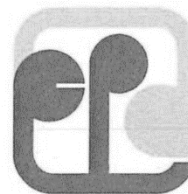


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5 January 2024

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

Dear Ms CHAN,

**Public Accounts Committee
Consideration of Chapter 5 of the Director of Audit's Report No. 81
Recycling Fund**

Your letter dated 20 December 2023 to the Director of Environmental Protection requesting information of the captioned Report refers. We have prepared detailed reply to facilitate consideration by the Public Accounts Committee. Please refer to the enclosure of this letter.

Yours sincerely,

(Tony CHEUNG)

for Director of Environmental Protection

c.c. Secretary for Environment and Ecology (email: see@eeb.gov.hk)
Director of Environmental Protection (email: dep@epd.gov.hk)
Secretary for Financial Services and the Treasury (email: sfst@fstb.gov.hk)
Director of Audit (email: ncylam@aud.gov.hk)

Enclosure

**Chapter 5 of the Director of Audit's Report No. 81
"Recycling Fund"
Environmental Protection Department's Response**

PART 2: PROCESSING OF APPLICATIONS

1) According to paragraphs 2.7 and 2.8 of the Director of Audit's Report No. 81 (Audit Report), the Standard Operating Procedure of the Secretariat of the Recycling Fund (RF) sets out the internal timeframes for processing RF applications and new internal timeframes were introduced in April 2023. Would Environmental Protection Department (EPD) advise whether introduction of these new timeframes has improved the efficiency of the vetting process? In addition, according to paragraph 2.12 of the Audit Report, the Audit Commission (Audit) has recommended that EPD may set timeframe relating to notifying the applicants of the application results. Would EPD please inform the reasons why the said timeframe was not established previously, and whether it is practically feasible to establish the timeframe?

EPD's response

The RF Secretariat introduced new internal timeframes in April 2023 with reference to the time generally required to process previous RF applications. The main purpose is to remind the staff of the RF Secretariat to process applications according to the timeframes and avoid delays in processing of applications due to internal communications or other reasons. From April to December 2023, the processing time for applications generally complied with these internal timeframes (i.e. 109 out of 112 applications met the relevant timeframes), with a compliance rate of approximately 97%. The RF Secretariat has provided training to staff to ensure that they follow up on applications according to the new internal timeframes. EPD and the RF Secretariat will continue to closely monitor the effectiveness of the relevant timeframes in improving the efficiency of the vetting process, and will make necessary adjustments as appropriate.

In addition, EPD and the RF Secretariat have kept under review the RF operation and adopted various measures to improve efficiency, including gradually establishing different internal timeframes. Regarding processing RF applications, according to paragraph 2.7 of the Audit Report, the internal timeframes set earlier were mainly for the stage from the receipt of applications to the submission of applications for consideration by the Advisory Committee on Recycling Fund (RFAC). The internal timeframes relating to post-vetting stage were not considered by that time. However, EPD agrees with the recommendation in paragraph 2.12 of the Audit Report that it should consider setting further internal timeframes related to processing RF applications (e.g. notifying applicants of the application results after the Secretary for Environment and Ecology (SEE)'s decision). To this end, EPD has requested the RF Secretariat to set a new internal timeframe, requiring the RF Secretariat to notify applicants of the application results within 14 days after SEE's decision. To more

effectively monitor the processing of RF applications, EPD has also requested the RF Secretariat to compile and submit regularly management reports to report on compliance with internal timeframes.

2) According to paragraph 2.13 of the Audit Report, from October 2015 to March 2023, there were a total of 3,222 processed applications. The processing time of 506 (16%) applications was more than 180 days. According to paragraph 2.15 of the Audit Report, the Audit has recommended EPD to closely monitor the progress in processing RF applications and take proactive actions to follow up with applicants with a view to facilitating them to better understand the submission requirements. In this regard, would EPD advise whether it has proactively contacted the applicants of some cases (including assisting them in meeting the application requirements and submitting application forms)? If so, what proportion of the relevant cases account for in the current applications and whether the current manpower of EPD is sufficient to handle them?

EPD's response

In order to assist applicants in submitting applications, the RF Secretariat has monitored the progress and proactively contacted the applicants of all applications (including all applications with relatively long processing times). As mentioned in paragraph 2.14 of the Audit Report, for processing applications which involved complicated projects (e.g. Enterprise Support Programme, Industry Support Programme and Solicitation Theme on Projects from New and Start-up Enterprises), there was a need to allocate more time for a thorough deliberation of individual application and to seek adequate information from applicants for consideration, with a view to ensuring prudent use of public money and providing necessary advice to support the smooth implementation of the projects. In addition, the long processing time for a number of cases was due to substantial time taken by applicants in providing sufficient supporting documents or fulfilling application requirements (e.g. settling land related issues). The RF Secretariat will continue to communicate closely with applicants in all cases and provide them with guidance and professional advice to speed up the application process and improve the application success rate.

EPD agrees with the Audit 's recommendations and will continue to closely monitor the progress of processing RF applications, and is considering together with the RF Secretariat to step up measures to assist applicants to better understand the application requirements and submit applications meeting the requirements. In addition, the current manpower of the RF Secretariat is sufficient to cope with the applications of various cases. EPD will keep under review the manpower arrangements for RF and make appropriate adjustments in the future depending on the actual operational needs.

PART 3: FUNDING DISBURSEMENT FOR AND MONITORING OF APPROVED PROJECTS

3) According to paragraph 3.7 of the Audit Report, the Audit noted that from January 2020 to March 2023, the RF Secretariat processed 289 funding disbursement requests (for 230 approved projects). For 50 (17%) funding disbursement requests, funding was disbursed to grantees 15 to 60 days after completing the verification procedures (i.e. exceeding the 14-calendar-day timeframe mentioned in paragraph 3.6(a) of the Audit Report). According to EPD, the longer-than-expected processing time was due to the manpower shortage during the epidemic. In this regard, would EPD advise whether the situation has improved now in resumption of normalcy. In addition, according to paragraph 3.18(a) of the Audit Report, the Audit has recommended EPD to take measures to ensure that funding is disbursed to grantees in accordance with the stipulated internal timeframes. Please inform whether relevant administrative measures were implemented in the past by EPD. If so, what are the details?

EPD's response

The RF Secretariat has introduced the following internal timeframe for disbursement of funding to grantees since January 2020:

- funding should be disbursed to the grantee within 14 calendar days upon completion of necessary verification procedures by RF Secretariat.

Since the introduction of the above internal timeframes, the RF Secretariat has taken longer-than-expected time to process some fund disbursement requests, which was mainly due to manpower shortages during the outbreak of COVID-19. Subsequent to the resumption of normalcy in Hong Kong after the COVID-19 epidemic, and the RF Secretariat's gradual transition of most of the funding disbursement approval processes to electronic form, eliminating the need for filling in forms manually and simplifying and expediting the funding disbursement verification procedures, the current situation of funding disbursement to grantees have improved significantly. In 2023, the RF Secretariat completed a total of 108 funding disbursement requests. Out of which 107 requests, the RF Secretariat disbursed the funding to the grantees within 1 to 12 calendar day(s) after completing the verification procedures. For the remaining one request, since the applicant took a relatively longer time to provide correct bank account information, the case required 20 calendar days to complete.

EPD agrees with the Audit's recommendation to take measures to ensure that funding is disbursed in accordance with stipulated internal timeframes in Standard Operating Procedure, and has requested the RF Secretariat to compile and submit management reports on a quarterly basis to strengthen monitoring of whether the RF Secretariat complies with the stipulated internal timeframes for funding disbursement in Standard Operating Procedure.