

CHAPTER 1

Home Affairs Department

<p>Control and monitoring of District Council expenses and related activities</p>
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**Audit Commission
Hong Kong
23 October 2004**

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.

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CONTROL AND MONITORING OF DISTRICT COUNCIL EXPENSES AND RELATED ACTIVITIES

Contents

	Paragraph
PART 1: INTRODUCTION	1.1
Background	1.2 – 1.11
Remuneration package of District Council Members	1.12 – 1.13
District Council activities	1.14 – 1.15
Audit review	1.16 – 1.17
General response from the Administration	1.18
Acknowledgement	1.19
PART 2: TAX DEDUCTION ON 50% OF THE HONORARIUM FOR DISTRICT COUNCIL MEMBERS	2.1
Honorarium for District Council Members	2.2 – 2.3
Tax deduction on 50% of the District Council Members' honorarium	2.4
Office Rental Allowance	2.5 – 2.8
Accountable Allowance to replace the Office Rental Allowance	2.9 – 2.10
Establishment of the Independent Commission on Remuneration for Members of the District Councils	2.11 – 2.13
<i>Audit observations</i>	2.14 – 2.15
<i>Audit recommendations</i>	2.16
Response from the Administration	2.17 – 2.18

	Paragraph
PART 3: ALLOWANCE AND GRANT FOR DISTRICT COUNCIL MEMBERS	3.1
Reimbursement of expenses to District Council Members	3.2 – 3.3
Guidelines on reimbursement of expenses to District Council Members	3.4 – 3.5
<i>Audit observations</i>	3.6 – 3.17
<i>Audit recommendations</i>	3.18
Response from the Administration	3.19
 PART 4: USE OF DISTRICT COUNCIL FUNDS FOR THE MINOR ENVIRONMENTAL IMPROVEMENT PROJECTS	 4.1
District Council funds spent on the Minor Environmental Improvement projects	4.2
Control over the use of District Council funds for the Minor Environmental Improvement projects	4.3
Implementation of the Minor Environmental Improvement projects	4.4
<i>Audit observations</i>	4.5 – 4.20
<i>Audit recommendations</i>	4.21
Response from the Administration	4.22
 PART 5: SUBMISSION OF ANNUAL DISTRICT PLANS	 5.1
Consultation with the District Councils by government departments	5.2 – 5.4
Submission of annual district plans by government departments	5.5 – 5.6
Home Affairs Department’s survey on the submission of annual district plans by core departments	5.7 – 5.8
Audit survey on the submission of annual district plans by core departments	5.9

	Paragraph
<i>Audit observations</i>	5.10 – 5.13
<i>Audit recommendations</i>	5.14
Response from the Administration	5.15
PART 6: DISTRICT COUNCIL HOMEPAGES	6.1
Establishment of District Council Homepages	6.2 – 6.3
Guidelines on Dissemination of Information through Government Homepages	6.4
Requests for improvement work on District Council Homepages	6.5 – 6.7
<i>Audit observations</i>	6.8 – 6.18
<i>Audit recommendations</i>	6.19
Response from the Administration	6.20 – 6.21
	Page
Appendices	
A : Distribution of seats for District Council Members by district (2004-07 District Council term)	48
B : List of reimbursable items under the Accountable Allowance/ Operating Expenses Allowance	49 – 50
C : Procedures for processing applications for reimbursement of Operating Expenses Allowance and Information Technology and Other Support Grant for District Council Members	51
D : Non-reimbursable items under the Operating Expenses Allowance for District Council Members (2004-07 District Council term)	52

	Page
Appendices	
E : Audit findings on reimbursements of the Operating Expenses Allowance and the Information Technology and Other Support Grant to District Council Members (January 2002 to March 2004)	53 – 56
F : Examples of permitted Minor Environmental Improvement projects	57
G : District Council funds used by District Offices for grass cutting (2002-03 and 2003-04)	58
H : List of core departments identified by the 18 District Offices	59 – 60
I : Home Affairs Department’s survey on the submission of annual district plans by core departments (21 November 2001 to 10 July 2003)	61
J : Audit survey on the submission of annual district plans by core departments (January 2002 to June 2004)	62
K : Audit survey on action taken by the 18 District Offices for the submission of annual district plans by core departments	63
L : Comparison of information provided on the 18 District Council Homepages (May 2004)	64
M: Non-compliance with the Government Homepage Guidelines (May 2004)	65 – 66
N : Acronyms and abbreviations	67

PART 1: INTRODUCTION

1.1 This PART describes the background to the audit on the control and monitoring of District Council (DC — Note 1) expenses and related activities.

Background

1.2 The District Administration Scheme commenced in 1982 with the establishment of a District Board (now a DC) and a District Management Committee in each district in Hong Kong. The main objectives of the Scheme are:

- (a) to ensure that public facilities and services are provided efficiently and effectively at the district level;
- (b) to promote public participation in district affairs; and
- (c) to ensure that public opinions are effectively channelled to the Government and the Government is responsive to district needs and problems.

1.3 The Home Affairs Department (HAD) is responsible for the District Administration Scheme. In 2003-04, the expenditure for this programme area was \$517 million.

Role and main functions of the District Councils

1.4 As at 1 January 2004, there were 18 DCs with 529 seats. There were 400 elected Members, 102 Members appointed by the Chief Executive and 27 ex-officio Members (i.e. Chairmen of the Rural Committees in the New Territories). The distribution of seats for DC Members by district for the 2004-07 DC term is shown in Appendix A.

1.5 The DCs advise the Government on district matters and monitor the delivery of municipal services. They play an essential advisory role on district matters and issues. Departments may act on their advice and keep them informed of government policies and

Note 1: *Prior to 1 July 1997, a DC was known as a District Board. From 1 July 1997 to 31 December 1999, the District Boards were replaced by the Provisional District Boards. On 1 January 2000, the DCs were established to replace the Provisional District Boards.*

programmes in general and, more specifically, of the work of departments in the district and matters that are likely to affect the well-being of the people living and working within a district.

1.6 The main functions of the DCs are:

- (a) to advise the Government on:
 - (i) matters affecting the well-being of the people in the district;
 - (ii) the provision and use of public facilities and services within the district;
 - (iii) the adequacy and priorities of government programmes for the district; and
 - (iv) the use of public funds allocated to the district for local public works and community activities; and
- (b) to undertake community activities, environmental improvements, and promotion of recreational and cultural activities within the district.

District Management Committees

1.7 Operating in parallel with the DCs are District Management Committees which provide a forum for core government departments serving the district to discuss and resolve district issues. The core departments include the Buildings Department, the Civil Engineering and Development Department (the then Territory Development Department), the Department of Health, the Education and Manpower Bureau, the Food and Environmental Hygiene Department, the HAD, the Hong Kong Police Force, the Housing Department, the Lands Department, the Leisure and Cultural Services Department, the Planning Department, the Social Welfare Department and the Transport Department. A District Management Committee is chaired by a District Officer (see para. 1.11).

1.8 To enhance communication between the District Management Committee and the DC, the DC Chairman and Vice Chairman attend the District Management Committee meetings as members. Starting from March 2002, the Chairmen of Committees formed under the DC may also attend District Management Committee meetings to discuss district issues.

Other district organisations

1.9 Area committees (Note 2) are also formed in districts to advise District Officers on matters relating to the local communities (including helping organise community activities and promoting government campaigns). In addition, many mutual aid committees (Note 3) and owners' corporations (Note 4) provide an extensive network of communication between the Government and the grassroots throughout the territory.

District Offices

1.10 The HAD's responsibilities for district administration are discharged primarily through its 18 District Offices (DOs) covering the whole territory. The DOs play liaison roles with all local organisations (such as area committees, mutual aid committees and owners' corporations). The DOs are also tasked:

- (a) to organise and coordinate activities/projects and campaigns; and
- (b) to collect and assess public opinion on government policies.

Role of the District Officers

1.11 As the Government's representative at the district level, the District Officer:

- (a) has the responsibility of overseeing directly the operation of the District Administration Scheme in the district and the execution of district programmes, ensuring that the advice of the DC is properly followed up, and promoting residents' participation in district affairs;

Note 2: *The functions of an area committee are to encourage public participation in district affairs, to advise on and assist in the organisation of community involvement activities and the implementation of government-sponsored initiatives, and to advise on issues of a localised nature affecting the area.*

Note 3: *The primary functions of a mutual aid committee are to promote a sense of friendliness, mutual help and responsibility among members, and better security, a better environment and more effective management within the building. These committees provide a two-way communication channel between the Government and the residents on matters affecting the well-being of the individual and the community, and opportunities for residents to participate in community activities.*

Note 4: *An owners' corporation is a legal entity formed under the Building Management Ordinance (Cap. 344) by the owners of a private building. These corporations are statutory bodies vested with certain legal powers to facilitate the management of a building. Most of them were formed with the assistance of District Offices.*

- (b) has the duty to ensure that district problems are resolved promptly through inter-departmental consultation and cooperation;
- (c) plays an active role in lobbying support from the DC for government policies and programmes; and
- (d) acts as a link between the DC and government departments, and serves as a mediator between them when problems arise.

Remuneration package of District Council Members

1.12 To enhance the role of the DC in district administration, financial support is given to DC Members in the form of a remuneration package. The existing remuneration package of DC Members includes:

- (a) a monthly honorarium of \$16,690, \$25,040 and \$33,380 for each DC Member, Vice Chairman and Chairman respectively. The ratio of the honorarium for each DC Member to Vice Chairman and Chairman is 1 : 1.5 : 2;
- (b) an annual provision of Operating Expenses Allowance (OEA) of \$192,120 (i.e. \$16,010 per month), reimbursable on production of certified receipts to meet expenses incurred wholly and necessarily for discharging DC duties; and
- (c) a one-off Information Technology and Other Support Grant (ITOSG) of up to \$10,000 for the 2004-07 DC term, reimbursable on production of certified receipts to help DC Members equip their ward offices with basic information technology and other necessary equipment and facilities.

1.13 The revisions of the rates of the honorarium and the OEA are based on the movement of the Consumer Price Index (CPI(A) — Note 5). Due to deflation, since 1999, downward adjustments of the monthly honorarium have been made. There is also a downward adjustment of the OEA in 2004. The total remuneration payable to all DC Members in 2004 is about \$211 million. The monthly honorarium, the monthly OEA and the ITOSG for each DC Member for the years from 1982 to 2004 are shown in Table 1.

Note 5: *The CPI(A) is compiled by the Census and Statistics Department to reflect the impact of consumer price changes on households in the monthly expenditure range of \$4,200 to \$17,000 at 2003 prices.*

Table 1

Monthly honorarium, monthly Operating Expenses Allowance and Information Technology and Other Support Grant for each District Council Member (1982 to 2004)

Effective date	Monthly honorarium	Monthly Operating Expenses Allowance (Note 1)		Information Technology and Other Support Grant (Note 2)
		Office rental	Office rental and staff expenses	
		(\$)	(\$)	
April 1982	2,000	-	-	-
April 1985	3,500	-	-	-
October 1986	6,000	-	-	-
October 1987	6,400	-	-	-
October 1988	7,100	-	-	-
October 1989	8,550	-	-	-
October 1990	9,850	-	-	-
October 1991	10,900	-	-	-
October 1992	11,950	-	-	-
October 1993	13,120	-	-	-
October 1994	14,430	-	-	-
October 1995	15,800	-	-	-
April 1996	15,800	4,500	-	-
October 1996	16,970	4,500	-	-
April 1997	16,970	4,800	-	-
October 1997	17,990	4,800	-	-
April 1998	17,990	5,080	-	-
October 1998	18,870	5,080	-	-
April 1999	18,870	4,990	-	-
October 1999	18,190	4,990	-	-
January 2000	18,190	-	10,000	-
January 2001	17,950	-	10,000	-
December 2001	17,950	-	17,000	} 10,000
January 2002	17,730	-	17,000	
January 2003	17,000	-	17,000	
January 2004	16,690	-	16,010	10,000

Source: HAD records

Note 1: Prior to 1 January 2000, the monthly allowance was known as the Office Rental Allowance. From 1 January 2000 to 31 May 2002, the Office Rental Allowance was replaced by the Accountable Allowance. On 1 June 2002, the Accountable Allowance was renamed as the OEA.

Note 2: This is a one-off grant with effect from December 2001 for each DC term.

District Council activities

1.14 DC funds are made available to the DCs to help the Government promote various initiatives in the districts. The DCs organise many activities and subsidise a wide range of activities run by local organisations to cultivate community spirit and a sense of belonging within the district. The DCs also help the HAD identify necessary minor works in the urban and rural districts and they use DC funds, among other things, to carry out Minor Environmental Improvement (MEI) projects to improve the living environment and quality of life of the local community.

1.15 To keep the DCs in the best position to advise the Government on how the needs and concerns of the local community can be met, DC Members have to keep close contact with the various sectors of the community. In this connection, the HAD Headquarters has developed a standard homepage platform for each DC to establish a DC Homepage to disseminate district-related information to the public.

