

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 2012 and his Report No. 59 on the results of value for money audits were laid in the Legislative Council ("LegCo") on 14 November 2012. The Committee's Report (Report No. 59) was subsequently tabled on 6 February 2013, thereby meeting the requirement of Rule 72 of the Rules of Procedure of the LegCo that the Report be tabled 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. 59 was laid in the LegCo on 22 May 2013. A progress report on matters outstanding in the Government Minute was issued on 15 October 2013. The latest position and the Committee's further comments on these matters are set out in paragraphs 3 to 41 below.

Equal Opportunities Commission

(Paragraphs 3 to 5 of Part 4 of P.A.C. Report No. 59)

3. Hon Paul TSE Wai-chun declared that he was currently a Board member of the Equal Opportunities Commission ("EOC").

4. The Committee was informed that:

- the new Chairperson of the EOC had assumed office on 1 April 2013 and had been following up on the review of the composition of the management echelon of the EOC and the recruitment or otherwise of a Chief Operations Officer ("COO"); and
- the EOC expected that a decision on its management structure including whether there was a need for and, if so, the role of the COO would be made by the first quarter of 2014-2015.

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

Recoverability of the outstanding advances to the United Nations High Commissioner for Refugees

(Paragraphs 6 and 7 of Part 4 of P.A.C. Report No. 59)

6. The Committee was informed that the Security Bureau:
- had discussed the issue of outstanding advances with the United Nations High Commissioner for Refugees ("UNHCR") again in April 2013; and
 - had written to the Head of Hong Kong Sub-office of the UNHCR in August 2013 to reiterate the Administration's stance and register the Hong Kong community's expectation of an early recovery of the outstanding advances.
7. The Committee wishes to be kept informed of the development on the Government's recovery of the outstanding advances to the UNHCR.

Footbridge connections between five commercial buildings in the Central District

(Paragraphs 8 and 9 of Part 4 of P.A.C. Report No. 59)

8. The Committee was informed that:
- the agent of the owner of Building II had informed the Lands Department ("Lands D") in June 2013 that the owner's appointed architect was preparing the drawings for the proposed Footbridge A between Building I and Building II. The location of the proposed Footbridge A is shown in *Appendix 3*; and
 - the Lands D, the Buildings Department and the concerned departments would consider and process the building plan submission for the proposed Footbridge A upon receipt of the submission.
9. The Committee wishes to be kept informed of further development on the subject.

Small house grants in the New Territories

(Paragraphs 10 to 14 of Part 4 of P.A.C. Report No. 59)

10. The issues relating to small house grants in the New Territories were discussed in the Public Accounts Committee Report No. 39 published in February 2003. In the course of the Committee's public hearing on those issues, the then Secretary for Housing, Planning and Lands undertook in December 2002 to complete within the tenure of his office a review of the small house policy.

11. In the Government Minute laid before the LegCo in May 2013, it was mentioned that:

- the existing small house policy had been in operation for a long period of time. The relevant review would inevitably entail complex issues including legal, environment and land use planning issues which required careful examination; and
- the Administration needed to maintain dialogue with key stakeholders as well as the community at large.

12. In response to the Committee's enquiry on setting a definite timetable for completing the review of the small house policy, the Secretary for Development stated in his letter of 30 January 2014 (in *Appendix 4*) that the Administration was unable to do so due the complexity of the issues involved. Nevertheless, the Administration had made progress on various fronts. For instance, the Lands D had simplified a number of procedures of small house applications with a view to shortening the processing time.

13. The Committee urges the Administration to expedite the review of the small house policy and wishes to be kept informed of further development on the subject.

14. The Committee also recommends that the issue be continued to be followed up by the LegCo Panel on Development.

The acquisition and clearance of shipyard sites

(Paragraphs 15 and 16 of Part 4 of P.A.C. Report No. 59)

15. The Committee was informed that the Lands Tribunal hearings to determine the amount payable in respect of the former lessee's claim for compensation under the Foreshore and Sea-bed (Reclamations) Ordinance (Cap. 127) were held from 8 to 19 October 2012, 20 to 22 March 2013, on 23 April 2013, and from 25 to 26 April 2013. The judgment from the Lands Tribunal was still awaited.

