Minutes of 44th Meeting of
Lump Sum Grant Steering Committee (LSGSC)

Date   :   12 July 2018 (Thursday)
Time   :   2:15 p.m. – 6:40 p.m.
Venue   :   Room 918, 9/F Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong.

Present

Chairman
Mr Lam Ka-tai, JP   Acting Director of Social Welfare/ Deputy Director of Social Welfare (Services), Social Welfare Department (SWD)

Members
Ms Ann Au Chor-kwan
Ms Anna May Chan Mei-lan, MH, JP
Ms Tammy Chan Yee-ching
Mr Francis Chau Yin-ming, BBS, MH
Mr Chua Hoi-wai
Mr Stephen Hung Wan-shun
Dr Jane Lee Ching-yee, JP
Mr Matthew Lee Siu-chung
Ms Irene Leung Pui-yiu, JP
Mr Li To-sang
Ms Rebecca Ng Pui-ling
Mr Sin Kin-ming
Dr Ricky Szeto Wing-fu
Mr Elvis Chiu   Assistant Secretary for Labour and Welfare (Welfare) 1B, Labour and Welfare Bureau (LWB), on behalf of Miss Vivian Ko, Principal Assistant Secretary (Welfare) 1
Mr Alex Wong   Assistant Director of Social Welfare (Subventions), SWD

Secretary
Ms Lam Bun-ngee   Chief Social Work Officer (Subventions), SWD

Absent with Apologies
Ms Michelle Cheng
Ms Alice Lau Oi-sze
Ms Teresa Lee Siu-hong
Mr Yip Kin-chun

In Attendance

Ms Cherry Tsui	Senior Social Work Officer (Subventions)1, SWD
Mr Daniel Wong	Senior Social Work Officer (Subventions)2, SWD
Miss Mina Chow	Senior Social Work Officer (Subventions)3, SWD
Ms Dorothy Siu	Social Work Officer (Subventions)4, SWD

Opening Remarks

The Chairman welcomed Mr Elvis Chiu attending the meeting for the first time on behalf of Miss Vivian Ko who replaced Mr Kenneth Cheng as Principal Assistant Secretary (Welfare) 1; Mr Alex Wong who replaced Mr Kok Che-leung as Assistant Director of Social Welfare (Subventions); Ms Lam Bun-ngee who replaced Mr Ricky Yu as Secretary to the LSGSC; and Miss Mina Chow who would present a paper on agenda item 6. He also informed the meeting that Ms Michelle Cheng, Ms Alice Lau Oi-sze, Ms Teresa Lee Siu-hong and Mr Yip Kin-chung were absent with apologies.

Declaration of interests

2. **Ms Lam Bun-ngee** informed the meeting that the LSGSC had adopted the One-tier Reporting System. She reminded Members of the need to make a full disclosure when perceiving a potential conflict between their own interests and any matter placed before the Committee. Ms Anna May Chan Mei-lan, Mr Francis Chau, Mr Chua Hoi-wai, Dr Jane Lee, Mr Matthew Lee, Mr Li To-sang, Ms Irene Leung, Ms Rebecca Ng and Mr Sin Kin-ming, being board members or staff of relevant non-governmental organisations (NGOs), declared their interests in relation to the issues on disclosure of Review Reports on Remuneration Packages for Staff in the Top Three Tiers of Subvented NGOs, Social Welfare Development Fund as well as Agenda Item 3 on the

Implementation of the Best Practice Manual (BPM). **The Chairman** decided that those Members having declared their interests could remain at the meeting and speak on the issues concerned which were sector-wide policies.

Agenda Item 1 - Confirmation of Minutes of Last Meeting

3. Members confirmed the minutes of the 43rd meeting without amendment.

Agenda Item 2 - Matters Arising

Progress on Disclosure of Annual Financial Reports (AFRs) and Review Reports on Remuneration Packages for Staff in the Top Three Tiers of Subvented NGOs (RRs) (paragraphs 4-7)

4. **Mr Daniel Wong** briefed Members that for 2016-17, all the 170 NGOs (including 5 NGOs under conventional mode) had completed and submitted their Self-Assessment Reports on the top three tiers' remunerations. Of these 170 NGOs, 67 did not meet the exemption criteria and thus submitted their RRs. In other words, 103 NGOs [i.e. 98 NGOs under Lump Sum Grant Subvention System (LSGSS) and 5 NGOs under conventional mode] were exempt from submitting the RRs.

5. For public disclosure purpose, among the 165 NGOs operating under the LSGSS, 114 and 45 NGOs provided hyperlinks to their AFRs and RRs respectively at SWD's website. For the remaining NGOs, SWD had uploaded their AFRs and RRs onto SWD's website. Details were provided as follows -

	No. of NGOs required for disclosure in 2016-17	No. of NGOs providing hyperlinks to SWD	No. of NGOs providing reports for uploading onto SWD's website
(a) AFRs	165	114 (69%)	51 (31%)
(b) RRs	67	45 (67%)	22 (33%)

6. As compared to the reporting year 2015-16, more NGOs had provided hyperlinks to SWD for the reporting year 2016-17 (i.e. from around 60% in 2015-16 to around 70% in 2016-17). Details of 2015-16 were provided as follows -

	No. of NGOs required for disclosure in 2015-16	No. of NGOs providing hyperlinks to SWD	No. of NGOs providing reports for uploading onto SWD's website
(c) AFRs	165	98 (59%)	67 (41%)
(d) RRs	66	38 (58%)	28 (42%)

7.   **The Chairman** appreciated that there were increasing numbers of NGOs uploading their AFRs and RRs onto their own websites with hyperlinks to SWD so as to facilitate the public's access to the reports.

Progress of Phase 3 of the Social Welfare Development Fund (SWDF) (paragraphs 9-10)

8.   **Ms Cherry Tsui** briefed Members that approval had been obtained from the Lotteries Fund Advisory Committee (LFAC) on 28 January 2016 for a grant of $460.152 million to launch Phase 3 of SWDF.   The first round of applications under Phase 3 was launched from 2 March 2016 to 31 December 2016, with a total of 220 applications made by 149 NGOs.   The vetting of all the applications comprising Information Technology (IT) projects and non-IT projects under the first round of Phase 3 was completed.   A total of $398.685 million was endorsed by the LFAC and disbursed to the 149 NGOs, utilising 86.6% of the $460.152 million funding cap under Phase 3 and leaving an uncommitted balance of $61.467 million as at 9 July 2018.

9.   To better utilise the SWDF, SWD invited NGOs with outstanding balances in their individual funding caps to submit applications under the second round of application under Phase 3 from 8 January 2018 to 31 May 2018. A total of 25 NGOs submitted their applications seeking a total of about $11.950 million as at 9 July 2018 (i.e. IT projects: $6.918 million + non-IT projects: $5.032 million).   If all the applications under the second round of Phase 3 were approved, the SWDF would have an estimated uncommitted balance of around $49.517 million (i.e. $61.467 million - $11.950 million). SWD would consult the Financial Services and the Treasury Bureau and the LFAC on the use of the remaining amount.   One of the proposed plans for using the remaining fund would be to invite NGOs' proposals on actuarial studies or related studies.

10.   Regarding the on-site inspection of SWDF projects starting from 2016-17, a total of 16 NGOs (11%) out of 150 NGOs with SWDF in Phase 1 were selected under a random selection mechanism and visited from 2016-17 to 2017-18 as scheduled.   During the on-site inspection visits, the books of accounts, transaction records, quotations/ tenders, attendance records for

training programmes, relevant policy documents and guidelines, and inventory records of goods procured or developed under the selected SWDF projects of Phase 1 were reviewed.   As assessed, 11 (69%) out of the 16 NGOs had fully complied with the Guidance Notes of the SWDF and the requirements with reference to the Lotteries Fund Manual.   The other five NGOs (31%) had complied with most of the requirements with some non-compliance areas on individual items identified.   Among them, four NGOs failed to comply with the quotation/tender requirements while one NGO failed to apportion the training cost for non-subvented staff.   All of them were required to make rectification/improvement on the non-compliance areas.