Audit review

1.16 The Audit Commission (Audit) has recently conducted a review on the control and monitoring of DC expenses and related activities. The audit has focused on the following areas:

- (a) tax deduction on 50% of the honorarium for DC Members (PART 2);
- (b) allowance and grant for DC Members (PART 3);
- (c) use of DC funds for the MEI projects (PART 4);
- (d) submission of annual district plans (PART 5); and
- (e) DC Homepages (PART 6).

1.17 In carrying out the audit review, Audit examined the records and interviewed the staff of the HAD. Audit has found that there is room for improvement in the control and monitoring of DC expenses and related activities. Audit has made a number of recommendations to address the issues.

General response from the Administration

1.18 The **Director of Home Affairs** has said that she appreciates the audit findings and will critically consider the various audit recommendations for implementation where appropriate. The **Secretary for Home Affairs** has said that he has nothing further to add to the comments made by the Director of Home Affairs.

Acknowledgement

1.19 Audit would like to acknowledge with gratitude the full cooperation of the staff of the HAD during the course of the audit review.

PART 2: TAX DEDUCTION ON 50% OF THE HONORARIUM FOR DISTRICT COUNCIL MEMBERS

2.1 This PART examines the tax deduction on 50% of the honorarium for DC Members and illustrates the need to review the tax deduction.

Honorarium for District Council Members

2.2 In mid-1981, upon the setting up of the DCs, a proposal was submitted to the Finance Committee of the Legislative Council (LegCo) for the payment of an allowance to DC Members. The proposal took into account the following issues:

- (a) **General principles.** In July 1980, the Government agreed that the compensation for unofficial members (i.e. non-government members) serving on advisory boards and committees was intended for the less well-paid who could least afford to forgo their earnings;
- (b) **Compensation for time spent.** An allowance should be payable to DC Members to compensate them for time spent on DC business;
- (c) **DC business.** Regarding the rate of allowance, it was estimated that a DC Member would spend at least two to four hours a week at meetings of the DC or of its sub-committees. In addition, DC Members would also spend time on site visits and other DC activities (such as meeting district residents and collecting views on district problems);
- (d) **Flat rate on claim basis.** For administrative convenience, it was not proposed to assess the loss of earnings on an individual basis. The allowance was payable at a monthly flat rate of \$2,000. It was up to individual DC Members to express their wish to make a claim, in full or in part, for this honorarium; and
- (e) **Taxation.** The allowance was non-accountable but taxable in that it was up to DC Members receiving the allowance to convince the Commissioner of Inland Revenue to agree to deduct expenses for tax purposes.

2.3 In July 1981, the Finance Committee accepted the proposal to pay, upon claim, an honorarium of \$2,000 a month to DC Members with effect from 1 April 1982. Thereafter, revisions of the rates of the honorarium have been made based on the movement

of the CPI. The current rate of honorarium for each DC Member, effective from January 2004, is \$16,690 a month (see Table 1 of para. 1.13).

Tax deduction on 50% of the District Council Members' honorarium

2.4 Before commencement of payment of the honorarium in April 1982, the advice of the Commissioner of Inland Revenue was sought on the taxation matters relating to the honorarium. The Commissioner of Inland Revenue informed the HAD that the honorarium payable to a DC Member was, for tax purposes, regarded as an income from office held and as such it would attract Salaries Tax under the provisions of the Inland Revenue Ordinance (IRO — Cap. 112). However, expenses wholly, exclusively and necessarily incurred in the production of income chargeable to tax could be claimed under section 12(1)(a) of the IRO. To obviate detailed examination of such expenses claims, the Commissioner of Inland Revenue was prepared to allow one half (i.e. \$1,000 per month in 1982) of the honorarium, without query, as a deductible expense under section 12(1)(a). If any DC Member incurred more than \$1,000 per month by way of expenditure of the sort envisaged by section 12(1)(a), he would have to submit a claim for a deduction of more than 50% of the honorarium, but then the full claim would have to be substantiated to the Inland Revenue Department.

Office Rental Allowance

2.5 In 1985-86, there were persistent requests for a rental allowance to be provided to DC Members to assist them in setting up offices of their own to meet their constituents and to carry out other DC related activities. In October 1986, the honorarium was increased to \$6,000 a month (see Table 1 of para. 1.13) to preserve its value in real terms and to take account of such additional expenses incurred by DC Members for the setting up of their own offices. The increased honorarium was intended to be an all-inclusive allowance for general expenses (including a rental allowance of \$1,400 which was the average monthly rental for an office of 20 square metres in a mixed residential and commercial area at that time) incurred in connection with DC business. As there was no separate office rental allowance, it was considered that unnecessary pressure on all DC Members to open their own offices did not exist.

2.6 In 1995, the HAD conducted a survey of the main items of the DC Members' expenditure. It was found that there was a greater tendency for DC Members to set up ward offices and to employ their own staff. However, the increase in the market rental cost deterred many DC Members from setting up ward offices. The HAD felt that there was a prima facie case for an upward adjustment to the DC Members' honorarium for the following reasons:

- (a) DC Members, except for the 27 Rural Committee Chairmen, were all directly elected, so it was politically prudent for the Government to provide a reasonable level of financial assistance for discharging their DC duties;
- (b) the survey substantiated the claims by some DC Members that they suffered financial hardship as a result of discharging DC duties; and
- (c) the rental element allowed in the upward adjustment exercise in 1986 proved to be rather inadequate, and staff salaries were much higher so there was a need to retain the real value of the DC Members' honorarium.

2.7 Based on the findings of the survey, the HAD used a median office size of 30 square metres as a yardstick in calculating the ceiling on an Office Rental Allowance. The Finance Committee approved that DC Members could claim the Office Rental Allowance up to the ceiling of \$4,500 a month with effect from 1 April 1996 (see Table 1 of para. 1.13) if they operated a separate office entirely for their DC duties.

2.8 In December 1995, the HAD consulted the Commissioner of Inland Revenue whether the Office Rental Allowance was taxable and whether any claim for deduction in the tax return was allowable. The Commissioner of Inland Revenue replied that the accountable Office Rental Allowance granted to DC Members was not taxable and DC Members needed not report it in their tax returns and should not claim office rental expenses for tax deductions.

Accountable Allowance to replace the Office Rental Allowance

2.9 Following the dissolution of the municipal councils in December 1999, the DCs have assumed more responsibilities in district affairs (such as building management, fire prevention, environmental improvement, transport matters, community building, and promotion of recreational and cultural activities). Therefore, the Government gave additional support to DC Members to enable them to carry out their duties effectively. In January 2000, the Office Rental Allowance of \$4,990 a month was replaced by a new Accountable Allowance (i.e. the allowance for office rental and staff expenses) of \$10,000 a month. This new Accountable Allowance not only allowed for the reimbursement of office rental charges but also other expense items. Details are given in Appendix B. The Accountable Allowance was payable on a reimbursement basis on production of certified receipts for expenses actually incurred by DC Members. The expenses claimed should be related to the running of their offices and the employment of assistants for discharging their DC duties in the district concerned.

2.10 In September 1999, in response to enquiries from the Director of Home Affairs, the Commissioner of Inland Revenue confirmed that the Accountable Allowance was not taxable and that DC Members did not need to report it in their tax returns and should not claim the reimbursed expenses for deductions from taxable income. According to the HAD, the following administrative measures continued to apply:

- (a) where no breakdown of expenses or documentary evidence was given by DC Members in support of a claim for deduction in an annual tax return, a tax deduction of 50% of the honorarium received would be allowed; and
- (b) to obtain a tax deduction of more than 50%, a claim would have to be substantiated to the Inland Revenue Department. DC Members might give a breakdown of expenses incurred wholly, exclusively and necessarily on DC business in the monthly claim for honorarium. The breakdown needed not be supported by documentary evidence. The responsibility rested with the claimant to ensure the accuracy of the breakdown of expenses incurred. The HAD was not responsible for verifying the breakdown.

Establishment of the Independent Commission on Remuneration for Members of the District Councils

2.11 In 2000-01, DC Members considered that the level of the Accountable Allowance of \$10,000 a month was grossly insufficient to cover the expenses incurred in running offices and employing assistants. In July 2001, in order to have independent recommendations and to draw from the experience of the arrangements for the Executive Council (ExCo) Members and LegCo Members, the Administration appointed an Independent Commission on Remuneration for Members of the District Councils (Independent Commission) to review the remuneration package for DC Members.

2.12 In December 2001, the Finance Committee approved the Independent Commission's recommendations that:

- (a) the monthly Accountable Allowance for each DC Member should be increased from \$10,000 to \$17,000. The increase was worked out with reference to the requirement of about \$7,000 for office rental, \$8,000 for salary and related expenses for employing assistants, and \$2,000 for other items;
- (b) the ambit of the Accountable Allowance should be expanded to cover other operating expenses essential to the discharge of DC business (such as stationery, postage, printing/photocopying expenses and publicity materials);

- (c) the monthly provisions under the Accountable Allowance should be merged into an annual provision for the period from January to December each year so that DC Members had greater flexibility in deploying their resources; and
- (d) a one-off reimbursable grant (i.e. the ITOSG) of \$10,000 should be provided to each DC Member to help him equip his ward office with basic information technology equipment and facilities in order to enhance its operation and communication with the public and the Government.

2.13 The Independent Commission's recommendations were implemented with effect from December 2001 (see Table 1 of para. 1.13). In June 2002, the Accountable Allowance was renamed as the OEA to reflect more accurately the purpose of the allowance (i.e. reimbursement of operating expenses of the ward offices of DC Members).

Audit observations

2.14 Honorarium has been paid to each DC Member since April 1982 to meet earnings forgone due to time spent on DC matters and expenses incurred in connection with DC business. As an administrative measure, the Commissioner of Inland Revenue has accepted the deduction of 50% of the honorarium as tax deductible expenses. During the years from 1982-83 to 1995-96, DC Members' remuneration package was an all-inclusive non-accountable honorarium. Since April 1996, the remuneration package has expanded to include allowance and grant (i.e. the OEA and the ITOSG) for the reimbursement of various office expenses incurred by DC Members for discharging their DC duties.

2.15 As the current rates of the allowance and grant for reimbursable expenses amount to almost 50% of the total remuneration package for DC Members, the administrative measure adopted since 1982 for allowing, without query, a deduction of 50% of the honorarium from a DC Member's taxable income has apparently deviated from the original intention (see para. 2.4). Audit notes that the honorariums of ExCo Members and LegCo Members are all taxable. ExCo Members are only provided with a monthly honorarium and LegCo Members are provided with a monthly honorarium plus a (non-taxable) general operating expenses allowance. By its nature, DC Members' honorarium is similar to ExCo Members' and LegCo Members' honorariums. Hence, the tax treatment for all ExCo Members, LegCo Members and DC Members should be the same. Audit considers that there is a need to review the justifications for continuing to grant the tax deduction on 50% of the DC Members' honorarium.

Audit recommendations

- 2.16 **Audit has recommended that the Director of Home Affairs should:**
- (a) **advise the Commissioner of Inland Revenue the current arrangements for paying honorarium and allowances to DC Members and render assistance to her if she decides to review the administrative measure that allows, without query, 50% of the DC Members' honorarium as a deductible expense under section 12(1)(a) of the IRO (see para. 2.15); and**
 - (b) **consider consulting the Commissioner of Inland Revenue promptly on future changes made to the remuneration package of DC Members with a view to determining the taxation matters relating to the total remuneration package of DC Members (see para. 2.15).**

Response from the Administration

2.17 The **Director of Home Affairs** has said that she generally agrees with the audit recommendations. She will give the Commissioner of Inland Revenue full cooperation if she decides to review the current tax deduction arrangements for DC Members.

2.18 The **Commissioner of Inland Revenue** has said that she agrees with the audit recommendations. She has also said that she will liaise with the Director of Home Affairs shortly for the necessary arrangement.

PART 3: ALLOWANCE AND GRANT FOR DISTRICT COUNCIL MEMBERS

3.1 This PART examines the HAD's control over the payment of the OEA and the ITOSG to DC Members, and suggests measures for improvement.

Reimbursement of expenses to District Council Members

3.2 A DC Member is eligible to claim the OEA on a reimbursement basis. The OEA covers the expenses actually paid by DC Members for employing assistants and running their ward offices in the district for discharging their DC duties. The rate of the OEA is adjusted on 1 January each year with reference to the movement of the CPI(A). The annual maximum amount of the OEA for each DC Member is \$192,120 in 2004. Since the introduction of the OEA in 1996-97, the annual payments to DC Members increased from \$11 million in 1996-97 by \$80 million (or 727%) to \$91 million in 2003-04. Details are shown in Table 2.

Table 2

**Amount of Operating Expenses Allowance
reimbursed to District Council Members
(1996-97 to 2003-04)**

Year	Amount (\$ million)
1996-97	11
1997-98	15
1998-99	18
1999-2000	23
2000-01	53
2001-02	59
2002-03	94
2003-04	91

Source: HAD records

3.3 In addition to the OEA, a DC Member is eligible to claim the ITOSG up to \$10,000 for his four-year DC term. The ITOSG helps DC Members equip their ward offices with basic information technology equipment and facilities, and other necessary equipment/furniture/facilities for discharging their DC duties. For the 2000-03 DC term, the total payment of the ITOSG was \$3.8 million.

