

CHAPTER 7

Radio Television Hong Kong

RTHK: financial control and resource management

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RTHK: FINANCIAL CONTROL AND RESOURCE MANAGEMENT

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PART 1: INTRODUCTION

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

Background

1.2 Radio Television Hong Kong (RTHK) is a government department that serves the role of a public service broadcaster (PSB). Its aim is to inform, educate and entertain the general public and specific target audiences through a balanced mix of high quality programming. RTHK is editorially independent to ensure provision of fair, balanced and objective news and public affairs programmes. It provides a channel of communication for different sectors of the community and the Government to put forward their views on matters of public interest. The RTHK Vision, Mission and Values Statement is at Appendix A.

Photograph 1

RTHK Broadcasting House



Source: RTHK records

RTHK's programmes of activity

1.3 Four key programmes of activity are undertaken by RTHK, as follows:

- (a) ***Programme 1: Radio.*** The RTHK Radio Division produces and transmits a mix of radio programming to the community of Hong Kong. It supports seven channels (see Appendix B) covering a variety of programming in news, music, finance, culture and education in Chinese and English, providing 24-hour daily service to the public. Engineering and technical support is provided by a contractor (hereinafter referred to as "Company A") under a Technical Services Agreement (TSA) between the Government and Company A;
- (b) ***Programme 2: Public Affairs Television (PATV).*** The RTHK PATV Division provides a wide variety of television production for broadcast by commercial television channels to the community of Hong Kong. There are five programming strands, namely current affairs, educational programmes, general programmes, servicing, and documentary. Engineering and technical support is provided by Company A under the TSA;
- (c) ***Programme 3: School Educational Television (ETV) Production.*** In support of the Government's education policies, the RTHK ETV Division produces school ETV programmes for pre-primary, primary and secondary school students. These programmes are broadcast to schools via two local television stations, and can be viewed online at the "eTVonline" website managed by RTHK. In addition, the programmes are recorded on VCDs for distribution to schools and kindergartens; and
- (d) ***Programme 4: New Media.*** The RTHK ON INTERNET service began in December 1994. The New Media Unit was set up in October 2000 to devise strategies and explore the development of multi-media opportunities in the new media arena. It provides 24-hour live broadcast of all the six self-produced radio channels, and more than 11 hours weekly of regular prime-time and fringe-time Chinese and English television programmes. It also provides on the Internet on-demand archives services of all radio, television and news programming broadcast in the past 12 months.

Photograph 2**TV production in progress**

Source: RTHK records

1.4 The Commerce, Industry and Technology Bureau (CITB) is the policy bureau for radio, PATV and new media services (i.e. Programmes 1, 2 and 4). The provision of school ETV services (i.e. Programme 3) is under the policy responsibility of the Education and Manpower Bureau.

Framework Agreement

1.5 The Framework Agreement between the Secretary for Commerce, Industry and Technology and the Director of Broadcasting specifies the respective responsibilities of both parties in relation to each other. The Framework Agreement was first signed in 1993. The current version of the agreement took effect from 1 August 2005 and is subject to review and renewal every two years. Under the Framework Agreement, the Secretary is responsible for providing policy guidance to the Director in defining the programmes of activities on radio, PATV and new media services, as well as agreeing the underlying activities. The Secretary also has the responsibility to review the policy aim and operational objectives of these programmes. The Director, on the other hand, is responsible for managing the activities of each programme of activity, and helping the Secretary to review

and redefine the policy aspects of each programme to achieve the aims and mission of RTHK.

Expenditure of RTHK

1.6 RTHK is funded by the Government. In 2005-06, the estimated expenditure of RTHK was \$428 million. Table 1 shows an analysis of RTHK expenditure by programmes of activity.

Table 1
Analysis of RTHK expenditure by programmes of activity
(2005-06)

Programme	Expenditure	
	(\$ million)	(%)
Radio	182	43
PATV	198	46
School ETV production	38	9
New Media	10	2
Total	428	100

Source: RTHK 2005-06 Controlling Officer's Report

Organisation structure of RTHK

1.7 As at 1 June 2005, RTHK had a total of 718 staff, comprising 508 civil service staff and 210 non-civil service contract (NCSC) staff. In addition, some 140 staff of Company A worked in RTHK to provide engineering and technical services under the TSA. RTHK also employed temporary staff to meet its short-term needs, as well as freelance artists or service providers to perform in individual programmes.

1.8 RTHK comprises four Divisions (i.e. Radio Division, PATV Division, ETV Division, and Production Services Division), and six Units (i.e. New Media Unit, Corporate Communications Unit, Departmental Administration Unit, Corporate

Development Unit, Finance and Resources Unit (FRU), and System Review Unit (SRU)). An organisation chart of RTHK is at Appendix C.

Recent reviews of RTHK's systems and procedures

1.9 In the past few years, three Independent Commission Against Corruption (ICAC) cases, in which RTHK officers were convicted of fraud/misconduct, had aroused public concerns about possible malpractices in RTHK. A summary of five formal disciplinary cases in RTHK (including the three ICAC cases) is at Appendix D. In response to these cases, internal and external reviews were conducted which revealed weaknesses in different aspects of RTHK's management systems, particularly contract staff management, and procurement of goods and services (see paras. 2.5 to 2.8 and 5.4 to 5.6).

Value for money audit of RTHK

1.10 The Audit Commission (Audit) has recently conducted a value for money audit of RTHK. The audit findings are contained in two separate reports, as follows:

- (a) RTHK: financial control and resource management (the subject matter of this report); and
- (b) RTHK: governance and strategic management (see Chapter 8 of the Director of Audit's Report No. 46).

Audit review of financial control and resource management

1.11 Audit's review of the financial control and resource management of RTHK has focused on the following areas:

- (a) management of departmental contract staff and service providers (see PART 2);
- (b) management of outsourcing activities (see PART 3);
- (c) management of overtime work (see PART 4);
- (d) stores and procurement matters (see PART 5);
- (e) entertainment expenses (see PART 6); and
- (f) management of sponsorship (see PART 7).

Audit has found that there are areas where improvements can be made and has made a number of recommendations to address the issues.

General response from the Administration

- 1.12 The **Secretary for Commerce, Industry and Technology** has said that:
- (a) as a general principle, all government departments must comply with government regulations and procedures to ensure that public money is used responsibly;
 - (b) the CITB recognises that RTHK has carried out various measures to improve internal financial control and resource management over the years; and
 - (c) the CITB will continue to monitor progress and evaluate effectiveness of improvement measures at regular progress review meetings with RTHK.
- 1.13 The **Director of Broadcasting** has said that:
- (a) RTHK's management has always taken the issue of enforcement and monitoring very seriously. There are systems in place and staff are required to adhere to them. Realistically, however, it would be hard to operate and monitor systems to such an extent that there are no errors in application of the relevant guidelines and rules. A "no tolerance" rule does not necessarily equate with "no incidences"; and
 - (b) there have been improvements in RTHK. However, all systems require time to settle, to function generally, to be revised and improved from time to time in the light of changing circumstances, and to be fully implemented. But it should be noted that RTHK is on the right track and is well within any applicable time frame. RTHK looks to further strengthening its internal auditing and control systems and is awaiting the outcome of a Treasury review currently in progress.

Acknowledgement

- 1.14 Audit would like to acknowledge with gratitude the full cooperation of the staff of RTHK during the course of the audit review.

PART 2: MANAGEMENT OF DEPARTMENTAL CONTRACT STAFF AND SERVICE PROVIDERS

2.1 This PART examines RTHK's management of departmental contract staff (DCS) and service providers.

Background

2.2 RTHK has a long practice of employing DCS and service providers. From 2001-02 to 2004-05, on average, RTHK spent some \$50 million on payments to DCS and service providers each year.

1982 Finance Committee's decisions

2.3 In March 1982, the Finance Committee (FC) of the Legislative Council (LegCo) endorsed the proposal that the Director of Broadcasting should be given the discretion to employ freelance staff to meet service demands. The Director could engage freelance staff as and when required, and pay the going market rate necessary to obtain their services. Freelance staff were defined as casual artists, disc jockeys, script-writers, contributors and researchers whose services were engaged for a specific purpose in the production of particular programmes. The FC also authorised the Director of Broadcasting to recruit DCS to temporarily fill civil service vacancies pending the completion of the normal appointment formality, but such DCS should not remain on contract for more than a year in any individual case.

RTHK's departmental contract staff structure

2.4 Over the years, the DCS system has developed into one consisting of the following three categories of temporary contract staff and service providers:

- (a) ***DCS I***. These are temporary contract staff who are employed on a full-time basis (44 hours/week) to perform the duties normally undertaken by the Programme Officer (PO) grade. The employment is subject to the availability of civil service vacancies;
- (b) ***Category II service providers***. These are independent contractors or self-employed persons whose services are engaged for a specific purpose in the production of particular programmes, e.g. casual artists, disc jockeys, presenters, actors, script-writers, researchers and contributors. They are only contracted to provide service and are not entitled to any fringe benefits; and

- (c) **DCS III.** These are: (i) part-time staff engaged to undertake ad hoc duties, working less than 18 hours per week at any one time; (ii) part-time staff engaged to undertake ad hoc duties, working more than 18 hours per week but not exceeding four weeks; or (iii) full-time staff required to work more than 18 hours per week with an employment period not exceeding six months.

As at January 2006, there were 18 DCS I, 674 Category II service providers and 148 DCS III in RTHK.

Reviews of RTHK on contract staff management

2.5 **Formal disciplinary cases in RTHK.** In 2001, Audit conducted a review on RTHK's performance and resource management. The results of this review were included in Chapter 8 of the Director of Audit's Report No. 37 of October 2001. Arising from the ICAC investigations on corruption complaints received (see para. 1.9) and the Audit review, five formal disciplinary cases committed by RTHK staff from 1998 to 2002 were uncovered during the years 2001 to 2004 (see Appendix D). These events led to the conduct of a number of reviews, both internal (e.g. by the SRU) and external (e.g. by the ICAC and the Civil Service Bureau (CSB)), and the introduction of new control measures in RTHK.

2.6 **SRU review.** In response to these cases, RTHK conducted internal system reviews and had introduced since February 2002 various control measures to improve its management control over the employment of DCS. These included the setting up in April 2002 of the SRU to strengthen internal controls. The SRU, headed by a Treasury Accountant, conducted a comprehensive review of the DCS system and submitted in January 2003 a report with recommendations on areas such as conditions of employment, authority of appointment, fee scales and recruitment procedures. In 2003, RTHK further set up Central Administration Units (CAUs) in its divisions to coordinate the work relating to the employment and administration of DCS at the divisional level.

2.7 **CSB review.** In October 2002, the CSB conducted a review of RTHK's systems and procedures to examine:

- (a) the extent to which RTHK had implemented the recommendations made by the ICAC (Note 1) and Audit in their earlier reviews;

Note 1: *The ICAC conducted a study in April 2000 on RTHK's engagement of contractors for programme production and another study in May 2001 on the procurement of goods.*

- (b) whether the desired objectives had been achieved; and
- (c) what could be done to further improve the situation.

The CSB review was completed in December 2002. In respect of RTHK's system on the employment and management of Category II service providers and DCS III (hereinafter referred to as "DCS/service providers"), the CSB considered that, prior to 2002, the system did have room for improvement. Nevertheless, the measures that were introduced by RTHK in 2002 had solved most of the problems. Taking into account the SRU's recommendations and without pre-empting the ICAC's recommendations (see para. 2.8), the CSB suggested measures to further enhance the system of controls. In February 2004, RTHK reported that the CSB's suggested measures had been fully implemented.

2.8 **ICAC review.** At the same time as the CSB review was being conducted, the ICAC Corruption Prevention Department conducted a review of RTHK's procedures and practices in the hiring of DCS/service providers. The review, completed in March 2003, made a number of recommendations to help RTHK plug loopholes in its systems and procedures. In 2004, RTHK reported that it had implemented most of the ICAC's recommendations.

Audit of RTHK's management of departmental contract staff and service providers

2.9 Audit's recent review (see para. 1.10) has identified scope for further improvement in the following areas:

- (a) fee scale table (see paras. 2.10 to 2.24);
- (b) maintenance of attendance records (see paras. 2.25 to 2.29);
- (c) practice of seeking covering approval (see paras. 2.30 to 2.37);
- (d) system of checking payments (see paras. 2.38 and 2.39); and
- (e) efforts to rationalise the DCS structure (see paras. 2.40 to 2.48).

