

## **CHAPTER 6**

### **Financial Services and the Treasury Bureau**

<p><b>Performance measurement and reporting in the Government</b></p>
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**Audit Commission  
Hong Kong  
22 October 2005**

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

Report No. 45 of the Director of Audit contains 9 Chapters which are available on our website at <http://www.aud.gov.hk>.

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# PERFORMANCE MEASUREMENT AND REPORTING IN THE GOVERNMENT

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## **PART 1: INTRODUCTION**

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

### **Background**

1.2 Managing for results and reporting of results have nowadays formed part of the lexicon of public sector management. Governments are being asked to produce results and to spend the public money entrusted to them economically, prudently and wisely.

1.3 In the 1997 and 1998 Policy Addresses, the Chief Executive committed the Government to managing for results, by results. This was to ensure that the Government managed its business in a result-oriented way. In the Policy Address of 2004, the Chief Executive continued to commit maintaining a responsive and accountable government.

### **Importance of performance management**

1.4 Performance management supports the Government's drive for managing for results and plays a vital role in accountable and effective government. It involves selecting key aspects of performance to measure, developing performance measures, collecting performance information, measuring and reporting actual performance against target and striving for future improvements in performance.

1.5 Performance management is key to linking together the various levels and aspects of the Government's management process. It ensures that the Government's aims, objectives and priorities, as expressed by the Administration in various key accountability documents (see para. 1.6), are put into effect.

### **Overall management framework for performance measurement**

1.6 Performance measures (i.e. targets and indicators) already exist at various levels in the Government's management process. In essence, performance measures exist at two levels.

***At policy level.*** Policy objectives and policy initiatives are set each year in:

- the Chief Executive's Policy Address;
- the Policy Agenda booklet (called the Policy Objective booklets before 2003) which forms part of the Policy Address documents; and
- Policy Briefings conducted by the Directors of Bureaux for the Legislative Council (LegCo) shortly after the Policy Address.

Along with these policy objectives and initiatives, policy-level targets are often published.

**At departmental level.** To align with the above policy objectives and policy-level targets, departments have to analyse their activities in terms of one or more programmes in the Controlling Officer's Report (COR) in the Estimates (Note 1). Against each programme in the CORs, Controlling Officers (COs) have to set programme aims and performance measures. The COR, setting out the performance measures for the coming year and reporting on performance results for the past and current years, forms an important and established vehicle for stakeholders to evaluate departmental performance.

## Performance measurement of government activities

1.7 The business of governments is complex. To help describe and measure what a government does, a government activity is often broken into inputs, outputs and outcomes, as defined below:

<b>Inputs</b>	These are the resources that contribute to the production and delivery of an output. Inputs commonly include labour, physical resources, administrative services and computer systems.
<b>Outputs</b>	These are the immediate results of government activities, e.g. number of licence applications processed, number of operations which take place, number of patients treated.
<b>Outcomes</b>	These are the ultimate impacts on, or consequences for, the community of the government activities. For example, reduced crime, improved health, longer life expectancy. Outcomes reflect the intended results from government actions and provide the rationale for government interventions.

*Source: Audit research based on international best practices*

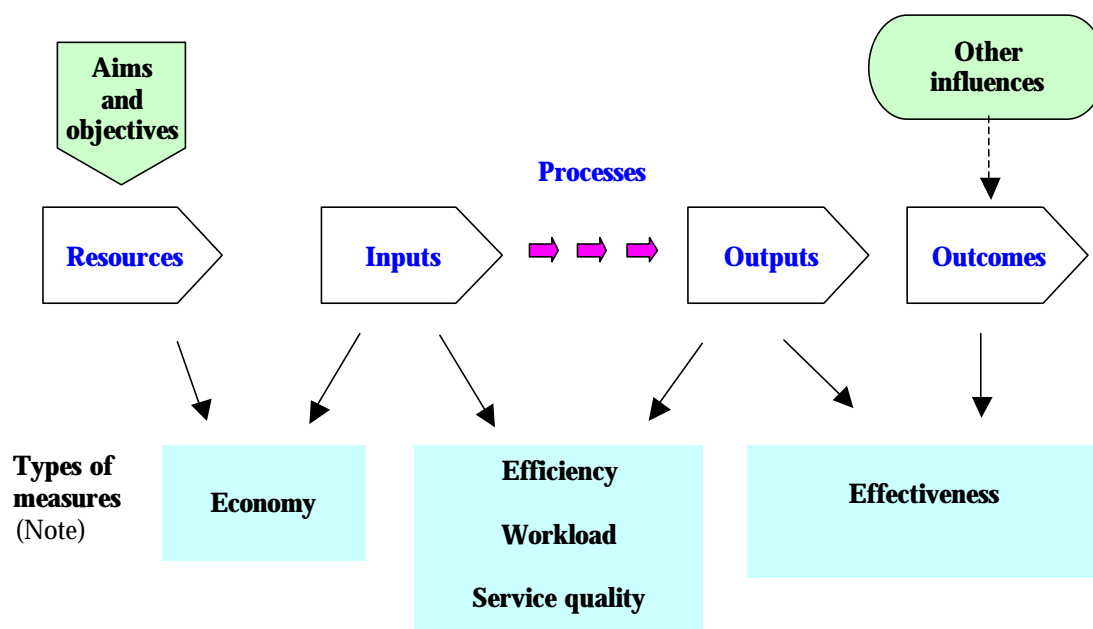
1.8 To measure the relationship between inputs, outputs and outcomes, different aspects of performance, namely economy, efficiency, workload, service quality and effectiveness, will be reviewed. Figure 1 shows the relationships among them.

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**Note 1:** *As laid down in the Public Finance Ordinance (Cap. 2), the Financial Secretary shall cause to be prepared in each financial year estimates of revenue and expenditure of the Government for the next following year, and shall cause such estimates to be laid before the LegCo before or as soon as practicable after the commencement of the financial year to which they relate. The heads contained in the estimates of expenditure shall be included in an Appropriation Bill which shall be introduced into the LegCo at the same time as the estimates. Upon enactment of the Appropriation Ordinance, the estimates of expenditure for the year shall be deemed to be approved.*

Figure 1

**Performance measurement —  
relationships between inputs, outputs and outcomes**



Note:

- (a) **Economy measures** look at the costs of acquiring the inputs in a programme area (e.g. the cost of drugs for a certain treatment).
- (b) **Efficiency measures** look at whether the maximum outputs are obtained for the inputs that go into the process (e.g. unit cost, staff productivity).
- (c) **Workload measures** look at the volume of output (e.g. estimates of the number of smokers joining an anti-smoking programme).
- (d) **Service quality measures** look at the quality of service being delivered to the customer (e.g. response time or the coverage of the services provided).
- (e) **Effectiveness measures** look at whether the outputs of the programme area lead to the desired outcomes. The outcomes may be immediate, intermediate or end outcomes.
  - **Immediate/intermediate outcomes** are the sequences of outcomes that occur between the outputs and the end outcomes. They are expected to lead to a desired result but they are not ends in themselves. They indicate the progress toward particular end outcomes. For example, estimates of the number of people giving up smoking because of an anti-smoking campaign would give an intermediate indication of the effectiveness of the campaign in improving people's health.
  - **End outcomes** are the final or ultimate outcomes. They help evaluate the final impacts and consequences of the government's activities. For example, the government's anti-smoking policy would result in a healthier population and fewer people having respiratory diseases.

## Overseas experience

1.9 It is well accepted that performance measurement and reporting helps enhance government performance, transparency and accountability. As a result, it has been given widespread attention in many governments abroad. Research shows that, despite cultural differences resulting in different approaches being adopted by governments of different countries, there are some useful common themes in performance measurement and reporting, as follows:

- Focus has been shifted from reporting on outputs/activities to management for results and reporting by outcomes.
- To enhance transparency and accountability, annual/biannual performance reports are published on progress towards meeting specific goals.
- To obtain assurance on the reliability of performance data, governments in advanced countries have developed some form of data validation.
- Experience abroad shows that the process of shifting the focus from managing inputs to managing for results is not easy. The change takes time, usually about four to five years.
- Persistence and the creation of a receptive climate are the keys to managing for results. To address the challenges that impede results-oriented management, continued and sustained commitment and leadership are needed.

## Government's guidelines on performance measurement and reporting

1.10 ***Guidelines issued by the Financial Services and the Treasury Bureau.*** Each year, around October/November, the Financial Services and the Treasury Bureau (FSTB) issues a circular memorandum inviting COs to submit their draft Estimates on the General Revenue Account, including CORs, for the following year. In the circular memorandum, the FSTB has also provided the guidelines to the COs (hereinafter referred to as the FSTB Guidelines) on how to select and develop performance measures and targets for reporting in the CORs against individual programme areas.

1.11 ***Guidelines issued by the Efficiency Unit.*** In support of the Chief Executive's drive for managing for results (see para. 1.3), in January 2000, the Efficiency Unit (EU) under the Chief Secretary for Administration's Office issued a "*Step-by-Step Guide to Performance Measurement*" (hereinafter referred to as the EU Guide). In its Guide, the EU outlines the process for developing performance measures in the Government. It has also emphasised that performance measurement is a key part of the Government's commitment to deliver the best results for the community it serves.



## Audit review

1.12 In October 1994, the Audit Commission (Audit) conducted a review of the adequacy and quality of financial and performance information provided by the Government to the LegCo. In its Report of January 1995, the Public Accounts Committee recommended that the LegCo should be provided with adequate performance information on efficiency and effectiveness and there should be continued improvements in the provision of information on aims and objectives, and this should be adequately linked with outturn information.

1.13 Against the above background, Audit has recently conducted a review of the appropriateness and adequacy of the performance information reported in the CORs. Because a prerequisite of good reporting is that the information reported should be reliable and presented fairly, Audit has also examined the reliability of the performance information reported by selected Bureaux and Departments (B/Ds). These B/Ds included a mix of small and large B/Ds, so that areas for improvement and examples of best practice would generally be relevant to other B/Ds. For example, the B/Ds examined included the Education and Manpower Bureau (EMB), the Food and Environmental Hygiene Department (FEHD), the Home Affairs Department (HAD) and the Student Financial Assistance Agency (SFAA). As the audit is aimed at identifying room for improvement in the Government's performance measurement and reporting, those performance measures with higher risks of mis-calculation and mis-reporting were chosen for examination. Hence, the audit results do not necessarily represent the overall position of all B/Ds.

1.14 The scope of this audit covers the following areas:

- (a) adequacy of the performance information in the CORs (PART 2);
- (b) reliability of the performance information in the CORs (PART 3); and
- (c) other areas for improvement in the CORs (PART 4).

1.15 The audit criteria used are based on the guidelines issued by the FSTB and the EU. Reference is made, where appropriate, to the best practices adopted in advanced countries abroad. The audit has identified room for improvement in performance measurement and reporting. The audit findings and recommendations are aimed at improving performance measurement and reporting in the Government, thereby enhancing public accountability.

## Acknowledgement

1.16 Audit would like to acknowledge with gratitude the full cooperation of the staff of various B/Ds during the course of the audit review.

## General response from the Administration

1.17 The **Secretary for Financial Services and the Treasury** generally agrees to Audit's recommendations. He has said that he will urge COs to adhere to the FSTB Guidelines and will suitably revise the Guidelines where appropriate. He will also offer to discuss with those B/Ds which encounter difficulties in articulating performance expectations, measuring performances and reporting results (Note 2).

1.18 The **Head, Efficiency Unit** has said that the EU has long championed performance measurement and reporting as an important tool for the Government to ensure value for money and public accountability in its service delivery. In his view, the Government already does compile considerable information on a performance measurement basis. The EU will consider how the information could be presented in a better manner and whether this is best achieved through the COR or in some other way. The EU is also prepared to provide assistance to B/Ds seeking help in the alignment between policy-level targets and departmental targets.

1.19 The **Director of Home Affairs** appreciates the findings of the audit report and will critically consider the various audit recommendations in respect of the HAD for implementation where appropriate.

1.20 The **Director of Buildings** has said that he generally welcomes the observations and recommendations in the report.

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**Note 2:** *In early October 2005, when inviting COs to submit their draft Estimates for 2006-07 (see para. 1.10), the FSTB issued a revised set of guidelines which have incorporated Audit's recommendations.*

## **PART 2: ADEQUACY OF THE PERFORMANCE INFORMATION IN THE CONTROLLING OFFICERS' REPORTS**

2.1 This PART examines the adequacy of the performance information in the CORs. Audit has observed that the usefulness of some performance information is doubtful.

### **Controlling Officers' Reports**

2.2 In the Estimates, each Head of Expenditure is supported by a COR that sets out how the money being sought for the Head will be allocated to the various programmes for which the CO is responsible. For each programme in the COR, the aim is stated, followed by a brief description given on the programme and the performance measures used to monitor the programme. The COR concludes with an analysis of the financial and staffing provision by programme.

2.3 The CORs, as part of the Estimates, form the basis for the Finance Committee of the LegCo to approve the Government's estimates of expenditure for the following financial year and for stakeholders to evaluate the B/Ds' performance for the past and current years.

### **Guidelines on performance measures in the CORs**

2.4 **FSTB Guidelines.** According to the FSTB, for each programme under their expenditure heads, COs are expected to follow the following guidelines in preparing the CORs:

COs should:

- indicate the extent to which the programmes have met their various targets in the preceding year and on their future policy commitments
- ensure that all targets and indicators for the following year for individual programmes are completed
- avoid an excessively long list of performance measures and targets
- focus only on key performance measures and targets which best indicate the quality, economy, efficiency and effectiveness of their programmes
- consider the extent to which information on output indicators (such as volume and workload indicators) should be retained with regard to the perceived value of this information in assessing performance
- focus on the effectiveness of their operations
- report, where appropriate, any adverse trends in some performance measures and how they are prepared to address them

Targets included in the CORs should:

- indicate the extent to which the departments' operational objectives are being achieved
- highlight changes in the cost-effectiveness with which results are being achieved. In this respect, unit cost or productivity indicators should be provided.
- indicate, where relevant, the levels of service that have been achieved, turnaround times, backlogs of works, etc.

2.5 **EU Guide.** In its Guide (see para. 1.11), the EU has highlighted the need for improvement in the Government's performance measurement system. In particular, it has stated that:

- (a) performance measurement is not new for the Government or for the civil service. Studies in the Government have shown that there are significant opportunities to improve the standard of performance measurement and to secure better alignment between the measures and targets at each level;
- (b) effort can be focused on working together across traditional organisational boundaries to deliver best results for the community from available resources; and

- (c) the Guide is intended to help managers to develop performance measures for their areas which will help to align efforts to delivering the Government's overall priorities for the community.

2.6 The EU Guide contains the following salient points:

- **Why is performance measurement important?** Research in both the public and the private sectors demonstrates that "*what gets measured gets done*" and shows that good systems of performance measurement can facilitate dramatic increases in the quality of services provided and increased job satisfaction to employees.
- **Overall management framework.** Performance measurement therefore has a vital role to play in our vision of the civil service of the future and in the various programmes to deliver it. Performance management can be seen as the glue that binds and links together the various levels and aspects of the Government's management process.
- **Experience from other countries.** Performance measurement is becoming much more widespread and is now being applied at programme and service delivery level. Senior civil servants are being required to focus on results rather than rules and procedures.
- **The performance measurement framework for Hong Kong.** B/Ds should be aiming to produce a set of measures which provides a balance between the various dimensions (i.e. objective dimension, customer dimension, organisation and staff dimension, and process dimension) and does not give an uneven picture based on over-reliance on one type or another.
- **The secrets of success.** B/Ds should keep the following questions in the back of their mind as they develop and evaluate proposed performance measures. For example:
  - Do they have a strategic focus which can be clearly identified with departmental or divisional objectives and higher level policy objectives?
  - Overall, do they give a balanced coverage of planned activities and achievements?
  - Do they focus on measuring outputs and outcomes and make a clear distinction between the two?
  - Do they provide for an assessment of overall satisfaction?
- **Ensuring measures are used to manage performance.** Any effort which goes into defining and collecting performance information will be wasted if this information is not put to good use. The final stage of the development process is to ensure that the performance information is used.

## Audit observations

2.7 In assessing the adequacy of the performance information reported in the CORs, Audit has identified the following areas for improvement:

- (a) a need to focus more on setting targets in the CORs (see paras. 2.8 and 2.9); and
- (b) a need for improvement in the selection and development of performance measures to be reported in the CORs (see paras. 2.10 to 2.24).