Guidelines on reimbursement of expenses to District Council Members

3.4 The HAD Headquarters has issued guidelines, accounting procedures and answers to frequently-asked-questions on the reimbursement of the OEA and the ITOSG (HAD Guidelines) to the 18 DOs. The HAD Guidelines lay down the reimbursable items, the reimbursement procedures and the accounting procedures for the DOs to follow in processing applications for reimbursements from DC Members. The procedures for the reimbursement of the OEA and the ITOSG are given in Appendix C. The non-reimbursable items under the OEA for the 2004-07 DC term are given in Appendix D. In the event of dispute over the reimbursement of any item of expenditure, the decision of the Director of Home Affairs shall be final.

3.5 The OEA and the ITOSG are fully accountable and payable on a reimbursement basis on production of certified receipts. To be eligible for claiming the OEA and the ITOSG, DC Members must declare that the expenses being claimed are incurred solely and wholly for discharging their duties in connection with DC business. DC business should be construed in the context of the functions of the DC stipulated under section 61 of the District Councils Ordinance (Cap. 547). DC Members are personally accountable for all their claims which should be credible and reasonable. All their accounts should be properly documented and their claims, including all supporting documents and declarations, are to be made available for public inspection.

Audit observations

3.6 Audit reviewed the files kept at the HAD Headquarters and the reimbursement records of the OEA and the ITOSG to DC Members in nine selected DOs (Note 6). Audit checked a random sample of the payments for the period from January 2002 to March 2004. Audit observations are given in paragraphs 3.7 to 3.17.

Note 6: *The nine DOs are Kowloon City, Kwai Tsing, Kwun Tong, Sha Tin, Southern, Tsuen Wan, Tuen Mun, Wan Chai and Yuen Long.*

Non-compliance with the Home Affairs Department Guidelines

3.7 Audit findings on the reimbursements of the OEA and the ITOSG to DC Members are given in Appendix E. There are 354 cases of non-compliance with the HAD Guidelines.

Inadequate supporting documents for employment of assistants

3.8 According to the HAD Guidelines, DC Members who intend to claim the OEA for employment of assistants have to register with the DC Secretariats the names of their assistants with certified true copies of the employment contracts and written statements confirming that the assistants are not their relatives. For reimbursement of remuneration on employment of assistants, DC Members are required to submit the receipts for remuneration with the names, identity card numbers and signatures of the recipients.

3.9 In February 2004, one DC Member was found guilty and sentenced to 16 months' imprisonment for submitting falsified receipts in 2001 and 2002 to claim the OEA for the employment of assistants. This indicated that the current practice of relying solely on the production of certified receipts to detect falsified claims for the reimbursement of remuneration for the employment of assistants was inadequate. Audit considers that other supporting documents (e.g. copies of employer's tax return, records of Mandatory Provident Fund contributions and employees' compensation insurance policy) should also be submitted by DC Members to the DC Secretariats to substantiate the OEA claims for the employment of assistants.

*Ward offices of District Council Members
not used for District Council business*

3.10 The major reimbursable items from the OEA are the office accommodation expenses for the ward offices of DC Members, including rental charges, rates, government rent and management fees. According to the HAD Guidelines, the ward office of a DC Member operated with the subsidy of the OEA should be used solely for discharging his duties. For this purpose, DC Members using their ward offices as contact points with local residents for holding discussions or exchanging views on district matters are regarded as part of the work of DC Members in discharging DC duties.

3.11 From time to time, there were complaints against DC Members for misusing the OEA subsidised ward offices for carrying out non-DC activities. In June 1996, the HAD

Headquarters, after seeking advice from the Department of Justice (DoJ), informed all DOs that:

- (a) DC Members who used their ward offices for organising tours would violate the exclusivity requirement that the office should be established for discharging DC duties;
- (b) such DC Members became ineligible for the OEA so long as the tourist business subsisted; and
- (c) the HAD might require DC Members concerned to refund to the Government the OEA paid to them for the period that the tourist business was being carried out.

Thereafter, there were still complaints on DC Members using their ward offices for non-DC duties (such as holding tuition classes, organising tours, displaying posters, collecting fees for activities organised by other organisations, and providing contact points and registered addresses for other organisations). On many occasions, the DOs sought advice from the DoJ on whether these complaints could be established and, if the complaints were established, whether a portion of the OEA could be deducted.

3.12 It is apparent that the HAD Guidelines do not provide adequate guidance for the DOs to deal with issues relating to the ward offices of DC Members being used for non-DC duties. Audit considers that the HAD Headquarters should specify in the HAD Guidelines the activities which are prohibited at the ward offices of DC Members and the follow-up action to be taken by the DO if a ward office has been used for non-DC duties.

***Random site visits to the ward offices of
District Council Members not properly conducted***

3.13 According to the HAD Guidelines, officers who certify the payments should conduct random site visits regularly to check that the ward offices of DC Members are used exclusively for DC business. The time of the visit and the findings should be properly documented. Any irregularities identified should be reported to the supervisors. Details of such site visits conducted by the nine selected DOs during the 2000-03 DC term are shown in Table 3.

Table 3

**Site visits to the ward offices of District Council Members
conducted by nine selected District Offices
during the 2000-03 District Council term**

District	Frequency	Surprise check	Type of checking carried out during site visit				All DC Members' ward offices checked	Follow-up action taken on ward offices involved in non-DC activities	Time of visits documented
			Ward office for DC business only	Signboard properly displayed	No. of assistants in the ward office	Capitalised items in the ward office			
Kowloon City	Once in the four years	×	✓	×	✓	✓	×	×	✓
Kwai Tsing	Annual	×	✓	✓	×	✓	✓	×	×
Kwun Tong	Nil	N/A	N/A	N/A	N/A	N/A	Nil	N/A	N/A
Sha Tin	Annual	×	✓	✓	✓	×	✓	✓	✓
Southern	Once in the four years	✓	✓	✓	×	✓	×	✓	×
Tsuen Wan	Annual (Note)	×	✓	✓	×	✓	✓	✓	×
Tuen Mun	Twice a year	✓	✓	✓	×	✓	✓	✓	✓
Wan Chai	Annual	✓	✓	✓	✓	✓	✓	×	✓
Yuen Long	Once in the four years	✓	✓	✓	✓	✓	×	✓	×

Legend: ✓ — Yes
 × — No
 N/A — Not applicable

Source: *DO records*

Note: *Before 2003, the Tsuen Wan DC Secretariat conducted site visits to the ward offices of DC Members twice a year.*

3.14 Audit has found that:

- (a) the HAD Guidelines do not specify the detailed requirements of a site visit (such as coverage and frequency of site visits) to help ensure that the ward offices of DC Members are used solely and exclusively for DC business;
- (b) the practices and purposes of conducting site visits varied among the nine selected DOs (see Table 3). During the 2000-03 DC Members' tenure of office, five DOs visited the ward offices of DC Members at least once annually. Three DOs visited the ward offices of DC Members once in the four-year term. The Kwun Tong DO did not visit the ward offices of DC Members during the past four years; and
- (c) four DOs did not properly document the time of the visits. Three DOs did not take follow-up action on those ward offices which had been involved in non-DC activities.

3.15 Audit considers that the HAD Headquarters should specify in the HAD Guidelines the frequency of site visits and the scope of checking during such site visits. In addition, a surprise visit to ward offices is an effective means of checking whether DC Members have used their ward offices for non-DC duties. If the ward offices of DC Members are being used for non-DC duties, the DOs should take prompt follow-up action.

Disposal of capitalised items

3.16 Upon expiration of their term of office, DC Members should return the capitalised items procured with the OEA or the ITOSG to the DC Secretariats. Alternatively, DC Members can apply to the DOs to buy back the capitalised equipment or furniture items at market value or at the purchase price, discounted by depreciation as determined by the DOs.

3.17 Audit noted that an outgoing DC Member had paid \$14,350 for a computer and claimed the maximum reimbursement of the ITOSG of \$10,000. When the DC Member vacated the DC office in January 2004 upon the expiry of the 2000-03 DC term, the DO valued the computer at \$6,000. The DC Member decided to return the computer to the DO and requested the DO to pay him \$2,610 (i.e. 60% of \$4,350) because the computer was

partly paid by him. Audit considers that the HAD should re-examine the need and procedures for buying back capitalised items from DC Members.

Audit recommendations

3.18 **Audit has recommended that the Director of Home Affairs should:**

Non-compliance with the HAD Guidelines

- (a) **introduce additional control measures to ensure that the DOs comply with the HAD Guidelines in processing the reimbursement of the OEA and the ITOSG to DC Members (see para. 3.7); and**

The HAD Guidelines

- (b) **consider revising the HAD Guidelines to address the following issues:**
 - (i) **submission of additional supporting documents (e.g. copies of employer's tax return, records of Mandatory Provident Fund contributions and employees' compensation insurance policy) by DC Members to substantiate their claims for OEA for the employment of assistants (see para. 3.9);**
 - (ii) **activities which are prohibited in the ward offices of DC Members (such as organising tours, displaying posters and collecting fees for activities organised by other organisations — see para. 3.12);**
 - (iii) **follow-up actions to be taken if it is found that the ward offices of DC Members are not used for DC activities (see para. 3.12);**
 - (iv) **frequency of random site visits to the ward offices of DC Members and scope of checking during such site visits (see para. 3.15); and**
 - (v) **procedures to be adopted for the disposal of capitalised items, including those partly paid by DC Members (see para. 3.17).**

Response from the Administration

3.19 The **Director of Home Affairs** has said that she generally agrees with the audit recommendations. She has also said that:

- (a) the existing mechanism for reimbursement of claims by DC Members for the OEA and the ITOSG is completely transparent and open to public scrutiny. To allow the public to fully monitor the claim and reimbursement process, all claims, including all supporting documents and declarations, are made available for public inspection at the respective DC Secretariats. The HAD will continue to maintain and strengthen this system which serves as an effective measure to monitor the effective use of allowance and grant by DC Members; and
- (b) following the audit recommendations, the HAD will:
 - (i) review the existing HAD Guidelines governing the use of the OEA and the ITOSG;
 - (ii) consider tightening up the control measures; and
 - (iii) remind all DC Secretariat staff of the importance of following the HAD Guidelines and ensuring DC Members' full compliance with those guidelines.

PART 4: USE OF DISTRICT COUNCIL FUNDS FOR THE MINOR ENVIRONMENTAL IMPROVEMENT PROJECTS

4.1 This PART examines the HAD's control over the use of DC funds for the MEI projects and suggests measures for improvement.

District Council funds spent on the Minor Environmental Improvement projects

4.2 The Government provides DC funds to implement community involvement projects (Note 7) and the MEI projects. The MEI projects aim at providing prompt remedies to urgent local problems (such as minor works to eliminate crime black spots and remove eyesores) and put temporary vacant land to community use. DC funds are spent on the specific MEI projects endorsed for implementation by the DCs. DC funds should be spent on projects outside the scope of the normal government works programmes or those providing interim solutions to minor problems accorded with a low priority under the normal departmental programmes. Examples of the permitted MEI projects are given in Appendix F. The maximum expenditure limit of DC funds on each project is \$600,000. In 2003-04, the total payment for 338 MEI projects was \$23 million. The amounts of DC funds spent on the MEI projects for the years from 1994-95 to 2003-04 are shown in Table 4.

Note 7: *The results of the value for money audit on the community involvement projects were included in Chapter 3 of Report No. 41 of the Director of Audit (Operation and management of District Offices) issued in October 2003.*

Table 4

**District Council funds spent on the
Minor Environmental Improvement projects
(1994-95 to 2003-04)**

Year	Amount (\$ million)
1994-95	18
1995-96	19
1996-97	18
1997-98	19
1998-99	22
1999-2000	22
2000-01	21
2001-02	31
2002-03	25
2003-04	23

Source: HAD records

**Control over the use of District Council funds
for the Minor Environmental Improvement projects**

4.3 The HAD Headquarters has issued the District Council Funds Guidelines (DCF Guidelines) on the use of DC funds for the MEI projects and the accounting procedures for the disbursement of DC funds to the 18 DOs. The DCs and the District Officers are jointly responsible for controlling the use of DC funds for the MEI projects. The DCs are responsible for identifying, planning and setting the priorities of the MEI projects, determining the timetable for their implementation and monitoring the progress of their implementation. The District Officers are responsible for controlling the proper use of DC funds for the MEI projects in accordance with the DCF Guidelines and the government financial, accounting, stores and general regulations.

Implementation of the Minor Environmental Improvement projects

4.4 According to the DCF Guidelines, for planning purposes, the DOs should maintain a register of all the MEI projects suggested by DC Members, government departments or local residents. Prior to submitting a project to the DCs for consideration, the District Officers should ensure that:

- (a) the views of government departments, which may have an interest in the project or which may be able to provide technical advice, are obtained; and
- (b) the projects are within the ambit of DC funds.

Audit observations

4.5 Audit reviewed the control over the use of DC funds for the MEI projects in nine selected DOs and checked a random sample of the MEI projects in these DOs. Audit observations are set out in paragraphs 4.6 to 4.20.