Fee scale table

2.10 RTHK allows its user divisions to appoint DCS/service providers direct. Very often, the user divisions would do so through personal contacts or networking. Before 2002, user divisions could decide the fees to be paid to DCS/service providers based on their assessment of the current market rate and the DCS/service providers' artistic value,

uniqueness and personal reputation (Note 2). An improvement has been made since 2002 in that RTHK introduced a fee scale table to help user divisions determine the pay for DCS/service providers. In the fee scale table, many job titles (e.g. presenters and artists) were sub-divided into tiers (e.g. Class A to F) with a range of fees for each tier.

2.11 **CSB review of December 2002.** In its review report (see para. 2.7), the CSB considered that many of the rates in the fee scale table spanned a wide range and seemed to lack an objective basis on which they were calculated. The CSB made the following recommendations:

- (a) ***RTHK should consider establishing a new set of fee scales by using the equivalent civil service pay scales as reference points to hire experienced hands or exceptional talents.*** The CSB considered that this would simplify the seemingly arbitrary fee scales for DCS/service providers and would help RTHK provide the flexibility required to meet special service demands; and
- (b) ***A special bonus might be added to the normal rate only under special circumstances (e.g. to secure the services of top artists in high seasons).*** The CSB considered that the granting of such a special bonus should be subject to the endorsement of the Standing Committee on Contract Staff and Service Providers (SCOCS — Note 3).

2.12 **ICAC review of March 2003.** In its review report of March 2003 (see para. 2.8), ICAC commented that RTHK's fee scale table covered more than 300 job titles and had considerable apparent duplications. The fee ranges were too wide (e.g. \$300 to \$45,000 per episode for the job of Coordinator/Producer). ICAC made recommendations similar to those of the CSB. In particular, ICAC suggested that RTHK should draw up a fee scale (with reasonable range of fees) for the appointment of DCS/service providers based on the going market rates covering top, second- and third-tier performers and so on. Any pay levels beyond the standard rates and fee scale should be submitted for the SCOCS's approval.

Note 2: *In the case of engaging Category II service providers, RTHK does not have to follow the Government's established procedures of competitive bidding as promulgated in the Stores and Procurement Regulations (see para. 2.3).*

Note 3: *The SCOCS, chaired by the Deputy Director of Broadcasting, comprises various senior staff of RTHK, including the heads of user divisions. The Committee is responsible for dealing with temporary staff matters and meets once a year to discuss strategic items such as annual fee revision, and review and planning of overall contract staff position.*

2.13 ***Follow-up of CSB's and ICAC's recommendations.*** In 2004, RTHK reported the following to the CSB and ICAC:

- (a) ***Fee scale table.*** RTHK had initiated a fee scale review. The fee scales would be reviewed annually by divisions concerned, with the upper limits of each fee scale to be endorsed each year by the SCOCS; and
- (b) ***Setting up of a checking and monitoring mechanism.*** A mechanism had been set up for special approval to be sought when a DCS/service provider was to be paid a fee that fell outside the fee scale range for a particular job type. SCOCS members would be notified monthly by circulation of any DCS/service providers whose remuneration/fee exceeded the prevailing pay for civil service Master Pay Scale Point 22 (Note 4).

2.14 ***SRU's follow-up review of 2005.*** The SRU of RTHK conducted a comprehensive review of the DCS system in 2003 (see para. 2.6) and a follow-up review in 2005. According to the SRU, the fee scale table should have different job titles (e.g. News Reader and Outside Broadcast Commentator) that were properly sorted in a structured way by "job types", with the scope and core duties of each job type/title/tier being defined clearly. **It also pointed out that considerations in determining the fee scale should have been properly documented, with comparison having been made to the pay scale of comparable civil service posts.** The SRU considered that such a hierarchical fee scale structure would provide the SCOCS with an overall picture of the reasonableness of the scale rate for approving the fee scale table.

Audit observations

2.15 As mentioned in paragraph 2.3, the FC in 1982 authorised the Director of Broadcasting to pay freelance staff at the going market rate. A fee scale table was developed in 2002. This has set out a framework for RTHK staff to follow in determining the fees to be offered to DCS/service providers. However, Audit notes that there is scope for improvement in the development and application of the fee scale table, as explained in paragraphs 2.16 to 2.24.

Need for benchmarking

2.16 **In the absence of competition (see para. 2.10), benchmarking is important in determining the pay to be offered to DCS/service providers.** As recommended by the CSB, ICAC and the SRU, in setting the fee scale, RTHK should benchmark the rates against the civil service salary points and the going market rates. Audit however found that:

Note 4: *As at January 2006, the pay for civil service Master Pay Scale Point 22 was \$26,540 a month.*

- (a) ***Benchmarking against comparable civil service posts.*** A benchmarking exercise against the civil service pay scale was only conducted in the second half of 2005. The benchmarking exercise indicated that:
- (i) there were cases where RTHK found that the rates in the fee scale table were higher than the civil service pay scale. Based on feedback from user divisions of RTHK, higher rates were paid to certain types of DCS/service providers (e.g. masters of ceremonies) whose performance was often unique and whose services were required only for short periods of time (Note 5); and
 - (ii) there were also cases where RTHK staff found it difficult to make like-with-like comparisons (e.g. performers) because they considered that, given the nature of the broadcasting industry, the pay to DCS/service providers depended very much on their calibre, the job nature and the market rates; and
- (b) ***Benchmarking against going market rates.*** There was no documentary evidence to show that RTHK had benchmarked the rates in the fee scale table against the going market rates.

2.17 **Regarding item (a) in paragraph 2.16, Audit considers that RTHK should require its staff to document the justifications for the higher pay to job types that could be benchmarked against the civil service pay scale.** For those job types that are not considered appropriate for benchmarking against comparable civil service posts, RTHK should require its staff to document the reasons (e.g. the difficulties encountered) and take further steps to benchmark the rates in the fee scale table against the going market rates (see para. 2.18). **Given the importance of benchmarking in setting the fee scale table, RTHK should continue with its efforts to enhance the benchmarking exercises and to improve the fee scale table based on the result of the benchmarking exercises.** Audit considers that unless the various issues relating to benchmarking have been properly addressed, the fee scale table is not yet complete.

Note 5: *For example, according to the fee scale table (as at June 2005), the highest hourly rates for a “script writer (variety)” and a “translator (for a one-hour TV programme)” were \$920 and \$1,002 respectively, whereas the hourly rate for a Chief PO in the civil service (with monthly mid-point salary of \$77,435) was only \$548.*

2.18 Regarding item (b) in paragraph 2.16, in order to provide a proper audit trail, Audit considers that RTHK should require its staff to document as far as possible how they ascertain the going market rates and the result of any benchmarking against the going market rates.

Need for reviewing the fee ranges

2.19 In the fee scale table, some of the fee ranges appear to be too wide, as observed by the CSB and ICAC. For example, the fee scale table (as at June 2005) has allowed a range of \$6,001 to \$24,000 per job for “Performer (Project)”, a range of \$1 to \$25,000 per job for “Performing Artist (1 – 4 players)”, and a range of \$1 to \$30,000 per job for “Performing Artist (5 or more players)”. **Audit considers that RTHK should critically review the fee ranges for individual job titles to ensure that a reasonable range of fees is specified.**

Need for an action plan to improve the fee scale table

2.20 On Audit’s enquiries in February 2006, RTHK admitted that given the complexities of the issue, the historical development and the industry practice, the fee scales had not fully matured. RTHK accepted that it needed to continue exerting efforts to further improve the fee scale table. **In this connection, Audit considers that RTHK should draw up an action plan to take forward steps to improve the fee scale table.**

Need for developing guidelines to help users apply different tiers in the fee scale table

2.21 Under the existing fee scale table, a job title may have several tiers (see para. 2.10). However, Audit noted that there were no guidelines on how different tiers in the fee scale table were to be applied for paying DCS/service providers. In the absence of guidelines, RTHK staff justified the tiers and the level of pay to be offered to DCS/service providers on the following grounds:

- “market price”
- “working experience and art work”
- “determined according to related experience”
- “with reference to previous pay”
- “within pay scale”
- “to meet with required expertise”

- “適合角色，有知名度” (the right person for the role and is well-known)
- “he can get the listeners’ attention”

2.22 Audit considers that the above justifications in themselves do not provide a uniform and objective basis for applying a particular tier in a job title to pay a DCS/service provider. **To avoid inconsistency, RTHK should develop guidelines to help its staff systematically assess the attributes of the DCS/service providers for applying the different tiers in the fee scale table.** Such attributes to be assessed may include DCS/service providers’ experience, popularity, market value, special talents, artistic values and uniqueness, and attraction to audience/listeners. In response to Audit’s comments, RTHK advised Audit in March 2006 that it fully recognised the need to improve on how to justify the tiers and that, as a first step in that direction, had since November 2005 initiated a review of its existing Contract Request Form and Contract Information Sheet used by its Radio/TV Division(s) to support the engagement of DCS/service providers.

Need for properly documenting considerations taken

2.23 In an Inter-Office Memorandum (IOM) of May 2003 on the management and administration of DCS/service providers, RTHK has set it as a requirement, **effective from June 2003**, for user divisions to properly document the considerations taken into account in determining the tier and the pay to be offered to DCS/service providers (Note 6). In this connection, Audit noted that in some cases, RTHK staff did not document the basis on which they determined the tiers and the pay for the DCS/service providers. An illustrative example is shown in the following case study:

Note 6: *Similar practice is adopted in the Government for the employment of NCSC staff as the CSB has laid down the requirement in CSB Circular No. 2/2001 that, for the purpose of monitoring and auditing, considerations for determining the level of pay offered to NCSC staff should be properly documented.*

Case study A

- According to RTHK Fee Scale Table as at May 2004, the fees per programme for five classes of a scriptwriter (Programme) were as follows:

Class A	\$2,001 to \$2,500
Class B	\$1,501 to \$2,000
Class C	\$1,001 to \$1,500
Class D	\$501 to \$1,000
Class E	\$301 to \$500

- In this case, a service provider (Company X) was appointed in May 2004 for providing script-writing services to RTHK during the period 17 May to 31 October 2004. Company X was paid at \$2,500 per programme (i.e. the upper limit within the fee scale for a Class A scriptwriter).
- No information was provided in the Contract Request Form on the factors taken into account by RTHK staff in ranking Company X as Class A and for paying it the top rate within the fee scale range for Class A.

Source: RTHK records

2.24 Audit considers that RTHK should remind its staff to follow the requirement as stated in the IOM and properly document how they have determined the tiers and the pay to be offered to DCS/service providers.

Maintenance of attendance records

2.25 Cases 1 and 2 uncovered in 2002 at Appendix D revealed that there were inadequacies in RTHK's maintenance of attendance records. The SRU and ICAC also noted in their reviews of January 2003 and March 2003 respectively that not all supervisors/divisions maintained proper attendance records of DCS/service providers. To improve management and control, the SRU, CSB and ICAC recommended that attendance records must be kept. The CSB further recommended that the attendance records should be duly certified and be countersigned by a senior officer of the rank of Senior Programme Officer (SPO) or above.

Audit observations

2.26 The IOM of May 2003 stipulates the requirement that, effective from 1 June 2003, user divisions should keep proper attendance records/job completion forms for DCS/service providers (Note 7). However, due to the time taken to put the requirement into operation, including the time required to discuss and negotiate with the CAUs on how best the attendance records and job completion forms for part-time DCS/service providers should be kept, the requirement for keeping attendance records has only been properly enforced since early 2004. For example, enquiries with the Radio Division confirmed that the Division had started to keep proper attendance records since February 2004. An audit examination of sample payments in 2003-04 identified a number of cases where proper attendance records/job completion forms were not available to support the work of DCS/service providers.

2.27 Another audit examination of 65 sample payments made in 2004-05 to DCS/service providers further identified various irregularities in the keeping of attendance records, as shown in Table 2.

Note 7: *In the IOM, RTHK requires user divisions to keep an attendance record in standard format for each and every full-time DCS III and, where necessary and appropriate, service provider. For those DCS/service providers who are employed/engaged on part-time basis, user divisions are required to work out their own job completion forms or attendance records in line with their own operational requirements.*

Table 2

**Irregularities found in a sample of 65 payments
made to DCS/service providers in 2004-05**

Irregularity	Number of cases (% over 65 cases)
(a) Payments were made to DCS/service providers. Attendance records/job completion forms could not be provided for inspection (Note 1).	Three (5%)
(b) Attendance records had not been signed weekly by an SPO (Note 2).	Five (7%)
(c) Attendance records for the last few working days at the end of a month were not available at the CAUs for verification.	Two (3%)
Total	Ten (15%)

Source: Result of Audit's sample examination

Note 1: The IOM of May 2003 states that the attendance records should be kept by divisions/sections and be readily produced for inspection or scrutiny for audit purposes. It also states that those service providers whose services do not require physical presence (e.g. script-writing) can be exempted from **signing** on the attendance records/job completion form. In two of the three cases, RTHK advised that no job completion forms were submitted because the relevant Division misunderstood that the service provider concerned was exempted from **submitting** the job completion form as the services provided were script-writing and researching. The misunderstanding was clarified in August 2005. Since then, the Division concerned has required the service providers to submit job completion forms, even though they are not required to sign on the forms. In the third case, RTHK advised that it was not known why no attendance record could be found.