11.   **The Chairman** supplemented that a total of 152 NGOs submitted applications in the two rounds of applications under Phase 3.   The vetting of all the second round applications including IT and non-IT projects under Phase 3 would be completed as soon as possible.

Agenda Item 3 - Progress on the Implementation of the Best Practice Manual (Paper LSGSC 1/2018)

Background

12.   **Ms Lam Bun-ngee** briefed Members that the LSGSC meeting held on 8 April 2014 had endorsed the implementation of 14 consensus items under the BPM from 1 July 2014 onwards.   NGOs receiving subvention under the LSGSS were required to review their existing policies and procedures with a view to meeting the requirements of the BPM within three years (i.e. by 30 June 2017).   NGOs were also required to submit reports, including one for the seven Level One items (i.e. those which NGOs should comply with unless there were exceptional and justifiable reasons) and one for the seven Level Two items (i.e. those which NGOs were encouraged to adopt), in a checklist format to inform SWD of the progress by the end of October starting from 2015.   The progress of implementation of the BPM was reported at the Legislative Council (LegCo) Panel on Welfare Services meeting held on 11 January 2016 (LC Paper No. CB(2)574/15-16(06) and 13 March 2017 (LC Paper No. CB(2)931/16-17(09). In gist, the number of NGOs having implemented either all or some of Level One and Level Two items had been increasing in the past two years.

Progress of Implementation

13.   **Ms Lam Bun-ngee** reported that all NGOs had complied with the requirements of the seven Level One items by 30 June 2017.

14.   As regards <u>Level Two</u> items, a summary showing the implementation progress as at 31 March 2015, 31 March 2016 and 31 March 2017 respectively was set out as follows –

	As at 31 March 2015 (Total: 146 NGOs returned their checklists)	As at 31 March 2016 (Total: 154 NGOs returned their checklists)	As at 31 March 2017 (Total: 159 NGOs returned their checklists)
	No. of NGOs (%)		
Implemented all seven items	20 (13.7%)	38 (24.7%)	57 (35.8%)
Implemented some items	111 (76.0%)	104 (67.5%)	96 (60.4%)
Not yet implemented any item	15 (10.3%)	12 (7.8%)	6 (3.8%)
Most Attained Items – Roles of Governing Board			
Implemented	72 (49.3%)	99 (64.3%)	123 (77.4%)
In progress	62 (42.5%)	43 (27.9%)	30 (18.9%)
Not yet implemented	12 (8.2%)	12 (7.8%)	6 (3.7%)
Least Attained Item – Optimal Level of Lump Sum Grant Reserve			
Implemented	40 (27.4%)	62 (40.3%)	83 (52.2%)
In progress	80 (54.8%)	67 (43.5%)	56 (35.2%)
Not yet implemented	26 (17.8%)	25 (16.2%)	20 (12.6%)

15.   A summary of returns on the Self-assessment Checklists of the BPM – <u>Level Two</u> items (as at 31 March 2017) was shown as follows -

Implementation (Total: 159 NGOs)	No. of NGOs (%)		
	Implemented	**In progress**	**Not yet implemented**
Financial Management			
1. Optimal level of LSG reserve	83 (52.2%)	56 (35.2%)	20 (12.6%)
Corporate Governance and Accountability			
2. Communication	122 (76.7%)	31 (19.5%)	6 (3.8%)

3. Term of office of the governing board	114 (71.7%)	27 (17%)	18 (11.3%)
4. Roles of governing board	123 (77.4%)	30 (18.9%)	6 (3.7%)
5. Delineation of roles and responsibilities of governing board	122 (76.7%)	30 (18.9%)	7 (4.4%)
6. NGOs' decision making on important management issues of SWD-subvented services	94 (59.1%)	48 (30.2%)	17 (10.7%)
7. NGOs' decisions made on important management issues of SWD-subvented services	90 (56.6%)	53 (33.3%)	16 (10.1%)

16.   Based on the above information (as at 31 March 2017), some observations were made below -

(a) 159 NGOs (around 96%) had submitted <u>Level Two</u> checklists, which indicated that more NGOs were willing to implement the <u>Level Two</u> guidelines when compared with the previous years;

(b) about 36% of NGOs had already implemented all <u>Level Two</u> guidelines while 60% had implemented some items; and

(c) around 77% of NGOs had achieved the item on "Roles of governing board" while 52% had worked out their optimal level of LSG Reserve.

<u>Comments on the Implementation of BPM and Good Practices of NGOs</u>

17.   **Ms Lam Bun-ngee** shared NGOs' feedback on the implementation of the BPM as follows -

(a) Some NGOs considered that adopting best practices (not limited to <u>Level One</u> and <u>Level Two</u> guidelines of the BPM) was significant for continuous service improvement and sustainable organisational development to meet rapid change and complexity of societal needs;

(b) implementation of the BPM encouraged NGOs to exchange views and expectations between management and staff side. It would enhance the corporate governance and accountability of the organisations; and

(c) sharing of practice wisdom and mutual support within the sector was beneficial to the good governance of organisations and the whole community.

18.   **Ms Lam Bun-ngee** also shared some good practices of NGOs in the implementation of BPM as at ***Annex I***.

Enhancement of Monitoring Measures for the Implementation of the BPM

Pilot On-site Assessment

19.   **Ms Lam Bun-ngee** reported that 5% of the NGOs (i.e. nine NGOs) had been selected randomly for the pilot on-site assessment during January to March 2018.   The objectives of the exercise were -

    (a) to ensure NGOs' compliance with the requirements in respect of the implementation of Level One guidelines;

    (b) to identify good practices in the implementation of the BPM;

    (c) to collect views on the implementation of Level Two guidelines; and

    (d) to identify areas for improvement in the future monitoring mechanism.

20.   All the selected NGOs were found to have fully complied with the requirements of Level One guidelines.   Most of them had drawn up their own BPM manual which could be accessed by their staff.   Three out of the nine selected NGOs had also fully implemented Level Two guidelines while the other six NGOs implemented part of Level Two guidelines.   Some NGOs expressed difficulty in meeting the criteria and procedures of "Optimal Level of Reserve" and "Term of Office of the Governing Board" of the Level Two guidelines.   Most of the selected NGOs considered that upgrading the items from Level Two to Level One guidelines would require more readiness on the part of board members and staff in view of the higher commitment and heavier responsibilities involved.

Submission of Self-assessment Checklists

21.   NGOs would still be required to submit annual self-assessment checklists in respect of their compliance with Level One and Level Two guidelines as an annual review of their implementation of relevant policies and procedures.   The submission deadline was the end of October every year for reporting the progress of implementation for the previous financial year.

22.   As all NGOs had complied with the requirements of Level One guidelines, the self-assessment checklist of Level One guidelines would be revised, i.e. no longer asking whether NGOs had complied with Level One guidelines or not and the reason(s) for non-compliance, but requiring NGOs to list out specific implementation information pertaining to some criteria to facilitate accurate reporting, e.g. date of board meeting, date and means of dissemination of information to stakeholders, etc. The self-assessment checklist for Level Two guidelines would be maintained in its original format without the need to fill in the implementation information.

23.   Members raised the following concerns-

(a) **Mr Chua Hoi-wai** enquired if the revised self-assessment checklist of Level One guidelines could be circulated to the sector for views before implementation.   He also proposed that some items in Level One guidelines could be incorporated into the NGO's existing Service Quality Standards (SQSs) in the long run;

(b) **Mr Francis Chau** considered that the revised self-assessment checklist could be adopted for use from the next financial year since more time was required for NGOs to fill out the information. He also asked if it would take about 20 years to complete the on-site assessment for all NGOs if adopting a random selection of 5% NGOs for checking annually;

(c) **Mr Matthew Lee** appreciated SWD's efforts to revise the self-assessment checklist in which supporting documents were required.   He opined that the Level One guidelines should not be incorporated into SQSs since the BPM items, which were about the corporate financial and governance issues of an NGO as a whole, were not applicable at the unit level; and

(d) **Dr Jane Lee** considered that the Level One items were in fact about the NGO's management policy, which were normally long standing, and annual reporting was not necessary.

