particular Specification Clause 37.14(i) of Contracts E and F on the types of defects to be identified in routine inspections are attached at **Appendix G** and **Appendix H** respectively.

*(h) according to paragraph 2.30(c) of the Audit Report, of the 183 defects identified by the Audit Commission in July 2021, 14 (8%) defects might cause dangers to road users, while 169 (92%) defects were unlikely to pose danger and serious inconvenience to road users. Please provide a breakdown of these 14 and 169 defect cases respectively by contractors and locations;*

Contractors have already rectified all these 183 defects. For those 14 defects requiring immediate rectification but have not been timely recorded and rectified during the Routine Inspection, DN's have already been issued accordingly.

A breakdown of these 14 and 169 defect cases respectively by contractors and locations is attached at **Appendix I** and **Appendix J** respectively.

**\*Note by Clerk, PAC:** Appendices F to J not attached.

### **Part 3: Non-routine maintenance and rehabilitation works**

***(i) referring to paragraph 3.4 of the Audit Report, a copy of HyD’s Maintenance Administration Handbook;***

In response to audit recommendations in relation to HyD’s Maintenance Administration Handbook (“MAH”), HyD has reminded its staff to fully comply with the requirements as set out in MAH in issuing covering works orders and its contractors to submit hidden works records in accordance with the requirements of MAH. HyD has also reminded its staff to conduct checking on works completion within the time limit stipulated in MAH. With a view to managing the workflow of submissions and checking for supervising non-routine maintenance works more effectively and enhancing record keeping, HyD is developing a new digital management system to facilitate supervision of the road maintenance works. The system will also cover procedures related to hidden works records and reports on completion of works. The development of the system commenced in April 2022 and is expected to be completed by Q4 2022.

A copy of HyD’s MAH is attached at **Appendix K**.

### **Part 4: Other related issues**

***(j) referring to paragraph 4.13 and 4.16 of the Audit Report, a copy of the “Guidelines for the Provision and Design of Pedestrian Railings” issued in July 2017 and its supplementary guidelines issued in October 2020;***

Copies of the Transport Department’s Departmental Circular “Guidelines for the Provision and Design of Pedestrian Railings” and “Supplementary Guidelines on Provision of Pedestrian Railings” are attached at **Appendix L** and **Appendix M** respectively.

**\*Note by Clerk, PAC:**  *Appendices K to M not attached.*

## Appendix B

### Summary of Fee Deduction

Contract	Designated contract area	Contract period	Year of Service (up to 31 March 2021)	(A) Total Deducted Fee of roads* (including carriageways, cycle tracks and footpaths)	(B) Estimated Contract Sum <sup>^</sup>  (HK\$ million)	(C) Total Estimated Fee for M&M works of roads <sup>^</sup>  (HK\$ million)	(D) = (A) / (B) Proportion of Deducted Fee (including carriageways, cycle tracks and footpaths) to Estimated Contract Sum (%)	(E) = (A) / (C) Proportion of Deducted Fee of roads (including carriageways, cycle tracks and footpaths) to Total Estimated Fee for M&M works of roads <sup>^</sup> (%)
A	New Territories West	1.4.2015 - 31.3.2021 (6 years)	6	10.40	632.00	138.01	1.65%	7.54%
B <sup>#</sup>	Hong Kong Island	1.4.2017 - 31.3.2021 (4 years)	4	23.45	598.00	59.02	3.92%	39.73%
C	Tai Po and North Districts	1.4.2016 - 31.3.2022 (6 years)	5	1.22	371.00	32.22	0.33%	3.80%
D	Sha Tin, Sai Kung and Islands Districts	1.4.2018 - 31.3.2024 (6 years)	3	13.81	418.00	47.28	3.30%	29.21%
E	Kowloon East	1.4.2018 - 31.3.2024 (6 years)	3	0.92	483.00	52.39	0.19%	1.75%
F	Kowloon West	1.4.2020 - 31.3.2026 (6 years)	1	1.49	809.00	5.11	0.18%	29.14%

**Remark:**

\* The fee deduction included those for management and maintenance (M&M) works on carriageways, cycle tracks and footpaths as a whole.

<sup>^</sup> Each contract covers maintenance works of roads, highway structures and highway slopes. Its estimated contract sum (i.e. column B) includes M&M works, and non-routine maintenance and rehabilitation works. Thus, column (E) is added which is the proportion of the deducted fee of roads (i.e. column A) to the total estimated fee for M&M works of roads (i.e. column (C)).

<sup>#</sup> The contract was terminated in March 2021, two years before its original completion date of March 2023, as the pertinent contractor's performance was unsatisfactory.

**By E-mail**

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10 June 2022

Public Accounts Committee

Legislative Council Complex  
1 Legislative Council Road  
Central  
Hong Kong  
(Attn: Ms. Wendy JAN)

Dear Madam,

**Public Accounts Committee**

**Consideration of Chapter 1 of the Director of Audit's Report No. 77**

**Highways Department: Maintenance of public footpaths**

I refer to your above quoted letter of 20 May 2022 addressed to Commissioner for Transport for follow-up enquiries concerning the Chapter 1 of the Director of Audit's Report No. 77.

The provision of railings was highly related to the specific characteristics of a street as well as pedestrian behaviour, records relating to review of railing provisions (including the received complaints, accident records, planning of traffic improvement works and etc.) were kept under individual street/road files which could be retrieved readily through Transport Department (TD)'s Electronic Documents Management System, whenever necessary.

The review of railing provisions would be regularly reported and the progress of relevant works, including the removal, installation and revision of railings covered under Works Requests issued to Highways Department would be reviewed at the senior management meeting in TD, and appropriate follow up actions would be taken against those delayed works.

2/...

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TD agreed with the audit recommendation to create a dedicated database to record the review of railing provisions, which will cover the road section, recommended works, scheduled and actual completion date, reasons for not implementing the recommended works and etc. As per the audit recommendations, the dedicated database will be updated on a yearly basis to facilitate management monitoring and review of relevant progress. The aforesaid dedicated database is anticipated to put in use in Q4 2022.

TD will keep on stepping up efforts in demonstrating to the public the benefits of suitably removing railings without compromising safety through appropriate consultation, explanation, site meeting etc. with a view to consolidating public support to the railings decluttering proposals. For example, with appropriate explanation, TD had successfully secured the supports from local stakeholders to the removal of sections of railings at Caine Road outside Caritas House at Central, and at Factory Street outside Shau Kei Wan Centre at Shau Kei Wan. TD will also work with the Road Safety Council and the Hong Kong Police Force to promote road safety to pedestrians through various means and channels, such as social media platforms, publicity video clips and leaflets. Recent examples of publicity/education activities related to jaywalking included sharing safety tips for crossing roads in 50th, 55th and 56th issues of Road Safety Bulletin in March 2020, December 2021 and January 2022 respectively, and promoting pedestrians' road safety awareness and observing traffic rules via the Road Safety Council's social media platforms. In addition, at the regular working group meetings under the Road Safety Council, TD will continue to share information on accident blackspots (including those accidents blackspots related to pedestrians) for the Hong Kong Police Force's consideration when prioritising enforcement actions and publicity/education activities at district levels.

Yours faithfully,



( FU Shing-chi )

for Commissioner for Transport



c.c.  
Secretary for Transport and Housing  
Secretary for Financial Services and the Treasury  
Director of Highways  
Director of Audit

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pkwlai@legco.gov.hk)

Our reference 本署檔號 : EMSD CRA/4-35/2/1

Your reference 來函檔號 : CB4/PAC/R77

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1 June 2022

Ms Wendy JAN  
Clerk to the Public Accounts Committee  
Legislative Council Complex,  
1 Legislative Council Road,  
Central, Hong Kong

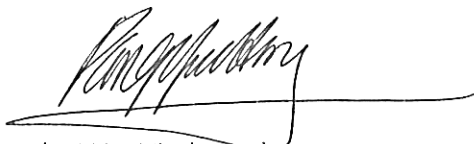
Dear Wendy,

**Public Accounts Committee**  
**Consideration of Chapter 2 of the Director of Audit's Report No. 77**  
**Kai Tak District Cooling System**

Thank you for the enquiries from the Public Accounts Committee under your letter dated 18 May 2022.

Please find attached our written reply in both Chinese and English for your perusal.

Yours sincerely,



( PANG Yiu-hung )

Director of Electrical and Mechanical Services

Encl.

c.c. Secretary for the Environment (Attn: Ms Fanny CHEUNG)  
Secretary of Development (Attn: Mr. Ricky YIU)  
Secretary of Financial Services and the Treasury (email: [sfst@fstb.gov.hk](mailto:sfst@fstb.gov.hk))  
Director of Audit (email: [john\\_nc\\_chu@aud.gov.hk](mailto:john_nc_chu@aud.gov.hk))

**Response and Supplementary Information of  
the Electrical and Mechanical Services Department  
on Kai Tak District Cooling System,  
Chapter 2 of Report No. 77 of the Director of Audit**

**PART 1: INTRODUCTION**

- 1) According to paragraph 1.9 (Please refer to Table 4) of Report No. 77 of the Director of Audit (“the Audit Report”), the completion dates of Contracts A to K of the Kai Tak District Cooling System (KTDCS) project (except Contract H and Contract K which were still in progress) were all delayed from their original contract completion dates for 1 to 16.4 months. Did such delay in the completion of the contracts affect other works contracts? Did it affect the planned timetable for the commencement of operation of the KTDCS?

Reply 1 :

Although the completion dates of individual works items under the KTDCS project were delayed due to inclement weather or other factors, other works contracts and the timetable for the commencement of operation of the district cooling system were not affected. The final completion date for the whole KTDCS project (i.e. end of 2025) will remain as scheduled to tie in with the development progress of the Kai Tak Development Area.

**Part 2: ADMINISTRATION OF KAI TAK DISTRICT COOLING SYSTEM PROJECT**

- 2) As indicated in paragraph 2.5 of the Audit Report, due to the congested underground utilities found at Locations A to D, i.e. the locations for pipe laying in the original design, Consultant X issued four variation orders (later valued at a total cost of \$6.4million) to instruct Contractor A to change the pipe laying method to trenchless method at the four locations. While the Kai Tak Development Area is a new development area, comprehensive information on the underground utilities should be available. In this regard, please advise:
- (a) Why did the information collected (including the site investigation work) by the Electrical and Mechanical Services Department (EMSD) and/or its consultants fail to reflect the

- actual situation accurately? Is it because the EMSD had not updated the relevant information regularly?
- (b) What were the measures taken by the EMSD to avoid recurrence of the same problem?
  - (c) What were the methods adopted by the EMSD to investigate the underground condition at the works area?
  - (d) Will the EMSD utilise innovative technologies to enhance the accuracy of the relevant information?
  - (e) Will the EMSD review the methods to communicate and coordinate with other departments to obtain a more accurate project estimation?

Reply 2 :

Although the Kai Tak Development Area is a new development area, there were underground utilities remaining in the area after the relocation of the Kai Tak Airport and new underground utilities were also laid. Before the tender exercise, the EMSD had coordinated with the utility undertakings and stakeholders to obtain the latest information of the underground utilities then; and carried out investigations (such as the ground penetrating radar survey) to further confirm the alignment and disposition of underground utilities. However, some sites that required investigation had been occupied by other works and the EMSD was unable to take possession of the site for investigation before the tender exercise. As a result, there were practical constraints in formulating the engineering design.

Building on the experiences gained, since 2013, the EMSD would take into account the actual situation of individual works, and entrust works to a single works department for management and construction. Since its implementation, the arrangement has been effective in resolving interfacing problems, and coordination of different works contracts was enhanced. Hence, the pipe laying works of the KTDCS were completed smoothly.

The EMSD will continue to liaise and coordinate with the stakeholders proactively and carry out works by way of entrustment where practicable, with a view to ensuring the smooth completion of the KTDCS as planned. In fact, the entrustment arrangement has been extended to cover the district cooling systems in other New Development Areas. At the same time, the EMSD will follow the latest guideline issued by the Development Bureau and work with other works departments to employ the Building Information Modeling (BIM) technology in the implementation of district cooling



systems in other New Development Areas, with a view to enhancing the coordination and accuracy of information concerning the underground utilities.

- 3) As mentioned in paragraphs 2.18(c) and 2.19(b) of the Audit Report about Contract B (i.e. Phase II), Consultant X instructed Contractor B to carry out additional builder's works (originally scheduled to be carried out in Phase III) and implement mitigation measures. Eventually \$47.2 million was paid to Contractor B. Please advise:
- (a) What would be the project cost if the relevant works were carried out in Phase III as originally planned?
  - (b) What are the benefits to the project in advancing the works to Phase II?
  - (c) Has the mitigation measure of using concrete filling as an alternative to the conventional backfilling construction method affected the project cost? Why was it not adopted initially?

Reply 3 :

It is more prudent to complete the builder's works in advance to tie in with the project development. Completing the builder's works before the commencement of operation of the district cooling system (i.e. under Phase II) can reduce the disturbance to the plants in operation, such as unnecessary interfacing and coordination issues between operators of the district cooling system and building works contractors during the conduct of works, exposure of electrical and mechanical (E&M) equipment to dusty environment during the works which affects the safety and district cooling services, and the delaying impact on the works progress of Phase III, etc.

If the aforesaid building works (\$16.5 million) were carried out in Phase III as originally planned, the estimated project cost would be 40% higher, as compared to carrying out the works in Phase II.

Despite a relatively higher cost, backfilling with concrete (as compared to reusing the excavated soil) can speed up the construction progress and enhance the stability of the backfilled area, such as avoiding settlement due to soil erosion. This construction method can also reduce the costs and risks of the project by eliminating the need for adopting temporary measures to protect the cooling facilities from the works under Phase III.

Modifying the works programme can ensure the completion of works on schedule under Phase III, and thereby the provision of reliable district cooling services. The actual benefits brought about by advancing some of the builder's works outweighs the advance payment required for the works under Phase II.

EMSD will continue to optimise the phasing arrangement of construction works before inviting tenders.

- 4) As mentioned in paragraphs 2.25 and 2.26 of the Audit Report, there was malfunction of water leakage detection cables in all three sections of pipelines under Contract D. Nearly 4 years after the expiry of the maintenance period, the related defects rectification works had not yet been completed and the account of Contract D had not been concluded. In this connection, please advise:
- (a) What were the arrangement of site supervision and the ranks of the responsible officers during the construction stage?
  - (b) Had the above-mentioned problems ever been detected during the construction stage? If yes, had any rectification action been taken at once? If no, what are the reasons?
  - (c) After a poor rating had been given under a sub-item "Achievement in period" in Contractor D's performance report, what follow-up action was taken by the EMSD? Was any penalty imposed on Contractor D?

Reply 4:

Site supervision during the construction stage was carried out by a team of resident staff from the engineering consultant, who included a resident engineer, an assistant resident engineer, a senior inspector, an inspector and an assistant inspector.

No abnormality was identified in the test conducted by the contractor under the supervision of the resident staff during the construction stage. However, in the overall testing before the completion of the Contract, the test results of water leakage detection cables indicated that the insulation resistance and circuit continuity were lower than the recommended values, which implied that the overall healthiness and functionality of the system became inconclusive. The EMSD immediately requested the consultant and the contractor to initiate an investigation, and the EMSD also provided professional advice.

After giving the contractor a poor rating under a sub-item “Achievement in period”, the EMSD requested the contractor to adopt remedial proposals to rectify the defects identified in the water leakage detection system. Site trial results indicated that acoustic leak detection technology could be adopted as a feasible solution. The contractor has completed the installation works in relation to the remedial proposal and borne all the costs so incurred without any additional costs to be paid by the Government. Under the existing mechanism, if a contractor is given a poor rating in its performance report, its chance of being awarded with any contracts of public works in the future will be affected.

The water leakage cables are auxiliary equipment, the operation of which will not affect the overall operation of the system. Nevertheless, based on the experience from past site works, the EMSD has reviewed and updated the relevant technical specifications for water leakage cables, which include strengthening site supervision, training and qualification requirements for workers, enhancing works procedures, etc.

### **PART 3: MONITORING OF OPERATION OF KAI TAK DISTRICT COOLING SYSTEM**

- 5) As mentioned in paragraph 3.17(b) of the Audit Report, a low chilled water return temperature would affect the efficiency and performance of the KTDCS plants according to two performance audit reports. Would the EMSD advise the range of appropriate chilled water return temperatures? If the chilled water return temperature does not meet the required range persistently, will the system operation be affected as a whole?

#### **Reply 5:**

According to the “District Cooling Services Supply Conditions” published by the EMSD, the consumers of district cooling services shall be responsible for proper maintenance of the consumer installation to perform and maintain the chilled water return temperature on consumer side (i.e. secondary side chilled water return temperature) at 14 °C.

Given that currently the cooling demand from consumers in the district has not reached the full cooling capacity of the system so designed, a chilled water return temperature lower than 14 °C will not substantially

affect the overall efficiency of the system. Nevertheless, the EMSD has implemented the following measures in response to the circumstances that the chilled water return temperature were not regularly maintained at 14 °C on individual consumer sides:

- (a) Temperature reset for chilled water supplied to consumers: The EMSD reset the chilled water supply temperature for individual consumers, so as to increase the chilled water return temperature. To further improve the situation, extensive temperature resets were carried out in September 2021. As a result, the average chilled water return temperature on consumer side has increased and the overall situation has improved.
  - (b) Adding a by-pass pipe on consumer side: The EMSD updated the “Technical Guidelines for Connection to District Cooling System” in May 2020, recommending that consumers should install a by-pass pipe in the secondary side chilled water pipework, so that they can control the chilled water return temperature on consumer side more efficiently. Some consumers have already installed the-bypass pipe as recommended.
- 6) As mentioned in paragraph 3.22 of the Audit Report, the EMSD tentatively planned to implement the fully automatic operating mode upon the plant reaching full-load capacity in 2025. Would the EMSD advise the reasons why the fully automatic operating mode cannot be implemented at this stage? If the fully automatic operating mode cannot be implemented at this stage, will any additional cost be incurred? If yes, how much is the cost involved?

Reply 6:

Currently, additional E&M equipment are to be installed in the KTDCS to meet the cooling demand in the district in the future. As the performance of the new plant is different from the existing one, it takes time to adjust its operation and achieve fitting in. Meanwhile, as the cooling demand from the current consumers in the district has not reached the full cooling capacity of the system so designed, manual operation is required for the system to achieve the best efficiency. If the fully automatic operating mode is implemented at this stage, additional resources and time may be required instead for adjusting the automatic operating mode to suit the performance of the new equipment. Thus, the EMSD considers that it is not the appropriate time to implement the fully automatic operating mode. No additional

expenses is involved in the current operation which is not in fully automatic operating mode.

Based on the current position, the KTDCS is expected to reach its full cooling capacity so designed in 2025, and the EMSD is planning to implement the fully automatic operating mode in due course.

- 7) Levels of incidents and incident reporting were mentioned in paragraphs 3.24 and 3.25 of the Audit Report. A total of 25 incident reports were submitted by Contractor B to the EMSD, but all the reports had not reported the level of the incidents. Would the EMSD advise the reasons why the level of incident and the time of incident were not included? What are the benefits of setting up an incident classification scheme? Will the maintenance of the system be affected if the level of incident is not reported?

Reply 7:

Under the reporting mechanism, the contractor is required to report incidents, based on their severity, to the EMSD to facilitate management, control and follow-up of such incidents. Incidents are classified into 4 levels, from Levels 1 to 4, with Level 4 being the most serious. Although no level of incident was recorded in the 25 incident reports in the past, only two of them (confirmed as Level 2 incidents) required immediate action of the EMSD. With regard to these incidents, the contractors, after learning of the incidents, reported the incidents to the EMSD within the specified time, and follow-up actions were completed on schedule under the supervision of the EMSD. As such, the operation of the system was not affected.

Nevertheless, the EMSD has implemented the enhancements to incident reporting as recommended, including requiring the contractor to include information on the level of incident and the time of reporting the incident to its management and the EMSD in the incident report, and taken measures to enhance record keeping on incidents by documenting the relevant information (such as the level of incident and the times of incident and reporting) to further monitor the performance of the contractor.

#### **PART 4: PROVISION OF DISTRICT COOLING SERVICES AND OTHER RELATED ISSUES**

- 8) Paragraphs 1.18, 4.10(b), 4.11 to 4.15 of the Audit Report stated that the capital and operating costs of the KTDCS would be recovered over the 30-year service life. In the KTDCS tariff review conducted in June 2020, the Government pointed out that the cost recovery rate was close to full-cost recovery level and proposed to maintain the prevailing tariff level. Yet in the same year, the Finance Committee (FC) of the Legislative Council (LegCo) approved a further funding application of \$4,269.3 million for the provision of an additional district cooling system (the additional DCS). Would the EMSD advise whether the additional DCS was included in the tariff review, and advise the date of commencement of the 30-year service life of the KTDCS?

Reply 8:

The KTDCS has commenced its operation in 2013. Since the actual costs and revenue of construction and operation of the KTDCS may be different from the estimation, after the enactment of the District Cooling Services Ordinance (Cap.624) in 2015, the tariff of the KTDCS is being reviewed every 5 years in order to ensure that both the capital and operating costs of the KTDCS can be recovered from its consumers over the 30-year service life.

To tie-in with the latest developments in Kai Tak Development Area (e.g. the New Acute Hospital, the Kai Tak Sports Park, and the increased development density regarding commercial floor area, etc.), the operation of the additional DCS at Kai Tak Development Area is anticipated to be commenced in 2023-24. Since the additional DCS had not commenced operation, it was not included in the tariff review in 2020. In respect of the services to be supplied by the additional DCS, the EMSD has commissioned an additional interim tariff review in 2021 to use the latest data to assess the financial implication of the additional DCS on the costs and revenue of the whole project.

The service life of the KTDCS is calculated from the date of provision of district cooling services.

- 9) Paragraphs 4.24 and 4.25 of the Audit Report stated that there was a significant increase of 196% in the estimated overall project cost from \$1,671 million in 2009 to \$4,945.5 million in 2013. Would the EMSD take any measures to improve the accuracy of the project cost estimate?

Reply 9:

The KTDCS was the first DCS in Hong Kong. Due to its huge scale, the Government had decided to submit funding applications to the FC by phases for taking forward the works, depending on the progress of the Kai Tak Development Area, including the construction and operation timetable of the buildings concerned. When seeking funding approval from the FC for Phase III (Package A) of the KTDCS project in 2013, the Government had informed the FC that the estimated cost for the whole project was \$4,945.5 million.

In accordance with the by-phase works progress, the approved project estimate increased from \$1,671 million in February 2011 to \$4,945.5 million in January 2019. The EMSD has reported this by-phase works approach to the LegCo all along, and the funding approved for the whole project finally remained unchanged at \$4,945.5 million.

**Electrical and Mechanical Services Department**  
**June 2022**



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8 June 2022

The Public Account Committee  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong  
(Attn: Ms. Wendy JAN)

Dear Ms. JAN,

**Public Account Committee**

**Consideration of Chapter 3 of the Director of Audit's Report No. 77**

**Leisure and Cultural Services Department:  
Provision and management of sports grounds**

Thank you for your letter of 18 May 2022 to this department concerning Chapter 3 of the Director of Audit's Report No. 77. We are pleased to provide our reply in the Appendix.

For any further enquiry, please contact undersigned or our Chief Leisure Services Manager (Land-based Venues), Mr. CHEUNG Wan-ching at Tel: 2601 8852.

Yours sincerely

(Horman CHAN)

for Director of Leisure and Cultural Services

Encl.

c.c. Acting Secretary for Home Affairs (email: sha@hab.gov.hk)  
Secretary for Financial Services and the Treasury (email: sfst@fstb.gov.hk)  
Director of Audit (email: john\_nc\_chu@aud.gov.hk)



**Response to questions asked and information requested  
by the Public Accounts Committee of the Legislative Council  
in relation to the provision and management of sports grounds  
by Leisure and Cultural Services Department  
in Chapter 3 of the Director of Audit's Report No. 77**

**Part 2: Planning and Provision**

**Q1: With regard to paragraph 2.6 of the Director of Audit's Report No. 77 ("Audit Report"), it is mentioned that in calculating the average usage rate of sports grounds, the Leisure and Cultural Services Department ("LCSD") did not take into consideration the actual number of joggers and the capacity of the running tracks, or require staff of sports grounds to compile statistics on the number of joggers. Between June and August 2021, Audit visited the Aberdeen Sports Ground, the Kowloon Bay Sports Ground and the Sha Tin Sports Ground and examined their records. Audit found that while staff of the Sha Tin Sports Ground maintained hourly statistics on the number of joggers, staff of the other two sports grounds did not regularly maintain such statistics. In this connection, please advise of the following:**

- (a) At present, many non-joggers occupy the running tracks in sports grounds, especially during the children's sports classes held at weekend when quite a number of parents enter the tracks. Will the department consider excluding these activities when calculating the average usage rates of sports grounds so as to avoid data inaccuracy?**
- (b) How does the department identify which occupiers of running tracks in sports grounds are real users?**

A1(a): At present, the Leisure and Cultural Services Department (LCSD), in calculating the average usage rate of a sports ground, counts not only the number of hours used for holding athletic meets and training programmes, but also those for jogging activities. The LCSD has accepted the Audit recommendation and will keep separate statistics on the usage rates of a sports ground for its main function and for jogging activities in calculating the total average usage rates. Moreover, the LCSD will also maintain hourly statistics on the number of joggers in sports grounds, with the exclusion of the number of non-joggers, to avoid data inaccuracy. The LCSD notes that from time to time, some members of the public enter the sports ground to use its ancillary facilities such as toilets and spectator stand, while quite a number of parents also stay on or around the spectator stand to look after their young children who are participating in activities. Non-joggers found to have entered the running track area and affected other joggers will be advised to leave the running tracks by venue management.

A1(b): The LCSD only counts the number of joggers in the venue when identifying users of running tracks in sports ground. Non-jogging users, such as those who enter the sports ground to use ancillary facilities (like toilets and spectator stands) are excluded. Management staff of sports grounds will also prohibit people from bringing skateboards, trolleys or strollers to running tracks.

**Q2: With regard to the recommendations in paragraph 2.7 of the Audit Report, please advise whether the department will continue to take into account the usage rate of a sports ground for its main function in future planning of sports grounds. If so, is there any timetable?**

A2: According to the Hong Kong Planning Standards and Guidelines (the HKPSG), the planning standard of provision of sports grounds is one sports ground per 200 000 to 250 000 population, while the main function of sports grounds is to provide venues for educational institutes and other relevant organisations to hold athletic events and sometimes also for professional and higher-graded soccer matches. To better utilise resources, when a sports ground is not serving its main function, such as for schools to hold sporting events, for the Hong Kong Association of Athletics Affiliates to organise athletic meets or events, or for the Hong Kong Football Association to host football matches, its running track is open to the public for jogging.

At present, the LCSD manages a total of 25 sports grounds. In planning new sports facilities or improvement works, the LCSD will make reference to the HKPSG and takes into account other relevant considerations, such as usage rates of existing facilities, demographic changes, policy objectives in sports development, sports facilities currently provided in all districts, views of the District Councils concerned, land available for use and technical feasibility. The LCSD has accepted the Audit recommendations and will continue to take into account the usage rate of a sports ground for its main function in planning new sports ground projects starting from 2022.

**Q3: Will the department adopt a common standard for calculating the usage rate of sports ground so as to better reflect its utilisation?**

A3: The LCSD has accepted the Audit recommendation and will adopt a common calculation basis, including keeping separate statistics on the usage rates of a sports ground for its main function and for jogging activities, in calculating the total average usage rate. Moreover, the LCSD will maintain hourly statistics on the number of joggers in sports ground, with the exclusion of the number of non-joggers, to avoid data inaccuracy.

### **Part 3: Operational Matters**

**Q4: With regard to paragraphs 3.7, 3.9, 3.10, 3.12 and 3.15 of the Audit Report, it is mentioned that the LCSD's operational staff had not complied with the relevant guidelines in handling booking application forms, maintaining random checks records on balloting results, setting payment due dates, handling cancellation of venue bookings and managing the use of in-field turf pitches. In this connection, how will the department, apart from reminding the responsible staff, ensure that these staff strictly comply with the requirements? Will the department electronise the relevant procedures to facilitate on-line submission of form and payment?**

A4: According to the Booking Procedure For Use Of Sports Grounds and Booking Procedure for Recreation and Sport Facilities of the LCSD (the relevant booking procedure), an organisation applying for use of sports ground and in-field turf pitch is required to complete the designated application form and submit it to the venue concerned before the application deadline for booking facility. Venue management are required to process the booking applications for use of sports grounds and in-field turf

pitches and allocate sessions in accordance with the booking and balloting procedures. Random checks are conducted by officers of specified rank(s) to ensure that the allocation is conducted according to the order of priority of applications and allocation procedures. In addition, a complete record shall be kept by the venue management and verified by District Leisure Managers / Deputy District Leisure Managers after completion of the random checks.

For certain bookings (such as for international or local competitions, long-term block bookings and bookings of three months in advance), the organisation is required to pay the charges four months before the month of use/two months before the first date of use so as to confirm the booking. The payment deadline cannot be extended unless the organisation can provide strong justifications. Application for extension of payment deadline shall be approved by an officer at or above the rank of Assistant Leisure Services Manager I.

An organisation shall not cancel any confirmed booking unless the hirer can provide strong and justifiable reasons. The booking office concerned must be notified of such cancellation by the organization at least 20 days in advance of the date of use. If a priority user contravenes any of the requirements of the Conditions of Use as set out in the booking procedures, including notifying the booking office concerned of the cancellation of booking at least 20 days in advance, the LCSD will issue a default notice to the user unless there are reasonable explanations. A priority user who receives two default notices for the same venue within 12 months from the date of the first default notice, his/her eligibility for priority booking for all land-based recreation and sports facilities in the same district will be suspended for six months.

Moreover, in-field turf pitches in sports grounds are also available for booking by individuals 14 days in advance through online balloting. Apart from pitches designated for holding the Hong Kong Premier League matches, 60 sessions of turf pitches are usually available for hire per month, at least 30 of which are allocated to individuals who make booking through the Leisure Link e-Services System. Successful applicants will receive an e-mail notification from the online booking system and they have to confirm the booking by completing payment within two days through the same methods as specified in the Leisure Link e-Services System. Sessions not confirmed by payment will be released for booking by members of the public on a first-come-first-served basis.

For individual bookings, a hirer who is unable to take up a booked session should cancel the booking via the Leisure Link e-Services System at least one day before the booked session. Any hirer with two no-show records within 30 days will have his/her booking rights for sports facilities suspended for 90 days.

The LCSD has accepted the Audit recommendation and reminded the staff concerned to strictly comply with the booking guidelines when handling booking applications, including checking and ensuring that all required fields in the application form are completed by the applicants, conducting random checks on balloting results, maintaining and submitting the checking records to the respective District Leisure Managers / Deputy District Leisure Managers for verification, setting payment due dates in accordance with the booking guidelines and handling booking cancellations and no-shows to ensure hirers' compliance with the 20 days' advance notification requirement on booking cancellation and preparing monthly registers on the use of in-field turf pitches by schools and organisations and keeping proper records on the

justifications for adjusting the maximum number of sessions allocated to schools and organisations for using in-field turf pitches.