Note 2: The IOM of May 2003 stipulates the requirement for a senior officer of not lower than the rank of SPO to certify at intervals of no less than once every week that the attendance record completed by DCS/service providers is true to the best of his knowledge.

Audit is concerned that 10 cases, or 15% of 65 cases selected, did not fully comply with the requirements laid down in the IOM of May 2003.

2.28 As recommended by the CSB in its review of December 2002, attendance records should be certified by the DCS/service providers' direct supervisors and countersigned by another senior officer **at least of the rank of SPO** (see para. 2.25). This was to apply **in all circumstances** to DCS/service providers who would be paid at hourly rates. In this connection, Audit notes that although the IOM of May 2003 stipulates a requirement for the attendance records in respect of **full-time** DCS/service providers to be

certified by SPOs or above, it has **not** stipulated a similar requirement in respect of **part-time** hourly DCS/service providers. Notwithstanding this, Audit's examination of the sample payments in paragraph 2.27 revealed that most of the attendance records of part-time hourly DCS/service providers were signed by SPOs (Note 8). **To comply with the CSB's recommendation and to improve internal control, Audit considers that RTHK should stipulate a requirement that the attendance records of part-time hourly DCS/service providers should be certified by an SPO.**

2.29 An audit examination of overtime (OT) work carried out by DCS also revealed that they did not record their OT work in their attendance records. **As RTHK is reviewing and revising the format of the attendance records (Note 9), Audit considers that RTHK should take this opportunity to improve record-keeping by requiring DCS to record their OT work in the attendance records.**

Practice of seeking covering approval

2.30 Audit found three common types of transactions in 2004-05 where RTHK staff frequently had to seek covering approval. Audit noted that:

- (a) 43% of OT work was not covered by **prior** approval (see para. 2.31);
- (b) 34% of additional work was not authorised **before** work commenced (see paras. 2.32 to 2.35); and
- (c) 14% of employment contracts were signed **after** work had commenced (see paras. 2.36 and 2.37).

Note 8: *Audit noted that, in nine payments (out of the 65 sample payments examined) made to part-time hourly DCS/service providers, the attendance records in seven cases were signed by SPOs, whereas the attendance records in two cases were not.*

Note 9: *At a meeting held in August 2005, RTHK officers identified various inadequacies in the existing attendance records. They planned to revise the format of the records with a view to enhancing supervisory control.*

Audit observations

Prior approval not sought for overtime work done

2.31 DCS are entitled to taking compensation leave for their OT work, but not OT allowances. RTHK Circular No. 4/2002 on “Control and Administration of Overtime” stipulates that:

*“Written approval for overtime work must be sought **in advance**. Otherwise, covering written approval, with full justification for not seeking prior approval, must be sought within a week.”*

In an examination of seven approvals granted in 2004-05 for OT work, Audit noted three cases where covering OT approval was only sought in periods ranging from two weeks to three months after the OT work had been carried out. In all these three cases, the authorising officers approved the application for OT work, certified that OT work had been done and approved the staff’s application for taking compensation leave **on the same dates**, whereas they were expected to sign off the OT application forms at each stage of processing (Note 10).

Covering approval for additional work

2.32 In 2000, RTHK was granted exceptional approval from the CSB for offering additional contracts to its NCSC staff if they were required **to carry out extra work outside the scope of their normal duties and outside the conditioned hours of their employment contracts**. In October 2002, RTHK extended this arrangement for additional work to DCS on the condition that the scope of duties to be performed under the contract for the additional work must be distinctly different.

2.33 In the IOM of May 2003, RTHK states that if any NCSC staff or full-time DCS were to be employed under more than one contract, either in the same division or in other divisions, the additional work should be approved by the Deputy Director of Broadcasting (for intra-division employment) or by the Departmental Secretary (for cross-division employment).

Note 10: *The OT application form contains three parts. Part 1 is on details of OT work for approval and is to be filled in by the DCS. Part 2 records the actual OT work done and Part 3 records details of compensation leave to be claimed. The approval officer is expected to sign off on each part at different stages of processing, i.e. approval of OT work, the reporting of OT hours worked and compensation leave taken.*

2.34 Audit noted that in 2004-05, there were a total of 125 applications from DCS and NCSC staff for additional work. Out of these 125 applications, 43 applications (34%) related to seeking covering approvals from the relevant approving authority.

2.35 Prior approval for additional work is important because it often involves the hiring of full-time staff to work outside conditioned hours. In this connection, Audit noted that since mid-2005 RTHK management had been aware of the frequent practice of DCS/NCSC staff seeking covering approvals for additional work. **In August 2005, RTHK management took action on two cases where NCSC staff were found performing additional work on a number of occasions during the conditioned hours of their normal duties, in contravention of the approval given by CSB in 2000 (see para. 2.32).** In December 2005, RTHK management further issued a set of guidelines to tighten the control measures. On Audit's enquiries in February 2006, RTHK advised that, out of 29 applications received since the issue of the guidelines, only three cases related to seeking covering approvals. Audit notes the improved position and considers that RTHK should continue keeping under review the effectiveness of the enhanced management control over additional work to prevent abuse.

Signing of employment contracts after work had commenced

2.36 Audit examined 58 employment contracts which related to the 65 sample payments made in 2004-05 (see para. 2.27). Of these 58 contracts, eight (14%) were backdated. In one extreme case, the contract was backdated by some five months.

2.37 **Audit considers that the practice of backdating employment contracts is not desirable as it would mean that work has been done without proper authorisation and is not covered by contractual arrangements.** RTHK management was also aware of this problem and had raised their concern in their monthly management meetings in 2005. According to the minutes of RTHK management's internal meetings, some 60% of the employment contracts prepared in April 2005 were backdated contracts. RTHK management urged the staff to stay alert and endeavour to avoid backdating employment contracts. The position improved greatly in the second half of 2005 as Audit noted that in October 2005, the number of backdated contracts was reduced to 22% (which was further reduced to 10% for January 2006).

System of checking payments

2.38 An examination of the 65 sample payments made in 2004-05 showed two cases, as explained below, where there were inadequacies in RTHK's system of checking payments.

Case study B

- One DCS was contracted to work as a Presenter from 7 June to 11 August 2004. For the payment selected, the attendance record showed that the employee had worked from 9 to 13 August 2004, for 5 episodes.
- In preparing the Payment Instruction Form, the DCS's supervisor made an error by putting in a claim for 6 episodes (covering 8 to 13 August).
- In processing the payment request, the CAU rejected the claim for payment of work done on 12 and 13 August as the DCS's contract ended on 11 August 2004. The claim for payment of work done on 8 August was however passed for payment despite the fact that the attendance record did not show that the employee had worked on that day.

Audit findings

In this case, there was inadequate checking of the attendance records before payment was made.

Source: RTHK records

Case study C

- A service provider was employed to work **as a Researcher at \$600 per programme** during the period from November 2003 to April 2004.
- In March 2004, the Radio Division prepared the attendance records and a Payment Instruction Form (PIF) for payment to the service provider for working **as a Guest Presenter (instead of a Researcher) at \$600 per episode**. The CAU passed the PIF (together with the attendance record) for payment.
- Payment was made to the service provider in April 2004.
- On Audit's enquiries, RTHK advised that the CAU was aware of the mistake when processing the PIF as the CAU staff marked the word "researcher" in pencil on the PIF.

Audit findings

Audit notes RTHK's explanation but considers that, instead of passing the payment, the CAU should have returned the PIF and the attendance record to the producer for amendments.

Source: RTHK records

Audit observations

2.39 The two case studies have revealed that there is scope for improvement in RTHK's system of checking payments. **Audit considers that RTHK should remind its staff, particularly the staff of the CAUs, to process payment requests carefully before passing them for payment. RTHK should also ensure that proper internal controls are always in force to detect irregularities.**

Efforts to rationalise the departmental contract staff structure

Changes in the DCS structure

2.40 In February 1997, Audit reported in Chapter 4 of the Director of Audit's Report No. 28 that RTHK employed a large number of DCS I and Category II service providers (previously known as DCS II) for prolonged periods of time. In addition, Audit reported that a large number of Category II service providers were performing the duties of the PO grade and, instead of working on a part-time basis, a large number of DCS/service providers were working on a full-time basis.

2.41 In their Report of June 1997, the Public Accounts Committee (PAC) was concerned that RTHK's practice of employing DCS was at variance with the conditions of employment approved by FC in 1982 and contravened the Government's policy on the employment of temporary staff. To address the PAC concern, the Director of Broadcasting assured the PAC that RTHK would conduct a review of the DCS system.

Follow-up of PAC Report of 1997

2.42 RTHK completed a review of the DCS system in November 1997. The review recommended a phased approach to reduce the number of long serving DCS I. Since then, RTHK has recruited permanent POs to replace DCS I.

2.43 In the Government Minute of May 1999, the Administration stated that, in the light of the Government's policy on the employment of NCSC staff and a freeze on recruitment to the civil service, RTHK had withheld the further replacement of DCS I and would employ NCSC staff to meet its operational requirements. In October 1999, the Administration reaffirmed RTHK's plan of employing NCSC staff to meet its operational needs. In March 2000, the Administration reported in its half-yearly Progress Report on follow-up action on the Government Minute that RTHK would regularise the employment of DCS III by appointing them on NCSC terms and would complete the conversion of 130 full-time DCS III to NCSC terms by the end of 2000.

Conversion to NCSC terms as recommended by CSB and ICAC

2.44 Both the CSB and ICAC recommended in their reviews of RTHK's systems and procedures in 2002 and 2003 (see paras. 2.7 and 2.8) that RTHK should phase out the use of DCS, on the grounds that the NCSC staff scheme had provided a service-wide framework with clear and well-defined procedures for RTHK to obtain temporary staff resources. The CSB and ICAC also recommended RTHK to migrate current DCS to the NCSC staff framework in order to reduce the disparity in terms and conditions of employment among different groups of staff.

2.45 **RTHK accepted both the CSB and ICAC recommendations.** RTHK advised the two parties that it was RTHK management's plan to rationalise the DCS structure by either appointing temporary staff on NCSC terms or engaging them as service providers or independent contractors.

Audit observations

The need to rationalise the DCS structure

2.46 It is reasonable to assume that the DCS structure should have largely been rationalised by now. Audit notes that the number of DCS I was reduced from 120 as at April 1998 to 18 as at January 2006. However, because RTHK has continued to employ DCS III, the number of DCS III remained high, increasing from 120 as at January 1998 to 148 as at January 2006.

