

## **CHAPTER 12**

### **Food and Health Bureau**

<h3><b>The Prince Philip Dental Hospital</b></h3>
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**Audit Commission  
Hong Kong  
23 October 2008**

*This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.*

Report No. 51 of the Director of Audit contains 12 Chapters which are available on our website at <http://www.aud.gov.hk>.

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# THE PRINCE PHILIP DENTAL HOSPITAL

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## **PART 1: INTRODUCTION**

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

### **Background**

#### *Prince Philip Dental Hospital*

1.2 The Prince Philip Dental Hospital (PPDH — see Photograph 1) is a statutory body established in 1981 under the PPDH Ordinance (Cap. 1081). It is the only dental teaching hospital in Hong Kong, providing clinical training facilities (see Photograph 2) for undergraduate and postgraduate students of the Faculty of Dentistry (FOD) of the University of Hong Kong (HKU). It also runs training courses at certificate/diploma level for dental ancillary personnel.

#### **Photograph 1**

##### **PPDH**



*Source: PPDH records*

## Photograph 2

### Training facilities of PPDH



*Source: PPDH records*

1.3 The PPDH building is jointly used by the PPDH and the FOD. It accommodates staff of the PPDH and those of the FOD. The FOD is funded by the University Grants Committee (Note 1).

#### *Courses of study and number of training places*

1.4 Table 1 shows the courses of study and the number of training places available at the PPDH.

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**Note 1:** *The Committee is appointed by the Chief Executive of the Hong Kong Special Administrative Region. Its main function is to offer impartial and expert advice to the Government on the funding and development of higher education in Hong Kong, and to provide assurance to the Government and the community on the standards and cost-effectiveness of the operations and activities of the eight higher education institutions in the territory.*



Table 1

**PPDH/FOD courses of study and number of training places  
(academic year 2007-08)**

Course of study	Number of training places
<b>Degree course offered by the FOD:</b>	
Bachelor Degree of Dental Surgery	258
Postgraduate degree courses	177
<b>Dental ancillary course offered by the PPDH:</b>	
Higher Diploma in Dental Hygiene	32
General Diploma in Dental Technology	31
Certificate of Proficiency in Dental Surgery Assisting	29
<b>Total</b>	<b>527</b>

Source: PPDH records

***Patients served***

1.5 The PPDH serves the following two kinds of patients:

- (a) ***Teaching patients (TPs)***. TPs are required to undergo an initial screening upon their first attendance and will be registered as TPs if their dental problems are found to be suitable for teaching purpose. Consultation appointments will then be arranged for them according to the teaching schedule of the FOD, and their types of dental problems. TPs are required to pay a nominal fee of \$45 per attendance (plus costs of dental appliances and materials if applicable). In the financial year 2007-08, the PPDH treated some 120,000 TPs; and

- (b) *Private fee paying patients (PFPPs)*. The PPDH also provides treatment to PFPPs to:
- (i) enable the public to have advanced level of treatment in the various specialities of dentistry; and
  - (ii) provide a source of income for the PPDH and the HKU (Note 2).

PFPPs are required to obtain a referral letter issued by a registered medical practitioner or a dentist recommending treatment at the PPDH. Only clinicians with considerable clinical experience (i.e. the Specialists — Note 3) can provide treatment to the PFPPs. Furthermore, the time such Specialists spend on attending to PFPPs cannot exceed two half-day sessions a week. Fees at market rates are charged. In 2007-08, the PPDH treated some 3,500 PFPPs.

### *Sources of income*

1.6 The PPDH is mainly funded by recurrent subvention from the Food and Health Bureau (FHB). The recurrent government subvention accounted for 89% of all the PPDH's income. Figure 1 shows, for 2007-08, the sources of the PPDH recurrent income of \$116 million.

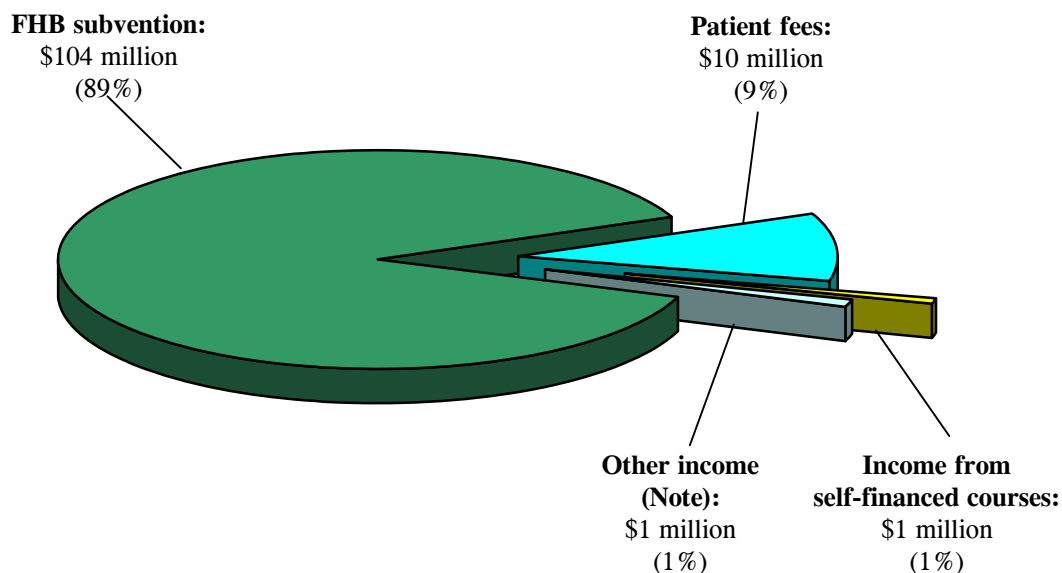
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**Note 2:** *Treatment fees paid by PFPPs are shared between the PPDH and the HKU at a proportion of 25 : 75.*

**Note 3:** *The Specialists are FOD professors who: (a) have specialist status with at least seven years' post-qualification experience in the specialty; (b) possess recognised higher professional qualifications; (c) have been accredited by the Academy of Medicine; and (d) have obtained the approval of the Dean of the FOD. As at 31 July 2008, only 18 Specialists of the FOD could provide treatment to PFPPs.*

Figure 1

**Recurrent income of PPDH  
(2007-08)**



Source: PPDH records

Note: Other income included bank interest, canteen rentals and charges for hiring the PPDH's facilities (e.g. lecture theatres).

1.7 From time to time, the PPDH also received capital subvention from the FHB. The subvention was for financing capital projects (e.g. installation of information technology system and replacement of electrical system). In 2007-08, the capital subvention to the PPDH was \$7 million.

### **PPDH expenditure**

1.8 In 2007-08, the recurrent and capital expenditure of the PPDH were \$116 million and \$7 million respectively. The recurrent expenditure was for personal emoluments (\$81 million or 70%) and other expenses (\$35 million or 30%) such as electricity, purchase of supplies and equipment, and salaries of temporary staff.

### *Organisation structure*

1.9 The PPDH is governed by a Board of Governors (Board — see para. 2.3). Under the Board, there is an Establishment and Finance Committee (EFC) and a Planning Group (PG). The Director of the PPDH, who reports to the Board, oversees the day-to-day operation of the PPDH.

1.10 As at 31 March 2008, the PPDH employed some 290 staff including a Comptroller, administrative staff, dental officers, qualified dental ancillary staff (e.g. Dental Technicians), nurses, and clerical/supporting staff. An organisation chart of the PPDH as at 31 March 2008 is shown at Appendix A.

### **Audit review**

1.11 The Audit Commission (Audit) has recently conducted a review to examine the economy, efficiency and effectiveness in the administration of the PPDH. The review has found that there is scope for improvement in the following areas:

- (a) governance and other management issues (PART 2);
- (b) income matters (PART 3);
- (c) human resource management (PART 4); and
- (d) stock management (PART 5).

### **General response from the PPDH**

1.12 The **Chairman of the Board of the PPDH** has said that:

- (a) the PPDH welcomes and agrees with all the audit recommendations which provide further guidance for the effective management of the hospital, and for applying good practices in various key areas;
- (b) the PPDH recognises that there is room for improvement in the areas mentioned in the audit report and will take a positive and responsive approach to ensure that the audit recommendations will be implemented forthwith;
- (c) the Board will closely monitor the progress of implementation of the audit recommendations; and

- (d) the PPDH would like to thank Audit for the effort and advice in identifying areas for improvement in the PPDH practices.

### **General response from the Administration**

1.13 The **Secretary for Food and Health** welcomes the audit review which has provided useful observations and recommendations on the administration of the PPDH. He has said that the FHB supports the PPDH management in implementing measures to enhance the administration of the hospital.

### **Acknowledgement**

1.14 Audit would like to acknowledge with gratitude the full cooperation of the PPDH and FHB staff during the course of the audit review.

## **PART 2: GOVERNANCE AND OTHER MANAGEMENT ISSUES**

2.1 This PART examines the governance and other management issues of the PPDH.

### **Governance structure**

2.2 The Board, established under the PPDH Ordinance in 1981, is the governing body of the PPDH. The EFC and the PG (see para. 1.9) assist in discharging the duties of the Board.

#### ***Board of Governors***

2.3 As stipulated by the PPDH Ordinance, the Board consists of 16 members comprising:

- (a) ***14 members appointed by the Chief Executive of the Hong Kong Special Administrative Region, i.e.:***
  - (i) the Chairman;
  - (ii) five persons other than public officers and two of them are registered dentists;
  - (iii) four members of the HKU; and
  - (iv) four public officers (Note 4); and
- (b) ***2 ex-officio members, i.e. the Director and the Comptroller of the PPDH.***

2.4 According to the PPDH Ordinance, members may be appointed by the Chief Executive for a period of three years or less (usually two years). In the case of the ex-officio members, they hold the membership by virtue of their posts in the PPDH. The Board holds about four meetings a year. The key provisions of the power of the Board under the PPDH Ordinance are listed at Appendix B.

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**Note 4:** *As at mid-September 2008, the four public officers in the Board included representatives from the FHB, the Education Bureau and the Department of Health.*

### *Establishment and Finance Committee*

2.5 The EFC was established by the Board in 1981. The main terms of reference of the EFC are to:

- (a) review and formulate recommendations to the Board on staffing structure and terms and conditions of employment;
- (b) determine tendering procedures for supplies and services; and
- (c) review and formulate recommendations to the Board on budgeting, expenditure control, and the scale of patient fees and charges.