24.   **Mr Alex Wong** responded that the revised self-assessment checklist for <u>Level One</u> guidelines, being reviewed by the Working Group on Implementation Details of BPM (the Working Group), would be circulated for LSGSC members' further views.   On the proposed incorporation of <u>Level One</u> guidelines into SQSs, he would convey the idea to the Working Group which would work out a recommendation for Members' consideration.   **The Chairman** expected that the revised checklist would be in use no later than the next financial year.

Four outstanding items

25.   **The Chairman** appreciated that all NGOs could comply with the whole <u>Level One</u> guidelines of BPM after a few years' implementation.   As at 31 March 2017, about 77% NGOs could implement the <u>Level Two</u> guidelines in the areas of communication, roles of governing board and delineation of roles and responsibilities of the governing board.   **The Chairman** expected that more <u>Level Two</u> items could be incorporated into <u>Level One</u> upon further review in the future.

26.   **The Chairman** informed that for the following four outstanding items pertaining to salary structure and management of staff contracts, the Working Group had discussed at their meetings of 12 December 2017 and 31 May 2018 -

- Item 1:   Staff Remuneration（薪酬福利）;
- Item 2:   Disclosure of Remuneration Policy（披露薪酬政策）;
- Item 3:   Handling of Internal Transfer and Contract Termination （調職及終止合約的處理）; and
- Item 4:   NGOs Decision Making on Employment Contracts（僱傭 合約的決策）.

27.   At their meeting on 31 May 2018, the Working Group proposed further revisions to the contents of "Principles, Criteria and Procedures" of the four items *(Annex II)*.   Members agreed to classify both Items 3 and 4 under <u>Level One</u>.   For Items 1 and 2, members had different views on the levels and Principles, Criteria and Procedures.   **The Chairman** encouraged Members to reach an agreement on inclusion of the outstanding items into the BPM.

28.   **Mr Alex Wong** said that the Director of Audit recommended SWD to

"step up efforts to forge agreement between the NGOs' management and the staff side on the four items of the BPM relating to human resource management". The LegCo Public Accounts Committee (PAC) also held three public hearings between December 2017 and March 2018 in respect of the audit results. In the PAC Report No. 69A, PAC expressed grave concern that "four outstanding items relating to human resources management (e.g. staff remuneration policy and pay policy with a clear salary structure and/or starting points) had still not been formulated and incorporated as guidelines into BPM".

<u>Item 3</u>

29. **Mr Alex Wong** pointed out that the proposed amendments for Item 3 were mainly about the development of recruitment policies on subvented posts (including those on time-defined or non-time-defined contracts), such as whether there would be an open recruitment exercise and whether internal staff would be notified first.

30. Members' concerns were summarised as follows -

(a) **Ms Irene Leung** proposed to delete the sentence "for example, at least one-month notice" in respect of serving notification on staff for ending the employment contract. She anticipated that the example would be interpreted as a compulsory requirement;

(b) **Mr Matthew Lee** suggested keeping "for example, at least one-month notice" so as to protect the interest of staff upon termination of contract and to avoid any sudden dismissal without prior notification;

(c) **Ms Ann Au** considered that a written notice should be served on the staff prior to any termination of employment contract;

(d) **Mr Chua Hoi-wai** agreed to set up a policy on notifying the staff before the contract ended but the prior notification time should be fixed by individual NGOs. He realised that NGOs would have difficulty in notifying staff well in advance in case of urgent situation. For example, urgent internal swopping of staff amongst residential homes might be required in order to fulfil the statutory manpower requirement for the service units. NGOs should have flexibility to set a date for notifying staff in case of termination of contract;

(e) **Dr Jane Lee** considered that internal posting transfer was different from termination of contract. In urgent situations, the staff would usually understand the need and agree to help out through internal posting transfer. As for prior notification policy, she considered that the NGOs should define the procedures on their own and inform the staff accordingly. For example, an NGO might provide a letter as a matter of courtesy to inform the staff of the contract end date. On the other hand, she viewed that there should be a posting rotation policy set by individual NGOs for their staff's internal posting matters;

(f) **Mr Francis Chau** agreed that staff should be given respect and hence prior notification should be served before end of contract. However, considering that the period of employment might vary in different posts, it would be difficult to set a fixed prior notification period before the contract termination. He opined that the sentence "for example, at least one-month notice", which might not be applicable in all circumstances, would have an unduly binding effect and so should be deleted. In respect of internal posting transfer, he shared that for those working for small NGOs, staff were always prepared for internal posting transfer in any urgent situation in order to fulfil the statutory manpower requirement, such as in child care centre setting;

(g) **Mr Sin Kin-ming** shared that there were cases in which the staff were not given notification prior to the employment contract termination and the arrangement was disrespectful to the staff. Hence, he deemed that the notification policy was necessary. He also reflected that some staff might not agree with the arrangement of internal posting transfer if there would be longer travelling time after internal posting transfer;

(h) **Mr Li To-sang** shared that his colleagues would know the approximate end date in some projects but understand that sometimes the project end date could be changed. He also proposed to delete the sentence "for example, at least one-month notice";

(i) **Mr Elvis Chiu** pointed out that, as stipulated in section 9 of the Employment Ordinance (EO) (Cap. 57), the conditions for

termination of employment contract by notice were set out, such as no less than one month notice should be served for termination of a continuous contract after probation period if the contract does not make provision for the required length of notice. As such, he suggested providing a footnote for Item 3 that the employer should adhere to the statutory requirements as set out in the EO;

(j) **Ms Anna May Chan** advised that section 9 of the EO might not be applicable to the working contract on some short-term projects. She considered that there should be mutual agreement between employers and employees on the termination notice in the BPM;

(k) **Mr Stephen Hung** shared that apart from the legal requirements stipulated in the EO, the BPM guideline should serve as a tool of courtesy arrangement between the employers and employees in respect of termination of contract. In fact, there should be a written agreement regarding the specific date for terminating the employment in the contract; and

(l) **Dr Ricky Szeto** opined that the sentence "for example, at least one-month notice" could be crossed out but the staff should be notified in advance within a concrete timeline (具體時限) prior to contract termination.

31. **The Chairman** concluded that on the recommendation of the Working Group, Item 3 was put into <u>Level One</u>. Upon Members' consensus, he further concluded that the sentence "for example, at least one-month notice" should be crossed out while an NGO should have its own policy and procedure to notify the staff concerned in advance within a concrete timeline (具體時限) prior to contract termination.

Item 4

32. Members unanimously agreed with the suggestion of the Working Group on putting this item at <u>Level One</u>. **The Chairman** concluded that Item 4 was put into <u>Level One</u>.

<u>Item 1</u>

33.   **Mr Alex Wong** shared that Working Group members generally agreed that the staff remuneration policy with due recognition of work experience and good performance could be included in Item 1.   There were however diverse views between the management and staff side on the sentence "allowing staff salary to go beyond the equivalent rank's mid-point of civil service pay scale" and no consensus view was reached on this part.

34.   Members' concerns were summarised as follows-

(a) **Mr Sin Kin-ming** considered that the sentence of "allowing staff salary to go beyond the equivalent rank's mid-point of civil service pay scale" should be retained and placed under <u>Level One</u> guidelines;

(b) **Mr Matthew Lee** supported that the sentence of "allowing staff salary to go beyond the equivalent rank's mid-point of civil service pay scale" should be retained and kept under <u>Level One</u>.   He considered that it was common for the professional staff and supervisors to receive salary exceeding mid-point, but not for other staff in an NGO.   He opined that more resources should be allocated by the government to facilitate the NGOs to raise the salary cap beyond mid-point.   He deemed it meaningless to put Item 1 into <u>Level Two</u> guidelines if it was not a compulsory requirement for NGOs;

(c) **Ms Rebecca Ng** opined that the statement concerned should be deleted since NGOs should be given flexibility to determine their salary structure under the LSGSS.   In fact, many NGOs had already developed their own salary scales and delinked them from the Master Pay Scale after implementation of the LSGSS.   Besides, she opined that Item 1 should be included under the <u>Level Two</u> guideline since the implementation progress of the BPM varied amongst NGOs of different sizes;

(d) **Ms Irene Leung** opined that it was not feasible for the NGOs under the LSGSS to follow the civil service pay scale since many NGOs had delinked their salary structures from MPS and some even had had service expansion or reengineering of their human resource structure under the LSGSS;

(e) **Dr Jane Lee** shared that it was not feasible for the NGOs to allow staff salary to go beyond mid-point unless more

resources were allocated by the government to reshuffle their human resources; and

(f) **Mr Francis Chau** considered that the government released the subventions on the basis of notional staffing establishment (NSE) but many NGOs might have employed more staff than the NSEs. Owing to the Enhanced Productivity Programme implemented in the early years, the NGOs had limited resources to pay the staff with salary beyond mid-point.