## Need to focus more on setting targets in the CORs

2.8 In the CORs, there are two types of performance measures, namely **targets** and **indicators**. According to the EU Guide, the Government refers to targets when it has a quantified level of performance which it wishes to achieve (e.g. at least a given number of cases handled, or no slower than a specified speed of response). The Government uses the term indicator when it is going to monitor a particular measure, but is not setting a quantified target. According to the EU Guide, the Government's intention is to set targets wherever possible as targets improve clarity of expectations, motivate performance, and improve accountability (Note 3). The Guide has further stated that the performance measures should measure how well activities contribute to overall Government objectives. The FSTB Guidelines have also stated that targets reported in the CORs should indicate the extent to which a department's operational objectives are being achieved and COs should focus on reporting the effectiveness of their departments' operations.

2.9 However, Audit has noted that, of 3,262 performance measures reported in the 2004-05 CORs, 973 (or 30%) are targets whereas 2,289 (or 70%) are indicators. Case 2 (see para. 2.13(b)) and Case 4 (see para. 2.17(a)) involving annual spending of \$500 million and \$2,200 million respectively are examples of programmes without any targets, despite the large amounts involved. **Audit considers that the FSTB needs to encourage B/Ds to set more targets in the CORs.**

## Need for improvement in the selection and development of performance measures in the CORs

2.10 Good performance measures can send out a clear message about what the Government is trying to achieve, providing ambition and a sense of direction. They should focus on delivering results, i.e. they should drive the Government to perform effectively, and to deliver the key outputs and outcomes that underpin the aims of the activities. Performance information should also provide a basis for monitoring performance and enable stakeholders to make judgements on how well the Government is performing.

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**Note 3:** *According to the EU Guide, there are two situations where targets may not be set. In one situation, it may not be possible to set a target yet, because there is still debate about the most appropriate measure or because there is no data on past performance against which to judge the appropriate target. In the other situation, the Government may decide, as a matter of policy, that it would be inappropriate to set a target (e.g. because the policy is to let the market decide).*

2.11 Audit has however found that, on many occasions, the performance information reported in the CORs has not provided stakeholders with a complete and meaningful view of B/Ds' performance. In particular, the performance information in the CORs does not adequately reflect the effectiveness of the B/Ds' operations, due to the following reasons:

- (a) the performance measures reported were not the key ones (see paras. 2.12 and 2.13);
- (b) the performance measures focused only on workloads and service qualities (see paras. 2.14 to 2.17);
- (c) some performance measures reported were not meaningful (see para. 2.18);
- (d) the performance measures reported did not address interdepartmental and horizontal issues (see para. 2.19);
- (e) sufficient information was not provided to facilitate proper interpretation of the targets and results (see para. 2.20); and
- (f) explanation was lacking for significant deviations from targets (see paras. 2.21 to 2.24).

***Performance measures reported were not the key ones***

2.12 The FSTB has stated in its Guidelines that B/Ds should focus only on key performance measures and targets which best indicate the quality, economy, efficiency and effectiveness of their programmes.

2.13 Audit has conducted case studies on the performance measures in the CORs of a number of B/Ds. In **Cases 1, 2 and 3**, key performance measures have not been included in the CORs to adequately reflect the performance of these programmes. These cases show that some B/Ds tend to set targets on activities that are easy to measure but may not be important.

(a) **Case 1: Food and Environmental Hygiene Department's Programme "Environmental Hygiene and Related Services" – Cleansing**

- (i) Although street cleansing is an important activity under this Programme of the FEHD, the only target stated in the CORs relating to street cleanliness was to achieve 98% of having "main roads with 1<sup>st</sup> round street sweeping services completed before 9:00 a.m.". The FEHD reported achievement of this target, as follows:

<b><i>Performance Target</i></b>	<b>Target</b>	<b>2003 (Actual)</b>	<b>2004 (Actual)</b>	<b>2005 (Plan)</b>
Main roads with 1 <sup>st</sup> round street sweeping services completed before 9:00 a.m. (%)	98	100	99	98

Source: CORs for FEHD

Other than this target, no indicator was set in the CORs to reflect the effectiveness of street cleansing.

- (ii) As street sweeping is conducted normally four to eight times a day, it is not clear why the completion of the street sweeping services before 9:00 a.m. was chosen as the only target for assessing performance. This target alone does not reflect whether the streets are clean and whether the programme aim of providing quality environmental hygiene services is achieved.
- (iii) **Audit considers that, in order to enhance its performance reporting, the FEHD may wish to develop more meaningful performance measures.** For example, citizens' satisfaction rating is an indicator that could be used to assess the FEHD's performance in street cleansing. It is noted that New York City in the USA has regularly published an index on street cleanliness for public information.
- (iv) **Audit recommendation. To enhance performance reporting, Audit has recommended the FEHD to include key and meaningful performance measures in the CORs.**
- (v) **Government's response.** The **Director of Food and Environmental Hygiene** has said that:
  - the existing performance target of "*main roads with 1<sup>st</sup> round street sweeping services completed before 9:00 a.m. (%)*" is to reflect the quality of street cleansing service achieved at the beginning of the day and is one kind of performance measures of street cleanliness. Thereafter, the cleanliness of the streets is required to be maintained at a high standard throughout the duration of the sweeping service; and
  - in order to enhance performance measurement and reporting, the FEHD agrees to consider developing more meaningful performance targets/indicators on street cleanliness.

(b) **Case 2: Home Affairs Department's Programme "*District Administration*"**

- (i) Although the HAD spent \$500 million a year on this Programme (Note 4), no target was set in the CORs. The key indicators reported in the CORs related to activities and workloads during the year, as shown below.

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**Note 4:** *Under this Programme, the HAD runs a District Administration Scheme. The HAD aims to achieve, through the District Councils and the District Management Committees set up in each of the 18 districts in Hong Kong, a more effective coordination of the provision of services and facilities at the district level; ensure that the Government is responsive to district needs and problems; and promote public participation in district affairs.*



<i>Indicator</i>	<b>2003 (Actual)</b>	<b>2004 (Actual)</b>	<b>2005 (Estimate)</b>
District Council (DC) consultations			
• territory-wide issues	<b>385</b>	<b>516</b>	511
• district issues	<b>1,968</b>	<b>2,696</b>	2,886
Visits to mutual aid committees (MACs)	<b>16,725</b>	<b>16,960</b>	17,000
Visits to owners' corporations (OCs)	<b>29,557</b>	<b>28,157</b>	30,000

Source: CORs for HAD

- (ii) The above indicators do not directly reflect how effectively the HAD has achieved its programme objective of ensuring that the Government is responsive to district needs and problems. **Audit considers that the HAD needs to include key and meaningful targets/indicators to measure its effectiveness in district administration.** In addition, the HAD could consider extending its public surveys on the Public Enquiry Service Centres (PESCs), as mentioned in sub-paragraph (c)(iv) below, to cover the public's perception of the HAD's effectiveness in district administration.
- (iii) **Audit recommendation.** **Audit has recommended the HAD to include key and meaningful performance measures, particularly outcome targets, in the CORs.**
- (iv) **Government's response.** The **Director of Home Affairs** generally welcomes the audit recommendation. She has said that:
- the HAD will consider devising key and meaningful targets/indicators to better reflect its effectiveness in district administration, notwithstanding that it may be difficult to have objective and quantifiable performance targets/indicators;
  - regarding the expansion of the coverage of the survey on PESCs, the HAD will consider conducting other surveys to cover, say, the public's perception of its effectiveness in district administration; and
  - as the HAD is now reviewing the roles of the DCs, which may impact on the scope of the programme areas of district administration, she proposes to maintain the status quo until the review on the DCs is completed.

(c) **Case 3: Home Affairs Department's Programme "Community Building"** (see Appendix A)

- (i) In relation to this Programme (Note 5) with spending of \$500 million a year, only two targets related to the response time to the public for counter enquiries at district service centres and for telephone enquiries are stated in the CORs, as shown below.

<i>Performance Target</i>	<b>Target</b>	<b>2003 (Actual)</b>	<b>2004 (Actual)</b>	<b>2005 (Plan)</b>
Attend within three minutes to an enquirer at a PESC	100%	<b>100%</b>	<b>100%</b>	100%
Receive within one minute a telephone enquiry made at the Central Telephone Enquiry Centre (CTEC – discounting typhoon periods)	100%	<b>100%</b>	<b>100%</b>	100%

Source: CORs for HAD

- (ii) The key indicators reported in the CORs (see Appendix A) mainly related to the numbers of community projects conducted and district campaign activities organised during the year (e.g. the commissioning of 7,237 DC community involvement projects and 1,807 district campaign activities in 2004).
- (iii) As the targets/indicators in (i) and (ii) above were mainly on output and quality of services, they do not measure how effectively the HAD has discharged its role in community building.
- (iv) **Audit considers that the existing targets/indicators should be supplemented by reporting, say, the degree of public participation in the community projects and the results of the HAD's public surveys on the PESC's (which the HAD conducts periodically).** The survey coverage can also be expanded to cover, say, an assessment of the usefulness of the HAD's community projects commissioned and the degree of public satisfaction with the HAD's services.

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**Note 5:** Under this Programme, the HAD aims to develop a policy in community building and to encourage public participation in community projects.

- (v) **Audit recommendation.** Audit has recommended the HAD to include key and meaningful performance measures, particularly outcome targets, in the CORs.
- (vi) **Government's response.** The Director of Home Affairs generally welcomes the audit recommendation. She has said that:
- the HAD also considers it desirable to supplement the existing targets/indicators to better reflect how effectively the department has discharged its role in community building;
  - the HAD is concerned whether objective and quantifiable targets/indicators can be devised to accurately reflect the degree of public participation in community projects, the usefulness of its community projects commissioned and the degree of public satisfaction with its services; and
  - regarding the expansion of the coverage of the survey on PESCs, the HAD will consider conducting other surveys to cover, say, an assessment of the usefulness of its community projects and the degree of public satisfaction with its services.

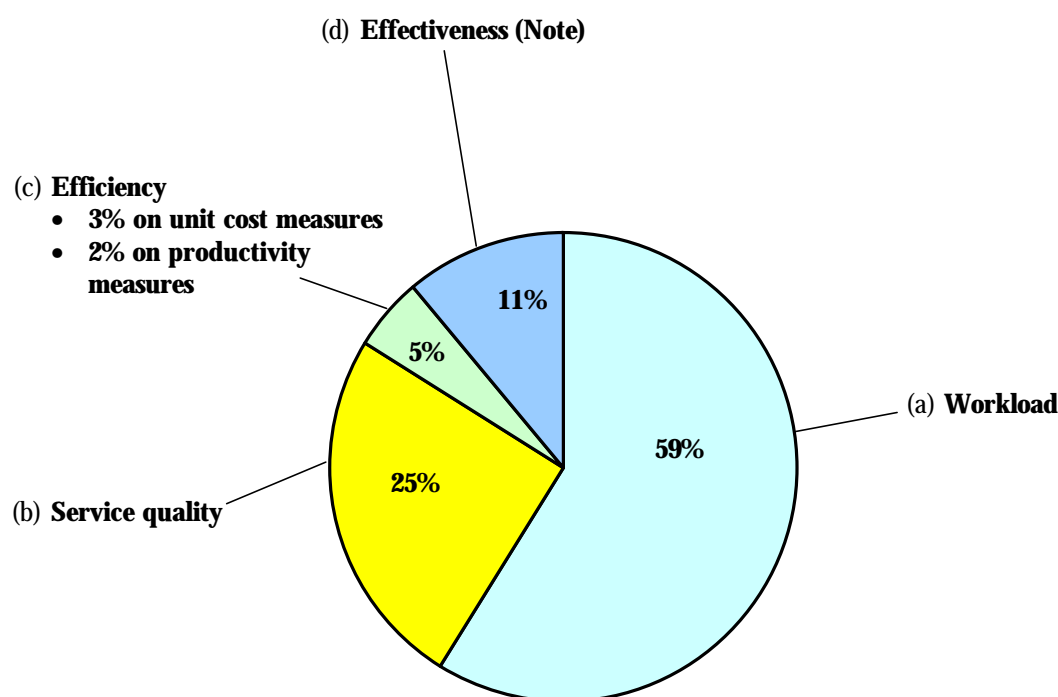
***Performance measures focused only  
on workloads and service qualities***

2.14 The FSTB has expected B/Ds to focus on reporting the effectiveness of their operations and, in measuring target results, indicate the extent to which their operational objectives are being achieved. The EU has also suggested the development of performance measures that provide a balanced review of performance and measure both outputs and outcomes.

2.15 From an analysis of the performance measures reported in the 2004-05 CORs, as shown in Figure 2, Audit has found that only 11% of the measures indicate the effectiveness of the programmes (see Figure 1 in para. 1.8 for the definition of effectiveness measures). This shows that most B/Ds have still focused on reporting their performance based on workloads and service qualities. The reporting of outcomes is still uncommon.

**Figure 2**

**Performance measures  
reported by B/Ds in the CORs**



Source: Audit analysis of 2004-05 CORs

Note: Examples of effectiveness measures in the CORs that measure outcomes include:

- Hong Kong Police: Overall crimes detected
- Hong Kong Observatory: Percentage of forecasts perceived as accurate by the public
- Water Supplies Department: Fresh water quality – water supplied to customers at the connection points complies with the World Health Organisation guideline standards (%)
- Labour Department: Fatal accidents in industrial undertakings
- Department of Health: Contributing to achieving low infant mortality rate and maternal mortality rate

2.16 In Audit's view, workloads and service qualities are important, but outcome measures are also important as they are the final consequences of the Government's activities. Ultimately, outcomes represent what the Government is trying to achieve. **As the FSTB Guidelines state that B/Ds should focus on reporting the effectiveness of their operations, Audit considers that B/Ds should set more outcome measures in the CORs.**

2.17 The following case studies show the need for reporting more outcome measures in the CORs in order to reflect the extent to which the B/Ds have achieved their operational objectives:

(a) **Case 4: Leisure and Cultural Services Department's Programme "Recreation and Sports"**

(i) This Programme involves an annual spending of \$2,200 million and aims to *"develop and manage recreation and sports facilities and promoting recreation and sports at all levels throughout the community"*. The Leisure and Cultural Services Department (LCSD) has set the following targets in the CORs:

- provide safe and good quality recreation and sports facilities for the public;
- enhance awareness of the benefit of physical fitness;
- promote awareness of water sports safety;
- organise physical recreation and sports activities for different age groups, including students and persons with a disability; and
- improve the efficiency and cost-effectiveness in the provision of leisure services.

(ii) However, the LCSD has set no quantifiable target in the CORs. Instead, it has reported 34 performance indicators. Of these 34 indicators, 22 related to workloads and service qualities, of which 12 related to the number of participants in various recreation and sports activities and usage of the LCSD's facilities (see examples below). For details, see Appendix B.

<i>Indicator</i>	<b>2002 (Actual)</b>	<b>2003 (Actual)</b>	<b>2004 (Actual)</b>	<b>2005 (Estimate)</b>
• Recreation and sports activities organised	<b>24,422</b>	<b>27,642</b>	<b>28,485</b>	29,000
• Participants in recreation and sports activities	<b>1,450,837</b>	<b>1,622,356</b>	<b>1,656,458</b>	1,660,000
• Gazetted beaches	<b>41</b>	<b>41</b>	<b>41</b>	41
• Children's playgrounds	<b>616</b>	<b>623</b>	<b>640</b>	650
• Sports centres	<b>83</b>	<b>83</b>	<b>85</b>	86
• Attendance at public swimming pools	<b>10,300,000</b>	<b>9,150,000</b>	<b>9,810,000</b>	10,000,000
• Attendance at golf driving ranges	<b>456,368</b>	<b>334,589</b>	<b>192,719</b>	192,000
• Usage rate of sports centres (%)	<b>64</b>	<b>68</b>	<b>71</b>	71

Source: CORs for LCSD

(iii) These indicators have reflected mixed trends in the numbers of participants in the LCSD's recreation and sports activities and in the usage of its facilities (Note 6). In the CORs, the LCSD has also reported various measures to promote the utilisation of its sports centres, such as the School Sports Programme, the Free Use Scheme, the Healthy Elderly Scheme, organising new programmes and converting under-utilised sports facilities to other uses. **Audit considers that the LCSD should set targets, particularly outcome targets, to reflect whether it is meeting the programme aim of "promoting recreation and sports at all levels throughout the community".**

(iv) Audit has noted that similar organisations abroad have set outcome targets for their cultural and sporting programmes. For example, in the UK, to meet the objective of "increasing and broadening the impact of culture and sport, to enriching individual lives, strengthening communities and improving the places where people live, now and future generations", the Department for Culture, Media and Sport has set the following outcome targets:

*"By 2008, increase the take-up of cultural and sporting opportunities by adults and young people aged 16 and above ... by:*

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**Note 6:** For example, the CORs showed upward trends in the attendance at water sports centres and in the usage of sports centres, but a decreasing trend in the attendance at golf driving ranges.