Up-to-date list of all the Minor Environmental Improvement projects not maintained

4.6 According to the DCF Guidelines, the DOs should maintain an up-to-date list of all the MEI projects for which they have maintenance responsibility. This list should include all the MEI projects built in the past and for which no other government departments have maintenance responsibilities. All projects should be numbered and divided into two groups (i.e. projects requiring maintenance to a high standard for reasons of public safety and other projects). The District Officers should designate one or more officers to inspect, at least once a year, those projects requiring maintenance to a high standard in order to determine the condition they are in.

4.7 Audit has found that in the nine selected DOs:

- (a) only the Kowloon City DO maintained an up-to-date list of all the MEI projects for which it had maintenance responsibility. It carried out inspections annually of the projects;
- (b) the Kwai Tsing DO only kept a list of rain-shelters for which it had maintenance responsibility. It carried out maintenance work on the rain-shelters according to their ages and state of conditions; and

- (c) the other seven DOs did not maintain a list of all the MEI projects for which they had maintenance responsibility. They carried out maintenance work on the MEI projects after damages had been found during site visits or when they had received complaints/requests from DC Members or the public.

Audit considers that, without maintaining an up-to-date list of all the MEI projects, it is difficult for the DOs to arrange regular checks, determine the maintenance work or take appropriate follow-up action on those projects.

Minor Environmental Improvement projects without proper approval

4.8 Audit has found that the approvals for the following MEI projects given by the approving officers were not in line with the approving authority stated in the DCF Guidelines (Note 8):

- (a) in the Wan Chai DO, one MEI project of \$120,000 was approved in February 2002 by the Senior Executive Officer instead of by the District Officer;
- (b) in the Kwai Tsing DO, two MEI projects of \$156,500 and \$293,000 were approved in January 2002 by the Assistant District Officer instead of by the District Officer;
- (c) in the Tsuen Wan DO, one MEI project of \$310,690 was approved in June 2001 by the District Officer instead of by a Deputy Director of Home Affairs; and
- (d) in the Yuen Long DO, one MEI project of \$562,000 was approved in February 2003 by the District Officer instead of by the Director of Home Affairs.

Audit considers that there is a need to tighten up the control over the approval of the MEI projects.

Note 8: *According to the DCF Guidelines, an Assistant District Officer can approve an MEI project with value up to \$100,000. Before May 2004, a District Officer could approve an MEI project with value up to \$300,000. In May 2004, the District Officer's approval limit was increased to \$500,000.*

Variation of a Minor Environmental Improvement project without notifying the District Council

4.9 According to the DCF Guidelines, details of any amendments or variations in the approved MEI project should be submitted by applicant organisations to the DC prior to the start of the project. If the amendments or variations involve a change in the nature of the project or items of expenditure not covered in the original approval, the DC should re-consider the application and review the previous approval given for the project.

4.10 Audit found that the Tuen Mun DO had included, in a contract for the construction of communal village letter box racks in February 2001, extra works of installing logo plates on 35 notice boards. The total cost of the project, including \$35,000 for installing 35 logo plates, was \$109,000. However, the Tuen Mun DC was not informed that the installation of the logo plates was not covered by the DC's original approval. Audit considers that the Tuen Mun DO should have obtained the approval of the Tuen Mun DC for the increase in the expenditure item not covered by the previous approval before the commencement of the project.

Payment of project costs not in accordance with the District Council Funds Guidelines

4.11 According to the DCF Guidelines, DC funds should only be used to meet part of the costs of the MEI projects for the construction of communal letter boxes (Note 9) for villagers. According to HAD Technical Circular No. 3/90, the following conditions have to be observed by the DOs:

- (a) the provision of communal letter boxes to villages may be exceptionally endorsed by the DC where:
 - (i) the village representatives have genuine difficulty in collecting contributions from villagers for the installation of the letter boxes; or
 - (ii) the villagers are actually unable to pay the cost of installing them;
- (b) villagers should pay the cost for the erection and maintenance of nest boxes as each villager would have the exclusive right to use a letter box assigned to him

Note 9: *The letter boxes provided by the MEI projects should be communal boxes jointly used by the residents of a village.*

(Note 10). However, the rack with rain cover for holding individual nest boxes may also be considered as an MEI project;

- (c) the subsidy is to be made on a one-off basis and the villagers concerned should be responsible for the maintenance of communal letter boxes; and
- (d) the communal letter boxes should normally be sited on government land and prior landowner's consent must be obtained if the boxes need to be sited on private land.

4.12 In the three years from 2001-02 to 2003-04, three out of the nine selected DOs used DC funds to implement 16 MEI projects for the construction of communal and individual letter boxes with rain covers for villagers. Details are shown in Table 5.

Table 5
District Council funds used for the construction
of communal and individual letter boxes with rain covers
(2001-02 to 2003-04)

District	No. of the MEI projects	Amount paid by DC funds (\$)	Amount paid by villagers (\$)	Total project cost (\$)
Sha Tin	4	185,948 (100%)	—	185,948
Tsuen Wan	6	285,300 (97%)	10,000 (3%)	295,300
	2	125,800 (100%)	—	125,800
Yuen Long	2	76,000 (94%)	5,100 (6%)	81,100
	2	91,600 (100%)	—	91,600

Source: DO records

Note 10: *The DCF Guidelines stipulate that DC funds should not be used for projects intended for the exclusive and/or personal benefit of an individual or a group of individuals.*

4.13 Audit noted that the DOs had not fully complied with HAD Technical Circular No. 3/90 in the use of DC funds as follows:

- (a) before the construction of communal letter boxes in villages, the Sha Tin DO, the Tsuen Wan DO and the Yuen Long DO had not consulted the village representatives to see if they had difficulty in collecting contributions from the villagers or whether the villagers were able to pay the construction cost;
- (b) in the Sha Tin district, DC funds were used to meet all the project costs, including the construction costs of individual nest boxes;
- (c) for six projects, the Tsuen Wan DO received \$50 from each villager for the cost of one letter box assigned to him regardless of the actual construction cost of the nest boxes. DC funds were used to meet the balance (i.e. 97%) of the project costs. In addition, DC funds were also used to meet the total cost of \$125,800 of two other projects for the construction and repair of the letter boxes in some villages; and
- (d) for two projects, the Yuen Long DO received \$50 from each villager for the cost of one letter box assigned to him regardless of the actual construction cost of the nest boxes. DC funds were used to meet the balance (i.e. 94%) of the project costs. In addition, DC funds were also used to meet the total cost of \$91,600 of two other projects for the construction and repair of the letter boxes in some villages.

Audit considers that the DOs should have complied with the conditions for the use of DC funds specified in HAD Technical Circular No. 3/90.

***Minor Environmental Improvement projects
outside the Home Affairs Department's responsibilities***

4.14 According to Works Bureau Technical Circular (WBTC) No. 14/2002 on "Management and Maintenance of Natural Vegetation and Landscape Works, and Tree Preservation" issued by the Environment, Transport and Works Bureau (the then Works Bureau) in May 2002, the HAD is only required to carry out ad-hoc maintenance (Note 11)

Note 11: *The main tasks of maintenance in villages include regular inspection, weeding, grass cutting, pruning of dangerous trees, watering, applying fertiliser, replacement planting and tree preservation.*

along footpaths in the villages, and the DOs should carry out grass cutting at the request of the DCs or village representatives on a need and ad-hoc basis. Audit found that the DOs in the New Territories (NT) had used DC funds to implement projects for regular grass cutting. Despite the issue of WBTC No. 14/2002, the NT DOs continued to use DC funds to implement projects for regular grass cutting in their districts. Details are shown in Appendix G.

4.15 In March 2004, the Environment, Transport and Works Bureau issued Environment, Transport and Works Bureau Technical Circular (ETWBTC) No. 2/2004 on “Maintenance of Vegetation and Hard Landscape Features”. This circular superseded some parts of WBTC No. 14/2002. According to this circular, the HAD is still responsible for ad-hoc maintenance, mainly in the form of grass cutting, along footpaths in villages when a requirement is identified or a complaint/referral is received. In Audit’s view, the MEI projects for regular grass cutting in the village areas carried out by the NT DOs were outside the ambit of the HAD’s responsibilities. Audit considers that the DOs should only carry out ad-hoc grass cutting in village areas at the request of the DCs or village representatives. If regular grass cutting in the NT is considered necessary, the HAD should consult the Environment, Transport and Works Bureau with a view to revising the existing requirements under WBTC No. 14/2002 and ETWBTC No. 2/2004.

***Contract arrangement of the Minor
Environmental Improvement projects not cost-effective***

4.16 The NT DOs implemented the MEI projects to carry out regular grass cutting in their districts. The Kwai Tsing DO and the Tsuen Wan DO awarded separate contracts or issued separate departmental orders for each grass-cutting job. For each contract, the DOs invited tenders from contractors on their lists of approved contractors. In the tender exercise, the Works Sections of the two DOs had to carry out the tendering work including the preparation of tender documents, arrangement of site meetings with tenderers, evaluation of tenders and preparation of contract documents. All these involved manpower resources of the DOs.

4.17 In contracting out the grass-cutting jobs, the Sha Tin DO awarded one contract for all the scheduled grass-cutting jobs in the year. The Yuen Long DO also adopted the same approach in certain areas. Audit review of the tender documents in the Yuen Long DO found that the average cost of grass cutting for two or more grass-cutting jobs was lower than that for only one grass-cutting job. For example, in 2003-04, the Yuen Long DO awarded two contracts, one for one grass-cutting job and the other for three grass-cutting jobs. The average cost of grass cutting per square metre in respect of the contract for three grass-cutting jobs is only 39% (i.e. $0.51 \div 1.31 \times 100\%$) of that of the contract for one grass-cutting job. Details are shown in Table 6.

Table 6
Average cost of grass cutting in the Yuen Long district
(2003-04)

Contract	No. of grass-cutting jobs in the contract	Average cost of grass cutting per square metre (\$)
YLDC21	1	1.31
YLDC9	3	0.51

Source: DO records

Audit considers that it is more cost-effective for the DOs to award a term contract or one consolidated contract for a number of grass-cutting jobs.

Projects undertaken by a rural committee not cost-effective

4.18 According to the DCF Guidelines, the MEI projects could be undertaken by villages or local organisations with the HAD supplying material or providing cash assistance to them on a once-and-for-all basis. A representative from the organisation is required to give a written undertaking that he, as the organiser of the project, is responsible for the completion and maintenance of the project. A report on the project and photographs of the improvements made should be submitted to the DO by the organiser after the completion of the project.

4.19 Audit noted that the MEI projects for grass-cutting jobs in a rural area of the Tsuen Wan district used to be undertaken by a rural committee. For each project, the rural committee invited quotations from the villagers and opened the tenders in the presence of the staff of the Tsuen Wan DO. The tenderer with the lowest quotation was normally selected for carrying out the project. The Tsuen Wan DO granted 80% (Note 12) of the project cost to the rural committee.

Note 12: *According to HAD Standing Circular No. 19/84, the normal maximum percentage of cash assistance subsidised by the HAD towards the labour costs of a project is 80%.*

4.20 In respect of the grass-cutting jobs carried out by this rural committee, Audit has found that:

- (a) in 2003-04, the average cost of grass cutting of \$3.93 per square metre (80% or \$3.14 subsidised by DC funds) was almost three times more expensive than the average cost of \$1.01 per square metre for similar jobs carried out by the contractors of the Tsuen Wan DO. Had the grass-cutting jobs been carried out by the DO's contractors, the total expenditure in 2003-04 could have been reduced by 68% from \$50,400 to \$16,200;
- (b) the rural committee had not submitted photographs of the improvements made to the Tsuen Wan DO upon completion of the grass-cutting jobs; and
- (c) the rural committee was not required to produce insurance policies to indemnify the Government against all losses and claims for injury or damage to third parties arising out of the grass-cutting jobs and workmen employed on the jobs. According to the HAD's Manual on "Minor Works Projects", for the MEI projects undertaken by the DOs' contractors, successful contractors are required to produce the necessary insurance policies to the DOs.

Audit considers that the Tsuen Wan DO should evaluate the cost-effectiveness of each project before granting cash assistance to the rural committee to undertake the grass-cutting jobs. In addition, as the rural committee is not required to produce the relevant insurance policies, the Government is exposed to claims for accidents involving property damage or bodily injury/death arising from the grass-cutting jobs.