35. After deliberations, **the Chairman** noted the views and concerns of the management side and the staff side on Item 1. He proposed if Item 1 could be put to <u>Level Two</u> guidelines, so that some NGOs could kick off this item for trial first to build up some good practices gradually while the NGOs would then review the item annually. Management side supported the Chairman's proposal whereas staff side had reservation to put it as a <u>Level Two</u> item. Without members' consensus, **the Chairman** concluded that Item 1 would remain outstanding, which would be left for further deliberations in the upcoming Working Group meetings.

<u>Item 2</u>

36. **Mr Alex Wong** briefed Members about the views given by the management side and the staff side about Item 2 during the Working Group meetings. In gist, the staff side reflected that some staff were only informed of the salary range of their individual ranks but not others. It was difficult for the staff to plan ahead their career life and set the goal for advancement. They were of the view that the disclosure of pay policy should allow staff to access the pay structures of all subvented posts in the NGO and this item should be set as a <u>Level One</u> guideline.

37. Members' views were summarised as follows-

(a) **Ms Rebecca Ng** agreed that the pay policy could be provided to those staff of their own "post" and "rank". It would suffice for the staff to know their own salary range from the starting to the ending point;

(b) **Mr Matthew Lee** considered that the disclosure of pay range would not violate any privacy policy. He considered that the pay range was disclosed only to the staff for internal and personal reference. He suggested putting "relevant (相關)"

before the word "rank (職級)" so as to facilitate the staff concerned to plan ahead their promotion path. He viewed that it would not be a shame for the NGOs to employ staff if the salary was reasonable. If the NGOs set clear salary structure, the staff could make decision if they took up the job. He opined that Item 2 should be put as a <u>Level One</u> item;

(c) **Mr Francis Chau** regarded that NGOs should have flexibility in staff employment and the salary range, which depended on the source of funding and varied with different projects, could not be fixed. Besides, it was more challenging to those small NGOs with limited resources in recruitment since sometimes they could only offer the salary lower than the large NGOs. He viewed that Item 2 should be classified under <u>Level Two</u>;

(d) **Dr Jane Lee** considered that the staff could know their own salary range but not others' since the salary structure had already been delinked from MPS;

(e) **Ms Ann Au** understood NGO's concern but they should be accountable to the public on how to use public money for staff emolument through the disclosure;

(f) **Ms Anna May Chan** considered that it was sufficient enough for the staff to know the pay range for their own posts;

(g) **Ms Tammy Chan** considered that the staff should have rights to know the salary range of their rank so as to plan ahead their career and advancement path;

(h) **Ms Irene Leung** supported the disclosure of pay range but NGOs had difficulty in disclosing the pay range for all ranks. In fact, the nature of work also varied; for example, social workers in NGOs nowadays were no longer classified only as "ASWO" or "SWO". From the management point of view, the staff's privacy in salary matters should be protected. She suggested disclosing the starting point of each post but Item 2 should be classified as <u>Level Two</u>;

(i) **Mr Li To-sang** suggested putting Item 2 as a <u>Level Two</u> guideline for trial;

(j) **Mr Chua Hoi-wai** considered that it was difficult for the NGOs to implement Item 2 if adding the word "relevant (相

關)" before the word "rank (職級)" since there were many different kinds of posts of a similar rank in the NGOs. He supported that Item 2 should be put into Level Two for trial and reviewed in three years' time; and

(k) **Mr Sin Kin-ming** considered that Item 2 should be put as Level One.

38.   **The Chairman** noted that both the management and the staff side, though with their own concerns, showed their sincerity to forge agreement on the outstanding items with a view to including them in the BPM. He considered that it could be a stepping stone for the NGOs to move ahead if Item 2 was classified as a Level Two guideline. He supported the idea of putting Item 2 into Level Two guidelines with the statement amended as "…. relevant grade/ rank/ post for staff reference (相關職系/職級/職位的員工參考)…" to allow more flexibility in disclosure of the needed information. After deliberation, all members unanimously agreed with this proposed amendment and placing Item 2 into Level Two guidelines.

39.   **Ms Lam Bun-ngee** proposed that Items 2, 3 and 4 endorsed in the meeting would have an initial implementation period of 2.5 years (30 months) with effect from 1 October 2018, i.e. NGOs were allowed sufficient time of 30 months to review their existing policies and procedures, and to make necessary amendments and proper arrangements for the implementation of Items 2, 3 and 4. Items 2, 3 and 4 would be added into the self-assessment checklists for NGOs to report their progress. NGOs were required to submit the checklists according to the following schedule:

(a) The first checklist: to report their progress for the period from **1 October 2018** to **31 March 2019** (6 months) by the end of October 2019;

(b) The second checklist: to report their progress from **1 April 2019** to **31 March 2020** (full year) by the end of October 2020; and

(c) The third checklist: to report their progress from **1 April 2020** to **31 March 2021** (full year) by the end of October 2021.

40.   Besides, a briefing session for NGO Board members and management to share their good practices in the implementation of Level Two guidelines (such as the planning of LSG reserve level and the measures they had taken to promote corporate governance and accountability, etc.) would be conducted

tentatively in September 2018. The briefing session would also introduce the implementation of the newly agreed items of BPM and the enhancement of monitoring measures in respect of relevant documentations required in the self-assessment checklist for Level One guidelines.

Agenda Item 4 - Task Force for Review on Enhancement of the Lump Sum Grant Subvention System (Paper LSGSC 2/2018)

41.   **Ms Lam Bun-ngee** briefed Members on the background to the Task Force for Review on Enhancement of Lump Sum Grant Subvention System (Task Force) which was set up in November 2017. Its members included Legislative Councillors, and representatives from the Hong Kong Council of Social Service (HKCSS), the Hong Kong Social Workers Association, NGO management, staff, service users, LSGSS-related Committees, independent members, the Labour and Welfare Bureau and SWD.

42.   Based on the views of Members of LegCo, concern groups, media, HKCSS, the Joint Platform, the Audit Commission, the PAC of LegCo, LegCo Panel on Welfare Services and its public hearing, the Task Force had held five meetings and, on 29 June 2018, formally established the scope of the review as follows: -

> (a) operating environment of NGOs under the LSGSS;
> (b) review of staffing establishment and subvention benchmarks;
> (c) use of LSG/ Provident Fund (PF) reserve and financial planning;
> (d) pay structures, staff turnover rate and vacancies;
> (e) funding and Service Agreements (FSAs)-related activities and flexibility provided for NGOs;
> (f) mechanisms for reviewing FSAs and NGOs' service performance assessment;
> (g) transparency and public accountability; and
> (h) communication and participation of stakeholders.

43.   For carrying out the review, it was necessary for the government to collect sufficient data from NGOs to facilitate and support the Task Force's analysis and recommendations. As Items (a), (b), (c) and (d) under the scope of the review required collection and analysis of a large amount of data, the Task Force agreed to hire a consultancy firm for assistance; for the remaining Items (e), (f), (g) and (h) which involved managing less data, the Task Force would send a questionnaire to subvented NGOs to collect relevant information and data. In addition to discussions at the meetings of the Task Force, stakeholders' views would be collected through sector consultation sessions and focus groups throughout the review. The government estimated that the entire

review would be completed in mid-2020.