2.6 The EFC consists of six members appointed by the Board. It comprises a Chairman (who is a Board member and not a registered dentist), the Director, the Comptroller, a non-Board member from the administrative side of the HKU, and two Board members from the Department of Health and the FHB. The EFC holds about four meetings a year.

### *Planning Group*

2.7 The PG was established by the Board in 2002. It is responsible for advising the Board on matters relating to the clinical and teaching activities of the PPDH, and overseeing implementation of the Board-approved plans that have an impact on such activities.

2.8 The PG consists of six members appointed by the Board. They are the Dean of the FOD/Director (as the Chairman), the Comptroller, and four other members (a registered dentist in private practice and three representatives from the FOD). The PG meets about four times a year.

## **Audit observations and recommendations**

### *Quorum of meetings*

2.9 It is a good governance practice for an organisation to set a quorum for meetings of its board/management committees. This ensures that there are sufficient board/committee members to make decisions.

2.10 According to the PPDH Ordinance, any seven Board members shall form a quorum for Board meetings. In August 2008, the Board endorsed a quorum requirement of three members (i.e. 50%) for EFC meetings. However, up to mid-September 2008, a quorum requirement had not yet been set for PG meetings. **Audit considers that the PPDH needs to accord priority to setting a quorum requirement for PG meetings.**

*Attendance of Board, EFC and PG members*

2.11 Committee members' commitment to an organisation is important to good governance. An indicator of commitment is the time allocated by members to attend meetings. In fact, in the Chief Executive's appointment of Board members, their attendance at meetings is one of the considerations (see para. 2.15). Table 2 shows members' attendance rates at Board, EFC and PG meetings for 2003-04 to 2007-08.

**Table 2**  
**Attendance rates of members at Board, EFC and PG meetings**  
**(2003-04 to 2007-08)**

Year	Board	EFC	PG
2003-04	64 %	No meeting held	82 %
2004-05	82 %	No meeting held	74 %
2005-06	73 %	92 %	61 %
2006-07	67 %	100 %	78 %
2007-08	89 %	92 %	75 %
<b>Overall</b>	<b>75%</b>	<b>95%</b> (three years only)	<b>74%</b>

*Source: Audit analysis of PPDH records*

2.12 Table 2 shows that, for 2003-04 to 2007-08:

- (a) the overall attendance rates of members at Board and PG meetings were 75% and 74% respectively; and



- (b) during 2003-04 and 2004-05, the EFC transacted its affairs by circulation of discussion papers instead of holding meetings. Since 2005-06, the EFC has held regular meetings and the overall attendance rate of members was high.

2.13 *Attendance of Board and PG members.* Another analysis of individual members' attendance revealed that some Board/PG members' attendance was consistently low during the five-year period. For example:

- (a) a Board member only attended 3 (out of 10) Board meetings during his service terms 2005-06 to 2007-08, and another Board member attended 9 (out of 18) Board meetings during her service terms 2003-04 to 2007-08; and
- (b) a PG member only attended 4 (out of 22) PG meetings during his service terms 2003-04 to 2006-07 (he was no longer appointed as a PG member in 2007-08).

2.14 Board/PG members work collectively in the interest of the PPDH. The continuous absence of some members from meetings would affect the performance of the Board/PG. **Audit considers that the PPDH needs to monitor the attendance of members at Board/PG meetings, and take measures to improve some of the members' attendance.**

#### *Re-appointment of Board members*

2.15 According to the PPDH Ordinance, the authority for appointing Board members rests with the Chief Executive. This authority has been delegated to the Secretary for Food and Health. Prior to the expiry of the service terms of Board members, the FHB needs to consider suitable candidates for re-appointment or appointment (for new members). In doing so, the FHB takes into account the guidelines issued by the Director of Administration concerning the appointment of members of the external advisory and statutory bodies. The guidelines require that there should be regular evaluation of the performance and commitment of the members of the bodies, **including their attendance records**, to facilitate consideration of their suitability for re-appointment.

2.16 Audit examined the attendance records of those Board members whose service terms expired in 2007-08 and ascertained whether they were reappointed by the FHB.

2.17 There were 13 Board members whose service terms expired in 2007-08. Audit found that 2 members' attendance at the Board meetings held during their terms was rather low (43% and 14%), but they were reappointed as Board members for another two years.

2.18 **Audit considers that the FHB needs to duly take into account the attendance records of Board members in considering their re-appointment. This would help ensure that only committed members are re-appointed.**

*Audit recommendations*

2.19 **Audit has recommended that the PPDH should:**

- (a) **accord priority to setting a quorum requirement for PG meetings; and**
- (b) **monitor the attendance of members at Board/PG meetings and take measures to improve the low attendance of some of the members. Such measures may include, for example:**
  - (i) **the issuing of guidelines to members on their roles and responsibilities as Board/PG members; and**
  - (ii) **the issuing of reminders to members to bring their attention to the importance of attending meetings.**

2.20 **Audit has also recommended that the Secretary for Food and Health should duly take into account the attendance records of Board members in considering their re-appointment.**

**Response from the PPDH**

2.21 **The PPDH agrees with and will implement the audit recommendations.**

**Response from the Administration**

2.22 **The Secretary for Food and Health agrees with the audit recommendation. He has said that the FHB will give due regard to the attendance records when considering the re-appointment of Board members and will remind the nominating body to nominate only those members who could devote time to the Board's business.**

## **Roles of Director and Comptroller**

### ***Role of Director***

2.23 The Director is one of the 16 members of the Board. According to the PPDH Ordinance, the Director should be:

- (a) a qualified dentist;
- (b) a member of the teaching staff of the HKU and nominated by the HKU; and
- (c) appointed by the Chief Executive.

2.24 At present, the Dean of the FOD is appointed by the Chief Executive as the Director. His remuneration, in the form of an honorarium (\$5,610 per month), is paid from the FHB subvention. He is responsible to the Board for the day-to-day management of the PPDH (Note 5).

### ***Role of Comptroller***

2.25 The PPDH Ordinance has also stipulated the appointment of the Comptroller. According to the Ordinance, the Comptroller should be appointed by the Board to assist the Director in the management of the PPDH, and to report directly to the Board on financial matters of the PPDH.

2.26 The rank of the Comptroller is equivalent to a Directorate Grade 1 officer in the civil service. She is assisted by a Hospital Administrator (equivalent to the rank of Executive Officer I in the civil service), a Purchasing Officer (currently unfilled) and three Assistant Hospital Administrators.

## **Audit observations and recommendation**

2.27 Under the existing arrangement, when the Comptroller is on leave, the Director will take up her duties. In other words, the Director will play three roles, namely the Dean of the FOD, the Director as well as the Comptroller of the PPDH.

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**Note 5:** *As the Dean of the FOD, the Director is also responsible to the Executive Committee of the FOD and the governing body of the HKU (i.e. the Council of the HKU) for matters relating to the FOD.*

2.28 Audit noted that the Comptroller had taken long sick leave in 2005 and 2008. During her long sick leave, the Director also handled the financial matters of the PPDH. Audit considers that the existing arrangement of the Director taking up the financial duties of the Comptroller when she is on leave, particularly on long leave, is less desirable as it deviates from the intention of the PPDH Ordinance which has provided for the separate appointment of the Director and the Comptroller. In other words, the duties of these two posts are expected to be performed by two separate persons.

#### *Audit recommendation*

2.29 **Audit has recommended that the PPDH should consider setting up alternative operational arrangements when the Comptroller is on long leave. Such arrangements may include, for example, letting the Hospital Administrator handle minor financial duties and establishing an ad-hoc committee to handle more important financial matters.**

#### **Response from the PPDH**

2.30 The **PPDH** agrees with the audit recommendation. The **Director, PPDH** has said that the PPDH will raise the issue with the Board so as to set up guidelines on the arrangements for discharging the Comptroller's duties during her leave periods.

#### **Strategic planning**

2.31 To carry out business effectively, the governing body of an organisation should set clear organisational goals. The goals should typically be underpinned by a three-to-five-year strategic plan that identifies and prepares for work needed to achieve the goals. A system should also be in place to evaluate periodically the implementation of the plan.

2.32 Since 2002, the PPDH has adopted the following organisational goals:

- To be a Centre of Excellence for dental education, research and dental care in the region, supporting the FOD to take the lead in training of dental and para-dental students to become caring, dedicated and well-qualified members of the dental team
- To undertake high quality research and provide specialist and postgraduate dental training and facilities for continuing dental education in Hong Kong
- To fully utilise available resources, creating an environment to attract and motivate staff; maximising their potential within the oral health care environment
- To promote community partnership in raising the awareness and the importance of dental care
- To develop closer collaboration with the private sector for special needs groups, and with the Mainland for research and academic exchanges

### **Audit observations and recommendations**

#### *Need to develop a strategic plan*

2.33 While the PPDH has set organisational goals in 2002, as at mid-September 2008, the PPDH had yet to develop a strategic plan. Meanwhile, the Board discussed strategic matters on a piecemeal basis. **Audit considers that the PPDH needs to give high priority to formulating a strategic plan.**

#### *Need to address challenges in strategic plan*

2.34 In formulating the strategic plan, an organisation needs to identify and address in its plan the challenges that it will face. In the case of the PPDH, an example of such challenges is shown below.

2.35 During the academic years 2005-06 to 2007-08, the average “capacity utilisation rate” (or enrolment rate) and average “completion rate” of the FOD dental degree students were 100% and 99% respectively. But for dental ancillary students (i.e. dental technicians, dental surgery assistants and dental hygienists), the aforesaid rates were 90% and 82% respectively (see Appendix C). To meet the organisational goal of fully utilising the available resources (see the third bullet in para. 2.32), the PPDH needs to address in its strategic plan how it should improve the “capacity utilisation rate” and “completion rate” of its dental ancillary students.

### *Audit recommendations*

2.36 **Audit has recommended that the PPDH should:**

- (a) **give priority to formulating a strategic plan;**
- (b) **regularly review and update the strategic plan and carry out periodic evaluation of the implementation of the plan; and**
- (c) **address in the strategic plan challenges that it will face in meeting its organisational goals.**

### **Response from the PPDH**

2.37 The **PPDH** agrees with the audit recommendations. The **Director, PPDH** has said that the Board realised the importance of strategic planning and is in the process of formulating a five-year strategic plan. The audit recommendations will be taken into account in developing the plan.