- *increasing the number who participate in active sports at least twelve times a year, by 3%; and*
- *increasing the number who engage in at least 30 minutes of moderate intensity level sport at least three times a week, by 3%”.*

In the USA, similar targets have been set, as shown in the following examples:

- the Parks, Recreation & Culture Bureau of Portland, Oregon has set a target of having at least 50% of the City's youth involved in recreation programmes. The Bureau's published performance statistics indicated that the youth population's participation in recreation programmes has increased from 47% in 1994-95 to 58% in 2003-04. The Bureau has also conducted surveys to assess citizens' satisfaction with the quality of the City's parks and recreation services; and
- the Department of Parks & Recreation of New York City has set objectives of “*optimising the overall condition and cleanliness of park facilities and playgrounds*” and “*increasing attendance at recreation centres and programmes*” for its municipal park system. Performance is assessed based on the rating of the cleanliness and conditions of parks from running a parks inspection programme and from customer surveys on citizens' satisfaction with park conditions and activities. Changes (in percentages) in pool attendance, membership of recreation centres and activity participation are also monitored to assess performance.

(v) ***Audit recommendation.*** Audit has ***recommended*** the LCSD to set targets, particularly outcome targets, in the CORs to reflect the effectiveness of the Department in discharging the work under the Programme “*Recreation and Sports*”.

(vi) ***Government's response.*** The ***Director of Leisure and Cultural Services*** has said that the LCSD accepts in principle the recommendation and will consult the Home Affairs Bureau and the FSTB to firm up the programme for the implementation of the recommendation as soon as possible.

(b) **Case 5: Education and Manpower Bureau's Programmes “*Primary Education*” and “*Secondary Education*”** (see Appendix C)

- (i) These Programmes involve a huge spending of \$27 billion and have the aim of “*further improve the quality of primary education and secondary education*”.
- (ii) The EMB has included 38 performance measures in the CORs, with the following five targets:

<i>Performance Target</i>	<b>School Year</b>		
	<b>2003-04 (Actual)</b>	<b>2004-05 (Revised estimates)</b>	<b>2005-06 (Plan)</b>
<b><i>Primary education</i></b>			
• Government, aided and Direct Subsidy Scheme (DSS) primary school places operating on a whole-day basis (%)	<b>66</b>	72	85
• Government and aided primary schools under the Native-speaking English Teacher (NET) and English Language Teaching Assistant (ELTA) Scheme (%)	<b>100</b>	100	100
• Government and aided primary schools provided with an additional teacher or temporary support staff for curriculum development (%)	<b>62</b>	100	100
<b><i>Secondary education</i></b>			
• Public sector secondary schools implementing mother-tongue teaching under the Medium of Instruction Guidance from the 1998-99 secondary 1 intakes	<b>302</b>	306	311
• Public sector secondary schools being provided with NETs to enhance English language teaching (%)	<b>100</b>	100	100

Source: CORs for EMB

The targets are useful as they represent major initiatives taken (such as whole-day primary schooling, new initiatives to strengthen language teaching and student guidance) to improve primary and secondary education. **However, they hardly reflect how students' achievements have been improved.** As regards the remaining 33 indicators reported in the CORs, they are largely related to workloads and service qualities (see Appendix C).

- (iii) Audit notes that educational authorities abroad have set outcome targets on students' achievements (see examples below).



In the **UK**, the Department of Education and Skills has set targets to:

*“raise standards in English and maths so that by 2006, 85% of 11 years olds achieve level 4 or above, with this level of performance sustained to 2008; and by 2008, the proportion of schools in which fewer than 65% of pupils achieve level 4 or above is reduced by 40%”*

In the **USA**, with a goal of improving student achievement, the Department of Education has set targets for 2004 of:

*“45 states meeting their targets for third-grade reading achievement for all students and for several student subgroups”*

*“45 states meeting their targets for high school reading achievement and mathematics achievement for all students and for several student subgroups”*

In **Australia**, with the objectives of improving school education, the Victorian State Government has set targets for 2003-04 of:

*“92% of Year 3 students reaching national benchmarks in reading”*

*“95% of Year 3 students reaching national benchmarks in numeracy”*

*“Parent satisfaction with primary schooling at 85 of a 100-point scale”*

*“Years 5-9 students’ opinion of the quality of instruction they received at 3 of a 4-point scale”*

*“Years 5-9 students’ opinion of their connectedness with school at 3.8 of a 5-point scale”*

- (iv) **Audit considers that the EMB should consider setting more outcome targets in the CORs to help evaluate the effectiveness of the two Programmes in improving students’ achievements (Note 7).**
- (v) **Audit recommendation.** Audit has recommended the EMB to set improvement targets on students’ achievements in the CORs.
- (vi) **Government’s response.** The Permanent Secretary for Education and Manpower has said that:

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**Note 7:** *Audit notes that, as one of the education reform measures recommended by the Education Commission in 2000, the EMB has entrusted the Hong Kong Examinations and Assessment Authority to develop and implement a territory-wide system assessment. As the objective of the system assessment is to produce an accurate and complete set of overall performance data at the territory-wide and school levels, it will be useful to the EMB in its review of the effectiveness of the “primary education” and “secondary education” Programmes.*

- students' achievements are subject to many confounding factors, some of which are extraneous to the quality of school education, e.g. family support. Nevertheless, she concurs with Audit's view that the performance targets for educational initiatives can give more emphasis to reflecting how students' achievements have been improved; and
- the EMB is indeed moving towards that direction by introducing various performance measure instruments to capture and keep track of educational achievements. They include the introduction of a territory-wide system assessment (see Note 7) that aims at establishing benchmark standards at key stages of learning (at Primary Three, Six and Secondary Three) on Chinese Language, English Language and Mathematics. The standards once established will stay as objective measures to chart achievement of students over time. The system assessment has been introduced for Primary Three and Six and will be rolled out to Secondary Three in 2006. More output-oriented targets can be worked out by then.

(c) **Case 6: Correctional Services Department's Programme "Re-integration"**  
(see Appendix D)

- (i) The Programme involves an annual spending of \$470 million with the aim to facilitate the re-integration of prisoners and inmates into the community as law-abiding citizens. In the CORs, the Correctional Services Department (CSD) has reported the success rates of its various re-integration programmes within the supervision period as outcomes measures. For example, it reported a success rate of 63.6% for 2004 for drug addicts for being non-convicted and free from drugs during the one-year supervision period after discharge from a drug addiction treatment centre. **Audit considers the various outcome indicators used by the CSD are useful in assessing the effectiveness of the "Re-integration" Programme.** As advised by the CSD, its initiative of publishing the success rates in the CORs is one of the best practices in the Asia Pacific Region.
- (ii) Achieving the highest possible success rate is the CSD's key target for its "Re-integration" Programme. However, the CSD has not set any quantifiable targets in the CORs. Therefore it is difficult to assess whether the success rate of 63.6% for 2004 has met the desired level of achievement.
- (iii) **Audit recommendation.** To further improve its performance reporting, Audit has recommended the CSD to set target success rates in the CORs for its various re-integration programmes.
- (iv) **Government's response.** The Commissioner of Correctional Services has said that the setting of target success rates for re-integration programmes by correctional administrations is a rare practice internationally. He has also said that:

- the CSD presents these success rates in the COR as “*indicators*” rather than “*targets*” because they do not just result from the CSD’s efforts, but are also substantially affected by a large number of socio-economical factors such as economic climate, employment opportunities, arrest rate, sentencing pattern and family support. As these important factors are mostly beyond the CSD’s control, it will be difficult to set meaningful target success rates for assessing the effectiveness of the various re-integration programmes; and
- despite the difficulty in setting meaningful target success rates and given the complexity of the factors involved, the CSD will conduct a study with professional input from both local and overseas academics and experts to see whether and, if so, how target success rates that could reflect the effectiveness of its re-integration programmes might be developed.

***Some performance measures reported were not meaningful***

2.18 Performance measures aim at setting specific goals, challenging B/Ds to improve. Ideally performance measures set should be specific, measurable, achievable, relevant and timed. Audit has however found cases where the measures used were not meaningful because they were either not challenging enough or not too relevant. Examples of these cases are shown below.

(a) **Case 7: Water Supplies Department’s Programme “*Water Quality Control*” for salt water**

- (i) Under this Programme, the Water Supplies Department (WSD) set a compliance target of 93% for 2003 and 95% for 2004 for salt water quality control and reported compliance results of 93% and 95% respectively for the two years, indicating that it had met the targets, as shown below.

<b><i>Performance Target</i></b>	<b><i>Target</i></b>	<b><i>2003 (Actual)</i></b>	<b><i>2004 (Actual)</i></b>	<b><i>2005 (Plan)</i></b>
Salt water quality – water supplied to customers at the connection points complies with Water Quality Objectives set by WSD (%) (Note)	95	<b>93</b>	<b>95</b>	95

Source: CORs for WSD

Note: Target has been improved from 93% to 95% as from 1 April 2004. The figure for 2003 related to the previous target.

- (ii) The WSD’s records however indicated that, except in 2002-03 when a compliance rate of 93% was achieved, it had already achieved a compliance rate of 97% or over for eight of the nine financial years 1996-97 to 2004-05, as shown below.

1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
97%	98%	99%	98%	99%	97%	93%	99%	100%

*Note: The target had remained at 93% since April 1996 until April 2004 when it was revised to 95%.*

- (iii) **Audit considers that in order to improve its services, there is scope for the WSD to set a higher compliance target for salt water quality control.**
- (iv) **Audit recommendation.** Audit has recommended the WSD to set higher compliance targets.
- (v) **Government's response.** The **Director of Water Supplies** has said that there are underlying technical and statistical constraints in setting a higher compliance target for salt water supplies at this stage (Note 8). He has also said that:
  - over the years 1996-97 to 2004-05, the WSD reckons that the average of compliance rates was 97.8% with a standard deviation of 2.0%. Statistically, the compliance rate falls between the range of 95.8% to 99.8% with a confidence level of 68%;
  - the target has been revised from 93% to 95% in the 2004-05 COR. On this basis, the WSD considers it more realistic and prudent to maintain the target compliance rate of 95% to allow a margin for quality fluctuation for the time being; and
  - the WSD will keep under review the feasibility of raising the compliance target upon consistent achievement of the water quality objectives through various pollution abatement measures undertaken by relevant authorities.

- (b) **Case 8: Food and Environmental Hygiene Department's Programme "Environmental Hygiene and Related Services" — issue of provisional business licences for food premises**

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**Note 8:** *The WSD has pointed out that the treatment of salt water abstracted for flushing supplies at WSD pumping stations involves only coarse screening by strainers to remove large particles and chlorine disinfections. The capability of the treatment process to remove turbidity is limited. Thus, the quality of salt water at WSD intakes at seafront salt water pumping stations is vulnerable to the fluctuation caused by dredging and construction activities in the vicinity, emergency effluent discharge from outfalls, the impact of the Pearl River flow and other natural processes such as prolific algal growths in red tides, and highly turbid storm water discharges resulting from heavy rainfall.*

- (i) The FEHD is responsible for issuing provisional and full business licences for food premises. In the 2004-05 and 2005-06 CORs, it has reported the following performance results for the issue of provisional licences (Note 9):

<i>Performance Target</i>	<b>Target</b>	<b>2003 (Actual)</b>	<b>2004 (Actual)</b>	<b>2005 (Plan)</b>
Cases where provisional licences for restaurant and other food premises will be issued within seven working days upon receipt of acceptable Certificate of Compliance (%)	98	<b>100</b>	<b>100</b>	98

Source: CORs for FEHD

- (ii) The FEHD has set a target of meeting **98%** of the cases where provisional business licences for restaurant and other food premises will be issued within seven working days (the 7-day target) upon receipt of acceptable Certificate of Compliance. For 2003 and 2004, the FEHD reported that it had 100% met the target. However, Audit noted that the 7-day target was only applicable to three applications submitted during the two years (Note 10).
- (iii) With the commencement of the operation of the Provisional Food Business Licences Issue Office (PLIO) in January 2001, most applicants have submitted their applications (together with all acceptable documents) at the PLIO where they can obtain the provisional licences within the same day. In fact, since January 2004, the FEHD has amended its Performance Pledge booklet by including an additional pledge for the issue of a provisional business licence “*within the same day*” for applications submitted through the PLIO. **The 7-day target in the CORs is therefore no longer relevant and should be revised to take account of changes in circumstances.**
- (iv) **Audit recommendation.** Audit has recommended the FEHD to include more meaningful performance measures in the CORs.
- (v) **Government's response.** The **Director of Food and Environmental Hygiene** has advised that:

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**Note 9:** An operator can apply for a provisional business licence to start food business upon complying with specific requirements, including the condition that he has applied for a full business licence at the same time (Case 9 in para. 2.18(c) is relevant).

**Note 10:** The 7-day target only applied to applications submitted to the three regional Licensing Offices. For 2003 and 2004, out of 3,000 applications handled by the FEHD, only three applications were submitted to the three Offices.

- the FEHD has retained the 7-day target in the CORs because applicants may choose to submit their Certificates of Compliance to the Licensing Offices (instead of the PLIO) for issue of provisional food business licences; and
- the existing arrangements would be revised upon the full implementation of the Licensing Management Information System (Note 11) in late 2005, by which time the regional Licensing Offices will replace the PLIO for the issue of provisional licences and the FEHD will review the relevant performance targets after the full implementation of the computer system and introduce suitable revisions in the next COR.

(c) **Case 9: Food and Environmental Hygiene Department's Programme "Environmental Hygiene and Related Services" – issue of full business licences for food premises**

- (i) The FEHD has set the following two targets in the CORs in relation to the issue of full business licences for food premises:

<i>Performance Target</i>	<b>Target</b>	<b>2003 (Actual)</b>	<b>2004 (Actual)</b>	<b>2005 (Plan)</b>
A. Cases where Letters of Requirements for restaurant licences will be issued during Application Vetting Panel meeting (%)	98	<b>100</b>	<b>100</b>	98
B. Cases where food business licences will be issued within seven working days upon confirmation of compliance (%)	98	<b>99</b>	<b>99</b>	98

Source: CORs for FEHD

- (ii) Regarding **target A**, the issue of Letters of Requirements for restaurant licences is one of the work processes involved in the licensing procedures (see Note 14 to para. 2.19(b)). The FEHD reported that in 2003 and 2004, it had met 100% the target of issuing Letters of Requirements for restaurant licences during Application Vetting Panel (AVP) meetings. An examination of the FEHD's records indicated that, under the existing procedures, it is standard practice for applicants to be issued with such Letters of Requirements (which are largely issued in standard format) if their applications have been endorsed in principle at

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**Note 11:** According to the FEHD's Annual Report for 2004, the computerised Licensing Management Information System is one of the FEHD's information technology initiatives that aims to automate existing manual procedures, provide more functions and improve efficiency in processing of applications for various types of licences.

the AVP meetings. The FEHD officers confirmed that, in calculating the results for reporting in the CORs, only applications endorsed in principle at the meetings were counted. As such, the target is always 100% met.

- (iii) **Audit considers that the 100% attainment of this target does not reflect good performance. As the early holding of an AVP meeting to process applications will enable applicants to be timely issued with the Letters of Requirements, the reporting of the time taken by the FEHD to hold an AVP meeting after an application has been submitted could be a more meaningful target (Note 12).**
- (iv) **Audit recommendation.** Audit has recommended the FEHD to develop more meaningful targets in the CORs in relation to the issue of full business licences for food premises.
- (v) **Government's response.** The Director of Food and Environmental Hygiene has agreed to Audit's recommendation.
- (vi) Regarding **target B**, the issue of food business licences within seven working days upon confirmation of compliance is another work process within the licensing procedures (see Note 14 to para. 2.19(b)). The FEHD reported that it had met 99% of the target in 2003 and 2004. Audit however noted that under the existing procedures, once compliance with all the licensing requirements had been confirmed, the FEHD officers would arrange for their supervisors' endorsement of the application and the issue of the licence. **As the licence would normally be ready for issue three to four days after confirmation of compliance, Audit considers the 7-day target set for the issue of full licence could be reduced to ensure that the licence is issued as soon as practicable.**
- (vii) **Audit recommendation.** Audit has recommended the FEHD to develop more meaningful targets to improve performance.
- (viii) **Government's response.** The Director of Food and Environmental Hygiene has said that the FEHD will consider streamlining the process for issue of full licence in the light of expected improvements upon the

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**Note 12:** *In this connection, the FEHD has separately pledged in its "Guide to applications for Restaurant Licences" to hold an AVP meeting 20 working days from acceptance of an application for a licence. The extent to which the FEHD has met its pledge may be a more useful target for including in the CORs.*

full implementation of its Licensing Management Information System in late 2005, and to revise the performance target accordingly (Note 13).