2.47 As stated by the CSB and ICAC, the NCSC staff scheme provides a service-wide framework with clear and well-defined procedures and sets out proper employment terms that are governed by CSB guidelines. The conversion of DCS to NCSC terms will help enhance monitoring and control. **To rationalise the DCS structure, in February 2006 Audit suggested to RTHK that it should reduce recruiting DCS III and should in future employ temporary staff on NCSC terms as far as possible to meet its operational needs.**

Initial response from RTHK

2.48 In February 2006, RTHK advised Audit that the rationalisation of the DCS structure to the NCSC framework is, beyond doubt, RTHK's ultimate objective to be achieved in the medium term and RTHK management has been actively pursuing this objective. More specifically, RTHK advised Audit that:

- (a) since the launch of the NCSC staff scheme in 1999, RTHK has been migrating its DCS structure to the NCSC framework in an ongoing manner. The recruitment of DCS I has ceased since March 1999. In 2000 and 2001, RTHK launched two large-scale migration exercises in which 104 DCS were regularised and appointed on NCSC terms. Over the seven years from 1999 to 2005, RTHK had migrated a total of 145 DCS/service providers to the NCSC framework. In parallel with the dwindling number of DCS, the number of NCSC staff had gradually increased from 54 as at January 2000 to 231 as at January 2006;
- (b) for the remaining 18 DCS I, RTHK had adopted a gradual and conscientious approach in migrating them to the NCSC framework in view of the perceived difficulties involved. RTHK had already worked out an action plan on the migration of the remaining DCS I (comprising Assistant POs and Programme Assistants). Based on the action plan, these remaining DCS I will tentatively be migrated to the NCSC framework in June 2006;
- (c) for the DCS III, in particular those appointed on part-time basis for meeting ad-hoc and short-term programme production need, they are subject to different contract duration, which may last from several days to six months, and different

bases of remuneration, such as on project, session, programme or episode basis. Their pay packages, terms and benefits are different from those of the NCSC staff appointed on full-time and monthly-rated basis. Obviously, before implementing the migration plan of part-time DCS III, RTHK management needs to work on a well-established mechanism to administer and manage this category of staff and a new set of employment package which is necessarily and distinctly different from that of the full-time and monthly-rated NCSC staff. Like every other government department, the operation of the NCSC staff scheme was not yet fully matured in the first few years after it was launched. RTHK is continuously refining and revising its procedures and guidelines relating to the administration of its NCSC staff in the light of experience gained and in response to new guidelines issued by the CSB. Against these considerations, RTHK management takes a prudent and gradual approach in migrating the remaining batch of DCS III;

- (d) RTHK has had a number of inspections over the years. Internal controls and systems have tightened up on all fronts, which added a lot of pressure to all staff. In order to contain the negative impact of introducing too many changes within a short span of time, RTHK has deliberately phased the conversion of the DCS structure to the NCSC framework in a gradual manner;
- (e) RTHK has already worked out a detailed blueprint for the migration exercise. Consultation exercise to canvass views from management level and to ensure buy-in from them had been completed. Shortly after the consultation, RTHK reached a consensus on the migration plan. The Departmental Administration Unit of RTHK has worked vigorously and closely with the CAUs of divisions in reviewing the management and administration of DCS III so as to pave way for the migration. The aspects under review are exhaustive and comprehensive; and
- (f) to reiterate, RTHK management will continue to forge ahead with the objective of migrating all the DCS to the NCSC framework and of ultimately phasing out the DCS.

Audit recommendations

2.49 **Audit has *recommended* that the Director of Broadcasting should:**

Fee scale table for DCS/service providers

- (a) **require RTHK staff to document:**
 - (i) **the justifications for the higher pay to job types in the fee scale table, after benchmarking against the civil service pay scale;**

- (ii) **the difficulties encountered in those job types that are considered impractical to benchmark against comparable civil service posts, and take further steps to benchmark the rates in the fee scale table against the going market rates;**
- (iii) **how they ascertain the going market rates; and**
- (iv) **the result of future benchmarking exercises against the going market rates (see paras. 2.17 and 2.18);**

- (b) **continue with RTHK's efforts to enhance the benchmarking exercises and to improve the fee scale table based on the result of the benchmarking exercises (see para. 2.17);**
- (c) **review and revise, where appropriate, the fee ranges for individual job titles in the fee scale table (see para. 2.19);**
- (d) **develop an action plan to take forward steps to improve the fee scale table (see para. 2.20);**
- (e) **develop guidelines to help RTHK staff systematically assess the attributes of DCS/service providers for applying the different tiers in the fee scale table for DCS/service providers (see para. 2.22);**
- (f) **remind RTHK staff to follow the requirement as stated in RTHK's IOM of May 2003 and properly document how they have determined the tiers and the pay to be offered to DCS/service providers (see para. 2.24);**

Maintenance of attendance records

- (g) **take action to ensure that the controls over attendance records are strictly enforced (see para. 2.27);**
- (h) **stipulate a requirement for the attendance records of part-time hourly DCS/service providers to be certified by an SPO (see para. 2.28);**
- (i) **improve RTHK's record-keeping by requiring DCS to record their OT work in the attendance records (see para. 2.29);**

Practice of seeking covering approval

- (j) **discourage the practice of seeking covering approval, and request RTHK staff to submit explanations if prior approval has not been sought (see para. 2.30);**

- (k) **continue keeping under review the effectiveness of the enhanced management control over additional work of DCS/NCSC staff to prevent abuse (see para. 2.35);**

System of checking payments

- (l) **remind RTHK staff, particularly those at CAUs, to process payment requests carefully before passing them for payment (see para. 2.39);**
- (m) **ensure that proper internal controls are always in force to detect irregularities (see para. 2.39); and**

Efforts to rationalise the departmental contract staff structure

- (n) **continue with the migration of the DCS structure to the NCSC framework and monitor the progress closely, taking into account the staff morale issues and RTHK's operational needs (see para. 2.47).**

Response from the Administration

2.50 The **Director of Broadcasting** agrees with the audit observations and recommendations. He has said that efforts in the various areas recommended have been ongoing for some time. He has also said that:

Maintenance of attendance records

- (a) though Audit has found sample cases where the DCS/service providers had not submitted and signed the job completion forms (see Note 1 to Table 2 in para. 2.27), staff at SPO level or above in the sections concerned had certified that the jobs had been satisfactorily completed by the DCS/service providers before they endorsed the payment claims. The irregularity of omitting to submit job completion forms has been rectified since August 2005;

Practice of seeking covering approval

- (b) the situation for seeking prior approval before OT work is done (see para. 2.31) has improved and RTHK will continue closely monitoring the situation; and
- (c) similarly, the situation for signing employment contracts before commencing work (see paras. 2.36 and 2.37) has improved and RTHK will continue monitoring the situation which will further improve as the CAUs gain experience.

PART 3: MANAGEMENT OF OUTSOURCING ACTIVITIES

3.1 This PART examines RTHK's management of its outsourcing activities.

RTHK's outsourcing activities

3.2 RTHK has a long tradition of outsourcing. It obtains various supporting services from contractors when in-house resources are insufficient to meet its operational needs. In particular, RTHK's engineering and technical services have been outsourced under the TSA for many years. More recently, RTHK has been exploring other outsourcing initiatives, including the commissioning of television/radio programmes.

3.3 RTHK has relied on Company A for the provision of technical services under the TSA for many years. Such services include the installation, operation and maintenance of radio and TV studios, transmitting and receiving facilities. The current TSA (i.e. the 1988 TSA) took effect from 1 January 1988 and will expire on 30 September 2006.

3.4 As at March 2005, there were 148 TSA staff in RTHK as compared with 171 staff as at March 2001. For 2004-05, RTHK expenditure on TSA services was \$52 million (\$82 million in 2000-01).

RTHK's management of outsourcing activities

3.5 Audit examined RTHK's management of its outsourcing activities and has identified scope for improvement in the following two aspects:

- (a) management of outsourcing of outside broadcast (OB) services (see paras. 3.6 to 3.23); and
- (b) reducing the outsourcing of OB work through better use of the TSA (see paras. 3.24 to 3.32).

Management of outsourcing of outside broadcast services

3.6 Since 2000, RTHK has been contracting out part of the radio/TV OB services previously provided under the TSA. In 2004-05, three contracts at a total annual cost of \$734,078 were awarded to Company B, a related company of Company A, as follows:

- (a) provision of TV OB production team for the live coverage of "City Forum" for the period September 2004 to August 2005 at an annual cost of \$443,900. The

contract was renewed (at an annual cost of \$473,800) for the period September 2005 to August 2006;

- (b) provision of radio OB services for horse racing and soccer for the season 2004-05 at an annual cost of \$201,978. With the cessation of the live broadcast of horse racing, the contract was not renewed in 2005-06; and
- (c) provision of radio OB services for church services for the period June 2004 to May 2005 at an annual cost of \$88,200. Upon expiry of the contract on 31 May 2005, the contract (at the same annual cost) was extended for 12 months from June 2005 to May 2006.

Company B mainly employed TSA staff from RTHK **during their rest time** to provide OB services to RTHK under these contracts.

Photograph 3

TV outside broadcast of “City Forum”



Source: *RTHK records*

Compliance with the terms of outside broadcast contracts

3.7 Under the contract for TV OB services for the live coverage of “City Forum”, Company B is required to provide RTHK with a production team of eleven members for working from 7:00 a.m. to 3:00 p.m. on every Sunday during the contractual period. The contract also stipulates that *“the contractor shall provide the name list of the eleven core members of the production team. The contractor can replace no more than 5 members of the production team on each occasion”*.

3.8 Regarding the radio OB for church services, there is a similar provision in the contract which requires the contractor to provide a list of members specified in the contract to RTHK. Two members are required on each occasion. Company B has provided a list of four members in the tender document. The contract stipulates that *“for every coverage of church services, the team members should be appointed from the list”*.

Audit observations

OB of “City Forum”

3.9 Based on the attendance records provided by Company B in respect of the TV OB of “City Forum” for the period September 2004 to August 2005, **Audit noted that on nearly all occasions (i.e. 46 of a total of 47 episodes), more than five of the eleven core members specified in the contract had been replaced. This was not in compliance with the terms of the contract.** The replacements were mainly the TSA staff in RTHK who worked during their rest time. In the majority (27 or 57%) of the 47 episodes, only one or two core members (specified in the contract) were present. Table 3 shows an analysis of the OB production team members of the live broadcast of “City Forum” during the period.

Table 3

**Replacement of OB production team members
in 47 episodes of “City Forum”
(September 2004 to August 2005)**

Number of replacements provided (Note)	Number of episodes	
10	9	} 46
9	18	
8	9	
7	6	
6	4	
5	1	
Total	47	

Source: Attendance records provided by Company B

Note: The contract stipulates that the contractor can replace no more than five members of the production team on each occasion. Therefore, the number of replacements should not exceed five under the contract.

3.10 In order to ascertain whether the replacements met the minimum years of relevant experience required by the tender specifications, Audit selected two episodes (broadcast on 20 and 27 February 2005) for detailed analysis of the members’ experience. In both episodes, only one core member attended the OB. According to the experience profiles provided by Company B in respect of the crew members who attended these OB episodes, all the replacements had reached the minimum years of experience required by the tender specifications. **However, Audit noted that the average relevant experience of the crew members for the two episodes were 17.3 years and 12.9 years respectively, which were considerably lower than the average of 19.3 years of experience for the eleven core members specified in the tender document.**

3.11 **The experience of crew members seems to be an important factor affecting the quality and reliability of OB service provided by the contractor. Audit noted the following:**

- (a) the years of relevant experience of the core members, as stated in the tender document, carry 40% weighting under the marking scheme for the tender, while the tender price carries 60% weighting;
- (b) the high average experience (19.3 years) of core members was a main reason for awarding the contract to Company B, instead of to other tenderers; and
- (c) **if Company B had used those crew members with an average of 12.9 years of experience (i.e. the OB production team on 27 February 2005) as the core members specified in the tender document, Company B would not have been awarded the contract based on the marking scheme for the tender.**

Audit considers that RTHK needs to ensure that Company B complies with the terms of the contract (i.e. no more than five members of the OB production team can be replaced on each occasion).

OB of church services

3.12 To verify whether there were similar cases of non-compliance with the terms of contract for the OB services for church services, Audit selected eleven OB sessions in the period January to March 2005 (out of a total of 34 OB sessions in the contractual period June 2004 to May 2005) for examination. Based on the attendance records provided by Company B, **Audit noted that in three (27%) of the OB sessions, one or both of the team members were not appointed from the list of members specified in the contract. This was not in compliance with the terms of the contract.** The replacements were deployed from the TSA staff in RTHK who worked during their rest time.

3.13 While all the replacements who attended the OB sessions had reached the minimum years of experience required by the tender specifications, **Audit noted that the average relevant experience of the replacements for the three sessions in question (see para. 3.12) ranged from 10.5 to 14 years only. This was much lower than the average of 22.8 years of experience for the four members listed in the tender document.**

Audit recommendations

- 3.14 **Audit has recommended that the Director of Broadcasting should:**
- (a) **closely monitor the provision of OB services in order to ensure that the contractor fully complies with the terms of the contract (see paras. 3.11 and 3.12); and**

- (b) **for similar contracts in future, ensure that only staff with the experience and track records specified in the contract are supplied by the contractors.**

Response from the Administration

3.15 The **Director of Broadcasting** agrees with the audit recommendations. He has said that Company B confirms that it will provide the appropriate personnel for OB events.

Conflict of interest

3.16 The question of conflict of interest on the part of Company A and Company B was raised in the RTHK SRU's report of February 2004 on management of services under the TSA. The report noted that, as some of the employees of the OB Contractor (Company B) were the same as those working for the TSA Contractor (Company A), the ability of Company B in fulfilling its duty under the OB contract was subject to fulfilling the work schedule of Company A (and hence the work schedule of RTHK). According to the SRU, the question of conflict of interest will arise when Company A tries to arrange for the most cost-effective staff scheduling on the one hand, and has to make available certain TSA staff to work for Company B on certain days of the week on the other. This will unavoidably undermine the interests of RTHK. **The SRU recommended that the issue of conflict of interest should be seriously considered and documented in the quotation/tender evaluation reports of the contracts for the provision of electronic and telecommunications services.** In this regard, a separate review by an outside consultant (an overseas PSB) in March 2004 also noted that the picture for OB work in RTHK was "mixed" (Note 11).