In addition, to ensure faithful discharge of duties and responsibilities as well as strict compliance with the requirements of the booking procedures by the management staff of sports grounds, the LCSD will compile an action checklist against the irregularities identified in the Audit Report, requesting such officers to review the procedures for processing sports ground applications on a regular basis and submit half-yearly reports endorsed by the District Leisure Manager starting from July this year. Meanwhile, the LCSD is pressing ahead at full steam for developing a new intelligent sports and recreation services booking and information system (“the new system”) and has included the group booking function in designing the new system. The new function, expected to be commissioned in 2024, will enable group users such as National Sports Associations, Community Sports Clubs and schools to submit applications and follow up on the block booking applications for recreation and sports facilities and pay the related hire charges through electronic means.

**Q5: With regard to paragraph 3.7 of the Audit Report, Audit examined application records relating to 150 cases and noted that despite not using the designated application forms or providing incomplete information in 68 (45%) of the 150 cases, the applications had been approved. In this connection, please advise of the following:**

- (a) Why were the applications approved despite not using the designated application forms or providing incomplete information? Were the approval procedures in line with the relevant requirements?**
- (b) Have approval procedures been regularly reviewed?**
- (c) Will the Department make improvements in accordance with Audit recommendations? If so, is there any timetable?**

A5(a): According to the Booking Procedure for Use of Sports Grounds (Booking Procedure), applicants shall submit application forms to respective venues for making applications. For the 68 cases in which designated application forms had not been used or incomplete information had been provided, the LCSD has requested respective sports grounds to review the cases. According to the results of the review, when handling these applications, the venue management staff did not request the applicants to submit the designated application forms, taking into account that the information required in the designated application forms was generally provided in their application letters. In the event of incomplete information, the venue management staff would contact the applicants concerned for supplementary information. Although management staff of sports grounds processed the applications in accordance with the approval procedures, the use of designated application forms can ensure that complete information is provided and declarations are duly signed by applicants. The LCSD has reminded all management staff of sports grounds to adhere to procedures, and they should request applicants to use the designated application forms to submit their applications and record the supplementary information.

A5(b): The Booking Procedure stipulates that approval of block booking shall be granted by an officer-in-charge at a rank equivalent to Assistant Leisure Services Manager II or above. In addition, an officer at designated rank is responsible for conducting random checks

on balloting results and allocation of sessions in order to ensure that the allocation is made according to the priority of the applications and allocation procedures. Besides, upon completion of random checks, a District Leisure Manager/Deputy District Leisure Manager shall verify the records of random checks.

A5(c): The LCSD has accepted the Audit recommendation and reminded the staff concerned to strictly comply with the booking guidelines when handling booking applications, including checking and ensuring that all required fields in the application form are completed by the applicants, conducting random checks on balloting results, maintaining and submitting the checking records to the respective District Leisure Managers / Deputy District Leisure Managers for verification. In addition, to ensure faithful discharge of duties and responsibilities as well as strict compliance with the requirements of the booking procedures by the management staff of sports grounds, the LCSD will compile an action checklist against the irregularities identified in the Audit Report, requesting such officers to review the procedures for processing sports ground applications on a regular basis and submit half-yearly reports endorsed by the District Leisure Manager starting from July this year.

**Q6: With regard to paragraph 3.25 of the Audit Report, it is mentioned that there were different practices of concurrent use of in-field turf pitch and running track at sports grounds. With effect from 1 October 2002, to provide adequate buffer for safety of users, only the outer three lanes of the running track can be used for jogging when ball games are conducted in the in-field turf pitch of a sports ground. However, in response to local demand, the outer four lanes (instead of three) of the running tracks in the Aberdeen Sports Ground and the Kowloon Bay Sports Ground have been used for jogging since February 2010 and February 2011 respectively. In this connection, will the Department revise the criteria drawn up in 2002 for opening the lanes for jogging according to the actual circumstances of various sports grounds? Regarding the opening of different number of lanes at different sports grounds, is the decision made at the discretion of the staff at the sports grounds?**

A6: Running tracks in the sports grounds under the LCSD are open to the public for jogging when the sports grounds are not reserved by organisations for holding activities. During the opening hours, all members of the public can use the running tracks of a sports ground. In view of the great demand for soccer and jogging facilities due to the general popularity of these two sports activities and for the safety of joggers, the LCSD, after reviewing the usage of sports grounds in 2002, formulated guidelines which allow the standard opening of the outer three lanes of the running track for jogging when football activities are conducted in the in-field turf pitch of a sports ground. In the light of the actual needs of the respective districts/sports grounds, adjustment was made in some sports grounds to open the outer four lanes of the running track for jogging under safe conditions. The LCSD will review the existing arrangements, and a mechanism will be established for the district management to adjust at their discretion, according to actual needs and under safe conditions, the number of lanes that can be used for jogging when football activities are conducted in the in-field turf pitch of a sports ground in order to enhance flexibility in the provision of service.

#### **Part 4: Venue Arrangement**

**Q7: With regard to paragraph 4.5 of the Audit Report, during visits to the three sports grounds, Audit noted that the LCSD had identified no irregularities when conducting stocktakes in the three sports grounds. However, Audit conducted a sample stocktake of 60 inventory items in the three sports grounds and found discrepancies in 35 (58%) of them. Audit also noted irregularities in inventory control measures. In this connection, please advise of the following:**

- (a) the LCSD's stocktaking methods;**
- (b) whether the action officers have conducted stocktakes in accordance with the stocktaking procedures;**
- (c) whether the LCSD has monitored the conduct of stocktakes and performed random checks on a regular basis;**
- (d) whether the LCSD will provide further training and issue more guidelines to the staff in question; and**
- (e) what measures the LCSD will take to refine both the stocktaking work and inventory control regime, as well as the implementation timetable of such measures.**

A7(a): The Supplies Section of the LCSD will, under SPR 715(b) of the Supplies and Procurement Regulations (SPRs), co-ordinate the inventory holders concerned not below the rank of Executive Officer II or equivalent to conduct an annual verification exercise to check all the inventories under their control at venues in accordance with the Procedures for Dealing with Inventory/Stock Verification. Each of such venues must appoint an inspection team comprising two staff members not below the rank of Assistant Clerical Officer/Supplies Supervisor II or equivalent to conduct the annual verification exercise and checking. Against an inventory verification list detailing such information as quantities, models (if applicable) and storage locations (if applicable), the inspection team will check the consistency between all inventory items physically present in the venue and those on the list. In case of discrepancies between the actual circumstances (e.g. quantities of inventory items) and the list, the verification results will be faithfully reflected and properly recorded by the inspection team in the Annual Inventory Verification Report. Upon conclusion of the verification exercise, the inspection officers must sign as confirmation on the inventory verification list and verification report, together known as the verification results, which will subsequently be submitted to the inventory holders for signature as further confirmation. Upon such verification and confirmation, the Supplies Section must be informed to record conclusion of such an annual exercise. In case of discrepancies between the actual circumstances and those on the inventory verification list upon verification in the venue, the inventory holders are required to launch an investigation without delay, and to take follow-up actions to deal with the issue in line with departmental guidelines such as the Finance and Supplies Circular No. 4/2017 "Loss of Government Property and Stores".

In addition to the above annual verification and checking of all inventories, the LCSD will arrange to conduct mutual verification among sections on a regular basis, which means the inventory verification work of a venue must be conducted by the staff from other venues.

- A7(b): As delineated in paragraph (a) above, inventory holders must check inventories in accordance with the stipulated procedures, as per their responsibilities and scope of duties. The Supplies Section is responsible for arranging and coordinating annual inventory verification exercises, as well as responding to the enquiries, if any, received from inventory holders or inspection teams about such work. The responsibilities of the inventory holders and verification procedures are clearly stipulated under such guidelines as the General Guidelines for Inventory Holders and the Guidance Note on Management of General Inventory Items, and the Procedure for Dealing with Inventory/Stock Verification. In this connection, the LCSD has reminded the management staff of sports venues to conduct verification exercises in accordance with the relevant procedures, safe custody and proper care of the inventory items under their control.
- A7(c): It is clearly stipulated under the General Guidelines for Inventory Holders and the Guidance Note on Management of General Inventory Items that inventory holders have responsibilities to ensure accurate records of inventories under their control and timely updates of such records, as well as to check inventories at least once a year. In case of discrepancies between the actual circumstances and inventory records, the inventory holders must deal with such an issue in line with the SPRs and departmental guidelines. In addition, upon conclusion of the annual verification exercise and checking of all inventories under their control by the inspection team, the inventory holders should further confirm the verification results before notifying the Supplies Section to register the conclusion of the annual verification exercise for the venue accordingly. In this connection, the LCSD has reminded the management staff of sports venues to conduct monitoring of the verification exercise on a regular basis and in accordance with the relevant procedures, and to further confirm the completeness of the inventory verification lists. Such actions are taken to identify any irregularities in inventory management of sports venues under its management, including improper records of inventories, lack of identification barcodes on inventories, as well as failure to dispose of obsolete items in a timely manner.
- A7(d): The seminars on supplies management organised by the Supplies Section on a yearly and regular basis have included a section on inventory management and verification exercises, during which the responsibilities of inventory holders are reiterated. In addition, the Supplies Section reviewed and refined relevant guidelines in last December, such as the General Guidelines for Inventory Holders and Guidance Note on Management of General Inventory Items as well as the Procedures for Dealing with Inventory/Stock Verification, which are re-circulated among all departmental staff for perusal on a half-yearly basis.
- A7(e): The Supplies Section reviewed and refined relevant guidelines in last December, such as the General Guidelines for Inventory Holders and Guidance Note on Management of General Inventory Items as well as the Procedures for Dealing with Inventory/Stock Verification, which are re-circulated among all departmental staff for perusal on a half-yearly basis. Such guidelines clearly stipulate the responsibilities of inventory holders, verification procedures, as well as steps to be taken in dealing with discrepancies, if any. The Districts in question have reminded the management staff of sports venues that it was imperative to take measures to improve the stocktaking and inventory control regimes in accordance with the relevant procedures, with a view to ensuring safe custody and proper care of the inventory items under their control. In addition, to ensure faithful discharge of duties and responsibilities as well as strict compliance with the requirements under the guidelines by the management staff of sports venues, the LCSD

will compile an action checklist against the irregularities identified in the Audit Report, requesting such officers to review the verification procedures on a regular basis and submit half-yearly reports endorsed by the District Leisure Manager starting from July this year.

**Q8: With regard to paragraph 4.8 of the Audit Report, it is mentioned that irregularities were found in the provision of first-aid equipment, including some standard items not provided in the first-aid rooms and first-aid boxes and a first-aid item being expired. Would the Department advise this Committee of whether first-aid equipment will be improved and, if yes, the timeframe.**

A8: To standardise the provision of first-aid equipment at land-based recreation and sports venues, the LCSD has formulated guidelines on “standard first-aid equipment for major land-based recreation and sports venues” after consulting relevant medical institutions, and provided a standard list of basic first-aid equipment for reference of venue management staff in handling minor injuries of venue users and venue staff. Venue management staff should post beside the first-aid box a list of first-aid items contained in the first-aid box together with their respective expiry dates for easy reference. The list also serves as a reminder to venue staff for timely replacement of any expired items. Moreover, when conducting regular inspections on venues, venue staff and district managers should check the expiry date of first-aid equipment to ensure that the equipment is in serviceable condition.

In response to the Audit recommendation, the LCSD has requested all management staff of sports grounds to conduct inspections on the first-aid equipment in the venues under their purview to ensure that it is adequately stocked and in serviceable condition. District management staff were also reminded to pay special attention to the first-aid equipment during their regular inspections. Moreover, to ensure faithful discharge of duties and responsibilities as well as strict compliance with the requirements of relevant guidelines by the management staff of sports grounds, the LCSD will compile an action checklist against the irregularities identified in the Audit Report, requesting such officers to pay special attention to the relevant first-aid equipment during their regular inspections and, after inspections, submit half-yearly reports endorsed by the District Leisure Manager starting from July this year.

**Q9: With regard to paragraph 4.9 in the Audit Report, it is pointed out that Audit examined the provision of automated external defibrillators (AEDs) in three sports grounds and found a number of irregularities. In this connection, would the Department advise this Committee of the rectification measures to be taken and the timeframe.**

A9: For effective installation and daily management of AEDs, the LCSD has formulated management guidelines on the installation and use of AEDs in land-based recreation and sports venues (management guidelines). An AED should be placed in a box with a warning device and firmly mounted in a conspicuous place accessible to the public so that the AED is readily available for use by a member of the public in need in case of emergency.

According to the management guidelines, venue in-charges should arrange for staff members/contractor’s staff members to inspect the standby condition of AEDs on a daily basis. The staff member responsible for the inspection should record the results of the inspection on a designated record sheet. Venue in-charges should put up notices



at conspicuous places indicating the availability of an AED and its location. Moreover, all venue in-charges should compile a list of venue staff members/contractor's staff members who hold a valid certificate on AED operation for record purpose and for reference of the venue staff concerned. They should also follow the inspection procedures specified in the management guidelines to check the expiry date of the electrode pads of the AED and ensure that the date is displayed in the centre of the AED.

In response to the Audit recommendation, the LCSD has requested all management staff of sports grounds to conduct inspections on the AEDs and related installations in the venues under their purview to ensure that the AEDs function normally and all relevant notices are in place. District management staff and venue staff are also reminded to conduct regular inspections on AEDs in accordance with the management guidelines. Moreover, to ensure faithful discharge of duties and responsibilities as well as strict compliance with the requirements of relevant guidelines by the management staff of sports grounds, the LCSD will compile an action checklist against the irregularities identified in the Audit Report, requesting such officers to pay special attention to AEDs and related installations during their regular inspections and, after inspections, submit half-yearly reports endorsed by the District Leisure Manager starting from July this year.

**Q10: With regard to paragraph 4.10(a) of the Audit Report, it is pointed out that Audit examined the use of spaces in three sports grounds and noted that one of the 15 storerooms in the Kowloon Bay Sports Ground was used for storing sundry items and another was used for storing boxes of old records, some of which were closed about 22 years ago. In this connection, have the department put in place any procedures for handling old records? Does the department have any plans to digitalise the information? Will assistance be sought from the Office of the Government Chief Information Officer to handle the above-mentioned records?**

A10: In support of Government's policies and measures on records management, the LCSD has formulated administrative guidelines in these respects. Requirements on records management were spelled out in General Circular No. 2/2009 "Mandatory Records Management Requirements" ("General Circular"). The General Circular is circulated at six-monthly intervals, and has been re-circulated recently on 14 January 2022, 13 July 2021 and 18 January 2021.

Based on the General Circular and the respective Government guidelines, the LCSD drew up the Administrative Circular on "Records Management Policy" ("Administrative Circular") with No. 2/2018 as the latest version. It is circulated at six-monthly intervals, and has been re-circulated recently on 7 January 2022, 13 July 2021 and 18 January 2021. The Administrative Circular set out the procedures for the handling of old records which include, inter alia, their retention and disposal. Time-expired records should be reviewed for disposal at least once every two years in accordance with "General Administrative Records Disposal Schedules" for administrative records and approved disposal schedules for programme records. The results of the review on retention and disposal of time-expired records should be considered and endorsed in writing by an officer not below the rank of Senior Executive Officer or equivalent and properly documented. In addition, to ensure the effectiveness of the LCSD's records management policy, the Administrative Circular requires all sections to appoint officers of specific ranks as Records Managers (RMs) to co-ordinate and monitor records management matters in their respective sections, and as Records Management Officers (RMOs) to oversee records management matters in the registries

of their respective sections. The list of RMs and RMOs is updated and uploaded to the LCSD's document library every three months. It was last updated on 26 April 2022.

In response to the Audit recommendations, the LCSD has removed the sundry items temporarily stored in the storeroom of the Kowloon Bay Sports Ground to provide storage for sports equipment. Arrangement has been made to destroy the old records at the other storeroom in accordance with the respective records management programme for time-expired records. Subject to the approval of the Government Records Service for records destruction, the storeroom will be made available for temporary storage by schools/organisations which hire the sports ground for holding activities.

In addition, in support of Government's policy on the implementation of electronic records management, the LCSD has formed a project team for launching electronic information management projects and worked out their frameworks and schedules. Individual electronic recordkeeping system teams have been set up at sections respectively under the LCSD for implementing the electronic recordkeeping system (ERKS). Related work is now actively underway. The LCSD understands that a central ERKS is being developed by relevant government departments to support the implementation of ERKS in bureaux/departments (including the LCSD). The related work is also in progress. As the digitisation of information of records is pending, the above-mentioned old records will be handled in accordance with LCSD's prevailing Administrative Circular at this stage.

**Q11: With regard to paragraph 4.10(b) of the Audit Report, it is pointed out that three accessible toilets were provided in the Kowloon Bay Sports Ground. Two of them were located on the ground floor while one was on the first floor. The accessible toilet on the first floor was locked and not open for public use for years. In this connection, what is the ground for locking the above-mentioned accessible toilet? Did the LCSD conduct regular inspections and monitor the use of facilities in the sports ground?**

A11: The accessible toilet and men's and ladies' toilets on the first floor of the Kowloon Bay Sports Ground normally are only open to hirers during schools' athletics meets or major events. Facilities on the ground floor are mainly open to general users on a daily basis. Due to the pandemic, a considerable number of athletics meets and major events have been cancelled since 2020, and the accessible toilet in question has not been opened for a long time. In response to the Audit recommendation, the LCSD has opened the accessible toilet and men's and ladies' toilets on the first floor of the Kowloon Bay Sports Ground to general users, and has instructed district management staff to pay special attention to the use of individual facilities in sports grounds during regular inspections in accordance with the Inspection Guidelines.

**Q12: With regard to paragraphs 4.20, 4.21 and 4.25 of the Audit Report, standard format was not adopted for reporting and monitoring of sports grounds maintenance works. Though there are laid-down requirements for supervisory inspection, inspection records were not kept and justifications for not conducting inspections were not documented. In this connection, what actions will be taken by the department to ensure effective improvement to the above problem as well as faithful discharge of duties and responsibilities by its staff?**

A12: To ensure effective maintenance of its recreation and sports facilities, the LCSD and works departments concerned have formulated a set of guidelines on the maintenance

of various facilities (Maintenance Guidelines). In addition to the handling, recording and monitoring of maintenance, the Maintenance Guidelines also set work targets and provide mechanism for handling cases delayed for various reasons. Venue management staff are also required under the guidelines to report maintenance cases to officers at district management level and the regional Chief Leisure Manager concerned based on the nature of the case and status of delay to facilitate their early completion. In addition, district managers, officers-in-charge and area Amenities Assistants are required to conduct random checks and regular inspections to venues under their purview according to the Inspection Guidelines for land-based recreation and sports venues (Inspection Guidelines) and the frequency stipulated therein. Chief Leisure Managers will also conduct surprise inspections to the recreation and sports venues in the districts under their purview as the case requires. District Leisure Managers can also exercise discretion in adjusting the frequency of inspections to individual venues according to operation needs and actual manpower situation.

According to the Inspection Guidelines, static staff (i.e. Venue Managers and Amenities Assistants) responsible for routine management and maintenance should record all irregularities/observations in occurrence books, take immediate follow-up actions and report to their supervisors on any significant issues. Non-venue based inspection staff, including Amenities Assistants I or above, should record their observations and findings on inspection record forms after each inspection. The forms should be kept in the respective venue/district offices for follow-up by venue staff.

The LCSD has accepted the Audit recommendation. To ensure effective improvement to the problem, the above guidelines have been re-circulated and officers at district management level are instructed to remind all staff to observe the requirements and operation details of the guidelines. Moreover, the LCSD will compile an action checklist against the irregularities identified in the Audit Report, requesting management staff of sports grounds to keep records of maintenance and inspections of their venues and submit half-yearly reports endorsed by the District Leisure Manager starting from July this year, in order to ensure strict adherence to the Maintenance Guidelines and inspection requirements by the staff concerned.

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Ms Wendy JAN  
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Dear Ms Jan,

**Public Accounts Committee**

**Consideration of Chapter 4 of the Director of Audit's Report No. 77**

**Licensing and examination services for vehicles**

I refer to your letter dated 19 May 2022 inviting our written response to and information on the issues in relation to the captioned subject. Our response is set out at Annex.

Yours sincerely,



(Ms Candy KWOK)

for the Commissioner for Transport

Encl

c.c.: Secretary for Transport and Housing  
Secretary for Financial Services and the Treasury  
Director of Audit

**Report No. 77 of the Director of Audit – Chapter 4  
“Licensing and examination services for vehicles”  
Questions and Requested Information**

**Preamble**

The Transport Department (“TD”) has all along been striving for innovation in licence management through streamlining procedures and implementing e-initiatives, and has been proactively adopting “iAM Smart” and using technology to improve public services. TD will enhance the existing online licensing application services, implement electronic vehicle licence (“eVL”), electronic driving licence (“eDL”), etc. by phases to further enhance the operational efficiency and bring convenience to the public during the application process.

*Enhancing and extending online services*

2. Riding on the launch of “iAM Smart”, TD has upgraded 12 types of its existing online licensing application services by phases since December 2020, which include application for renewal of Vehicle Licence (“VL”), renewal of Full Driving Licence (“FDL”), booking for driving test, online checking of Driving Licence (“DL”) status, etc. Vehicle owners/licence holders can choose to authenticate by “iAM Smart”, and submit online application more efficiently through “e-ME” automatic form filling and digital signing functions of “iAM Smart+” in order to submit online applications more efficiently.

3. Moreover, with due consideration of the time required for relevant system enhancements, TD plans to further extend online services by phases from 2022-23 to over 20 services, including application for Learner’s Driving Licence (“LDL”), duplicate DL and Driving Instructor’s Licence (“DIL”), International Driving Permit (“IDP”), duplicate copies of driving test appointment letter and certificate of driving test result, etc.

*eVL*

4. To implement eVL, under the proposed eVL initiative, the expiry date will no longer appear on the paper-form VL. Although vehicle owners will still

need to renew their VL every year, they do not need to replace the paper-form VL with a new one after each renewal as the expiry date will not be printed on the VLs issued to them.

5. Furthermore, in conjunction with the introduction of eVL and the continued improvement of the procedures for renewal of VL, TD plans to take measures to streamline the supporting documents required<sup>1</sup> when submitting a VL renewal application with a view to bringing greater convenience to licence holders, and paving way for full automation of the processing procedures. TD will arrange system enhancement to interface with the vehicle examination records so that applicants will no longer be required to present the Certificate of Roadworthiness. TD is also exploring with the Hong Kong Federation of Insurers for online verification of their members' motor insurance records so that the applicants will no longer be required to present the insurance policy. At the same time, TD is studying the use of Optical Character Recognition ("OCR") technology to read the information on the proof of address provided by the applicants, and using artificial intelligence to assist in verification, so as to further automate the processing procedures. As a result, fewer supporting documents will be required to be provided or uploaded by the applicants, and TD can reduce the time spent on processing such documents.

#### *eDL*

6. In tandem with the international trend of the development of eDL, TD plans to implement eDL as a supplementary and additional form of DL. eDL will provide the same information recorded in the physical DL with an encrypted QR code. eDL will be accepted in lieu of the physical DL, so that a DL holder can choose to bring along either the physical DL or the eDL when driving.

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<sup>1</sup> Currently, the application for the renewal of VL requires the completion of application form (TD558), the identity document of the vehicle owner, the vehicle registration document, a valid third party risk insurance policy or cover note, a valid proof of address, a valid Certificate of Roadworthiness (if applicable), and the relevant licence fee.

## Responses to Questions

### Part 2: Operation of the Transport Department's Licensing Offices

**Question (1):** *According to paragraphs 2.6 and 2.9 of Report No. 77 of the Director of Audit ("Audit Report"), the number of transactions handled by various licensing offices was unevenly distributed. Compared with the other three offices, Kowloon Licensing Office had longer queues and more congested environment. Please advise whether the Transport Department (TD) will consider implementing measures such as showing the waiting times at various offices online or installing self-service licence renewal machines for processing simpler applications, etc.*

*Measures taken at the Kowloon Licensing Office ("KLO") (Response to Question (1))*

7. As mentioned in paragraph 5 above, TD is planning to streamline the application procedures for VL renewal. Subject to the technological maturation of automation of the processing procedures, TD will further study the feasibility of introducing self-service kiosk to process licensing applications involving relatively simple procedures.

8. In addition, starting from 31 May 2022, TD has implemented a trial queue ticketing system for DL-related services<sup>2</sup> at its KLO so that applicants are no longer required to stay and wait at the Licensing Office ("LO"). Subject to the result of the trial, the queue ticketing system for DL-related services will be extended to other LOs.

**Question (2):** *Paragraph 2.10 and Note 16 of the Audit Report state that no motor vehicle shall be upon or used on any road unless a valid vehicle licence in respect of the vehicle is displayed; and after the expiry of the vehicle licence, TD will send a notice to the vehicle owner informing him that, if the vehicle is not licensed within 15 days after the date of notice, the registration of the vehicle may be cancelled. Please advise:*

(a) *When will TD send the notice to the vehicle owner after the expiry of the vehicle licence?*

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<sup>2</sup> DL-related services provided by LOs include FDL, Probationary DL, LDL, DIL, IDP, Certificate of DL Particulars and driving test appointment services, etc.

- (b) *Will TD consider notifying the vehicle owner concerned by electronic means and providing the latest appointment booking date so that the vehicle owner can plan early for applying for renewal of his vehicle licence?*

*Arrangement for notifying vehicle owners after the expiry of their VLs (Response to Question (2))*

9. According to the current traffic legislation, if no VL has been in force in respect of a motor vehicle for a period of two years, the Commissioner for Transport (“CfT”) may send to the registered owner of the vehicle, by ordinary post and addressed to his address appearing on the register a notice informing him that, if the vehicle is not licensed within 15 days after the date of such notice, the registration of the vehicle may be cancelled. Such notice will be generated automatically by system after the vehicle is unlicensed for two years and arranged to issue to the vehicle owner on the same day.

10. Currently, MyGovHK provides the function of “Reminder for VL Renewal” in order to allow the registered vehicle owner to enquire about the expiry date of his VL and remind him to renew his VL through the Internet. The system will issue a reminder message to the registered account of the vehicle owner in the system four months before the VL expires. If the registered vehicle owner has yet to renew his VL, the system will issue reminder messages two weeks before the expiry of the VL and on the day his vehicle licence expires.

11. Furthermore, the Appointment Booking System (“ABS”) of TD operates 24 hours online. After a member of the public has successfully made an appointment, the latest available appointment dates will be updated and shown to other members of the public immediately. To facilitate owners to know the latest available appointment dates, TD will study the feasibility of providing the relevant hyperlink in the above-mentioned reminder message.

12. Moreover, TD proposes to improve the vehicle registration and licensing system such that, for a vehicle unlicensed for two years, the registered owner will commit an offence if he/she takes no action to renew the VL, cancel the registration of the vehicle, or obtain an exemption from CfT within a designated period. To ensure registered owners will properly dispose of the unlicensed vehicles under their name, TD plans to use the e-contact means to send reminders by email or SMS to the owners six months before licence expiry, as well as one year and two years after licence expiry so as to allow owners to plan ahead to



renew the licence. Since putting the measure into practice would involve computer system enhancement, it is expected to be implemented in 2024.

**Question (3):** *According to paragraphs 2.16 to 2.18 of the Audit Report, regarding setting up of a queue ticketing system, TD considered that the overall benefits of adopting a queue ticket arrangement might not be apparent. However, during the second trial run in 2016, 78.5% of respondents were satisfied or very satisfied with the arrangement. The second trial run ended in 2016. With the advancement in technology nowadays, some departments have also set up a queue ticketing system. Has TD made reference to the experience of other departments? Will TD consider launching the third trial run?*

*Queue ticketing system (Response to Question (3))*

13. As mentioned in paragraph 8 above, starting from 31 May 2022, TD has implemented a trial queue ticketing system for DL-related services at its KLO, so that members of the public are no longer required to wait inside the LO, thereby improving the walk-in counter services. Subject to the result of the trial, the queue ticketing system for DL-related services will be extended to other LOs.

**Question (4):** *Paragraph 2.21 of the Audit Report states that applicants can access the appointment booking system through the Internet to make an appointment for vehicle licence renewal service at preferred timeslots and licensing offices. Some members of the public, however, said that they had to wait for more than one month when they used the online booking service during the pandemic and they could not use their cars and wasted the insurance premiums paid. Some vehicle owners reflected that even though they had made online appointments, they still needed to wait in line for a long time at licensing offices. There is almost no difference between making appointments and not making appointments. In this connection, please advise:*

- (a) If TD cannot process licence renewal applications in a timely manner, will the Certificate of Roadworthiness become expired and invalid? If yes, will TD exercise its discretion to consider extending the validity period of the Certificate?*
- (b) If TD cannot process licence renewal applications in a timely manner before expiry of the vehicle licence, will TD ask the insurance company on behalf of the vehicle owner to extend the motor insurance validity so as to help the vehicle owner lower unnecessary insurance costs?*
- (c) Can TD estimate the earliest date available for booking licence renewal service based on the waiting situation and manpower arrangement at various offices?*

- (d) *It is mentioned in paragraph 2.12 that TD has introduced an e-service to remind the vehicle owners of the expiry dates of their vehicle licences. When sending such reminders to vehicle owners in future, will TD consider adding “the earliest booking date available” to let applicants know the latest queuing situation?*
- (e) *For people who have “made appointments” and those who have “not made appointments”, why is there no difference between their waiting times?*
- (f) *Are there any measures/policies to reduce the waiting time for vehicle owners who have “made appointments” so as to encourage more vehicle owners to use the online booking service?*

#### *Renewal of VL service*

*The validity period of “Certificate of Roadworthiness” and “Certificate of Fitness” (Response to **Question (4)(a)**) and motor insurance (Response to **Question (4)(b)**)*

14. According to the current legislation, before renewing the VLs, designated vehicles must be sent to the government vehicle examination centres or designated car testing centres for annual examinations to ensure the vehicles are roadworthy and comply with the requirements of issuing VL. Vehicle owners or their representatives can make appointments for vehicle examinations four months before expiry of VLs. “Certificate of Roadworthiness”/“Certificate of Fitness” (“the Certificate”) will be issued after passing the examinations. With consideration of the mechanical wear and tear of a vehicle when used on roads, these documents are valid for four months. The owners or their representatives should have sufficient time to arrange renewal of VLs within the validity period.

15. In respect of the motor insurance validity, as an insurance policy is a private commercial contract between the policyholder and the insurance company, it is not appropriate for TD to intervene such arrangements.