***Performance measures reported did not address interdepartmental and horizontal issues***

2.19 Sometimes, targets cannot be achieved by a bureau or department acting alone. There are very often government operations that cut across a number of departments. To develop more meaningful performance targets, B/Ds have to address interdepartmental and horizontal issues and work in partnerships with other departments to develop joint targets. Audit's examination of the CORs indicates that the reporting of joint targets is not common. The issue of full business licences for food premises in **Case 9** (see para. 2.18(c)) is an example. **In this case, Audit considers that there is a need for three departments, namely the FEHD, the Buildings Department (BD) and the Fire Services Department (FSD), to work together to develop joint targets, as detailed below.**

- (a) The FEHD, as the licensing authority, worked with the BD and the FSD in processing the application for the issue of a full business licence for food premises. As mentioned in paragraph 2.18(c), the FEHD set two targets in the CORs, namely the issue of Letters of Requirements during AVP meetings (target A) and the issue of food business licences within seven working days upon confirmation of compliance (target B). In relation to the licensing of food premises, the FSD did not set any specific target in the CORs, whereas the BD set the following target in its CORs:

<b><i>Performance Target</i></b>	<b><i>Target</i></b>	<b><i>2003 (Actual)</i></b>	<b><i>2004 (Actual)</i></b>	<b><i>2005 (Plan)</i></b>
C. Advising on restaurant licence applications under the Application Vetting Panel system within 14 days (%)	100	94	95	95

Source: CORs for BD

- (b) Although both the FEHD and BD reported that they had almost 100% met their targets, the three targets (i.e. targets A, B and C) covered only three out of more

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**Note 13:** As advised by the FEHD, at present 7 days are required for the issue of full licence upon confirmation of compliance. This includes 4 working days for preparation of verification report, vetting and approving of application, updating of licensing office records, preparation of letters to applicant and notification memo to relevant departments informing them about the issue of licence, authentication of plans, and referral to the Revenue Section of the FEHD, which will then take another 2 working days to process the case and prepare the licence for collection by the applicant.



than ten work processes involved in the processing of food business licence applications (Note 14) and together accounted for only 22 working days. This is relatively insignificant as compared with the average time of 164 and 107 working days taken in 2004 to process, respectively, a full restaurant licence application and a full non-restaurant licence application (Note 15).

- (c) As an applicant has to obtain a licence before he can start operating a food business, to him the speedy processing of an application and the timely issue of a food licence are important. **Audit considers that the three targets set in the FEHD's and BD's CORs do not provide a meaningful measure of performance in meeting the applicants' expectations, because the overall time required for processing a food business licence application is not stated.**
- (d) **Audit considers that there is scope for further improvement.** In particular, the FEHD, as the licensing authority, should work together with the BD and the FSD to develop a key performance measure on the overall time required for processing a food business licence application. The recent review of the licensing procedures by the Administration, with a view to streamlining the procedures, provides an opportunity for setting joint targets for reporting in the CORs (Note 16).
- (e) **Audit recommendation. Audit has recommended the FEHD to work in partnerships with the BD and the FSD to develop joint targets.**
- (f) **Government's response.** In response:
  - (i) the **Director of Food and Environmental Hygiene** has advised that the time taken by the applicant to comply with the licensing requirements varies and is beyond the control of the Government. However, the FEHD would consider whether it is meaningful to develop performance targets on the overall time required for the processing of a food business licence application and the issuing of licence by discounting this period of time;

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**Note 14:** *The licensing procedures involve more than ten work processes before the FEHD will issue a licence to the applicants for starting business. Such work processes include, for example, vetting the layout plans submitted by the applicants, carrying out site inspections, issuing compliance reports on various building/fire services/air ventilation requirements and the issue of licences.*

**Note 15:** *In April 2005, the FEHD reported to the LegCo Subcommittee to Study the Streamlining of Food Business Licensing that it took on average 164 working days in 2004 to process a full restaurant licence application and 107 working days for a full non-restaurant licence application.*

**Note 16:** *Since early 2005, the Administration has started to review the licensing procedures for food business. In March 2005, the Administration proposed a number of improvement measures to the LegCo Subcommittee to Study the Streamlining of Food Business Licensing for discussion. Audit considers that this provides a good opportunity to review and set joint targets (i.e. targets on activities which span across the policy responsibilities of more than one bureau or department) for reporting in the CORs.*

- (ii) the **Director of Fire Services** has advised that the FSD is prepared to assist in working out the joint targets if the licensing authority considers it feasible. In addition, he has said that the FSD would set two new performance targets in its CORs, namely "90% of Letters of Fire Safety Requirements issued within 20 working days for application of food premises and other licences" and "90% of Fire Services Certificate issued to the applicant within seven working days upon confirmation of compliance"; and
- (iii) the **Director of Buildings** has said that the BD is willing to work with the licensing authority in developing a more meaningful joint target.

***Sufficient information was not provided to facilitate proper interpretation***

2.20 Performance information reported in the CORs should enable readers understand the B/Ds' performance. Hence, the performance measures used should be unambiguous. To facilitate better understanding of the performance information reported, additional information may have to be provided to explain performance measures that are complex or to explain the level of performance achieved. Two examples are shown below.

(a) **Case 10: Commerce, Industry and Technology Bureau's E-government target**

- (i) The Commerce, Industry and Technology Bureau (CITB) stated in the COR for 2004-05 that the E-government target set in 2001 of "*carrying out 80% of government procurement tenders through electronic means*" (the 80% e-tender target) had been met by end-2003.
- (ii) The 80% e-tender target appears to mean that 80% of both the Government's tender specifications/invitations and the tenderers' submission of tender responses were handled electronically.
- (iii) Audit has however found that the target only applied to the issue of tender specifications/invitations. The target did not apply to the tender submission process, the e-submission level of which was in fact very low in 2003. It was less than 1% for works tenders (Note 17) and 20% for non-works tenders.
- (iv) **Audit considers that the 80% e-tender target should be supplemented by additional information (such as a target on level of usage).** In this connection, Audit has noted that a few governments abroad have set E-government targets. For example, the UK Government has set a target of "*100% capability by 2005 with Key Services achieving high levels of use*", with different target take-up rates set for individual key services (e.g. to have 25% of self-assessment tax returns filed

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**Note 17:** *The e-submission was mainly in CD media format. E-submission over the Internet was not pursued because, based on a feasibility study conducted in 2002, the Environment, Transport and Works Bureau considered that tenderers in the construction industry were not yet ready to submit works tenders via the Internet.*

electronically by 2005-06; and to have a target take-up rate of 50% for using key Customs services on the web by March 2006).

(v) **Audit recommendation.** Audit has recommended the Office of the Government Chief Information Officer (OGCIO – Note 18) to improve on E-government targets set by providing additional information (such as setting usage targets and reporting the actual usage rates) in order to provide a better picture of the E-government progress.

(vi) **Government's response.** The Secretary for Commerce, Industry and Technology, who oversees the OGCIO, has advised that he accepts Audit's recommendation. He has said that:

- the OGCIO will consider providing clear and appropriate targets for E-government initiatives in future Draft Estimates and CORs; and
- apart from central E-government targets, he would also encourage individual B/Ds to consider providing their own targets reflecting their E-government performance in their respective CORs.

(b) **Case 11: Transport Department's Programme "District Traffic and Transport Services"**

(i) Under this Programme (Note 19), the Transport Department (TD) has set the following key performance measures:

<i>Performance Target</i>	<i>Target</i>	<i>2002 (Actual)</i>	<i>2003 (Actual)</i>	<i>2004 (Actual)</i>	<i>2005 (Plan/ Estimate)</i>
A. Maintain average vehicular speed (km/hr) for:					
• Urban	24	26	26	25	25
• New Territories	39	45	43	41	41
<i>Indicator</i>					
B. Accidents per million vehicle-km	N.A.	1.36	1.36	1.36	1.36

Source: CORs for TD

**Note 18:** In July 2004, the OGCIO was formed by merging the former Information Technology Services Department and the IT-related divisions of the Communications and Technology Branch of the CITB. Since then, the OGCIO has taken up the responsibility for the Programme "Use of Information Technology in the Government".

**Note 19:** This Programme aims to enable safe and orderly movement of pedestrians and road traffic and provision of efficient and effective public transport services by planning and implementing traffic management, road improvement and pedestrian schemes, etc.

- (ii) Regarding **target A**, the performance results show a steady average vehicular speed for both the urban areas and the New Territories. Audit considers that, in order to facilitate users to interpret the results more meaningfully, it will be desirable for the TD to disclose additional information such as traffic volume growth and the methodology adopted for calculating the average vehicular speed (e.g. whether the speed represents peak time speed or not, the types of routes covered in the assessment).
- (iii) Audit research indicates that other governments have provided additional information in reporting their performance results on transport. For example:

- In **Australia**, the Road Traffic Authority reported the average speeds for both a.m. and p.m. peaks, the speed trends over the last 12 years, the major routes covered and the growth in traffic volumes on these major routes.
- In the **UK**, the Department of Transport monitored average traffic speeds on all trunk roads and on major urban roads using “floating car” surveys. It also reported the methodology used to collect the speed data for calculating the average time lost to measure congestion.
- In the **USA**, the Department of Transport also provided definitions, scope and methodology used to support its performance results reported.
- In **Singapore**, the Land Transport Authority reported the average speeds during peak hours. It also disclosed its methodology adopted for data collection.

- (iv) **Audit considers that the TD needs to provide additional information for users to better interpret the traffic performance targets.**
- (v) Regarding **indicator B**, the performance results show a steady rate of 1.36 accidents per million vehicle-kilometres over the past few years. Audit however found that, due to the fact that the actual performance for the preceding year was not readily available at the time of preparing the CORs, the TD **estimated** the result to be reported in the CORs based on earlier years' results. For example, in the 2005-06 COR, the result for 2004 was derived by averaging the results for 2001 and 2002. Similarly, in the 2004-05 COR, the result for 2003 was derived by applying the result for 2002.
- (vi) Based on the TD's records on the actual performance results for the relevant years, the accident rate should be as follows:

<b>B. Accidents per million vehicle-km</b>	<b>2001 (Actual)</b>	<b>2002 (Actual)</b>	<b>2003 (Actual)</b>	<b>2004 (Actual)</b>
• Figures based on actual result	<b>1.36</b>	<b>1.35</b>	<b>1.29</b>	<b>1.35</b>
• Figures reported by TD in CORs	<b>1.28</b>	<b>1.36</b>	<b>1.36</b>	<b>1.36</b>

- (vii) **Audit considers that the TD needs to make it clear in the CORs that, in the absence of available data, the result reported was based on an estimation, in a manner similar to other B/Ds (Note 20).**
- (viii) **Audit recommendation.** Audit has recommended the TD to provide additional information for users to better interpret the traffic flow performance targets and the accident rate.
- (ix) **Government's response.** The Commissioner for Transport has advised Audit that:
- for **target A**, the TD will include information about the methodology for calculating the average vehicular speed in the CORs; and
  - for **indicator B**, the TD will make it clear that the figure for "accident rate" is only the latest estimate, and will explain the methodology for calculating the figure.

### ***Explanation was lacking for significant deviations from targets***

2.21 In order to give a complete picture of their performance, B/Ds are sometimes required to include additional information in the CORs to supplement reported performance against key targets. Such additional information may include, for example, explanations for significant deviations from expectations. **The provision of explanations helps provide a proper interpretation of the deviation between the actual accomplishments and the expected performance.**

2.22 According to the FSTB Guidelines, some performance indicators may have moved in an adverse direction. COs should not attempt to obscure these facts. **It is a sign of good management that COs are aware of any adverse trends and that they are prepared to address them.** They should consider adding a short narrative to the tables of key indicators to draw attention to any particularly noticeable positive or negative trends. From an examination of the 2005-06 CORs, Audit has identified:

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**Note 20:** *For example, under the Programme "Control and Enforcement", the Customs and Excise Department has reported its results for various targets based on 11 months' actual performance and one month's projection, with adjustment made in the following year's CORs. The Customs and Excise Department has included an explanation of its methodology adopted in the CORs.*

- 34 targets (4%) with under-performance reported, by 10% or more; and
- 78 targets (8%) with over-performance reported, by 10% or more.

2.23 **Under-performance.** In 21 of the 34 targets with under-performance, the COs have included explanations in the CORs to account for the under-performance, but in the remaining 13 cases, the COs have not provided proper explanations to account for the variations, as illustrated in the following case study (a few more examples are at Appendix E).

**Case 12: Environmental Protection Department's Programme "Air"**

- (a) Under this Programme, the Environmental Protection Department (EPD) reported the following performance results in the CORs:

<i>Performance Target</i>	<i>Target</i>	<b>2002 (Actual)</b>	<b>2003 (Actual)</b>	<b>2004 (Plan)</b>	<b>2004 (Actual)</b>
A. Percentage of time with all monitoring stations complying with short-term Air Quality Objectives	100	<b>93</b>	<b>94</b>	95	<b>86</b>
B. Monitoring stations complying with long-term Air Quality Objectives (%)	100	<b>67</b>	<b>62</b>	64	<b>15</b>

Source: CORs for EPD

- (b) The EPD has not provided any explanation in the CORs for the adverse trends in meeting Hong Kong's Air Quality Objectives, particularly for target B (Note 21). In this connection, Audit noted that in May 2005, one LegCo Member also questioned the reasons for the discrepancies.
- (c) **Audit recommendation.** Audit has recommended the EPD to provide explanations in the CORs for any adverse performance trends in future.
- (d) **Government's response.** The Permanent Secretary for the Environment, Transport and Works (Environment) has advised that he will include an explanation in the COR if similar adverse performance trends are observed in future.

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**Note 21:** In response to Audit's enquiries, the Permanent Secretary for the Environment, Transport and Works (Environment) advised in July 2005 that the substantial drop in the percentage of monitoring stations complying with long-term Air Quality Objectives in 2004 was attributable to a combination of increasing regional pollution and unfavourable weather conditions in the year. An explanation of this deterioration of air quality in 2004 was included in the EPD's Environmental Performance Report 2005.

**Audit considers that the FSTB needs to remind B/Ds to follow the good practices by providing explanations in the CORs on any adverse performance trends.**

2.24 **Over-performance.** Of the 78 targets with over-performance (see para. 2.22), 31 had over-performance for more than three years. **Audit considers that there is a need for the FSTB to urge the relevant B/Ds to review the targets to make sure that they are realistic and revise them if necessary. Case 13** is an illustrative example.

**Case 13: Environmental Protection Department's Programmes "Air" and "Noise"**

- (a) Under these two Programmes, the EPD reported the following performance results in the CORs:

<i>Performance Target</i>	<b>Target days</b>	<b>2002 (Actual)</b>	<b>2003 (Actual)</b>	<b>2004 (Actual)</b>	<b>2005 (Plan)</b>
<b>Air:</b>					
Processing of chimney/furnace applications	28	<b>16</b>	<b>13</b>	<b>13</b>	14
<b>Noise:</b>					
Processing of construction noise permit	28	—	<b>18</b>	<b>12</b>	12
Processing of noise emission label for breaker and air compressor	28	<b>15</b>	<b>15</b>	<b>9</b>	9

Source: CORs for EPD

- (b) The performance results indicate that the 28-day targets set for completing the processing of the various types of applications were too low as it actually took less than half of the target number of days for the processing work in 2004.
- (c) **Audit recommendation.** **Audit has recommended the EPD to keep in view the need to revise the targets.**
- (d) **Government's response.** The **Permanent Secretary for the Environment, Transport and Works (Environment)** has advised that the 28-day target is the maximum allowable time stipulated in the Air Pollution Control Ordinance (Cap. 311) and Noise Control Ordinance (Cap. 400) respectively, whereas the performance figures reported in the CORs represent the average time taken to process the applications. For some complex cases, it would take longer than the average time to process the applications. The Permanent Secretary has agreed to keep in view the need to revise the targets, having regard to the actual time required to process applications and the resource availability.