44.　　**The Chairman** supplemented that for increasing transparency and enabling the public to know the work progress of the Task Force, the terms of reference, membership, agenda, discussion papers and minutes of the meetings were uploaded onto the SWD's website.

Agenda Item 5 - Report No. 69 of the Director of Audit (Chapter 1) and Report No. 69A of the Public Accounts Committee in respect of 'Administration of lump sum grants by the Social Welfare Department' (Paper LSGSC 3/2018)

45.　　**The Chairman** briefed Members that the Audit Commission (the Commission) had issued the Audit Report No. 69 on 27 October 2017 in respect of "Administration of lump sum grants by the Social Welfare Department (Chapter One)".　　In conducting the review, the Audit Commission carried out data analyses and examination of records of Finance Branch and Subventions Branch of SWD and had visited 11 subvented NGOs and their 23 agreement service units (ASUs).　　The review focused on the following areas –

　　　　(i)　　financial monitoring;
　　　　(ii)　　self-assessment of service quality by NGOs;
　　　　(iii)　　monitoring of service delivery by SWD;
　　　　(iv)　　governance and management matters; and
　　　　(v)　　review of LSGSS.

46.　　Following the tabling of the Audit Report in the Legislative Council on 22 November 2017, the Public Accounts Committee (PAC) held public hearings on 12 December 2017, 13 January 2018 and 2 March 2018 to receive evidence from the Controlling Officer in relation to the issues raised in the Audit Report. On 2 May 2018, Report No. 69A of the PAC was issued to set out the PAC's conclusions and recommendations on "Administration of lump sum grants by the Social Welfare Department (Chapter One)" of the Audit Report.　　There were a total of 63 recommendations in the Audit Report and 22 recommendations in the PAC Report.　　A summary of the Audit and PAC recommendations was set out in ***Annex III***.　　SWD accepted the recommendations in the Audit Report and would follow up with the sector on the recommendations to strengthen the such areas as financial monitoring, self-assessment of service quality and monitoring of service delivery, etc. with a view to enhancing NGOs' performance, governance and management.　　The government would submit the response and progress on the follow-up in the form of Government Minute to be tabled at a meeting of Legislative Council in October 2018.

47.   Meanwhile, SWD had embarked on the collaboration with the sector and other stakeholders, including the staff side and users' representatives, to conduct a review on how to optimise the LSGSS and the Task Force for Review on Enhancement of Lump Sum Grant Subvention System was thus set up.   A briefing on Audit and PAC recommendations would be conducted for NGOs after the follow-up actions or enhancement measures were mapped out.

48.   **Mr Chua Hoi-wai** was of the view that the Audit Commission's review was in fact auditing NGOs' performance.   The results derived from auditing the 11 NGOs had somehow adversely affected the public's perception about the social welfare sector.   He was disappointed over the procedures and arrangement under the Audit Ordinance (Cap. 122) that NGOs could not be contacted for clarifications on the operational issues before SWD's acceptance of the recommendations from the Director of Audit.   He considered that the Director of Audit was not familiar with the spirit under the LSGSS and the recommendations in the Audit Report could not truly reflect the real situations, e.g. cost apportionment issues.   He had reflected the dissatisfaction and dissenting views of NGOs to some Legislative Council members and relevant parties.

49.   **The Chairman** emphasized that SWD had the obligations to comply with the investigation procedures of the Audit Commission and to keep the contents of the Audit Report confidential before it was issued.   He shared that SWD had already rectified the incorrect information/interpretations of the Audit Commission in the process without contacting the NGOs concerned, unless in some exceptional situations with prior consent of the Audit Commission.

Agenda Item 6 - Enhanced Measures on Service Performance Visits (Paper LSGSC 4/2018)

50.   **Miss Mina Chow** briefed Members on the recommendations in the Audit Report concerning service performance visits, which were listed below -

(a)   review the approach to conducting Special Visitation Programme (SVP)[1] visits and review/ surprise visits (RVs/SVs) (for example, reviewing the need to change from a random-based approach to a risk-based visit approach) to ensure that they were conducted efficiently and effectively *(paragraph 4.48(b) of the Audit*

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[1]   SVP is a one-off measure to visit all unvisited ASUs as endorsed at the 40th meeting of the LSGSC held on 15 December 2015.

Report);

    (b)   take enhanced measures to ensure that, as far as possible, service users to be requested to complete questionnaires or interviewed are not pre-selected by Agreement Service Units (ASUs) *(paragraph 4.48(d) of the Audit Report)*; and

    (c)   take enhanced measures to ensure that the staff of the Subventions Branch responsible for conducting performance visits select samples for examination at ASUs themselves *(paragraph 4.48(e) of the Audit Report)*.

51.   In response to the recommendations set out in paragraph 50 above, the following enhanced measures were proposed -

    (a)   <u>Introducing Risk-based Visit Approach (paragraph 4.48(b) of the Audit Report)</u>

        •   risk-based visit approach to identifying ASUs for service performance visits was proposed on top of the special one-off selection arrangement[2], starting from the monitoring cycle of 2018-21. The following risk factors were proposed for identifying target ASUs -

          -   non-compliance with Essential Service Requirements (ESRs) or SQSs either as reported in the annual Self-assessment Reports (SARs) submitted by NGOs every year or as assessed during service performance visits under the previous monitoring cycle; or persistent underperformance on Output/ Outcome Standards in the previous monitoring cycle which warranted conducting a service performance visit; and

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2 For implementing SVP, a special one-off arrangement was endorsed at the 40th meeting of the LSGSC held on 15 December 2015 for random selection of visits in the monitoring cycle of 2018-21 as follows -
  (a) select only 5% of the ASUs for RVs only in the cycle of 2018-21;
  (b) the 5% selection of ASUs will exclude those being visited during 2015-18 including those selected under the 2015-18 cycle, those covered in SVP and under On-site Assessment;
  (c) pool all ASUs concerned together for random selection to even out the chance of being selected without considering the service programmes and the NGOs; and
  (d) not more than one ASU will be selected for an NGO to minimise the workload impact.

- the occurrence of issues arousing media/ public concerns in the previous monitoring cycle with visits already conducted.

(b) <u>Selecting Service Users for Interview and Completing Questionnaire for Service Users' Feedback[3] by SWD Assessors</u> *(paragraph 4.48(d) of the Audit Report)*

- the ASUs being visited would be required to provide either the list of residents (for residential service) or the attendance list (for day centre with walk-in service/ centre-based service) on the date of visit so that SWD assessors could select service users and/or family members of service users for both interview and completing the questionnaires; and

- if there was no service user available in the ASUs on the date of visit, either because of the ASUs having no walk-in/ centre-based services or the service users having communication problem, the ASUs could arrange service users and/or family members of the service users for interview and completing questionnaires, which was the same as the existing practice.

(c) <u>Selecting Samples for Examination [4] by SWD Assessors</u> *(paragraph 4.48(e) of the Audit Report)*

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3 Interview with service users for collecting feedback, either as arranged by the service units or being met during visits, were introduced in 2009 upon the recommendation of Lump Sum Grant Independent Review Committee and as endorsed at the 28th meeting of the LSGSC held on 28 July 2009 for strengthening the overall quality assurance mechanism for the welfare sector. At present, SWD assessors interview service users/ family members of service users as arranged by ASUs for collecting their views and comments on the SQSs under assessment and on the service delivery of the ASUs. On top of the pre-arranged service users, there were some other service users randomly selected by the SWD assessors during the visits for completing the standardised questionnaires for collecting service users' feedback.

4 At present, SWD assessors request the ASUs to provide relevant implementation records concerning the service delivery, ESRs and SQSs selected for assessment on the date of visit. Subject to the assessment items and scope of assessment, some of the implementation records are selected by SWD assessors (for verification on the accuracy of statistical data) and some of them are provided by the ASUs (for confirmation of implementation of respective policies and procedures).

- the ASUs being visited would be required to provide a full set of documents/ implementation records falling into a specified period (say from April 2017 to March 2018) concerning the service delivery, ESRs and SQSs selected for assessment on the date of visit for selection by SWD assessors; and

- if the documents/ implementation records selected could not satisfy the assessment purpose or the required records were not available during the specified period, the ASUs would be required to provide those particular records, which was the same as the existing practice.