16. Currently, registered owners may submit a VL renewal application online, by drop-in box, by post, or by walk-in counter services. When LOs had to suspend walk-in counter services due to the pandemic, TD also suggested vehicle owners to submit applications in advance through online or drop-in box, etc.

*Available appointment dates (Response to Questions (4)(c), (d))*

17. Applicants can directly check the booking situation of VL renewal services at respective LOs of TD for the coming 10 weeks through online ABS of TD. As mentioned in paragraph 11 above, the ABS of TD operates 24 hours. After a member of the public has successfully made an appointment, the latest available appointment dates will be updated immediately for the information of other members of the public. To facilitate registered users to know the latest available appointment dates, TD will explore providing the relevant hyperlinks in the reminder messages.

*Waiting time of applicants with appointment booking (Response to Questions (4)(e), (f))*

18. At present, LOs of TD have designated counters for processing licensing applications submitted by applicants who have made appointments through online booking system. In general, when the applicants who have made appointments arrive the services counters at their reserved time slots, their waiting time will be shorter than that of applicants who have not made an appointment (i.e. queuing for walk-in counter services). If there is an increase in the number of applicants waiting for appointment booking counter services, depending on the actual operational situation, LOs will deploy manpower to provide additional dedicated counter and accord priority to handle these applications.

19. As for the situation where waiting time for those “with” and “without” appointment was the same as mentioned in the letter, it is believed that it referred to the situation where walk-in counter services of TD were resumed on 21 April this year. The number of applications of the four LOs on that day was 56% higher than usual. Due to the large number of people queuing at the scene, the end of the queue extended to the area outside LOs. It might make it difficult for the applicants to distinguish between the queues dedicated for those “with” and “without” appointment. LOs have provided clearer instruction to facilitate applicants to identify the queue for counter services with appointment booking.

*Question (5): Paragraph 2.24 of the Audit Report mentioned that there was a large number of no-show cases of applicants using the appointment booking service (ABS). It is noted that, given the excessively long waiting time for vehicle licence renewal in the ABS queue in recent months, some vehicle owners*

would still queue up at licensing offices despite they had made online booking in order to get their licences renewed sooner. However, after they renewed their licences over the counter, the counter staff did not take action to cancel their online booking records. In this connection, please advise:

- (a) Does TD have the statistics on the number of no-show cases of applicants using the ABS in 2016-2020 that falls under the above category?
- (b) Will TD tries to make things simpler by enabling deletion of booking records manually or through the system if the above situation happens so as to reduce the number of no-show cases and increase the timeslots available for booking?

*Online appointment booking case (Response to Question (5)(a))*

20. At present, applicants who have made appointments through online booking are directed to wait in the specific queue and asked to present their identity documents for verification upon arriving at the designated counter for licensing services that have been booked.

21. TD does not maintain the information on the category of no-show case as mentioned in question (5). If the applicant informs our staff that he/she has made an online appointment for the same service when submitting VL renewal application at the counter, our counter staff will remind the applicant to cancel the relevant online appointment booking on the spot.

*Updating online appointment record (Response to Question (5b))*

22. TD has been paying close attention to the usage rate of appointment booking service and has launched the email reminder service on 25 January 2022. With a view to reducing the no-show rate, ABS will send automatic reminder messages to the applicants three calendar days before the scheduled appointment which helps reminding applicants to change or cancel their appointments through ABS if necessary.

23. In addition, in order to increase the available booking slots, all appointment slots that have been changed or cancelled will be re-opened for applicants to make appointments.

**Questions (6):** Paragraph 2.26 (Tables 9 and 10) of the Audit Report mentioned that the percentages of online application for renewal of full driving licences and vehicle licences in 2021 were 32% and 3.7% respectively, and that there has been an increasing trend in the number of online applications since 2016. In this connection, please advise:

- (a) Has TD consulted vehicle owners about the reasons for the big difference?
- (b) Has TD considered the online application for vehicle licence renewal service from a user's perspective to avoid making the procedures too complicated/difficult to understand or the application form difficult to complete?
- (c) Has TD analysed the reasons for the increase in the number of applications for renewal of full driving licences? Has it taken the opportunity to promote and improve the online application service for renewal of vehicle licences?
- (d) Does TD have any clear performance indicators and timetable for developing online services?

*Online renewal of FDL and VL (Response to Questions (6)(a), (b), (c))*

24. TD has been reviewing the situation of online application for licence renewal and exploring ways to increase its utilisation rate. We believe that the following factors may affect the applicant's choice to use online services:

- (a) at present, renewal of VLs requires applicants to submit relatively more supporting documents than that of renewal of FDLs. While only address proof is required for renewal of FDL, applicants have to submit address proof, third party risk insurance or cover note, vehicle registration document and a valid Certificate (if applicable) for renewal of VL;
- (b) registered vehicle owners may prefer to collect the renewed VL immediately. This in turn makes them incline to submit application at LOs' walk-in counters; and
- (c) in comparison with renewal of VLs, applicants can renew their FDLs online not only through an "iAM Smart+" account with digital signing function or a valid digital certificate, but also a renewal identification number ("RIN") issued by TD for identity authentication. To cope

with the upsurge in renewal of 10-year FDLs, TD has been issuing a personal RIN to DL holders since March 2008, allowing them to renew their DLs online without digital certificates. DL holders can complete the renewal application by using RIN and paying the relevant fees through online platform, without the need to submit address proof. Since the introduction of the above measure, the number of online renewal of FDLs has gradually increased from less than 1% to an average of above 30% in recent years.

25. Since the acceptance of “iAM Smart+” account with digital signing function as an alternative mean for identity authentication in December 2020, the number of online applications for renewal of VL has continued to rise. After the introduction of “iAM Smart+”, the average monthly proportion of online applications for renewal of VL has increased from less than 1% in 2020 to the average monthly proportion of about 5.7% (from January 2021 to March 2022).

26. As mentioned in paragraph 5 above, TD is planning to take measures to streamline the supporting documents required when submitting a VL renewal application with a view to bringing greater convenience to licence holders, and paving way for full automation of the processing procedures. Meanwhile, TD will continue to make effort to enhance and promote online services with the aim of encouraging applicants to submit applications online.

*Development of online service (Response to Question (6)(d))*

27. TD has the following directions and objectives in the development of online licensing services:

- (a) first, TD is striving for the implementation of “e-submission”, “e-processing”, “e-tracking” and “e-payment” in processing the issuance of permits, VL and DL through “iAM Smart” and enhancements to internal processing procedures in order to facilitate the provision of relevant services. Riding on the launch of “iAM Smart”, TD has upgraded 12 types of its existing online licensing application services by phases since December 2020. From 2022-23, TD plans to further extend online services to over 20 types of services, including LDL, duplicate DL and DIL, IDP, duplicate copies of driving test appointment letter and certificate of driving test result, etc;

- (b) second, to implement “e-licence”, TD plans to launch electronic form for the majority of its permits by issuing them in “portable document format” (pdf) and sending them to applicants by email. Applicants will be able to print the electronic form of permits (“ePermits”) direct for displaying in the same way as existing paper-form permits. TD plans to submit the legislative amendment proposal to the Legislative Council (“LegCo”) for consideration in Q3 of this year, with a view to implementing the ePermits by phases starting from Q4;
- (c) third, TD plans to implement eVL so that the expiry date will no longer appear on the paper-form VL. Although vehicle owners will still need to renew their VL every year, they will not need to replace the paper-form VL with a new one after each renewal as the expiry date will not be printed on the VLs issued to them. Meanwhile, aiming at the continued improvement of the procedures for renewal of VL, TD plans to take measures to streamline the supporting documents required when submitting an application with a view to bringing greater convenience to licence holders, and paving way for full automation of the processing procedures. TD plans to submit the legislative amendment proposal to LegCo in the second half of this year with a view to implementing eVL in 2023; and
- (d) fourth, in tandem with the international trend of the development of eDL, TD plans to implement eDL as a supplementary and additional form of DL. While the physical DL will continue to be issued, eDL will be presented via a mobile application with the authentication by “iAM Smart”. eDL will be accepted in lieu of the physical DL, so that a DL holder can choose to bring along either the physical DL or the eDL when driving. TD plans to submit the legislative amendment proposal in the first half of next year with a view to implementing eDL in 2024.

28. Adopting e-licensing and extending online services would not only respond to the increasing demand for licensing services from the public, but would also improve the public’s experience when using licensing services. Meanwhile, TD will continue to step up publicity for online services in order to encourage more applicants to submit various licensing applications online to enjoy the convenience of e-licensing services, so that they do not need to visit LOs to process their applications.

**Question (7):** Paragraph 2.28(e) of the Audit Report mentioned that TD will “explore the feasibility of implementing a queue ticketing system for driving licence-related services, where practicable”. Please advise whether TD will implement a queue ticketing system for “vehicle licence renewal service”; if yes, what will be the arrangements and are there any means to prevent and eliminate ticket speculation?

*Whether to implement a queue ticketing system for VL-related services (Response to Question (7))*

29. As mentioned in paragraph 8 above, starting from 31 May 2022, TD has implemented a trial queue ticketing system for DL-related services at its KLO. Subject to the result of the trial, the queue ticketing system for DL-related services will be extended to other LOs and other services.

30. To prevent the possible emergence of queue ticket scalping, TD’s trial queue ticketing system only allows onsite issue of tickets, to prevent bot programmes from amassing all queue tickets online within a short time. One person can only take one ticket, and the ticket cannot be transferred to other persons; members of the public are required to input the first four digits of their identity document number when taking the ticket. To be eligible for using counter services, the identity document number of the person using counter services must be the same as the numbers input when taking the ticket. TD will closely monitor the effectiveness of the trial and make adjustments at appropriate junctures.

31. As for vehicle licensing service, as a greater share of applicants would submit applications through agents, and the service is in very keen demand, TD has to carefully study the feasibility of implementing a queue ticketing system in order to prevent the possibility of queue ticket scalping. TD will learn from the experience of the implementation of queue ticketing system for driving licensing related services, and consider the arrangement after the implementation of eVL, in order to formulate a feasible solution.

**Question (8):** According to paragraph 2.29 of the Audit Report, the performance targets on providing driving licence renewal service and vehicle licence renewal service over the counter are both set at “within 70 minutes”. What are the



*reasons and the calculation criteria? Is there room for reducing the completion time?*

*Performance targets of licensing services (Response to **Question (8)**)*

32. TD determines the performance targets of the licensing services with reference to the time required for members of the public to wait at the counters to renew DLs and VLs. Under normal circumstances, TD will review and determine the relevant performance targets with reference to the results of the waiting time survey every year (the waiting time survey was suspended in 2020 in order to keep social distancing during the COVID-19 epidemic).

33. The survey is to examine the queueing situation for counter services by statistical means. The waiting time of 70 minutes in the performance targets includes both the queueing time and the processing time. A TD staff records the time an applicant joins the queue on the survey form (i.e. the start of queueing time). When the applicant arrives at the counter, the counter staff collects the form and records the time of the form being collected (i.e. the end of queueing time and the start of processing time). When the application process is completed and payment made, the counter/shroff staff records the completion time (i.e. the end of processing time).

34. In response to the increasing demand for licensing services from members of the public, as mentioned above, TD has started to improve the performance targets through various means, including streamlining procedures and implementing e-initiatives with a view to reducing the public's demand for counter services. Among them, TD plans to implement eVL and automation of VL renewal application in 2023. It is expected that the measures will encourage more vehicle owners to apply for renewal of VLs online, thereby reducing the waiting time for vehicle owners to go to LOs in person. With the implementation of various e-initiatives, the waiting time required for counter services will be reduced. TD will review and set the relevant performance targets in a timely manner.

**Question (9):** *According to paragraph 2.30 of the Audit Report, there was a substantial increase in applications received through non-counter means in 2020. The actual performance for providing non-counter licensing services within 10 working days upon application in 2020 was only 89%, not meeting the target of*

95% as stated in COR.

*In this connection, please advise:*

- (a) Are there any measures/policies to streamline and shorten the workflow of processing each application for vehicle licence renewal? To what extent will the relevant policies and measures enhance service efficiency?*
- (b) Does “providing non-counter licensing services within 10 working days upon application” mean start processing or complete processing the application within 10 working days upon receiving the application?*
- (c) For cases that failed to provide non-counter licensing services within 10 working days upon application in 2020, what was the longest processing time? What was the average processing time for cases not meeting the performance target?*

*Performance of non-counter licensing services (Response to **Question (9)**)*

35. To align with the Government’s policy of social distancing and anti-epidemic measures, there was a substantial change in the mode of operation of LOs during the COVID-19 pandemic. Walk-in counter services were suspended for over six months, whereas non-counter licensing services became the major channel of submitting licensing applications. The number of applications received via drop-in box, by post and online were therefore increased substantially, and that handling of such applications involved additional work such as vetting the received documents and preparing an application register upon receiving the applications, as well as mailing the renewed licences by registered post after processing. In general, applications submitted by non-counter means (especially by drop-in boxes and by post) are more prone to be incomplete with errors, such as incorrect cheque amounts, unsigned application forms, missing information or documents, etc. When processing such incomplete applications, LO staff would have to spend enormous time and manpower to contact the applicants to seek clarification or request supplementary documents, and could only complete processing the application after receiving the requested information or documents, which led to a longer processing time and a lower percentage of applications meeting the performance target compared with that in other years.

*(Response to **Question (9)(a)**)*

36. TD is planning to introduce eVL while continuing to enhance the procedures for renewal of VL, and is taking measures to streamline the supporting

documents required when submitting VL renewal applications, with a view to reducing the documents required for uploading for online application, thereby having more applicants submit applications online instead of by post or by drop-in box and bringing greater convenience to licence holders. At the same time, TD has acted upon the recommendation of the Audit Commission to add checkboxes in the application forms to facilitate the applicants to check whether all required documents have been prepared, so as to avoid spending additional time on resubmitting the required documents. Furthermore, since November 2021, TD has been collecting e-contact means from registered vehicle owners and has started to make use of e-contact means to process vehicle-related licensing applications, such as sending notifications to applicants, and seeking clarification or supplementary information by email or SMS to save the time of contacting applicants by phone. In the long run, with the implementation of eVL and automation of the processing procedures of VL renewal, TD anticipates to reduce the processing time of each application and attract more applicants to instantly complete the application procedures online.

*(Response to **Question (9)(b)**)*

37. With regard to question (9)(b), “providing non-counter licensing services within 10 working days upon application” means TD would complete the processing within 10 working days upon receiving a duly completed application.

*(Response to **Question (9)(c)**)*

38. According to TD’s record, in 2020, the longest time taken to process an application was 19 working days. Among the applications failed to meet the performance pledge, it took an average of about 15 working days to complete.

**Question (10):** *According to paragraph 2.31 of the Audit Report, TD estimated that for the same type of application, the non-counter processing time for each application was doubled, or even tripled when comparing to the traditional “over-the-counter” mode of operation because of more administrative procedures involved. On the other hand, TD planned to enhance promotion of online services. In this connection, what measures will TD take to improve the workflow of non-counter licensing services so as to enhance the efficiency in providing non-counter services and achieve the performance target?*

*Measures to improve the efficiency in providing non-counter services (Response to Question (10))*

39. “Non-counter means” includes applications submitted online, by post or by drop-in boxes. As mentioned in our reply above to question (9) of the letter, according to TD’s experience, applications submitted by non-counter means (especially by drop-in boxes and by post) are more prone to be incomplete with errors, which TD could only complete processing the application after receiving the requested information or documents, lengthening the overall processing time. In view of the above, TD has acted upon the recommendation of the Audit Commission to add checkboxes in the application forms to facilitate the applicants to check whether all required documents have been prepared, so as to avoid spending additional time on resubmitting the required documents. At the same time, TD has been encouraging more applicants to submit various licensing applications online and plans to take measures to streamline the application procedures and supporting documents required for online application, with a view to having more applicants submit applications online instead of by post or drop-in box. Furthermore, since November 2021, TD has been collecting e-contact means from registered vehicle owners and has started to send notifications to applicants or seek clarification by email or SMS to save the time of contacting applicants by phone. In the long run, TD plans to take measures to streamline the supporting documents required when submitting VL renewal application, with a view to having more applicants submit applications online and improving service efficiency.

*Question (11): According to paragraph 2.31(b) of the Audit Report, TD mentioned that it will arrange “overtime work during weekdays, Saturdays and Sundays” to maintain a reasonable service level of the essential licensing services. Please advise on the duration of the above measures, the number of staff involved and the number of transactions processed during the overtime period. Note 18 of para. 2.32 of the Audit Report states that the overtime hours in the licensing offices increased to 8 300 hours in April 2020, and the overtime allowance incurred increased significantly in 2020-21. In this connection, would TD consider taking other measures to maintain the efficiency of non-counter licensing services?*

*Manpower arrangement of LOs (Response to Question (11))*

40. As mentioned in paragraph 35 above, to align with the Government’s

policy of social distancing and anti-epidemic measures, there was a substantial change in the mode of operation of LOs during the COVID-19 pandemic, where walk-in counter services were suspended for over six months. Non-counter licensing services became the major channel of submitting licensing applications. Given the substantial increase in the number of applications received via drop-in box, by post and online, and that handling of such applications involved longer processing time (such as to contact applicants for clarification or request for supplementary documents) the processing time required for each application of the same kind was longer.

41. During the period from 1 April 2020 to 31 March 2021, there was around 180 staff worked overtime in four LOs. On weekdays, LOs mainly worked overtime to continue to process applications submitted by the public on the spot. Although LOs are closed at 5 p.m. on weekdays, the staff of LOs would continue to process applications submitted by members of the public who arrived the LOs before 5 p.m. Therefore, the staff of LOs were usually required to work overtime on weekdays to process the application submitted in person and complete the daily accounting procedures. As for Saturdays and Sundays, the staff of LOs were mainly required to contact applicants to seek clarification or ask for supplementary documents. If the application information was complete, the applications could be completed on same day.

42. During the above overtime working period, LOs completed about 380 000 applications. As the same application may need to wait for clarification with the applicant or submission of supplementary documents, the processing time of the application will span different days and time periods. In order to avoid double counting, LOs would count the number of completed cases.

43. As mentioned in the reply to question (1) of the letter, TD is planning to implement eVL and improve the procedures for renewal of VL, and streamline the supporting documents required for VL renewal applications submitted through online with a view to saving time required for uploading the documents, enhancing efficiency for non-counter services and reducing overtime work.

### **Part 3: Vehicle Examination**

**Question (12):** *Regarding suspected defective vehicles not attending scheduled inspections (paragraphs 3.10 to 3.12 of the Audit Report), please advise:*

- (a) *Did the Vehicle Inspection Office issue Vehicle Examination Orders to vehicle owners during the implementation of the special working arrangement/work-from-home arrangement in view of the epidemic in 2020-21?*
- (b) *Please provide figures for 2021 based on Table 16 of paragraph 3.10, including the percentage of suspected defective vehicles that passed the vehicle inspections; and for vehicles confirmed as defective, the types of irregularities and their percentages.*
- (c) *What actions has TD taken to expedite the processing of cases reported by the public?*

*Issue Vehicle Examination Orders to vehicle owners (Response to **Question (12)(a)**)*

44. During the epidemic in 2020 and 2021, the Vehicle Inspection Office (VIO) has been maintaining services for handling defective vehicle reports, as well as issuing vehicle examination orders to concerned registered vehicle owners.

45. In year 2020 and 2021, the VIO issued 10,073 and 8,102 vehicle examination orders respectively.

*(Response to **Question (12)(b)**)*

46. In year 2021, the VIO issued 8,102 vehicle examination orders, requesting concerned vehicles to be inspected in Government Vehicle Examination Centres. The related figures are tabulated below:

<b>Inspection Result</b>	<b>2021 (Number)</b>
(a) Passed	5 619
(b) Failed	304
(c) Not attending the scheduled inspection	2 179
(d) Total =(a)+(b)+(c)	8 102

Percentage of cases requiring follow-up actions <sup>Note</sup> = [(c) ÷ (d)] × 100%	26.9%
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Note: Follow-up actions include cancellation of VL, requesting vehicle owner to provide supporting document showing the vehicle had passed annual vehicle examination, or re-scheduling of vehicle inspection upon request of the vehicle owner.

47. Regarding the cases which did not attend the scheduled inspection as mentioned in item (c) of the above table, 2 075 (95.2%) vehicles had undertaken and passed vehicle inspection at a later stage, whereas the VLs of the remaining 104 (4.8%) vehicles had been cancelled or expired in normal course.

48. Generally speaking, the common defective items are: illegal modification of vehicle body (20%), substandard vehicle lighting equipment (18%), noncompliance of legal requirements for vehicle emission and noise (18%), substandard performance of vehicle brake (11%), insufficient light transmittance of vehicle glass (8%) and other miscellaneous.

*(Response to Question (12)(c))*

49. The Transport Department (TD) has completed the review of the internal working procedures and updated the related working guidelines in November 2021. Under the new working guidelines, if registered vehicle owners apply for deferral or cancellation of vehicle examination orders, they are required to submit sound justification(s) and submit documentary evidence provided by a third party. In case the concerned vehicle owner does not follow the vehicle examination order, the TD would initiate the procedures for cancellation of VL of concerned vehicle if needed.

50. On the other hand, if the number of reported cases received exceeds the number of cases normally processed each day, the TD would suitably redeploy internal manpower to expedite the review of the reported cases. Besides, the Government Vehicle Examination Centres would make corresponding arrangement to increase the allocation of vehicle examination appointment timeslots for defective vehicles, to expedite the arrangement for vehicle inspection concerned.

**Question (13):** *According to paragraph 3.14 of the Audit Report, with the*

*implementation of collection of e-contact means of registered vehicle owners since 1 November 2021, further improvement measures would be taken in addition to the prevailing dispatching Vehicle Examination Orders by registered post. Please provide details of the improvement measures and their effectiveness.*

*Improvement measures for the issue of Vehicle Examination Orders (Response to **Question (13)**)*

51. The TD had conducted the technical study on the computer system in November 2021 and commenced the enhancement works of the computer system which are expected to be put in service in the fourth quarter of 2022 the earliest. By then, the TD, in addition to delivering vehicle examination order to the registered vehicle owner by registered post, would automatically issue email or SMS reminder via the computer system to the registered vehicle owner to remind the vehicle owner to present the vehicle for inspection at the Government Vehicle Examination Centres according to the date as given in the vehicle examination order. For any rescheduling, the vehicle owner must submit the rescheduling request in written to the VIO at least 7 working days in advance from the date of vehicle inspection.

***Question (14):** According to paragraph 3.21 of the Audit Report, the computer system suspected of being attacked contained information on the scheduled examinations in the next three to four weeks from 17 June 2021, including vehicle registration marks, vehicle chassis numbers, surnames of contact persons or names of contact organisations, as well as their contact phone numbers. In this connection, please advise:*

- (a) the number of people involved, whether any members of the public have been affected by the information leakage; if yes, whether any assistance has been rendered; and*
- (b) the actions taken to enhance the security of the computer system.*

*Computer System (Response to **Question (14)(a)**)*

52. After the incident, the TD had immediately suspended the operation of the computer system, and issued a press release to appeal to the concerned vehicle owners or their representatives to pay attention to calls from unknown sources. The computer system being attacked contained the information on the scheduled



vehicle examinations in the next 3-4 weeks from 17 June 2021 which involved around 2 000 surnames of the contact persons/names of their organisations and their contact numbers stored in the system. The Electrical and Mechanical Services Trading Fund (EMSTF) had engaged specialist to conduct an investigation on the incident. The investigation report revealed that there was no evidence showing the incident had resulted in a leakage of information. The TD had also reported the incident to the Police, the Office of the Government Chief Information Officer (OGCIO) and the Office of the Privacy Commissioner for Personal Data and provided related information and the investigation report of the specialist. Up till now, the TD had not received any complaints or reports in relation to the information leakage.

*(Response to Question (14)(b))*

53. After the breakdown of the computer system of the Transport Department Vehicle Examination Complex (TDVEC), the TD, together with the OGCIO and the EMSTF, has formed a working group to examine the major causes of the incident and to follow up on strengthening the security of the computer system while speeding up the recovery of the computer system at the same time.

54. In accordance with the recommendations made by the report of the working group, the TD is gradually carrying out the improvement measures, including strengthening the remote access control, enhancing data logging and implementing 24-hour continuous monitoring of the system. The TD and the EMSTF would conduct further comprehensive Security Risk Assessment and Audit in June 2022. Subject to the test results, all security improvement measures will be completed by the fourth quarter of 2022.

*Question (15): Regarding paragraph 3.23 of the Audit Report, please advise whether the detailed investigation into the TDVEC's system security incident has been completed. If yes, what are the investigation results? What is the progress of implementing security enhancements?*

*Investigation of the TDVEC's System (Response to Question (15))*

55. The detailed investigation work of the breakdown of the computer system of the TDVEC had been completed. As mentioned at paragraph 54

above, the TD and other Departments are now carrying out the improvement measures gradually based on the recommendations made by the working group and the investigation report. Subject to the testing results, all security improvement measures will be completed by the fourth quarter of 2022.

56. The TD had also issued a press release announcing that the online booking system for annual vehicle examination of commercial vehicles in the TDVEC had resumed service with effect from 10am, 17 January 2022.

*Questions (16): According to paragraph 3.28(b) of the Audit Report, following the recruitment exercise launched by TD in October 2020, new recruits would be expected to report duty commencing from the third quarter of 2021. Please advise why it takes about a year for new recruits to report duty and whether any measures will be taken to shorten the time required.*

*Questions (17): According to paragraph 3.31(c) of the Audit Report, TD has stated that it will “continue to plan ahead its recruitment exercises”. In this connection, please advise whether TD has actually taken actions to plan ahead its recruitment exercises. If yes, please explain why the situation mentioned in paragraph 3.29 occurred.*

#### *Recruitment of Motor Vehicle Examiner (Response to Questions (16), (17))*

57. In 2020, having reviewed the manpower requirements of different grades, the Department has conducted recruitment exercises for a number of different grades (including the Motor Vehicle Examiner II (MVE II) rank) according to the stretch of the resources available and the procedures involved in the recruitment work. The actual time required for the recruitment work and the reporting dates of appointees are affected by various factors, such as the number of applicants and eligible candidates, and the resignation notice to be tendered to the original employers, etc. The whole process generally takes about 6 months to 10 months to complete. For the 2020/21 MVE II recruitment exercise, although the exercise was launched with the recruitment advertisement published in October 2020, the selection interviews could only be arranged in late March to mid-April 2021 due to the epidemic in early 2021. New recruits reported for duty starting from October 2021 after the recruitment procedures were completed. As at 1 April 2022, 14 new recruits have reported for duty. At the same time, the Department has launched the recruitment exercise for Vehicle Tester (VT) in

July 2021. New recruits for VT reported for duty starting from March 2022.

58. After reviewing the manpower requirements for various grades and with a view to filling 13 existing and anticipated MVE II vacancies as early as possible, the Department has commenced planning for the new round of recruitment exercise. Under the current plan and progress, we expect that the new round of recruitment exercise could be completed by December 2022 the earliest. New recruits may report for duty starting from the first quarter of 2023.

#### **Part 4: Administration of Lantau Closed Road Permits**

*Questions (18): According to paragraphs 4.9 and 4.10 of the Audit Report, TD had not taken any follow-up actions with the permittees concerned on the return of their expired LCRPs, and TD responded that it would be difficult and time consuming to chase the permittees when they had no intention nor incentive to return their expired permits to TD as such arrangement would cause them inconvenience. Regarding TD's plan to introduce an electronic permit system, please advise:*

- (a) whether the electronic permit system can improve the situation of illegal activities mentioned in paragraph 4.3 of the Audit Report; and*
- (b) the timetable for implementation of the electronic permit system.*

*(Response to Question (18))*

59. Under the Lantau Closed Road electronic permit (ePermit) scheme, each ePermit will only cover one vehicle for identification purposes. All ePermits will incorporate a Quick Response Code (QR Code) for instant verification of conformity of the vehicle's data with those on the permit to prove that the vehicle holds a valid permit for entering closed roads in Lantau. The ePermit system could enhance the efficiency of the Police in conducting on-site checking and law enforcement, which can combat illegal use or suspected counterfeiting of permits more effectively, including entering South Lantau without a valid permit, fraud, forgery, etc. With regard to illegal activities such as carrying passengers for hire or reward with the use of permits, whether they are existing permits or future ePermits, the Police may conduct investigation and law enforcement actions such as patrol, intercepting vehicles for checking or

decoy operation under the existing mechanism. TD will also refer cases of suspected illegal activities observed to the Police for investigation and appropriate actions.

60. Since legislative amendments are required for implementing ePermits, TD consulted the LegCo Panel on Transport regarding the implementation of e-measures (including ePermits) on 20 May 2022, and aims at submitting the legislative amendment proposal to the LegCo for consideration in Q3 2022. Subject to the passage of relevant legislative amendments and the timing of actual completion of system enhancements, TD expects that ePermits can be implemented by phases starting from Q4 2022 at the earliest. The first phase will cover permits under the Driving on Lantau Island Scheme (DLS), whereas the next phase will extend to cover non-DLS “one permit, one vehicle” permits.

61. To further facilitate the Police enforcement actions, the Civil Engineering and Development Department (CEDD) is developing a system to identify vehicles entering closed roads in Lantau without valid permits with the aid of technological devices. The system will identify the vehicle registration mark of the vehicle passing the checkpoint (located at Tung Chung Road near Shek Mun Kap) and automatically compare the vehicle registration mark with TD’s records. If a vehicle entering closed roads is found without a valid permit, the system will automatically notify the Police. CEDD aims at commencing the trial of the system in Q2 2023. It is believed that it will have a synergy effect with the ePermit system in combating illegal activities related to permits, and further enhance the law enforcement efficiency.

62. The arrangement for the return of expired permits is originally intended to prevent illegal use of such permits. In fact, the vehicle registration mark and the expiry date of permit are clearly printed on the existing permit for checking by the Police. In view of the law enforcement efficiency being further enhanced following the implementation of the ePermit system, and the fact that expired permits are invalid, TD, after deliberation with the Police, proposes to repeal the existing statutory requirement for permittees to return expired permits to the CfT, with the purposes of utilising government resources more effectively, streamlining procedures and minimising inconvenience to the public.

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2 June 2022

Ms Wendy JAN  
Clerk to the Public Accounts Committee  
Legislative Council Secretariat  
Legislative Council Complex,  
1 Legislative Council Road,  
Central, Hong Kong

Dear Ms Jan,

**Public Accounts Committee**  
**Consideration of Chapter 5 of the Director of Audit's Report No. 77**  
**Management of flushing water supply**

Thank you for your letters of 18 May 2022 addressing to the Secretary for Development and the Director of Water Supplies respectively with regard to Chapter 5 of Report No. 77 of the Director of Audit.

I enclose the collective responses of this Bureau and Water Supplies Department to the questions attached to your letters.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Thomas TY CHAN'.

