

## LC: CS presents Government Minute in response to Report of Public Accounts Committee No. 69A and No. 70

Following is the speech (translated from Chinese) by the Chief Secretary for Administration, Mr Matthew Cheung Kin-chung, in presenting the Government Minute in response to the Report of the Public Accounts Committee No. 69A and No. 70 in the Legislative Council today (October 31):

President,

Laid on the table today is the Government Minutes (GM) responding to Reports No. 69A and 70 of the Public Accounts Committee (PAC).

When presenting Reports No. 69A and 70 on May 2 and July 11 to the Legislative Council (LegCo), the Chairman and Deputy Chairman of PAC offered comments and suggestion on two chapters in the two Director of Audit's Reports, namely, "Administration of lump sum grants by the Social Welfare Department" and "Integrated education".

I welcome the Reports of PAC and am grateful for the time and effort that the Chairman and Members of PAC devoted to investigating these subjects. The Government accepts PAC's various recommendations and sets out in detail the specific responses of the relevant bureaux/departments in the GM. Today, I would like to highlight the key measures that the Government has taken in the two important policy areas and the progress.

Administration of lump sum grants by the Social Welfare Department

Monitoring of non-governmental organisations with persistent underperformance

Regarding "Administration of lump sum grants", under the Lump Sum Grant Subvention System (LSGSS), the Social Welfare Department (SWD) has all along been monitoring subvented services of non-governmental organisations (NGOs) through the Service Performance Monitoring System (SPMS). Under the SPMS, SWD and NGOs jointly draw up Funding and Service Agreements (FSAs) on the subvented services to formulate service standards and assess service performance. NGOs are required to properly manage their service units to ensure compliance with the FSA requirements. Apart from requesting NGOs to submit quarterly statistical reports and annual self-assessment reports on a regular basis, SWD will also conduct service performance visits to subvented NGOs in every monitoring cycle (one cycle every three years), including review visits or surprise visits, so as to assess and monitor their service performance. If non-compliance is identified during the visit, SWD will require the NGOs concerned to submit an action plan for improvement and monitor their implementation of improvement measures.

To enhance efforts in following up with service units with persistent underperformance, SWD set up in July 2017 a Service Performance Monitoring Committee to closely monitor the services with persistent underperformance and discuss appropriate measures with a view to taking timely follow-up actions.

Ensuring uninterrupted provision of quality services by NGOs with Lump Sum Grant deficit

There are various reasons for NGOs to incur persistent operating deficits, such as staff wastage lower than the anticipated level, recruiting or retaining of staff by higher salaries with reference to the market situation, etc. Some NGOs have strategically used Lump Sum Grant (LSG) Reserves or its overall reserves to meet the needs of subvented services and maintain service quality.

SWD will continue to review the Annual Financial Reports and annual audited financial statements submitted by NGOs to ascertain the soundness of their financial position. If NGOs incur persistent and huge deficits or utilise large sums of their reserves in service operation, SWD will also ascertain with them the underlying reasons, and give appropriate advice and conduct reviews, so that the NGOs concerned could maintain a healthy financial position and ensure sustainability and stability in the provision of the required subvented services.

Disclosure of remuneration packages for staff in the top three tiers

The Government recognises that there is room for improvement in monitoring the remuneration of senior staff of subvented NGOs. On August 27, 2018, the Administration Wing issued an updated set of guidelines on the control and monitoring of remuneration practices in respect of senior executives in subvented bodies, under which policy bureaux are required to request subvented bodies that are not exempted from the requirements to submit their review reports on remuneration packages and disclose them to the public. SWD is currently discussing with NGOs on revising the requirements concerning the monitoring of remuneration of senior staff of subvented NGOs in the Lump Sum Grant Manual, and will inform NGOs within 2018 the specific arrangements and details for the submission of Review Reports on Remuneration Packages for Staff in the Top Three Tiers in accordance with those guidelines.

Handling of cost apportionment issues

SWD has been addressing NGOs' enquiries and offering advice and support to NGOs in relation to cost apportionment and separation of activities through designated liaison officers of the Subventions Branch, specified contact persons of the Finance Branch and the helpline. SWD will clarify the principles of cost apportionment and discuss suitable apportionment options with every enquiring NGO based on its individual circumstances. SWD will continue to consult the sector on cost apportionment issues with a view to providing further guidelines.

## Problem of staff turnover

Human resource management, including recruitment and staff turnover, is in the realm of corporate governance of NGOs. SWD is very concerned about the manpower requirements in the sector. Staff turnover is subject to many factors, including remuneration packages, other employment opportunities, personal development, etc. Issues relating to the pay structure, staff turnover rate and vacancies in the sector will be examined in detail in the ongoing Review on Enhancement of LSGSS.

## Review of the Lump Sum Grant Subvention System

The Government set up the Task Force for Review on Enhancement of Lump Sum Grant Subvention System in November 2017 and the scope of the review covering eight areas was formally established in June 2018, including reviewing the use of LSG/Provident Fund reserves and financial planning, staffing establishment and subvention benchmarks, and enhancing NGOs' public accountability and transparency, etc. The Task Force also conducts a number of sector consultation sessions and focus groups to listen to and collect the views of the stakeholders. The entire review is expected to be completed by mid-2020.

## Integrated education

Regarding "Integrated education", the Government will allocate additional recurrent resources from the 2019/20 school year onwards to enhance the support to students with special educational needs (SEN). Specifically, the Education Bureau (EDB) will re-structure the Learning Support Grant, Intensive Remedial Teaching Programme and Integrated Education Programme. Under the restructured Learning Support Grant, the grant rate will be enhanced. Additional permanent teaching post(s) will also be provided to schools with a larger number of students with SEN. The EDB will also upgrade the special educational needs coordinator (SENC0) in these schools to a promotion rank to lead the additional teacher(s) to provide support for students with SEN more effectively. In addition, the EDB will continuously review and update the "Operation Guide on the Whole School Approach to Integrated Education" by stages to provide more specific guidelines to help school personnel and relevant professionals to determine the tier of support required by students with SEN and record their progress.

To enhance early identification and support for students with SEN, EDB, Department of Health, Hospital Authority and SWD have established a cross-bureau/department collaboration mechanism. Under this mechanism, public sector primary schools and Direct Subsidy Scheme primary schools will obtain assessment information and progress reports of pre-school children with special needs promoted to Primary 1 (P1). This will facilitate schools in providing those students with appropriate support. The EDB will also continue to enhance the "Early Identification and Intervention Programme for Primary 1 Students with Learning Difficulties" so that timely support could be provided to P1 students in need.

The School-based Educational Psychology Service (SBEPS) covers all public sector primary and secondary schools. For schools with a great number of students with SEN, the EDB has been gradually improving the ratio of educational psychologist (EP) to school to 1:4 under the Enhanced SBEPS. In the 2018/19 school year, the EDB extended the Enhanced SBEPS to about 120 primary and secondary schools. The target is to enhance the ratio of EP to school to 1:4 for about 60 per cent of public sector ordinary primary and secondary schools, and 1:6 for the remaining 40 per cent of schools by the 2023/24 school year. The EDB is liaising with the local tertiary institutions on feasible plans to increase the number of EP training places in order to meet the long-term manpower needs.

President, I would like to thank the Chairman and all Members of PAC again for their efforts and guidance. EDB, SWD and relevant departments will strictly follow their responses in the GM and implement the improvement measures as soon as possible to ensure the proper use of public funds.

Thank you, President.