### **Establishment of an internal audit function**

2.38 The PPDH does not have any internal audit function within its organisation structure. There is merit to consider setting up an internal audit function in the light of inadequacies in the controls over patient billing, transfer of patient status from PFPP to TP, human resource management and stock management mentioned in PARTs 3 to 5.

### **Audit recommendation**

2.39 **Audit has recommended that the PPDH should critically consider the desirability of establishing an internal audit function within the PPDH to step up controls.**

### **Response from the PPDH**

2.40 The **PPDH** agrees with the audit recommendation. The **Director, PPDH** has said that the PPDH will raise the issue with the Board and its auditor so as to set up guidelines and employ personnel to proceed with the audit recommendation.

## Performance management

2.41 Performance management, including setting performance indicators and their reporting, provides a means to measure how well an organisation has performed, and helps enhance its performance, transparency and accountability. The PPDH prepares annually a list of performance indicators for use by it and the FHB. Such performance indicators are published on its website, in its Annual Report and the Controlling Officer's Report (COR) of the FHB.

## Audit observations and recommendations

2.42 An audit examination of the PPDH performance indicators reveals the following areas for improvement:

- (a) ***More performance indicators to be published.*** The PPDH prepared and published only three performance indicators, namely capacity utilisation and student completion rates (see Appendix C), and numbers of training places for different types of dental degree and dental ancillary students;
- (b) ***Reporting of performance trend.*** While the COR of the FHB published the PPDH performance over a period of three years, the PPDH website and the Annual Report only reported the performance for the year under review; and
- (c) ***Development of efficiency and effectiveness indicators.*** The PPDH performance indicators mainly related to output. There is a lack of performance indicators that measure the efficiency or effectiveness of the PPDH in meeting its objectives. Examples of performance indicators that measure efficiency or effectiveness may include:

- Unit costs of training up different types of students and of providing different types of dental services
- Employment statistics of students after the completion of studies
- Patients' satisfaction survey results

### *Audit recommendations*

2.43 **Audit has recommended that the PPDH should improve performance measurement and reporting by developing and publishing more performance indicators (e.g. including efficiency and effectiveness indicators) and showing the performance trend over a number of years on the PPDH website and in its Annual Report.**

### **Response from the PPDH**

2.44 The PPDH agrees with the audit recommendations. The **Director, PPDH** has said that the PPDH will discuss with its management the best way forward in setting standard performance indicators for measuring the efficiency and effectiveness of the hospital.

### **Establishment of funding and service agreement**

2.45 The PPDH is mainly funded by recurrent subvention from the FHB. The subvention is in the form of an annual deficiency grant to meet the difference between the PPDH income and expenditure for a programme of activities prepared by it, and approved by the FHB on an annual basis.

2.46 As part of the subvention conditions, the PPDH is required to observe the subvention guidelines set out in the “*Notes for Guidance of Medical (Deficiency) Subvented Organisations*” (Notes for Guidance) drawn up by the then Finance Branch (now the Financial Services and the Treasury Bureau — FSTB) in 1986. The key provisions of the Notes for Guidance on the authority of the FHB are shown at Appendix D. In addition, the PPDH is required to follow other guidelines/instructions issued by the FHB from time to time.

2.47 In September 2004, the FSTB promulgated revised guidelines (Financial Circular No. 9/2004) on the management and control of government funding for subvented organisations.

2.48 Under the FSTB revised guidelines, Controlling Officers of Government bureaux/departments are advised to enter into a Memorandum of Administrative Arrangements (MAA) or a similar instrument (such as a funding and service agreement — FSA), with each organisation receiving recurrent government funding under their purview. Such tailor-made instruments should set out the responsibilities of all parties in the delivery and monitoring of government-funded services and capital projects. The established



MAA/FSA would help remove ambiguities, build up mutual understanding and enhance the implementation of the government policies.

### **Audit observations and recommendations**

2.49 In mid-2003, the then Health, Welfare and Food Bureau (HWFB — now the FHB) and the PPDH discussed about changing the subvention mode from deficiency grant to lump sum grant basis (which would allow more flexibility in the deployment of resources). The HWFB intended to enter into an FSA with the PPDH upon introduction of the new subvention mode. In 2004 when the FSTB promulgated the revised subvention guidelines (see para. 2.47), the HWFB was still considering revamping the mode of subvention to the PPDH. With the FSTB's approval, the HWFB continued using the 1986 Notes for Guidance (see para. 2.46). As at mid-September 2008, the position remained unchanged and no FSA/MAA had been entered.

### ***Audit recommendations***

2.50 **Audit has recommended that the Secretary for Food and Health should:**

- (a) **take prompt action to decide on the mode of subvention to the PPDH; and**
- (b) **once the subvention mode is decided, accord priority to entering into an FSA/MAA with the PPDH.**

### **Response from the Administration**

2.51 The **Secretary for Food and Health** agrees with the audit recommendations. He has said that the FHB will actively explore the suitable mode of subvention for the PPDH and initiate discussions with its management to draw up with them the FSA/MAA.

### **Response from the PPDH**

2.52 The **Director, PPDH** has said that the PPDH will work with the FHB in drawing up the FSA/MAA.

## **PART 3: INCOME MATTERS**

3.1 This PART examines the income matters of the PPDH.

### **Audit examination of income matters of the PPDH**

3.2 Audit has found that there is room for improvement in the following areas:

- (a) charging of patient fees (paras. 3.3 to 3.12);
- (b) use of the Dental Health Information System (DHIS) for patient billing (paras. 3.15 to 3.18);
- (c) transfer of patient status (paras. 3.21 to 3.25); and
- (d) administration of Continuing Medical Education (CME) courses (paras. 3.28 to 3.33).

### **Charging of patient fees**

3.3 The PPDH provides treatment for two types of patients, i.e. TPs and PFPPs (see para. 1.5). According to the PPDH Ordinance, the Board of the PPDH may fix and collect fees and charges payable by patients and other persons for the facilities and services provided by the PPDH. Appendix E lists out the fees schedule approved by the Board for TPs and PFPPs.

#### ***Fees payable by TPs***

3.4 TPs are heavily subsidised by the PPDH. On every attendance, a TP is required to pay an attendance fee (currently at \$45) at the PPDH Accounts Office. The attendance fee covers charges for consultation, treatment, dental hygiene services and radio-diagnostic services. If a TP needs to have a dental appliance fitted, the Accounts Office will issue a demand note to him for the costs of dental appliances (e.g. dentures) and materials (e.g. dental implants and mini screws) for fitting the appliances.

#### ***Fees payable by PFPPs***

3.5 A PFPP has to pay a deposit of \$1,000 upon his first appointment (refundable upon discharge). Thereafter, after each dental appointment, a clinician fills in a "*Payment Form*" specifying the nature and fee amount (based on the fees schedule at Appendix E) payable by the PFPP, and sends the Form to the Accounts Office. Based on the Payment Form, the Accounts Office issues a demand note to the PFPP for payment.

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***Fees collected by PPDH***

3.6 Both TPs and PFPPs may settle the demand notes by cash, cheques, electronic payment services or credit cards. In 2007-08, the PPDH collected fees of \$7.9 million and \$2 million from TPs and PFPPs respectively.

**Audit observations and recommendations**

3.7 To ascertain the propriety of fees charged on PFPPs, Audit performed the following checking procedures:

- (a) Audit randomly selected 10 PFPPs and obtained all the demand notes (a total of 27) issued to them by the Accounts Office in December 2007 and January 2008;
- (b) Audit checked the fee items (e.g. treatment fee and cost for dental appliance) listed in the demand notes against the Payment Forms of the Specialists, the patient files (which recorded the treatments) and the fees schedule approved by the Board; and
- (c) Audit checked the treatments recorded in the patient files of the 10 selected PFPPs in (a) above for six months (January to June 2008) against the billing records to ascertain whether there had been any incorrect charging of fees and/or omissions in billing.

The results are shown in paragraphs 3.8 to 3.12.

3.8 ***Treatment fees not charged in accordance with fees schedule approved by the Board.*** Audit noted that in 5 (19%) of the 27 demand notes, the treatment fees charged by clinicians were not in accordance with those approved by the Board. Table 3 shows the details.

Table 3

## Treatment fees not charged in accordance with those approved by the Board

Case	Demand note issue date	Treatment provided	Amount charged (\$)	Fee as per Board-approved fees schedule (\$)
1	13.12.2007	Fitting of crown	2,610	3,800 — 9,000
2	17.12.2007	Case review	100	300 — 700
3	3.1.2008	Repair restoration	500	600 — 700
4	9.1.2008	Repair restoration	250	600 — 700
5	31.1.2008	Invisalign (Note)	20,000	50,000 — 80,000

Source: *Audit analysis of PPDH records*

Note: *Invisalign is the fitting of clear and removable teeth aligners that provide an invisible way of teeth straightening.*

3.9 Table 3 shows that the treatment fees in all the five cases were lower than those stated in the Board-approved fees schedule. In particular, in Case 5, the Specialists stated in the patient file that the total fee for the Invisalign treatment was \$20,000, which was much lower than the rate of “\$50,000 to \$80,000” as stipulated in the Board-approved fees schedule.

3.10 ***Treatment fees not covered by Board-approved fees schedule.*** Audit noted that, in another 3 (11%) of the 27 demand notes, the treatment fees were not covered by the Board-approved fees schedule. The fees charged were within the price ranges set by individual clinics (Note 6) without approval from the Board. Table 4 shows the details.

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**Note 6:** *These clinics included the Endodontics Clinic, the Oral and Maxillofacial Surgery Clinic, the Oral Rehabilitation Clinic, and the Paediatric Dentistry and Orthodontics Clinic.*

Table 4

## Treatment fees charged in accordance with clinics' own fees schedules

Case	Demand note issue date	Treatment provided	Amount charged (\$)
6	14.1.2008	Fitting of temporary denture	1,000
7	24.1.2008	Removal of sutures	800
8	24.1.2008	Removal of sutures	800

Source: *Audit analysis of PPDH records*

3.11 ***Treatment fee not charged in accordance with the Board-approved fees schedule nor the clinic's own fees schedule.*** In examining the patient files of the 10 PFPPs (see para. 3.7(c)), Audit noted one case in which a patient was charged for fitting of temporary dentures at \$4,900. This fee was not found in the Board-approved fees schedule. It was also lower than the minimum rate of \$8,000 as stipulated in the clinic's own fees schedule.