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

Food labelling and nutrition labelling of infant and special dietary foods

(Paragraphs 21 to 23 of Part 4 of P.A.C. Report No. 59)

17. The Committee was informed that:

Development of the Hong Kong Code of Marketing of Breast-milk Substitutes

- a four-month public consultation on the Hong Kong Code of Marketing of Breast-milk Substitutes ("Hong Kong Code") was conducted from 26 October 2012 to 28 February 2013. Briefing sessions and meetings with manufacturers, distributors, importers, retailers and other relevant parties had been arranged. The Government had been collating and analyzing views and comments collected, as well as carefully considering the merits and feasibility of counter-proposals submitted. The Government would announce the result of the public consultation and the way forward in due course;
- the trade's compliance with the Hong Kong Code would be monitored by the Department of Health ("DH") and the Centre for Food Safety ("CFS") working closely together, and in collaboration with other non-governmental organizations and professional bodies;
- as regards nutrition labelling of special dietary foods, after conducting a preliminary survey on the distribution of special dietary foods in the local market, the CFS was reviewing the relevant standards of the Codex Alimentarius Commission ("Codex") and studying the regulatory

approaches adopted by other jurisdictions in respect of nutrition labelling of special dietary foods. The CFS would take into account the local situation and international development in recommending the way forward;

Nutrition claims and health claims

- the CFS had started to examine the issue of possible regulation of nutrition and health claims of formula products and foods for infants and young children (below 36 months) by collecting information and studying the approaches adopted by the Codex and some overseas countries. The CFS would take into account international practices as well as the current situation in Hong Kong in mapping out the way forward;
- in the meantime, as the Hong Kong Code included provision on nutrition and health claims, traders would be encouraged to comply with the Hong Kong Code upon its implementation when they make claims about formula products and foods intended for infants and young children under the age of 36 months;

Publicity and education

- a survey to identify knowledge gaps and information needs of the general public to facilitate further planning of publicity and education programmes was completed. The survey report recommended carrying out promotional and educational activities via different platforms to reach out to various target groups; and
- to achieve that, the CFS launched in June 2013 a new series of TV and radio Announcements in the Public Interest to encourage the public to use and compare nutrition labels to choose food with lower sodium content. Relevant articles on making use of nutrition labels in choosing prepackaged foods with less sodium were published in the CFS newsletters and bulletins. Roving exhibitions and public talks were also organized to show the public how to use nutrition labels properly in their daily lives. A new training kit on nutrition label education was also being prepared.

18. The Committee was also informed of the progress of follow-up actions on cases identified by Audit as set out below:

Chapter 4 "Nutrition labelling of infant and special dietary foods" of the Audit Report

- the CFS had investigated the 12 cases involving 30 products identified by Audit. The labels of 16 products were considered to be in order, and one product was found not for sale. The labels of the remaining 13 products had been revised and were being vetted by the CFS.

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

Records management work of the Government Records Service
(Paragraphs 24 to 26 of Part 4 of P.A.C. Report No. 59)

20. The Committee was informed that:

Records appraisal and accessioning of archival records

- the Government Records Service ("GRS") was actively clearing the backlogs of records pending appraisal of archival value and archival records pending accessioning, and aimed to complete the tasks in 2015;

Condition survey

- the condition survey of the GRS's collection had been completed; and

Manpower of the GRS

- to ensure sufficient manpower to meet various types of records management work and new challenges, additional posts approved in 2012-2013 had been filled as at December 2013.

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

Monitoring and reporting of air quality
(Chapter 1 of Part 7 of P.A.C. Report No. 59)

22. The Committee was informed that:

Administration of Air Pollution Index

- the Environmental Protection Department ("EPD") replaced the Air Pollution Index with a new health risk-based Air Quality Health Index system on 30 December 2013; and
- regarding the setting up of a general air-quality monitoring station in Tseung Kwan O, in September 2013, the EPD consulted the Sai Kung District Council on the potential sites and some members proposed additional sites for the EPD's consideration. The EPD was studying the feasibility of these additional sites. For the general air-quality monitoring station in Tuen Mun, the station was undergoing a baseline monitoring for 12 months. Reporting of air-quality monitoring data from this station had commenced since late 2013.

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

Implementation of air-quality improvement measures
(Chapter 2 of Part 7 of P.A.C. Report No. 59)

24. The Committee was informed that:

Emission control of vehicles

- *emissions from pre-Euro, Euro I and Euro II diesel vehicles* The Administration had consulted the relevant trades on its proposal to progressively phase out pre-Euro IV diesel commercial vehicles through an incentive-cum-regulatory approach. The LegCo Panel on Environmental Affairs ("EA Panel") was also consulted on 15 May 2013. The EA Panel met with the deputations from the transport trades and other stakeholders on 25 May 2013 on the proposal. Having considered the views collected, the Administration put forward a revised proposal for discussion at the EA Panel meeting on 2 October 2013.