## **Audit recommendations**

2.25 **Audit has recommended that the Secretary for Financial Services and the Treasury should promote improved performance measurement and reporting within the Government. In this connection, he should:**

- (a) **urge B/Ds to adhere to the FSTB Guidelines and the EU Guide in preparing the CORs; and**
- (b) **provide the necessary training and support to help B/Ds articulate performance expectations, measure performance and report results. If necessary, he may wish to seek the assistance of the EU.**

2.26 **Audit has also recommended that the Secretary for Financial Services and the Treasury should remind COs to:**

- (a) **focus more on targets when developing their performance measures for reporting in the CORs;**
- (b) **report on key performance measures and set more outcome measures in the CORs, in order to reflect the effectiveness of the B/Ds' operations;**
- (c) **set meaningful performance measures and, in the case of government operations that cut across a number of B/Ds, develop joint targets; and**
- (d) **follow the good practices by providing explanations in the CORs, especially on noticeable adverse trends, reviewing their targets from time to time and revising them if necessary.**

## **Response from the Administration**

2.27 **The Secretary for Financial Services and the Treasury agrees with the audit recommendations. More specifically, he agrees to:**

- (a) **urge B/Ds to adhere to the FSTB Guidelines and to offer to discuss with those B/Ds which encounter difficulties in articulating performance expectations, measuring performance and reporting results;**
- (b) **remind COs to focus more on targets when developing their performance measures and will suitably revise the FSTB circular memorandum to reflect this;**



- (c) remind COs to report on key performance measures and set more outcome measures in the CORs in order to reflect the effectiveness of B/Ds' operations. The current FSTB circular memorandum already reflects the principles. However, in practice, it is not always feasible or meaningful to devise outcome (versus output or input) measures, especially for departments with advisory functions the service quality of which cannot always be quantified by objective yardsticks or may be very costly to develop. A pragmatic approach has to be adopted;
- (d) remind COs to set meaningful performance measures and will suitably amend the FSTB circular memorandum to remind COs to develop joint targets for interdepartmental operations to the extent possible; and
- (e) remind COs to follow the good practices by providing explanations in the CORs on noticeable adverse trends, reviewing their targets regularly and revise them if necessary. The current FSTB circular memorandum already reflects this.

2.28 The **Head, Efficiency Unit** has also advised that the EU will study the recommendations to improve performance measurement and reporting set out in paragraph 2.25. The EU is prepared to provide assistance to B/Ds seeking help in the alignment between policy-level targets and departmental targets.

## **PART 3: RELIABILITY OF THE PERFORMANCE INFORMATION IN THE CONTROLLING OFFICERS' REPORTS**

3.1 This PART examines the reliability of the performance information reported in the CORs. Audit has observed that the reliability of some performance information is doubtful.

### **Audit of performance information in the CORs**

3.2 The usefulness of performance information depends, to a large degree, on its reliability and validity. To assess the reliability of the performance information reported in the CORs, Audit has examined a number of programmes in the CORs for selected B/Ds. Audit has found anomalies as follows:

- (a) incorrect/misleading performance results were reported (see para. 3.3);
- (b) clear definitions of performance measures were not always provided (see para. 3.4);
- (c) proper validation procedures were not always established (see paras. 3.5 to 3.8); and
- (d) proper performance records were not always kept (see paras. 3.9 and 3.10).

### **Audit observations**

#### ***Incorrect/misleading performance results were reported***

3.3 Good reporting requires information to be reliable and be fairly presented. Readers can be misled by performance information that is not clear enough or does not present a balanced picture of what has been accomplished. The following case studies illustrate the reporting of incorrect or misleading performance results in the CORs:

- (a) **Case 14: Television and Entertainment Licensing Authority's Programme "Broadcast monitoring and regulation"** (see Appendix F)
  - (i) Under this Programme, the Television and Entertainment Licensing Authority (TELA) has set a target for issuing "*substantive replies*" to complainants informing them of the investigation results of their complaints within 15 working days. TELA has reported in the CORs that it had met 99.5% and 99% of the target for 2003 and 2004 respectively.
  - (ii) Audit has found that the reported achievements of 99.5% and 99% in the CORs were misleading because, due to a program bug in its computer system, TELA had used the dates of interim replies as the dates of "*substantive replies*" in calculating the target achievements. Interim replies are standard letters that are sent out to complainants advising

them that their complaints are still under investigation, which do not provide information on the result of the investigation.

- (iii) Audit has calculated that TELA had in fact only met 50% and 20% of the targets for 2003 and 2004 respectively. **Audit is concerned that the performance result reported by TELA was inaccurate.**
- (iv) **Audit recommendation.** Audit has recommended TELA to rectify the computer program bug as early as possible.
- (v) **Government's response.** TELA accepts Audit's observation and recommendation. The **Commissioner for Television and Entertainment Licensing** has further said that:
  - TELA has since rectified the program bug in its computer system so that the records therein would more accurately reflect TELA's performance in processing complaints;
  - TELA is studying the possibility of revamping the system, subject to the availability of funds; and
  - TELA has also reviewed its complaint handling system and has adopted new performance indicators to provide complainants with a more precise indication of the time taken for processing complaints involving different levels of complexity (Note 22).

(b) **Case 15: Student Financial Assistance Agency's Programme "Student Assistance Scheme"**

- (i) the SFAA has reported the following performance results in the CORs:

<i>Performance Target</i>	<b>Target processing time for applications</b>	<b>School Year</b>		
		<b>2002-03 (Actual)</b>	<b>2003-04 (Actual)</b>	<b>2004-05 (Revised estimate)</b>
A. Local Student Finance Scheme				
• current students (months)	2	<b>2</b>	<b>2</b>	2
• new students (months)	2	<b>2</b>	<b>2</b>	2
B. Non-means Tested Loan Scheme (weeks)	3	<b>3</b>	<b>3</b>	3

Source: CORs for SFAA

**Note 22:** Audit notes that, following a review of its complaint handling system in 2004, TELA has revised its targets in the 2005-06 COR by setting "8 weeks" and "4 months" for replies to be issued to complainants in relation to complaints involving straightforward and complex investigations respectively. Audit welcomes TELA's revision of the targets.

- (ii) Under the Local Student Finance Scheme (i.e. Scheme A in the above table), the SFAA has included a target processing time of “*two months*” for all applications. It has also reported “*two months*” as the actual processing time for each type of applications under the Scheme (i.e. implying meeting its target 100%). The SFAA has also stated in the CORs that “*The Agency was generally able to process all applications with complete information within the time frame as pledged*”. Audit noted that “*applications with complete information*” refers to the applications with complete information, including supporting documents, furnished at the **first time** of submission.
- (iii) Audit noted that the target does not cover the processing of those applications for which additional information is submitted subsequently. The number of applications **without** complete information furnished at the first time accounted for a significant percentage of the total number of applications received, which represented 65% and 77% of the 2002-03 and 2003-04 applications respectively under Scheme A. **In other words, the target processing time of “two months” was applicable to less than 35% of all applications.**
- (iv) Audit’s examination of the SFAA’s records of Scheme A further revealed that, instead of achieving 100% compliance as reported in the CORs (see item (i)), only 90.8% and 98.6% of the applications with complete information for 2002-03 and 2003-04 respectively met the target (i.e. 9.2% and 1.4% of the processing of the applications had failed to meet the target).
- (v) ***Audit recommendation.* Audit has recommended the SFAA to take measures to rectify the anomalies found in its performance reporting in the CORs.**
- (vi) ***Government’s response.*** The **Permanent Secretary for Education and Manpower** (in a consolidated reply for the EMB and the SFAA) has advised that in order to provide a clearer picture of the SFAA’s performance in handling the scheme applications with complete supporting information, the SFAA will indicate in future CORs the percentage of these applications the processing time of which has met the target (Note 23).

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**Note 23:** *The Permanent Secretary for Education and Manpower has further advised that considerations have been given to provide similar information on the processing of other applications with incomplete information. However, it is very difficult, if not impossible, for the SFAA to exercise control over the processing time of those applications without complete information furnished at the first time of submission. Hence the SFAA cannot set a realistic and meaningful performance target for processing those applications for which additional information is submitted subsequently.*

- (vii) Similarly, under the Non-means Tested Loan Scheme (i.e. Scheme B), the SFAA reported, against a target processing time of “three weeks” (3-week target), that it actually took three weeks to process the 2002-03 and 2003-04 applications, again implying that it had met 100% of the target. **Audit however found that the 100% compliance was not substantiated.** Although the SFAA maintained a computer record of the processing time for individual applications, it did not analyse the computer data kept to generate reports on performance results. On Audit’s request, the SFAA developed a computer program to analyse the processing time of the 2003-04 applications. It was found that, of 39,000 applications received, some 3,200 (or 8.2%) did not meet the 3-week target.
- (viii) **Audit recommendation.** **Audit has recommended the SFAA to take measures to rectify the anomalies found in its performance reporting in the CORs.**
- (ix) **Government’s response.** The **Permanent Secretary for Education and Manpower** has advised that:
- the SFAA completed the processing of practically all 2003-04 Scheme B applications with complete supporting information within the target of “three weeks”. However it did not send out the notification letters to some 3,200 (or 8.2%) applicants pending their application results for financial assistance under Scheme A (Notes 24 and 25); and
  - the SFAA would enhance the existing computer system for Scheme B so as to generate performance reports with effect from the 2005-06 school year.

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**Note 24:** *A student can apply for a loan under Scheme B for an amount up to the difference between the maximum financial assistance allowed under Scheme A and the actual amount of assistance he receives. That is, the exact loan amount under Scheme B cannot be determined until the processing of a student’s application under Scheme A is completed.*

**Note 25:** *The Permanent Secretary for Education and Manpower has advised that, for the 2005-06 school year, the SFAA would aim to send out to a student who has applied under both Schemes A and B a notification upon completion of processing his case for loans under Scheme B within “three weeks” informing him of the result of his application pending the result of his other application under Scheme A.*

***Clear definitions of performance measures were not always provided***

3.4 Within a department, the provision of clear performance measure definitions may be necessary to help minimise the risk of misunderstanding among the operational staff in data collection, reporting and interpretation. This is particularly important where performance data are collected from different locations. Audit is concerned that, because of the lack of a common understanding of the performance measures among the operational staff, performance data are not collected in a consistent way. An example is shown below.

**Case 16: Home Affairs Department's Programme "Community Building"**

- (a) In this case, Audit noted that different District Offices (DOs) and different operational staff of the DOs have adopted different methods and interpretations to report the outputs for various activities, namely the number of visits to OCs and MACs, the number of DC community involvement projects and district campaign activities organised throughout the year.
- (b) For example, Audit noted that at DOs, visits conducted by the Liaison Officers to OCs were counted as "*visits to OCs*", but similar visits by Liaison Officers to MACs were not counted as "*visits to MACs*". Similarly, some of the Community Organisers have counted their attendance in OC/MAC meetings as visits whereas some have not. The reason for the inconsistent treatments was not known.
- (c) **Due to the anomalies found in the HAD's collection and calculation of performance data, Audit is concerned that the results reported in the CORs may not be accurate.**
- (d) **Audit recommendation. Audit has recommended the HAD to take measures to rectify the anomalies found in its performance reporting in the CORs.**
- (e) **Government's response.** The **Director of Home Affairs** has advised that:
  - (i) she generally agrees with the audit observations. The HAD has clear definitions on how "*visits*" should be counted. In view of the audit findings that some of the meetings of OCs/MACs attended by Community Organisers were not counted as visits and that some visits to MACs conducted by Liaison Officers were also not counted, the HAD will re-issue a reminder to DOs to remind them of the criteria and definitions of "*visits*" for their returns; and
  - (ii) the HAD will also liaise with DOs to improve the existing mechanism in the compilation of performance data for district campaign activities and activities at district level held by District Fight Crime Committees by reviewing the performance measures definitions.

***Proper validation procedures were not always established***

3.5 Validation of performance data helps enhance the credibility of performance data reported and provides assurance to stakeholders that the performance data are reliable and a suitable basis for reporting the B/Ds' performance. Audit however notes that the B/Ds examined have generally not established formal quality assurance mechanisms to validate the quality of performance information to be reported in the CORs.

3.6 The internal audit function of a department may provide assurance of the quality of the performance data, Audit's enquiries of B/Ds generally indicated that staff playing the internal audit role have not always been called upon to play such assurance roles. In the various cases reported in paragraphs 3.3 and 3.4, the reporting of incorrect or misleading performance results can be rectified by proper quality assurance procedures in B/Ds. For example, in the case of the HAD in **Case 16** (see para. 3.4), had proper quality assurance procedures been established, the HAD could have timely improved its procedures for collecting and analysing the performance information. In response to Audit's observation, the **Director of Home Affairs** has advised that the HAD generally agrees that there is room for improvement in the compilation of performance data for reporting in the CORs (Note 26).

3.7 Similarly, in the case of the SFAA in **Case 15** (see para. 3.3(b) above), the internal auditor was not involved in checking the performance information to be reported in the COR. In response to Audit's observation, in July 2005 the **Permanent Secretary for Education and Manpower** advised that the SFAA appreciated the importance of independent checking of performance information. She also assured Audit that the SFAA would involve its internal auditing mechanism in checking such information and ensuring the accuracy of performance results reported in the CORs.

3.8 **Validation ensures that performance information reported is reliable.** To address the issue of data quality, many governments abroad have developed some form of validation of performance data. Examples are given below.

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**Note 26:** *The Director of Home Affairs has further advised that the HAD will liaise with DOs to improve the existing mechanism by reviewing the validation procedures after collecting the data. She will also remind DOs that they should keep proper records on OC/MAC visits, building management educational and publicity programme, enquiry services provided at PESCs, etc. for verification purposes. Moreover she will strengthen the role of its internal audit team and step up its efforts in ensuring proper quality assurance procedures for collecting and analysing the performance information in the Department.*

- In the **USA**, law has been passed to require the inclusion of an assessment of the completeness and reliability of the performance data reported in the annual performance reports. The assessment has to describe any material inadequacies in the completeness and reliability of the data, and any actions the government agency can take and is taking to resolve the inadequacies. In many federal departments, the Inspector Generals are responsible for auditing selected performance measures. (Inspector Generals are appointed under the Inspector General Act of 1978 to conduct independent and objective audits, investigations and inspections of federal agencies. They report to the agency heads and the Congress.)
- In **Australia**, government agencies have to establish some form of quality assurance arrangements to underpin the performance information reported in the Portfolio Budget Statements. Such quality assurance arrangements may include audits by an external group, audits undertaken by internal audit, high-level quality assurance checks conducted by non-operational staff.
- In the **UK**, where performance information is to be used to inform key strategic decisions such as the allocation of resources or reporting to Ministers and Parliament on performance, executive agencies will need to have reasonable assurance that the data are of an acceptable quality. Validation is one means by which an agency can get such assurance. Some agencies have established their own internal mechanisms to validate the quality of performance data (e.g. using the agency's own internal auditors to review the data collection systems).

### ***Proper performance records were not always kept***

3.9 To be of value, performance information must be reliable. Hence B/Ds should assure themselves that proper systems are operating effectively and consistently and continue to capture and report reliable performance data. Good performance measures should also be verifiable in that there should be clear documentation supporting them, which would, in turn, facilitate validation of the results reported.

3.10 Audit's examination of B/Ds' records has identified cases where the reliability of the performance information reported in the CORs is in doubt because the B/Ds have not maintained proper supporting records. As a result, the performance results reported is not verifiable. Examples are shown below.

#### **(a) Case 17: Home Affairs Department's Programme "*Community Building*"**

- (i) The HAD reported that it had met 100% of the target of attending "*within three minutes*" to an enquirer at the PESC's of the 18 DOs. Audit has however found that proper records were not kept at individual PESC's to substantiate the extent (in percentage) to which the 3-minute target has been met.
- (ii) Audit understood that the HAD counter staff, based on memories or their own records, verbally informed their supervisors daily the number



of enquirers who had to wait for more than three minutes before they were attended to. On the basis of such information, the monthly and yearly percentages were compiled and reported in the CORs. **Audit has reservation on the accuracy of the estimate.**

(iii) **Audit recommendation.** Audit has recommended to the HAD that proper supporting records should be well documented and validated.

(iv) **Government's response.** The Director of Home Affairs has advised that she accepts Audit's recommendation. She will remind DOs that they should keep proper records on enquiry services provided at PESCs for verification purposes.

(b) **Case 18: Student Financial Assistance Agency's Programme "Student Assistance Scheme"**

(i) Under the Kindergarten Fee Remission Scheme of this Programme, the SFAA reported in the CORs, against a target processing time of "two months" (2-month target) for applications for fee remission, that it actually took two months to process the 2002-03 and 2003-04 applications (implying that it had fully met the target), as shown below.

Performance Target	Target processing time for applications	School Year		
		2002-03 (Actual)	2003-04 (Actual)	2004-05 (Revised estimate)
Kindergarten Fee Remission Scheme (in months)	2	2	2	2

Source: CORs for SFAA

(ii) Audit found that the SFAA did not maintain a proper record to substantiate the performance result of fully meeting the 2-month target for the 2002-03 and 2003-04 applications.

(iii) **Audit recommendation.** Audit has recommended the SFAA to take measures to rectify the anomaly.