3.12 ***Inadequate internal controls on charging of patient fees.*** Audit examination of the internal controls on the patient fees charging system further revealed that:

- (a) the Accounts Office charged patient fees solely based on the Payment Forms of the clinicians. There was no procedure for cross-checking the amounts against the Board-approved fees schedule or the clinics' fees schedules (Note 7);
- (b) there was no checking of the treatment records (in the patient files) against the billing records of the Accounts Office to ensure that there was no incorrect charging (under- or over-charging) of patient fees. In this connection, of the 10 PFPP cases examined (see para. 3.7(c)), Audit found that there were two cases where treatments had been provided to patients but there was no billing for the treatments. This was because the Specialists had not sent the Payment Forms to the Accounts Office, as detailed below:

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**Note 7:** *In three cases, the clinicians did not state the nature of the treatments provided to the patients on the Payment Forms.*

- (i) in one case, the PFPP was given the treatment of “dressing removal” (fee range: \$600 to \$1,400) and “healing” (fee range: \$300 to \$700) on two different days in January 2008. However, there was no billing for the treatments. The PFPP was discharged in May 2008; and
- (ii) in another case, the PFPP had a root canal treatment (fee range: \$6,600 to \$9,000) in April 2008. However, no demand note was issued to the patient. Upon audit enquiry in August 2008, the Accounts Office undertook to follow up the case in conjunction with the clinician concerned; and
- (c) for treatment fees to be settled by instalments, there was no procedure within the Accounts Office to follow up on whether the whole treatment fee had been collected.

*Audit recommendations*

3.13 **To safeguard the interests of the PPDH and the Government, Audit has recommended that the PPDH should:**

- (a) **conduct an examination to ascertain whether there are other similar cases of incorrect charging of patient fees; and**
- (b) **step up its controls of the patient fees charging system. Such control measures may include:**
  - (i) **submitting for covering approval of the Board the fees schedules being used by individual clinics;**
  - (ii) **stipulating that all new fee items (including their revisions) must be subject to the prior approval of the Board;**
  - (iii) **issuing instructions to remind clinicians of the requirements to charge treatments in accordance with the Board-approved fees schedule, to state the treatments clearly in the Payment Forms, and to issue the Payment Forms to the Accounts Office after providing treatments;**
  - (iv) **requiring the Accounts Office to check the Payment Forms against the Board-approved fees schedule;**

- (v) **requiring the Accounts Office to clarify with the clinicians on irregular cases (e.g. where the treatment fees charged by the clinicians concerned are not in accordance with the Board-approved fees schedule);**
- (vi) **requiring the Comptroller/Director to warn the clinicians concerned, should they have repeatedly charged patient fees improperly or completed Payment Forms improperly and, if appropriate, report to the Board for necessary action (e.g. informing the Dean of the FOD);**
- (vii) **conducting periodic checks of treatment records in patient files against the billing records of the Accounts Office;**
- (viii) **setting up controls to monitor payments of treatment fees by instalments; and**
- (ix) **taking action to recover or write off the fees (if recovery is not possible) in cases where patients have been discharged without being billed.**

### **Response from the PPDH**

3.14 The **PPDH** agrees with the audit recommendations. The **Director, PPDH** has said that these recommendations are noted for immediate or future implementation where appropriate. The PPDH expects that the implementation of the DHIS should help minimise the risk of billing omissions. To ensure prompt and accurate billing, the Payment Forms will also be revised to make them more user-friendly.

### **Use of Dental Health Information System for patient billing**

3.15 In late 2004, the Government approved \$9.3 million for establishing a DHIS in the PPDH. In June 2005, the PPDH signed a contract with a contractor to develop the DHIS. It was expected that the DHIS would enhance the PPDH's patient administration (e.g. facilitating booking of dental appointments) and clinical information (e.g. keeping of electronic patient records). As the DHIS would capture all patient information including all stages of treatment, it would also facilitate patient billing.

## Audit observations and recommendations

3.16 As laid down in the contract signed between the PPDH and the contractor, the DHIS should be in operation by March 2006 (8.5 months after signing of the contract). However, as at mid-September 2008, the DHIS had not been fully implemented.

3.17 Until the DHIS is fully implemented, the Accounts Office could not rely on the system to bill patients. In order to issue a demand note to a patient, the Accounts Office has to gather patient treatment information from different sources which include:

- (a) dental treatment information already captured in the DHIS;
- (b) Payment Forms of the clinicians;
- (c) weekly reports from the PPDH's Dental Technology Unit (DTU — which fabricates dental appliances for TPs and PFPPs);
- (d) purchase requisition forms raised by the clinicians (for dental appliances and materials ordered directly from outside suppliers);
- (e) forms sent by the PPDH's Radiology Department to the Accounts Office (for x-ray or Computer Tomographic Scan services provided to the patient); and
- (f) fee collection notes from the dental hygienists (for dental hygiene services provided to the patient).

3.18 Without the support of the DHIS, patient billing is a laborious task for the Accounts Office. Despite the efforts, the arrangement is still susceptible to incorrect charging. In the checking mentioned in paragraph 3.7(c), Audit found one case (out of the 10 PFPP cases examined) in which the patient had not been charged for dental appliance fee (Note 8).

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**Note 8:** *In December 2007, a clinician fitted a "partial denture" for a PFPP. The PFPP was charged a treatment fee of \$1,900. Up to August 2008, he had not been charged for the dental appliance, i.e. the partial denture, made by the DTU. The cost of the partial denture should have been \$2,330. The omission was discovered by Audit in early August 2008 and the PPDH billed the patient in late August 2008.*



***Audit recommendations***

- 3.19 **Audit has recommended that the PPDH should:**
- (a) **take actions to complete the implementation of the DHIS as soon as possible; and**
  - (b) **until the DHIS is fully implemented, remind all parties involved in the billing process to properly inform the Accounts Office the relevant cost items to be charged.**

**Response from the PPDH**

3.20 The **PPDH** agrees with the audit recommendations. The **Director, PPDH** has said that the PPDH has agreed with the existing contractor to complete the project in one or two months' time. Upon implementation of the system, the Dean of the FOD will instruct the FOD staff and students to fully utilise the system. The PPDH will also consider ways to strengthen its information technology team.

**Transfer of patient status**

3.21 Table 5 provides details about the different TP and PFPP handling arrangements.

**Table 5**  
**Different TP and PFPP handling arrangements**

	<b>TP</b>	<b>PFPP</b>
(a) How will a patient be accepted?	The patient undergoes a screening process. He will be accepted as a TP if his dental problem is found to be suitable for teaching purpose.  Once accepted, the TP will be placed in a “waiting pool”.	The patient obtains a referral letter from a registered medical practitioner or a dentist recommending treatment at the PPDH.
(b) When will the patient be treated?	Depending on the teaching schedule of the FOD, the patient may have to wait for several weeks or years.	As soon as the patient has been accepted by a clinician, a dental appointment will be booked.
(c) By whom will the patient be treated?	The TP will be treated by dental students under the supervision of clinicians who are also FOD professors.	Only the Specialists (see Note 3 to para. 1.5) can provide treatment to PFPPs.
(d) How much fees are payable?	A TP pays \$45 per attendance (plus cost of dental appliance and associated materials if applicable).	A PFPP has to pay fees at rates much higher than a TP (see Appendix E).

*Source: PPDH records*

3.22 Audit noted from the PPDH records that, from time to time, some patients’ status was transferred by the Specialists from PFPP to TP. The Accounts Office effects the change of a PFPP’s status to TP when he has paid the attendance fee of \$45 at his next dental appointment. According to the PPDH, the Specialists have the discretion to transfer patients from PFPP to TP status after taking into account a number of factors, including whether the patients are suitable for teaching purpose. The PPDH has however not laid down specific guidelines to govern such transfers.

## Audit observations and recommendations

3.23 The transfer from PFPP to TP status has the following implications:

- (a) **Teaching implication.** TPs are only accepted by the PPDH for teaching purpose. Therefore, a PFPP should be transferred to become a TP if he is suitable for that purpose. In fact, in changing a patient's status, whether a patient is suitable for teaching purpose is a prime factor a Specialist needs to consider (see para. 3.22); and
- (b) **Financial implication.** After transfer, the patient no longer needs to pay the much higher PFPP fees, but pays only \$45 per attendance plus costs of dental appliances and associated materials if applicable.

3.24 In 2007, there were 22 cases of transfer. Audit examined these 22 cases to ascertain the reasons for, and the propriety of, the transfers. Audit found that:

- (a) in 9 cases, the PFPPs were discharged after completing treatment but were later re-admitted as TPs after the screening process;
- (b) in 1 case, the patient was considered suitable for teaching purpose by the Specialist; and
- (c) in the remaining 12 cases, Audit found the following anomalies:
  - (i) **No reason given for transfer from PFPP to TP status.** In 8 cases, the Specialists had marked words such as “transfer to TP” or “transfer to public patient” on the patient files of the PFPPs without giving any reasons for the transfers;
  - (ii) **No documentary instructions and reasons given for transfer.** In another 2 cases, the Specialists had neither given any instructions nor stated any reasons in the patient files for the transfers. Upon enquiry, the Accounts Office informed Audit that sometimes Specialists effected the transfers by informing the Accounts Office verbally, or sticking or clipping a small note in patient files. There were no written instructions in the patient files; and
  - (iii) **Transfer on financial grounds.** In the remaining 2 cases, the PFPPs requested the Specialists to transfer their patient status to TP because they could no longer afford the PFPP fees. The Specialists acceded to their requests. There was no indication in the patient files that the patients were suitable for teaching purpose.

3.25 While Specialists can exercise their discretion to effect transfer of a patient's status, as a matter of propriety, they should have stated the reasons for the transfer, including whether the patients were suitable for teaching purpose. However, in 10 of the 12 cases (see para. 3.24(c)), the Specialists had not done so. As regards the 2 cases of transfer on financial grounds, Audit notes that the PPDH has not set any policies or guidelines to govern the transfer of patients from PFPP to TP status for financial reasons.