( Thomas TY CHAN )  
for Secretary for Development

Encl.

cc Director of Water Supplies  
Secretary for Financial Services & the Treasury  
Director of Audit

**Chapter 5 of the Director of Audit's Report No. 77**

**Management of Flushing Water Supply**

**Questions and Request for Information**

**(I) Questions for Response by Development Bureau**

**Part 2: Management of Projects for Extension of Seawater Supply Network**

<p><b>1</b></p>	<p><b>According to paragraph 2.18 of the Report No. 77 of the Director of Audit, the completion date was extended by 23 months owing to adverse ground conditions and transplanted trees prior to the commencement of construction works not being shown in contract drawings. In this regard, please advise on the following -</b></p> <ul style="list-style-type: none"> <li><b>(a) Why did the pre-tender site investigation conducted by the Department fail to reflect the actual site condition?</b></li> <li><b>(b) Given the variances between the actual site condition and the contract drawings, were there any procedures missing during the drawings preparation?</b></li> <li><b>(c) It was not the first time that insufficient pre-tender site investigation and variances between the contract drawings and the actual site condition were identified by the Audit Commission, which led to compensation made to the contractor and delay caused to construction works. In this regard, were there any improvement measures and actions taken by the Development Bureau?</b></li> </ul>
<p><b>A1</b></p>	<p>The Water Supplies Department (WSD) worked together with relevant departments during the design stage to study the geological records around the site and conducted site investigation before tendering to verify the relevant geological conditions and facilitate the design. Nevertheless, during the construction stage, the Contractor found the presence of marine mud at some localised areas on site, which could not have been identified in the site investigation during the design stage. After consultation with relevant departments, WSD needed to suitably modify the design to provide for foundation stability.</p> <p>Moreover, WSD conducted a tree survey during the design stage in early 2006 before tendering and prepared the contract drawings based on the result of the tree survey. Afterwards, the Contractor conducted another tree survey in mid</p>

## Enclosure

2010 according to the contract requirements, and found 8 trees which were not shown in the contract drawings and 3 of which obstructed the construction works and needed to be transplanted. WSD found that the trunks of these 3 trees were small. Since the two tree surveys were separated by 4 years, it was considered that the concerned trees might have grown and reached the trunk diameter warranting transplantation. As such, they were not recorded in the first tree survey.

In response to the Audit Commission's findings, WSD issued an internal memo on 21 February 2022 to remind the project teams to conduct sufficient pre-tender site investigation to collect adequate on-site information and conditions. WSD also updated its in-house Civil Engineering Design Manual, requiring the project teams to follow the guidelines and conduct sufficient investigation and survey; and should the proposed works involve deep trench excavation in reclamation areas, the project teams should verify the reclamation records, as-built records of old seawalls and piers with relevant departments. WSD also reminded the project teams to observe and follow the policy, management procedures and detailed requirements on tree conservation promulgated by the Development Bureau (DEVB).

DEVB constantly promotes competence of works departments in project administration by publishing technical circulars, including the Environmental, Transport and Works Bureau Technical Circular (Works) No. 19/2003 requiring works departments to review the preliminary design in accordance with the action checklists set out in the Circular before proceeding with the detailed design. DEVB has also conducted a research study for optimising a relevant buildability evaluation system for public works projects, and published the Development Bureau Technical Circular (Works) No. 6/2020 in April 2020 to further promulgate guidelines for "design for buildability" works policy to be instituted in works departments by phases. The Buildability Evaluation System established under this initiative covers public works projects of geotechnical works, roadworks, drainage or sewage works, waterworks, port and marine works, etc. and facilitate works departments' adoption of the "design for buildability" principle for enhancement of construction productivity and strengthening cost control.

**(II) Questions for Response by Water Supplies Department**

**Part 2: Management of Projects for Extension of Seawater Supply Network**

<b>2</b>	<p><b>According to paragraphs 2.4 to 2.8 of the Report No. 77 of the Director of Audit (“the Audit Report”), the disputes under Contract D involved the measurement and valuation of formwork as well as the omitted items in Bills of Quantities (BQ). The issues in question included substantially over-priced/under-priced and un-priced BQ items under Contractor D’s tender, resulting in difference in views between Contractor D and Consultant X on the valuation of formwork thus giving rise to disputes and claim of Contractor D against the government whereas the Water Supplies Department (WSD) counterclaimed against Consultant X. In this regard, what measures will be implemented by the Department when finalising contractual arrangements to prevent the aforesaid situation in the future?</b></p>
A2	<p>Civil Engineering and Development Department (CEDD) published the Project Administration Handbook for Civil Engineering Works (PAH) for providing guidance on management of public works projects. In 2014, CEDD incorporated further guidelines on checking the completeness and accuracy of Bill of Quantities (BQ) into the PAH. In March 2015, WSD subsequently issued internal guidance notes covering the requirements of carrying out a pre-tender cross-checking procedure when preparing a BQ with an aim of enhancing vetting of contract documents. On 21 January 2022, WSD also issued a memo to remind its staff and consultants to critically vet contract documents in accordance with the related guidelines.</p> <p>Besides, on 21 February 2022, WSD issued a memo to remind its consultants certifying interim payments to pay particular attention to payments involving over-priced/under-priced items when there is substantial change in quantities, and report to WSD any irregularities including possible overpayments, so that WSD may take early actions to settle any possible disputes and minimize the risk of substantial increase in contract sum.</p>
<b>3</b>	<p><b>According to paragraph 2.18 of the Audit Report, the completion date was extended by 23 months owing to adverse ground conditions and transplantation of trees prior to the commencement of construction works not being shown in contract drawings. In this regard, please advise on the following -</b></p>



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	<p>(a) <b>Why did the pre-tender site investigation conducted by the Department fail to reflect the actual site condition?</b></p> <p>(b) <b>Given the variances between the actual site condition and the contract drawings, were there any procedures missing during the drawings preparation?</b></p> <p>(c) <b>It was not the first time that insufficient pre-tender site investigation and variances between the contract drawings and the actual site condition were identified by the Audit Commission, which led to compensation made to the contractor and delay caused to construction works. In this regard, were there any improvement measures and actions taken by the Development Bureau?</b></p>
A3	<p>Letter dated 18 May 2022 from the Clerk to the Public Accounts Committee addressing to the Secretary for Development requested DEVB to respond to Question 1, which is the same as Question 3 posed to WSD. Please refer to the joint response of DEVB and WSD to Question 1 above.</p>
4	<p><b>It is mentioned in paragraph 2.27 of the Audit Report that the total project expenditure of Project E for the extension of seawater supply network in Northwest New Territories exceeded \$500 million and WSD had not conducted a post-completion review for the project as required as of June 2021 (6 years after the works completion). What is/are the reason(s) for the Department's delay in completing the review? What measures will the Department implement to effectively ensure timely completion of the relevant review?</b></p>
A4	<p>According to the Project Administration Handbook for Civil Engineering Works, a post-completion review should be conducted within a reasonable period (e.g. 6 months) after the substantial completion of a consultancy agreement or a works contract. However, should there be any on-going contractual disputes with the consultant or the contractor, it is more appropriate to have post-completion review deferred to later time after dispute resolution. If the project comprises a number of works contracts or consultancy agreements, the project office may take into account the benefits of a comprehensive review and conduct a comprehensive post-completion review for the entire project upon the substantial completion of the last contract.</p> <p>After the completion of the works contract in Project E, WSD and the Contractor had disputes over some of the contract works. In view of this, WSD deferred the post-completion review until resolution of the disputes. WSD and the Contractor resolved the relevant disputes progressively</p>

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	<p>between 2018 and 2021, and the finalisation of contract account was completed in 2021. WSD then conducted a comprehensive post-completion review for the entire Project E and completed the review report in January 2022.</p> <p>In response to the Audit Commission's findings, WSD issued an internal memo on 21 February 2022 to remind the project teams to conduct the post-completion review timely. All review results shall be properly documented, and WSD will also share experience and improvement recommendations within the department after the review so as to bring improvements to future projects.</p>
5	<p><b>As mentioned in paragraph 2.34 of the Audit Report, the projects for extension of seawater supply network in Pok Fu Lam and Northwest New Territories had been completed for about 8 and 6 years respectively but over 80% of temporary mains fresh water for flushing (TMF) accounts in the two areas had not been converted to seawater for flushing. It is mentioned in paragraph 2.35(b) of the Audit Report that some consumers refused to convert to seawater for flushing because connection fee and excavation permit fee for connecting to the salt water mains were required to be paid by them. Will the Department consider providing financial incentives to facilitate the successful completion of the works?</b></p>
A5	<p>Upon commissioning of the extension of seawater supply network in Pok Fu Lam and Northwest New Territories, WSD has adopted a strategy to accord priority to deal with those temporary mains fresh water for flushing (TMF) accounts with large flushing water consumption. As a result, the consumption of seawater for flushing in Pok Fu Lam and Northwest New Territories has accounted for more than 80% of the total flushing water consumption in the areas while the TMF consumption only accounts for less than 20% in respect of the remaining.</p> <p>Connection between the inside services and the Government's salt water supply system may be required for conversion to seawater for flushing in some buildings. In order to incentivize consumers to carry out conversion to seawater for flushing, eligible accounts have been allowed to apply to WSD for waiving the connection fee (inclusive of excavation permit fee) since end 2019.</p>

<p><b>6</b></p>	<p><b>It is mentioned in paragraph 2.36(a) of the Audit Report that WSD will redeploy in-house staff resources and create new posts to strengthen the communication with relevant parties and provide advice and technical support on the inspection and modification of internal plumbing systems to facilitate conversion to seawater for flushing. How much manpower will be redeployed and increased to expedite the progress of conversion work to seawater for flushing?</b></p>
<p>A6</p>	<p>With a view to expediting the progress of conversion to seawater for flushing, WSD, other than engagement of consultants to provide necessary assistance, has appointed an in-house senior engineer and employed a contract engineer to coordinate and oversee the work of consultants and contractors. In addition, a contract public liaison manager has been employed to strengthen communication with consumers to facilitate the conversion works that are targeted to commence in 2023. In order to complete the remaining conversion works as soon as practicable, WSD will review the manpower resources against the works progress from time to time, and increase staff strength and resources as necessary.</p>
<p><b>7</b></p>	<p><b>It is mentioned in paragraphs 2.37 and 2.38(b) of the Audit Report that, as of June 2021, there were still 4 131 TMF accounts (excluding those in Pok Fu Lam and Northwest New Territories) in other seawater supply zones. The Department will complete the conversion work for about 200 TMF accounts accorded with top priority by the end of 2024. In this regard, please advise on the following -</b></p> <p>(a) <b>How to prioritise the concerned TMF accounts for conversion work?</b></p> <p>(b) <b>What is the target completion date of the conversion work for those 3000 TMF accounts remaining?</b></p> <p>(c) <b>What is the progress of the engagement of consultants to conduct investigation into the remaining TMF accounts within the seawater supply zones in Hong Kong?</b></p>
<p>A7</p>	<p>With a view to expediting the progress of conversion to seawater for flushing, WSD has engaged consultants to assist in conducting investigation and carrying out the remaining conversion works of TMF accounts. It is targeted to complete the conversion works with priority for about 200 estates or buildings by end 2024 tentatively.</p> <p>(a) If technically feasible, WSD will take into account the flushing water consumption of each TMF account, number of consumers involved, cost-effectiveness, estimated time required for the conversion works,</p>

	<p>etc. in order to formulate the priority list of the conversion works for the estates or buildings.</p> <p>(b) Currently, the primary task of the consultants is to conduct a thorough technical investigation into the TMF accounts. Based on the results of the investigation, WSD will then formulate the priority and programme for implementation of the conversion works. In view of that those accounts are most associated with single buildings dispersed over numerous districts in Hong Kong, WSD estimates that longer time will be required to complete the remaining conversion works. The solid programme will be subject to the final investigation results and the actual situation.</p> <p>(c) The consultancy agreement commenced in end February of this year. The consultants have started the site inspections of the estates or buildings where TMF is still being used since May this year. Conversion works for the first 200 estates or buildings are targeted to commence in the second quarter of next year.</p>
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### Part 3: Operation and Maintenance of Seawater Supply Systems

<b>8</b>	<p><b>It is mentioned in paragraph 3.6 of the Audit Report that the selection criteria for sampling of flushing water quality at customer ends by WSD are based on accessibility and the representativeness of the sampling points with inputs from the regional offices. There were a total of 70 monitoring points from 2018 to 2021, of which 36% had been selected in the three-year period. It is also mentioned in paragraph 3.8(b) of the Audit Report that changes of the sampling programmes for flushing water were not documented. In this regard, please advise on the following -</b></p> <p>(a) <b>If monitoring points for sampling are selected by the Department based on the same criteria every year, will it be difficult to detect some cases of poor water quality? Will the Department revise the criteria regularly?</b></p> <p>(b) <b>Will the Department increase manpower and resources to conduct the sampling and testing work?</b></p>
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A8	<p>(a) Criteria for selecting monitoring points include the monthly output quantity of seafront salt water pumping stations, representativeness of flushing water quality within supply zones, accessibility of locations, locations with repeated water quality complaints, and so on. The number of flushing water samples will be increased with increasing number of consumers in a supply zone. In general, the monitoring points (i.e. flushing water cisterns in public accessible toilets) are located at the extremity of flushing distribution networks and some black spots with frequent water quality problems. Therefore, the collected flushing water samples can reasonably reflect the worst-case scenario of flushing water quality in the whole distribution networks. In addition, starting from April 2022, WSD has implemented a random method to select monitoring points in each water supply zone to enhance the representativeness of the testing of flushing water quality. The WSD will also review the effectiveness of the sampling plan annually and make appropriate revision when necessary.</p> <p>(b) The current levels of manpower and resources are just sufficient to meet the workload under the water sampling and testing programme for flushing water supply. In view of the continuous expansion of the flushing supply network using seawater and the development of the use of reclaimed water for flushing purpose in Hong Kong, WSD will review and increase manpower and resources to conduct the relevant sampling and testing work when necessary.</p>
9	<p><b>According to paragraph 3.20(a) of the Audit Report, 2 salt water mains classified as the highest risk and 23 salt water mains as high risk had not been selected for improvement works. Besides, owing to practical difficulties, longer time was required for planning of the improvement works for these salt water mains. Please advise the locations of the aforesaid salt water mains and whether there has been any planning of improvement works for the aforesaid salt water mains.</b></p>
A9	<p>As the improvement works to these salt water mains will involve complex temporary traffic arrangement and interface with other utilities, the improvement works need longer time to plan, design and construct.</p> <p>The two salt water mains of the highest risk are located at Argyle Street in Kowloon City and Kwun Tong Road in Kwun Tong. Implementation of improvement works for them has been arranged for completion in end 2023.</p> <p>The locations of the remaining 23 salt water mains are as follows:</p>

District	Number
Central & Western	2
Kowloon City	7
Kwun Tong	1
Sai Kung	1
Sha Tin	1
Sham Shui Po	9
Yau Tsim Mong	2

Among these salt water mains, the improvement works for 1 of them (in Central & Western District) have been completed and 9 of them (including three in Kowloon City, one in Kwun Tong, one in Sai Kung, one in Sha Tin and three in Sham Shui Po) have been arranged for progressive implementation and targeted for completion in mid 2025. Improvement works for the other 13 water mains (including 1 in Central & Western, 4 in Kowloon City, 6 in Sham Shui Po and 2 in Yau Tsim Mong) are being studied by the consultants for feasible solutions.

**10** As mentioned in paragraphs 3.20(b) and 3.25 of the Audit Report, WSD stated that there were 105 salt water main burst cases from January 2018 to March 2021, of which 73 salt water main burst cases (70%) were caused by corrosion of water mains. There were also 6 193 salt water main leak cases recorded in the same period. Does the Department conduct regular reviews on the materials of salt water mains in order to reduce bursts and leaks resulting from corrosion of water mains?

A10 WSD regularly reviews the materials used in salt water pipes. With the development of advanced technology, WSD has adopted epoxy resin with stronger adhesion instead of cement mortar as the inner wall lining of steel pipes, so as to strengthen the protection for water pipes against erosion of seawater since 2005. In 2018, WSD also set up a saltwater system working group to study related topics and review the materials used for salt water pipes. Currently, the latest developed and stronger ceramic polymers are being studied to further improve the protection lining of the inner wall of water pipes. If the performance of the material is proven to be satisfactory after research, the material will be considered for inclusion in the new standard specifications of water pipes.

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<p><b>11</b></p>	<p><b>It is mentioned in paragraph 3.21(a) of the Audit Report that, as of April 2021, the works for 14 hot spots of salt water main bursts were still in progress, of which 13 hot spots had not been completed for more than 2 years and up to 6.5 years after the last burst at the hot spot. Please advise the current progress of the improvement works for these 14 hot spots and the reason(s) for any non-completion case(s).</b></p>
<p>A11</p>	<p>At present, the improvement works for 9 out of the 14 hotspots have been completed. The works of the remaining 5 hotspots are still in progress and are expected to be completed in the third quarter of 2023. Complexity of the projects is the main reason for the longer construction period required. Moreover, it is necessary to coordinate with other public utilities to carry out the projects on the same road sections, and then formulate and implement the temporary traffic arrangements.</p>
<p><b>12</b></p>	<p><b>It is mentioned in paragraph 3.21(b) of the Audit Report that some of the salt water main improvement works were completed 25 to 212 days (52 days on average) later than the original completion dates. What is/are the reason(s)? Will the department increase manpower to complete the relevant works as soon as possible?</b></p>
<p>A12</p>	<p>Some of the salt water main improvement works were completed later than the original completion dates, mainly because the works were subject to changes due to various factors, including implementation of special temporary traffic arrangements (for example, construction only permitted in non-peak hours or trenchless method required), alteration of the proposed water main alignment to avoid the congested underground utilities, etc. While WSD had allowed additional time in the original programme to cater for the possible variations during construction, yet some unforeseen circumstances exceeded the time contingency causing delay of the works. WSD has increased manpower and urged the contractors to deploy more resources in a timely manner to complete the relevant works as soon as possible.</p>
<p><b>13</b></p>	<p><b>It is mentioned separately in paragraphs 3.23, 3.26(b)(ii) and 3.28(b) of the Audit Report that there were typographical errors in inputting the number of contractors' workers, the completion date of repair works and the estimated seawater loss for a salt water main leak case in the Maintenance Works Management System (MWMS). Has the Department implemented any effective measures to avoid omissions or errors for data input?</b></p>

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A13	<p>In order to avoid omission of information or mistaken input by frontline staff in the maintenance works management system, WSD will take the following measures -</p> <ul style="list-style-type: none"><li>(i) remind the relevant personnel to be mindful in entering and checking data;</li><li>(ii) strengthen the guidance and training of staff on operation of the system;</li><li>(iii) arrange improvement of data input methods (e.g. replacing manual input with selection mode) and establishment of a detection system to identify abnormal data, etc. as part of the upgrading of the maintenance works management system scheduled for implementation next year.</li></ul>
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### Part 4: Other Related Issues

14	<p><b>According to paragraph 4.7(b) of the Audit Report, while implementing the Water Safety Plan for Buildings in all government buildings, WSD had taken the opportunity to encourage relevant government buildings for participation in the Quality Flushing Water Scheme (“the Scheme”). Why were there only two government buildings participating in the Scheme as of September 2021?</b></p>
A14	<p>An applicant of the “Quality Water Supply Scheme for Buildings - Flushing Water” (“the Scheme”) is required to provide inspection records of the flushing plumbing systems and records of the last 2 times of cleansing of the flushing water tank (at least once every 6 months) to evidence that the internal plumbing system has been properly maintained. It takes the applicant a period of time for preparation of records and documents in support of the application accounting for the few number of government buildings approved to be covered by the Scheme at the early stage.</p> <p>As at May 2022, 112 government buildings have participated in the Scheme, of which 44 buildings have been issued with the certificates. The remaining 68 applications submitted are being processed.</p>



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15	<p><b>It is mentioned in paragraph 4.12(a) of the Audit Report that WSD published the names of participating buildings under the Quality Flushing Water Scheme on its website. How often does the Department update the list?</b></p>
A15	<p>We provide quarterly updates of the list of buildings participating in the “Quality Water Supply Scheme for Buildings - Flushing Water”. The names of the participating buildings and the types of certificates awarded to the buildings as at March 2022 have been updated on WSD’s website.</p>
16	<p><b>According to paragraph 4.19 of the Audit Report, from January 2016 to August 2021, WSD had issued 81 warning letters and three adverse performance reports to Contractor Q for unsatisfactory performance of the works under Contract Q. In addition, WSD had conducted two reviews on actions against Contractor Q for poor progress of Contract Q in 2016 and 2019 respectively. Both reviews concluded to allow Contractor Q to complete the remaining works. Please advise why Contractor Q was allowed to complete the remaining works upon two reviews on actions against Contractor Q. Had the Department taken any regulatory actions against the contractor for non-compliance of contract requirements?</b></p>
A16	<p>In the review conducted in 2016, WSD considered whether the Contractor had failed to comply with some specific conditions in the relevant contract provisions, such as having received repeated written warnings, the Contractor still not carrying out the works with due diligence or persistently failing to perform the contractual obligations, and thus the Contractor could be expelled from the Contract. The review results suggested that the Contractor should not be held liable for some delays caused, for example, the Occupy Central Event in 2014 which resulted in a complete suspension of the works and the stringent road excavation duration and excavation permit conditions imposed to mitigate the traffic impacts for the works being carried out in densely populated and heavy-traffic urban areas, etc. Although the Contractor’s performance was not satisfactory, it did not fully meet the contractual conditions for termination of the Contract. In addition, taking into account that extra time that would be required to re-tender the remaining works if the Contract was terminated, the review concluded that the Contractor should continue to complete the remaining works.</p> <p>Owing to the unsatisfactory performance of the Contractor, WSD conducted another review in 2019 whether the Contractor could be expelled from the Contract based on relevant contractual provisions. After</p>

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	<p>considering the relevant factors, including: whether the Contractor had failed to comply with some specific contractual conditions, the project was 94% completed at that time, and some delays were not the responsibility of the Contractor, such as the social unrest in 2019 and inclement weather affecting the progress of works, etc., as well as the extra time and government staff expenditure required for a new contractor to take over the contract, the review concluded that the Contractor should continue to complete the remaining works.</p> <p>Owing to the Contractor's non-compliance with the contract requirements and poor performance, in addition to considering the Contractor's past poor performance reports in evaluation of its tenders for new contracts, WSD has followed the relevant guidelines such as the Contractor Management Handbook to take regulatory actions against the Contractor, including issuance of "Adverse" performance reports for first quarter of 2014, second quarter of 2019, and third quarter of 2021 to first quarter of 2022 to reflect the Contractor's relevant poor performance. The Contractor has also volunteered to temporarily suspend from bidding for new waterworks contracts until WSD is satisfied with its performance before any further consideration to allow the Contractor to tender again. Moreover, the Contractor is liable for liquidated damages resulting from culpable delays in the works due to its poor performance.</p>
17	<p><b>It is mentioned in paragraph 4.22(b) of the Audit Report that WSD's guidelines were updated in March 2015 to enhance the estimation of BQ quantities in relation to earthworks. Please advise the effectiveness of the updated guidelines and whether the actual project expenditure has met the expectation as a result.</b></p>
A17	<p>All works contracts tendered after March 2015 have followed the relevant guidelines on estimation of earthworks quantities in the Bill of Quantities, and those relevant completed contracts have not encountered any overrun in actual project expenditure due to the earthworks.</p>
18	<p><b>Regarding paragraphs 4.27 and 4.28 of the Audit Report, will WSD consider expanding the use of reclaimed water for flushing to relieve the burden on fresh water resources?</b></p>
A18	<p>To save fresh water resources, WSD has supplied seawater for toilet flushing since 1950s. At present, WSD supplies seawater to urban areas and most of new towns for flushing purposes. The network of seawater for flushing covers about 85% of population of Hong Kong, saving about 320 million cubic metres of fresh water per annum. The effectiveness of</p>

this initiative is remarkable.

The Government has been implementing the Total Water Management Strategy (“the Strategy”) since 2008 to ensure water sustainability and security. Expanded use of lower grade water (including seawater and recycled water) for non-potable purposes is one of the key initiatives of containing fresh water demand growth under the updated strategy in 2019. WSD targets at expanding the network coverage of using lower grade water for flushing from 85% of total population to 90% in the long run.

Apart from the ongoing projects for supply of reclaimed water to the Northeast New Territories as mentioned in paragraph 4.27 of the Audit Report, WSD will expand the use of reclaimed water to other new development areas and those areas still being supplied with fresh water for flushing whenever it is technically feasible and cost-effective to further reduce fresh water demand.

**A brief account of Chapter 6 of Report No. 77  
“Safeguarding employees’ rights and benefits under labour laws”  
by the Director of Audit  
at the Public Hearing of the Public Accounts Committee  
of the Legislative Council on Monday, 23 May 2022**

Mr. Chairman,

Thank you for inviting me here to give a brief account of Chapter 6 of Report No. 77 of the Director of Audit, entitled “Safeguarding employees’ rights and benefits under labour laws”.

This Audit Report comprises four PARTs.

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

“Employees’ rights and benefits” is one of the programme areas of the Labour Department (LD) with an aim to safeguard the rights and benefits of employees under labour laws. From 2016-17 to 2020-21, the expenditure on the programme area increased by 31% from \$384 million to \$504 million.

**PART 2 of the Report examines LD’s administration of the Protection of Wages on Insolvency Fund (PWIF).**

LD sets a performance target that payment would be effected to qualified applicants within 10 weeks upon receipt of all relevant information and documents required for processing the applications. The Audit Commission (Audit), however, found that for applications approved from 1 January 2018 to 30 June 2021, the yearly average time elapsed from receipt of applications to effecting payment ranged from 6.5 months to 7.7 months.

According to LD’s guidelines, a Gazette notice should be issued as soon as possible after the cheque for discretionary ex gratia payment has been cashed. From 1 January 2018 to 31 March 2021, in 230 (23%) of 996 cases, Gazette notices were given more than 90 days after the cheques were cashed. Audit also noted that for cases without the issue of a winding-up or bankruptcy order against the employer and no liquidator/provisional liquidator was involved, LD did not enforce the subrogation rights against the employers concerned direct to recover the discretionary ex gratia payments made to applicants.

The rate of levy on business registration certificates was last revised in July 2013 and the current ceilings of payment items of PWIF have been in effect since a long time ago (from 1996 to 2012). However, Audit noted that the review of the levy rate and the ceilings had long been held up. There is a need to revise the rate and ceilings as soon as possible.

**PART 3 of the Report examines LD's enforcement work.**

Audit examined 30 complaints received by LD in 2020 and noted that in 3 (10%) of them, Labour Inspectors did not start investigation within 1 week upon receipt by LD.

LD's Labour Inspection Division selects workplaces from its database for routine inspections. Of the 78 companies examined by Audit, 33 (42%) were not included in the database. Audit also noted that from January 2016 to May 2021, in 201 (19%) of the 1,045 inspections on construction sites were conducted after construction works had been completed.

**PART 4 of the Report examines other related issues.**

If an injury will likely result in permanent incapacity, the employee concerned will be referred to the Employees' Compensation (Ordinary Assessment) Board for assessment. Audit found that the average waiting time for such assessments increased from 8.7 weeks in 2019 to 12.6 weeks in 2020.

Our views and recommendations were agreed by LD. I would like to take this opportunity to express my gratitude to the staff of LD.

Thank you, Mr. Chairman.

**Public Hearing of Public Accounts Committee  
of the Legislative Council on 23 May 2022**

**Director of Audit's Report No. 77**

**Chapter 6: Safeguarding employees' rights and benefits under labour laws**

**Opening remarks by the Secretary for Labour and Welfare**

Chairman,

The Government accepts the recommendations set out in Chapter 6 of the Director of Audit's Report No. 77 on "Safeguarding employees' rights and benefits under labour laws". We have taken appropriate measures in respect of some recommendations of the Audit Commission and will continue to explore practicable ways to take forward the other recommendations with a view to strengthening the protection of employees' statutory employment rights and benefits.

2. The Labour Department (LD) attaches great importance to safeguarding employees' statutory employment rights and benefits, and adopts a multi-pronged strategy to protect the employment rights and benefits of employees, including conducting workplace inspections, taking out prosecution against breaches of labour laws, processing employees' compensation claims and applications to the Protection of Wages on Insolvency Fund (PWIF), staging publicity activities, etc.

3. PWIF provides timely financial relief in the form of ex gratia payment to employees affected by the closure of business of their insolvent employers. LD and PWIF Board examine the scope of coverage of PWIF from time to time with due consideration of the economic development and needs of our society. The coverage of PWIF and ceilings of ex gratia payment have been improved eight times since its set up in 1985. LD has completed the review and strives to introduce the relevant legislative amendments into the Legislative Council in June this year to raise the maximum amounts of ex gratia payment items under PWIF and reduce the levy rate of business registration.

4. LD will undertake a comprehensive review of the application and processing procedures of PWIF with a view to enhancing and rationalising the work procedures and workflow to ensure that applications are processed properly and the process for issuing ex gratia payments can be expedited. In general, the presentation of a winding-up or bankruptcy petition against the insolvent employer is the prerequisite for the release of ex gratia payment from PWIF to employees. We are exploring the feasibility of LD or PWIF engaging legal professionals or providing legal service to assist employees in filing a bankruptcy or winding-up petition against their employers at court so that applicants are no longer required to apply for legal aid and undergo means test at the Legal Aid Department. The application procedures are estimated to be shortened up to 12 weeks or above.

5. Moreover, LD strives to monitor closely the progress and time required for processing applications. LD has set up an internal working group to review the existing workflow and explore measures to strengthen the monitoring of case progress. As recommended by the internal working group, LD has set time frame for each vetting procedure so that case officers can follow up on each step in a timely manner in order to speed up the case processing. LD aims to shorten the time taken on information collection for verification in order to expedite the vetting of applications and to release ex gratia payment to qualified applicants as soon as practicable.

6. Under the above mechanism (i.e. legal service to be provided by LD or PWIF), we estimate that for cases which are relatively straightforward (e.g. the number of applicants involved is relatively small, the claim items are relatively simple and straight-forward (e.g. involving arrear of wages and wages in lieu of notice for termination only) without the need to obtain other information for verification), ex gratia payment can be released from PWIF within two to three months upon receipt of applications by PWIF Office.

7. On enforcement work, LD spares no effort in enforcing labour laws for safeguarding employees' statutory employment rights. Labour inspectors conduct inspections of workplaces of various sectors to detect wage offences and other breaches of relevant labour legislation. LD has been liaising with relevant government departments to speed up the referral process for intelligence on

suspected cases of late/non-payment of wages involving contractors in construction sites and to explore possible means to enrich the database of workplaces with a view to enhancing the strategic planning and effectiveness of workplace inspections. On prosecution work, LD has in place measures to closely monitor case progress. LD will continue to seek Department of Justice's advice expeditiously and review regularly the effectiveness of the existing monitoring measures with a view to ensuring that prosecution actions can be taken out before bar dates.