52.　　Members' views and enquiries were summarised as follows-

(a) **Ms Rebecca Ng** enquired if the walk-in service users in the settings such as integrated children and youth services centres would be selected for interview. She considered that some walk-in service users might not be suitable for interview;

(b) **Mr Stephen Hung** asked why selecting service users on the date of visit and how about selecting them in advance;

(c) **Mr Francis Chau** was concerned about the arrangement to provide a full set of documents/ implementation records on the date of visit which might be voluminous and thus, would incur huge manpower for preparation. Besides, some of the records were stored in electronic format and were not readily available in paper form; and

(d) **Mr Chua Hoi-wai** raised that service users in some service settings might not be suitable for interview, say in integrated family service centres. He suggested that assessors communicate with the ASUs for a suitable arrangement.

53.　　**The Chairman** shared that assessors would select suitable service users for interview, e.g. avoiding to interview those service users with communication problem. **Ms Mina Chow** supplemented that as usual practice, assessors would provide assessment plans in advance and communicate with the officers-in-charge of individual ASUs for detailed discussion before each visit, including the arrangements for selecting service users for interview and completing questionnaire as well as preparing documents for assessment. If the full set of documents were voluminous, SWD assessors would accept a list

of records, say a list of members or a list of active cases, for selection so as to save manpower for preparation.   In current practice, data stored in electronic format was acceptable.   For selecting service users for interview or completing questionnaires, assessors would also exercise their professional judgement in identifying suitable service users.

54.   Members endorsed the proposals set out in paragraph 51 above.

Agenda Item 5 - Any Other Business

Adjustment in Fees for Subvented Welfare Services in 2018-19

55.   **Ms Cherry Tsui** reported that with the approval obtained from the LWB and advice from the Financial Services and the Treasury Bureau, SWD reactivated the adjustment in fees for subvented welfare services in 2018-19. A notification letter was issued to all the 170 subvented NGOs by email on 15 March 2018.   In gist, the fee adjustment would be implemented by phases in three groups -

> (a)   **Group One** (Adjustment in **membership fees**): with effect from 1 April 2018;
>
> (b)   **Group Two** (Adjustment in **service fees** except those for residential care services or for services with paired-up residential care services): with effect from 1 July 2018; and
>
> (c)   **Group Three** (Adjustment in fees for **residential care services** and for services with paired-up residential care services): with effect from 1 October 2018.

56.   Based on the single year adjustment approach, only the fee level of 48 (about 65%) out of 74 service items were increased, while those of the other 26 items remained unchanged.   The increase ranged from $0.1 to $64 with the corresponding percentages from 1% to 5.16%.   The HKCSS and some NGOs concerned were consulted in January 2018 and they considered the proposed fees adjustment approach and implementation schedule acceptable.   The Working Group on Review of Fee Charging would call for meetings to plan for fees adjustment in 2019-20 and to deliberate cumulative fees adjustment for subvented welfare services.

Date of Next Meeting

57.　　　There being no other business, the meeting ended at 6:40 p.m.　The date of the next meeting would be fixed in due course.

Social Welfare Department
November 2018

Good Practices of NGOs

(I) Use of LSG Reserve

    (a) Formulation of policy paper and guidelines on management and monitoring of LSG Reserve;

    (b) conducting assessment on the use of LSG Reserve in five years;

    (c) setting up the optimal level of LSG Reserve;

    (d) setting out the areas of use of LSG Reserve including paying increment to staff exceeding mid-point salary, improving salary structure, enhancing remuneration package for frontline staff, giving rewards and allowance to staff with good performance or long service, providing gratuities and fringe benefits such as medical insurance, increasing manpower and enhancing service delivery, etc.;

    (e) preparing financial projection for five to 20 years; and

    (f) consulting staff on the use of LSG Reserve through briefing sessions or annual staff meetings.

(II) Corporate Governance

    (a) setting up specialised committees for enhancement of governance;

    (b) compiling manuals on corporate governance;

    (c) working out the BPM manual incorporating framework of corporate governance;

    (d) posting out the "BPM procedures" in the service units for service users' information about the implementation of the BPM;

    (e) consulting staff and service users on BPM policy yearly and conducting review by governing boards;

(f) engaging staff and service user representatives in boards and sub-committee meetings;

(g) delineating communication channels with staff and service users;

(h) enhancing communication with staff and service users by different means e.g. dissemination of information through newsletters, annual reports, website; collection of views by opinion surveys, suggestion box, customer liaison groups; exchange of correspondences, regular and ad hoc staff meetings, consultation meetings;

(i) defining terms of office and putting in place the succession mechanism for members of their governing board;

(j) delineating roles and responsibility of governing boards e.g. updating board members of the service development in board meeting, arranging board members' visit to service units, participation in programme activities and joining the staff retreat; and

(k) adopting various means to consult their staff and service users on the important information and decisions to enhance the sense of belonging and team spirit amongst staff.

<u>《最佳執行指引》未達共識的四個項目</u>

(Chinese Version Only)

原則、準則及程序【擬稿】 （根據 2018 年 ~~5~~7 月 ~~31~~12 日會議的修訂）

1. 薪酬福利（組別待定）

原則

機構在釐訂員工的薪酬福利時，應考慮員工的工作年資及良好工作表現等因素。

準則及程序

(i) 機構董事會／管理委員會應定期~~(例如每年、每三年)~~檢視員工的薪酬福利政策，包括在有足夠資源及服務可長遠持續發展的前提下，[讓員工薪酬上限可超越相應公務員職級總薪級表的中點薪金][註：小組成員就上述準則是否保留有不同意見]在釐訂各級員工薪酬福利時，應考慮員工(包括調職員工)的相關服務／範疇之工作經驗、工作年資及良好工作表現等因素。有關討論應記錄在案。

2. 披露薪酬政策（組別待定第二組別）

原則

機構應設有薪酬政策，包括：各職級的薪酬架構及/或起薪點，以備相關職系／職級／職位的員工參考。

準則及程序

(i) 機構應備有文件，說明員工薪酬政策，包括各職級員工的薪酬架構及/或起薪點，以備相關職系／職級／職位的員工參考[註：小組成員就"相關職級"的涵蓋範圍有不同意見]。

(ii) 機構應設立與員工溝通的渠道，以闡釋其薪酬政策及收集意見。

3. 調職及終止合約的處理（~~建議~~第一組別）

原則

機構應就調職及終止員工僱傭合約的處理訂立清晰及具透明度的政策。

準則及程序

(i) 機構須訂立受資助職位（包括有時限及無時限合約）的招聘政策，例如是否透過公開招聘及會否首先通知內部員工。

(ii) 機構應備有文件，說明處理僱傭合約的政策，包括員工內部調職、續約、不續約及終止合約的政策、程序及通知員工的具體時限~~（例如最少一個月通知期）~~。有關文件可供員工閱覽。

4. 僱傭合約的決策（~~建議~~第一組別）

原則

機構在處理僱傭合約的決策時，須依從相關的規定和程序。

準則及程序

(i) 機構須備有文件說明處理員工聘任、內部調職、續約、不續約及終止合約決策的規定及程序。機構須通知員工，包括現職及剛到任的員工有關文件及閱覽途徑。

(ii) 機構須備有文件，說明處理有關僱傭合約方面的投訴的政策及程序。有關文件可供員工閱覽。

**Summary of Recommendations in
Report No. 69 of the Audit Commission (Audit) (Chapter 1) and
No. 69A of the Public Accounts Committee (PAC) –
Administration of lump sum grants by the Social Welfare Department**