Audit recommendations

4.21 **Audit has recommended that the Director of Home Affairs should:**

Non-compliance with the District Council Funds Guidelines

- (a) **ensure that the DOs maintain up-to-date lists of all the MEI projects for which they have maintenance responsibility and designate responsible officers to conduct regular checks, at least once a year, on those projects which require maintenance to a high standard for reasons of public safety (see para. 4.7);**

- (b) ensure that the DOs, in implementing the MEI projects, seek the authorisation of the designated officers in accordance with the DCF Guidelines (see para. 4.8);
- (c) ensure that approval is given by the DC for amendments or variations to the approved MEI projects in accordance with the DCF Guidelines (see para. 4.10);
- (d) ensure that the DOs fully observe the conditions and comply with the guidelines laid down in HAD Technical Circular No. 3/90 on the use of DC funds to subsidise the construction of communal letter boxes (see para. 4.13);

*Minor Environmental Improvement projects
outside the Home Affairs Department's responsibilities*

- (e) ensure that the MEI projects for grass cutting comply with the requirements laid down in WBTC No. 14/2002 and ETWBTC No. 2/2004 (see para. 4.15);
- (f) issue departmental guidelines reminding all DOs that DC funds should be used for MEI projects on a case-by-case basis to meet specific local needs (see para. 4.15);

*Contract arrangement of the Minor
Environmental Improvement projects not cost-effective*

- (g) consider awarding a term contract or a consolidated contract for a number of grass-cutting jobs to achieve cost savings (see para. 4.17); and

Projects undertaken by a rural committee not cost-effective

- (h) critically evaluate the cost-effectiveness of granting cash assistance to a rural committee to undertake grass-cutting jobs and ensure that the Government is protected against claims for accidents involving property damage or bodily injury/death arising from such projects (see para. 4.20).

Response from the Administration

4.22 The **Director of Home Affairs** has said that she generally agrees with the audit recommendations. She has also said that:

- (a) the HAD will:
 - (i) take follow-up action to remind all DOs to observe the DCF Guidelines in processing and implementing the MEI projects;
 - (ii) review the present arrangement of conducting annual checks for projects requiring maintenance to a high standard;
 - (iii) consider awarding term contracts to service providers for implementing the MEI projects; and
 - (iv) review the present arrangement of granting cash assistance to local organisations to undertake the MEI projects;

- (b) as regards the audit recommendations on the MEI projects outside the HAD's responsibilities, the HAD has all along been following the guidelines set out in WBTC No. 14/2002 and ETWBTC No. 2/2004 in carrying out ad-hoc maintenance of vegetation along footpaths in village surroundings and HAD-built access roads. In the past two years, to prevent the outbreak of dengue fever and in view of the heightened public awareness and concern about public health, the DCs had all taken the initiative in implementing more MEI projects in support of the territory-wide anti-mosquito campaign. As a result, a large number of grass-cutting jobs had been carried out. This might have given the mis-impression that these projects were being carried out on a regular basis; and

- (c) in response to the audit recommendations, the HAD will remind the DOs that DC funds should be used for the MEI projects on a case-by-case basis to meet specific local needs. The HAD will also issue departmental guidelines to advise the DOs on the need to ensure full compliance with WBTC No. 14/2002 and ETWBTC No. 2/2004.

PART 5: SUBMISSION OF ANNUAL DISTRICT PLANS

5.1 This PART examines the submission of annual district plans (ADPs) by government departments to the DCs to enhance the role of the DC in the planning and implementation of district-based facilities and services, and identifies room for improvement.

Consultation with the District Councils by government departments

5.2 As the DCs are the Government's key advisers on district matters, representatives of government departments attend DC meetings to consult the DCs on the work of the government departments in districts and local matters that are likely to affect the livelihood, living environment or well-being of the people within the district. Where appropriate, they act on the DCs' advice and keep the DCs informed of government policies and programmes.

5.3 In July 2000, an inter-departmental Working Group on DC Review (Working Group), chaired by the Home Affairs Bureau (HAB), was set up to examine how the roles and functions of the DCs could be further enhanced after the establishment of the new DCs in January 2000. In July 2001, the Working Group proposed a number of measures:

- (a) to further enhance the roles and functions of the DCs in monitoring the provision, delivery and management of district facilities and services;
- (b) to improve the communication between the DCs and the Government; and
- (c) to strengthen the support for the DCs.

5.4 It was agreed that the DCs should and could play an important role in empowering the community and in ensuring that the Government would provide accountable and responsive district services. The thrust of the Working Group's recommendations was to enhance:

- (a) the fundamental role of the DCs as the Government's key advisers on district affairs and the Government's communication channel with the public; and
- (b) the DCs' participation in, and ability to oversee and influence, the work of the government departments in the districts.

The Working Group's recommendations were approved by ExCo in November 2001 for implementation by the end of 2001.

Submission of annual district plans by government departments

5.5 One of the Working Group's recommendations was that, in order to enhance the role of the DCs in the planning and implementation of district-based facilities and services (e.g. housing, municipal facilities and services, territory development, transport and welfare), core departments (Note 13) would be required to submit to the DCs their ADPs and to incorporate the views of DC Members into their work plans as far as practicable. The Government promulgated this requirement in General Circular No. 1/2002 on "District Administration" in January 2002. As each DO may have a different definition of core departments, the HAD allows the DOs to adopt their own definitions as long as they specify clearly which departments are considered as their core departments in the districts. A list of the core departments identified by the 18 DOs is shown in Appendix H.

5.6 According to General Circular No. 1/2002, subject to the work schedule of the individual core departments, the submission of the ADPs should preferably be made at the beginning of the year. This should be supplemented by the submission of half-yearly progress reports. The opportunity should be taken to explain to the DCs the reasons for any undue delays in the implementation of projects. Non-core departments dealing with matters affecting people in districts are also encouraged to submit to the DCs their ADPs.

Home Affairs Department's survey on the submission of annual district plans by core departments

5.7 In January 2003, one year after the issue of General Circular No. 1/2002, the HAD Headquarters requested the 18 DOs to report the progress of implementing the Working Group's recommendations of enhancing the roles and functions of the DCs. Among other things, the DOs were requested to report the number of times the core departments had submitted their ADPs to the DCs for the period from 21 November 2001 to 7 January 2003. In July 2003, the HAD Headquarters further requested the DOs to update the progress regarding the submission of the ADPs for the period from 21 November 2001 to 10 July 2003.

Note 13: *According to the Report of the Working Group on DC Review issued in July 2001, there were seven core departments (i.e. the Civil Engineering and Development Department — the then Territory Development Department, the Food and Environmental Hygiene Department, the HAD, the Hong Kong Police Force, the Housing Department, the Leisure and Cultural Services Department and the Transport Department).*

5.8 The HAD's survey, for the period from 21 November 2001 to 10 July 2003, indicated that many core departments had submitted the ADPs to the 18 DOs for onward submission to the DCs (see Appendix I). In nine districts, the average submission rate of the ADPs by the core departments was 55%. The submission rate for the remaining nine districts could not be determined because detailed information on the submission of the ADPs by each core department had not been provided. Audit noted that the HAD Headquarters had not followed up the results of this survey.

Audit survey on the submission of annual district plans by core departments

5.9 Audit conducted a survey in May 2004 to obtain information from the 18 DOs on the submission of the ADPs by the core departments during the period from January 2002 to June 2004. The results of the audit survey are shown in Appendices J and K.

Audit observations

Submission of the annual district plans

- 5.10 The audit survey has found that (see Appendix J):
- (a) some ADPs were not submitted at the beginning of the year;
 - (b) some core departments submitted more than one ADP each year;
 - (c) the average submission rate of the ADPs varied significantly among the 18 districts, ranging from 13% to 100%;
 - (d) the average submission rates for three districts (i.e. Islands, North and Tuen Mun) were below 30% during the period from January 2002 to June 2004;
 - (e) only the Sai Kung DO received the ADPs from all the core departments during the period from January 2002 to June 2004; and
 - (f) the average submission rates of the ADPs of the 18 districts were 50% for 2002, 64% for 2003 and 52% for 2004 (January to June), with an overall average of 55% for the period of 30 months ended 30 June 2004.

5.11 The objective of the submission of the ADPs by the core departments is to enhance the role of the DCs in the planning and implementation of district-based facilities and services so that the core departments can incorporate the views of DC Members into their work plans (see para. 5.5). The overall average submission rate of 55% for the period from January 2002 to June 2004 could not be regarded as satisfactory. Audit considers that non-compliance with the requirement by some core departments to submit the ADPs could have affected the effectiveness of the DCs in reflecting the community views on their work plans. The HAD should introduce measures to ensure that the ADPs are submitted timely by all the core departments for onward submission to the DCs.

Monitoring of the submission of the annual district plans

5.12 Audit review of the DO's monitoring of the submission of the ADPs by the core departments has found that (see Appendix K):

- (a) different practices were adopted by individual DOs to monitor and follow up the submission of the ADPs by the core departments. The HAD had not issued guidelines on the standard procedures to be followed by all the DOs;
- (b) only nine DOs adopted the practice of requesting and reminding their core departments to submit the ADPs;
- (c) all the DOs, except the Sai Kung DO and the Tai Po DO, did not require "Nil" return from the core departments;
- (d) only the Sai Kung DO consolidated the information on all the ADPs received from the core departments and prepared a Departmental Annual Programme for submission to the Sai Kung DC; and
- (e) each year, the Yau Tsim Mong DO issued a document (i.e. the Yau Tsim Mong District Strategy), summarising the achievements and five-year plans of the DC, the District Management Committee and the various core departments, for submission to the DC.

5.13 In Audit's view, the Sai Kung DO's practice of consolidating all the ADPs for submission to the DC helps ensure that the ADPs are submitted by all the core departments. It also facilitates the Sai Kung DC's discussions and consideration of the ADPs. This in turn improves the efficiency and effectiveness of the work of the DC in reflecting the community views on the work plans of the core departments.

Audit recommendations

- 5.14 **Audit has recommended that the Director of Home Affairs should:**
- (a) **introduce appropriate control measures to ensure that:**
 - (i) **all the core departments submit the ADPs on time for onward submission to the DCs so that the DCs could reflect the community views on their work plans (see para. 5.11);**
 - (ii) **the core departments provide “Nil” returns if they do not have ADPs to submit (see paras. 5.12 and 5.13); and**
 - (iii) **the DOs take timely follow-up action to ensure the submissions of the ADPs or “Nil” returns by the core departments (see paras. 5.12 and 5.13); and**
 - (b) **consider issuing guidelines requiring all the DOs:**
 - (i) **to adopt a standard practice of monitoring and following up the submission of the ADPs by the core departments (see paras. 5.11 to 5.13); and**
 - (ii) **to prepare consolidated plans from the ADPs submitted by the core departments for onward submission to the DCs to facilitate discussions and consideration of the ADPs (see para. 5.13).**

Response from the Administration

5.15 The **Director of Home Affairs** has said that she generally agrees with the audit recommendations. She has also said that the HAD will issue a circular to remind all the DOs to liaise closely with the core departments on the timely submission of the ADPs and to draw up a clear annual timetable for the presentation of these ADPs to the DCs.

PART 6: DISTRICT COUNCIL HOMEPAGES

6.1 This PART examines the setting up of independent homepages for individual DCs by the HAD and suggests areas for improvement.

Establishment of District Council Homepages

6.2 In March 1999, to promote the independent image of individual DCs in the 18 districts, the HAD formed a departmental working group to look into the feasibility and resource implications of establishing independent homepages for each DC. The proposed DC Homepages were to disseminate district-related information of the DCs to the public in order to promote the work of the DCs and to improve the transparency of the DCs. A number of DC Members joined the working group to discuss the design of the homepages. In July 2000, based on the working group's proposal, the Administrative Computer Projects Committee (Note 14) endorsed the establishment of DC Homepages. In August 2000, the HAD employed a contractor at a cost of \$330,000 to assist in the design and development of a basic DC Homepage platform. In December 2001, the 18 DC Homepages were completely launched. The standard homepage platform for each DC includes:

- (a) DC Chairman's welcome message;
- (b) information on DC Members;
- (c) district highlights;
- (d) schedule of DC meetings;
- (e) DC and DC committee meeting agendas;
- (f) minutes of DC meetings;
- (g) DC activities;

Note 14: *The Administrative Computer Projects Committee, comprised of representatives from the Commerce, Industry and Technology Bureau, is chaired by the E-government coordinator. The main role of the Administrative Computer Projects Committee is to ensure that computer systems in the Government are implemented in the most coordinated, cost-effective and customer-oriented manner.*

- (h) Meet-the-Public Scheme; and
- (i) e-mail links.

6.3 After the setting up of DC Homepages, the HAD Headquarters is responsible for carrying out the maintenance and enhancement work on the basic platform. The individual DC Secretariats of the 18 DOs are responsible for uploading information onto their DC Homepages and ensuring that the information is kept up-to-date. The HAD expects that, with the basic information in place, individual DCs may, with their own community resources or sponsorship, build on it by designing and producing further homepages of their own as they consider appropriate.

Guidelines on Dissemination of Information through Government Homepages

6.4 The Government has taken a leading role in the use of the Internet for the dissemination of information by mandating the development of government homepages. To ensure that government homepages are designed to provide relevant information in an efficient and effective manner and in a format that encourages access by the local and international communities, the Government has issued the Guidelines on Dissemination of Information through Government Homepages (Government Homepage Guidelines). The Government Homepage Guidelines provide practical guide and useful information for producing and developing homepages for bureaux and departments.

Requests for improvement work on District Council Homepages

6.5 In June 2002, after a discussion on information dissemination by an inter-departmental committee on government homepages, the HAB invited the HAD's attention to the areas of DC Homepages which required improvement. The major improvement work was to provide appropriate links in DC Homepages to facilitate users, in particular the visually impaired, to access the pages in the websites.