8. LD has all along maintained collaboration with the Hospital Authority to explore ways to shorten the waiting time for the Ordinary Assessment Board assessments. LD has also, as recommended, strengthened the relevant publicity work on employees' rights and benefits and produced publicity materials in more language versions for foreign domestic helpers to promote the understanding of the labour laws on employees' right and benefits to members of the public and foreign domestic helpers.

9. LD will continue to explore practicable ways to take forward the other recommendations as contained in the Audit Report to strengthen the protection of employees' statutory employment rights and benefits.

10. My colleagues and I would be pleased to answer questions raised by Members. Thank you, Chairman.

Labour and Welfare Bureau  
Labour Department  
May 2022





LABOUR DEPARTMENT (Headquarters)

勞工處 (總處)

Your reference 來函編號 : CB4/PAC/R77  
Our reference 本處檔案編號 : LD CR/4-35/12  
Tel. number 電話號碼 : 2852 4083  
Fax number 傳真機號碼 : 2544 3271

14 June 2022

Ms Wendy JAN  
Clerk to the Public Accounts Committee  
Legislative Council  
Legislative Council Complex  
1 Legislative Council Road  
Central  
Hong Kong

Dear Ms JAN,

**Public Accounts Committee**  
**Consideration of Chapter 6 of the Director of Audit's Report No. 77**  
**Safeguarding employees' rights and benefits under labour laws**

Thank you for your letter dated 26 May 2022 to the Commissioner for Labour on the captioned subject. At the Committee's request, we provide the required information in **Annex**.

Yours sincerely,

(Simon LI)

for Commissioner for Labour

cc: Secretary for Labour and Welfare (email: danielfong@lwb.gov.hk)  
Secretary for Financial Services and the Treasury (email: sfst@fstb.gov.hk)  
Director of Audit (email: john\_nc\_chu@aud.gov.hk)

**Public Accounts Committee of the Legislative Council**  
**Consideration of Chapter 6 of the Director of Audit's Report No. 77 (Audit Report)**  
**Safeguarding employees' rights and benefits under labour laws**

**Information provided in response to the letter of 26 May 2022**

**Part 1: Introduction**

**(a) Expenditure on the administration of the Protection of Wages on Insolvency Fund (PWIF) (Table 1 in paragraph 1.5 and Table 2 in paragraph 1.6 of the Audit Report)**

The Wage Security Division (WSD) of the Labour Department (LD) is responsible for processing applications to PWIF and providing administrative support to the Protection of Wages on Insolvency Fund Board (PWIFB). The expenditure of \$23 million for WSD in 2020-21 decreased by 4% as compared with \$24 million in 2016-17. From March 2016 to September 2017, an additional contract Labour Officer (LO) was engaged on a time-limited basis for assisting the processing of shortfall claims for ex gratia payment on severance payment (SP) arising from the judgement of the Court of Final Appeal on the judicial review case concerning the method of calculation of ex gratia payment on SP in May 2016. The decrease in expenditure in 2020-21 as compared to that in 2016-17 is mainly due to the lapse of this time-limited employment.

2. LD will increase manpower or deploy internal resources to process PWIF applications. As PWIF in the fourth quarter of 2019 received 1 000 applications which almost doubled the 553 applications received in the third quarter, the number of applications brought forward to early 2020 reached 1 690. In August and November 2021, we respectively deployed one Assistant Labour Officer (ALO) II and one LO from another division to WSD to assist in processing PWIF applications.

3. The staff expenditure of WSD of LD for 2016-17 to 2020-21 is tabulated below:

<b>Year</b>	<b>Staff Expenditure of WSD (\$million)</b>
2016-17	22.1 <sup>^</sup>
2017-18	22.1 <sup>^</sup>
2018-19	22.6
2019-20	23.5
2020-21	22.2

- <sup>^</sup> The relevant expenditure did not include the additional expenditure of employing a contract LO during March 2016 to September 2017 for assisting the processing of shortfall claims for ex gratia payment on SP, which amounted to \$1.19 million in 2016-17 and \$0.58 million in 2017-18.

## **Part 2: Administration of PWIF**

### **(b) Review of the application and processing procedures of PWIF (paragraphs 2.5 and 2.18(c) of the Audit Report)**

4. LD is conducting a comprehensive review of the application and processing procedures of PWIF with a view to enhancing and rationalising the work procedures and workflow to ensure that applications are processed properly and the process for issuing ex gratia payment can be expedited. LD has set up an internal working group to review the workflow and explore measures to strengthen the monitoring of case progress. As recommended by the internal working group, LD has set time frame for each vetting procedure so that case officers can follow up on each step in a timely manner in order to speed up case processing. LD aims to shorten the time taken on information collection for verification in order to expedite the vetting of applications and to release ex gratia payment to qualified applicants as soon as practicable.

5. Moreover, LD is exploring the feasibility of LD or PWIF engaging legal professionals or providing legal service to assist employees in filing bankruptcy or winding-up petition against their employers at court so that applicants are no longer required to apply for legal aid and undergo means test conducted by the Legal Aid Department (LAD). This is expected to shorten the application procedures by up to 12 weeks.

6. When handling cases involving employers' cessation of business, LD will actively advise insolvent employers if reached to sign the "Statement of Inability to Pay" (**Appendix A**) to confirm the items and amounts of payments owed to their employees. This measure can save the employees from the step of seeking adjudication at the Labour Tribunal (LT)/Minor Employment Claims Adjudication Board (MECAB) to ascertain their claim items and amounts. They could then file winding-up or bankruptcy petitions at court against their employers with the assistance from LAD and apply ex gratia payment from PWIF as soon as possible.

7. From 2018 to 2021, among the cases received by PWIF each year, the number of cases involving employers signing the "Statement of Inability to Pay" and the percentage of such cases among the total number of cases received in the year are tabulated below:

<b>Year</b>	<b>Number of cases involving employers signing the “Statement of Inability to Pay”*</b>	<b>Percentage among the total number of cases received in the year</b>
2018	8	1.81%
2019	10	1.95%
2020	11	2.37%
2021	4	0.88%

\* Referring to the number of cases involving employers having signed the “Statement of Inability to Pay” at the time when their employees submitted PWIF applications.

**(c) Time required for processing PWIF applications (paragraphs 2.7 and 2.18(a) of the Audit Report)**

8. At present, applicants can submit the required information and documents by post, by fax, by email or in person to the office of WSD. The customer opinion surveys conducted by PWIF received no negative feedback on the existing channels or suggestion for alternative submission channels.

9. LD closely monitors the time required for processing PWIF applications. In respect of the 30 cases with relatively long processing time mentioned in paragraph 2.7 of the Audit Report, the major reasons for the long processing time included waiting for winding-up/bankruptcy petitions, waiting for payment recommendations from LAD (such as the need to wait for the judgements of the District Court and the delay of applicants in attending LAD appointments), waiting for submission of the required information from employees for verification, waiting for employer to submit the required information/settlement proposals/evidence of LT/MECAB awards being set aside, waiting for information from liquidators to confirm applicants’ claims, cases of suspected abuse of PWIF, etc. The case that took 104 weeks before ex gratia payment was released involved signs of suspected abuse of PWIF by the employer and applicants, theft and falsification of account/documents. To ensure prudent and judicious use of public monies, LD had to wait for the investigation results from the law enforcement department and unit before releasing ex gratia payment to the applicants. LD will enhance, streamline and rationalise the work procedures and workflow, and strengthen the mechanism of case monitoring to ensure that cases are processed properly and in a timely manner.

10. WSD has put in place a mechanism to monitor the progress of application processing. This includes (i) a Bring-up System to draw up cases which have not been completed within a specified time for case officers to follow up and report on

the case development by the end of each month; and to compile reports on outstanding cases which will be passed to supervisors for inspection at the beginning of each month. Supervisors are required to discuss progress with case officers each month and give prompt guidance where necessary; and (ii) a case conference to be held each month for case officers to report cases which have not been completed within a specified time to make sure they follow up each case in a timely manner. We have strengthened the monitoring mechanism by shortening the specified time period from six months to three months for outstanding cases to be brought for prompt follow-up by case officers and attention of their supervisors.

11. According to internal processing guidelines, the Senior Labour Officer (SLO) spot checks cases processed by ALOs and approved by LOs in each quarter and the Assistant Commissioner (AC) spot checks cases processed by LOs and approved by SLO in each quarter to ensure that PWIF applications are processed in a consistent and fair manner.

**(d) Spot checks on PWIF approved cases (paragraphs 2.10 and 2.12 of the Audit Report)**

12. Regarding the spot checks of reconsideration cases, LD has all along included such cases in the pool of all approved cases, hence standing an equal chance of being selected for spot checks. As the number of reconsideration cases is small (an average of two to five cases each quarter), there is a possibility that such cases might not be selected for spot checks. In response to the recommendation of the Audit Commission, starting from the second quarter of 2021, LD has taken a measure to separately select cases seeking reconsideration and then approved by LOs for SLO's inspection to ensure consistent and fair practice of vetting.

13. LD has devised internal processing guidelines on selection of approved PWIF cases for spot checks and, in accordance with the guidelines, selected 3% of the approved cases in the quarter for the inspection of AC and SLO. AC and SLO are required to complete the inspection within the first month after the end of each quarter.

**(e) Performance pledge on issuing ex gratia payment to PWIF applicants (paragraph 2.18(d) of the Audit Report)**

14. In 2022, LD revised the performance pledge to "issuing payments to qualified applicants within eight weeks (originally set as ten weeks) upon receipt of all relevant information and documents required for processing PWIF applications".

**(f) Customer opinion surveys for applicants of PWIF (paragraph 2.18(g) of the Audit Report)**

15. LD commenced the customer opinion survey of 2021-22 on 18 January 2022 which would cover a period of eight months. To encourage applicants to participate in the survey and increase the response rate, PWIFB has agreed that LD will offer each qualified participant a supermarket coupon upon receipt of the duly completed questionnaire. Up to end-April 2022, the response rate of this year's customer opinion survey was 27%, almost a two-fold increase as compared with the average response rate at 15% of the last three opinion surveys. Upon completion of this year's customer opinion survey, LD will review the effectiveness of the above arrangement.

**(g) Publishing of Gazette notice (paragraph 2.28(a) of the Audit Report)**

16. For cases where ex gratia payment is made under s.16(1)(a)(ii) and s.18 of the Protection of Wages on Insolvency Ordinance (i.e. no winding-up/bankruptcy petition is involved), LD will issue demand letters to the concerned employers to enforce the subrogation right on behalf of PWIFB. The employers are required to make payment to PWIFB within 14 days from the date of the letter. If no response is received from the employers by the deadline, LD will arrange the publication of Gazette notices, which will in general be completed within 90 days after the applicants have presented the cheques.

17. Gazette notices are published once a month and are in general arranged to be published on the last Friday of each month. To allow sufficient time for employers to respond to the demand letters and to arrange repayment to PWIFB, it is considered appropriate to arrange the publication of Gazette notices within 90 days after the applicants have presented the cheques. The time frame of 90 days has been operating smoothly. LD is studying measures to further strengthen the effect of Gazette notices, such as issuing press releases after the publication of Gazette notices.

**(h) Demand letters (paragraph 2.28(c) of the Audit Report)**

18. LD issued demand letters to insolvent employers for cases approved in 2021 onwards to recover ex gratia payment granted to their ex-employees from PWIF. In 2021, LD issued demand letters to employers of 348 cases and employers of nine cases repaid some \$0.3 million to PWIF. The response rate of employers was 2.6% and the recovery rate on the payout amount of these cases was 0.7%.

19. As for cases approved before 2021, since the insolvent employers have ceased business or their contact addresses in general are no longer valid, LD has no plan to issue demand letters to such employers.

**(i) Prevention of abuse of PWIF**

20. To ensure that ex gratia payment is issued only to employees whose employers are genuinely insolvent, LD in the course of investigating suspected wage offences and verifying applications for PWIF looks into whether the responsible individuals of companies have acted unlawfully when operating the businesses and managing the companies' financial resources or even conspired with their employees in making false applications for PWIF. Suspected cases are referred to relevant law enforcement departments for action. For cases referred by LD, the Official Receiver's Office (ORO) also considers applying to the court to disqualify the company responsible individuals from being directors and taking part in the promotion, formation or management of a company.

21. Moreover, the inter-departmental task force comprising representatives from the Commercial Crime Bureau of the Hong Kong Police Force, ORO, LAD and LD, which has been set up to strengthen co-operation among the concerned departments, actively pursues the responsible individuals of companies including employers, company directors, etc. who may have illegally transferred company assets and/or deceived creditors through fraud, theft and conspiracy to abuse PWIF before business closure. The inter-departmental task force will continue to play an active role in the protection of PWIF from abuse.

**(j) Taking measures to improve the administration of PWIF**

22. LD has all along strived to simplify its work procedures and workflow to improve the administration of PWIF and processing of PWIF applications. Measures implemented previously included (i) rationalising the workflow of the referral of PWIF applications between WSD and the Labour Relations Division (LRD) of LD to expedite the transfer of employees' PWIF applications to WSD; (ii) revamping the computer system in 2018 to enhance the efficiency of processing PWIF applications; and (iii) simplifying the processing procedures of cases with LT/MECAB awards to expedite the vetting procedures, etc. LD will conduct a comprehensive review of the application and processing procedures of PWIF with a view to further enhancing and rationalising the work procedures and workflow to ensure that applications are processed properly and the process for issuing ex gratia payment can be expedited.

### **Part 3: Enforcement work**

#### **(k) Target number of workplace inspections (Table 8 in paragraph 3.3 of the Audit Report)**

23. LD sets the target number of workplace inspections in the Controlling Officer's Report (COR) having regard to such factors as the staffing of Labour Inspectors (LIs), manpower requirement in light of the complexity of inspections, nature of enforcement actions and staff turnover rate.

24. The increase of expenditure on labour inspection work by 19% from 2016-17 to 2020-2021 was mainly due to increase in personal emoluments arising from the creation of posts of two LO grade staff, 17 LI grade staff and two clerical officer grade staff. The additional LI posts are primarily created for reinforcing the protection for imported workers and non-skilled employees of government service contractors (GSCs), as well as providing policy and administrative support. As more in-depth workplace inspections of complicated issues (e.g. checking of compliance with standard employment contracts, the Supplementary Labour Scheme requirements) are involved in addition to checking statutory employment rights and not all the created posts undertake inspection work, the target number of inspections has not been adjusted upwards proportionately.

25. The target number of inspections is a longer term work indicator. Having taken all relevant factors into consideration, the target number was revised in 2013 and 2017. Despite that the target number is maintained at 140 000 in recent years, LD strives to ensure effective conduct of inspection work. LD will from time to time review the target number of inspections and make the required adjustments. The target number of inspections and actual number of inspections during 2012 to 2022 are tabulated below:

<b>Year</b>	<b>Target number of inspections</b>	<b>Actual number of inspections</b>
2012	120 000	143 680
2013	130 000	151 912
2014	130 000	146 991
2015	130 000	143 037
2016	130 000	148 968
2017	140 000	154 237
2018	140 000	151 132
2019	140 000	152 927
2020	140 000	104 138
2021	140 000	135 370
2022	140 000	not yet available



**(l) Workplace database (paragraphs 3.10 and 3.11 of the Audit Report)**

26. The Labour Inspection Division (LID) of LD has adopted a risk-based approach for formulating inspection strategy. LID has maintained a workplace database covering establishments with past violation or conviction records, complaints and referrals, new establishments, and establishments in offence-prone industries, etc. We will continue to enrich and refine the workplace database through various channels such as territory-wide and district-based campaigns, detection of new workplaces or relocated establishments during routine inspections, complaints received and cases referred by other parties, information of new establishments referred by the Occupational Safety Operations Division of LD and online information.

27. As to the Employment Support Scheme (ESS), there is generally no relationship between enterprises' receipt of subsidies under ESS and their violation of labour laws or not. There is little benefit for committing resources to include the entire database of ESS in the workplace database of LID. Instead of a wholesale inclusion indiscriminately, we consider that it would be more focused and cost-effective to include complaint cases referred to LD for follow-up in LID's workplace database.

**(m) Selecting service contracts of GSCs for inspection (paragraphs 3.14 and 3.26(f) of the Audit Report)**

28. During 2016 to 2020, LD did not receive any complaint or referral against GSCs engaged by the Home Affairs Bureau, the Information Services Department, the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service, the Treasury and the Rating and Valuation Department. There were no more than two service contracts concurrently in force in these bureaux/departments (B/Ds) and only a small number of workplaces and non-skilled employees were involved. Having regard to the selection criteria, the service contracts of the above five B/Ds were not considered as high risk targets and not selected for inspections. Information of the service contracts of these five B/Ds is as follows:

	<b>Nature of service contracts</b>	<b>Number of service contracts</b>	<b>Number of workplaces</b>	<b>Number of non-skilled employees</b>
Home Affairs Bureau	Cleansing and pest control	3*	2	2*
Information Services Department	Cleansing	3*	2	2*
Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service	Cleansing	1	1	2 <sup>#</sup>
Treasury	Cleansing	1	1	3
Rating and Valuation Department	General workman services	1	1	1

\* Only two service contracts were concurrently in force and only one employee was involved in each contract, while the daily working hours of each employee were 2 to 2.5 hours.

# Daily working hours of each employee were 2 to 2.5 hours.

29. LD has been selecting inspection targets of GSCs based on a risk-based approach. Relevant written guidelines were incorporated into LID's Operation Manual in May 2022. The guidelines have encompassed various risk factors, e.g. past records of suspected offences, complaints or referrals, number of non-skilled employees involved, new service or job types involved, etc. LD will continue to adopt the risk assessment approach for selecting service contracts more susceptible to breaches and targeting workplaces of the contractors concerned for inspections.

**(n) Enhancing the comprehensiveness of information on government service contracts and workplaces of GSCs (Paragraph 3.16 of the Audit Report)**

30. LD has enhanced liaison with procuring B/Ds for regular collection of information on government service contracts that rely heavily on the deployment of non-skilled employees. LD in November 2021 strengthened the follow-up mechanism in a bid to increase the response rate from B/Ds. We are also liaising with the Government Logistics Department and the Housing Department to explore possible means to enrich the database.

31. From 2015 to 2021, 21 B/Ds did not provide information of government service contracts under their purview to the Special Enforcement Team (Government Contractors) of LID when being approached. Details are as follows:

	Number of request(s) that the B/D did not reply to LID						
	2015	2016	2017	2018	2019	2020	2021
Auxiliary Medical Service					1		
Civil Aid Service	1		1		1		
Correctional Services Department					1		
Department of Health					1		
Electrical & Mechanical Services Department	1				1		
Environmental Protection Department	1				1		
Government Flying Service					1		
Government Laboratory					1		
Highways Department					1		
Hong Kong Observatory					1		
Immigration Department							1
Invest Hong Kong					1		
Lands Department					1		
Planning Department					1		
Post Office	1				1		1
Radio Television Hong Kong					1		
Rating and Valuation Department					1		
Registration and Electoral Office	1						
Social Welfare Department			1		2		
Water Supplies Department					1		
Working Family and Student Financial Assistance Agency					1		

32. In addition, there were two instances where reply was received from the Labour Department and the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service respectively after the launch of the inspection campaign.

**(o) Notification mechanism between LD and departments for intelligence on construction contractors involved in non-payment or late payment of wages (paragraph 3.19 of the Audit Report)**

33. The Housing Department consolidates and provides LD with intelligence on past suspected cases of late/non-payment of wages involving contractors in construction sites of the Hong Kong Housing Authority on a monthly basis. Other works departments also refer intelligence of past suspected cases of late/non-payment of wages in their construction sites to LD on an ad hoc basis.

**(p) Inspections to construction sites with suspected cases of non-payment or late payment of wages (paragraphs 3.21 to 3.24 of the Audit Report)**

34. To better monitor and safeguard the payment of wages for construction workers of public works projects, the Government has put in place a series of measures for public works contracts since May 2006. These measures include:

- (i) maintaining employees' records properly (e.g. requiring employers to keep attendance records of site personnel with computerised smart card systems; requiring site personnel to enter into written employment contracts with their employers; requiring employers to pay wages by bank autopay);
- (ii) requiring the main contractor to employ Labour Relations Officers on site to handle employment matters and monitor payment of wages;
- (iii) enhancing the requirements on the scope of subcontracting and the number of subcontracting layers; and
- (iv) referring intelligence on wage arrears to LD.

35. Furthermore, LD protects the employment rights and benefits of construction workers through various means. Employees who suspect that their employment rights are infringed can contact LD through its complaint hotline (2815 2200). LD will promptly investigate the complaints upon receipt. In addition, LRD of LD provides conciliation service for employers and employees to resolve labour disputes. Construction workers can make use of the service to pursue their employment claims. On inspection, LD adopts a risk-based approach in planning the inspections. Based on the intelligence from relevant departments, we identify more serious wage default cases which are of higher risk and select them for arranging inspection. This can ensure more effective manpower utilisation to safeguard the employment rights and benefits of construction workers.

36. As it takes time for departments to collect and verify wage records obtained from the contractors, LD has adopted the following measures with a view to inspecting construction sites before completion of the construction works:

- (i) LD has liaised with the Housing Department to shorten the time for providing intelligence to two months from occurrence of the suspected wage default incidents;
- (ii) LD has requested departments to provide the project completion dates of the contractors in the intelligence; and
- (iii) relevant departments will be contacted to ensure that the target contractors are still in operation at the construction sites before inspection.

37. To ensure that inspections to construction sites are duly conducted, LIs are required to follow the related operation procedures as set out in LID's Operation Manual for conducting inspections to construction sites:

- (i) LIs interview, as far as practicable, six employees of each contractor in a site visit to ensure that the employees enjoy the statutory benefits and protection under the Employment Ordinance, including the payment of wages and the granting of other employees' benefits, e.g. annual leave with pay, rest day, etc. For establishment with less than six employees, all employees should be interviewed;
- (ii) LIs collect necessary documents or evidence to facilitate inspections or to substantiate offences whenever appropriate. The documents required include workers' attendance records, employment contracts and payment records, etc.; and
- (iii) LIs record the findings of the inspection visit, suspected offences detected and follow-up actions recommended etc. in detail in the investigation report for the scrutiny of supervisors.

38. The number of inspections to private construction works from 2016 to 2021 is as follows:

<b>Year</b>	<b>Number of inspections to private construction works</b>
2016	850
2017	1 071
2018	1 259
2019	1 325
2020	976
2021	1 199

39. During 2016 to 2021, a total of 7 737 inspections were conducted to construction works (both government and private) and 1 456 summonses were recommended for wage and other offences under the Employment Ordinance.

40. Promulgated in September 2009, the guidelines on inspections to constructions sites were incorporated into LID's Operation Manual in September 2016.

**(q) Performance target of complaint investigation (paragraph 3.26(d) of the Audit Report)**

41. To avoid misunderstanding, the performance target of “Starting investigation of complaints by Labour Inspector within one week upon receipt” reported in the COR has been refined in 2022-23 COR by adding the remark “Labour inspectors will start investigation within one week upon receipt of the complaint by the Labour Inspection Division” to indicate that the target “within one week upon receipt” refers to receipt by LID of LD.

**(r) Prosecution work of LD (paragraph 3.27 of the Audit Report)**

42. Apart from sustaining efforts in strengthening enforcement actions, LD also carries out vigorous publicity and education work to enhance the understanding of employees’ statutory rights among the members of the public. LD also publicises the complaint hotline and appeals to employees whose statutory rights have been compromised to report promptly and come forward to assist in investigation as well as act as prosecution witnesses. As the number of cases handled by the investigation divisions of LD has increased in recent years, the number of summonses heard and summonses convicted under the purview of the Prosecutions Division (PD) during 2016 to 2019 also increased accordingly.

43. If a defendant is convicted and imposed heavy sentence (including imprisonment, community service order or heavy fine) by the court for breaching labour laws, PD will issue a press release to drive home the deterring message, and remind employers to comply with labour laws and underline that LD will not tolerate non-compliance. LD considers that the above strategy has effectively achieved the deterrence and safeguarded employees’ statutory rights.

**(s) Manpower deployment of PD (paragraphs 3.29 and 3.30 of the Audit Report)**

44. LD has from time to time reviewed the manpower deployment of PD to press ahead with effective law enforcement. For example, additional manpower was deployed in 2019 for stepping up enforcement efforts to combat offences of the Employees’ Compensation Ordinance. In light of the complexity of prosecution cases and the circumstances of court proceedings, PD also suitably redeploys its staff and re-assign cases where necessary to ensure timely processing of cases and seeking of advice from the Department of Justice before bar dates.

#### **Part 4: Other issues**

##### **(t) Reducing no-show cases (paragraph 4.5 of the Audit Report)**

45. LD has taken measures to address the absences of injured employees from Employees' Compensation (Ordinary Assessment) Board (OAB) assessments without good reasons. If an employee fails to attend OAB assessment for more than once without good reasons, OAB will conduct the assessment based on available medical records and information in the absence of the injured employee (i.e. paper assessment). In practice, after the first absence of the injured employee, LD will inform the injured employee by post of the arrangement of paper assessment. If the injured employee still fails to attend OAB assessment for the second time, OAB will conduct the assessment based on available medical records and information. The assessment result will be issued to the injured employee by post. An assessment made by examining the medical records and information is no different from an assessment conducted with the physical attendance of injured employee as both are to assess the percentage of permanent loss of earning capacity and the period of absence from duty certified to be necessary due to the work injury.

46. The above measure was implemented for some assessment boards on 15 June 2019 on a trial run basis and in full swing at all the 16 hospitals since the fourth quarter of 2019. From 15 June 2019 to 31 December 2020, OAB conducted 116 assessments based on available medical records owing to injured employees' absence without good reasons. In 2021, 110 assessments were conducted under the same circumstances.

47. The above measure has been running smoothly since its implementation. The percentage of absence from OAB assessments without good reasons by injured employees fell from 5.3% in 2019 to 3.7% in 2021. LD will continue to implement the measure and timely review its effectiveness.

##### **(u) Shortening the waiting time for OAB assessments (paragraph 4.6 of the Audit Report)**

48. According to our records, over one-fifth of the injured employees received more than one OAB assessment involving more than one specialty and/or more than one hospital for a single work injury case. Accordingly, an injured employee might undergo more than one mode of assessment in respect of any single work injury case, including attending the assessment in person at hospital and assessment based on medical records/video-conferencing. Irrespective of whether the injured employees have undergone more than one mode of assessment, the reviews raised should be against the overall assessment results of the work injury cases.

49. The percentage of injured employees' requests for review on the assessments conducted through different modes on work injury case basis is set out below:

	<b>Percentage of Request for Review</b>		
	<b>Assessments conducted by examining medical records <sup>Note</sup></b>	<b>Assessments conducted through video-conferencing <sup>Note</sup></b>	<b>Assessments conducted solely with physical attendance</b>
<b>2020</b>	28.8%	23.9%	24.6%
<b>2021</b>	33.2%	36.0%	26.4%

Note: Cases with assessments conducted in mixed mode (i.e. by both examining medical records/video conferencing and physical attendance by injured employees) will be counted as assessments conducted by examining medical records/through video conference.

50. As shown in the above figures, the percentage of requests for review on the assessments conducted by examining medical records/through video-conferencing is slightly higher than that of cases with assessments solely conducted with the physical attendance of injured employees.

51. Owing to the COVID-19 pandemic, some OAB assessments were suspended, rescheduled or adjusted in 2020 and 2021. To avoid unduly prolonging the waiting time, LD has been working with the Hospital Authority to explore other alternatives, including assessments conducted by examining employees' medical records, assessments through video-conferencing, etc., so that the assessments can be carried out without requiring the injured employees to turn up at hospitals for OAB assessments. Depending on the development of the epidemic situation, LD will continue to work with the Hospital Authority to monitor the waiting time of individual hospitals/specialties, and to review the need of implementing different modes of assessments.



Case No. :

**Statement of Inability to Pay**

\*I / We admit that because of financial difficulties, \*I / our firm / our company cannot pay the arrears of wages and other emoluments of the employees listed with true and correct information in the following table.

Name : \_\_\_\_\_ HKIC No. : \_\_\_\_\_ Position : \*Current Director / Partner / Sole Proprietor /

Name of Company / Firm : \_\_\_\_\_ Nature of Company / Firm : \*Limited Company / Partnership /

Sole Proprietorship

Name of Employee	Arrears of Wages	Wages in lieu of Notice	Statutory Holiday Pay	Annual Leave Pay	Severance Payment / Long Service Payment	Year End Payment	Others	Employee's signature to confirm	
								Agree	Disagree
1.									
2.									
3.									
4.									
5.									
6.									
7.									
8.									
9.									
10.									
11.									
12.									
13.									

Name of Employee	Arrears of Wages	Wages in lieu of Notice	Statutory Holiday Pay	Annual Leave Pay	Severance Payment / Long Service Payment	Year End Payment	Others	Employee's signature to confirm	
								Agree	Disagree
14.									
15.									
16.									
17.									
18.									
19.									
20.									
21.									
22.									
23.									
24.									
25.									
26.									
27.									
28.									
29.									
30.									

Witnessed by :

Employer's signature :

Position :

Date :

(Please send the original to the Legal Aid Department, and a copy to the Wage Security Unit.)

\*delete if inappropriate



LABOUR DEPARTMENT (Headquarters)

勞工處 (總處)

Your reference 來函編號 : CB4/PAC/R77  
Our reference 本處檔案編號 : LD CR/4-35/12  
Tel. number 電話號碼 : 2852 4083  
Fax number 傳真機號碼 : 2544 3271

19 May 2022


Ms Wendy JAN  
Clerk to the Public Accounts Committee  
Legislative Council  
Legislative Council Complex  
1 Legislative Council Road  
Central  
Hong Kong

Dear Ms JAN,

**Public Accounts Committee**  
**Consideration of Chapter 6 of the Director of Audit's Report No. 77**  
**Safeguarding employees' rights and benefits under labour laws**

Thank you for your letter dated 13 May 2022 to the Secretary for Labour and Welfare on the captioned subject. This department has been authorised to reply. At the Committee's request, we provide the required information in **Annex**.

Yours sincerely,

  
(Simon LI)

for Commissioner for Labour

cc: Secretary for Labour and Welfare (email: danielfong@lwb.gov.hk)  
Secretary for Financial Services and the Treasury (email: sfst@fstb.gov.hk)  
Director of Audit (email: john\_nc\_chu@aud.gov.hk)

**Public Accounts Committee of the Legislative Council  
Consideration of Chapter 6 of the Director of Audit's Report No. 77  
Safeguarding employees' rights and benefits under labour laws**

**Information provided in response to the letter of 13 May 2022**

**(1) Customer opinion surveys for applicants of the Protection of Wages on Insolvency Fund (PWIF)**

Labour Department (LD) conducts customer opinion survey for PWIF applicants once every two years to collect their feedback on applications processing.