Para. No.	Recommendations of Audit / PAC	
Part 2: Financial Monitoring		
Audit Report Para 2.16	Audit has recommended that Director of Social Welfare (DSW) should -	
	(a)	take further measures to facilitate NGOs to share, adopt and implement the good practices relating to the use of reserves (i.e. Lump Sum Grant (LSG) Reserves, Holding Account balances and PF Reserves) and disclose the use of reserves according to the Best Practice Manual (BPM);
	(b)	in circumstances where NGOs are unable to comply with the BPM guidelines, ensure that the NGOs provide strong justifications and the SWD gives consent for exemption where appropriate;
	(c)	keep in view NGOs' balances of reserves and where necessary, remind NGOs to take further measures to maximise the use of the reserves, as required by the BPM guidelines, for enhancing Funding and Service Agreement (FSA) activities and FSA related activities to better the provision of welfare services to the public;
	(d)	ascertain the reasons for some NGOs having incurred large or persistent LSG operating deficits and offer advice where warranted; and
	(e)	keep under review the operation of NGOs in deficits for possible financial viability issues and offer advice to NGOs where warranted.
PAC Report Para. 95 (Room for enhancement on the use of reserves) (4th bullet) (p.59)	PAC urges SWD to take measures to facilitate NGOs to optimally manage and utilize their reserves in compliance with the guidelines of the BPM and to review the financial reports and discuss with the NGOs concerned to ensure LSG deficits of NGOs would not affect the provision of quality services for the public;	
PAC Report Para. 96 (Financial Monitoring) [Item (a)] (p.69)	PAC expresses serious concern that - (a) total amount of reserves retained by some NGOs was high. Overall reserves retained by one NGO for 2016-2017 amounted to $3.6 billion. SWD should ensure that reserves kept by NGOs are put into gainful use at opportune times;	

Para. No.	Recommendations of Audit / PAC	
<u>Audit Report</u> Para 2.27	Audit has recommended that DSW should -	
	(a)	take immediate action to obtain covering approval, from the Secretary for Labour and Welfare, for deferring the implementation of the requirement for the review and disclosure of emoluments of NGOs' staff in top three tiers; and
	(b)	take necessary follow-up action on the advice of the Director of Administration (see para 2.24).
<u>Audit Report</u> Para 2.34	Audit has recommended that DSW should -	
	(a)	ascertain the reasons why the accounting inspections at some NGOs have not been conducted as scheduled and take measures to ensure that the inspections are conducted as planned in the future;
	(b)	take measures (e.g. arranging training seminars and experience sharing sessions on good accounting practices of NGOs) to assist NGOs to improve their internal controls and minimise occurrence (especially repeated occurrence) of irregularities;
	(c)	for those NGOs that made no improvement in their internal controls or minimising the occurrence of irregularities (as shown in Table 13), consider the need for issuing a warning letter informing them that in accordance with the LSG Manual, the SWD may withhold or terminate LSG subventions if an NGO fails to exercise reasonable and prudent financial management or comply with the LSG requirements as laid down in the LSG Manual; and
	(d)	consider taking into account other risk factors (e.g. NGOs operated in deficits with possible ongoing financial viability issues and NGOs whose accounts have been given qualified opinions by external auditors) in formulating plans for accounting inspections.
<u>PAC Report</u> Para. 96 (Financial Monitoring) [Item (d)] (p.69)	PAC expresses serious concern that - (d) there are other risk factors that SWD should consider in formulating its risk-based inspections (e.g. NGOs with persistent operating deficits).	
<u>Audit Report</u> Para 2.41	Audit has recommended that DSW should -	
	(a)	request the three NGOs (i.e. NGOs I, J and K — see para. 2.39), which have not apportioned the head office overheads between FSA activities and non-FSA activities, to apportion such overheads;

Para. No.	Recommendations of Audit / PAC
	(b) remind NGOs of the need to apportion head office overheads between FSA activities and non-FSA activities;
	(c) request the two NGOs that have anomalies in apportioning the overheads between FSA activities and non-FSA activities (i.e. NGOs H and G — see Cases 1 and 2 in para. 2.40) to review their bases of apportionment and properly apportion the costs; and
	(d) take measures to help NGOs adopt an appropriate basis for apportioning overheads between FSA activities and non-FSA activities.
<u>PAC Report</u> Para. 95 (Apportioning of head office overheads by NGOs) (4th bullet) (p.62)	PAC urges SWD to consider formulating a set of fair, effective and practical criteria on cost apportionment and providing guidelines for NGOs to follow;
<u>Audit Report</u> Para 2.45	Audit has recommended that DSW should -
	(a) take measures to assist NGOs to properly follow the internal control procedures set out in the LSG Manual; and
	(b) require NGOs to step up their internal controls (e.g. conducting supervisory checks to ensure the accuracy of fixed asset registers).
<u>Audit Report</u> Para 2.52	Audit has recommended that DSW should -
	(a) based on the response from the LWB and the FSTB on the proposed fees adjustment for subvented welfare services in 2018-19, take necessary action accordingly;
	(b) review regularly fees and charges for subvented welfare services; and
	(c) deliberate on the way forward of making cumulative fees adjustment for subvented welfare services.
Part 3: Self-assessment of Service Quality by Non-governmental Organisations	
<u>Audit Report</u> Para 3.8	Audit has recommended that DSW should -
	(a) remind NGOs of the importance of accurate reporting of their Output/Outcome Standards and of the need to exercise due care in computing the Standards;
	(b) provide more guidelines to NGOs to facilitate and enhance their conduct of measurement of Outcome Standards; and
	(c) in conducting review visits to NGOs (see para. 4.40(a)), identify and disseminate NGOs' good practices in the conduct of their self-assessment of the achievement of Outcome Standards.

Para. No.	Recommendations of Audit / PAC
	PAC strongly urges SWD to follow up on cases with anomalies and provide guidelines to facilitate and enhance the conduct of self-assessment by NGOs, disseminate NGOs' good practices of self-assessment and ensure that NGOs observe the requirements laid down in their SQS manuals in the implementation of SQSs.
Audit Report Para 3.13	Audit has recommended that DSW should - (a) urge NGOs to take measures to ensure that their Agreement Service Units (ASUs) observe the requirements laid down in their own Service Quality Standard (SQS) manuals in the implementation of SQSs; (b) encourage NGOs to make use of the self-assessment checklist, which is available on the SWD's website, in conducting self-assessment on SQSs; and (c) remind NGOs to exercise due care in completing the self-assessment checklist (see para. 3.12). Audit has recommended that DSW should encourage NGOs to put in place an internal service inspection mechanism, having regard to the need for laying down inspection programmes, conducting surprise inspection, and following up non-compliance cases.

Part 4: Monitoring of Service Delivery by Social Welfare Department

Para. No.	Recommendations of Audit / PAC
Audit Report Para 4.4	Audit has recommended that DSW should - (a) closely monitor those ASUs of NGOs which have had persistent underperformance (say, underperformance in a number of consecutive years) in the provision of services; (b) in cases where full subventions are paid to the ASUs with persistent underperformance, critically review whether the payments are fully justified; and (c) instigate timely action, where warranted, to tackle cases of persistent underperformance of ASUs in accordance with provisions in the LSG Manual.
PAC Report Para. 95 (Monitoring of service delivery by SWD) [2nd bullet- item (a)] (p.63)	PAC strongly urges SWD to - (a) closely review those ASUs with persistent underperformance and devise with them appropriate follow-up measures;
Audit Report Para 4.24	Audit has recommended that DSW should - (a) ascertain the reasons for the significant underperformance in the provision of the Home Care Service for Persons with Severe Disabilities (HCS) and the Integrated Support Service