#### *Audit recommendations*

3.26 **Audit has recommended that the PPDH should establish proper policies and guidelines to govern the transfer of patient status from PFPP to TP, including:**

- (a) **specifying the circumstances under which a transfer may be made; and**
- (b) **requiring the Specialists to state clearly in the patient files the reasons for the transfer, including whether and why the patients are suitable for teaching purpose.**

#### **Response from the PPDH**

3.27 The PPDH agrees with the audit recommendations. The **Director, PPDH** has said that the PPDH will consult the FOD in formulating policies and guidelines governing the transfer of patient status from PFPP to TP.

#### **Administration of Continuing Medical Education courses**

3.28 Since 2003, the FOD and the PPDH have been jointly running CME courses at the PPDH to provide continued education for qualified dentists in Hong Kong, Macau and overseas. The FOD initiates the courses, decides the course fees and invites speakers for the courses, while the PPDH is responsible for the administrative work (e.g. course coordination work, provision of course facilities and materials, and keeping of accounting records). The CME courses are run on a self-financing basis (i.e. they are not subsidised by the Government).

3.29 In 2003, the FOD and the PPDH reached a consensus that the latter would charge an administrative overhead at 20% of the surplus of the CME courses (with the balance of 80% earmarked for the FOD). In September 2006, this arrangement was formally approved by the Board. For 2007, the PPDH collected overhead charges of \$45,000 for providing administrative services to the courses held in the year.

3.30 A CME course has a surplus/deficit if the total course fees collected are more/less than the total course expenditure incurred. The total course expenditure comprises:

- (a) expense claims from the FOD (such expense claims include, for example, airfare and hotel accommodation expenses incurred by overseas speakers);
- (b) direct expenses incurred by the PPDH (e.g. bank charges for payments of course fees by credit cards, photocopying and stationery); and
- (c) charges for using the PPDH's facilities (e.g. air-conditioning and venues) for running the courses outside office hours.

### **Audit observations and recommendations**

3.31 From an examination of 14 major CME courses run during January 2007 to March 2008, Audit found that there were some anomalies in the PPDH's charging of expenditure against the courses. Very often, the PPDH would exercise discretion in determining the amount of an expenditure item to be borne by the courses, depending on the expected operating results of individual courses. For example, if a course was likely to incur a deficit, the PPDH would not charge the full amount of some relevant items against the course so that the course would at least break even. An example is shown below.

#### **Non-charging of expenses incurred by the PPDH**

1. A CME course was run on 4 March 2007 (Sunday). It has been the PPDH policy that there should be a charge for using the PPDH's facilities for running the CME courses outside office hours.
2. The professor of the FOD, responsible for organising the course, requested the PPDH to waive the air-conditioning and facility charges for the course. The PPDH agreed to waive the said charges (\$3,100). In addition, the PPDH did not charge the costs of refreshments, photocopying and stationery (\$482) against the course (instead, the amount of \$482 was charged against other CME courses).
3. In the event, the course had a surplus of \$131, out of which the PPDH received a 20% overhead charge of \$26.

*Source: PPDH records*

3.32 The PPDH's existing approach of charging expenditure against CME courses has the following limitations:

- (a) the true cost might not have been fully reflected in the operating results of individual courses (e.g. in the above example, the costs of refreshments, photocopying and stationery were charged against other CME courses);
- (b) some expenditure items that should have been charged against the CME courses might have been borne by the PPDH. A case in point is the air-conditioning and facility charges of \$3,100 mentioned in the above example which should have been charged against the course; and
- (c) the overhead charge (at 20% of surplus of the CME courses) might not have been determined on a reasonable basis. It was not related to the amount of administrative work carried out by the PPDH. For instance, in the above example, the PPDH collected overhead charges of only \$26, which could hardly cover its administrative services provided. In other words, the PPDH was subsidising the course with government subvention.

**Audit considers that the PPDH needs to review and improve its existing approach of charging expenditure against the CME courses. In addition, the PPDH needs to agree with the FOD on a proper methodology for recovery of overhead charges.**

3.33 In line with good management practices, the PPDH may consider:

- (a) requesting the FOD to provide a breakdown of the estimated expenses that it would claim for each CME course;
- (b) estimating the PPDH's direct expenses (e.g. bank charges and postage) for the course;
- (c) applying a standard overhead charge on the FOD's estimated expenses and the PPDH's direct expenses (or conducting a separate costing exercise to determine the overhead charge); and
- (d) informing the FOD about the total estimated cost that would be required to run the course. This would assist the FOD in determining the course fee to be charged.

In determining the amount of overhead charge, the PPDH may consider making reference to the government practice of charging administrative overhead (Note 9).

*Audit recommendations*

- 3.34 **Audit has recommended that the PPDH should:**
- (a) **in collaboration with the FOD, review and improve the existing approach of charging expenditure against the CME courses;**
  - (b) **revise the methodology for determining the overhead charges, including exploring the use of a standard overhead charge on the total cost of each CME course or conducting a separate costing exercise to determine the overhead charge; and**
  - (c) **seek the approval of the Board on the agreed approach and the methodology in (a) and (b) above.**

**Response from the PPDH**

3.35 The PPDH agrees with the audit recommendations. The Director, PPDH has said that the PPDH will further discuss with the FOD on formulating a mutually-agreed arrangement for running CME courses.

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**Note 9:** *According to the Financial and Accounting Regulations of the Government, an overhead charge is determined as follows:*

- (a) *if a job/service is of an estimated value below \$500,000, government departments may apply a standard overhead rate, or if they prefer, conduct an individual costing exercise to ascertain the overhead charge; and*
- (b) *if a job/service is of an estimated value of \$500,000 or above, government departments must conduct an individual costing to arrive at the appropriate overhead charge.*

## **PART 4: HUMAN RESOURCE MANAGEMENT**

4.1 This PART examines the human resource management of the PPDH.

### **Scope for improvement**

4.2 Audit examined the human resource practices of the PPDH, and found that there are areas where improvements can be made:

- (a) compilation of human resource manual (paras. 4.3 and 4.4);
- (b) recruitment of staff (paras. 4.7 to 4.19); and
- (c) staff training (paras. 4.22 to 4.27).

### **Compilation of human resource manual**

4.3 Over the years, the PPDH has issued a number of Staff Notices, Administrative Circulars and guidelines on operational procedures relating to human resource matters. However, it has not compiled a comprehensive manual to provide clear and coherent policy and guiding principles on human resource matters.

### **Audit observations and recommendations**

4.4 In December 2003, the Board endorsed a proposal to compile a comprehensive human resource manual for the PPDH (Note 10). The manual was scheduled to be completed by the end of 2004. However, up to mid-September 2008, the manual had still not been compiled. Audit considers that the PPDH needs to accord priority to producing a comprehensive human resource manual. Such a manual will not only facilitate easy reference by staff, but also help improve controls over the PPDH's human resource practices.

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**Note 10:** *The manual would cover topics such as staff recruitment, employment benefits, staff training and development, leave, code of conduct and other personnel matters.*



### *Audit recommendations*

4.5 Audit has *recommended* that the PPDH should take prompt action to produce a comprehensive human resource manual and issue it to staff for reference as early as possible.

### **Response from the PPDH**

4.6 The PPDH agrees with the audit recommendations. The Director, PPDH has said that the PPDH will set up a committee to look into the reasons for the delay in compiling the human resource manual and set up a timeline to produce it.

### **Recruitment of staff**

4.7 A good staff recruitment practice should involve publicising vacancies, shortlisting eligible candidates for interview, conducting interviews of the shortlisted candidates and recommending suitable candidates. The recruitment should also be conducted in a fair and transparent manner.

### **Audit observations and recommendations**

4.8 During January 2007 to April 2008, the PPDH recruited 38 staff (Note 11). From an examination of 11 recruitment exercises for the appointment of 21 staff, Audit has the observations in paragraphs 4.9 to 4.19.

### *Channels for publicising vacancies*

4.9 The PPDH largely follows the past practices in selecting the channels for publicising a vacancy. Such channels include the PPDH website, internal notice boards and local newspapers.

4.10 Audit examined the channels used by the PPDH to publicise its vacancies in the 11 recruitment exercises, and noted that there are lessons to be learnt in six exercises. Table 6 shows details of the six exercises.

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**Note 11:** *The 38 staff comprised 26 Junior Hospital Dental Officers, 5 Certificated Dental Surgery Assistants, 2 Laboratory Assistants, 1 Hospital Dental Officer, 1 Clerical Officer I, 1 Artisan, 1 Nursing and Infection Control Officer, and 1 part-time Radiographer.*

**Table 6**  
**Channels used for publicising vacancies**  
**(January 2007 to April 2008)**

Recruitment exercise	Post	Channels used for publicising vacancies		
		PPDH website	Internal notice board	Local newspaper
1	Clerical Officer I	Yes	Yes	Yes
2	Nursing and Infection Control Officer	Yes	Yes	Yes
3	Artisan	Yes	Yes	Yes
4	Laboratory Assistant	Yes	Yes	Yes
5	Certificated Dental Surgery Assistant	Yes	Yes	Yes
6	Hospital Dental Officer	Yes	Yes	No

Source: *Audit analysis of PPDH records*

4.11 Audit has found that:

- (a) besides its own website on the Internet, the PPDH should also use other popular recruitment websites in the territory to publicise its vacancies (Note 12); and
- (b) in Recruitment Exercise 6, the Hospital Dental Officer vacancy is a professional post which requires a qualified dentist qualification with at least three years' post-qualification experience. The PPDH only publicised the vacancy on its own website and internal notice boards. In the event, only two candidates applied for the post.

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**Note 12:** *Examples of such other popular websites include "Interactive Employment Service of the Labour Department", "JobsDB.com", "JobMarket online" and "Recruit".*

4.12 **To increase the likelihood of recruiting the most suitable candidates, Audit considers that the PPDH needs to publicise vacancies as widely as possible.** For example, in Recruitment Exercise 6, the PPDH could have publicised the vacancy in local newspapers and on recruitment websites.

#### *Records of recruitment*

4.13 To facilitate effective selection of suitable candidates, the PPDH sometimes shortlists candidates for interview. In 8 of the 11 recruitment exercises examined by Audit, the PPDH had shortlisted candidates for interview.