3.17 According to the progress report on implementation of recommendations of the SRU's report as at 31 March 2005 (Note 12), RTHK has agreed that:

- (a) where Company A's related company (Company B) also tenders for new contracts, the Production Services Division of RTHK should document its consideration of the question of conflict of interest **in the tender evaluation report**; and

Note 11: *As stated in the consultant's report of March 2004, in terms of quantity of output, the "City Forum" forms the majority of the OB output but the crew is supplied by a different company that was awarded the tender, mainly on cost factors; and "the picture is further confused" by the fact that Company B, which holds the OB contract to supply these staff, is a related company of Company A.*

Note 12: *In response to this observation, RTHK explained that, since the process was still under development and in transition, the progress report only stated that the estimated completion date of implementation was July 2005.*

- (b) if new contracts are awarded to Company B, it would be required to provide a **signed** statement of undertaking to ensure no conflict of interest, and no detrimental impact on the normal TSA services, operationally or financially.

Audit observations

Need to address the question of potential conflict of interest

3.18 Notwithstanding that RTHK agreed in the March 2005 progress report to address the concerns about conflict of interest raised by the SRU (in February 2004), new contracts were awarded to Company B for OB of church services in May 2005 (see para. 3.6(c)), and for OB of “City Forum” in August 2005 (see para. 3.6(a)). Before awarding these contracts, the agreed actions mentioned in paragraph 3.17 were not fully taken, i.e.:

- (a) there was no mention of RTHK’s consideration of the question of conflict of interest **in the tender evaluation report**; and
- (b) a **signed** statement of undertaking was not submitted by Company B to ensure no conflict of interest, and no detrimental impact on the normal TSA services (Note 13).

3.19 **As far as Audit could ascertain, there was no documentary evidence to show that RTHK had formally considered in the tender evaluation exercises in May and August 2005 the question of potential conflict of interest of both Company A and Company B, before renewing the contract with Company B (a related company of Company A).**

Scheduling of rest days

3.20 The SRU noted that a main source of conflict of interest for Company A lies in the scheduling of rest days. Company A needs to release its TSA staff on Sundays to make the staff available to Company B for OB services for “City Forum” and church services. As mentioned in paragraphs 4.19 and 4.20, 39% of TSA staff still had their rest days on Sundays and, in order to reduce OT work to a minimum, there is a need to re-schedule the

Note 13: *Before the extension of contract for OB of church services for 12 months in May 2005, RTHK had not received any statement of undertaking from Company A or Company B. For OB of “City Forum”, RTHK had only received an email dated 6 June 2005 from the Chief Engineer of Company A, confirming that there would be no conflict of interest, before awarding the new contract in August 2005. Only after Audit raised the question of conflict of interest with RTHK in late January 2006 did RTHK seek and obtain a signed statement of undertaking from Company B dated 9 February 2006 that there would be no conflict of interest in respect of both contracts.*

rest days of TSA staff to weekdays (instead of Sundays). However, in order that the staff can work for Company B on Sundays, Company A schedules their work so that they rest on Sundays. **Audit considers that this conflict of interest situation of Company A has, to a certain extent, compromised RTHK's efforts in re-scheduling rest days of TSA staff to reduce OT work to a minimum (see para. 4.20).**

Need to ensure that TSA staff do not work long hours

3.21 Working for long hours is not in the interest of staff or the service. Given Company B's practice of employing TSA staff during their rest time (mainly on Sundays) to do OB work, there is limited flexibility for Company A or Company B to schedule work for their staff so that they do not need to work long hours. Audit's analysis of the working hours of the TSA staff employed by Company B to conduct OB work for "City Forum" in the month of July 2005 showed that **four staff (Note 14) had been required to work continuously for 13 to 15 hours (Note 15).**

Audit recommendations

3.22 **Audit has recommended that the Director of Broadcasting should:**

- (a) **in consultation with Company A and Company B, work out effective arrangements to ensure that:**
 - (i) **staff of the specified experience and track records are provided to RTHK for OB work (see paras. 3.10 and 3.13);**
 - (ii) **the current practice of using TSA staff during their rest time to do OB work will not have any detrimental effect on the TSA work provided by Company A (see para. 3.20); and**
 - (iii) **their staff are not required to work more than 12 hours continuously (see para. 3.21); and**

Note 14: *One staff on 10 July 2005 and three staff on 17 July 2005 had worked continuously for 13 to 15 hours. On these occasions, the staff concerned were required to perform TSA work immediately after the OB work for "City Forum".*

Note 15: *In this connection, Audit notes that RTHK has recognised the need to ensure that all staff (including contractor's staff working for RTHK) are not required to work long hours that may affect their work performance. For example, it is stipulated in the tender documents for the new technical services contracts (see para. 4.22) that, as a mandatory requirement, "no personnel shall work more than 12 hours continuously in a single shift".*

- (b) **take necessary actions to address the question of potential conflict of interest in the OB contracts, or other similar contracts in future.**

Response from the Administration

3.23 The **Director of Broadcasting** has said that both Company A and Company B have advised that they will provide undertaking statements to ensure no conflict of interest as required. Both companies have also advised that:

- (a) an e-mail statement of undertaking giving the assurance was submitted on 6 June 2005, upon RTHK's e-mail request in May 2005 for signed statement of undertaking. A signed statement was later provided to the same effect. A signed statement will be submitted in future, before a contract is awarded;
- (b) staff rest days are scheduled in advance. Rest days are already flexible and are not necessarily on Sundays. Scheduling of rest days depends on known workload; and
- (c) in the production operation industry, it is not uncommon to have staff working long shifts for more than 12 hours. It depends on the actual workload/booking demand.

Scope for reducing the outsourcing of outside broadcast work through better use of the TSA

3.24 As mentioned in paragraph 3.6, RTHK has been outsourcing its OB services, which were previously contracted out to Company A under the TSA, for a number of years. The main justification for outsourcing the OB services was cost considerations. Because of the high OT costs incurred by TSA staff (see para. 4.6(a)), RTHK considered that outsourcing OB work should be more economical than using TSA staff to work OT (on Sundays) to conduct OB for "City Forum" and church services.

Audit observations

Cost justification for outsourcing the OB services may no longer be valid

3.25 Prior to July 2005, using TSA staff for OT work (on Sundays) to carry out the OB work in relation to "City Forum" cost \$16,000 per episode, whereas outsourcing the work under the TV OB contract cost \$9,700. Outsourcing the OB work had been more economical. However, since July 2005, because Company A has changed its OT policy and has reduced its OT payment rates for TSA staff (see para. 4.11), the cost of providing the OB services for the programme "City Forum" through OT work (at \$10,100 per episode) is

about the same as the cost of outsourcing the OB services (at \$10,300 per episode). Table 4 shows the cost comparison.

Table 4
Cost comparison between using TSA staff on OT work and outsourcing for the provision of OB services for “City Forum”

	Cost for OT work of TSA staff (\$ per episode)	Cost of outsourcing (\$ per episode)
Before July 2005	16,000 (Note 1)	9,700 (Note 3)
Since July 2005	10,100 (Note 2)	10,300 (Note 3)

Source: RTHK and Treasury records

Note 1: The outsourcing contract in relation to the provision of TV OB services for the live coverage of “City Forum” required 11 staff working for 8 hours each per episode. According to Company A’s OT policy, before July 2005, eligible TSA staff who worked OT were normally paid at the rate of 1.5 times the basic hourly rate for work performed on a normal workday, and at the rate of 2 times for work performed on rest days.

Note 2: Since July 2005, Company A has changed its OT policy and TSA staff who worked OT are only paid at the basic hourly rate.

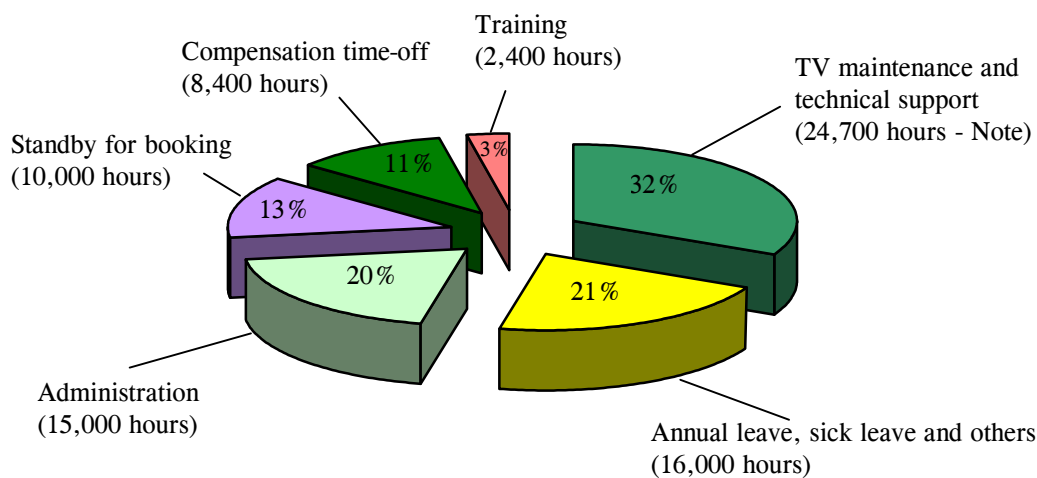
Note 3: Under the current outsourcing contract that runs from September 2005 to August 2006, Company B charges RTHK a fee of \$10,300 per episode whereas under the previous outsourcing contract that ended in August 2005, Company B charged a fee of \$9,700 per episode. The cost of outsourcing has not included the cost of administering the TV OB contract.

3.26 In the light of the cost comparison in Table 4, Audit considers that, given the additional effort and cost involved in administering the TV OB contract, the justification for outsourcing OB services on cost considerations may no longer be valid. In response to Audit’s comments, RTHK advised Audit in March 2006 that the costing result produced by Audit would be used for RTHK’s future reference.

Scope for better use of the TSA through more effective production scheduling

3.27 Audit has also found that there is scope for making better use of the TSA staff because they have significant standby time. RTHK has maintained a Costing System that captures the manhours spent by its staff, including TSA staff, on different programmes. An audit analysis of work done by 96 TSA staff (Note 16) for 2004-05 revealed that the RTHK Costing System had captured a total of 234,300 manhours for TSA staff. Of these 234,300 manhours, 157,800 manhours (67%) were charged to programmes and 76,500 manhours (33%) were not. Work items not charged to programmes included TV maintenance and technical support, leave, administration, standby for booking, compensation time-off and training. Figure 1 provides a further breakdown of these 76,500 manhours.

Figure 1
Analysis of 76,500 TSA manhours not charged to programmes
(for 2004-05)



Source: RTHK records

Note: The manhours for 14 TSA staff who worked on radio maintenance and technical support were not captured by the Costing System and are therefore not counted (see Note 16).

Note 16: Only the manhours for 96 TSA staff were captured in the RTHK Costing System and could therefore be analysed. As the manhours for the other 52 TSA staff were not captured in the RTHK Costing System, no analysis could be done. These 52 TSA staff included 14 staff who worked on radio maintenance and technical support.

3.28 Figure 1 shows that, of 76,500 TSA manhours not charged to programmes in 2004-05, some 10,000 hours (13%) related to “standby for booking”. Audit noted that 80% of the 10,000 standby hours related to camera operators and lighting operators who work on TV production. As an example, Audit has further analysed the standby time for camera operators and found that for 2004-05, there was a total standby of 4,100 manhours (18% of 23,000 manhours) recorded in the Costing System. RTHK advised Audit in February 2006 that during the standby time, instead of idling, the camera/lighting operators were often assigned by their supervisors to work on preparation for the next show, facility checking, tidying up and viewing past programme tapes (see Appendix E for their activities during TV standby time).

3.29 Another audit analysis indicates that, in the case of camera operators, for 54 days in 2004-05, they were not gainfully employed for **40% or more** of their charged manhours. On 18 of these 54 days, their standby time exceeded 30 manhours per day. Details are at Appendix F.