6.6 In November 2002, the Office of the Government Chief Information Officer (OGCIO — the then Information Technology Services Department) also informed the HAD that a special review on the web accessibility of the government websites had identified areas in DC Homepages which required improvement. The OGCIO's suggested areas for improvement were similar to those suggested by the HAB.

6.7 In June 2003, after receiving repeated reminders from the HAB that urgent steps should be taken to complete the improvement work on DC Homepages, as had been suggested by the HAB and the OGCIO, the HAD explained to the HAB that:

- (a) DC Homepages were, strictly speaking, not government homepages but were under the management of the 18 DCs. The computer equipment for DC Homepages was not hosted under the OGCIO. Under such circumstances, it was doubtful whether DC Homepages should strictly be in compliance with the Government Homepage Guidelines; and
- (b) since December 2002, the HAD had carried out other improvement work to DC Homepages including the enlargement of storage, reconfiguration of the system, replacement of software, and design and development of the simplified Chinese version. Hence, the HAD avoided implementing simultaneously the improvement work as suggested by the HAB to minimise the risk of losing services to the public.

Notwithstanding the above explanations, the HAD had, since January 2003, taken steps to implement the improvement work to DC Homepages as suggested by the HAB and the OGCIO. In November 2003, the HAD informed the HAB and the OGCIO that the improvement work had been completed.

Audit observations

Non-compliance with the Government Homepage Guidelines

6.8 Audit reviewed the 18 DC Homepages in February and May 2004. The information provided on these homepages as at 21 May 2004 is summarised in Appendix L. Audit compared the set-up and maintenance of the 18 DC Homepages with those recommended in the Government Homepage Guidelines and noted that they have largely adhered to the Government Homepage Guidelines. Some examples of non-compliance with the Government Homepage Guidelines are given in Appendix M.

Room for improvement in District Council Homepages

6.9 Audit review of the 18 DC Homepages has found that there is room for improvement. Audit observations are set out in paragraphs 6.10 to 6.14.

6.10 *Some information not available in English and simplified Chinese.* According to the Government Homepage Guidelines, government homepages should be designed to provide relevant information in a format that encourages access by the local and international communities (see para. 6.4). Hence, it is required that government homepages should be in English, traditional Chinese and simplified Chinese. Audit review of the 18 DC Homepages has found the following observations:

- (a) on the 18 DC Homepages:
 - (i) certain information was available only in traditional Chinese, but not in English and simplified Chinese; and
 - (ii) there was no indication on those relevant pages that such information was only available in traditional Chinese;

- (b) in the English version of the 18 DC Homepages:
 - (i) no DC Secretariat had posted the full set of minutes of DC meetings;
 - (ii) only 10 DC Secretariats had posted a summary of the minutes of DC meetings; and
 - (iii) only 2 DC Secretariats had posted the guidelines on the use of DC funds and the related application procedures; and

- (c) in the simplified Chinese version of the 18 DC Homepages:
 - (i) all DC Homepages had not posted the agendas of DC committee meetings, minutes of DC meetings, and guidelines on the use of DC funds and the related application procedures; and
 - (ii) for items that were not available in simplified Chinese, a system error message would appear when they were selected by users.

6.11 *Some useful information not posted on DC Homepages.* The main purpose of the homepages is to disseminate essential and useful information to the public. The guidelines on the use of DC funds and the related application procedures are essential information to local organisations which may wish to apply for such funding. In addition,

the details of DC activities are useful information to the public who may wish to participate in such activities. The uploading of DC activities, together with an events calendar and event description, to DC Homepages is an effective, powerful but inexpensive way to promote DC activities among the general public. Furthermore, the information about the Meet-the-public Scheme is useful to members of the public who wish to seek help from DC Members. However, Audit review of the 18 DC Homepages has found that the following useful information is missing:

- (a) four DC Homepages had not posted information on the guidelines on the use of DC funds and the related application procedures;
- (b) nine DC Homepages had not posted information on DC activities to be held in the near future;
- (c) seven DC Homepages had not posted information about the Meet-the-public Scheme; and
- (d) four DC Homepages had not posted the duty roster of DC Members under the Meet-the-public Scheme.

6.12 ***No interactive online service provided.*** According to the Government Homepage Guidelines, stepping into the 21st century, gearing to providing interactive online service will be a major trend in the delivery of public services. Bureaux and departments should strengthen the interactive elements in their homepages. Audit review of the 18 DC Homepages noted that all of them had not provided interactive online service for local organisations to submit their applications for DC funds, and for the public to make their appointments with DC Members under the Meet-the-public Scheme.

6.13 ***No visitor counts available.*** Visitor counts can facilitate the DCs to keep track of the number of users of their homepages so as to ensure that their websites continually meet the expectations of target users. Audit noted that all the 18 DC websites had not built in visitor counts to record the number of visitors to individual DC Homepages.

6.14 ***Need to ensure effective use of DC Homepages.*** As DC Homepages provide a channel to disseminate district-related information of the DCs and serve as a communication channel between the DCs and the public, Audit considers that the HAD needs to ensure that all the DC Secretariats have made effective use of DC Homepages in order to attain their intended purposes.

Use of District Council funds for developing additional homepages

6.15 In December 1997, the Members of a DC proposed to use DC funds (Note 15) to set up a separate homepage for their DC. In the same month, the HAD Headquarters pointed out that, under the guidelines on the use of DC funds, DC funds should not be spent on projects which were more appropriately chargeable to other government or departmental vote. As the setting up of homepages was already covered by the departmental vote, it was not appropriate to use DC funds for such purpose.

6.16 In November 1998, another DC also wrote to the HAD Headquarters asking whether DC funds could be used for setting up separate DC Homepages. In December 1998, the HAD Headquarters replied that the guidelines on the use of DC funds had been set out in the HAD's standing circular. The ambit of the vote was such that the cost of setting up and maintaining separate DC Homepages would not appear to be a fair charge to DC funds.

6.17 In mid-2000, when the HAD decided to set up independent homepages for the 18 DCs, it also stated that individual DCs might, with their own community resources or sponsorship, produce any further homepages of their own as they considered appropriate. However, it did not state that DC funds could be deployed for the setting up of further homepages.

6.18 Audit review of DC Homepages found that two DCs had set up separate homepages showing their DC activities. Despite the instruction of the HAD Headquarters given in December 1997 (see para. 6.15), these separate homepages were established by the use of DC funds as follows:

- (a) in October 2000, a DO approved the allocation of DC funds for setting up a separate homepage for the DC. The development of the separate homepage was contracted out at a total cost of \$111,000. In January 2002, the separate homepage came into operation. Since then, funds have also been allocated annually from DC funds to maintain the separate homepage. The total amounts

Note 15: *The Government provides DC funds to implement the community involvement projects and the MEI projects. DC funds are mostly spent on specific one-off community projects which aim at enhancing community spirit and social cohesion and promoting the well-being of the people in the district. The District Officers are responsible for ensuring that funds are expended within the ambit of the vote and in accordance with the government financial, accounting, stores and general regulations, and the guidelines issued by the HAD Headquarters.*

incurred in maintaining the separate homepage in 2002-03 and 2003-04 were \$160,000 and \$130,000 respectively; and

- (b) in March 2002, another DC established a separate homepage on tourism by using DC funds of \$16,760. In July 2002, the separate homepage was uploaded for public use. In 2003-04, an amount of \$1,440 was allocated from DC funds to maintain this separate homepage.

Apparently, the expenditure of \$401,000 (\$111,000 + \$160,000 + \$130,000) and \$18,200 (\$16,760 + \$1,440) incurred by the two DCs for the development and maintenance of separate homepages was outside the ambit of DC funds. Audit considers that it may not be appropriate for the two DOs to charge such expenditure to DC funds.

Audit recommendations

6.19 **Audit has recommended that the Director of Home Affairs should:**

Non-compliance with the Government Homepage Guidelines

- (a) **encourage the DC Secretariats to follow the Government Homepage Guidelines (see para. 6.8);**
- (b) **with reference to the Government Homepage Guidelines, improve the contents of DC Homepages by:**
 - (i) **providing a “skip” option on the flashing page for users to skip the animations (see Appendix M item (A));**
 - (ii) **posting a last revision date or a date of the last review on each page of DC Homepages (see Appendix M item (B));**
 - (iii) **ensuring that the DC Secretariats upload information onto their DC Homepages timely and regularly (see Appendix M item (C)); and**
 - (iv) **ensuring that the DC Secretariats keep a checklist for maintaining their homepages and conduct regular checks on their homepages (see Appendix M item (D));**

Room for improvement in District Council Homepages

- (c) **if the information on DC Homepages is not available in English or simplified Chinese, inform the users that such information is only available in traditional Chinese (see para. 6.10(a));**
- (d) **in the long run, ensure that DC Homepages provide information in English, traditional Chinese and simplified Chinese (see para. 6.10);**
- (e) **in coordination with the 18 DCs, consider uploading the following information onto DC Homepages:**
 - (i) **the guidelines on the use of DC funds and the related application procedures for DC funds (see para. 6.11(a));**
 - (ii) **a list of DC activities together with an events calendar, event description and contact persons (see para. 6.11(b)); and**
 - (iii) **the operation of the Meet-the-public Scheme and duty rosters of DC Members under the Scheme (see para. 6.11(c) and (d));**
- (f) **consider improving DC Homepages:**
 - (i) **by providing interactive online services via the homepages to facilitate local organisations and the public to apply for DC funds to undertake community activities and to make appointments with DC Members under the Meet-the-public Scheme (see para. 6.12); and**
 - (ii) **by building in visitor counts to individual DC Homepages to facilitate keeping track of the number of users (see para. 6.13);**

Use of District Council funds for developing additional homepages

- (g) **review the use of DC funds for the development and maintenance of separate homepages for the DCs (see para. 6.18); and**
- (h) **remind all DOs of the proper funding arrangements for the development of additional homepages for the DCs (see para. 6.18).**

Response from the Administration

6.20 The **Director of Home Affairs** has said that she generally welcomes the audit recommendations. She has also said that:

- (a) given the fact that the DCs are statutory bodies established under the District Councils Ordinance with a high degree of autonomy, the HAD would like to give individual DCs a free hand to decide for themselves the format of their DC Homepages. Noting the good practices as promulgated in the Government Homepage Guidelines, the HAD has taken steps to implement these practices over the years and will continue to encourage the DCs to consider adopting the various practices recommended by Audit as far as practicable;
- (b) the instruction made by the HAD Headquarters not to charge the setting up and maintenance of DC Homepages to DC funds was issued in 1997, having regard to the fact that the DC information was provided at the time as part of the HAD Homepage funded by the departmental vote and that the information technology security measures for the HAD Homepage were not then sufficiently sophisticated to accommodate additional homepages. With the setting up of independent DC Homepages under the management of the respective DCs in 2001 and given increasing public demand for efficient and effective access to information on the DCs through the Internet and the improvements in the information technology security measures, the HAD considers the instruction issued in 1997 no longer valid; and
- (c) the two separate homepages mentioned in paragraph 6.18 give comprehensive information on the two DCs and their activities, and are specially designed to help promote specific projects such as the local community economy projects. In view of the special nature of these homepages, the HAD considers it appropriate to classify the development and maintenance of these homepages as community involvement projects for publicity purposes and to charge the expenditure incurred to DC funds.

6.21 The **Government Chief Information Officer** has said that he basically agrees with the audit observations. He has also said that the DC Homepages have largely adhered to the Government Homepage Guidelines.