With the support of the EA Panel, the Administration tabled the proposed regulation in LegCo on 30 October 2013 for negative vetting. Upon approval of the regulation on completion of the vetting procedures, the Administration would seek the LegCo Finance Committee's funding approval as soon as possible with a view to implementing the scheme in the first quarter of 2014;

- ***emissions from liquefied-petroleum-gas ("LPG") and petrol taxis and light buses*** All contracts for the one-off subsidy to help vehicle owners replace the catalytic converters and oxygen sensors in their LPG and petrol taxis and light buses were awarded in July 2013. The replacement exercise commenced in October 2013 and would take about six months to complete. Immediately after its completion, the EPD would deploy roadside remote sensing equipment to identify those LPG or petrol vehicles emitting excessively and ask their owners to rectify the excessive emission problem; and

Emission control of marine vessels

- ***enforcement of international standards and dark-smoke control of vessels*** The EA Panel supported on 27 May 2013 the legislative proposal to adopt Shade 2 on the Ringelmann Chart as an objective benchmark for measuring dark-smoke emission from vessels. It also supported on 24 June 2013 the legislative proposal on incorporating the latest standards of the International Maritime Organisation into the Merchant Shipping (Prevention of Air Pollution) Regulation (Cap. 413M). The Transport and Housing Bureau, the Marine Department and the Department of Justice ("DoJ") were working together to expedite the two exercises with a view to introducing the relevant bill and amendment regulation in LegCo as soon as possible within the 2013-2014 legislative session.

25. The Committee was also informed that follow-up actions had been completed or on-going to address three of the seven audit recommendations. The four outstanding audit recommendations included:

- formulating better strategies for reducing the number of pre-Euro IV diesel commercial vehicles running on the street;

- implementing a subsidy scheme for replacing high-polluting vehicles;
- requiring local and river-trade vessels to use ultra-low-sulphur diesel in Hong Kong waters as early as possible; and
- completing the legislative procedures necessary for implementing the proposed non-road mobile machinery emission-control system.

26. The Committee recommends that the issues related to the implementation of air-quality improvement measures be followed up by the LegCo EA Panel.

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

Regulatory control of private hospitals

(Chapter 3 of Part 7 of P.A.C. Report No. 59)

28. The Committee was informed that:

Inspection of private hospitals

- ***regulatory actions against irregularities detected during inspections to private hospitals*** The DH had finished revising the protocol on regulatory actions against non-compliance by private hospitals. The levels of regulatory actions were commensurate with the severity levels of non-compliance. Regulatory letters would be issued to remedy serious non-compliance. For those with an impact on public health, the DH would require rectification by the private hospital concerned as part of the registration conditions;
- ***closure arrangements*** The DH had drawn up a set of guidelines to assist any private hospital that intends to cease operation. The guidelines set out, among other things, necessary arrangements that private hospitals needed to make to cease operation smoothly without compromising patient safety. The DH would also monitor the process in accordance with the guidelines;

Monitoring of sentinel events

- the DH was reviewing private hospitals' sentinel event reporting system, including its reporting criteria and disclosure, and would seek the views of the Steering Committee on Review of Regulation of Private Healthcare Facilities. The DH would update its guidelines on the sentinel event reporting system based on the recommendations of the Steering Committee on Review of Regulation of Private Healthcare Facilities;

Price transparency in hospital charges

- the Steering Committee on Review of Regulation of Private Healthcare Facilities would review and examine measures that would help enhance price transparency of private hospital services, such as disclosure of price information, quotation system, packaged pricing and publication of statistics on hospital charges;

Performance reporting in Controlling Officer's Report

- the DH would improve its performance/outcome indicators for regulatory control of private hospitals, taking into account the recommendations of the Steering Committee on Review of Regulation of Private Healthcare Facilities; and

Way forward

- the review of the regulatory regime for private hospitals was in progress. The Steering Committee on Review of Regulation of Private Healthcare Facilities was expected to come up with recommendations by the first quarter of 2014. Recommendations would be made to strengthen the regulatory control of private hospitals in the areas of corporate and clinical governance, price transparency, sentinel event reporting system, complaint management, etc.