3.30 **Audit is concerned that two types of TSA staff (i.e. camera operators and lighting operators) may have been under-utilised. Audit considers that RTHK should better utilise these two types of TSA staff by deploying them to perform some of RTHK’s OB work.**

Audit recommendations

3.31 **Audit has *recommended* that the Director of Broadcasting should:**

- (a) **review whether it is possible to make better use of TSA staff, particularly camera operators and lighting operators, through more effective production scheduling, thereby reducing outsourcing work (see paras. 3.27 and 3.30); and**
- (b) **consider whether RTHK should continue to outsource its OB work, and whether the OB work can be produced more cost-effectively under the TSA, taking into account the cost comparison in paragraph 3.25, the significant standby time of camera operators and lighting operators, and the other issues noted in RTHK’s management of its OB contracts (such as the non-compliance with the OB contracts and the question of potential conflict of interest for Company A and Company B).**

Response from the Administration

3.32 The **Director of Broadcasting** has said that:

- (a) RTHK has noted the audit recommendations. Ongoing action is taken on these recommendations, which will be pursued within the parameters of the new contracts replacing the current TSA on 1 October 2006. Transition planning is currently underway; and
- (b) Company A has advised that:
 - (i) standby time of operators is an intrinsic issue in a TV production team. With the very large number of bookings per year, some standby time in-between booked hours is inevitable; and
 - (ii) it would try its best to arrange for better utilisation of the two types of TSA staff (i.e. camera operators and lighting operators), subject to RTHK bookings.

PART 4: MANAGEMENT OF OVERTIME WORK

4.1 This PART examines RTHK's management of OT work.

Regulations and guidelines on control and administration of overtime

4.2 Government regulations governing OT and related allowances are set out in Civil Service Regulations (CSRs) 662 to 684. CSB Circular No. 18/2000 of November 2000 also sets out guidelines on control and administration of OT. The key provisions of these government regulations and guidelines include:

- (a) OT work may only be undertaken when it is **strictly unavoidable**. It is the personal responsibility of a Head of Department to ensure that OT work is kept to the **absolute minimum** compatible with operational requirements;
- (b) OT work should be **planned ahead** as far as practicable, and at all times be **strictly controlled and properly supervised**;
- (c) **time-off is the normal recompense for OT work**. Only when it is, or likely to be, impractical to arrange time-off within one month from the date when OT work is performed that the overtime allowance (OTA) may be payable to eligible officers; and
- (d) **a minimum period of one hour of OT** in respect of any one shift must be worked before OTA is payable. This minimum period may be either at the start or at the finish of a shift, or partly at both. Thereafter, OTA is payable on a half-hourly basis. Periods of OT which are not complete half-hours may be recompensed only by time-off.

4.3 Based on the CSRs and CSB Circular No. 18/2000, RTHK issued departmental instructions on control and administration of OT in RTHK Circular No. 4/2002 of February 2002. RTHK Accounting Circular No. 2/2002 of March 2002 also promulgated departmental accounting procedures for the payment of OTA.

Guidelines on control of overtime work performed under the TSA

4.4 Regarding the administration and control of OT work performed under the TSA, **Accounting Circular No. 4/2000 issued by the Treasury in July 2000 requires that user departments should observe "the spirit" of the relevant CSRs and CSB Circular on OT.**

4.5 RTHK Accounting Circular No. 4/2002 was issued in June 2002 to promulgate departmental procedures for administering and controlling OT work of TSA staff in RTHK. Following the Treasury's guidelines (see para. 4.4), under normal circumstances, RTHK will only reimburse those OT charges incurred by TSA staff with prior approval. On granting approval, RTHK officers should consider the genuine need for OT work by examining the nature of tasks or work to be performed, date and time, estimated number of OT hours, and number of TSA staff involved.

RTHK's expenditure on overtime work

4.6 RTHK's expenditure on OT work comprises two main categories:

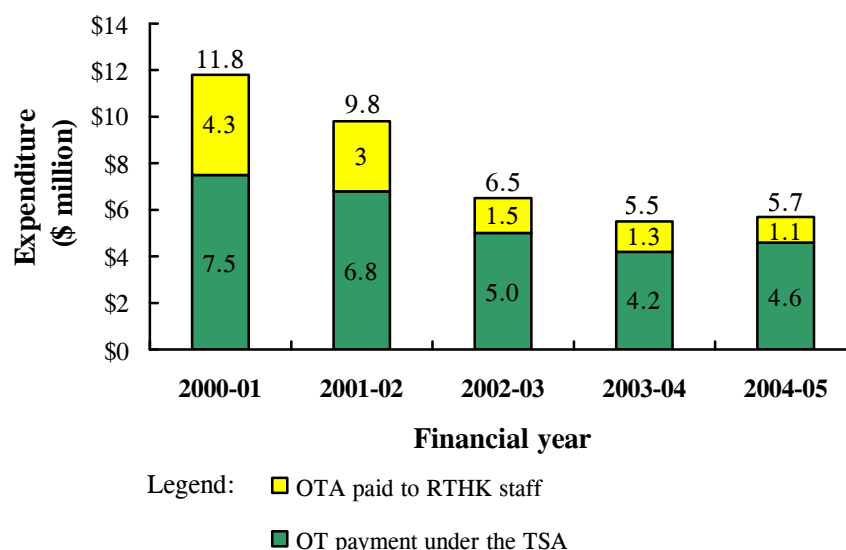
- (a) ***OT payment under the TSA.*** This is paid by RTHK under the TSA in respect of OT work performed by technical staff of the TSA Contractor (i.e. Company A) in the form of direct maintenance and operating expenses. In 2004-05, total OT payments under the TSA amounted to \$4.6 million (excluding administration charge — Note 17); and
- (b) ***OTA paid to RTHK staff.*** In 2004-05, total OTA paid to RTHK staff amounted to \$1.1 million.

Figure 2 shows an analysis of RTHK's expenditure on OT work for the five financial years 2000-01 to 2004-05.

Note 17: *Under the TSA, an administration charge of 9.15% (12% for the period 1 January 1998 to 31 December 2002) is charged by Company A on the total TSA staff costs (including OT expenses).*

Figure 2

**Analysis of RTHK's expenditure on OT work
(2000-01 to 2004-05)**



Source: RTHK records

Overtime work performed under the TSA

1999 audit of the TSA

4.7 In March 1999, Audit conducted a review of the management of TSA services by government departments and the cost-effectiveness of the Government's spending under the TSA. The audit revealed that there was room for improvement in a number of areas, including the control of OT payment under the TSA. **Regarding OT work of the TSA staff in RTHK, Audit highlighted an urgent need for RTHK to minimise OT payments, and recommended that RTHK should:**

- (a) ascertain whether there was a genuine need for TSA staff to work OT;
- (b) find ways (e.g. by a staff rotation schedule) of ceasing the practice of setting Sundays as rest days for the TSA staff; and
- (c) examine whether there was scope for re-scheduling the working hours of the TSA staff to match with the work requirement in order to reduce OT work to the minimum.

4.8 Since the 1999 audit, RTHK has taken various measures to reduce OT payments under the TSA. As shown in Figure 2, RTHK's OT payments under the TSA decreased by 39% in the last five years, from \$7.5 million in 2000-01 to \$4.6 million in 2004-05. While recognising RTHK's efforts in reducing OT payments under the TSA, Audit's recent review has found that there is scope for RTHK to further reduce OT payments (see paras. 4.9 to 4.21).

Audit observations

Company A's OT policies and practices are more favourable than those of the civil service

4.9 The Treasury's guidelines require that RTHK, as a user department of the TSA services, should observe "the spirit" of the relevant CSRs and CSB Circular in controlling OT work performed under the TSA (see para. 4.4). Audit noted that Company A's OT policies and practices were more favourable than those of the civil service in a number of aspects (see paras 4.10 to 4.14). **This partly accounts for the relatively high level of OT payments under the TSA.**

4.10 ***OT payment rates for TSA staff before July 2005.*** Eligible TSA staff who worked OT before July 2005 was normally paid at the rate of 1.5 times the basic hourly rate for work performed on a normal workday, and at the rate of 2 times for work performed on rest days, continuing after midnight, or due to typhoon. In the past three years (2002-03 to 2004-05), more than 50% of the OT payments to TSA staff were made at the rate of 2 times the basic hourly rate. For example, in 2004-05:

- (a) 52% of OT hours were paid at the rate of 2 times the basic hourly rate;
- (b) 47% were paid at the rate of 1.5 times the basic hourly rate; and
- (c) 1% were paid at the basic hourly rate (Note 18).

Note 18: *Before July 2005, when OT was required to be worked on statutory holidays with less than 48 hours' prior notice, time-off plus the basic hourly rate was paid for OT work during normal working hours, and 2 times the basic hourly rates for hours beyond the normal working hours.*

In comparison, the OTA rates for civil servants are no more than 1.5 times hourly rate (Note 19). **Therefore, the OT payment rates under the TSA before July 2005 were more favourable than the OTA rates under CSRs.**

4.11 ***OT payment rates for TSA staff effective from 1 July 2005.*** With effect from 1 July 2005, Company A has changed the normal OT payment rate for TSA staff to the basic hourly rate.

4.12 ***Time-off as the normal recompense for OT work.*** According to CSB Circular No. 18/2000, only when it is impractical to arrange time-off within one month from the date when OT work is performed that OTA may be payable to eligible officers (see para. 4.2(c)). However, Company A's practice was that if OT was unscheduled, worked on rest days, or in excess of the normal working hours on public holidays (see Note 18), OT payments would be granted in the same month. In 2004-05, total OT work performed by TSA staff amounted to 33,728 hours, of which:

- (a) time-off in lieu was granted to staff for 6,039 hours (18%) of OT work; and
- (b) 27,689 hours (82%) were recompensed by OT payments.

As at June 2005, some 3,800 time-off hours were accumulated.

4.13 Company A advised RTHK in May 2005 that, owing to a change in its OT policy, with effect from 1 July 2005, OT payments at the basic hourly rate would be paid for all OT worked. The 3,800 accumulated time-off hours were cleared by a one-off payment (\$0.64 million) in June 2005.

4.14 ***Minimum period for OT work.*** According to CSB Circular No. 18/2000, a minimum period of one hour of OT in respect of any one shift must be worked before OTA is payable, and the allowance is payable on a half-hourly basis thereafter (see para. 4.2(d)). **Audit noted that TSA staff were not required to follow these CSB guidelines.** Audit examination of the attendance records of TSA staff for March 2005 showed that periods of OT of less than one hour per shift, and periods beyond the first hour which were not complete half-hours, would be accumulated for claiming OT payments (instead of time-off). In essence, OT payments were granted for each minute of OT worked.

Note 19: *Under CSR 671(1), the normal hourly rate of OTA is 1/140 of an officer's monthly salary (which is about the basic hourly rate). For daily-rated staff the normal rate is 1.5 times the hourly rate. Where an officer's conditioned hours are 44 gross per week, the hourly rate in respect of the first 4 hours OT in any week for which an allowance may be claimed is 1/210 of the monthly salary (which is about 2/3 of the basic hourly rate).*

Need to ensure that OT work is strictly unavoidable and kept to a minimum

4.15 Apart from those unforeseen/urgent cases, OT hours worked by TSA staff are scheduled and pre-approved on a weekly/monthly basis. As long as the pre-approved OT hours are not exceeded, TSA staff do not need to provide specific reasons/justifications for the actual OT hours worked when submitting the claims for OT payments.

4.16 ***Pre-approved OT work for emergency duties.*** Audit noted that some scheduled OT hours were pre-approved for emergency duties, such as special/emergency maintenance, thunderstorm, typhoon and power suspension emergency. Audit examined the applications for OT under the TSA for the period July 2004 to March 2005, and noted the following:

- (a) a total of 3,163 Engineering OT hours was requested for emergency duties (i.e. an average of 351 hours per month); and
- (b) for example, in March 2005, of the 523 estimated OT hours applied, 300 hours (57%) were allocated to emergency maintenance work.

4.17 It appears that the estimated OT hours for such emergency duties were approved by RTHK as a matter of routine. **In the absence of specific reasons/justifications for the actual hours of OT undertaken, Audit could not ascertain how much of the actual OT work pertained to emergency duties, and whether all the OT work performed was unavoidable.** According to CSB Circular No. 18/2000, OT work may only be undertaken when it is strictly unavoidable (see para. 4.2(a)). Audit considers that there is scope for improvement in the current RTHK's procedures for administering and controlling OT work under the TSA.