**Distribution of seats for District Council Members by district
(2004-07 District Council term)**

District	Number of seats
Hong Kong Island	
Central and Western	19
Eastern	46
Southern	21
Wan Chai	14
	<hr style="width: 100%; border: 0.5px solid black;"/>
	100
Kowloon	
Kowloon City	27
Kwun Tong	42
Sham Shui Po	26
Wong Tai Sin	31
Yau Tsim Mong	20
	<hr style="width: 100%; border: 0.5px solid black;"/>
	146
New Territories	
Islands	20
Kwai Tsing	36
North	25
Sai Kung	27
Sha Tin	46
Tai Po	26
Tsuen Wan	24
Tuen Mun	37
Yuen Long	42
	<hr style="width: 100%; border: 0.5px solid black;"/>
	283
	<hr style="width: 100%; border: 0.5px solid black;"/>
Total	529
	<hr style="width: 100%; border: 1.5px solid black;"/>

Source: HAD records

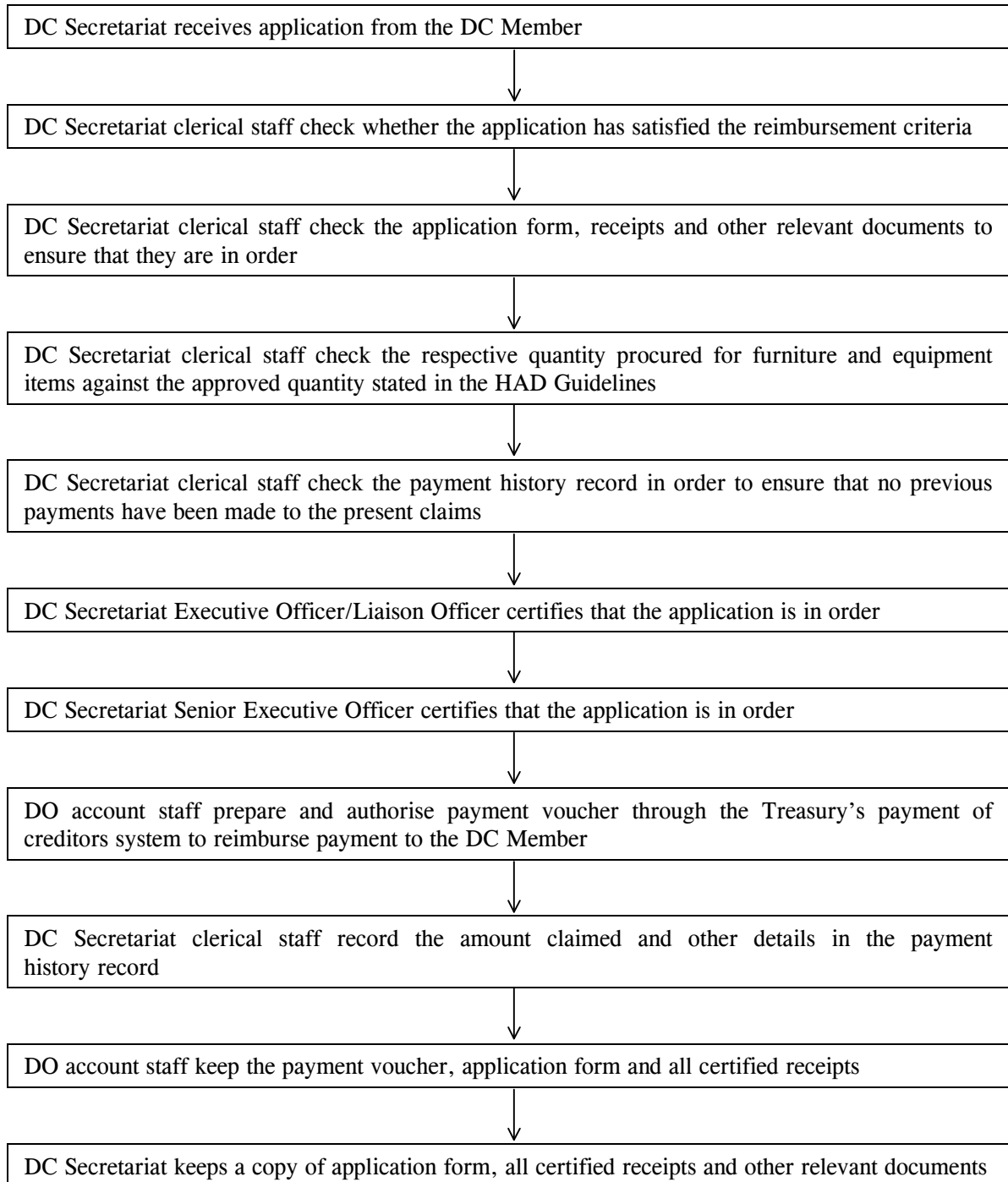
**List of reimbursable items under
the Accountable Allowance/Operating Expenses Allowance**

Reimbursable items	Effective date
(A) <i>Expenses on employment of assistants</i>	
(a) staff remuneration (including salaries, leave pay, gratuities, bonuses and other employment-related allowances)	1 January 2000
(b) medical benefits	1 January 2000
(c) provident fund contributions	1 January 2000
(d) insurance payments	1 January 2000
(e) statutory payments under labour laws	1 January 2000
(f) recruitment expenses	1 December 2001
(g) job-related training expenses for DC Members' assistants	1 December 2001
(B) <i>Office accommodation expenses</i>	
(a) rental charges	1 January 2000
(b) management fee	1 January 2000
(c) government rent and rates	1 January 2000
(d) electricity, water and sewage charges	1 January 2000
(e) communication charges	
(i) fixed telephone and/or fax lines, and for a fixed datum line for Internet and e-mail services installed in the office	1 January 2000
(ii) pager charges	1 December 2001
(iii) narrow band or broadband Internet service charges	1 December 2001
(iv) postage, bulk mailing and express delivery charges	1 December 2001

Reimbursable items	Effective date
(f) printing and stationery	1 December 2001
(g) periodicals, newspaper and publications	1 December 2001
(h) repairs and maintenance of equipment and furniture located in the ward offices	1 December 2001
(i) office insurance (e.g. public liabilities, theft and fire)	1 December 2001
(j) expenses on publicity items promoting the ward offices of DC Members for the purpose of conducting DC business	1 December 2001
(k) specified equipment and furniture as per an approved list	1 June 2002
(l) stamp duty for rental agreements	1 January 2004
(m) miscellaneous items essential for the smooth running of ward office (e.g. basic office renovation and tools)	1 January 2004
(n) repairs and maintenance of equipment and furniture purchased with the OEA or the ITOSG	1 January 2004

Source: HAD records

**Procedures for processing applications for
reimbursement of Operating Expenses Allowance and
Information Technology and Other Support Grant for District Council Members**



Source: HAD records

**Non-reimbursable items under the
Operating Expenses Allowance for District Council Members
(2004-07 District Council term)**

- (a) Refundable deposits
- (b) Penalties
- (c) Cooking utensils and appliances (other than distilled water dispenser, refrigerator and microwave oven)
- (d) Decorative items, such as paintings, photo frames and flowers
- (e) Greeting cards and X'mas cards
- (f) Sponsorship
- (g) Entertainment (including food and beverage) and travelling expenses
- (h) Medical and dental expenses for the DC Member
- (i) Insurance plans for the DC Member
- (j) Remuneration and benefits for the DC Member
- (k) Training for the DC Member
- (l) Expenses arising from non-DC related duties

Source: HAD records

Audit findings on reimbursements of the Operating Expenses Allowance and the Information Technology and Other Support Grant to District Council Members (January 2002 to March 2004)

(A): Employment of assistants

<i>Criteria according to the HAD Guidelines</i>	Audit findings
<p>(i) <i>DC Members should register with the DC Secretariats the names of their assistants with certified true copies of the employment contracts and written statements confirming that the assistants are not their relatives.</i></p>	<p>In 3 districts, 3 DC Members did not submit to the DC Secretariats the employment contracts for their 5 assistants.</p> <p>In 4 districts, 20 DC Members did not submit written statements to confirm that the 20 assistants they employed were not their relatives.</p>
<p>(ii) <i>DC Members are responsible for notifying the DC Secretariats of any change of particulars of the employment contract within one month from the date of change.</i></p>	<p>In 2 districts, the monthly salaries paid to 5 assistants working for 5 DC Members were different from those specified in the employment contracts. No notifications could be found.</p>
<p>(iii) <i>The DC Secretariats should ensure that receipts for remuneration on employment of assistants submitted by DC Members have identity card numbers appearing on the receipts.</i></p>	<p>In 5 districts, 24 DC Members did not provide the identity card number on 30 salary receipts.</p>

(B): Office accommodation

<i>Criteria according to the HAD Guidelines</i>	Audit findings
<p>(i) <i>The DC Secretariats should ensure that receipts for rental and management fees issued by an individual owner should carry the name in full, identity card number and signature of the owner.</i></p>	<p>In 5 districts, 19 rental/management fee receipts submitted by 13 DC Members did not bear the owner's name, identity card number or signature.</p>

<p>(ii) <i>DC Members of the same district may run joint offices with each other provided that an agreement declaring either the portion of expenses or individual items for bearing the costs in respect of the joint offices is signed between the concerned parties and forwarded to the respective DC Secretariat for records and future verification.</i></p>	<p>In 2 districts, 2 DC Members who had joint offices did not submit the agreements on joint offices to the DC Secretariats.</p>
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(C): Claims for non-reimbursable items

Criteria according to the HAD Guidelines	Audit findings
<p><i>The following items are not reimbursable:</i></p> <p>(i) <i>Publicity items of DC Members containing information other than those allowed in the HAD Guidelines.</i></p> <p>(ii) <i>IDD, roaming, international calls charges and expenses for telephone lines not made known to the public.</i></p> <p>(iii) <i>Non-publicity materials, purchase of battery, rental of photocopier and surcharge for late payment.</i></p> <p>(iv) <i>Reimbursable items introduced with effect from 1 June 2002 but paid before 1 June 2002.</i></p>	<p>In 8 districts, 36 DC Members submitted 63 claims for this type of non-reimbursement items. The total amount paid for such non-reimbursable items was \$102,503.</p> <p>In 4 districts, 12 DC Members submitted 38 claims for this type of non-reimbursable items. The total amount paid for such non-reimbursable items was \$15,361.</p> <p>In 5 districts, 15 DC Members submitted 44 claims for this type of non-reimbursable items. The total amount paid for such non-reimbursable items was \$58,455.</p> <p>In 2 districts, 2 DC Members submitted 2 claims for such non-reimbursable items. The total amount paid for such non-reimbursable items was \$3,680.</p>

(D): Improper reimbursement

<i>Criteria according to the HAD Guidelines</i>	Audit findings
(i) <i>Reimbursement should be made to DC Members on the production of proper receipts.</i>	In 3 districts, there were 11 cases without supporting receipts. The total amount involved was \$38,503.
(ii) <i>The DC Secretariats should ensure that no previous payments have been made in respect of the claim.</i>	In 3 districts, there were 3 cases with previous payments. The total amount involved was \$1,655.
(iii) <i>Any rebate, subsidy, compensation and refund from any source arising from expenses reimbursed under the OEA or the ITOSG should be refunded to the Government.</i>	In 2 districts, there were 3 non-compliance cases. The total amount involved was \$585.
(iv) <i>Expenses on employment of assistants should be reimbursed only for the DC Members' assistants.</i>	There was 1 non-compliance case. The amount involved was \$510.
(v) <i>Expenses on rental of ward offices should be reimbursed according to tenancy agreements.</i>	There was 1 non-compliance case. The amount involved was \$1,772.

(E): Purchase of equipment and furniture

<i>Criteria according to the HAD Guidelines</i>	Audit findings
(i) <i>The DC Secretariats should request DC Members to produce photographs of the items procured using the OEA or the ITOSG as far as practicable when they submit claims for reimbursement.</i>	In 5 districts, 29 DC Members did not submit photographs of the reimbursable items.
(ii) <i>DC Members should keep an inventory of all capitalised items procured using the OEA or the ITOSG at their ward offices and should provide a copy of the inventory to the DC Secretariats. A capitalised item refers to any piece of equipment or furniture costing \$1,000 or more and with a life span of over one year, excluding software and fixtures.</i>	7 out of the 9 selected DOs did not receive inventory records from DC Members. The DOs concerned did not request DC Members to submit the inventory records.

(F): Time limit for making reimbursement claims

<i>Criteria according to the HAD Guidelines</i>	Audit findings
(i) <i>DC Members are advised to submit the claims for reimbursement of expenses incurred within the following month so that early reimbursement can be made and cash flow management is facilitated.</i>	For all the 9 districts, 41 DC Members did not follow the HAD's advice to submit their claims in the following month after incurring the expenses. Some DC Members accumulated their expenses incurred for a number of months and submitted the claims to the DC Secretariats for reimbursement in one lot.
(ii) <i>Claims for expenses incurred in the previous calendar year will not be entertained if submitted two months after the end of the previous calendar year cycle.</i>	In 3 districts, there were 4 payments for claims submitted after the specified time limit.
(iii) <i>Payments cover months straddling two calendar years should be apportioned and charged to the provision of the respective calendar year.</i>	In 4 districts, there were 20 such payments which had not been apportioned.

(G): Monthly statement for DC Members

<i>Criteria according to the HAD Guidelines</i>	Audit findings
<i>The DC Secretariats are advised to produce monthly statement showing the cumulative reimbursed amount and the unclaimed balance to individual DC Members.</i>	6 out of the 9 selected DOs did not provide such statements to DC Members.

Source: HAD records

**Examples of permitted
Minor Environmental Improvement projects**

- (a) Beautification of grey areas (e.g. purchase or replacement of shrubs, provision of concrete flower pots, tree planting and grass cutting)
- (b) Development of temporary amenities on vacant or cleared government land (e.g. rest gardens, sitting-out and barbecue areas, rain-shelters and pavilions)
- (c) Construction of jogging tracks, steps and railings
- (d) Provision of signboards, notice boards, erection of DC logos and memorial plaques
- (e) Provision of directional signs and funds to meet part of the cost of communal letter boxes
- (f) Special clean-up operations after the clearance of illegal structures on government land (e.g. the hire of lorries and equipment, plastering work and white washing of walls)
- (g) Construction of temporary offices on vacant government land in squatter areas in order to facilitate the setting up of mutual aid committees
- (h) On-going maintenance of completed MEI projects
- (i) Provision of lighting and electricity supply to DC sitting-out areas and playgrounds

Source: HAD records

District Council funds used by District Offices for grass cutting
(2002-03 and 2003-04)

DO	2002-03		2003-04	
	No. of grass-cutting jobs	Total expenditure (\$)	No. of grass-cutting jobs	Total expenditure (\$)
Kwai Tsing	6	112,369	6	85,827
Sha Tin (Note 1)	3	167,411	4	289,520
Tsuen Wan	6	217,689	6	222,500
Tuen Mun (Note 2)	3	55,870	2	64,444
Yuen Long	27	648,963	32	722,980
Total		1,202,302		1,385,271

Source: DO records

Note 1: The contracts included some minor desilting works to drainage channels in the district.