2. LD has commenced the customer opinion survey of 2021-22 on 18 January 2022. To allow more applicants to participate in opinion survey, LD extends the survey period from four to seven months in the past to eight months. Our target number of questionnaires to be sent out will increase by 200 to 1 000 as compared with the past opinion surveys. This year's opinion survey is still in progress.

3. Moreover, to encourage applicants to provide us with their views and increase the response rate, the Protection of Wages on Insolvency Fund Board has agreed that LD will offer each qualified participant a supermarket coupon upon receipt of the duly completed questionnaire. The expenditure involved will be borne by LD.

4. LD conducted three customer opinion surveys in the period from 2015 to 2020 with an average response rate of 15%. Up to end of April 2022, the response rate of this year's customer opinion survey is 27%, which has recorded a significant increase as compared with the average response rate of the last three opinion surveys.

5. Upon completion of this year's customer opinion survey, LD will review the effectiveness of the above arrangements.

**(2) Measures to enrich the database of service contracts with government service contractors**

6. LD collected information on government service contracts, contractors as well as workplaces involved through various sources e.g. notification of results of service contracts awarded from procuring bureaux/departments (B/Ds), complaints handled by LD, cases referred from B/Ds, etc.

7. Before launching inspection campaigns, Special Enforcement Team (Government Contractors) (SET(GC)) of LD would request B/Ds to provide updated information on government service contracts that mainly engaged non-skilled employees for selecting service contracts which are more susceptible to breaches of labour law for inspections. To improve the response rate from B/Ds, SET(GC) enhanced the follow-up mechanism since November 2021 by sending email reminders to B/Ds if there is no response within the stipulated time limits. SET(GC) is also liaising with Government Logistics Department and Housing Department to explore possible means to enrich Labour Inspection Division's database of government service contracts that mainly engaged non-skilled employees and enhance its comprehensiveness.

Labour Department  
May 2022



Our Ref.: (3) in SWD/S/7/15C Pt. 3  
Your Ref.: CB4/PAC/R77  
Tel. No.: 2892 5101  
Fax No.: 2838 0757

1 June 2022

Ms Wendy JAN  
Clerk to Public Accounts Committee  
Legislative Council Secretariat  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong

Dear Ms JAN,

**Public Accounts Committee**

**Consideration of Chapter 7 of the Director of Audit's Report No. 77  
The Mental Health Association of Hong Kong**

Thank you for your letter of 18 May 2022 in respect of the above subject. Please find enclosed our written response to the issues set out in the Appendix to facilitate the Public Accounts Committee's consideration of Chapter 7 of the Director of Audit's Report No. 77.

Yours sincerely,

(Ms Maggie LEUNG)  
for Director of Social Welfare

Encl

c.c. Secretary for Labour and Welfare  
Chairman of Executive Committee, The Mental Health Association of Hong Kong  
Director, The Mental Health Association of Hong Kong  
Secretary for Financial Services and the Treasury  
Director of Audit





**Chapter 7 of the Director of Audit’s Report No. 77  
The Mental Health Association of Hong Kong  
Questions and Requested Information**

**(I) Questions responded to by the Social Welfare Department**














**Part 1: Introduction**

- 1) According to paragraph 1.11 of the Director of Audit’s Report No. 77 (Audit Report), subventions from the Social Welfare Department (SWD) to The Mental Health Association of Hong Kong (MHAHK) in 2020-2021 amounted to \$329 million, of which \$275 million was provided in the form of lump sum grant (LSG). Under the LSG subvention system, Funding and Service Agreements (FSAs) are signed between SWD as a funder and non-governmental organisations (NGOs) as service providers. In this regard, would SWD please provide copies of the FSAs (or links to the websites, if any)? In what form was the remaining subvention of \$54 million provided to MHAHK?
- A: In 2020-21, LSG subvention disbursed by the Social Welfare Department (SWD) to the Mental Health Association of Hong Kong (MHAHK) was \$275 million, and the remaining subventions of about \$54 million included (i) reimbursement items (e.g., rent and rates, Lotteries Fund projects), (ii) non-LSG-subsented services (e.g., provision of employment support services to specific groups), and (iii) special one-off grants (e.g., various subsidies for combating the COVID-19 epidemic).

The FSAs relating to subsented services provided by MHAHK are as follows –








<b>Services</b>	<b>Relevant FSAs (English version only)</b>
Halfway House	 Halfway House.pdf
Integrated Community Centre for Mental Wellness	 Integrated Community Centre
Care-and-Attention Home for Severely Disabled Persons/Day Care Service for Persons with Severe Disabilities attached to Care-and-Attention Home for Severely Disabled Persons	  Care and Attention Homes f for Persons with Se Day Care Service

**\*Note by Clerk, PAC: Relevant Funding and Service Agreements not attached.**

Services	Relevant FSAs (English version only)
	 C&A SD with Day Care Service (So U
Day Activity Centre	 Day Activity Centre.pdf
Extended Care Programme	 Extended Care Programme.pdf
Hostel for Moderately Mentally Handicapped Persons	 Hostel for Moderately Ment:
Hostel for Severely Mentally Handicapped Persons/Day Activity Centres cum Hostel	  Hostel for                      DAC cum Severely Mentally              Hostel.pdf
On the Job Training Programme for People with Disabilities	 On the Job Training Programr
Sheltered Workshop	 Sheltered Workshop.pdf
Sunnyway - On the Job Training Programme for Young People with Disabilities	 Sunnyway - On the Job Training.p
Supported Employment	  Supported                      Supported Employment [For I              Employment [For t
Work Extension Programme	 Work Extension Programme.pdf
Agency-based Clinical Psychological Service	 Agency-based Clinical Psychologi

**\*Note by Clerk, PAC: Relevant Funding and Service Agreements not attached.**



Services	Relevant FSAs (English version only)
Agency-based Clinical Psychological Service for Integrated Community Centres for Mental Wellness	 Agency-based Clinical Psychologi
Agency-based Occupational Therapy Service	 Agency-based Occupational Ther
Agency-based Speech Therapy Service for Ageing Persons with Disabilities in Residential Care Homes for Persons with Disabilities	  Agency-based Agency-based Speech Therapy S Speech Therapy S
Pilot Scheme on Professional Outreaching Team for Private Residential Care Homes for Persons with Disabilities	 Pilot Scheme on Professional Outre
Visiting Medical Practitioner Scheme	 Visiting Medical Practitioner Scher
Agency-based Peer Support Service in Community Psychiatric Service Units	 Agency-based Peer Support Servi

- 2) According to paragraph 1.13 of the Audit Report, as a condition of receiving LSG subvention, NGOs are required to observe the advice on best management practices and procedures contained in the “Social Welfare Services Lump Sum Grant Manual” (LSG Manual) and related LSG Circulars promulgated by SWD. In addition, SWD also issued the "Lump Sum Grant Subvention System Best Practice Manual for Non-governmental Organisations" (BPM) in 2014. Would SWD please provide links to the websites of the LSG Manual, LSG Circulars and the BPM.

A: The link to the LSG Manual and LSG Circulars is as follows –

[https://www.swd.gov.hk/en/index/site\\_ngo/page\\_subventions/sub\\_lsgmanual/](https://www.swd.gov.hk/en/index/site_ngo/page_subventions/sub_lsgmanual/)

The link to BPM (Chinese version only) is as follows –

[https://www.swd.gov.hk/storage/asset/section/2838/tc/17\\_Items\\_of\\_the\\_Best\\_Practice\\_Manual\\_\(C\)\\_update\\_2022-05-24\).pdf](https://www.swd.gov.hk/storage/asset/section/2838/tc/17_Items_of_the_Best_Practice_Manual_(C)_update_2022-05-24).pdf)

**\*Note by Clerk, PAC: Relevant Funding and Service Agreements not attached.**

## **Part 2: Corporate Governance**

- 3) Paragraph 2.8(b)(ii) of the Audit Report stated that no meeting had been held for the Fund-raising Sub-committee of MHAHK during the five years from 2015-2016 to 2019-2020. Did MHAHK and its service units organise any fund-raising activities during the five years? If yes, please provide information on the activities and the amount of funds raised; if no, will SWD encourage MHAHK to organise more fund-raising activities so as to have more resources for provision of services and reduce reliance on public funding?

A: For the period from 2015-16 to 2019-20, MHAHK held three flag-selling activities (in 2015-16, 2016-17 and 2018-19). The net income (i.e. income from selling flags minus expenses involved) of the three activities was about \$550,000, \$680,000 and \$870,000 respectively. Besides, MHAHK held general charitable fund-raising activities in 2015, 2017 and 2019, with a net income of about \$19,000, \$26,000 and \$33,000 respectively.

SWD has been providing NGOs with the necessary resources to operate designated subvented welfare services in accordance with the relevant FSAs. On the other hand, NGOs organise fund-raising activities to solicit additional resources to run non-subsidised projects and/or implement other service programmes in accordance with their mission and development direction. These non-subsidised projects and/or implementation of other service programmes will not have any effect on subvented services, and the Government will not reduce the amount of subvention because of the funds raised. It goes without saying that NGOs are encouraged to organise fund-raising activities to seek additional resources to run projects or services for the benefit of the community at large, which also helps cultivate a “care and share” culture in the community.

- 4) Part 2 of the Audit Report pointed out that in the past few years, MHAHK experienced various problems in corporate governance, such as no regular meetings of some committees or drawing up clear terms of reference, the low attendance rate of some members and no record of the reasons for absence, inadequate handling of potential conflicts of interest, etc., and some practices deviate from the LSG Manual and the Guide to Corporate Governance for Subvented Organisations formulated by the Government. Before the Audit Commission conducted the investigation, did SWD know about the situation and whether it had taken follow-up actions for improvement? Regarding the corporate governance problems identified in the report and the recommendations for improvement, what is the time expected by SWD and MHAHK for a full rectification of the problems and implementation of the recommendations?

A: The LSG Manual sets out the details on the use of the LSG and the requirements for financial management. It also contains public accountability and good management practices. It provides NGOs with good governance guides, including the Guide to Corporate Governance for Subvented Organisations

formulated by the Efficiency Office, and the Sample Code of Conduct for Board Members & Staff of NGOs in Social Welfare Sector jointly published by the Independent Commission Against Corruption and the Hong Kong Council of Social Service, for their reference so as to assist them in using public funds effectively for the provision of welfare services under the LSG subvention system.

In addition, SWD formulated the BPM based on the recommendations of the Lump Sum Grant Independent Review Committee, with a view to encouraging NGOs receiving LSG to enhance their governance on a continuous basis by improving their financial management, human resources management as well as corporate governance and accountability. The BPM comprises guidelines at two levels. Level One guidelines are those that NGOs are expected to follow unless there are strong justifications not to do so, while Level Two guidelines are those that NGOs are encouraged to adopt.

Some of the recommendations made in Part 2 of the Audit Report on the governance of MHAHK (e.g., drawing up the terms of reference for committees) belong to Level Two guidelines of the BPM, i.e., NGOs are encouraged to adopt. Prior to the Audit Commission's investigation, the report submitted by MHAHK to SWD indicated that it had formulated the "delineation of roles and responsibilities of governing board" in accordance with relevant guidelines, but the terms of reference of committees were not mentioned in the report. As for the recommendations on the attendance to meetings and relevant procedures (e.g., quorum requirements and the system of declaration of interests), these are good governance practices encouraged by the Guide to Corporate Governance for Subvented Organisations.

Although the above items are not mandatory requirements, SWD had immediately reviewed relevant situation upon noting the investigation results and suggested that MHAHK make improvements. SWD's on-site assessment confirmed that MHAHK had taken improvement measures in response to the Audit Commission's recommendations on corporate governance in the report, including drawing up the terms of reference for the Quality and Risk Management Sub-committee and the Journal Editorial Board; empowering the Quality and Risk Management Sub-committee with roles and responsibilities relating to internal control and auditing; stepping up compliance of the Executive Committee with the quorum requirements; handling the absence of committee members and revising the arrangements for declaration of interests where appropriate, etc. In addition, SWD suggested that MHAHK strengthen its internal monitoring system to ensure that it can effectively and continuously implement relevant improvement measures.

### **Part 3: Delivery of Mental Health Services**

- 5) According to paragraphs 3.2 and 3.3 of the Audit Report, MHAHK is required to conduct self-assessments on attainment of essential service requirements (ESRs), service quality standards (SQSs), output standards (OSs) and outcome standards

(OCs), and report regularly to SWD. In this regard, apart from the self-assessments by MHAHK, has any independent third-party assessment of its level of attainment been conducted? If yes, what is the assessment result? If no, what is the reason?

- A: Under the LSG subvention system, NGOs are required to meet the requirements of their respective FSAs, including the ESRs, SQSs and OSs/OCs. SWD monitors the performance of all subvented service units according to the established mechanism. Apart from requiring NGOs to submit service statistics and self-assessment reports on a regular basis, SWD also selects service units for review visits to check whether their performance complies with the requirements of FSAs and related services.

In the last monitoring cycle (i.e., 2018-19 to 2021-22), SWD has conducted review visits to 14 subvented service units operated by MHAHK. During a visit to its agency-based Occupational Therapy Service in September 2020, it was found that the service had not updated the service users' records in a timely manner to reflect their service conditions in accordance with SQSs 3 and 11. SWD immediately requested MHAHK to submit an action plan for improvement and make improvements accordingly. Another on-site assessment was conducted in July 2021 and it was confirmed that the concerned units had implemented the improvement measures and complied with the relevant requirements.

SWD also implements the "Service Quality Group Scheme for Residential Care Homes for Persons with Disabilities (RCHDs)" (SQG). Members of the SQG, comprising persons with disabilities/family members/carers and members of the local community, pay regular visits to RCHDs participating in the Scheme on a voluntary basis and provide feedback on the RCHDs' facilities and services, with a view to encouraging the RCHDs to enhance their service standards.

A self-financing RCHD under MHAHK participates in the SQG Scheme in 2021-23. Members of the SQG (including a [?] psychiatrist, a [?] principal of a special school and SWD's staff) conducted a surprise visit to the RCHD in May 2022 and they were satisfied with the RCHD's facilities and care services. The SQG will continue to conduct surprise visits to keep monitoring the service quality of the RCHD.

- 6) Paragraph 3.11 of the Audit Report pointed out that the user turnover rate of Supported Employment continued to decline, while the number of applicants on the waiting list for the service increased. One of the reasons was the extension of post-placement services from 6 to 12 months by SWD to enhance the service. The extension of service duration resulted in an increasing number of people in need becoming unable to obtain the service in a timely manner. Does this measure defeat the original purpose of "service enhancement"?

A: SWD has since 2018-19 provided additional resources to strengthen professional support for the supported employment service, the On the Job Training Programme for People with Disabilities and the Sunnyway - On the Job Training Programme for Young People with Disabilities, and extended the post-placement follow-up service from 6 months to 12 months, with a view to strengthening ongoing support for employment of persons with disabilities, assisting them in adapting to the work environment and sustaining their work motivation. At the same time, SWD has increased the number of service places to meet demand. From 2019-20 to 2021-22, the places for supported employment increased by about 100 (from 2 578 to 2 681). According to the records of SWD's Central Referral System for Rehabilitation Services, the overall waiting time for supported employment service decreased from 3.8 months in March 2019 to 2.2 months in March 2022.

It is noted that MHAHK experienced a decrease in the user turnover rate of supported employment and an increase in the number of applicants in 2019-20. This was partly due to the social situation in 2019 and the COVID-19 epidemic since 2020 which took place after the introduction of the relevant enhancement measures. SWD will review the relevant services in a timely manner to respond to the changing service demand.

#### **Part 4: Administrative Matters**

7) According to paragraph 4.9 and Appendix J of the Audit Report, SWD conducts accounting inspections in respect of NGOs' compliance with accounting and financial reporting requirements as laid down in LSG Manual. In the records of the most recent three accounting inspections on MHAHK (for years 2013-2014, 2015-2016 and 2018-2019), some internal control weaknesses had been identified. In this regard, please advise:

(a) Regarding the internal control weaknesses of MHAHK found in the accounting inspections, has any follow-up been made or has MHAHK been urged for improvement? If yes, what is the result of the follow-up? If no, what is the reason?

A: SWD has inspected the accounting records of subvented service units operated by MHAHK for the financial years of 2013-14, 2015-16 and 2018-19. A letter was issued to MHAHK after completing each accounting inspection to require MHAHK to rectify deficiencies identified (e.g., annual physical checking of fixed assets, review bank reconciliation statements on a monthly basis, and stamping paid invoices with a chop, etc.). MHAHK was required to provide a written reply within one month to confirm acceptance and implementation of the recommendations. When conducting the next accounting inspection, SWD will follow up on whether the earlier recommendations have been implemented. Regarding the situation of MHAHK, SWD conducted accounting inspections on different subvented service units of MHAHK each time, and found that rectification actions were taken on some items, while some individual items had yet to fulfil the requirements. SWD has urged the NGO to make improvements

as soon as possible and will continue to follow up on the items during the next accounting inspection.

- (b) Is there any review on the effectiveness of the follow-up actions to ensure that no similar problems will occur in other subvented NGOs under the monitoring of SWD?

A: From 2018 onwards, SWD would notify all subvented NGOs of the common errors found in accounting inspections, in the form of an annual summary, to remind them to avoid similar problems. To further enhance the internal control procedures of subvented NGOs, SWD has adopted the following measures –

- (i) The management committees of NGOs are required to deliberate and implement the relevant recommendations as set out in the letter issued by SWD regarding the accounting inspections, and to submit the minutes of relevant meetings to SWD;
  - (ii) NGOs are required to update their accounting and financial procedures and submit relevant supporting documents to SWD within six months after accepting the recommendations of the accounting inspections; and
  - (iii) SWD will hold an experience sharing session to raise NGOs' awareness of internal control. In this regard, an online sharing session was held for NGOs subvented by SWD on 6 May 2022 to explain the details of the relevant requirements and points to note.
- 8) According to paragraphs 4.11 and 4.12 of the Audit Report, MHAHK receives a lump sum amount of grant under the LSG subvention system for all its agreement service units (ASUs), and may redeploy resources across its ASUs as long as they are within those governed by FSAs. It is important to ensure no cross-subsidisation between FSA and non-FSA activities in money or in kind. The Audit Commission noted that some of the expenses were not apportioned between FSA and non-FSA activities. In this regard, would MHAHK and SWD please advise:
- (a) Have MHAHK taken measures or formulated guidelines to ensure that part of the expenses can be apportioned between FSA and non-FSA activities? If yes, please provide details of the measures or guidelines, and advise the consequences of non-compliance with the measures or guidelines; if no, what are the reasons?
  - (b) Does SWD have any mechanism to ensure that there is no cross-subsidisation in MHAHK between FSA and non-FSA activities in money or in kind? If yes, please provide details of the mechanism; if no, what are the reasons?

A: According to paragraph 2.37 of the LSG Manual, both LSG and LSG reserve are accounted for under recurrent subventions and are by nature intended for meeting the operating expenditure on FSA services or related activities. In addition,

paragraph 3.3 of the LSG Manual stipulates that NGOs must ensure that proper books of account and other accounting records are kept for all transactions, separately identified into FSA activities and support services (including central administration and supervisory support), and non-FSA activities. SWD has established a mechanism to review an NGO's annual financial report and audited annual financial statement as a whole and conduct LSG subvention inspections to examine whether the use of subvention complies with the requirements.

Some expenses of MHAHK have not been apportioned between FSA and non-FSA activities. SWD has requested MHAHK to take rectification actions. MHAHK is formulating a cost apportionment plan and will submit the relevant information to SWD in June 2022 for review and follow-up.

Social Welfare Department  
June 2022



香港心理衛生會

THE MENTAL HEALTH ASSOCIATION OF HONG KONG

Our Ref: 069/22

31 May 2022

(by email: [wyan@legco.gov.hk](mailto:wyan@legco.gov.hk)  
[kmho@legco.gov.hk](mailto:kmho@legco.gov.hk)  
[pkwlai@legco.gov.hk](mailto:pkwlai@legco.gov.hk))

Public Accounts Committee  
 Legislative Council Complex  
 1 Legislative Council Road, Central, HK  
 (Attn: Ms Wendy JAN)

Dear Ms JAN,

**Public Accounts Committee**  
**Consideration of Chapter 7 of the Director of Audit's Report No. 77**  
**The Mental Health Association of Hong Kong**

Thank you for your letter dated 18 May 2022 (your ref.: CB4/PAC/R77) about the request on our written response to and information on issues set out in Part (II) of the Appendix of the letter.

Enclosed please find our written response in both Chinese and English in soft copy for your perusal.

Should you have any enquiries, please contact Mr. Ching Chi-kong, Director and/or Ms. Joyce Poon, Chief Officer (Corporate Administration) of The Mental Health Association of Hong Kong, at 2528 0196.

Regards,

Yours sincerely,

(Dr Lo (Tak-lam)

Chairman, Executive Committee

Encl

- c.c. Secretary for Labour and Welfare (email: [slwo@lwb.gov.hk](mailto:slwo@lwb.gov.hk))  
 Director of Social Welfare (email: [dsw@swd.gov.hk](mailto:dsw@swd.gov.hk))  
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**Public Accounts Committee  
Consideration of Chapter 7 of the Director of Audit's Report No. 77  
"The Mental Health Association of Hong Kong"**

**(II) For the Mental Health Association of Hong Kong**

**Part 1: Introduction**

- 9) According to paragraphs 1.6 and 1.7 of the Director of Audit's Report No. 77 ("the Audit Report"), the Executive Committee is the governing body of the Mental Health Association of Hong Kong ("MHAHK"). As at 31 March 2021, MHAHK had 770 staff. Regarding the information listed in Table 2 of paragraph 1.14 of the Audit Report, would MHAHK please advise:
- (a) what was the percentage of the personal emoluments of the Executive Committee members in the personal emoluments of 248.3 million in 2020-2021?
  - (b) whether it can provide the Annual Financial Report for 2020-2021?
  - (c) given that the personal emoluments in 2020-2021 increased by about 8.6% compared with those in 2019-2020, whether the adjustment to the above personal emoluments was consistent with the pay adjustment of civil servants for that year? If no, what is the criteria for determining the adjustment to the personal emoluments?
  - (d) how it handled the surplus of 8.3 million in 2020-2021?

**Response:**

- (a) According to Articles of Association of The Mental Health Association of Hong Kong (MHAHK), members of the Executive Committee are elected among members of MHAHK at the annual general meetings and serve on a voluntary basis. Members do not receive personal remuneration.
- (b) The Annual Financial Report (AFR) submitted by an NGO to the Social Welfare Department (SWD) is, on cash accounting basis, prepared in respect of all Funding and Service Agreement (FSA) activities (including support services to FSA activities) funded by SWD under the Lump Sum Grant (LSG) Subvention System.

For the Association's AFR 2020-2021, please refer to the SWD's website link:

[https://www.swd.gov.hk/storage/asset/section/2916/tc/496\\_The\\_Mental\\_Health\\_Association\\_of\\_Hong\\_Kong\\_AFR\\_31\\_3\\_2021.pdf](https://www.swd.gov.hk/storage/asset/section/2916/tc/496_The_Mental_Health_Association_of_Hong_Kong_AFR_31_3_2021.pdf)

The website link was also published in the Association's Annual Report 2020-2021 for public inspection.

- (c) The pay adjustment of MHAHK's staff was always consistent with the pay adjustment of civil servants. In 2020-2021, after freezing of the salary of civil servants by the Government, MHAHK had frozen the remuneration of all employees linked to the pay scale of civil servants. As for the frontline employees who were not linked to civil servant pay scale, the remuneration or allowance of specific ranks had been increased by 0.4% to 3.6% after taking into account of the market salary level and the attrition situation, resulting in an increase of approximately \$900,000 or 0.4% in the total remuneration expenditure for the year.

In order to retain staff and promote staff morale, with the approval of the Executive Committee, a one-time injection of total \$5,058,000 was made to the individual MPF accounts of all non-snapshot staff in 2020-2021, resulting in an increase of approximately 2.2% in total remuneration expenditure for the year.

The remaining 6.0% increase in remuneration expenditure was mainly due to increase of headcount. With additional funds allocated from SWD in 2020-21, MHAHK had strengthened their services such as enhancing the professional services of the Integrated Community Centre for Mental Health and operates two new service units, including the Care and Attention Home for Severely Disabled Persons in So Uk Estate, the Professional Outreaching Service for Private Residential Care Homes for Persons with Disabilities; number of subvented staff therefore increased from 668 in 2019-20 to 730 in 2020-21, with total remuneration increased by approximately \$13,800,000.

- (d) Total surplus of \$8.37 million for 2020-2021 included Lump Sum Grant surplus of \$9.21 million (already allocated to the SWD's Lump Sum Grant Reserves), a surplus of \$410,000 for Central Items and Rent & Rates deficit of \$1.25 million (most of which had been reimbursed by SWD).

## **Part 2: Corporate Governance**

- 10) According to paragraph 2.5 of the Audit Report, MHAHK did not formulate any terms of reference for two sub-committees (i.e. the Quality and Risk Management Sub-committee, and the Journal Editorial Board), and these sub-committees did not hold any meeting in the past few years.

In this regard, would MHAHK please advise whether the two sub-committees have discharged their responsibilities? If no, what are the reasons? If yes, how can their responsibilities be determined without having a clear terms of reference? How does MHAHK ensure that all the sub-committee members are familiar with their respective terms of reference?

Response:

MHAHK has 15 subcommittees currently, of which the Quality and Risk Management Subcommittee and the Journal Subcommittee did not need to hold regular meetings due to their functional scope and work nature. However, the members would still perform their responsibilities according to the instructions of the Executive Committee; and they would communicate with each other and provide guidance for agency affairs through different channels.

Members of the Quality and Risk Management Subcommittee come from different professionals, aiming to provide effective support to handle general risk prevention such as occupational safety and health matters. The Subcommittee has to make rapid responses to emergencies such as adaptations during the pandemic. The Subcommittee will assign staff to form different working groups to monitor the internal operation mechanisms of the Association that help to identify and to contain potential corporate as well as operational risks, and to provide prompt guidance on handling emergencies. In case of a serious incident with long-term impact, the Subcommittee will initiate meetings and make reports to the Executive Committee. In the past few years, there have been no serious incidents in the Association, and the working group has effectively carried out and reported its duties, including risk control, management of occupational safety and health in the workplace, and review of the employee performance appraisal system, etc.. Members of the Subcommittee responded through emails to comment and made further recommendations. Thus, no meeting is required.

The function of the Journal Subcommittee is to review the manuscripts submitted to the "Hong Kong Journal of Mental Health" within a specified period of time. Its members include local and overseas scholars. Similar to the operations of other professional journals in the academia, communication through electronic media enables smooth and timely editing procedures. Periodicals are published on an annual basis, showing that the Journal Subcommittee has fulfilled its responsibilities.

In the past, the two Subcommittees had no clearly defined terms of reference, their responsibilities were defined by the Executive Committee and the Executive Committee would also provide guidance and

supervision. In accordance with the recommendations of the audit report, the Executive Committee has now formulated terms of reference for the two Subcommittees to ensure that each Subcommittee has a clearer grasp of their functions.

- 11) With reference to paragraph 2.6 of the Audit Report, please provide a copy of MHAHK's Articles of Association (or the link of the website, if any).

Response:

Please see the attachment for the MHAHK's Memorandum of Association & Articles of Association.

- 12) Paragraph 2.8(b)(ii) of the Audit Report stated that no meeting had been held for the Fund-raising Sub-committee of MHAHK during the five years from 2015-2016 to 2019-2020. Did MHAHK and its service units organize any fund-raising activities during the five years? If yes, please provide information on the activities and the amount of funds raised; if no, will the Social Welfare Department ("SWD") encourage MHAHK to organize more fund-raising activities so as to have more resources for provision of services and reduce reliance on public funding?

Response:

During the past 5 years from 2015-2016 to 2019-2020, details of the flag day fundraising activities and general charity fundraising activities approved by the SWD were as follows:

- 2015-2016 Kowloon Flag Day, held on 26.12.2015, with a net income of \$556,100.8.
- 2015-2016 general charitable fundraising activities (charity sales), with a net income \$19,274.7
- 2016-2017 Kowloon Flag Day, held on 20.8.2016, with a net income of \$687,336.87
- 2017-2018 general charitable fundraising activities (charity sales), with a net income \$26,217
- 2018-2019 Kowloon Flag Day, held on 15.12.2018, with a net income of \$870,350.94.
- 2019-2020 general charity fundraising activities (charity sale), with a net income \$33,424.9

The Executive Committee of the Association appoints a member to serve as the convener of the Fundraising Subcommittee to guide the fundraising work every year. As the fundraising activities of the Association have become regular, the working group automatically holds meetings and

**\*Note by Clerk, PAC:** *MHAHK's Memorandum of Association & Articles of Association not attached.*

implements the work in stages according to the established fundraising guidelines. The working group regularly reports the progress of the work to the Executive Committee through the convener of the Fundraising Subcommittee. The convener of the Fundraising Subcommittee and the Executive Committee monitor the organization's annual fundraising activities through documents such as budgets, fundraising newsletters and audit reports submitted by the working group.

- 13) According to paragraph 2.11 of the Audit Report, both the “Lump Sum Grant Subvention System Best Practice Manual for Non-governmental Organizations” (“BPM”) and the “Best Practice Checklist Governance and Internal Control in Non-governmental Organisations” issued by the Independent Commission Against Corruption promote the setting up of an audit committee. In this regard, would MHAHK please advise:
- (a) what are the reasons for not setting up an audit committee especially when the terms of reference of the Quality and Risk Management Sub-committee have not been defined?
  - (b) whether it has put in place other mechanisms for managing internal risks? If no, what are the reasons?
  - (c) how it manages internal risks in practice?

Response:

- (a) MHAHK has always attached great importance to corporate governance in order to ensure that services are complied with the statutory requirements and the "Funding and Service Agreement", including essential service requirements, service quality standards, and output/outcome standards. We submit self-assessment reports to the SWD annually to make sure that service units meet the relevant requirements. In addition, we have established procedures to conduct internal inspections and audits to assure that service operations can be implemented in accordance with the policies and procedures set out in each service quality standard.

As one of the subvented organizations, the Association has also followed the requirements of the "Best Practice Guidelines" to continuously improve the organization's governance by improving three specific areas including financial management, human resources management, and organizational governance and accountability. The Association reviews the implementation of the guidelines and submits the self-assessment checklist to the SWD annually.

Quality and risk management has always been one of the functions of the Executive Committee of the Association. As early as 2013-14,

MHAHK established the Quality and Risk Management Subcommittee to review the service quality and potential risks of the Association. When the Executive Committee finds that there is a specific need to follow up on service quality and risk management matters, it will assign the Quality and Risk Management Subcommittee to convene meetings to follow.

The Assistant Director (Administration), later the Chief Officer (Administration) of the Association is responsible for the implementation of quality and risk management work, and reports regularly at Executive Committee meetings to let members know about the current operation status of service units. In addition, in response to the requirements of the SWD, the Association had set up monitoring mechanisms on service quality standards (SQS), financial procedures review, inspections by the Licensing and Regulation Branch etc., to ensure that the service quality and risk management of units meet the requirements.