4.18 ***Scope for improvement in budgetary control over OT work.*** According to CSB Circular No. 18/2000, OT work should be kept to the absolute minimum compatible with operational requirements (see para. 4.2(a)). One way to contain the level of OT work is to exercise effective budgetary control over actual OT hours worked. In this regard, RTHK Accounting Circular No. 4/2002 stipulates that:

- (a) before granting OT allowance, it is the responsibility of the Chief Engineer of Company A to arrange time-off in lieu for TSA staff in RTHK as far as possible and ensure that the year-to-date OT hours do not exceed the pre-agreed OT budget (Note 20); and

Note 20: *From 2002-03 to 2005-06, the approved annual OT budget for TSA was 10,000 hours for the Radio Operation Unit, 9,000 hours for the TV Operation Unit, and 9,500 hours for the Engineering Unit.*

- (b) approving officers should not approve any OT work when the annual OT budget has been exceeded.

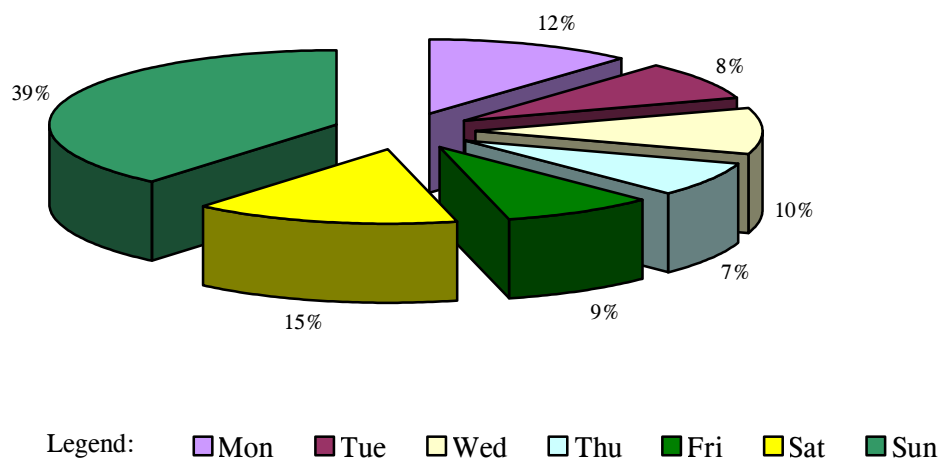
Audit noted that the TV Operation Unit had exceeded its OT budget of 9,000 hours for the last three years (2002-03 to 2004-05) by 991 hours, 1,114 hours and 1,916 hours respectively. Audit also noted that the 2002-03 OT budget for TSA as a whole was exceeded by 469 hours. Covering approval for these additional OT hours was given by RTHK. Although the annual OT budgets for TSA as a whole for the last two years (2003-04 and 2004-05) were not exceeded, individual TSA Units should exercise strict budgetary control to keep its OT work to the absolute minimum. Audit considers that there is room for improvement in the budgetary control over OT work of TSA staff.

Need to re-schedule rest days of TSA staff to better match with work requirements

4.19 The 1999 audit of the TSA (see para. 4.7) found that all the TSA staff of RTHK had their rest days on Sundays, despite the fact that radio and television operations were required seven days a week. Audit therefore recommended that RTHK should find ways of ceasing the practice of setting Sundays as rest days for the TSA staff (see para. 4.7(b)). In response to the audit recommendation, some TSA staff had changed their rest days to weekdays. However, Audit’s analysis of the rest days of TSA staff for the period September 2004 to March 2005 showed that 39% of TSA staff still had their rest days on Sundays (see Figure 3).

Figure 3

Distribution of rest days of TSA staff (September 2004 to March 2005)



Source: RTHK records and Audit analysis

4.20 Based on RTHK's estimation of its TSA manpower requirements, about one-fifth (20%) of the TSA workload fell on Sundays/public holidays. In particular, for outdoor production services, more than one-third (35%) of TSA workload fell on Sundays/public holidays. Based on such a work pattern, it appears that the workload for TSA staff on a Sunday would be higher than that on a weekday. **Given that 39% of TSA staff take their rest days on Sundays (comparing with only 7% to 15% on weekdays — see para. 4.19), the available manpower on Sundays may not be sufficient to meet the work requirements, without the need to perform some OT work.** Audit considers that there is scope for re-scheduling the rest days on Sundays of TSA staff to better match with work requirements in order to reduce OT work to a minimum.

Need to improve work scheduling to better utilise the TSA manpower resources

4.21 Audit's analysis in paragraph 3.27 shows that one-third (33%) of TSA man-hours was not charged to programmes (totalled 76,500 hours). This comprised:

- (a) technical support (24,700 hours);
- (b) administration (15,000 hours); and
- (c) other miscellaneous work items which were not directly job-related (36,800 hours). These 36,800 hours included 10,000 hours on "standby for booking".

Despite substantial man-hours not charged to programmes, TSA staff worked 27,700 OT hours in 2004-05. Audit considers that there is scope for re-scheduling or re-prioritising TSA work to better utilise the TSA staff, with a view to minimising the need for OT work.

Need to closely monitor the actual usage of services under the new technical services contracts

4.22 As mentioned in paragraph 3.3, the current TSA will expire on 30 September 2006. In March 2006, RTHK awarded new contracts to replace the existing TSA with effect from October 2006. Under the new contracts, the contractors will provide technical services to RTHK and receive monthly lump sum payments, based on actual man-hour usage and hourly rates entered by the contractor in the tender. The hourly rates shall be deemed to include basically all costs relating to the provision of services, **including OT payments.** The lump sum payments to the contractors may be subject to variations based on the actual usage of production services. The total variation, either an increase or a reduction, for the payment of the chargeable services, over the contract period shall not exceed or be lower than 20% of the contract sum. **Audit considers that there is a need to**

closely monitor the actual usage of services under the new contracts, in order to avoid unjustified variations that may lead to an increase in payment of chargeable services.

Audit recommendations

- 4.23 **Audit has *recommended* that the Director of Broadcasting should:**
- (a) **make efforts to further reduce OT payments under the TSA to a minimum by:**
 - (i) **urging Company A to grant time-off to TSA staff as the normal recompense for OT work as far as possible (see para. 4.12);**
 - (ii) **ensuring that, in all cases, OT work under the TSA is undertaken only when it is strictly unavoidable (see paras 4.15 to 4.18). In particular, pre-approval of OT work under the TSA should not be granted as a matter of routine (see para. 4.17). Strict budgetary control should also be exercised over OT work under the TSA (see para. 4.18); and**
 - (iii) **urging Company A to consider re-scheduling the rest days on Sundays of TSA staff to better match with the work requirements (see paras 4.19 and 4.20); and**
 - (b) **ensure effective monitoring of the provision of technical services under the new contracts (effective October 2006), paying particular attention to the need to closely monitor the actual usage of services under the new contracts, in order to avoid unjustified variations that may lead to an increase in payment of chargeable services (see para. 4.22).**

Response from the Administration

- 4.24 The **Director of Broadcasting** has said that:
- (a) regarding the recommendation in paragraph 4.23(a), RTHK agrees to further discuss with the TSA contractor to identify if there is any further room for arranging time-off in lieu of OT payments. He has also said that:
 - (i) it is Company A's policy to grant time-off in lieu of OT payments whenever possible, and it has been applying this policy for more than 10 years (Note 21);

Note 21: *Audit noted in paragraph 4.12(a) that, of the total OT hours performed by TSA staff in 2004-05, only 18% were granted time-off.*

- (ii) due to the large fluctuations of workload throughout the year, the total TSA staff numbers are not sufficient to cover peak workload. However, they would provide sufficient manpower support/services to RTHK upon their booking requirements. Hence, workload in peak periods is partially covered by OT work. They would continue to follow the mutually agreed practice to control OT to a minimum; and
 - (iii) the scheduling of staff rest days is already flexible. Rest days are not necessarily on Sundays, but depend on known workload when rest days are scheduled;
- (b) RTHK agrees with the recommendation in paragraph 4.23(b); and
- (c) in administering OT work under the TSA, RTHK, as one of the user departments of TSA, has followed the relevant government regulations (including the Accounting Circular No. 4/2000), as well as the contractual terms of the TSA signed by the Government and Company A. RTHK had, in fact, discussed with Company A room for further reducing the OT payments in 2004 and Company A confirmed in writing that it followed its company policies in making OT payments. RTHK understands that under the contract terms of the TSA, the Government is required to pay the contractor's staff costs including OT payments according to their standard terms of employment.

4.25 The **Secretary for the Civil Service** has said that:

- (a) the CSB welcomes Audit's observations and would like to see RTHK improve the administration of OT in the light of Audit's recommendations; and
- (b) guidelines on the control and administration of OT have been provided in the CSRs as well as CSB Circular No. 18/2000.

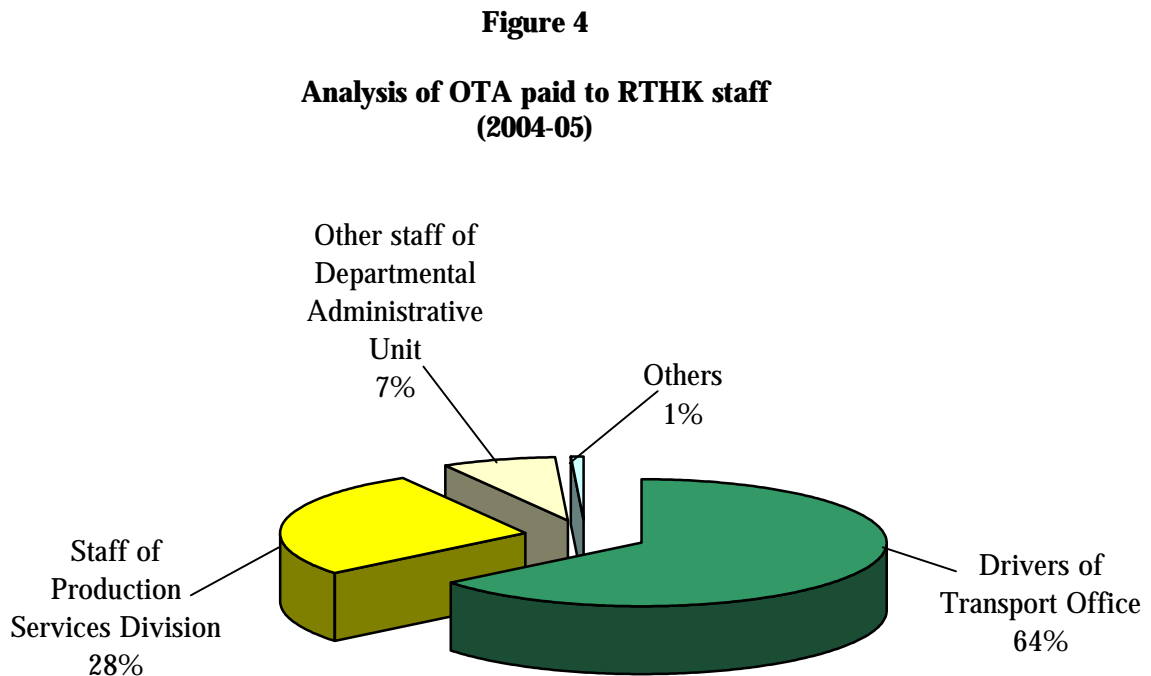
Overtime work performed by RTHK staff

4.26 As shown in Figure 2 in paragraph 4.6, OTA paid to RTHK staff decreased by 74% in the last five years, from \$4.3 million in 2000-01 to \$1.1 million in 2004-05. While recognising RTHK's efforts in reducing expenditure on OTA, Audit's recent review has identified areas that require RTHK's attention and further action (see paras. 4.27 to 4.49).

Use of departmental transport

4.27 Of the \$1.1 million OTA paid to RTHK staff in 2004-05, \$0.7 million (64%) was paid to the drivers of the Transport Office of RTHK's Departmental Administration

Unit. There were 22 government drivers and 3 NCSC drivers in the Transport Office, manning a fleet of saloon cars, vans and other special-purpose vehicles. Figure 4 shows an analysis of OTA paid to RTHK staff in 2004-05.



Source: RTHK records

4.28 RTHK Administrative Circular No. 9/2003 of October 2003 sets out the procedures for the booking of and the guidelines for the proper, safe and economical use of departmental transport. Paragraph 15 of the Circular stipulates that:

- (a) as departmental transport is provided for users to carry out official duties only, **drivers are required to record properly the details of journeys, including their purposes, in the vehicle logbooks;** and
- (b) upon completion of a duty journey, the user will be requested to record the vehicle release time and to **certify the journey details by signing on the logbook and jotting down his/her name and post.**

Photograph 4

Vehicles parked at RTHK Headquarters in Broadcast Drive



Source: RTHK records

Audit observations

Certification of journey details in vehicle logbooks

4.29 Audit examined a random sample of 30 vehicle journeys involving OT claims by the drivers concerned for the years 2002-03 to 2004-05 for checking the proper certification of journey details in vehicle logbooks. **Audit noted that in 7 (23%) of the 30 samples selected for examination, the journey details recorded in the vehicle logbooks had not been certified by the vehicle users concerned.** Of these 7 cases, 6 related to Driver A. Audit's scrutiny of Driver A's logbook showed that there was no user certification (by signing on the logbook) for all the vehicle journeys in the past three years. Upon Audit's enquiry, RTHK investigated the case and confirmed that the Transport Office had stopped arranging for the certification of Driver A's vehicle logbook since October 2002. After Audit raised the matter with RTHK's Transport Office, RTHK resumed certifying Driver A's vehicle logbook since November 2005.