29. A summary of progress in implementing Audit's and the Committee's recommendations is at **Appendix 5**.

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

Land grants for private hospital development

(Chapter 4 of Part 7 of P.A.C. Report No. 59)

31. The Committee was informed that:

Special land grant conditions set on private hospitals

- the Administration had made arrangements to ensure the inclusion of appropriate conditions in land leases or other documents of existing private hospital sites to effect the Government intention when opportunities arise in future (e.g. application for modification of lease conditions). Policy endorsement would be sought for deviations from applicable policies;
- separately, in light of the Committee's recommendation, the Lands D was consulting relevant policy bureaux on the draft of a general protocol on matters related to the administration of private treaty grants ("PTGs"). The protocol was intended to set out the delineation of responsibilities among bureaux/departments in the processing of PTGs, the incorporation of suitable requirements in the lease or other agreement, and the subsequent monitoring of compliance and enforcement;

Monitoring and enforcement of land grant conditions

- on the irregularities observed at some private hospitals, the DH and Lands D had been seeking clarifications of the facts and following up each of the cases with the grantees. On the other hand, the DH and Lands D had implemented a monitoring system at the headquarters level to keep track of the handling of possible breaches. The DH and Lands D were also discussing the delineation of responsibilities for monitoring compliance with conditions of private hospital leases;

Provision of free or low-charge beds

- Hospital D set up a geriatric ward to provide 20 free beds in accordance with the land grant conditions since February 2013. The hospital had promulgated the availability of free beds and application channel on its website and at its admission office. Social workers from the Hospital Authority and non-governmental organizations were also invited to refer patients. The utilization rate of the free beds reached 95% in July 2013. As regards low-charge beds, Hospital D had taken measures to increase

their utilization, on which the DH had stepped up the monitoring. The monthly utilization rate had increased from 33-41% between 2010 and 2012 to 73-88% from April to July 2013;

- in the case of Hospital F, the DH was discussing the proposal of providing low-charge beds with the grantee of Hospital F;

Profits/surplus plough-back requirement

- private hospitals that were subject to financially-related conditions under the land grants had submitted to the DH annually audited accounts and auditors' certification for observance with such conditions;
- the DH and Lands D were reviewing past audited accounts of the private hospitals concerned and would follow up when necessary;

Site development required by land grant conditions

- Hospital C submitted amendment building plans for a social centre for the elderly in January 2013. With the support of the relevant departments, the Lands D approved the building plans for the development on land grant 4 under the lease in May 2013. The building works had been completed by the end of 2013;

Sale of land for private hospital development

- for future disposal of private hospital sites, the Administration would take into account the demand and supply and service requirements of the private healthcare sector in order to determine the suitable size of private hospital sites, the scale of development as well as hospital-related lease requirements;

Way forward

- in disposing the Wong Chuk Hang site for private hospital development, the Administration had imposed on the tenderer a set of minimum requirements in the conditions of sale and the service deed. The DH would develop an enforcement protocol in consultation with the Food and Health Bureau and Lands D for monitoring compliance with the conditions of sale and the service deed; and

- the Administration would review the policy and arrangements for private hospital development as well as the effectiveness of the stepped-up enforcement measures taken on existing private hospitals on PTG sites where appropriate.

32. A summary of progress in implementing the Audit recommendations since the Government Minute was laid before the LegCo in May 2013 is at **Appendix 6**.

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

Government's financial support to film industry

(Chapter 5 of Part 7 of P.A.C. Report No. 59)

34. The Committee was informed that:

- Create Hong Kong ("CreateHK") had started a review on the Film Development Fund and the Film Guarantee Fund in the fourth quarter of 2013 and would consult the Film Development Council and relevant stakeholders in due course. The review would also cover the existing practice of using the applicant's ability to secure third-party financing as a measure of the commercial viability of a film and the existing requirements on submission of documents stipulated in the production finance agreements of film-production projects and the funding agreements of film-related projects;
- CreateHK had, in consultation with the DoJ, revised the terms of the production finance agreements of film-production projects to explicitly provide for the rights for Government to audit the books and records of distributors; and
- as for the funding support to the Hong Kong International Film Festival Society, CreateHK was working with the parties concerned on the setting of a ceiling on the accumulated fund of the Society.

35. The Committee wishes to be kept informed of the outcome of the review of the Film Development Fund and the Film Guarantee Fund, and the setting of a

ceiling on the accumulated fund of the Hong Kong International Film Festival Society.

Management of public enquiries and complaints by the Food and Environmental Hygiene Department

(Chapter 6 of Part 7 of P.A.C. Report No. 59)

36. The Committee was informed that the Food and Environmental Hygiene Department ("FEHD") had taken action to develop a new Complaints Management Information System ("CMIS") for more effective monitoring of the processing of complaint cases. As at September 2013, the new CMIS project had progressed to the user-testing stage. Under the current schedule, the new CMIS was planned to be rolled out by phases and came into full operation in late 2014. User training would be provided by phases to tie in with the roll-out programme. The FEHD would continue to closely monitor the progress of the project with a view to launching the new CMIS in a timely manner. After the full implementation of the new CMIS, the FEHD would review the role and establishment of the Complaints Management Section.