(iv) **Government's response.** The Permanent Secretary for Education and Manpower has advised that:

- the SFAA will consider making the best use of information technology (IT) to help maintain proper performance records; and
- to help keep track of its performance, the SFAA keeps individual records for the processing time and logs the timing for various stages in processing the scheme applications.

(c) **Case 19: Food and Environmental Hygiene Department's Programme "Environmental Hygiene and Related Services"**

- (i) The FEHD reported in the CORs that, against a target of complying by 98% for "*cases where food business licences will be issued within seven working days upon confirmation of compliance*" (i.e. the 7-day target), it had achieved a compliance rate of 99% in 2003 and 2004. Audit found that proper records, particularly for 2003, were not kept to support the compliance rate of 99%.
- (ii) Although there was an improvement in 2004 in that a register was kept in each of the regional Licensing Offices, the records did not provide breakdowns of the reported results. For example, in the case of the Kowloon Licensing Office, there was no information on when the applications complied with the licensing requirements. In the case of the New Territories Licensing Office, some of the data fields in the register kept for restaurant food business licences were left blank. **As a result, a proper documentation trail was not readily available. The performance data reported in the CORs was not verifiable.**
- (iii) **Audit recommendation.** Audit has recommended the FEHD to improve its performance records.
- (iv) **Government's response.** The **Director of Food and Environmental Hygiene** has advised Audit that the full implementation of the Licensing Management Information System in late 2005 (see Note 11 to para. 2.18(b)(v)) will help improve the existing arrangements for record-keeping by the three regional Licensing Offices.

(d) **Case 20: Food and Environmental Hygiene Department's Programme "Environmental Hygiene and Related Services"**

- (i) The FEHD reported in the CORs that it conducted 304,966 and 276,103 inspections to food premises in 2003 and 2004 respectively. Audit noted that there was no requirement for the inspecting officers to keep a proper record that collectively record the number of inspections

that had been conducted during a specified period. **As a result, the accuracy of the above figures could not be readily verified.**

- (ii) **Audit recommendation.** Audit has recommended the FEHD to improve its performance reporting and to consider the use of IT to help maintain proper performance records.
- (iii) **Government's response.** The Director of Food and Environmental Hygiene has advised that the FEHD will require inspecting officers to keep a collective record on inspections conducted and will work out a mechanism for validating the performance information.

### **Audit recommendations**

3.11 **Audit has recommended that the Secretary for Financial Services and the Treasury should:**

- (a) **urge B/Ds to set up some form of internal quality assurance mechanism by, say, requiring their internal audit (or staff playing similar roles) to take a more active role in validating the performance information in the CORs; and**
- (b) **remind B/Ds to maintain proper records to support the performance information they reported in the CORs, including taking steps to ensure that the data systems are operating effectively and consistently and are capable of capturing and reporting reliable performance data.**

### **Response from the Administration**

3.12 The Secretary for Financial Services and the Treasury agrees with the audit recommendations. He will urge B/Ds to set up some form of internal quality assurance mechanism and to maintain proper performance records, and will remind B/Ds to make sure that information set out in the CORs is substantiated and accurate.

## **PART 4: OTHER AREAS FOR IMPROVEMENT IN THE CONTROLLING OFFICERS' REPORTS**

4.1 This PART examines other areas for improvement relating to performance information reported in the CORs.

4.2 In addition to the issues discussed in PARTs 2 and 3, Audit has observed the following areas for improvement:

- (a) reporting of cost information (see paras. 4.3 to 4.8);
- (b) a multi-year perspective in performance reporting (see paras. 4.9 to 4.19); and
- (c) enhancing information accessibility through better electronic reporting (see paras. 4.20 to 4.24)

### **Reporting of cost information**

4.3 Figure 2 of paragraph 2.15 shows that efficiency measures represent only 5% of the total number of performance measures reported in the 2004-05 CORs. Audit notes that, although the FSTB has encouraged B/Ds to provide unit cost or productivity measures in the CORs where possible to reflect the efficiency and cost-effectiveness of the results, only modest progress has been made.

#### ***Unit cost information***

4.4 One reason for the slow progress in reporting unit cost information may be due to the limitation of the Government's Ledger Accounting and Financial Information System (LAFIS) in supporting B/Ds' costing and management information reporting requirements (Note 27). The Treasury is currently developing a more sophisticated financial accounting and management information system, the Government Financial Management Information System (GFMIS), which is expected to enhance B/Ds' costing and management information reporting capabilities. The GFMIS is expected to be implemented in the next few years.

#### ***Full unit costs***

4.5 For most of the unit cost measures reported in the CORs, the cost figures were calculated on the basis of actual personal emoluments chargeable to a B/D's Head of

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**Note 27:** *The LAFIS was an accounting system introduced in 1983 to keep the Government's accounts and to provide both detailed and summary financial information to B/Ds as a basis for planning and control. To meet B/Ds' costing and management information needs, the Treasury later developed the Departmental Costing System for use by B/Ds to analyse the costs of their activities. Despite these developments, there were still user concerns about the inadequate flexibility of the LAFIS and Departmental Costing System in meeting individual B/Ds' reporting and costing requirements.*

Expenditure (i.e. including civil service staff salaries, allowances and job-related allowances payable to civil servants), without taking into account other elements of cost (e.g. staff on-costs which include pensions and housing benefits of the staff involved in the activities).

4.6 Failure to use full cost to calculate the unit cost of an activity is not conducive to comparison of cost-efficiency. For example, in **Case 21**, the Social Welfare Department (SWD) stated in the 2005-06 COR that no direct comparison of costs between the government sector and the subvented and private sectors should be drawn (Note 28). In 1999, in response to Audit's recommendation made to the SWD (Note 29) to calculate the SWD's services for offenders in full unit costs in the COR, the FSTB advised that improvement should be made to the costing of the services. Audit's recent review has however revealed that little change has been made service-wide.

4.7 Audit notes that the Health, Welfare and Food Bureau has used full unit costs in calculating all 13 unit cost measures in the CORs for the Hospital Authority (HA). **Case 22** (see Appendix G) shows some of the HA's unit cost measures, calculated on full unit costs, as reported in the CORs for 2004-05 and 2005-06.

4.8 **Given that the Government is developing the GFMS, the FSTB needs to take this opportunity to encourage the reporting of more unit cost measures as a performance indicator and review and revise the costing methodology for reporting in the CORs.**

### **A multi-year perspective in performance reporting**

4.9 B/Ds are required to indicate in their CORs the plan for only one year ahead. However, projects (Note 30) often take a number of years to complete and the outcomes may also take some time to accomplish. Hence, B/Ds should where appropriate report a multi-year perspective of the performance results of projects. Progressive targets set for each year in the CORs should aim at meeting as far as possible the multi-year targets. In this way, stakeholders can readily assess the progress of achieving the ultimate targets.

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**Note 28:** *In the 2005-06 COR, to help readers interpret the cost figures reported, the Director of Social Welfare stated that: "The cost figures for the government sector reflect only the provision under the control of the Director of Social Welfare. They do not cover the cost of fringe benefits or rent, which are charged to different expenditure heads. On the other hand, the cost figures for the subvented and private sectors are the net total provision required after taking fee income into account. No direct comparison of costs between the two sectors should therefore be drawn."*

**Note 29:** *Chapter 9 of the Director of Audit's Report No. 32 of March 1999 refers.*

**Note 30:** *These do not cover capital projects which are not reported in the CORs.*

Audit has noted inconsistencies among B/Ds in the treatment of multi-year performance reporting in the CORs.

### ***Multi-year progress reported***

4.10 **Case 23** is an example where the EMB has reported the *cumulative* conversion progress in whole-day primary schooling in the CORs. The reporting of cumulative progress, as shown below, has provided a better picture of the achievements so far. Nonetheless, Audit considers that there is scope for further improvement.

<b><i>Performance Target</i></b>	<b>2002-03 (Actual)</b>	<b>2003-04 (Actual)</b>	<b>2004-05 (Revised estimate)</b>	<b>2005-06 (Plan)</b>
Government, aided and Direct Subsidy Scheme primary school places operating on a whole-day basis (%)	60	66	72	85

Source: CORs for EMB

4.11 **Audit recommendation.** In order to facilitate stakeholders to better assess the progress, Audit has recommended the EMB to also report in the CORs the Government's target, as stated in the 1998 Policy Address, for virtually all primary school students to enjoy whole-day schooling from the start of the 2007-08 school year.

4.12 **Government's response.** The Permanent Secretary for Education and Manpower has said that she agrees to Audit's recommendation and would report the target in the coming CORs.

### ***Multi-year progress not reported***

4.13 **Case 24** is an example where the BD has reported in the CORs only the yearly progress of its clearance of illegal rooftop structures (IRS) on single-staircase buildings, as shown below.

<b><i>Performance Target</i></b>	<b>Target</b>	<b>2002 (Actual)</b>	<b>2003 (Actual)</b>	<b>2004 (Actual)</b>	<b>2005 (Plan)</b>
Single-staircase buildings improved under rooftop structure clearance operations	700/year	632	713	714	700

Source: CORs for BD

In April 2001, in a LegCo Brief, the BD undertook to clear all 12,000 IRS on 4,500 single-staircase buildings within seven years (i.e. by 2008).

4.14 ***Audit recommendation.*** **Audit has recommended that the BD could improve its performance reporting by showing the cumulative progress of clearing IRS on single-staircase buildings in the CORs.**

4.15 ***Government's response.*** The **Director of Buildings** has accepted Audit's recommendation and advised that he has no difficulty in providing the cumulative progress in the CORs.

4.16 **Case 25** (see Appendix H) shows that, in seeking approval for the introduction of the Fire Safety (Commercial Premises) Ordinance (Cap. 502) in 1997 and its amendment in 1998, the Security Bureau provided the LegCo with an implementation plan for its inspection of prescribed commercial premises (PCP) and specified commercial buildings (SCBs) as part of its PCP and SCB improvement programmes. However, in the CORs, the FSD and the BD have only reported the yearly progress of building inspections, without reporting the progress to date of implementing the PCP and SCB improvement programmes.

4.17 **While the yearly progress can reflect the departments' performance/achievement for a particular year, Audit considers that a better picture can be presented in the CORs if the departments concerned (i.e. the FSD and BD) can also report the cumulative progress of building inspections in the CORs.**

4.18 ***Audit recommendation.*** **Audit has recommended the FSD and BD to provide more information by reporting in the CORs, in addition to the achievements for a particular fiscal year, the cumulative progress of building inspections under the PCP and SCB improvement programmes.**

4.19 ***Government's response.*** In response:

- (a) the **Director of Fire Services** has said that the FSD will also report cumulative progress of building inspections, for example, by means of a narrative to supplement the figures in the CORs; and
- (b) the **Director of Buildings** has also said that he has no difficulty in providing in the CORs the cumulative progress of building inspections under the PCP and SCB improvement programmes.

## **Enhancing information accessibility through better electronic reporting**

4.20 Audit notes that the UK Government has developed a web-based performance reporting system to report the progress of meeting various high-level government targets. Details are given in paragraphs 4.21 to 4.23.

4.21 In this web-based performance reporting system, stakeholders (including, for example, Parliament and members of the public) are provided with Internet access to both high-level summary information and more detailed information to meet different needs.

4.22 Each target is accompanied by a technical note, which explains how the target is measured, how success is defined, the sources of the relevant data and any other relevant information such as geographic or demographic coverage. In order to assess properly progress towards targets, the user is prompted to examine the performance data set out in the website in conjunction with the technical notes.

4.23 The targets are underpinned by existing data sources and where historical data exists a recent account of performance is shown. Appropriate links are provided to facilitate assessing progress towards targets. These linked sites set out the wider issues of the relevant policy areas and are useful in understanding the fuller picture. An example to illustrate how the targets are reported is at Appendix I.

4.24 **Audit considers that the Government can make reference to the UK web-based performance reporting system to enhance information accessibility.**

## **Audit recommendations**

4.25 **Audit has recommended that the Secretary for Financial Services and the Treasury should:**

- (a) **remind B/Ds to provide unit cost or productivity measures in the CORs where possible, in order to reflect the efficiency and cost-effectiveness of the results;**
- (b) **review and revise the costing methodology for reporting unit cost measures in the CORs;**
- (c) **ensure that the GFMS under development by the Treasury will facilitate B/Ds in the reporting of full unit costs in the CORs;**



- (d) **in order to provide stakeholders with a full perspective of the performance results, encourage B/Ds to report where appropriate the cumulative progress in the CORs; and**
- (e) **consider improving the existing electronic reporting system by making reference to the web-based performance reporting system in the UK, with a view to enhancing the Government's information accessibility.**

4.26 **More specifically, Audit has recommended that the Director of Social Welfare should, in consultation with the Secretary for Financial Services and the Treasury, report full unit costs for all services provided by the SWD (see para. 4.6).**

### **Response from the Administration**

4.27 The **Secretary for Financial Services and the Treasury** generally agrees with the audit recommendations. More specifically, he has said that:

- (a) he will remind COs to apply the most relevant unit cost or productivity measure that allows economy, efficiency and cost-effectiveness of the resources deployed by the COs to be measured;
- (b) he will remind COs to make a conscious decision on costing methodology to fit the circumstances of their departments. He will remind COs that full costing (which takes into account on-costs, depreciation, interdepartmental charges, etc. other than direct costs) is a comprehensive methodology for reporting unit costs. However, full costing may be costly and time-consuming to develop and some departments may not be equipped to adopt it. The methodology may not fit some services;
- (c) he will encourage COs to show cumulative progress where appropriate. The current FSTB circular memorandum already asks COs to show trends in key indicators; and
- (d) regarding the audit recommendation of improving the existing electronic reporting system with a view to enhancing the Government's information accessibility, it would be up to individual COs to determine how to improve their performance reporting system.

4.28 In connection with the reporting of full cost information in the CORs and the audit recommendation of ensuring that the GFMIS under development by the Treasury will

facilitate B/Ds in reporting full unit costs (see paras. 4.4 and 4.25(c)), the **Director of Accounting Services** has said that:

- (a) the future GFMS will replace the existing Departmental Costing System, among others, and will provide cost allocation function;
- (b) the GFMS will be a fully integrated financial information system. It will enable the B/Ds to capture the full costs of their activities at different levels and perform cost allocation in a more efficient way. She believes that the GFMS will be able to enhance B/Ds' costing and management information reporting capabilities and will **facilitate** B/Ds in conducting costing and producing unit cost information; and
- (c) when designing and developing the GFMS costing functions, the Treasury will work with B/Ds with a view to making the best use of GFMS to facilitate their costing exercises.

4.29 Regarding the reporting of full unit costs for all services provided by the SWD (see paras. 4.6 and 4.26), the **Director of Social Welfare** has said that:

- (a) he agrees that the calculation of the unit cost on the basis of a full costing should serve to improve the financial reporting and performance measurement and, under these circumstances, the SWD will endeavour to provide the full unit cost measures in respect of the services it provides in the future CORs (Note 31); and
- (b) he agrees that using only actual personal emoluments without staff on-costs to calculate the unit cost would understate the full cost of an activity. A proper costing exercise in accordance with the requirements set out in the Costing Manual issued by the Treasury should be conducted in respect of each activity in order to calculate the full cost of an activity.

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**Note 31:** *The Director of Social Welfare has further advised that, in the case of the SWD, the calculation of a full unit cost would not be conducive to comparison of cost-efficiency with similar services provided by the subvented/private sector as the unit cost measures for the services provided by the subvented/private sector are calculated on the basis of net subvention given (i.e. after netting off the assumed fee income collected by the subvented agencies).*

## Home Affairs Department

### Case 3

1. The Programme “*Community Building*” aims to develop policy in respect of community building, and to promote community involvement activities and public participation in community affairs. The HAD encourages public participation in activities and community involvement projects targeted at promoting the fight against crime, road safety and greening campaigns, supporting DCs, improving building management, promoting the cultural and artistic development of young people and providing information on government policies and procedures, etc.