Para. No.	Recommendations of Audit / PAC	
		for Persons with Severe Physical Disabilities (ISS) and determine the way forward for the two services;
	(b)	follow up with the ASUs to align their understanding and practices regarding the counting of HCS and ISS cases into the caseloads reportable to the SWD;
	(c)	remind case managers of the HCS and the ISS to ensure that necessary support services are provided to service users as far as possible;
	(d)	provide to the ASUs more guidelines on discharging service users;
	(e)	take measures to address the issue of service users receiving both the HCS and the ISS; and
	(f)	with a view to optimising the use of public money, explore the feasibility of fine-tuning the existing arrangements for calculating subventions to the ASUs providing the HCS and the ISS.
<u>PAC Report</u> Para. 95 (Monitoring of service delivery by SWD) [2nd bullet-item (b)] (p.63)	PAC strongly urges SWD to - (b) review underperformance of HCS and ISS services and improve their service delivery, especially on the provision of support services and the procedures on discharging patients;	
<u>Audit Report</u> Para 4.28	Audit has recommended that DSW should, to properly monitor the effectiveness of services provided by ASUs, step up efforts to set Outcome Standards with ASUs and incorporate such standards into the pertinent FSAs.	
<u>PAC Report</u> Para. 95 of the (Monitoring of service delivery by SWD) [2nd bullet-item (c)] (p.64)	PAC strongly urges SWD to- (c) discuss with the relevant NGOs on a timetable to set Outcome Standards for all existing ASUs.	
<u>Audit Report</u> Para 4.32	Audit has recommended that DSW should -	
	(a)	determine whether the activities provided by ASU J to children under six and retired men are FSA related activities and instigate remedial action where necessary;
	(b)	remind NGOs that the SWD should be consulted prior to the conduct of activities which they regard as FSA related activities but not stipulated in FSAs;
	(c)	communicate with the NGO of ASU S on how best to handle the cases of children occupying the emergency places longer

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	than the stipulated periods, bearing in mind that there may be other children in need of the places;
	(d) remind the NGO of ASU S of the need to require social workers of referring units of NGOs to work out long-term welfare plans for all children occupying the emergency places in a timely manner; and
	(e) urge the NGO of ASU S to admit cases requiring urgent placement at the earliest possible time, and set a reasonable timeframe for social workers of referring units to complete the admission procedures.
<u>PAC Report</u> Para. 95 (Monitoring of service delivery by SWD) [2nd bullet–item (d)] (p.64)	PAC strongly urges SWD to - (d) follow up on other cases with irregularities as revealed in the Audit Report.
<u>Audit Report</u> Para 4.37	Audit has recommended that DSW should consider conducting, on a periodic basis, comprehensive reviews of the performance of ASUs with non-time-defined FSAs (particularly those ASUs with persistent underperformance).
<u>Audit Report</u> Para 4.48	Audit has recommended that DSW should -
	(a) closely monitor the progress of Special Visitation Programme (SVP) visits in order to accomplish the SVP within the stipulated timeframe;
	(b) review the approach to conducting SVP visits and review/surprise visits (e.g. reviewing the need to change from the random-based to a risk-based visit approach) to ensure that they are conducted efficiently and effectively;
	(c) assess the manpower need of the Team of the SWD's Subventions Branch responsible for the conduct of performance visits;
	(d) take enhanced measures to ensure that, as far as possible, service users to be requested to complete questionnaires or interviewed are not pre-selected by ASUs;
	(e) take enhanced measures to ensure that the staff of the Subventions Branch responsible for conducting performance visits select samples for examination at ASUs themselves;
	(f) remind NGOs to rectify the irregularities noted during performance visits;
	(g) consider including inaccurate self-assessment on Essential Service Requirements (ESRs) and Service Quality Standards

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	(SQSs) in management letters issued to ASUs;
	(h) consider extending the coverage of annual performance review (e.g. to include attainment of ESRs and SQSs); and
	(i) take measures to ensure that the results of NGOs' compliance with the ESRs, SQSs, Output Standards and Outcome Standards are brought to the attention of the SWD's directorate periodically.
Part 5: Governance and Management Matters	
Audit Report Para 5.11	Audit has recommended that DSW should -
	(a) remind NGOs to provide accurate information on the progress of implementation of BPM guidelines and submit self-assessment reports in a timely manner;
	(b) consider conducting checking of the implementation of Level One guidelines by NGOs;
	(c) enhance the promotion of Level Two guidelines among NGOs, so as to solicit their greater support for implementing Level Two guidelines; and
	(d) step up efforts to forge agreement between the NGOs' management and the staff side on the four items of the BPM relating to human resource management. [Remarks: The recommendations in para. 5.11(d) and 5.31(d) are identical.]
Audit Report Para 5.22	Audit has recommended that DSW should make greater efforts to encourage NGOs to adopt the good practices outlined in the Efficiency Unit's "Guide to Corporate Governance for Subvented Organisations".
PAC Report Para. 95 (Corporate governance and accountability) (2nd bullet) (p.65)	PAC strongly urges SWD to follow up with those NGOs which are still in the process of implementing items under Level One guidelines, step up efforts in promoting Level Two guidelines and explore the possibility of mandating the compliance of good practices contained in the "Guide to Corporate Governance for Subvented Organisations" among NGOs so as to enhance their governance and accountability.
Audit Report Para 5.31	Audit has recommended that DSW should -
	(a) remind NGOs receiving LSG subventions to monitor their staff turnovers and take measures to address the problem of high staff turnovers;
	(b) remind NGOs receiving LSG subventions to review their pay scales and structures as well as to enhance transparency and

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		communication with staff on salary matters;
	(c)	promulgate among NGOs the good practice of conducting exit interviews with staff leaving their organisations so as to enable NGOs to gain better insight into staff's concerns.
	(d)	step up efforts to forge agreement between the NGOs' management and the staff side on the four items of the BPM relating to human resource management. [Remarks: The recommendations in para. 5.11(d) and 5.31(d) are identical.]
PAC Report Para. 95 (Problem of high staff turnover) (2nd bullet) (p.66)		PAC strongly urges SWD to take a more proactive lead to address the problem of staff turnover of NGO by:
	(a)	collating relevant statistics from NGOs periodically and promulgating among NGOs the good practice of conducting exit interviews with leaving staff so as to better gauge the magnitude and underlying causes of the problem;
	(b)	reviewing the salary structures and pay scales of social welfare personnel to ensure that their remunerations and benefits are competitive enough to attract, recognize and retain talents, and taking measures to minimize the salary gap of same rank or position among different NGOs and the Government; and
	(c)	encouraging NGOs to maintain a stable and effective workplace and enhancing communication with staff on pay-related issues;
Part 6: Review of Lump Sum Grant Subvention System		
Audit Report Para 6.14		Audit has recommended that DSW should -
	(a)	in order to help the conduct of actuarial studies or related studies in future, obtain feedback from all NGOs that have conducted the studies and promulgate the feedback to NGOs; and
	(b)	take measures to improve the management of potential conflicts of interest in the handling of complaints by the LSG Independent Complaints Handling Committee.
PAC Report Para. 95 (Need to better manage potential conflicts of interest of LSG-ICHC) (3rd bullet) (p.67)		PAC strongly urges SWD to take measures to strengthen the declaration of interests by members of the Complaints Handling Committee; remind the Chairman to make decisions on the interests declared by members and properly record all such decisions in the minutes of meetings;

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<u>Audit Report</u> Para 6.19	Audit has recommended that DSW should, in carrying out the review on the enhancement of the LSG subvention system, take into account the audit findings and recommendations in this Audit Report.
<u>PAC Report</u> Para. 95 (Ways forward for LSGSS) (2nd bullet) (p.68)	PAC recommends that the Task Force should take into considerations the following when undertaking the review:

	(a)	engaging different stakeholders including frontline staff and service users and gauging their views on how to enhance the subvention system
	(b)	collating not only quantitative findings but also qualitative feedback and comments on how to improve service quality;
	(c)	reviewing the use of reserves by NGOs and to maintain an optimal balance between maximizing the use of subvention resources and maintaining NGOs' autonomy and flexibility in resources deployment to suit the present-day needs of the community;
	(d)	formulating a set of fair, effective and practical criteria for cost apportionment between FSA and non-FSA activities;
	(e)	devising improvement measures on the monitoring of service delivery and enhancing transparency and accountability for supervision by SWD and the public at large, and promoting the implementation of BPM guidelines and other useful guides on corporate governance;
	(f)	formulating staff remuneration policy with a clear salary structure, reviewing pay scale of different ranks and establishing communication channels with staff on pay-related issues;
	(g)	monitoring closely staff turnover problem in the welfare sector and devising long-term manpower planning to ensure sustainable development of the sector; and
	(h)	taking into account findings and recommendations made by the Committee and Audit in taking forward the review.