4.14 Audit review of the 8 recruitment exercises indicated that in 5 of them, the PPDH had not documented the shortlisting criteria and the reasons for not shortlisting a candidate for interview. **For fairness and transparency, Audit considers that the PPDH should keep proper and complete records of its recruitment exercises.**

#### *Use of telephone interview*

4.15 In recruitment exercises, the PPDH forms selection boards to select candidates, namely an interview board and an endorsement board. The interview board conducts face-to-face interviews with the candidates. It is required to record the performance of candidates during interviews on an assessment form, and make recommendations for appointment. The endorsement board reviews and endorses the recommendations of the interview board.

4.16 In recruiting the Hospital Dental Officer (see Recruitment Exercise 6 in Table 6), Audit noted that instead of holding a face-to-face interview, the PPDH conducted a telephone interview. Although the candidate was already working as a part-time lecturer in the FOD, Audit considers that he should have been asked to attend an interview. The use of telephone interview is not a good recruitment practice. **Given that a face-to-face interview can better assess the calibre and general qualities of a candidate, Audit considers that the PPDH should always conduct face-to-face interviews.**

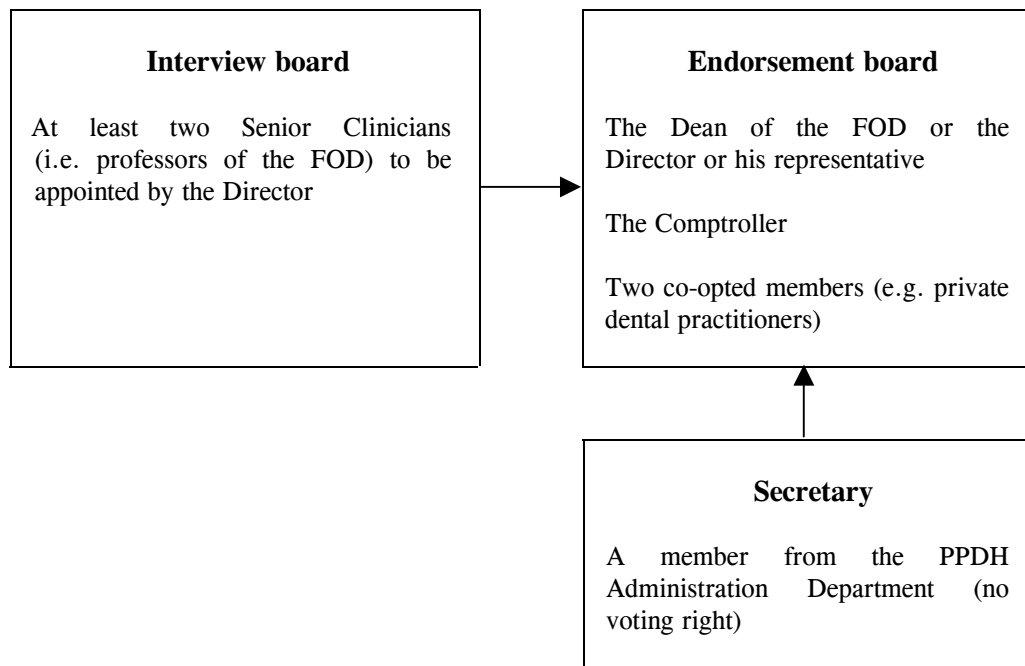
#### *Selection of Junior Hospital Dental Officers*

4.17 According to the PPDH, the recruitment of Junior Hospital Dental Officers (JHDOs) is targeted at its fresh graduates to enable them to acquire one-year post-qualification experience, so that they could get better prepared for a dental career. Prior to May 2004, the JHDOs were recruited directly by individual clinics (e.g. the Paediatric Dentistry and Orthodontics Clinic), and each clinic had its own selection board.

Since May 2004, the PG has required centralised recruitment of JHDOs by standard selection boards with composition as shown in Figure 2.

**Figure 2**

**Standard selection boards for recruiting JHDOs**



*Source: PPDH records*

4.18 Of the 11 recruitment exercises examined by Audit (see para. 4.8), 5 related to the recruitment of JHDOs. Audit found the following anomalies:

- (a) in all the five recruitment exercises, the endorsement board did not comprise any co-opted member and no member from the PPDH Administration Department was involved; and
- (b) while the recruitment of JHDOs is targeted at fresh graduates, in three (of the five) recruitment exercises, six PPDH postgraduate students were selected to work as JHDO for one or two half-day sessions per week. Unlike fresh graduates who had to attend interviews, no formal interview was conducted for the six postgraduate students. All of them were directly recommended to the selection boards by the senior clinicians who had offered them the postgraduate study places.

4.19 Audit considers that the PPDH needs to follow the May 2004 requirement of including co-opted members, and the member from its Administration Department in the selection boards.

*Audit recommendations*

4.20 **Audit has recommended that the PPDH should:**

*Channels for publicising vacancies*

- (a) **publicise vacancies as widely as possible;**
- (b) **consider using popular recruitment websites to publicise vacancies;**

*Records of recruitment*

- (c) **keep proper and complete records of recruitment exercises, including the shortlisting criteria and the reasons for not shortlisting a candidate for interview;**

*Use of telephone interview*

- (d) **always conduct face-to-face interviews;**

*Selection of JHDOs*

- (e) **always include co-opted members and the member from its Administration Department in the selection boards for recruiting JHDOs, so as to comply with its PG's May 2004 requirement; and**
- (f) **always conduct formal interviews for selecting candidates for JHDO posts on a level-playing field.**

**Response from the PPDH**

4.21 The PPDH agrees with the audit recommendations. The Director, PPDH has said that the PPDH will follow the practices Audit has recommended in future recruitment exercises. As for the recruitment of JHDOs, the PPDH will engage the relevant parties (such as the Government and the Hong Kong Dental Association) to explore the possibility of making a new requirement, whereby all fresh graduates in dentistry will have the same opportunity in gaining working experience in the PPDH for a year before permitting them to go for outside practice.

## Staff training

4.22 According to Staff Notice No. 5/2003 “*Regulations governing study leave and financial subsidy, staff training and development*” issued by the Comptroller in 2003, a PPDH staff may apply for a subsidy to attend a self-arranged course (i.e. a course that is not initiated by the PPDH). According to the Staff Notice, a self-arranged course should fall into **one** of the following three categories:

- (a) **Category I.** The course is directly relevant to the applicant’s duties or duties of a higher rank in his grade;
- (b) **Category II.** The course is of benefits to service or service need. The course under this category includes language courses (such as English and Putonghua), computer application courses, short courses on reception skills and telephone manners; or
- (c) **Category III.** The course enhances self-development, such as improving adaptability, creativity, abilities for communication, personal character, emotional qualities and analytical power or knowledge base.

4.23 An application for a self-arranged course subsidy should be sent to the Comptroller for approval before the course begins. If the application is approved, an applicant should apply for reimbursement of course fee upon satisfactory completion of the course. The subsidy is normally 50% of the course fee, subject to availability of funds. Full-pay study leave may also be granted to the applicant to attend the course, if the course is under Category I or II.

4.24 During 1 January 2007 to 30 April 2008, the PPDH approved 20 cases of self-arranged course fee reimbursement totalling \$13,000. They comprised fee reimbursement of Categories I, II and III courses. Examples of Category III courses (i.e. for enhancing self-development) included “*Drawing on the right side of the brain*”, “*Basic Korean*” and “*Advanced Course for French language*”.

## Audit observations and recommendations

4.25 Staff training is important. However, Audit could not find any documentary evidence suggesting that the PPDH’s existing system for approving and reimbursing fees of self-arranged courses has been endorsed by a proper authority, such as the EFC or the Board.

4.26 The Government has not set any specific rules governing staff training of a subvented organisation. However, when compared with the civil service, the existing reimbursement system adopted by the PPDH is in certain respects more favourable. Table 7 shows the differences.

**Table 7**  
**Reimbursement of self-arranged courses**

Civil service	PPDH
Only courses which are relevant to an individual's work ( <b>similar to Category I courses of the PPDH</b> ) may be approved.	<b>Categories I, II and III courses may be approved.</b>
Only <b>no-pay study leave</b> , if the course is relevant to duties of the staff or the work of the department, may be granted.	<b>Full-pay study leave</b> , if the course is directly relevant to the applicant's duties or duties of a higher rank in his grade, or is of benefits to service or service need, may be granted.

*Source: Civil Service Regulations and the PPDH records*

4.27 In considering the application for fee reimbursement of a Korean language course (see para. 4.24), the Director (while performing the duties of Comptroller) questioned the relevance of the course to the PPDH, and sought clarification from an Assistant Hospital Administrator. The Assistant Hospital Administrator explained that language courses attended by staff had always been approved in the past, and that it would be difficult to disapprove the Korean course application. The application for fee reimbursement was in the event approved.

***Audit recommendations***

4.28 **Audit has recommended that the PPDH should:**

- (a) **review whether the existing regulations governing study leave and financial subsidy for staff to attend self-arranged courses to enhance self-development need to be modified/elaborated; and**
- (b) **seek endorsement, if appropriate, from the EFC or the Board for the modified/elaborated regulations.**

## Response from the PPDH

4.29 The PPDH agrees with and will implement the audit recommendations in due course.



## **PART 5: STOCK MANAGEMENT**

5.1 This PART examines the stock management of the PPDH.

### **Stock management**

5.2 The Supplies Office of the PPDH is responsible for stock control, store management, and procurement of goods and services. It is headed by a Purchasing Officer who is supported by an Assistant Hospital Administrator and eight clerical staff. The Purchasing Officer is accountable to the Comptroller. As the post of Purchasing Officer was vacant during the course of audit, the Assistant Hospital Administrator took charge of the Supplies Office and reported directly to the Comptroller.

5.3 The PPDH's stock management practices are governed by the "*Guidelines on Purchasing and Supplies Procedures for Organisations Subvented by the Department of Health*" (Purchasing and Supplies Guidelines) issued in 1999. Although the FHB has taken over the control of the subvention to the PPDH from the Department of Health since 2002, the Purchasing and Supplies Guidelines continue to apply.

5.4 The Supplies Office keeps at its store stock of furniture, equipment and instruments (FEI) and consumables (e.g. dental materials and drugs) for issuing to 32 Units (e.g. clinics, laboratories and offices) of the PPDH. Table 8 shows the stock kept by the Supplies Office.