2. In the CORs, the HAD has reported the following key performance measures:

<i>Performance Target</i>	<b>Target</b>	<b>2003 (Actual)</b>	<b>2004 (Actual)</b>	<b>2005 (Plan)</b>
(a) attend within three minutes to an enquirer at a Public Enquiry Service Centre (PESC)	100%	<b>100%</b>	<b>100%</b>	100%
(b) receive within one minute a telephone enquiry made at the Central Telephone Enquiry Centre (CTEC – discounting typhoon periods)	100%	<b>100%</b>	<b>100%</b>	100%

<i>Indicator</i>	<b>2003 (Actual)</b>	<b>2004 (Actual)</b>	<b>2005 (Estimate)</b>
(c) building management educational and publicity programme	<b>495</b>	<b>500</b>	500
(d) clients in person and by telephone at PESC and CTEC (million)	<b>2.45</b>	<b>2.32</b>	2.32
(e) average usage rate of multi-purpose halls in community centres (%)	<b>74</b>	<b>77.1</b>	77
(f) average usage rate of multi-purpose halls in community halls (%)	<b>67.1</b>	<b>70</b>	70
(g) rates exemption applications processed	<b>1,836</b>	<b>1,846</b>	1,800
(h) DC community involvement projects	<b>6,763</b>	<b>7,237</b>	7,260
(i) district campaign activities	<b>1,607</b>	<b>1,807</b>	1,750
(j) activities at district level held by District Fight Crime Committees	<b>355</b>	<b>365</b>	350

Source: CORs for HAD

**Leisure and Cultural Services Department**

**Case 4**

**Background**

1. The objective of the Programme “*Recreation and Sports*” under the LCSD is to develop and manage recreation and sports facilities and to organise a wide range of leisure activities in order to promote recreation and sports at all levels throughout the community.

2. In the 2004-05 and 2005-06 CORs, the LCSD set the following key performance indicators:

<i>Indicator</i>	<b>2002 (Actual)</b>	<b>2003 (Actual)</b>	<b>2004 (Actual)</b>	<b>2005 (Estimate)</b>
(a) <i>Recreation and sports activities</i>				
recreation and sports activities organised	<b>24,422</b>	<b>27,642</b>	<b>28,485</b>	29,000
participants in recreation and sports activities	<b>1,450,837</b>	<b>1,622,356</b>	<b>1,656,458</b>	1,660,000
subvented sports programmes organised	<b>6,217</b>	<b>6,181</b>	<b>7,667</b>	7,670
participants in subvented sports programmes	<b>593,508</b>	<b>556,072</b>	<b>635,215</b>	638,200
users of non-government organisation camps	<b>762,526</b>	<b>662,968</b>	<b>783,050</b>	801,000
(b) <i>Recreation and sports facilities</i>				
gazetted beaches	<b>41</b>	<b>41</b>	<b>41</b>	41
children’s playgrounds	<b>616</b>	<b>623</b>	<b>640</b>	650
natural and artificial turf pitches	<b>70</b>	<b>70</b>	<b>72</b>	77
hockey pitches	<b>2</b>	<b>2</b>	<b>2</b>	2
rugby pitches	<b>2</b>	<b>2</b>	<b>2</b>	2
hard surfaced pitches	<b>219</b>	<b>222</b>	<b>225</b>	226
holiday camps	<b>4</b>	<b>4</b>	<b>4</b>	4
major parks	<b>22</b>	<b>22</b>	<b>22</b>	22
sports centres	<b>83</b>	<b>83</b>	<b>85</b>	86
sports grounds	<b>24</b>	<b>24</b>	<b>24</b>	24
squash courts	<b>324</b>	<b>323</b>	<b>321</b>	321
stadia	<b>2</b>	<b>2</b>	<b>2</b>	2
swimming pool complexes	<b>36</b>	<b>36</b>	<b>36</b>	37
tennis courts	<b>268</b>	<b>268</b>	<b>270</b>	274
water sports centres	<b>4</b>	<b>4</b>	<b>4</b>	5
bowling greens	<b>9</b>	<b>10</b>	<b>10</b>	10
golf driving ranges	<b>5</b>	<b>4</b>	<b>4</b>	4
national sports associations/sports organisations subvented	—	—	<b>85</b>	85
non-government organisation camps subvented	<b>25</b>	<b>25</b>	<b>25</b>	25

**Appendix B**  
(Cont'd)  
(para. 2.17(a) refers)

(c) <i>Usage of recreation and sports facilities with admission control</i>				
attendance at holiday camps	<b>536,565</b>	<b>382,888</b>	<b>521,469</b>	486,000
attendance at water sports centres	<b>79,059</b>	<b>86,502</b>	<b>100,426</b>	108,000
attendance at golf driving ranges	<b>456,368</b>	<b>334,589</b>	<b>192,719</b>	192,000
attendance at public swimming pools	<b>10,300,000</b>	<b>9,150,000</b>	<b>9,810,000</b>	10,000,000
usage rate of sports centres (%)	<b>64</b>	<b>68</b>	<b>71</b>	71
usage rate of tennis courts (%)	<b>42</b>	<b>44</b>	<b>44</b>	44
usage rate of sports grounds (%)	<b>80</b>	<b>92</b>	<b>92</b>	92
usage rate of natural turf pitches (%)	<b>100</b>	<b>100</b>	<b>100</b>	100
usage rate of artificial turf pitches (%)	<b>74</b>	<b>81</b>	<b>82</b>	82
usage rate of non-government organisation camps (%)	<b>62</b>	<b>49</b>	<b>63</b>	65

Source: CORs for LCSD

**Education and Manpower Bureau**

**Case 5**

**Background**

1. The aims of the Programmes “*Primary Education*” and “*Secondary Education*” are to provide free and universal schooling for every child aged 6 to 14 inclusive, to provide sufficient subsidised secondary 4 to 7 places in public sector schools to meet approved provision targets, and to further improve the quality of primary and secondary education.

2. Under these two programme areas, the EMB has included 38 performance measures in the CORs for 2004-05 and 2005-06 respectively, as follows:

<b>Primary Education</b>	<b>School Year</b>		
<b><i>Performance Target</i></b>	<b>2003-04 (Actual)</b>	<b>2004-05 (Revised estimate)</b>	<b>2005-06 (Plan/ Estimate)</b>
a. Government, aided and Direct Subsidy Scheme (DSS) primary school places operating on a whole-day basis (%)	<b>66</b>	72	85
b. Government and aided primary schools under the Native-speaking English Teacher (NET) and English Language Teaching Assistant (ELTA) Scheme (%)	<b>100</b>	100	100
c. Government and aided primary schools provided with an additional teacher or temporary support staff for curriculum development (%)	<b>62</b>	100	100
<b><i>Indicator</i></b>			
d. Primary pupils	<b>468,800</b>	446,600	426,900
e. Children in the 6 to 11 age group	<b>472,700</b>	454,100	433,300
f. Gross enrolment ratio (%)	<b>99.2</b>	98.3	98.5
g. Pupil/teacher ratio in government and aided primary schools	<b>19.3 : 1</b>	19.1 : 1	18.5 : 1
h. Government and aided primary schools	<b>678</b>	653	618
i. Primary schools under DSS	<b>10</b>	11	16
j. Whole-day government and aided primary schools	<b>412</b>	438	470
k. Whole-day government and aided primary classes	<b>7,262</b>	7,561	8,470
l. Teachers in government and aided primary schools	<b>21,600</b>	20,800	20,400
m. Teachers in government primary schools with relevant teacher training qualification (%)	<b>98.8</b>	99.4	99.5
n. Teachers in aided primary schools with relevant teacher training qualification (%)	<b>93.2</b>	94.2	94.5

**Appendix C**  
(Cont' d)  
(para. 2.17(b) refers)

o. Teacher wastage rate of government and aided primary schools (%)	<b>8.6</b>	6.6	7.0
p. Schools provided with school-based curriculum development support	<b>190</b>	190	190
q. Schools participating in collaborative research and development ("seed") projects on curriculum development	<b>106</b>	88	90

<b>Secondary Education</b>	<b>School Year</b>		
<b><i>Performance Target</i></b>	<b>2003-04 (Actual)</b>	<b>2004-05 (Revised estimate)</b>	<b>2005-06 (Plan/ Estimate)</b>
a. Public sector secondary schools implementing mother-tongue teaching under the Medium of Instruction Guidance from the 1998/99 secondary 1 intakes	<b>302</b>	306	311
b. Public sector secondary schools being provided with NETs to enhance English language teaching (%)	<b>100</b>	100	100
<b><i>Indicator</i></b>			
c. Secondary 1 to 3 students	<b>251,500</b>	253,800	252,900
d. Children in the 12 to 14 age group	<b>251,000</b>	253,400	252,400
e. Gross enrolment ratio (%)	<b>100.2</b>	100.2	100.2
f. Student/teacher ratio in public sector secondary schools	<b>18.0 : 1</b>	18.1 : 1	18.1 : 1
g. Public sector secondary schools	<b>414</b>	417	421
h. Secondary schools under the DSS	<b>42</b>	45	48
i. Subsidised secondary 4 and 5 places	<b>156,600</b>	162,800	166,200
j. Children in the 15 to 16 age group	<b>168,900</b>	174,700	175,200
k. Subsidised secondary 4 and 5 places as percentage of children in the 15 to 16 age group (%)	<b>92.7</b>	93.2	94.9
l. Subsidised secondary 6 places	<b>27,700</b>	28,400	29,800
m. Subsidised secondary 4 places two years earlier	<b>74,700</b>	75,400	80,800
n. Subsidised secondary 6 places as percentage of subsidised secondary 4 places two years earlier (%)	<b>37.1</b>	37.7	36.9

**Appendix C**  
(Cont' d)  
(para. 2.17(b) refers)

o. Subsidised secondary 7 places	<b>27,300</b>	27,700	28,400
p. Teachers in public sector secondary schools	<b>23,300</b>	23,200	23,200
q. Teachers in government secondary schools with relevant teacher training qualification (%)	<b>97.0</b>	97.8	98.0
r. Teachers in aided secondary schools with relevant teacher training qualification (%)	<b>92.1</b>	94.2	95.0
s. Teacher wastage rate of public sector secondary schools (%)	<b>4.9</b>	4.9	4.9
t. Schools provided with school-based curriculum development support	<b>103</b>	104	97
u. Schools participating in collaborative research and development ("seed") projects on curriculum development	<b>83</b>	84	85

Source: CORs for EMB



## Correctional Services Department

### Case 6

1. Under the Programme “*Re-integration*”, the CSD is responsible for running various “*re-integration*” programmes for prisoners and inmates. The aim of this programme area is to facilitate the re-integration of prisoners and inmates into the community as law-abiding citizens.

2. In the CORs, the CSD set the following key performance measures:

#### ***Targets***

*To ensure that the re-integration programmes achieve the highest possible success rates, and to enhance community acceptance of and support for rehabilitated offenders.*

<b><i>Indicator</i></b>	<b>2003 (Actual)</b>	<b>2004 (Actual)</b>	<b>2005 (Estimate)</b>
(a) Success rates of the various re-integration programmes within the supervision period (%) e.g.			
• training centre (non-conviction in three years after discharge)	<b>70.2</b>	<b>68.1</b>	N.A.
• detention centre (non-conviction in one year after discharge)	<b>95.9</b>	<b>95.8</b>	N.A.
• rehabilitation centre (non-conviction in one year after discharge)	<b>N.A.</b>	<b>96.6</b>	N.A.
• young prisoners (non-conviction in one year after discharge)	<b>91.3</b>	<b>85.4</b>	N.A.
• release under supervision scheme (non-conviction until latest date of discharge)	<b>100.0</b>	<b>100.0</b>	N.A.
• drug addiction treatment centre (non-conviction and free from drugs in one year after discharge)	<b>66.4</b>	<b>63.6</b>	N.A.
(b) Average daily no. of prisoners and inmates under re-integration cum supervision programmes	<b>1,594</b>	<b>1,607</b>	1,610
(c) Average daily no. of young prisoners and inmates engaged in correctional education (including vocational training)	<b>849</b>	<b>919</b>	920
(d) No. of cases under aftercare supervision	<b>2,907</b>	<b>2,866</b>	2,870

Source: CORs for CSD

**A few more examples of targets with under-performance  
by 10% or more and without proper explanation of variations in the CORs**

(a) Judiciary's Programme "*Courts and Tribunals*"

<b>Performance Target</b>	<b>Target</b>	<b>Plan (2004) (a)</b>	<b>Actual (2004) (b)</b>	<b>Variance</b>		<b>Explanations provided for the under-performance?</b>
				<b>(c)= (b) - (a)</b>	<b>(d)= (c)/(a)</b>	
<i>Average Waiting Time (days)</i>						
Family Court: Dissolution of marriage – from setting down of a case to hearing:						
Special Procedure List	35	35	<b>68</b>	33	94%	No (Note 1)
Magistrates' Courts – from plea to date of trial:						
Summons	50	50	<b>64</b>	14	28%	No (Note 2)

Source: CORs for Judiciary

Note 1: On Audit's enquiries in August 2005, the Judiciary Administrator advised that:

- longer waiting times were recorded in 2004 due to the significant increase in the caseload of the family court in 2002 and 2003. Many cases filed in 2003 and even some in 2002 were still going through their proceedings in 2004, resulting in great demand on the court's time. Hearings for interlocutory matters and enforcement proceedings for maintenance payments in 2004, for example, had increased by 5% over 2003. Hence, longer waiting times were recorded in 2004 for the Special Procedure List;
- with the reduction in caseload in 2004, it is expected that waiting times in 2005 will be better. Furthermore, additional resources, in terms of one Senior Judicial Clerk II, have been redeployed since the end of 2004 within the Judiciary to deal with the directions for trial, with a view to assisting in speeding up the trial process; and
- in response to an enquiry raised by a LegCo Member in the course of examination of the Estimates of Expenditure of 2005-06, the above information was provided to the LegCo in April 2005.

Note 2: On Audit's enquiries in August 2005, the Judiciary Administrator advised that:

- summons cases are largely handled by Special Magistrates. The actual waiting time in 2004 for such cases had exceeded the target waiting time because of the increase in summons issued (from 137,607 in 2003 to 160,843 in 2004) and the reduction in the number of Deputy Special Magistrates with a view to meeting budgetary constraints;
- to improve the situation, resources had been redeployed to enable additional Deputy Special Magistrates to be appointed; and
- the LegCo Administration of Justice and Legal Services Panel was briefed on this issue in the context of the subject on "Closure and Mergers of Magistrates' Courts" in April 2005.

**Appendix E**  
(Cont' d)  
(para. 2.23 refers)

(b) Architectural Services Department's Programme "*Facilities Development*"

<b>Performance Target</b>	<b>Target</b>	<b>Plan (2004) (a)</b>	<b>Actual (2004) (b)</b>	<b>Variance</b>		<b>Explanations provided for the under-performance?</b>
				<b>(c) = (b) - (a)</b>	<b>(d) = (c)/(a)</b>	
Completing projects within the approved time scale (%)	100	100	<b>82.4</b>	- 18	- 18%	No (Note 3)

Source: CORs for Architectural Services Department

Note 3: On Audit's enquiries in July 2005, the Director of Architectural Services advised that the under-performance for the target was due to the late changes in requirements from some user departments, poor performance of some contractors, and additional time required for utility connections for some projects. He also assured Audit that he would include an explanation of variation in the future CORs for targets with under-performance by 10% or more.

## Television and Entertainment Licensing Authority

### Case 14

#### Background

1. Under the Programme “*Broadcast monitoring and regulation*”, TELA deals with public complaints about broadcasting. Each year, it handles over 3,300 complaints from the public on broadcasting services. In the 2004-05 and 2005-06 CORs, the following key performance measures were reported:

<i>Performance Target</i>	<b>Target</b>	<b>2003 (Actual)</b>	<b>2004 (Actual)</b>	<b>2005 (Plan – Note)</b>
(a) Issue of interim replies relating to complaints about TV and radio broadcasting (working days)	6	<b>99.6%</b>	<b>100%</b>	100%
(b) Issue of substantive replies to complainants informing them of the investigation results of their complaints on TV and radio broadcasting (working days)	15	<b>99.5%</b>	<b>99%</b>	N.A.
(c) Inform complainants of the results for cases involving no investigation (weeks)	3	<b>N.A.</b>	<b>N.A.</b>	100%*
(d) Inform complainants of the Broadcasting Authority (BA)’s decision on complaints involving straightforward investigation (weeks)	8	<b>N.A.</b>	<b>N.A.</b>	100%*
(e) Inform complainants of the BA’s decision on complaints involving complex investigations (months)	4	<b>N.A.</b>	<b>N.A.</b>	100%*

*Source: CORs for TELA*

*Note: Following a review of the complaint handling system in 2004, the TELA has revised its key performance measures to be reported in the CORs. In the 2005-06 COR, three new targets (\*) of issuing substantive replies to complainants have been introduced with effect from 2005.*

2. In October 2004 and March 2005, Audit examined TELA’s performance records for 2003 and 2004 respectively. Audit however found that the performance figures of 99.5% and 99% for 2003 and 2004 respectively as reported in the CORs for TELA’s issue of “*substantive replies*” to complainants within 15 working days were not entirely correct.

3. In 2003, for example, TELA received 2,017 complaints that required response. Of these 2,017 cases, TELA could only issue “*substantive replies*” within 15 working days in 1,001 cases. In other words, instead of achieving 99.5%, TELA had only met the target of issuing “*substantive replies*” within 15 working days by 50%. In fact, TELA had on average taken 25 working days to issue a “*substantive reply*”.