Note 2: The DO also used the Local Public Works funds to carry out 12 grass-cutting jobs in 2002-03 and 2003-04.

Appendix H
(para. 5.5 refers)

List of core departments identified by the 18 District Offices

District	Core department								Total number of core departments
	Civil Engineering and Development Department (Note)	Food and Environmental Hygiene Department	HAD	Hong Kong Police Force	Housing Department	Leisure and Cultural Services Department	Transport Department	Other bureaux/ departments	
Hong Kong Island									
Central and Western	✓	✓	✓	✓	—	✓	✓	—	6
Eastern	✓	✓	✓	✓	✓	✓	✓	—	7
Southern	✓	✓	—	✓	✓	✓	✓	—	6
Wan Chai	✓	✓	✓	✓	—	✓	✓	—	6
Kowloon									
Kowloon City	✓	✓	—	✓	✓	✓	✓	—	6
Kwun Tong	✓	✓	✓	✓	✓	✓	✓	Social Welfare Department	8
Sham Shui Po	✓	✓	✓	✓	✓	✓	✓	—	7
Wong Tai Sin	—	✓	—	✓	✓	✓	✓	Social Welfare Department	6
Yau Tsim Mong	✓	✓	✓	✓	✓	✓	✓	—	7
New Territories									
Islands	✓	✓	—	✓	✓	✓	✓	(a) Education and Manpower Bureau (b) Lands Department (c) Planning Department (d) Social Welfare Department	10
Kwai Tsing	✓	✓	✓	✓	✓	✓	✓	—	7
North	✓	✓	✓	✓	✓	✓	✓	(a) Lands Department (b) Planning Department	9

Appendix H
(Cont'd)
(para. 5.5 refers)

District	Core department								Total number of core departments
	Civil Engineering and Development Department (Note)	Food and Environmental Hygiene Department	HAD	Hong Kong Police Force	Housing Department	Leisure and Cultural Services Department	Transport Department	Other bureaux/ departments	
New Territories (Cont'd)									
Sai Kung	✓	✓	✓	✓	✓	✓	✓	(a) Education and Manpower Bureau (b) Lands Department (c) Marine Department (d) Planning Department (e) Social Welfare Department	12
Sha Tin	✓	✓	✓	✓	✓	✓	✓	—	7
Tai Po	✓	✓	✓	✓	✓	✓	✓	(a) Education and Manpower Bureau (b) Lands Department (c) Planning Department (d) Social Welfare Department	11
Tsuen Wan	✓	✓	✓	✓	✓	✓	✓	—	7
Tuen Mun	✓	✓	✓	✓	✓	✓	✓	—	7
Yuen Long	✓	✓	✓	✓	✓	✓	✓	(a) Department of Health (b) Hospital Authority (c) Independent Commission Against Corruption (d) Social Welfare Department	11

Source: HAD records

Note: On 1 July 2004, the Territory Development Department merged with the Civil Engineering Department to form the new Civil Engineering and Development Department.

**Home Affairs Department's survey on the
submission of annual district plans by core departments
(21 November 2001 to 10 July 2003)**

District (Note 1)	No. of core departments	No. of core departments with the submission of the ADPs (Note 2)	Submission rate
	(a)	(b)	$(c) = \frac{(b)}{(a)} \times 100\%$ (%)
North	9	2	22%
Central and Western	6	2	33%
Sham Shui Po	7	3	43%
Tuen Mun	7	3	43%
Southern	6	3	50%
Kwai Tsing	7	4	57%
Eastern	7	5	71%
Tai Po	11	9	82%
Wong Tai Sin	6	5	83%
Total	<u>66</u>	<u>36</u>	55%

Source: HAD records

Note 1: Nine districts were excluded because the DOs only provided information on the total number of the ADPs submitted by the core departments without showing the number of core departments involved.

Note 2: Some core departments submitted more than one plan for different activities. For the purpose of calculating the submission rate, all the submissions from each core department were treated as one submission, regardless of the number of plans submitted during the period.

**Audit survey on the submission of annual district plans by core departments
(January 2002 to June 2004)**

District	No. of core departments	Submission rate (Note)			
		2002	2003	2004 (January to June)	Average
		(%)	(%)	(%)	(%)
Islands	10	10%	20%	10%	13%
North	9	22%	22%	11%	18%
Tuen Mun	7	14%	43%	14%	24%
Yuen Long	11	45%	27%	27%	33%
Sham Shui Po	7	29%	43%	43%	38%
Central and Western	6	33%	50%	33%	39%
Kowloon City	6	50%	50%	33%	44%
Tai Po	11	36%	64%	64%	55%
Wong Tai Sin	6	0%	100%	67%	56%
Eastern	7	57%	71%	57%	62%
Yau Tsim Mong	7	71%	71%	43%	62%
Kwun Tong	8	38%	75%	75%	63%
Sha Tin	7	57%	71%	71%	66%
Southern	6	67%	67%	67%	67%
Wan Chai	6	67%	100%	50%	72%
Tsuen Wan	7	100%	86%	86%	91%
Kwai Tsing	7	100%	100%	86%	95%
Sai Kung	12	100%	100%	100%	100%
Total	140	50%	64%	52%	55%

Source: Audit survey

Note: For the purpose of determining the submission rate, all the submissions of the ADPs from each core department were treated as one submission, regardless of the number of plans submitted during the year.

**Audit survey on action taken by the 18 District Offices
for the submission of annual district plans by core departments**

District	Issue requests for the submission of the ADPs	Require the submission of “Nil” return	Take follow-up action after issuing requests for the ADPs
Hong Kong Island			
Central and Western	×	×	×
Eastern	×	×	✓ (Note)
Southern	✓	×	✓
Wan Chai	×	×	×
Kowloon			
Kowloon City	✓	×	✓
Kwun Tong	×	×	×
Sham Shui Po	×	×	×
Wong Tai Sin	✓	×	✓
Yau Tsim Mong	✓	×	✓
New Territories			
Islands	×	×	×
Kwai Tsing	✓	×	✓
North	×	×	×
Sai Kung	✓	✓	✓
Sha Tin	✓	×	✓
Tai Po	✓	✓	✓
Tsuen Wan	✓	×	×
Tuen Mun	×	×	×
Yuen Long	×	×	×

Legend: ✓ — Yes
× — No

Source: *Audit survey*

Note: *The Eastern DO issued reminders to the core departments which had not submitted ADPs.*

Comparison of information provided on the 18 District Council Homepages
(May 2004)

District	Welcome message	Members' information	District highlights	DC meeting			DC activities		Meet-the-public Scheme	
				Schedule	Agendas	Minutes (Note 1)	Guidelines and application procedures	List of coming activities	Brief introduction	Duty rosters of DC Members
Hong Kong Island										
Central and Western	✓	✓	✓	✓	E&TC	E&TC	TC	×	✓	✓
Eastern	✓	✓	✓	✓	E&TC	E&TC	TC	✓	✓	✓
Southern	✓	✓	✓	✓	E&TC	TC	TC	✓	TC&SC	N/A (Note 4)
Wan Chai	✓	✓	✓	✓	E&TC	E&TC (Note 3)	TC	✓	✓	×
Kowloon										
Kowloon City	✓	✓	✓	✓	E&TC	E&TC (Note 3)	×	×	×	✓
Kwun Tong	✓	✓	✓	TC&SC	TC	TC	×	×	×	×
Sham Shui Po	✓	✓	✓	✓	E&TC	E&TC	TC	✓	✓	×
Wong Tai Sin	✓	✓	✓	✓	E&TC (Note 2)	E&TC	TC	E&TC	×	TC
Yau Tsim Mong	✓	✓	✓	✓	E&TC (Note 2)	E&TC (Note 3)	E&TC	×	×	✓
New Territories										
Islands	✓	✓	✓	✓	E&TC	TC	TC	TC	×	✓
Kwai Tsing	✓	✓	✓	✓	E&TC (Note 2)	TC	TC	×	✓	✓
North	✓	✓	✓	✓	E&TC	E&TC (Note 3)	×	×	✓	✓
Sai Kung	✓	✓	✓	✓	E&TC (Note 2)	×	E&TC	×	✓	✓
Sha Tin	✓	✓	✓	✓	E&TC	E&TC	TC	×	✓	×
Tai Po	✓	✓	✓	✓	E&TC	TC	×	✓	✓	✓
Tsuen Wan	✓	✓	✓	✓	E&TC	TC	TC	×	×	✓
Tuen Mun	✓	✓	✓	✓	E&TC	E&TC	TC	✓	×	✓
Yuen Long	✓	✓	✓	✓	E&TC (Note 2)	TC	TC	TC	E&TC	E&TC

Legend: E — Available in English
 TC — Available in traditional Chinese
 SC — Available in simplified Chinese
 ✓ — Available in English, traditional Chinese and simplified Chinese
 × — Information not uploaded
 N/A — Not applicable

Source: Audit analysis of DC Homepages

Note 1: In the English version of the homepages, only a summary of the minutes of meetings was uploaded.

Note 2: The agendas for some meetings which had already been held were not uploaded on the relevant page of the homepages.

Note 3: The summaries or minutes of meetings were not available on the homepages 12 weeks after the meetings.

Note 4: The Southern DC does not have a duty roster of DC Members for the Meet-the-public Scheme. The Southern DO staff would register requests from the public and refer the cases to the relevant DC Member for follow-up action.

**Non-compliance with the Government Homepage Guidelines
(May 2004)**

(A): Flashing page not provided with skip option

<p><i>Criteria according to the Government Homepage Guidelines</i></p>	<p>Audit findings</p>
<p><i>To ensure accessibility, animation at the entry page such as flashing, though visually attractive, is not encouraged as it may be an obstacle for some users to enter the site. If the animation software effect is considered to be necessary, a text link “skip” option should be provided in case the users do not wish to wait for the playing of the entire animation programme.</i></p>	<p>The entry page of DC Homepages provided users for the selection of text-only or graphic versions. After selecting the graphic version, a flashing page would appear and keep on flashing. However, there was no “skip” option provided on the flashing page for users to skip the animation.</p> <p>In May 2003, the HAD received a complaint from the public pointing out that the flashing page, which contained the 18 district icons linking to individual DC Homepages, kept on flashing and changing to another pattern in two to three seconds. It was difficult for him to find and select his target district.</p>

(B): Last revision/review date not posted on each page

<p><i>Criteria according to the Government Homepage Guidelines</i></p>	<p>Audit findings</p>
<p><i>Bureaux and departments should post on each page of their homepages a last revision date or a date of the last review to show that the information is still up-to-date.</i></p>	<p>Except for a few pages of 3 DC Homepages, all other DC Homepages did not have the last revision/review dates posted thereon. Users could not know when the pages had last been updated or reviewed.</p>

(C): Information on individual DC Homepages not timely uploaded

<p><i>Criteria according to the Government Homepage Guidelines</i></p>	<p>Audit findings</p>
<p><i>It is the responsibility of a bureau/department to ensure that information put on the Internet is up-to-date. Bureaux and departments should determine, in respect of each document uploaded onto the homepages, the frequency in which the document should be updated.</i></p>	<p>On 4 DC Homepages, the minutes of meetings were not uploaded 12 weeks after the dates of DC meetings. On 5 DC Homepages, the agendas of meetings were not uploaded after the dates of the meetings.</p> <p>In February 2004, the English version of a DC Homepage was under construction and no information was available thereon. Three months later, in May 2004, 3 out of the 8 platforms of the English version of the homepage were still blank.</p>

(D): No regular checks on DC Homepages

<p><i>Criteria according to the Government Homepage Guidelines</i></p>	<p>Audit findings</p>
<p><i>A work schedule, containing a comprehensive list of all determined frequencies for updating documents, should be compiled for observation by all staff involved in the updating of the homepages.</i></p> <p><i>In December 1999, the HAB informed departments that the Information Services Department had prepared a checklist to enable bureaux and departments to conduct regular checks on their homepages. Bureaux and departments should complete the checklist twice a year.</i></p>	<p>All the nine selected DOs did not have the checklist and they had not carried out any regular checks on their homepages.</p>

Source: HAD records, DC Homepages and Government Homepage Guidelines

Acronyms and abbreviations

ADP	Annual district plan
Audit	Audit Commission
CPI	Consumer Price Index
DC	District Council
DCF Guidelines	District Council Funds Guidelines
DO	District Office
DoJ	Department of Justice
ETWBTC	Environment, Transport and Works Bureau Technical Circular
ExCo	Executive Council
HAB	Home Affairs Bureau
HAD	Home Affairs Department
IRO	Inland Revenue Ordinance
ITOSG	Information Technology and Other Support Grant
LegCo	Legislative Council
MEI	Minor Environmental Improvement
NT	New Territories
OEA	Operating Expenses Allowance
OGCIO	Office of the Government Chief Information Officer
WBTC	Works Bureau Technical Circular