- (b) The Association has internal risk management mechanisms, please see details in (c) below.
- (c) MHAHK has over 50 service units/projects funded by the government currently, covering the areas of residential care, community support, day training, vocational rehabilitation, employment support, etc. These government-subsidized services are required to submit annual reports under the "Service Performance Monitoring System" so as to comply with the relevant requirements of the "Funding and Service Agreement". From June 2016 to August 2018, the Association conducted a total of 12 internal audit inspections to ensure that service quality and standards meet the requirements. In the past five years, service units have carried out a total of 297 fire drills and 228 environmental safety inspections on their own to ensure that service units can prevent potential risks and formulate improvement plans in quick manner.

The Executive Committee of the Association is responsible for monitoring the internal risks of the organization. In order to strengthen risk management, the Executive Committee had extended the functions and number of members of the Quality and Risk Management Subcommittee, and be responsible for reviewing the risk management plans of each service unit. All units need to review their potential risks, formulate priorities, put forward improvement suggestions, and submit the quality and risk checklists to the Quality and Risk Management Subcommittee for review every year.

In addition, the Association has regularly organized staff training courses in the past five years to help employees understand relevant laws and risk prevention. These trainings include occupational safety and health (28 times), EOC related laws (3 times), risk management (19 times), drug management (2), institutional governance (4 times), and work orientation (17 times). Service units also regularly organize risk management training for staff including occupational safety and health (367 times), drug management (156 times) and fire prevention knowledge (8 times) to enhance employees' awareness on risk management.

- 14) According to paragraph 2.14 of the Audit Report, MHAHK will review the terms of reference of panels and the Fund-raising Sub-committee, and consider setting up a new committee or delegating to the Quality and Risk Management Sub-committee to supervise its financial reporting process and internal control. Would MHAHK please advise whether the relevant review has been commenced? What is the progress of the setting up of a new committee or the delegation of power?

Response:

The Executive Committee has revised the terms of reference of Panels and Fundraising Subcommittee which are operationally difficult to hold regular meetings to more accurately reflect their roles and the compliant means to discharge their functions in lieu of regular official meetings.

The Executive Committee has delegated the Quality and Risk Management Subcommittee to supervise the Association's financial reporting process and internal control and directly report to the Executive Committee. Its terms of reference was endorsed by the Executive Committee.

The Quality and Risk Management Subcommittee has met in this year to discuss and advise on financial reporting process and internal control. It has also recruited new member with different expertise to enhance the overall risk management of the Association.

- 15) According to paragraph 2.16 of the Audit Report, for the panels and sub-committees, in general, the quorum requirement for the meetings is three. However, only two members respectively attended the meeting of the Care Attention Home for Severe Disabled Persons Sub-committee in August 2019 and the meeting of the Day Activity Centre and Mentally Handicapped Hostel Sub-committee in July 2019. In this regard, would MHAHK please advise:

- (a) whether any resolution was made in the above two meetings?

- (b) if yes, whether the resolution had been rectified or remedied to tackle the problem of non-compliance with the quorum requirement?
- (c) whether it has formulated relevant measures to ensure compliance with the quorum requirement in subsequent meetings? If yes, what are the measures?

Response:

- (a) There were no resolutions in the above two meetings. The content of the meetings was mainly service reports. Although some members were absent from the two meetings, both Chairmen were being alerted of the situation, and the relevant meeting notes were not regarded as official minutes.
- (b) Not applicable. Both the Subcommittee of Care & Attention Home for Severe Disabled Persons, and the Subcommittee of the Day Activity Center and MH Hostel are under Service Panel and should be directly accountable to the Executive Committee. Even if a decision is made at the meeting, such as amendments to the meeting routine, it must be submitted and be endorsed by the Executive Committee.
- (c) The convenor and members of each subcommittee are committed to ensure that the quorum will be reached at each meeting. During the specified audit term of the Audit Commission, a total of 13 committees held nearly 200 meetings, and only two committees, each with one meeting held out of 16 meetings did not meet the required quorum.

The Association has formulated measures to count the number of presence before each meeting by the Chairman. If the quorum is not reached, the meeting will be cancelled and a new meeting will be rescheduled later. In order to facilitate the attendance of members who are busy with official duties, the Association will arrange meetings in hybrid mode (in person or by video conference) if needed.

- 16) According to paragraph 2.17 of the Audit Report, for the reviews period, the overall attendance rate of meetings of four of the members of the Executive Committee was lower than or equal to 50%. In this regard, would MHAHK please advise:

- (a) whether it has put in place any mechanism for handling the absences of members from Executive Committee meetings?



- (b) whether the discharge of responsibilities of the Executive Committee or the operation of MHAHK will be affected if some members of the Executive Committee are frequently absent from meetings?

Response:

- (a) If a member of the Executive Committee needs to be absent from the meeting, the reason for the absence must be indicated to the Chairman of the Executive Committee before the meeting. The Chairman of the Executive Committee will announce the list of absent members and the reasons at the beginning of the meeting. The leave of absence granted should be recorded in the meeting minutes.

According to MHAHK's Articles of Association, if a member of the Executive Committee, without leave of absence granted, was absent from the meetings on three consecutive occasions, the Committee may declare his position vacant, and he shall cease to be a member of the Committee.

- (b) The Executive Committee comprises a group of professional with different backgrounds. They are elected and appointed for a fixed terms of office and serve on a voluntary basis. Despite that many of them were doctors or university professors frequently having to work in the evenings, they had made tremendous efforts to attend the meetings held in the evenings. It proves that they all attach great importance to the development of the Association and actively fulfill their obligations and responsibilities.

The Executive Committee is the governing body of MHAHK, which comprises 11 elected members, to determine agency policies and to monitor and audit the affairs of the Association. Absence of individual members will automatically lose their right to vote on relevant resolutions of the meeting, therefore it will not affect the operation of the Association. During the absence of members, they may appoint the Director and Assistant Directors to report on their duties to the Executive Committee on their behalf. Other than the meetings, members also actively provide valuable advice on the governance of the Association and guide the operation and development of the service.

- 17) According to paragraph 2.18 of the Audit Report, as stipulated in MHAHK's Articles of Association, if a member of the Executive Committee, without leave of absence granted, was absent from the meetings on three consecutive occasions, the Executive Committee may declare his office vacant, and he shall cease to be a member of the

Committee. Table 5 shows that for Member B and Member D, their numbers of consecutive absences at meetings from 2015-2016 to 2020-2021 were 11 and 5 respectively; and it is stated in the remarks that, as at 30 June 2021, Member B remained as an Executive Committee member and Member D became a co-opt member. In this regard, would MHAHK please advise:

- (a) as of now, whether Member B is still serving as a member of the Executive Committee and Member D remains as a co-opt member? If yes, what are the reasons for MHAHK not declaring the offices of Member B and Member D vacant or terminating their membership in accordance with its Articles of Association?
- (b) whether it has put in place mechanisms to ensure that members of the Executive Committee attend meetings as scheduled?
- (c) what are the criteria adopted by the Executive Committee for granting leave of absence to members for meetings?

Response:

- (a) As of now, both Member B and Member D are co-opted members of the Executive Committee.

Member B was a university professor during the audit term and had to work at night for a period of time, so he was unable to attend the meeting during the pre-arranged session of the Executive Committee.

Member D was a psychiatrist in a public hospital during the audit period and had to work at night occasionally, so he was unable to attend the meeting during the pre-arranged session of the Executive Committee. Indeed, Member D actively attended the meeting during the rest of the year, with an attendance rate of 71% during the audit term.

As both Member B and Member D had already indicated their reasons for absence to the Chairman of the Executive Committee before the meeting, and the Chairman also announced at the beginning of the meeting and their absence were approved by the Executive Committee, there was no need to declare the vacancies and terminate Member B and Member D in accordance with the “Articles of Association”.

All members of the Executive Committee serve on voluntary basis. Although they were very busy with official duties, they still tried to attend meetings. Members B and D are both elites in the industry and have outstanding vision for the development of the Association's services. They have assisted the work of various committees of our association for more than 25 years and have contributed a lot to the

Association. Even if they are unable to attend meetings occasionally due to their busy schedules, they still actively provided valuable advice on the governance of the Association outside meetings, and guided the operation and development of services. Therefore, the Executive Committee unanimously invited them to serve as co-opted members. Co-opted members have no voting rights and not counted as a quorum.

(b) The Association has the following mechanisms to ensure that members of the Executive Committee attend meetings as scheduled:

- In the appointment letter issued to the new Executive Committee members every year, it is reminded that the members should attend the meetings on time, with the quorum of the meeting listed, and inform them according to the "Articles of Association", if a member is absent from three consecutive meetings without previous approval, the Executive Committee can declare his/her position vacant, and the person ceases to serve as a member.
- The Association would set dates for upcoming Executive Committee meetings throughout the year after each year's Annual General Meeting so that members can make early arrangements.
- Reminders of the meeting will be sent by email before each meeting, and members will be asked to reply to confirm their attendance; reminders will also be issued through other channels (including telephone, communication software, etc.) if necessary.
- In order to facilitate the attendance of members who are busy with official duties, the Association will arrange meetings in hybrid mode (in person or by video conference) if needed.

(c) If a member is unable to attend the scheduled meeting due to the following unexpected emergencies/incidents, and the Chairman of the Executive Committee has been notified before the meeting, the Executive Committee will consider granting the member's absence from the meeting:

- Work commitment
- Out of town
- Personal or family reasons
- Other reasons (discretionary, such as infection or quarantine)

18) According to paragraph 2.19(c) of the Audit Report, the Chairman of the Executive Committee had announced the reasons of members' absences during the meetings, but the reasons were not recorded in the minutes of meetings. In this regard, would MHAHK please advise:

- (a) what is the number of occasions on which the reasons of members' absences were not recorded in the minutes of meetings?
- (b) what are the reasons for not recording the reasons of members' absences in the minutes of meetings?

Response:

- (a) Based on the tacit understanding and agreement of the Executive Committee in the past, the reasons for the absence of members from the meeting were omitted from the meeting minutes. Only the Chairman of the Executive Committee announced the reasons for the absence of members at the meeting, and the list of absent members was recorded in the minutes of the meeting.
  - (b) The original intention was to protect the personal privacy of members, therefore no written records were made on the reasons for their absence from meetings. In accordance with the recommendations of the audit report, the reasons for members' absence from meetings have been included in the minutes of the Executive Committee since November 2021.
- 19) According to paragraphs 2.20 and 2.21 of the Audit Report, although financial matters were discussed at the meetings of the Executive Committee from time to time since the term year 2015-2016 and up to 30 June 2021, no declaration of interests by members nor confirmations of having no interests requiring declaration were recorded in the minutes of meetings. In this regard, would MHAHK please advise:
- (a) whether members had made declaration of interests while attending meetings at which financial matters were discussed? If yes, what are the reasons for not recording the declaration of interests in the minutes of meetings? If no, what are the reasons for that?
  - (b) how MHAHK ensures that potential conflicts of interests can be avoided if members do not make declaration of interests while attending meetings at which financial matters are discussed?
  - (c) whether it has put in place mechanisms to ensure that members will make timely declaration of interests while attending meetings at which financial matters are discussed?

Response:

- (a) For the Executive Committee, a two-tier reporting system has been adopted. All elected members should make a written declaration, within one month after the annual general meeting every year, stating any pecuniary or other personal interests that may conflict with their

duties as a member of the Executive Committee. Members shall also disclose any personal interests in any matter under consideration of the Executive Committee by giving a notice to the Chairman prior to the discussion of the matter.

During the years covered by the audit report, members of the Executive Committee had not found any conflict of interests to declare when discussing financial matters; therefore no relevant declarations were recorded in the minutes of the meeting.

- (b) The Executive Committee has already adopted a two-tier reporting system to enhance corporate governance and accountability. All elected members should make a written declaration, within one month after the annual general meeting every year, stating any pecuniary or other personal interests that may conflict with their duties as a member of the Executive Committee. Members are also obliged to disclose any personal interests in any matter under consideration of the Executive Committee by giving a notice to the Chairman prior to the discussion of the matter. This arrangement has further ensured that potential conflicts of interest are avoided.
  - (c) In the future, the Chairman of the Executive Committee will remind members to make declarations, if any, when the discussion items involve financial matters, and ensure that the interests declared or members' confirmations of having no interests requiring declaration are properly recorded in the minutes of meetings.
- 20) According to paragraphs 2.23 to 2.25 and Appendix H of the Audit Report, MHAHK tailored a three-year strategic plan for the period 2018-2019 to 2020-2021. In this regard, would MHAHK please advise:
- (a) how many items under the strategic directions for which a progress report has not yet been submitted as at 30 June 2021? What are the reasons for that?
  - (b) whether it will submit supplementary progress reports for the items the progress of which has not yet been reported, or report the progress by other means?
  - (c) if yes, at what time will the supplementary progress reports be submitted or by what means will the progress be reported? If the reports have been made, what are the findings of the reports?

Response:

- (a) The Association originally scheduled to have the management to report the progress of the plan to the Administration Panel on every

other meeting, and to report in stages according to the scope of the plan. Although the Administration Panel tried its best to hold meetings in 2019–20, due to the social events and the COVID-19 pandemic, taking into account the safety of staff and members, it was ultimately unable to meet regularly. Therefore, as of June 30, 2021, there were still 13 items that have not been reported yet.

- (b) The Executive Committee understood that although the progress of the original report had been hindered, the management was still eager to let members know the progress of the strategic development plan. Therefore, the Executive Committee verbally agreed the management to report progresses of some items at other related service meetings, or to make reports in other ways depending on the situation.
- (c) With the agreement from the Executive Committee, the progress of 12 out of the 13 items not covered by the progress report submitted to the Administration Panel, had been reported in the service reports submitted to the various subcommittees for members to know the progress.

In addition, the management also reported the key points of progress summary at the Executive Committee meeting held on April 2020, covering all 18 items in 5 development directions. The Executive Committee agreed that under the influence of social events and the pandemic, the progress of the 2018-2021 Strategic Plan still met the expectations.

- 21) According to paragraphs 2.29 and 2.30 of the Audit Report, membership of MHAHK is open to adult residents of Hong Kong or elsewhere who are in sympathy with the objects of MHAHK. A candidate applying for membership has to be proposed and seconded in writing by two members of MHAHK, and admission shall be approved by the Executive Committee. In this regard, is an applicant required to hold any professional qualifications, in addition to being in sympathy with the objects of MHAHK? What are the conditions or criteria for granting approval for admission by the Executive Committee?

Response:

Membership of MHAHK is open to those applicants who are in sympathy with the objects of MHAHK. The applicants are not required to hold professional qualifications. In accordance with the MHAHK's Articles of Association, admission shall be approved by the Executive Committee with the following criteria:

- adult residents of Hong Kong or elsewhere

- in sympathy with the objects of MHAHK
- to be proposed and seconded in writing by two members of MHAHK

22) According to Table 6 in paragraph 2.30 and paragraph 2.31 of the Audit Report, for the years 2016 to 2020, there was a slow increase in the number of members. The attendance rates at the annual general meetings only ranged from 9% to 14%. In this regard,

- would MHAHK please provide the occupational backgrounds etc. of the 200-odd members by groups;
- will MHAHK consider recruiting more people from different sectors and professions, such as those who are familiar with finance, accounting and corporate governance, as well as the family members of current or former service users, to become members and be involved in the corporate governance of MHAHK?
- will MHAHK draw up a timetable and set targets for the work relating to the expansion of its membership?
- what are MHAHK's procedures for holding the annual general meetings? Are there any measures in place to encourage members to attend the annual general meetings? If yes, what are the measures?

Response:

- The Association has 217 members currently, and their occupational backgrounds include psychiatrists, social workers, clinical psychologists, occupational therapists, physiotherapists, music therapists, nurses, lawyers, university professors, business people, administrators, parent organizations representative etc.
- The Association is committed to recruit people from different sectors and professions to become members. At present, the members of the Association include also those who are familiar with finance, accounting and corporate governance, as well as the family members of service users. Among them, members from different sectors are involved in the corporate governance of the Association.
- The Association has set up a mechanism for recruiting new members, including regular invitations from the Chairman/Honorary Secretary of the Executive Committee to recruit new members for the Association. Besides, through holding lectures or other activities, participants can deepen their understanding of the Association, which aims to recruit them as new members.
- The Executive Committee hold the Annual General Meeting (the Meeting) according to the "Articles of Association". Before the

Meeting, experts from different fields will be invited to hold public memorial lectures to attract members and other interested parties to attend. In order to facilitate overseas members to join, the Association had arranged to hold the Meeting in hybrid mode in the past two years, that some members joined the Meeting in person, while others participated the Meeting online. Members in general welcomed this arrangement, and the Executive Committee decided to continue the practice of holding the Meeting in hybrid mode in future.

- 23) Part 2 of the Audit Report pointed out that in the past few years, MHAHK experienced various problems in corporate governance, such as no regular meetings of some committees or drawing up clear terms of reference, the low attendance rate of some members and no record of the reasons for absence, inadequate handling of potential conflicts of interest, etc., and some practices deviate from the LSG Manual and the Guide to Corporate Governance for Subvented Organisations formulated by the Government. Before the Audit Commission conducted the investigation, did SWD know about the situation and whether it had taken follow-up actions for improvement? Regarding the corporate governance problems identified in the report and the recommendations for improvement, what is the time expected by SWD and MHAHK for a full rectification of the problems and implementation of the recommendations?

Response:

The Association has always been committed to complying with the notions and principles of the "Lump Sum Grant Manual" and "Guide to Corporate Governance for Subvented Organizations". Regarding the corporate governance problems identified in the audit report and suggestions for improvement, the Association will take the initiative to strengthen the internal controls and actively maintain close cooperation with the SWD, so as to achieve the goal of continuous improvement and enhancement of corporate governance.

In our report to the SWD on Level 2 of the Best Practice Guidelines (i.e. guidelines are those that NGOs are encouraged to adopt), it stated that the Association had formulated the "Delineation of Roles and Responsibilities of the Governing Board" but did not mention the terms of reference of subcommittees. Moreover, the relevant measures in the "Guide to Corporate Governance for Subvented Organizations", such as the requirement for meeting a quorum and the declaration of interests system, are measures to encourage good governance of organizations and are not mandatory for organizations to implement. However, the Association will still refer to the mentioned guidelines on a series of non-mandatory



requirements to formulate relevant measures to excel in corporate governance.

Regarding the recommendations of the audit report, the Association has immediately reviewed the measures on corporate governance and implemented the relevant recommendations of the audit report.

### **Part 3: Delivery of mental health services**

- 24) Regarding Audit's recommendations in paragraph 3.6 of the Audit Report, has MHAHK formulated new output standards ("OSs")/outcome standards in consultation with SWD? As Hong Kong has experienced several waves of the epidemic, has MHAHK planned its service direction in response to the epidemic?

#### **Response:**

The Association is constantly communicating with the SWD to review the impact of the pandemic on services and make timely adjustments to meet the needs of service users. During the pandemic, the government encourages the public to fight against the pandemic at home, maintain social distance, and reduce unnecessary outings. To meet the needs of service users, the SWD agreed that some physical services could be converted to online services, which could be counted in the output standard reports as recognized outputs. Therefore, some services, including personal counseling, group activities, and large-scale activities, were arranged online and supported by the SWD.

In view of the impact of the pandemic, the application of information technology to social services will become a new trend. Therefore, the Association has set up an Information Technology Working group to develop innovative services in three areas, including: prevention and service development, support for caregivers and developing smart organization through information technology. In the past, the Association had successfully developed a number of services using the online platform, including the "CounseLine @ MHAHK" mobile app, Mental Health First Aid (online version), YouTube education channel, community education Facebook page etc., in order to assist the general public to learn more about mental health. In June this year, online psychological counseling services will also be provided through Dr. Go online platform.

- 25) According to paragraph 3.7 and Table 8 of the Audit Report, the day care service attached to Care and Attention Home for Severely Disabled Persons had failed to achieve an OS on the occupancy rate. In this regard, has MHAHK formulated relevant measures to improve OS? If yes, what are the measures; if no, what are the reasons?

Response:

The main reasons why the occupancy rate of day care service attached to the Care and Attention Homes for Severely Disabled Persons has not been able to meet the service capacity standards are as follows: 1) The disabled persons receiving the service need to take sick leave or be admitted to hospital from time to time due to their unstable physical condition. 2) The number of people on the waiting list for this service remained small. When the attendance rate was insufficient, it could not be filled by persons on the waiting list. 3) Under the severe impact of social events and the pandemic situation in the past two years, many service users refused to go outside due to safety concerns and the risk of infection. 4) During the pandemic, according to the SWD's guidelines, services were suspended for a long time or only limited services were provided, resulting in a low average service utilization rate.

As the occupancy rate of day care service attached to the Care and Attention Homes for Severely Disabled Persons has not been able to meet the service standards, the Association has formulated and implemented the following measures to enhance the service occupancy rate:

- Adopt the over-enrollment practice to enroll one extra service user on top of the 5 existing quotas.
- Strengthen local publicity. Actively contact different stakeholders for service referrals, and liaise with the Housing Department to post service promotion materials in public housing estates to recruit more potential service users.
- If the service user applies for leave for more than one month, the service unit will contact the applicant on the waiting list to fill the "time-limited" service vacancy.
- If the service user does not require the service for five days a week, the remaining service days will be filled by other applicants who are in need of.
- Service user whom has been absent for a long time will be suggested to exit the service first to make room for other applicants.
- In addition to the above measures, the Association will maintain close communication with the SWD and adjust the strategy to improve service occupancy rate in a timely manner.

26) According to paragraphs 3.19 and 3.20(a) of the Audit Report, MHAHK had applied for the Innovation and Technology Fund for Application in Elderly and Rehabilitation Care ("I&T Fund") for the procurement of technology products. Up to November 2020, grants had been approved for a total of 62 items. In this regard, what was the total amount granted

to MHAHK under the I&T Fund? Has MHAHK completed the procurement of those 62 items? If no, what are the reasons; has MHAHK put in place measures to promote the wider use of innovation and technology?

Response:

The Association makes good use of the Innovation and Technology Fund for Application in Elderly and Rehabilitation Care (I&T Fund) to purchase appropriate technology products to improve service quality. The Association has completed the purchase of the 62 items approved by the I&T Fund mentioned in the report, involving \$4,765,285.

The Association has incorporated the application of innovation and technology in the 5-year strategic development plan as follow:

- Two online workshops have been held on 15.5.2021 and 19.6.2021, inviting overseas experts and Microsoft to share the application of technology in services with staff and executive members.
- Set up an information technology working group to promote the application of innovative technology. The three major areas of work include: prevention and service development, support for caregiver services and developing smart organization.
- The human resources management system and financial management system will be developed to enhance the administrative efficiency of the organization.
- Through the application of medication management system, the medication and follow-up consultation arrangements for service users can be managed more effectively.
- In addition to the I&T Fund, the Association has also obtained other resources to purchase advanced training equipment, such as the immersive virtual reality interactive system, which is used to support physical learning to enhance service users' muscle strength, visual perception, cognition and social adaptation.

**Part 4: Administrative matters**

- 27) According to paragraphs 4.2 to 4.3, Table 11 and footnote 26 of the Audit Report, under the Lump Sum Grant (“LSG”) subvention system, a non-governmental organization (“NGO”) can retain unspent LSG subvention in a reserve, known as LSG Reserve, to meet future spending. The balance of LSG Reserve in 2020-2021 amounted to \$92.5 million. Besides, SWD allowed NGOs to keep the cumulative LSG Reserve as at 31 March 2007 in a “Holding Account”. The balance of the “Holding Account” formed part of the LSG Reserve. As at 31 March 2021, the balance of the “Holding Account” remained at \$48.2 million.

Would MHAHK please advise how it will deploy or utilize the other half of the LSG Reserve (i.e. \$44.3 million)?

Response:

The Executive Committee of the Association has been regularly reviewing the level of the LSG reserve to ensure that the Association is financially sound enough to cope with unexpected situations. Presume that it refers to the 1% cut of LSG, the Association can still maintain the services unaffected.

In order to properly utilize the reserve, the Executive Committee regularly discusses with the management level to propose various kinds of service improvement plans and suggestions for improving employees' benefits. For example, in 2022, the Executive Committee approved issuing Special Allowance for staff who stayed on duty and assisted in fighting against the pandemic during the severe COVID-19 outbreak. The Special Allowance is expected to involve a total amount of about \$1.5 million.

In 2022-23, the Executive Committee also plans to use the reserve to upgrade the human resources management and financial management system to improve work efficiency.

In addition, the Executive Committee hopes to optimize existing services and expand new services with sufficient reserve, such as setting up an Information Technology Working Group to conceive how to use information technology to enhance existing services and develop new service models.

- 28) According to paragraph 4.4 of the Audit Report, effective and long-term financial plans and arrangement should be developed for LSG Reserve and the accumulated balance of the Holding Account; and utilization plans and financial projections for the reserves should be formulated, including disclosing the utilization situation and plans of the Holding Account in the Annual Financial Report. In this regard, would MHAHK please advise:
- (a) whether effective and long-term financial plans and arrangement have been developed for LSG Reserve and the accumulated balance of the Holding Account? If yes, please provide information on the financial plans and arrangement developed; if no, what are the reasons?
  - (b) whether utilization plans and financial projections for the reserves have been formulated, including disclosing the utilization situation and plans of the Holding Account in the Annual Financial Report? If yes, please provide information on the utilization plans formulated; if no, what are the reasons?

Response:

- (a) Reserves in the Holding Account can only be used for fulfilling contractual commitments of the snapshot staff. As the number of snapshot staff was decreasing continuously, it was expected that there would not be any snapshot staff after 2039 and reserves in the Holding Account would be merged with Lump Sum Grant Reserve at that time. In this regard, MHAHK would follow the guidelines of SWD to formulate a budget about managing the reserves, not only for employees remuneration and welfare, but also using the reserves more effectively for service development purposes.
- (b) The Executive Committee always had discussion and financial projections on the reserves utilization plan and disclosed the usage and cumulative balance of LSG reserve (including Holding Account) in the AFR. Previously disclosure of the Holding Account was not specified in the LSG Manual, therefore the Association had not separated Holding Account from LSG in the disclosure note of the AFR.

With the recommendations of Review Report on the Enhancement of LSG Subvention System about management of LSG reserves and Holding Account, MHAHK was prepared to disclose utilization and balance of reserve in Holding Account in the AFR starting from 2022-23.

- 29) According to paragraph 4.4(c) of the Audit Report, NGOs should disseminate information about the use of the reserves to the public to enhance transparency. In this regard, would MHAHK please advise whether it has disseminated information about the use of the reserves to the public? If yes, what is the relevant information; if no, what are the reasons?

Response:

MHAHK had published the utilization and accumulated balance of the LSG reserve to the public through the AFR and annual report; including publishing the annual report on its website, uploading the annual financial report to the SWD's website and posting it in the notice board at MHAHK's head office etc.

Following the recommendations of the Review Report on the Enhancement of LSG Subvention System about management of LSG Reserve and Holding Account, MHAHK would formulate reserve utilization plan and conduct financial projections, including reviewing the accuracy of the

financial projections for the previous financial year and restrictions, and report details to the Executive Committee. Information on the usage of reserves would also be released annually for public scrutiny.

- 30) According to paragraph 4.10 of the Audit Report, during its visits to six service centres of MHAHK in June and July 2021, Audit identified a number of irregularities on the internal control procedures, and found that the internal control advice contained in the “Social Welfare Services Lump Sum Grant Manual” which were related to the irregularities identified had not been incorporated in MHAHK’s guidelines on accounting and financial procedures. In this regard, would MHAHK please advise:
- (a) whether it has already improved its internal control procedures? If yes, what are the improved procedures?
  - (b) whether the relevant internal control advice contained in the “Social Welfare Services Lump Sum Grant Manual” has already been incorporated in MHAHK’s guidelines on accounting and financial procedures? If yes, please provide the relevant guidelines; if no, what are the reasons?
  - (c) how it ensures that there will not be any recurrence of internal irregularities?

Response:

- (a) MHAHK had immediately followed up the irregularities in the relevant internal control procedures, and had provided clear guidelines on a number of internal control procedures during the unit head meeting, for example, the payment vouchers and invoices should be stamped “PAID” after making payment, Finance Department had reminded the staff responsible for checking the payment documents about the relevant procedures. The petty cash holder was briefed that petty cash should be paid only after getting approval from the service manager who had signed and filled in the approval date on the voucher. After settlement of the petty cash, the recipient must sign and fill in the date on the voucher. Relevant invoice and vouchers should also be stamped “PAID” immediately.

In view of some service units having not carried out surprise cash count and stock taking of assets, Finance Department had formulated a cash count report sheet, which should be filled in and submitted by the responsible supervisor after conducting the surprise cash count. The Finance Department would also be responsible to check the fixed asset register submitted by the service unit to ensure that the fixed assets on the fixed asset register were counted at least once a year.

After continuous monitoring the service units with irregularities, it was found that the situation had been improved.

- (b) Most of the internal control procedures in the "Lump Sum Grant Manual" of SWD had been incorporated into the relevant accounting and financial procedures guidelines of MHAHK. For those opinion of internal control that had not yet incorporated in MHAHK's accounting and financial procedures guidelines on time, some practice notes had been provided to the service units following by updating of the accounting and financial procedures guidelines. MHAHK would review the contents of the "Lump Sum Grant Manual" and update the guidelines on accounting and financial procedures regularly.
  - (c) The Association will continue to monitor the implementation of internal control procedures, update the guidelines in a timely manner and strengthen the training of newly recruited staff to ensure that staff members are aware of and comply with the relevant procedures. If internal irregularities are found, the department responsible for monitoring will immediately report to the Chief Officer (Services)/Assistant Director/Director. If the situation is serious or the violator needs to be disciplined, it will be reported to the Personnel and Finance Subcommittee.
- 31) According to paragraphs 4.11 and 4.12 of the Audit Report, MHAHK receives a lump sum amount of grant under the LSG subvention system for all its agreement service units ("ASUs"), and may redeploy resources across its ASUs as long as they are within those governed by FSAs. It is important to ensure no cross-subsidisation between FSA and non-FSA activities in money or in kind. The Audit Commission noted that some of the expenses were not apportioned between FSA and non-FSA activities. In this regard, would MHAHK and SWD please advise:
- (a) Have MHAHK taken measures or formulated guidelines to ensure that part of the expenses can be apportioned between FSA and non-FSA activities? If yes, please provide details of the measures or guidelines, and advise the consequences of non-compliance with the measures or guidelines; if no, what are the reasons?
  - (b) Does SWD have any mechanism to ensure that there is no cross-subsidisation in MHAHK between FSA and non-FSA activities in money or in kind? If yes, please provide details of the mechanism; if no, what are the reasons?