4. The same applied to 2004. According to TELA’s records, the performance for 2004 had deteriorated. Audit found that TELA could only meet the target for 20% of the complaints. On average, TELA had taken 37 working days to issue a “*substantive reply*”.

5. TELA maintained a computer system to monitor its performance data on complaints and the performance figures to be reported in the CORs were based on monthly reports generated by the system. Audit however noted that, in compiling the monthly reports, instead of using the dates of issuing “*substantive replies*” as the basis for calculation, the computer system had misapplied the dates of interim replies (which were in fact standard letters informing complainants that their complaints were still under investigation). An example is shown below.

- A complaint was received on 7 June 2004;
- An acknowledgement letter was issued on 9 June 2004;
- An interim reply was sent out to the complainant on 25 June 2004; and
- A “*substantive reply*” was issued to the complainant on 30 July 2004.

In this case, the computer system had wrongly taken the date of the issue of interim reply (i.e. 25 June 2004) as the date of the issue of a “*substantive reply*”. As a result, the case was considered to have met the pledge of 15 working days when in fact it had taken 44 working days.

**Health, Welfare and Food Bureau**

**Case 22**

The following are examples of unit cost measures as reported by the Health, Welfare and Food Bureau (HWFB) for the Programme “*Subvention: Hospital Authority*” in the 2004-05 and 2005-06 CORs. On Audit’s enquiry, HWFB officers confirmed that the unit cost measures were calculated on full unit costs.

<i>Indicator</i>	<b>2002-03 (Actual)</b>	<b>2003-04 (Actual)</b>	<b>2004-05 (Revised estimate)</b>	<b>2005-06 (Estimate)</b>
(a) Cost by services per 1,000 population	(\$ million)			
• inpatient	<b>2.9</b>	<b>2.9</b>	2.7	2.6
• ambulatory and outreach	<b>N.A.</b>	<b>1.6</b>	1.6	1.5
(b) Cost of services for elderly persons per 1,000 population aged 65 and over	<b>17.1</b>	<b>17.9</b>	16.3	16.0
(c) Inpatient services	(\$)			
• cost per inpatient discharged				
– general (acute and convalescent)	<b>19,960</b>	<b>24,300</b>	19,960	19,450
– infirmary	<b>182,270</b>	<b>166,710</b>	193,540	188,980
– mentally ill	<b>137,150</b>	<b>142,100</b>	125,150	120,290
– mentally handicapped	<b>564,130</b>	<b>728,960</b>	620,310	604,770

*Source: CORs for HWFB*

## **Fire Services and Buildings Departments**

### **Case 25**

#### **Background**

1. The FSD's and the BD's inspection of prescribed commercial premises (PCP) and specified commercial buildings (SCBs) has been carried out as part of their fire safety improvement programmes under the Fire Safety (Commercial Premises) Ordinance (Cap. 502) (brought into operation in May 1997) which was amended in April 1998 to extend the coverage of the Ordinance to SCBs.

2. In the deliberations of the relevant Bills, the Administration had provided LegCo with the following implementation plans of the PCP and SCB improvement programmes:

<b><i>PCP improvement programme</i></b>	<b><i>Buildings by stages</i></b>
<ul style="list-style-type: none"> <li>Phase I (first three years with effect from 2.5.1997)</li> <li>Phase II (subsequent four years with effect from 1.1.2001)</li> <li>Phase III (subsequent four years)</li> <li>Final Phase</li> </ul>	<p>PCP in buildings without sprinkler system (mostly built before 1973)</p> <p>PCP in buildings with occupation permits issued before 1980</p> <p>PCP in buildings with occupation permits issued between 1980 and 1990</p> <p>PCP in buildings with occupation permits issued after 1990</p>
<b><i>SCB improvement programme</i></b>	<b><i>Buildings by stages</i></b>
<ul style="list-style-type: none"> <li>Phase I (with effect from 1.6.1998)</li> <li>Phase II (with effect from 1.10.2001)</li> </ul>	<p>SCBs constructed or with building plans first submitted on or before 23.3.1973</p> <p>SCBs constructed or with building plans first submitted between 24.3.1973 and 1.3.1987</p>

3. In the CORs for 2004-05 and 2005-06, the FSD and the BD have reported the following key performance measures in respect of the PCP and SCB improvement programmes:

<b><i>Performance Target</i></b>	<b><i>Target</i></b>	<b><i>2003 (Actual)</i></b>	<b><i>2004 (Actual)</i></b>	<b><i>2005 (Plan)</i></b>
(a) No. of PCP inspected	150	<b>190</b>	<b>216</b>	190
(b) No. of SCBs inspected	140	<b>169</b>	<b>159</b>	150

*Source: CORs for FSD and BD*

4. In the CORs, the FSD and the BD have also reported that in 2003 and 2004, they achieved their targets under this programme.

### **Web-based Performance Reporting System of the UK Government**

1. The UK Government has developed a web-based performance reporting system to report its progress in meeting various high-level government targets. Stakeholders are provided with ready access to both high-level summary information and more detailed information on the performance of departments.
2. For example, in its web, the UK Department for Environment, Food and Rural Affairs has reported its progress in improving the environment and the sustainable use of natural resources in the following manner:

**Department for Environment, Food and Rural Affairs**  
**AIM**  

Sustainable development, which means a better quality of life for everyone, now and for generations to come, including: a better environment at home and internationally, and sustainable use of natural resources;

- economic prosperity through sustainable farming, fishing, food, water and other industries that meet consumers' requirements; and
- thriving economies and communities in rural areas and a countryside for all to enjoy.

**OBJECTIVES AND PERFORMANCE TARGETS**  

**Objective 1:** protect and improve the rural, urban, marine and global environment, and lead integration of these with other policies across Government and internationally.

Improve the environment and the sustainable use of natural resources, including through the use of energy saving technologies, to help reduce greenhouse gas emissions by 12.5% from 1990 levels and moving towards a 20% reduction in carbon dioxide emissions by 2010.

**Click here for performance against target 2** (See next page)

Source: *Extracted from [www.hm-treasury.gov.uk/performance/DEFRA.cfm](http://www.hm-treasury.gov.uk/performance/DEFRA.cfm)*

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[Targets](#)

## **Public Service Agreement Performance**

### **DEPARTMENT FOR ENVIRONMENT, FOOD AND RURAL AFFAIRS**

**Target:** Improve the environment and the sustainable use of natural resources, including through the use of energy saving technologies, to help reduce greenhouse gas emissions by 12.5% from 1990 levels and moving towards a 20% reduction in carbon dioxide emissions by 2010.

**Click here for the Technical Note for this Target**

**Indicator one:** Reduction in UK greenhouse gas emissions

**Click here for the latest performance data (PDF file approx 10kb)** *(See Figure A)*

**Indicator two:** Reduction in UK carbon dioxide emissions

**Click here for the latest performance data (PDF file approx 10kb)** *(See Figure B)*

**back to top**

**Other useful links:**

#### **Prime Minister's Delivery Unit**

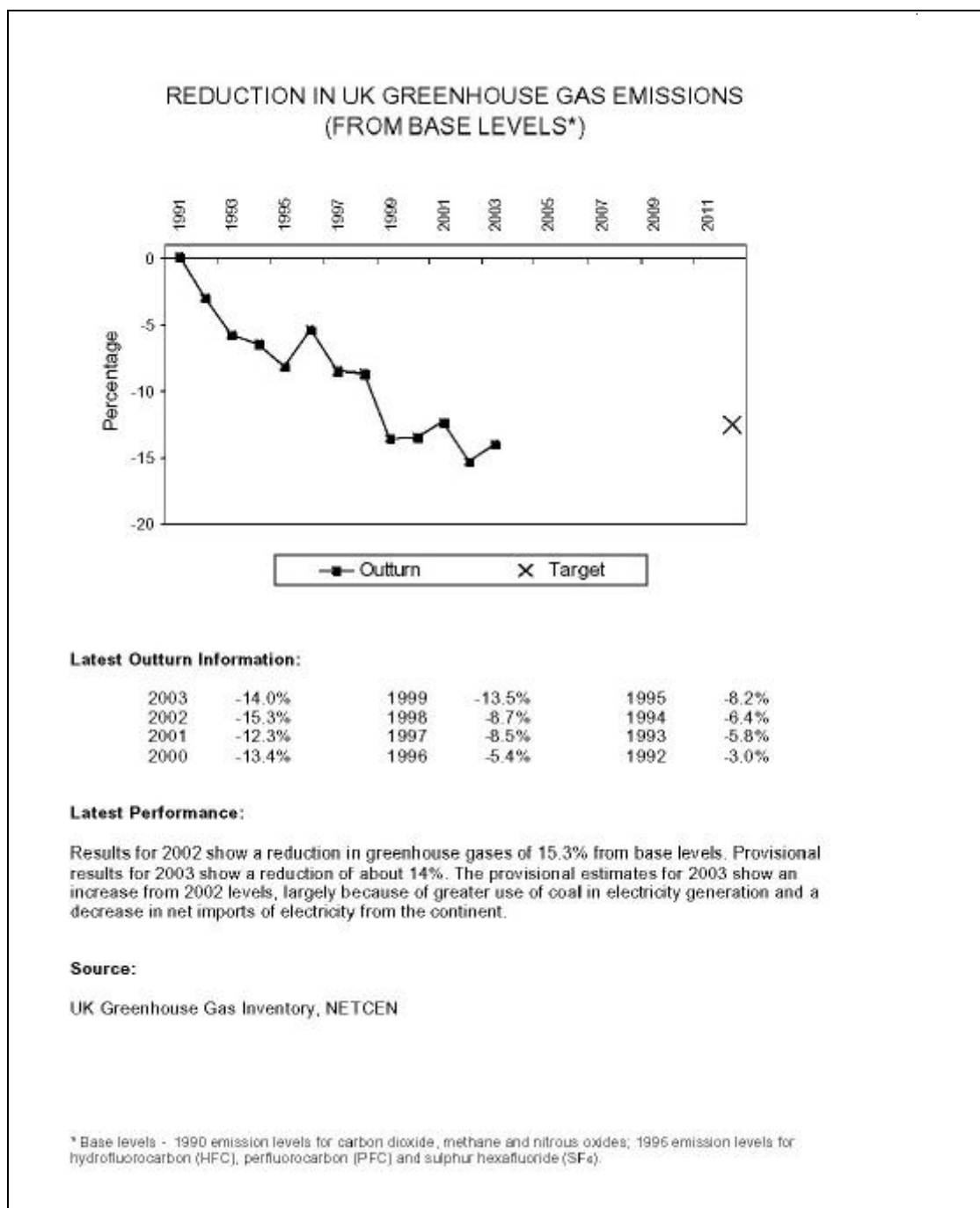
This web page contains both documents and links to other sites. For more information on accessing this material, see the Treasury's **accessibility pages**.

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**Public Service Agreement Targets index page**

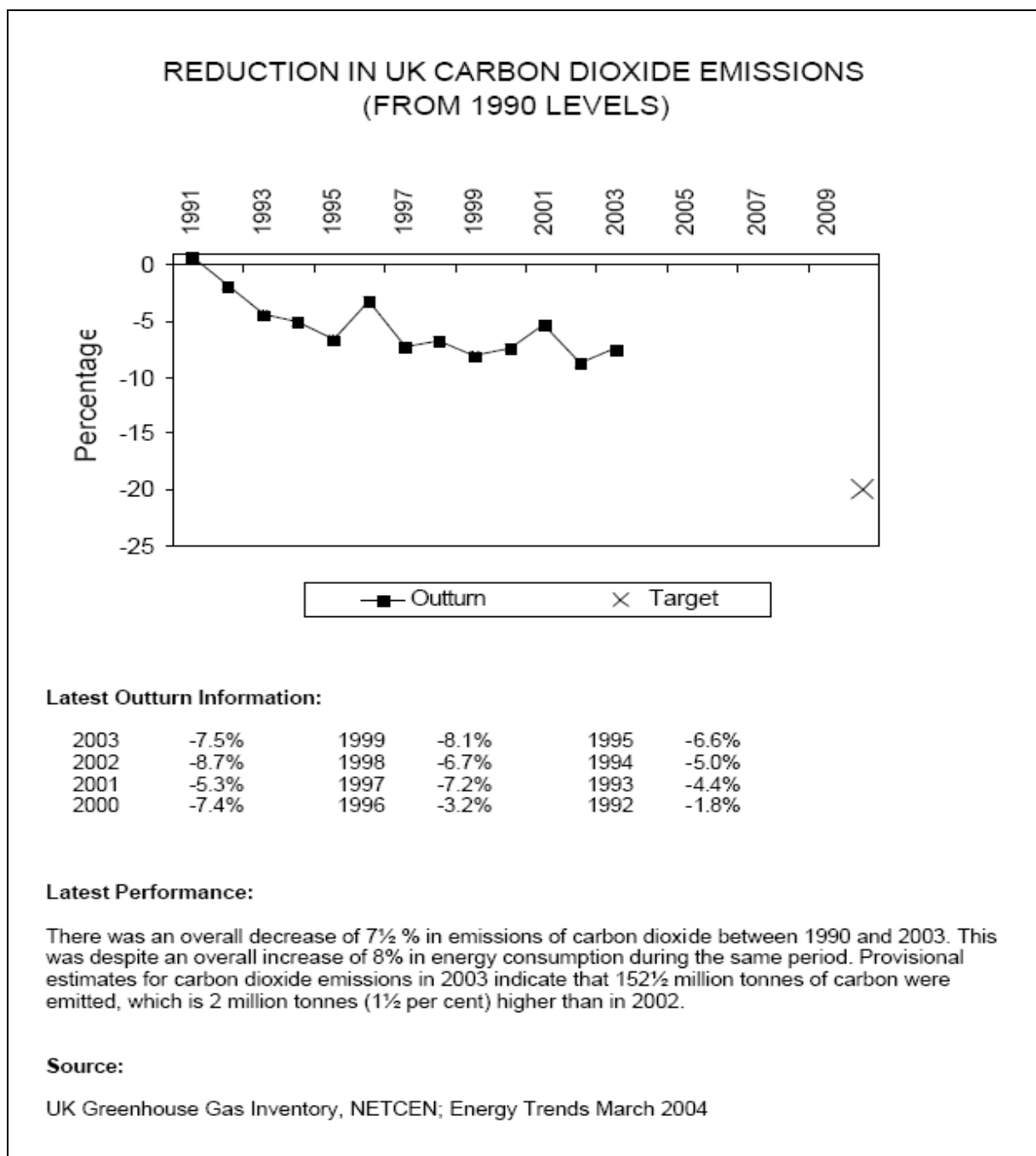
**Public Service Agreement Performance index page**

**Figure A**



Source: [http://performance.treasury.gov.uk/T116\\_I0078.pdf](http://performance.treasury.gov.uk/T116_I0078.pdf)

**Figure B**



Source: [http://performance.treasury.gov.uk/T116\\_I0079.pdf](http://performance.treasury.gov.uk/T116_I0079.pdf)

## **Appendix J**

### **Acronyms and abbreviations**

Audit	Audit Commission
AVP	Application Vetting Panel
B/Ds	Bureaux and Departments
BD	Buildings Department
CITB	Commerce, Industry and Technology Bureau
CO	Controlling Officer
COR	Controlling Officer's Report
CSD	Correctional Services Department
CTEC	Central Telephone Enquiry Centre
DC	District Council
DO	District Office
EMB	Education and Manpower Bureau
EPD	Environmental Protection Department
EU	Efficiency Unit
EU Guide	Step-by-step Guide to Performance Measurement issued by the EU
FEHD	Food and Environmental Hygiene Department
FSD	Fire Services Department
FSTB	Financial Services and the Treasury Bureau
FSTB Guidelines	Guidelines on CORs issued by the FSTB each year inviting COs to submit their draft Estimates on the General Revenue Account
GFMS	Government Financial Management Information System

**Appendix J**  
(Cont' d)

HA	Hospital Authority
HAD	Home Affairs Department
HWFB	Health, Welfare and Food Bureau
IRS	Illegal rooftop structures
IT	Information technology
LAFIS	Ledger Accounting and Financial Information System
LCSD	Leisure and Cultural Services Department
LegCo	Legislative Council
MAC	Mutual aid committee
OC	Owners' corporation
OGCIO	Office of the Government Chief Information Officer
PCP	Prescribed commercial premises
PESC	Public Enquiry Service Centre
PLIO	Provisional Food Business Licences Issue Office
SCBs	Specified commercial buildings
SFAA	Student Financial Assistance Agency
SWD	Social Welfare Department
TD	Transport Department
TELA	Television and Entertainment Licensing Authority
WSD	Water Supplies Department