**Table 8**  
**Stock kept by Supplies Office**  
**(31 July 2008)**

<b>Stock</b>	<b>Number of items</b>	<b>Cost (\$'000)</b>
FEI	46,565	7,279
Consumables	668,173	4,114
<b>Total</b>	<b>714,738</b>	<b>11,393</b>

*Source: Audit analysis of PPDH records*

The Supplies Office performs annual stocktaking of its store. A team headed by the Hospital Administrator also conducts surprise inspections of the store.

### **Audit observations and recommendations**

#### *Control of stock level*

5.5 In order to avoid holding excessive, slow moving or dormant stock, the Purchasing and Supplies Guidelines recommend that the PPDH should fix the minimum/maximum stock levels for each type of stock items.

5.6 To ascertain whether the PPDH has properly controlled its stock level, Audit conducted an ageing analysis of all the stock items kept at the store of the Supplies Office. Table 9 shows the results of the audit analysis.

**Table 9**  
**Ageing analysis of stock items**  
**(31 July 2008)**

Number of years since date of purchase	Number of items  (a)	Number of items as percentage of total number of items  (b)	Cost (\$'000)  (c)	Cost in (c) as percentage of total cost  (d)
<b><i>FEI</i></b>				
≤1	273	0.6%	560	7.7%
> 1 to 2	120	0.3%	404	5.5%
> 2 to 5	216	0.5%	211	2.9%
> 5 to 9	768	1.6%	676	9.3%
>9 (Notes 1 and 2)	<b>45,188</b>	<b>97.0%</b>	<b>5,428</b>	<b>74.6%</b>
<b>Total</b>	46,565	100%	7,279	100%
<b><i>Consumables</i></b>				
≤1	289,440	43.3%	1,758	42.7%
> 1 to 2	15,273	2.3%	261	6.3%
> 2 to 5	50,262	7.5%	280	6.8%
> 5 to 9	4,185	0.6%	130	3.2%
>9 (Notes 1 and 3)	<b>309,013</b>	<b>46.3%</b>	<b>1,685</b>	<b>41.0%</b>
<b>Total</b>	668,173	100%	4,114	100%

*Source: Audit analysis of PPDH records*

*Note 1: The stock recording system installed in 1999 did not record the purchase dates of these pre-1999 stock items. As a result, no ageing analysis of stock items purchased before 1999 could be conducted.*

*Note 2: An example of FEI held over 9 years is “KaVo Contra Angle Handpiece” (see Photograph 3).*

*Note 3: An example of consumables held over 9 years is “Point Rubber” (see Photograph 4).*

### Photograph 3

#### An FEI item purchased over 9 years ago

Item name: “KaVo” Contra Angle Handpiece  
Unit cost: \$3,092  
Number of items in stock (as at 31 July 2008): 55  
Total cost: \$170,060 ( $\$3,092 \times 55$ )



*Source:* Photograph taken by Audit

*Note:* The FEI item is for performing dental treatment such as screwing in the implants.

### Photograph 4

#### A consumable purchased over 9 years ago

Item name: Point Rubber  
 Unit cost: \$32.5  
 Number of items in stock (as at 31 July 2008): 987  
 Total cost: \$32,078 ( $\$32.5 \times 987$ )



*Source:* Photograph taken by Audit

*Note:* The consumable is for polishing dental alloys.

5.7 In response to audit enquiry, the Assistant Hospital Administrator in charge of the Supplies Office said that since he took up his post two years ago, the Supplies Office had strictly followed the recommended stock replenishment practices laid down in the Purchasing and Supplies Guidelines (Note 13). Nevertheless, the Supplies Office had not taken actions to review if any of the stock items in hand had become obsolete and to clear the idle stock items.

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**Note 13:** *In 2007-08, the PPDH spent some \$13 million on purchasing FEI and consumables (i.e. about \$1 million per month). As at 31 July 2008, FEI of \$0.56 million and consumables of \$1.76 million were kept at the store for less than one year (see Table 9). The total amount of \$2.32 million represented about two months' store purchase, which appears reasonable.*

- 5.8 **To rectify the situation, Audit considers that the PPDH needs to:**
- (a) **carry out a comprehensive review to ascertain which stock items are still usable and which have already become obsolete;**
  - (b) **compile a list of stock items that are still usable and draw Units' attention for using them with priority; and**
  - (c) **consider ways to dispose of the surplus-to-requirement stock items.**

*Annual checking of FEI held by PPDH Units*

5.9 The Supplies Office is responsible for issuing FEI to PPDH Units. According to its inventory records, as at 31 July 2008, the Units held a total of 84,555 items of FEI at a cost of \$64.8 million.

5.10 The Purchasing and Supplies Guidelines require the Supplies Office to check, at least annually, the FEI held by Units against its inventory records. To meet this requirement, the Supplies Office conducts an annual inventory reconciliation exercise. The reconciliation procedures are as follows:

- (a) the Supplies Office prepares and the Comptroller issues to each of the Units an "inventory report" listing out all the FEI kept by the Unit (according to the Supplies Office's inventory records);
- (b) the Unit is required to check the FEI listed in the inventory report against its physical FEI stock. If discrepancies are found, the Unit should conduct a preliminary investigation and report them in a proforma "discrepancy report" provided by the Supplies Office. The Unit should then return the completed inventory and discrepancy reports (reconciliation reports) to the Comptroller;
- (c) after receiving the reconciliation reports from the Units, the Comptroller passes them to the Supplies Office to conduct an overall reconciliation and to investigate the discrepancies; and
- (d) if, after investigation, a loss or deficiency is found, the Supplies Office takes action to recover the amounts of money due from the holders or users of the FEI, or to initiate write-off action in accordance with the proper authorities.

5.11 **Reconciliation reports not returned by PPDH Units.** Audit examined the reconciliations performed by the Supplies Office for 2005 to 2007. Audit noted that in the reconciliation exercises for these three years, 6 to 8 PPDH Units did **not** return their reconciliation reports to the Supplies Office (see Table 10).

**Table 10**

**Return of reconciliation reports by PPDH Units  
(2005 to 2007)**

<b>Year</b>	<b>Number of Units that had returned reports</b>	<b>Number of Units that had <i>not</i> returned reports</b>	<b>Total number of Units (Note)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c) = (a) + (b)</b>
2005	26	6	32
2006	25	6	31
2007	23	8	31

*Source: Audit analysis of PPDH records*

*Note: Due to regrouping of the Units from time to time, the total number of Units varied. As at 31 July 2008, there were 32 Units.*

The **unreturned** reconciliation reports in the 2006 and 2007 reconciliation exercises each involved over 30,000 FEI items of over \$20 million. The position deteriorated in 2006 and 2007 (see Table 11).

**Table 11**

**Number and cost of FEI in unreturned reconciliation reports  
(2005 to 2007)**

<b>Year</b>	<b>Number of FEI</b>	<b>Cost (\$'000)</b>
2005	12,714	8,907
2006	30,902	24,899
2007	35,247	26,340

*Source: Audit analysis of PPDH records*

In terms of cost, the FEI involved in the 2007 unreturned reconciliation reports (\$26.3 million) represented 41% of FEI held by all PPDH Units as at 31 July 2008 (\$64.8 million — Note 14).

5.12 Although the Units did not return their reconciliation reports, there was no written record indicating that the Supplies Office had taken follow-up actions. As explained by Supplies Office staff to Audit in September 2008, they had verbally reminded the Units to return the reports.

5.13 *No follow-up of discrepancies reported in reconciliation exercises.* As for the reconciliation reports returned (see column (a) in Table 10), some Units had reported discrepancies in such reports (see Appendix F). Some of the FEI had been repeatedly reported as missing by the Units in all the three reconciliation exercises, including three FEI items at total costs of \$53,700. Despite the discrepancies, there was no evidence that the Supplies Office had investigated the reasons for the discrepancies, or attempted to locate the FEI.

5.14 *Surprise stock checks on FEI held by PPDH Units.* The Supplies Office has relied on the FEI information reported by the Units without conducting any verification. There is a need for the Supplies Office to conduct surprise checks on the FEI held by Units.

5.15 *Overall stock review.* The Supplies Office has relied solely on the reconciliation exercise as a means of control over the FEI stock held by the PPDH Units. However, in the past, the reconciliation exercises had not been entirely effective in managing the FEI stock, as some Units did not return their reconciliation reports and the Supplies Office did not follow up on the discrepancies reported. **To ensure proper stock control and to safeguard the assets of the PPDH, Audit considers that the PPDH needs to conduct a thorough verification of stock held by the PPDH Units in its future reconciliation exercises.**

5.16 In forthcoming exercises, the PPDH needs to take steps to ensure that:

- (a) the Units will timely complete and return the reconciliation reports to the Supplies Office;
- (b) discrepancies reported by Units will be properly followed up; and
- (c) surprise stock checks will be conducted.

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**Note 14:** *Audit used the figure as at 31 July 2008 (\$64.8 million — see para. 5.9) because the Supplies Office could not work back the value of the stock figure as at 31 July 2007.*



*Checking of consumables held by PPDH Units*

5.17 From time to time, upon Units' requisition, the Supplies Office issues consumables to them. In 2007-08, the Supplies Office issued 1.8 million items of consumables with a cost of \$12 million to 32 Units.

5.18 PPDH Units (such as the DTU, and the Paediatric Dentistry and Orthodontics Clinic) have maintained a ledger recording the movement of consumables, covering the receipt of these consumables from the Supplies Office, their usage and balances. Owing to the large varieties and quantities of consumables, they recorded the movements of higher-valued items only. For example, the DTU has recorded the movements of those dental alloys which are costly (such as platinum — used for implanting dentures).

5.19 Audit notes that the Supplies Office has not conducted any stock checks of consumables held by Units. Some of these consumables are of high value. For example, Audit found in a stock check of the DTU's store that some 3,400 grams of dental alloys (at a cost of \$0.6 million) were kept.

5.20 To ensure proper stock control, Audit considers that the PPDH needs to conduct annual and surprise stock checks of consumables held at Units, particularly those that keep valuable consumables.

