

香港特別行政區政府
商務及經濟發展局

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**COMMERCE AND ECONOMIC
DEVELOPMENT BUREAU**
GOVERNMENT OF THE HONG KONG
SPECIAL ADMINISTRATIVE REGION

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4 January 2023

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

Dear Ms Chan,

**The Director of Audit's Report
on the value for money audits (Report No. 78)
Hong Kong Export Credit Insurance Corporation (HKECIC)**

Thank you for the enquiries from the Public Accounts Committee under your letter dated 21 December 2022.

Please find attached the written replies from our bureau and HKECIC for your perusal.

Yours sincerely,

A handwritten signature in black ink, appearing to be "Miss Monica Chen".
(Miss Monica Chen)

for Secretary for Commerce and Economic Development

c.c. Commissioner, Hong Kong Export Credit Insurance Corporation
(email: terence.chiu@hkecic.com)
Secretary for Financial Services and the Treasury
(email: sfst@fstb.gov.hk)
Director of Audit (email: ncylam@aud.gov.hk)

**The Director of Audit's Report
on the value for money audits (Report No. 78)
Hong Kong Export Credit Insurance Corporation (HKECIC)**

**Responses from Commerce and Economic Development Bureau
(CEDB) and HKECIC**

(I) CEDB's response

Part I: Introduction

- 1) As mentioned in paragraph 1.6 of Report No. 78 of the Director of Audit ("the Audit Report"), the Advisory Board set up under the Hong Kong Export Credit Insurance Corporation Ordinance ("the Ordinance") (Cap. 1115) will advise the Hong Kong Export Credit Insurance Corporation (HKECIC) in the conduct of its business, and that the Advisory Board is not the governing body of HKECIC. The Ordinance also stipulates that HKECIC shall not be bound by the advice of the Advisory Board, and the powers, functions and duties of ECIC may be exercised or performed in its name and on its behalf by the Commissioner of ECIC. On this basis, please advise:
 - (a) The Ordinance stipulates that the Advisory Board is not the governing body of HKECIC, and that HKECIC shall not be bound by the advice of the Advisory Board. Are there similar statutory provisions in the relevant legislation governing other statutory bodies? If so, please provide examples as illustration; if not, why is this provision exclusively found in the Ordinance?
 - (b) According to the Organisational Chart of HKECIC in Appendix A of the Audit Report, and as HKECIC is not bound by the opinion of the Advisory Board, who does the Commissioner of HKECIC report to?

Reply 1:

Under the HKECIC Ordinance (Cap. 1115) (“the Ordinance”), HKECIC shall seek the approval of the Chief Executive, Financial Secretary or Secretary for Commerce and Economic Development (SCED) (under delegated authority) on issues such as changes to its methodology in determining its contingency reserve, amendments to its investment guidelines and changes to its scope of services. A Memorandum of Conditions of Service (MCS) is set out for the Commissioner of HKECIC (C/HKECIC) upon his appointment to the post or renewal of his contract. In accordance with the MCS, C/HKECIC reports to SCED.

On top of this, the HKECIC Board, as set up in accordance with the Ordinance, is also playing a crucial role in monitoring the operation and the governance of HKECIC. While the Advisory Board is not part of the governance structure of HKECIC and there are no similar stipulations for other statutory boards, HKECIC has always maintained close and regular liaison with the Advisory Board, reporting regularly to the Board, and followed its advice and comments in mapping out its strategies and plans to ensure that they are effective in supporting Hong Kong exporters in exploring overseas markets. The Advisory Board Chairman and members have continued to monitor and guide the Corporation’s operation to make sure that it is proceeding on the right track.

Monitoring of HKECIC’s performance

The HKECIC has instituted internal procedures mandating a list of key subjects to be submitted to the Advisory Board meeting for consideration, including the HKECIC’s draft annual Corporate Plan, draft Annual Report, proposed salary adjustments and incentive pays, three-year Strategic Plan, etc. Where unforeseen issues arise, HKECIC would consult the Advisory Board Chairman and CEDB for discussion at the Advisory Board meeting. The HKECIC is required to seek endorsement of the Advisory Board in case its actual expenditure exceeds the budget amounts and contingencies set aside as previously approved by the Advisory Board.

Furthermore, the business and financial performance of the Corporation is published in its Annual Report which must be approved by SCED for tabling at the Legislative Council. Prior to seeking SCED's approval, the HKECIC will submit the Report to the Advisory Board for consideration and endorsement. HKECIC regularly presents a list of key performance indicators to the Advisory Board and CEDB as a report on HKECIC's progress.

With the unprecedented turbulence brought by the China-United States trade conflict and the COVID-19 outbreak, Board members discussed the impact of the global economic turmoil and areas to support the export trade at the Advisory Board meetings. With the Board's input and endorsement, HKECIC launched a series of measures since 2018 to enhance support for the trade to tide over the challenges. These measures are very well-received by the market as timely and supportive.

Monitoring the performance of C/HKECIC

It is stipulated in the MCS that C/HKECIC's performance is assessed on an annual basis by the Assessment Committee chaired by the Advisory Board Chairman with the Chairmen of the Investment Committee and the Audit Committee under the Advisory Board as members. The Assessment Report, signed by the Advisory Board Chairman and C/HKECIC, shall be submitted to the Permanent Secretary for Commerce and Economic Development for approval.