Response:

- (a & b) MHAHK has taken measures to ensure that most of expenditure had been apportioned between the FSA services and the non FSA services, including allocation of the remuneration of employees involving in both FSA services and non-FSA services among the two types of services based on the agreed percentage in proportional to their work/services. Other direct charges would be charged directly to FSA services and non-FSA services on the basis of actual usage, and all income and expenses for non-FSA services would be recorded in separate accounts.

Although the Head Office was providing administrative support to both FSA and non-FSA services, the staff cost and the administrative cost of the Head Office had not been apportioned between FSA and non-FSA service in consideration of the minimal portion of the later services in MHAHK.

In order to comply with the principles of the lump sum grant system and ensure that the FSA service was not subsidizing non-FSA services, MHAHK will determine a mechanism to apportion the expenditure of the Head Office among two types of services. After discussion by the Executive Committee in May 2022, relevant plan of the cost apportionment will be submitted to SWD for comment by June 2022.

- 32) According to paragraph 4.15 of the Audit Report, MHAHK would outline the process in the management of reserves. What progress has been made so far?

Response:

MHAHK had established procedures about management of the reserves, use of which were subject to two-tier resolutions, including the Personnel and Finance Subcommittee and the Executive Committee. From 2022 onwards, planning and management of the reserves become a standing agenda and would be discussed annually at the Personnel and Finance Subcommittee. Meanwhile, MHAHK would sincerely consider using actuarial services to enhance reserve management as recommended by SWD.

- 33) According to paragraphs 4.16 to 4.21 of the Audit Report, MHAHK had experienced staff shortage from 2016-2017 to 2020- 2021. Staff shortage had affected essential service requirements and service targets. Would MHAHK please advise:



- (a) whether it has formulated a plan to reduce staff wastage? If yes, what is the plan for reducing staff wastage? If no, what are the reasons?
- (b) what are the reasons for not reviewing the succession plan since 2018?
- (c) whether it has started to review the succession plan again? If yes, what are the outcome of the review?

Response:

- (a) The manpower demand for allied health personnel and nurses in Hong Kong continues to increase, and the supply in the labor market has been in shortage for a long time, which makes the Association and the industry face the same problem of manpower shortage.

The Association has formulated a series of plans to alleviate manpower shortage and reduce manpower wastage, including:

- For allied health personnel grades (including occupational therapists, physiotherapists, clinical psychologists, speech therapists, nurses and health workers) that have difficulty in recruiting, allow flexible outsourcing of services from intermediaries to reduce the impact on service due to manpower shortage.
- For positions with manpower shortage, employ temporary staff to maintain the provision and quality of services.
- Allow the hiring of part-time staff to replace the shortage of employees.
- In the past two years, despite the government has implemented salary freeze for civil service and the SWD did not provide additional funds to agencies for salary adjustment, the Association still used the surplus of about 1.9 million to improve the salary and fringe benefits of some frontline ranks with recruitment difficulties, and increased the starting salary of hostel workers by one salary point in order to retain manpower and maintain competitiveness in the recruitment market.
- Make a one-off capital injection into the MPF accounts of non-snapshot staff every year to attract employees to continue to serve the Association.
- Implement the "Employee Health Checkup Subsidy Scheme" to subsidize employees for physical health examinations
- Participate in the "Master Programme in Occupational Therapy (MOT) and Master Programme in Physiotherapy (MPT) Training Sponsorship Scheme" organized by the SWD to relieve the shortage of manpower of therapists.

- Encourage employees to enroll in the “Enrolled Nurse (General) Training Programme” subsidized by the SWD and continue to serve in the social welfare sector in the future.
  - To care for the mental health of employees, the Association set up the "Employee Assistance Programme" to provide confidential professional psychological assessment and counseling services for employees in need.
  - Since 2015, the "Staff Development Fund" has been used to subsidize non-professional staff to enroll in part-time courses relevant to mental health services and grant paid leave for examination in order to help staff to pursue professional qualifications.
  - Improve employee benefits, including adding birthday leave and compassionate leave. From December 2020, eligible staff would be granted 14 weeks of full-pay maternity leave for each childbirth, while the paternity leave has also been increased to 5 days.
  - Established the "Dr. Lo Wai Hoi Memorial Fund" award scheme to encourage employees to actualize the two core values of "Excellence" and "Innovation" of the Association.
  - Make good use of the "Social Welfare Development Fund" subsidized by the SWD to organize various training courses/overseas study tours/activities for social workers and staff members of different ranks. From 2016 to March 2021, the funding expenses have reached \$2,086,950.46.
  - The Association supports the continuous education of employees. Last year, 254 applicants were sponsored, with a total of 1904 hours of participation and a total tuition fee of \$36,979.
  - The Association actively provides internship opportunities to students of social work courses, occupational therapy and counseling programmes of various tertiary institutions, arranges placements for the students at different service units of the Association, so as to enhance the students’ knowledge and interest in rehabilitation services and encourage them to join the Association after graduation.
- (b) In order to ensure that the organization has suitable staff to provide efficient and high-quality services in short and long term, the Association reviewed the manpower situation and succession plan in 2018, and launched an 18-month “Management Talent Development Programme” in September 2019. This Programme provided multi-dimensional training for existing managers or staff with the potentials to take up management positions, including financial management, human resources management and crisis management. It also included a mentorship scheme and arranged for the

participants to join in thematic experience learning in different service units of the Association. The Programme aimed to broaden participants' thinking horizons, strengthen personal effectiveness, improve management knowledge and skills, explore and develop management potential, so as to equip potential leaders and expand the Associations' talent pool to pass on the Associations' missions.

In the 4<sup>th</sup> quarter of 2019, social events began to occur. Road blockages occurred in many districts, and traffic was severely blocked, which affected the progress of training implementation. In 2020-2022, we encountered the novel coronavirus disease pandemic, and the training activities were restricted by the group gathering regulation. Staff members of residential care homes were busy fighting against the pandemic. Some services had to be temporarily suspended or provided on a limited basis, which delayed the implementation of the training activities. Finally, the Management Talent Development Programme was successfully completed in May 2022.

The Programme has been highly appreciated by staff and various stakeholders, and it has also successfully trained management talents for the Association. Among the 22 participants, 9 of them were eventually promoted/transferred to take up management roles in the Association, which alleviated the succession issue.

- (c) As planned, the Association will re-examine the manpower situation of the organization in 2022 to decide the specific direction and content of the "2<sup>nd</sup> Management Talent Development Programme", and continue to train the successors for the organization in the future.

- 34) According to paragraph 4.23(b) of the Audit Report, MHAHK did not organize capacity building sessions for staff to raise their corruption prevention awareness for the period 2016-2017 to 2020-2021. In this regard, has MHAHK planned to organize capacity building sessions to raise corruption prevention awareness of staff? If yes, what is the arrangement?

Response:

The Association attaches great importance to the anti-corruption of employees and has issued the "Code of Conduct for Prevention of Conflict of Interest" which was reviewed and updated in 2021.

The "Management Talent Development Programme" originally planned to invite the Independent Commission Against Corruption to hold a training on "Reviewing Codes of Conduct under Anti-Corruption Law" in December 2020. Due to the pandemic, the training activities of the

Management Talent Development Program were affected. The aforementioned training was finally held on November 25, 2021 by Mr. Tam, Kwok-chu, Senior Community Relation Officer of the Independent Commission Against Corruption. 32 management staff attended the training. The participants' review questionnaires reflected that the training could effectively strengthen the anti-corruption awareness of employees.

In the future, the Association will continue to invite representatives of the Independent Commission Against Corruption regularly to offer training courses to enhance staff awareness on anti-corruption.

35) As mentioned in paragraphs 4.29 and 4.30 of the Audit Report, ASUs had not complied with the laid-down guidelines which required staff to obtain quotations from suppliers in procuring consumables for daily operations, and ASUs had not conducted reviews on price and quality of goods in accordance with the guidelines. In this regard, would MHAHK please advise:

- (a) whether it has put in place any mechanism to ensure compliance of the procurement guidelines by various ASUs?
- (b) how it will deal with ASUs' non-compliance with the procurement guidelines? How does it ensure that the procurement does not involve any risk of transferal of benefits?

Response:

- (a) MHAHK had set out policies and procedures about procurement of food/materials by units and procurement/repair & maintenance. All service units should follow the policies and procedures, i.e. submit their application based on purchase amount to two levels of authorization, ensuring that the procurements complied with MHAHK's policies and procedures. At the same time, MHAHK also set out guidelines for handling conflicts of interest to prevent conflict of interest between the service units and suppliers.

In order to strengthen internal control, MHAHK had reviewed the execution of the existing procurement of food / materials execution by service units, any deviations from the requirements should be endorsed by higher level of authority.

- (b) MHAHK would monitor the implementation of internal control procedures and issue updated guidelines in a timely manner to ensure that all staff was informed and compliant of the relevant procedures.

MHAHK had issued Disciplinary Code for Conflict of Interest to the staff, anyone who had doubt and uncertainty could consult their

supervisor and report the case to the Association. MHAHK would also enhance staff's awareness of anti-corruption by holding relevant seminars.

If service unit was found violating the procurement guidelines, the monitoring department would report to the Chief Officer/Assistant Director/Director immediately. Disciplinary action by issuing oral/written warning to the relevant staff might be required for serious case.

- 36) According to paragraphs 4.31 to 4.33, footnote 35 and Appendix D of the Audit Report, under the LSG subvention system, SWD encourages NGOs to adopt the best practices laid down in BPM. In October each year, NGOs are required to review whether they had complied with the Level One requirements and adopted the Level Two guidelines, and submitted self-assessment checklists to SWD. In this regard, would MHAHK please advise:
- (a) whether it has made known to its staff and service users the progress of its implementation of BPM?
  - (b) whether it has submitted to SWD the self-assessment checklists for 2020-2021 in accordance with BPM? If yes, what are the results? If no, what are the reasons?
  - (c) whether it has formulated any plans for the full implementation of BPM?

Response:

- (a) Through meetings and annual reports, the Association keeps staff members and service users informed of the Association's implementation progress of the Best Practice Guidelines.
  - (b) The Association has submitted the Best Practice Manual Self-assessment Checklist of 2020-2021 to SWD, The checklist with documents has been confirmed by the SWD during on-site assessment. The relevant work has been further improved according to the SWD's recommendations.
  - (c) The Association has formulated a plan for the full implementation of the "Best Practice Manual" in accordance with the SWD's recommendations.
- 37) According to paragraphs 4.38 and 4.39, MHAHK would draft clear procurement guidelines on items requiring quotations. Would MHAHK

please advise whether it has completed the drafting of the guidelines and in what ways will it ensure staff's compliance with such guidelines?

Response:

MHAHK had enforced the existing procedures of procurement of food/consumable material for the service units and procurement/repair & maintenance, and had provided clear guidelines on the items requiring quotes. The procedures laid down that according to the purchase amount, service unit should submit their application of procurement/repair & maintenance after obtaining the quotes, to the Chief Officer/Assistant Director/Director for approval. For daily food and consumables, the unit could select several suppliers after taking into account the price, quality and service level of suppliers, but to ensure that maximum economic benefits were achieved. The quality and price of the goods provided by each supplier must be reviewed at least once every two years. The comparison process must be recorded and submitted to the Chief Officer for endorsement. If the new service unit was unable to select the right supplier at the beginning, sufficient quotes must be obtained based on the purchase amount.

The Mental Health Association of Hong Kong  
May 2022

Vocational Training Council 職業訓練局

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Ms Wendy Jan  
Clerk  
Public Accounts Committee  
Legislative Council Secretariat  
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1 Legislative Council Road  
Central, Hong Kong



1 June 2022

Dear Ms Jan

**Public Accounts Committee  
Consideration of Chapter 8 of the Director of Audit's Report No. 77  
Youth College**

Referring to your letter dated 18 May 2022, I attach herewith our reply to your written questions in both Chinese and English for your perusal. Thank you.

Yours sincerely

Donald Tong  
Executive Director

Encls.

cc Secretary for Education  
Secretary for Financial Services and the Treasury  
Director of Audit

**Public Accounts Committee**  
**Chapter 8 of the Director of Audit's Report No. 77**  
**Youth College**

**Response to Public Accounts Committee**

Question 1

In paragraph 1.6 of the Director of Audit's Report No. 77 ("Audit Report"), it is noted that Youth College (YC) has eight campuses. Are there any standardized measures or guidelines for these eight campuses to conduct regular analyses and assessments in respect of the programme content and planned places to ensure flexible allocation and effective use of resource? If no, please state the reasons. If yes, please state the assessment criteria.

Answer

Youth College (YC), as one of the member institutions of the Vocational Training Council (VTC), adopts the VTC's Quality Assurance mechanism under which programme planning and performance are monitored and reviewed by VTC's academic and programme boards based on performance indicators including enrolment rate, retention rate and employment rate. YC will take follow-up actions or make adjustments on programme content and/or planned places if and where necessary. Programmes offered by YC are also accredited by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) to ensure standards of the programmes are aligned with the Qualifications Framework (QF) and subject to continuous improvement. With a view to managing possible variations between the planned places and the number of students enrolled, teaching and learning resources for generic modules are shared across all subject areas of YC, and also within the same study area to ensure flexible allocation and effective use of resources for delivering quality Vocational and Professional Education and Training (VPET).



## Question 2

In paragraph 2.3 of the Audit Report, Audit found that of the full-time Diploma of Vocational Education (DVE) programmes in the period from AY2018/19 to AY2020/21, 5, 18 and 16 programmes respectively were under-enrolled by more than 10%; and 14, 10 and 15 programmes respectively were over-enrolled by more than 10%. As mentioned in paragraph 2.5(a) of the Audit Report, in response to Audit's enquiry, YC informed Audit that a small percentage of under/over-enrolment was unavoidable with a view to providing flexibility in enrolment. During the enrolment exercise, does YC anticipate any under/over-enrolment of certain programmes? If yes, what is the anticipated percentage of these programmes to the overall programmes? Is the percentage in line with the current under-enrolment rate?

## Answer

YC takes into consideration the industry manpower needs and the enrolment rates of relevant programmes in the past few years in programme planning and makes the best endeavour to promote and adjust the training programmes in order to achieve the planned places as far as practicable. However, the student enrolment of YC has long been affected by a number of external factors (e.g. changes in job market, students' interests, the trend of declining overall student population, and in recent years the COVID-19 pandemic situation and the rising popularity of sports programmes brought about by the Olympic Games, etc.). Over-enrolment and/or under-enrolment for individual programmes are inevitable at times. The external situations and external factors emerging each year could be different and hence it is difficult for YC to predict which programmes may have over- or under-enrolment. This notwithstanding, YC strives to meet the overall planned intakes each year. Between AY 2018/19 and AY 2020/21, the average enrolment rates for all YC programmes as a whole have exceeded 90%. YC will keep reviewing the enrolment situation on a regular basis and suitably adjust the planned places if necessary.

### Question 3

In paragraph 2.7 of the Audit Report, Audit noted that the enrolment of 2 programmes in AY2020/21 decreased by more than 50%, for 1 programme, no students were enrolled in two academic years. Audit stated that training programmes with significant decreases in student enrolments may indicate that the programmes did not meet students' or industries' needs, and suggested YC to identify the reasons for the decrease and take appropriate measures to address the issue. According to paragraph 2.2 of the Audit Report, in response to the recommendation in the Accreditation Report on YC in 2018, YC explained that the admission strategy and planning mechanism would be reviewed in each academic year after the admission exercise. Has YC enhanced its admission strategy and mechanism during the reviews in the past few years? If yes, why is there a decrease in enrolment in AY2020/21?

### Answer

Considering the manpower needs of different industries, YC reviews its programme plan and admission arrangement every year. For example, in view of the declining secondary student population (which will affect the enrolment figures) and the COVID-19 situation (which will for example make the IT-related programmes more attractive but hotel-related programmes less attractive), the planned places of individual programmes have been suitably adjusted. When there is strong manpower demand in a particular sector but unmatched by students' programme choice, YC will work with the industry sector (e.g. through industry talks and promotional activities) to attract more students to apply. Having regard to the enrollment outcomes, YC will then formulate/refine the programme plan and admission strategy for the coming years.

Taking AY 2021/2022 as an example, YC had reviewed the planned places for all programmes having regard to the admission figures in AY2020/21 and made some necessary adjustments for AY2021/2022, including reduction of the planned places for some programmes (covering also programmes mentioned in the Audit Report), and increase of the planned places for those which had greater student demand. Some of the programmes have been revamped after review and would be launched in

AY 2022/23 after receiving programme accreditation from HKCAAVQ. Furthermore, YC had refined its promotion strategy by arranging more online activities to share the latest programme information, and organizing campus visits for secondary school students when the pandemic situation so allowed. As a result, the overall planned places for AY 2021/22 were generally met.

As mentioned above, with a view to managing possible variations between the planned places and the number of students enrolled, teaching and learning resources for generic modules are shared across all subject areas in YC, and also within the same study area to ensure flexible allocation and effective use of resources.

The reduction in student enrolment for AY2020/21 was mainly due to the sudden outbreak of COVID-19 in 2020.

#### Question 4

In paragraph 2.10 of the Audit Report, VTC agreed with the audit recommendation that barring any unforeseen external circumstances, YC would make the best endeavour to meet programme planned targets having regard to industry manpower demand. Please provide examples to explain “unforeseen external circumstances”. What measures or channels does YC adopt to understand “industry manpower demand”?

#### Answer

YC makes the best endeavour to identify the industry manpower demands through various channels, including VTC’s Training Boards and Advisory Committees, VTC’s manpower survey reports, regular communication with industries and employers, and Government statistics, etc. However, student enrolment may inevitably be affected by unforeseen external factors, including the outbreak and prolonged impact of COVID-19 pandemic, the advancement of summer holidays in secondary schools by the Government in 2022, the rising popularity of sports studies programmes brought about by the Olympic Games, etc.

### Question 5

As stated in paragraph 2.14 of the Audit Report, from AY2015/16 to AY2019/20, some programmes did not meet the targets for three performance indicators, namely enrolment rate, retention rate, employment rate; while some programmes had shown a declining trend in performance for the other three performance indicators without targets, namely, pass rate, student satisfaction and employer satisfaction. In paragraph 2.18 and 2.19 of the Audit Report, VTC agreed with the audit recommendations to step up efforts to enhance performance. In this regard, has VTC reviewed the underperforming programmes? What actions would VTC take to enhance the performance of such programmes? How is the progress?

### Answer

YC has earlier on reviewed and examined the relevant programmes and taken new measures to enhance programme performance. Programme leaders of programmes which have not met the targets or have shown a declining trend in performance are required to review and investigate the reasons behind. They would also need to propose improvement measures and report progress regularly to the Programme Board.

In AY2020/2021, relevant programme leaders of programmes which have not met the targets or have shown a declining trend in performance have already implemented improvement measures which have brought positive results. Improvement measures included the enrichment of online teaching materials, arrangement of more remedial classes for students in need, and delivery of training tool sets to students of certain programmes to facilitate their online learning at home. With the improvement measures taken, the overall pass rate increased from 92% in AY2019/2020 to 95% in AY2020/2021. The overall student satisfaction rates also increased from 7.60 in AY2019/2020 to 7.79 in AY2020/2021. Since the survey of employers' views for AY2020/21 graduates is still in progress, the result of the survey is not yet available for comparison.

### Question 6

With reference to paragraph 2.16(c) of the Audit Report, for programmes which had graduates from 2016 to 2018, the employers' views on graduates from 33% of the programmes in 2016, 19% in 2017 and 37% in 2018 were not collected by the Survey due to reasons such as graduates not giving consent to approach their employers for the Survey or the employers not responding to the Survey. Paragraphs 2.17 and 2.19 of the Audit Report mentioned respectively that the information collected from the Survey of Employers' Views was very useful to YC. VTC also agreed with the audit recommendations and would introduce measures to collect opinions from more employers of the graduates. In this regard, please advise what measures VTC would take to encourage more employers' participation in the Survey.

### Answer

Since 2021, YC has strengthened measures to encourage employers' participation in the Employers' Survey. These include arranging briefings for final-year students to seek consent on inviting their employers to participate in the survey. YC has also reviewed the design of the survey to facilitate students' provision of employers' information accurately. YC teachers will also make follow-up calls to enhance communication with graduates in case the employers' information is incomplete or inaccurate. We will continue to encourage employers to provide input but have to respect the discretion of individual students and/or their employers in joining such survey or otherwise.

### Questions 7 & 8

With reference to paragraph 3.4 of the Audit Report, utilisation rates of some teaching and learning facilities in YC was relatively low. In AY2018-2019, the utilisation rates of 9% of the teaching facilities was below 10%. In this regard, please advise whether VTC had looked into the reasons for low utilisation rates. Please also advise if any measures had been taken to improve such situation. If yes, please provide details. Had the usage of the teaching facilities been re-deployed ?

Paragraph 3.5 of the Audit Report mentioned that among the 211 teaching and learning facilities in 8 campuses, the utilization rates of 105 facilities were below 50%. There are classrooms, computer laboratories and language laboratories in every YC campus. The utilisation rates of individual rooms ranged from 1% to 98%, the range of which was rather wide. According to paragraphs 3.13 and 3.14, VTC agreed with the audit recommendations and would seek to improve the utilization of facilities. In this regard, please advise the follow-up action of VTC.

### Answer

YC has reviewed the usage of the teaching facilities and explored ways such as digital management system for enhancing their utilization rate. YC also continuously upgrades the facilities to support technology-enhanced learning, Project-based Learning (PBL) and development of new programmes. For example, some of the facilities at YC (Kowloon Bay) and YC (Yeo Chi Man) were converted to project laboratories to support the implementation of PBL. Renovation works will also be conducted in other YC campuses to meet the needs of the flexible/diverse teaching and learning modes for the Diploma of Vocational Education (DVE) programmes. Moreover, in order to support the launch of a new DVE programme on Food Technology and Nutrition, some classrooms with relatively low utilization rate in YC (Kowloon Bay) will be upgraded and converted to purpose-built workshops with new equipment installed.

YC will keep reviewing the usage of the teaching facilities of different campuses to ensure effective utilization, e.g. some training facilities of single-purpose usage will be upgraded to multi-purpose training facilities. YC is also exploring to upgrade the language laboratory to more flexible design so as to increase the utilisation rate.

Renovation and upgrading of training facilities will depend on availability of resources. In order not to disrupt teaching activities, major renovation works could only be carried out in phases when there are no classes in campus.

Starting from AY2021/2022, YC has enhanced the mechanism on reviewing the utilisation of training facilities. All of the eight YC campuses are required to submit the utilisation rate of training facilities for each semester to relevant Senior Management Teams (SMT) for review. SMT will then propose enhancement measures and submit report to the Youth College Executive Committee (YCEC). YCEC will meet in June 2022 to consider the first reports from SMT.

#### Question 9

Paragraph of 3.8 of the Audit Report stated that VTC had not complied with the guidelines on hire of facilities. Please advise the measures VTC had taken to ensure compliance. Has VTC reviewed whether the guidelines to ensure relevance to actual situation.

#### Answer

To strengthen staff training, a number of briefing sessions were arranged to explain and remind staff of the details of the guidelines and procedures on hire of accommodation. Relevant monitoring and verification mechanisms have been enhanced to ensure staff will act in compliance with the guidelines. The guidelines on hire of accommodation will be reviewed annually and updates to staff members will be provided before the start of each academic year to remind them again to adhere strictly to the guidelines.

#### Question 10

According to paragraph 4.3 of the Audit Report, for the first continuous professional development (CPD) cycle, 12% of staff attained less than 40 CPD hours while for the second CPD cycle, the percentage increased to 15%. Paragraph 4.15 of the Audit Report mentioned that VTC agreed with the audit recommendations to step up efforts in encouraging staff to actively participate in CPD training and activities. In this regard, please advise the concrete action of VTC.

## Answer

VTC has a system in place to record the continuous and professional development (CPD) for staff (including staff of YC) and to keep track of the CPD progress. Direct supervisors will draw up CPD plans with their colleagues during the annual performance review, where relevant advice and recommendations on training courses would be provided and their training progress would be monitored. Senior management of YC has already reminded supervisors to review the CPD progress with their subordinates and will continue to issue reminders regularly in future.

In addition, VTC's corporate units such as Centre for Learning and Teaching and Human Resources Division (HRD) also organise training regularly for VTC staff to enhance their professional development and work efficiency. During the past two years, a variety of staff training and development programmes had been arranged online, including webinars, online learning and training courses of mixed mode, with greater flexibility to encourage more staff participation.

There is a Staff Development Committee in YC (YCSDC) to formulate staff development initiatives and to approve staff development plans so as to enhance the knowledge and skills of YC staff. To cope with the development of programmes and meet operational needs, YC encourages its staff to initiate their CPD activities. More internal training courses have been arranged for staff, such as Artificial Intelligence training workshop and student counselling training in order to support their handling of student cases.

## Question 11

In paragraph 4.6 of the Audit Report, Audit noted that VTC had not handled staff's applications for further appointment according to established guidelines. Please explain what measures have been taken to ensure compliance with the guidelines? Has VTC conducted any review on the guidelines to ensure relevance to actual situations?



### Answer

VTC has reviewed the guidelines and procedures for handling further appointment beyond the retirement age of 60 and will update them accordingly. More briefing sessions will be arranged for supervisors and they will be reminded to strictly follow the guidelines. HRD from VTC Headquarters will also monitor in this regard to make sure all VTC institutions including YC will strictly follow the standard guidelines in handling extension applications.

### Question 12

In paragraph 4.12 of the Audit Report, Audit noted that for some new recruits, the sexual conviction record check results had not been documented as required by VTC guidelines. Please explain what measures have been taken to ensure compliance with the guidelines? Has VTC conducted any review on the guidelines to ensure relevance to actual situation?

### Answer

VTC formulated its policy for conducting Sexual Conviction Record Check (SCRC) with reference to the guidelines set by the Hong Kong Police Force. YC already arranged for the responsible staff a briefing session on the checking mechanism and proper recording procedures so as to ensure their strict compliance with the corporate operational guidelines. YC has also enhanced the mechanism by arranging designated staff to review and verify the checking again so as to ensure that the check record has been properly filed in the form provided by HRD of VTC Headquarters before issuing the appointment letter. YC would regularly and continuously remind colleagues to strictly follow the guidelines.

### Question 13

According to paragraph 4.2, 4.30 and Appendix J of the Audit Report, six out of the eight YC campuses have not conducted surprise stock and

security checks; and there was no standard classification of store items as valuable and attractive stores. Please explain if VTC has any plan to standardise the relevant criteria? What measures VTC will take to ensure the eight campuses will comply with the stipulated requirements and guidelines, including conducting surprise checks?

#### Answer

VTC has prevailing guidelines and measures on handling surprise stock and security checks (SSSC); and valuable and attractive stores. A briefing session regarding the related store management, including SSSC, has been arranged to explain and remind the relevant staff. Surprise checks have also been conducted in 2021. YC will regularly remind staff and review the stock checks and relevant arrangements and continue to conduct surprise checks as appropriate.

#### Question 14

Paragraph 4.34 of the Audit Report mentioned that the number of student activities among the 8 campuses in AY 2020-2021 varied from 14 to 62; and the number of activity-hours ranged from 27 hours to 169.5 hours. It is recommended in paragraph 4.36 of the Audit Report that VTC should review the reasons for the variations among the 8 campuses in the number of student activities and the number of activity-hours, and take measures to rationalise the variations where necessary to ensure that the needs of the students of every campus are fully met. VTC agreed to the recommendation. Please explain if VTC has evaluated the needs of students for different activities and set targets accordingly? Have the eight campuses achieved the targets set? Have the reasons for the variations been identified?

#### Answer

To build up a vibrant and fruitful school life, YC has arranged various student activities like sports tournament, online events, etc., to provide a mix of activities for students to choose according to their interests. The Student Development Office (SDO) makes their best endeavour to set

targets for some student activities in terms of number and hours of activities. SDO also collects views from students on the activities through different means, including consolidating views from student representatives and from student-staff consultation meetings. In AY2021/22, a survey has been conducted to collect the interests and demands for student activities during the orientation for new students.

Variations in student activities hours are mainly due to the difference in student numbers and study modes at different campuses. For example, some of the campuses only offer full-time programmes while other campuses offer both full-time and part-time programmes. The needs and hours spent on student activities for part-time students differ considerably from those of full-time students. It is therefore difficult to set a concrete and standard plan for some of the student activities (e.g. student activities involving both full-time and part-time students). SDO will monitor the situation and review effectiveness of the activities from time to time to suit the changing student needs.

## ACRONYMS AND ABBREVIATIONS

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AFCD	Agriculture, Fisheries and Conservation Department
APS	Automated Parking System
ASUs	Agreement Service Units
Audit	Audit Commission
Audit Report	Director of Audit's Report
B/Ds	Bureaux/departments
BCIS	Building Condition Information System
BD	Buildings Department
BPR	Best Practice Reference for Governance of National Sports Associations — Towards Excellence in Sports Professional Development
BRCs	Business registration certificates
CPD	Continuous Professional Development
DCTCs	Designated Car Testing Centres
DEVB	Development Bureau
DOJ	Department of Justice
EAs	Engineer's audits
EIs	Engineer's inspections
EMMS	Electronic Maintenance Management System
EMSD	Electrical and Mechanical Services Department
ERB	Employees Retraining Board
ESS	Employment Support Scheme
EV	Electric vehicle
FSAs	Funding and Service Agreements
HAB	Home Affairs Bureau
HKAPA	Hong Kong Academy for Performing Arts
HKFA	Hong Kong Football Association

## ACRONYMS AND ABBREVIATIONS

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HKPL	Hong Kong Premier League
HyD	Highways Department
ICAC	Independent Commission Against Corruption
KTDCS	Kai Tak District Cooling System
LAD	Legal Aid Department
LandsD	Lands Department
LCRPs	Lantau Closed Road Permits
LCSD	Leisure and Cultural Services Department
LD	Labour Department
LegCo	Legislative Council
LID	Labour Inspection Division
LIs	Labour Inspectors
LR	Land Registry
LSG	Lump Sum Grant
LWB	Labour and Welfare Bureau
M&M	Management and maintenance
MBIS	Mandatory Building Inspection Scheme
MCOHL	Management Company of the Olympic House Limited
MHAHK	The Mental Health Association of Hong Kong
NGOs	Non-governmental organizations
NPO	Non-profit making organization
NSAs	National Sports Associations
OAB	Employees' Compensation (Ordinary Assessment) Board
PD	Prosecutions Division
PQARs	Programme Quality Analysis Reports
PWIF	Protection of Wages on Insolvency Fund

## ACRONYMS AND ABBREVIATIONS

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SF&OC	Sports Federation & Olympic Committee of Hong Kong, China
SLCL	Sports Legacy Company Limited
SLW	Secretary for Labour and Welfare
STT	Short-term tenancy
SWD	Social Welfare Department
TD	Transport Department
THB	Transport and Housing Bureau
VFM	Value for money
VIO	Vehicle Inspection Office
VTC	Vocational Training Council
WSD	Water Supplies Department
YC	Youth College