*Audit recommendations*

5.21 **Audit has recommended that the PPDH should:**

*Control of stock level*

- (a) **carry out a comprehensive review to ascertain which old stock items are still usable and which have already become obsolete;**
- (b) **compile a list of old stock items that are still usable and urge PPDH Units to use them with priority;**
- (c) **consider ways to dispose of the surplus-to-requirement stock items;**

*Annual checking of FEI held by PPDH Units*

- (d) ensure that PPDH Units timely complete and return their reconciliation reports to the Supplies Office;
- (e) take appropriate follow-up actions on the discrepancies reported by Units in the reconciliation reports;
- (f) conduct surprise stock checks on FEI held by Units; and

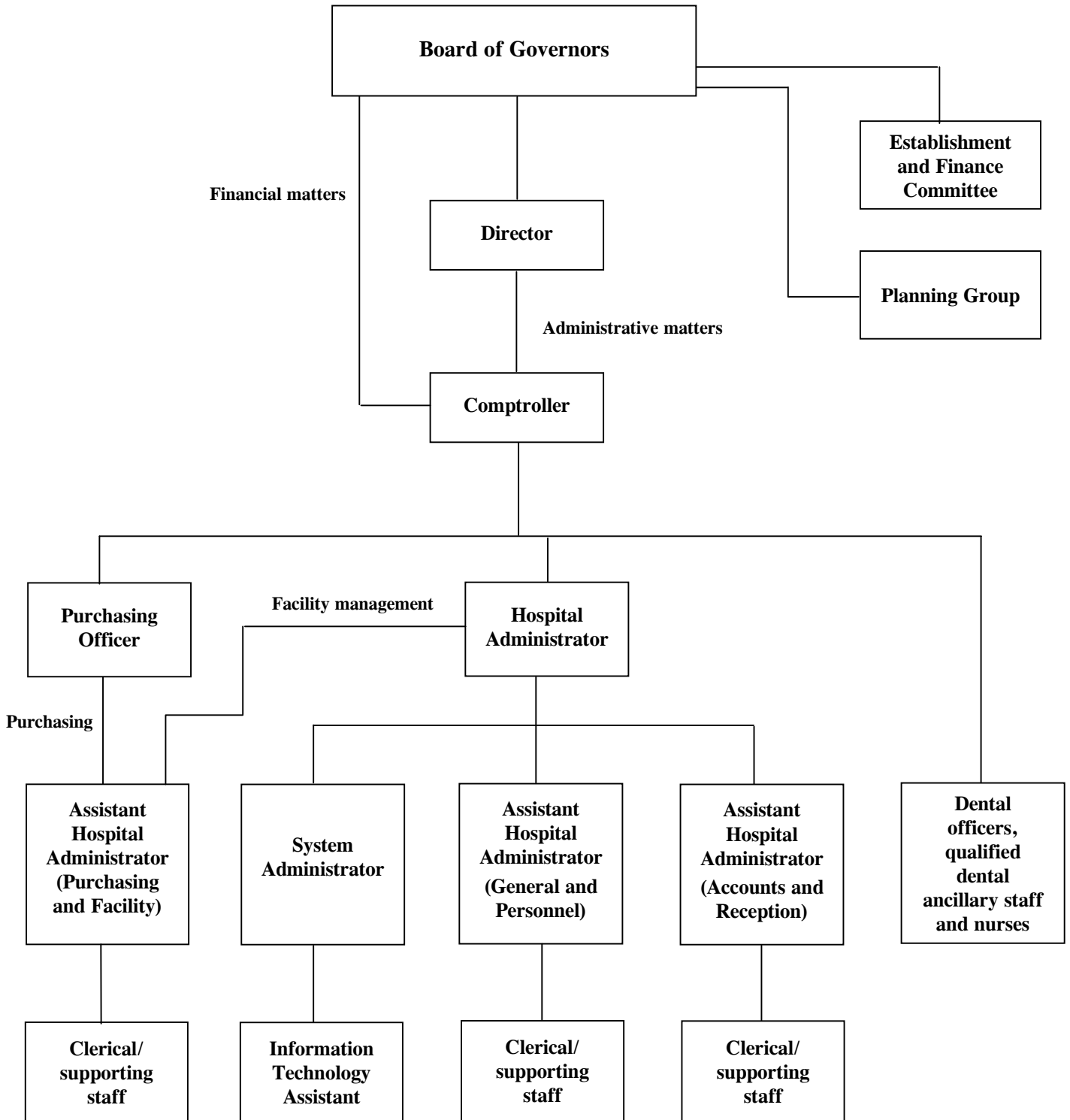
*Checking of consumables held by PPDH Units*

- (g) conduct annual and surprise stock checks of consumables at Units, particularly those Units that keep valuable consumables.

**Response from the PPDH**

5.22 The PPDH agrees with the audit recommendations. The Director, PPDH has said that the PPDH will review its procurement procedures so as to ensure that there is no wastage and stock will be kept in a reasonable manner.

PPDH organisation chart  
 (31 March 2008)



Source: PPDH records

**Power of the Board of Governors**

Under the PPDH Ordinance, the Board may, among other things:

- (a) acquire, take on lease, purchase, hold and enjoy any property and sell, let or otherwise dispose of the same;
- (b) enter into any contract;
- (c) erect, provide, equip, maintain, keep in repair and regulate the buildings, premises, furniture and equipment and all other means necessary for carrying on the work of the PPDH;
- (d) fix and collect fees and charges payable by patients and other persons for the facilities and services provided by the PPDH;
- (e) reduce, waive or refund fees and charges so fixed generally or in any particular case or class of case;
- (f) approve the expenditure of the funds of the PPDH in the furtherance of its objects;
- (g) with the prior approval of the Financial Secretary, invest the funds of the PPDH in such manner and to such extent as it thinks fit;
- (h) with the prior approval of the Financial Secretary, borrow moneys in such manner and on such securities or terms as it thinks fit;
- (i) apply for any grant in aid for its functions on such conditions as it thinks fit;
- (j) employ any professional or expert person to advise it on any matter arising out of or in connexion with any of its functions under the PPDH Ordinance; and
- (k) receive gifts and donations on behalf of the PPDH.

*Source: PPDH Ordinance*

**Average capacity utilisation rates and student completion rates  
(academic years 2005-06 to 2007-08)**

Students	2005-06 (Actual)	2006-07 (Actual)	2007-08 (Revised estimate)	Average
<i>Capacity utilisation rate of dental ancillary students of the PPDH</i>				
Dental technician	86%	79%	89%	85%
Dental surgery assistant	76%	83%	97%	85%
Dental hygienist	100%	100%	97%	99%
<b>Overall average:</b>				<b>90%</b>
<i>Completion rate of dental ancillary students of the PPDH</i>				
Dental technician	87%	91%	81%	86%
Dental surgery assistant	82%	88%	79%	83%
Dental hygienist	81%	71%	81%	78%
<b>Overall average:</b>				<b>82%</b>
<i>Capacity utilisation rate of dental degree students of the FOD</i>				
Undergraduate	100%	100%	100%	100%
Postgraduate	100%	100%	100%	100%
<b>Overall average:</b>				<b>100%</b>
<i>Completion rate of dental degree students of the FOD</i>				
Undergraduate	100%	100%	100%	100%
Postgraduate	94%	97%	99%	97%
<b>Overall average:</b>				<b>99%</b>

Source: COR of the FHB

**Key provisions of the Notes for Guidance on Food and Health Bureau's authority**

Under the Notes for Guidance, the Permanent Secretary for Food and Health (Health), who is the designated Controlling Officer of government subvention to the PPDH, shall, among other things:

- (a) have the right to be formally represented on the Board of the PPDH;
- (b) exercise control over subvented funds through her day-to-day dealings with the PPDH;
- (c) require the submission of financial and accounting returns, forecasts and reports from PPDH in such formats and at such intervals as she may specify;
- (d) have the right to modify, adjust, or change the budget of the PPDH;
- (e) require the PPDH to keep separate records for subvented and non-subvented activities;
- (f) require the PPDH to draw up, to her satisfaction, guidelines and procedures for the Board to discharge its functions;
- (g) have the right of access to records and accounts of the subvented activities and require an explanation of any matters relating to the receipt, expenditure or custody of any money derived from public funds; and
- (h) declare offending expenditure as inadmissible for subvention purposes if there is a non-compliance by the PPDH with the laid down requirements.

*Source: FHB records*

**Board-approved fees schedule  
 (31 July 2008)**

<b>Type of fee (Note)</b>	<b>Teaching patient</b>	<b>Private fee paying patient</b>
Attendance fee	\$45 per attendance	N.A.
Treatment fee	N.A.	\$300 to \$120,000
Dental appliance (e.g. dentures)	\$90 to \$7,500	\$30 to \$9,220
Material (e.g. implants, mini screws, mini bone plates, and drugs)	Actual cost of materials purchased from outside suppliers directly	Actual cost of materials purchased from outside suppliers directly, plus 20% overhead charge
Radio-diagnostic services/ Computer Tomographic Scan	Covered by attendance fee	\$100 to \$7,500
Dental hygienist treatment fee	Covered by attendance fee	\$400 to \$800

*Source: PPDH records*

*Note: Detailed breakdowns of each type of fees are not shown.*

**Discrepancies reported in reconciliation reports of PPDH Units  
(2005 to 2007)**

Year	Physical FEI in existence (but not listed in inventory records of Supplies Office)		Physical FEI <i>not</i> in existence (but listed in inventory records of Supplies Office)	
	Number of FEI	Cost (\$'000)	Number of FEI	Cost (\$'000)
2005	202	72	850	1,186
2006	191	17	2,275	503
2007	147	39	1,061	299

*Source: Audit analysis of PPDH records*



**Acronyms and abbreviations**

Audit	Audit Commission
Board	Board of Governors
CME	Continuing Medical Education
COR	Controlling Officer's Report
DHIS	Dental Health Information System
DTU	Dental Technology Unit
EFC	Establishment and Finance Committee
FEI	Furniture, equipment and instruments
FHB	Food and Health Bureau
FOD	Faculty of Dentistry
FSA	Funding and service agreement
FSTB	Financial Services and the Treasury Bureau
HKU	University of Hong Kong
HWFB	Health, Welfare and Food Bureau
JHDOs	Junior Hospital Dental Officers
MAA	Memorandum of Administrative Arrangements
PFPPs	Private fee paying patients
PG	Planning Group
PPDH	Prince Philip Dental Hospital
TPs	Teaching patients