(II) HKECIC's response

PART 2: Corporate governance and performance management

- 2) As mentioned in paragraph 2.9 of Report No. 78 of the Director of Audit ("the Audit Report"), Board papers had been circulated to one of the new members of the Advisory Board before the member submitted the registrations of personal interest. According to HKECIC's records HKECIC, no potential conflict of interest was declared by that member.. On this basis, please advise as to whether

HKECIC checked if there had been any potential conflict of interests between the papers circulated previously and the member's registration of interest; if so, what were the conclusions of the checking; if not, what was the reason?

Reply 2:

HKECIC adopts a "two-tier reporting system" requiring all Members (including Chairman) to declare all relevant interests which conflict, may conflict or be seen to conflict with their official duties as soon as possible. In addition, the Chairman and Members are required to register their interests in writing upon appointment and annually thereafter for inspection by the public.

With regards to the case mentioned in the Audit Report, HKECIC has promptly checked the Member's registration of personal interest upon receiving it, and confirmed that no conflict of interest had arisen from the prior circulation of the Board's meeting document.

PART 3: Provision of export credit insurance services

- 3) As mentioned in paragraphs 3.6-3.7 of the Audit Report, among the 973 policy proposals handled between April 2020 and September 2021, 753 proposals were accepted by HKECIC and quotations were offered. Of these proposals, 14 quotations were issued with time elapsed longer than 60 days after receiving the proposals. As the above-mentioned time period coincided with the 2nd to 4th wave of the pandemic, please advise as to whether HKECIC had implemented work-from-home arrangements during this time; if so, when were these arrangements in place, and had HKECIC reviewed the impact of work-from-home arrangements on the provision of its services?**

Reply 3:

Owing to the outbreak of the COVID-19 pandemic, HKECIC implemented seven rounds of work from home (WFH) arrangement during the period from April 2020 to September 2021 (see Appendix).

HKECIC has set up a remote work system to ensure speedy implementation of WFH arrangement where necessary. During the WFH periods, HKECIC has maintained close liaison and communication among colleagues and with its clients and business partners. With online platforms and facilitations, the impact of WFH arrangement on HKECIC's operation and service delivery was minimal.

In addition, during the WFH periods, HKECIC was able to meet the target turnaround time laid down in the performance pledge, in completing the processing of proposals and issuing of quotations within two working days after receiving adequate information from the exporters.

Regarding the 14 proposals with time elapsed longer than 60 days mentioned in the Audit Commission's report, the long processing time was mainly due to applicants' late submission of required documents such as the certificate of business registration and documentary proof of annual turnover.

- 4) As mentioned in paragraph 3.9(a) of the Audit Report, among the 753 quotations offered by HKECIC between April 2020 and September 2021, 447 were accepted by applicants. Of the 447 quotations, 91 (20%) were accepted by the applicants more than 28 days after issue. On this basis, please advise as to whether HKECIC had devised procedures to understand the reasons for the applicant's late acceptance of quotations; if so, what were the details; if not, what were the reasons, and will HKECIC devise relevant measures?**

Reply 4:

HKECIC has all along attached great importance in tracking the progress of quotations issued and proactively followed up with the exporters involved. In accordance with established procedures, HKECIC's staff will review the cases and record the reasons for exporters' pending quotation acceptance on a bi-weekly basis. Reasons include more time needed for exporters' consideration, the decision-maker being out of town, etc. HKECIC's staff will provide information

to the exporters to facilitate their consideration where needed and actively encourage exporters to accept quotation as soon as possible so as to obtain timely coverage.

- 5) As mentioned in paragraphs 3.29 and 3.30 of the Audit Report, of the 208 omissions of declarations of shipments between April 2020 and September 2021, 121 were due to policyholders' misunderstanding of policy terms. On this basis, please advise as to whether HKECIC had devised measures to assist policyholders to understand the policy terms clearly; if so, what were the details; if not, what were the reasons, and will HKECIC devise relevant procedures?**

Reply 5:

There are established procedures in HKECIC to assist policyholders to understand the policy terms. Apart from face-to-face meetings, phone calls and email communication, HKECIC's staff will also elaborate and explain to the policyholders the policy terms and conditions as well as operating procedures upon policy renewal. HKECIC also holds seminars regularly, including orientation seminars for new policyholders and refresher seminars for existing policyholders to deepen their understanding on the policy terms and procedures.

In response to the recommendation of the Audit Commission, HKECIC has revised the related work manual. HKECIC will issue written reminders to remind policyholders who had omitted shipment declarations so that they can make the declarations on time.

**Commerce and Economic Development Bureau
Hong Kong Export Credit Insurance Corporation
January 2023**

**Appendix: Work from home arrangement implemented by HKECIC
from April 2020 to September 2021**

	Periods
1	29 January 2020 to 29 April 2020
2	16 July 2020 to 19 July 2020
3	20 July 2020 to 21 August 2020
4	24 August 2020 to 11 September 2020
5	23 November 2020 to 1 December 2020
6	2 December 2020 to 27 January 2021
7	28 January 2021 to 18 February 2021