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

Provision of local services by the Marine Department

(Chapter 7 of Part 7 of P.A.C. Report No. 59)

38. The Committee was informed that the Marine Department had taken action to follow up on all the recommendations made by Audit. A summary of the progress in implementing the Audit recommendations since the Government Minute was laid before the LegCo in May 2013 is at **Appendix 7**.

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

Youth employment services

(Chapter 8 of Part 7 of P.A.C. Report No. 59)

40. The Committee was informed that:

Provision of support and assistance

- the Labour Department ("LD") had reviewed the arrangements for inspecting the training bodies which provide case management services of the Youth Employment and Training Programme ("YETP") (formerly known as Youth Work Experience and Training Scheme). The review was completed in March 2013. Since April 2013, during inspection visits, the LD would carry out sample checks on case files to monitor the performance of the training bodies including their case managers. LD officers would, at the same time, meet the management staff of the training bodies and conduct checks of their record of case file review to ascertain that training bodies had carried out regular review of their case files to ensure that their case managers had provided adequate support and assistance to the trainees as required under the Training Bodies Manual;
- the LD had included in the tender documents for procuring case management and employment support services for trainees of YETP in the 2013-2015 programme years, the requirement of submission of yearly reports on performance by training bodies. Assessment would be made by the LD every six months on the performance standards achieved by training bodies in accordance with the service contract;

Claims for case management service fees

- among the measures to improve the efficiency of processing claims for case management service fees, the LD had clearly stated in the tender documents of the forthcoming tender exercise that case management service fees would be released in 45 calendar days after all the necessary documents or information had been received. Training bodies were informed of this service standard at a tender briefing held on 17 June 2013. In parallel, the LD had revised the workflow for making applications for case management service fees. Under the provision of the new contracts for the 2013-2015 programme years, training bodies could claim fees upon completion of specific service targets;

Accreditation of training courses and inspections

- the LD had completed a review on the appropriateness of accrediting YETP training courses under the Qualifications Framework ("QF") and reported the findings to the LegCo Panel on Manpower at its meeting held on 18 June 2013. The Panel on Manpower noted that YETP was an employment-oriented programme aimed at enabling young people to better understand the world of work through participating in a wide range of short pre-employment training courses. Apart from not setting any minimum academic requirements, applicants were also not required to pass any selection interviews so that all young people interested in seeking employment could be admitted. Seeking accreditation of the pre-employment training courses under QF might not best serve the needs of young people with diversified backgrounds, interests and capabilities;
- the LD had adopted a risk-and-performance-based approach and reviewed its criteria in selecting training courses for inspections. Starting from June 2013, inspections would be arranged to training bodies which had not been inspected for a longer period of time or had been approved to conduct a large number of courses. Moreover, a single visit would be arranged as far as practicable if a training body had been selected for both course and case management service inspections at the same time;

Surveys on development of trainees

- the LD had reviewed the practices in conducting surveys on the development of trainees and made appropriate enhancements. In addition to conducting a survey on 10% of the trainees a few months after they had completed the 12-month basic period of case management services and on-the-job training, the LD would, as from the 2013-2014 programme year, start to conduct a second round of survey on 10% of these trainees in order to track their employment status after a longer period when all the on-the-job training periods had ended. The LD would also follow up on the employment needs of the trainees. Trainees who had completed the case management services, but were unable to secure employment and still had job search needs, would be invited to join YETP again or make use of the LD's other employment services after an assessment of their suitability for receiving services;

Procurement of services

- the LD had drafted the tender documents in accordance with the procurement procedures specified in the Government Stores and Procurement Regulations ("SPRs") and sought the endorsement of the Central Tender Board ("CTB"). On 7 June 2013, the LD issued the invitation for tenders for the provision of case management and employment support services for trainees of YETP. Contracts had been awarded to successful tenders in December 2013. Moreover, the LD was preparing the tender for provision of training courses and would submit the tender documents to the CTB for endorsement as required by SPRs. The LD would closely monitor the progress to ensure that the new procurement arrangements could be adopted in good time; and

Review on opening hours of the Youth Employment Resource Centres ("YERCs")

- the LD was reviewing the opening hours of the YERCs. The LD would collect feedback from target users and YERC members and analyze the utilization pattern of the centres at different timeslots. In the light of the findings and feedback, the LD would consider whether the operation hours should be revised.

41. The Committee wishes to be kept informed of the progress of the preparation of the tender for provision of training courses and the adoption of the new procurement arrangements, as well as the review of the opening hours of the YERCs.