4.30 Unlike other RTHK's vehicles, Driver A's car is stationed at the Kwai Chung Depot after office hours. **Given the lack of user certification of the journey details (see para. 4.29), and the fact that Driver A's usual daily time of work starts and ends at the Kwai Chung Depot (instead of at RTHK Headquarters in Broadcast Drive), Audit is concerned whether there are adequate supervisory controls to guard against improper use of this departmental car.**

4.31 Audit selected a sample of 80 days' vehicle journeys of Driver A in 2004-2005 for checking against the In/Out Gate Record of the Kwai Chung Depot. **Audit noted five cases which might have involved inaccurate documentation of journey details in the vehicle logbook, as there were discrepancies between Driver A's vehicle logbook and the actual in/out record at the Kwai Chung Depot.** The five cases were referred to the RTHK management for investigation and necessary follow-up action. Taking into account the results of investigation of these cases, RTHK needs to review whether there is merit in stationing this departmental car in RTHK Headquarters in Broadcast Drive (instead of Kwai Chung Depot), in order to strengthen supervisory control over its use.

4.32 After preliminary investigation of the five cases, RTHK informed Audit that:

- (a) in two cases, there was no evidence to show that there were any irregularities on the part of Driver A;
- (b) in two cases, the discrepancies between Driver A's vehicle logbook and the actual in/out record at the Kwai Chung Depot might relate to the deployment of Driver A when the senior officer who was the major user of the vehicle concerned was on leave. RTHK will in future arrange Driver A to take time-off in lieu, depending on other operational considerations, when the senior officer concerned is on leave; and
- (c) in one case, the identified discrepancy was due to the "*convention*" of RTHK in the arrangement of OT work. It has been the "*convention*", albeit an unwritten one, in RTHK's Transport Office that if OT work is taken on a public holiday, the minimum time of the OT work will be four hours. In this case, it was found that though Driver A finished driving duties earlier than his reported off-duty time, he claimed that he stayed in the Kwai Chung Depot to attend to the cleaning of the vehicle. In future, RTHK will ensure that drivers will remain on standby for the full four hours at RTHK (see also CSB's comments in para. 4.44(c)).

4.33 RTHK also informed Audit that it would actively consider requiring Driver A to park the vehicle in RTHK Headquarters after a day's duties, so as to strengthen the supervisory control and the deployment of the vehicle.

OT work of drivers during meal breaks

4.34 The normal meal breaks for RTHK drivers are:

- (a) lunch break for one hour between the period 12:00 noon to 2:00 p.m.; and
- (b) dinner break for one hour between the period 6:00 p.m. to 8:00 p.m.

4.35 Audit's scrutiny of the OT work registers of drivers showed that it was quite common for the RTHK drivers to work through meal breaks. Most of these cases involved OT work during the meal break periods. Audit selected a sample of 75 such cases of OT work during meal breaks for checking against journey details recorded in the vehicle logbooks in the years 2003-04 and 2004-05. Audit noted that, in 52 (69% — Note 22) of the 75 selected cases, the journey details in the vehicle logbooks did not show that the drivers concerned had worked throughout the whole period of normal meal break. The available time periods for meal break for these 52 cases are as follows:

- (a) 19 (37%) cases with 1 hour or more;
- (b) 19 (37%) cases with 0.5 to less than 1 hour; and
- (c) 14 (26%) cases with 0.25 to less than 0.5 hours.

4.36 **There was also no documentation of justifications for the drivers to perform other non-driving duties during the period. It is questionable that they could not take the meal break at the normal meal break time.** These cases were referred to the RTHK management for investigation and necessary follow-up action.

4.37 After preliminary investigation of the 52 cases, RTHK informed Audit that:

- (a) in 14 cases, the vehicle logbooks recorded that the drivers concerned were required to work during meal times, though no further details of work performed during the meal times were documented;

Note 22: *For these 52 cases, the logbook records showed that a reasonable time period was available for the drivers to take their meals during the normal meal break periods (see para. 4.34). According to the Overtime Work Register designed for officers working conditioned hours of 45 net hours per week (including drivers), meal break should be given at the unit of 0.25 hour or its multiple. A reasonable period of meal break is therefore deemed to be available if a driver has 0.25 hour or more time for meal during the normal meal break periods.*

- (b) 19 cases showed that the vehicles stayed in premises outside RTHK premises at the time. Without further information available, it was difficult to determine if the drivers concerned were required to work or man the vehicles at the time;
- (c) in 8 cases, according to the vehicle logbooks, the vehicles were in RTHK premises but the drivers were, as explained by RTHK upon Audit's enquiry, clearly in the "stand-by mode" at the time. According to RTHK, these cases usually refer to those drivers providing transport support to newsroom services which are required any time; and
- (d) as regards the remaining 11 cases, the vehicle logbooks showed that these vehicles were parked in RTHK premises at the time, ranging from 15 minutes to more than one hour. RTHK agreed that there seemed to be some difficulty to convince others that the drivers in these cases could not be released for meal breaks.

4.38 Audit considers that in future RTHK drivers need to document clearly the reasons for performing non-driving duties during meal times for certification by the authorising officers concerned. Regarding the cases in paragraph 4.37(d), RTHK needs to conduct formal investigations of the cases to see whether further actions need to be taken against the drivers concerned.

OT work of drivers for buying newspapers

4.39 In the Transport Office, a driver is required to buy newspapers every morning (except Sundays). He normally works a nine-hour shift from 4:15 a.m. to 1:15 p.m., which involves 1.5 hours of OT work each day. Daily around 5:00 a.m., the driver buys 12 sets of newspapers from the Central District on Hong Kong Island for use by the Radio Division at Broadcast Drive on Kowloon in the first journey. At around 5:30 a.m., he buys another batch of the same newspapers together with one special issue from a newspapers stall near Broadcast Drive. Audit's enquiry showed that such a practice has been adopted since 1976.

4.40 ***Need to ensure OT work is strictly unavoidable.*** CSB Circular No. 18/2000 requires that OT work may only be undertaken when it is strictly unavoidable. Audit's enquiry shows that RTHK's requirements could be met by using newspapers delivery service (which is not costly). **The OT work of drivers for buying newspapers could be avoided and their daily work shift can be re-scheduled to normal working hours.** Audit considers that RTHK needs to review the cost-effectiveness of the current practice. In response to Audit's observations, RTHK informed Audit that the Radio Division was conducting an exercise with a view to contracting out early morning newspapers delivery service. Once this service is outsourced, RTHK may be able to stop the practice of requiring drivers to buy newspapers early in the morning.

4.41 In March 2005, some 70 OT hours were involved in buying newspapers. Audit estimated that the total OTA involved would amount to some \$80,000 a year.

Audit recommendations

4.42 **Audit has recommended that the Director of Broadcasting should:**

- (a) **remind all users of RTHK departmental vehicles to check and certify the details of journeys, including their purposes, recorded in vehicle logbooks (see para. 4.29). In this regard, they should ensure that there is clear documentation of the reasons for requiring RTHK drivers to perform any non-driving duties, especially during their meal times (see para. 4.36);**
- (b) **ensure that Driver A's vehicle logbook is properly checked and certified by the appropriate authorising officers or vehicle users (see para. 4.29);**
- (c) **investigate into the cases identified in this audit review and take necessary follow-up actions (see paras. 4.31 to 4.33 and 4.35 to 4.38);**
- (d) **taking into account the results of the investigation in (c) above, review:**
 - (i) **whether there are merits of stationing the departmental car assigned to Driver A in RTHK Headquarters (instead of Kwai Chung Depot), in order to strengthen supervisory control over the use of this vehicle (see para. 4.31);**
 - (ii) **whether it is appropriate to continue the RTHK convention of allowing a minimum period of four hours for drivers performing OT work on public holidays (see para. 4.32(c)); and**
 - (iii) **whether it is possible not to ask RTHK drivers to frequently work OT during their meal breaks (see paras. 4.35 and 4.36); and**
- (e) **review whether it is cost-effective to ask drivers to work OT to buy newspapers early in the morning every day, and explore the option of using newspaper delivery service to meet RTHK's needs (see para. 4.40).**

Response from the Administration

4.43 The **Director of Broadcasting** accepts the recommendations in paragraph 4.42. He has said that RTHK is taking positive action in following up all the recommendations put forward by Audit.

4.44 The **Secretary for the Civil Service** has said that:

- (a) the CSB welcomes Audit's observations and would like to see RTHK improve the administration of OT in the light of Audit's recommendations;
- (b) guidelines on the control and administration of OT have been provided in the CSRs as well as CSB Circular No. 18/2000; and
- (c) as regards the recommendation in paragraph 4.42(d)(ii), the CSB wishes to draw RTHK's attention that there is no provision in the CSRs or guidelines on a minimum amount of OT to be performed on public holidays. Heads of departments should adhere to the principles set out in the CSRs and CSB Circular No. 18/2000 on the administration and control of OT. The practice of granting a minimum period of OT for work performed on public holidays (see para. 4.32(c)) should cease immediately.

Checking of overtime work registers

4.45 According to the procedures for claiming OTA set out in RTHK Accounting Circular No. 2/2002 of March 2002, officers of the FRU of RTHK will visit sections to check 10% of the OT work registers to see if they are in order.

Audit observations

4.46 **Audit's examination of FRU's records on the checking of OT work registers showed that checking of the OT work registers of sections had not been conducted during the period October 2003 to June 2005.** In particular, no checking of the OT work registers had been conducted for the Transport Office for nearly three years (from October 2002 to June 2005).

Audit recommendation

4.47 **Audit has recommended that the Director of Broadcasting should ensure that more regular checks on the OT work registers of divisions/sections are performed to see if all OTA payments are in order.**

Response from the Administration

4.48 The **Director of Broadcasting** accepts the recommendation. He has said that under the existing control mechanism, the approving officers have already checked that applications for OT work are justified. The sample checks on OT work registers performed by the FRU is to check that the preparation of the OT work registers is in order.

4.49 The **Secretary for the Civil Service** has said that the CSB welcomes Audit's observations and would like to see RTHK improve the administration of OT in the light of Audit's recommendations.

PART 5: STORES AND PROCUREMENT MATTERS

5.1 This PART examines RTHK's management of stores and procurement of goods and services.

Background

RTHK's Supplies Office

5.2 The Supplies Office of the FRU is responsible for stores and procurement matters in RTHK. The Supplies Office, with an establishment of seven staff, is headed by a Supplies Officer who directly reports to the Senior Accounting Officer of the FRU.

Regulations and guidelines on stores and procurement

5.3 Government regulations on stores and procurement are set out in the Stores and Procurement Regulations (SPRs). The SPRs are supplemented by Financial Circulars and Government Logistics Department (GLD) Circulars. The Director of Broadcasting, as Controlling Officer, is responsible for the supervision and control of stores and procurement matters, ensuring that the SPRs and the relevant circulars are complied with. In fulfilling his responsibilities as Controlling Officer, he may issue additional instructions to meet departmental needs, provided that such instructions comply with the main principles laid down in the SPRs and have been approved by the Director of Government Logistics.

GLD's system survey on the supplies system of RTHK

5.4 A recent ICAC case, in which an RTHK officer was convicted of fraud in March 2005 (the case is on appeal — see Case 3 in Appendix D), revealed weaknesses in management control over procurement matters in RTHK. In April 2005, the Secretary for Commerce, Industry and Technology raised his concerns with the Director of Broadcasting about this convicted fraud case, requesting RTHK to put in place as soon as possible measures that would enhance its internal management. In order to strengthen RTHK's procurement practices, in May 2005 the Director of Broadcasting invited the GLD to conduct an establishment review to advise on whether adequate staffing had been provided for the supplies function. This was conducted in parallel with a regular systems review by the GLD.

5.5 The GLD completed its reviews in August 2005. The GLD's system survey report of August 2005 revealed various irregularities in RTHK's supplies functions. **In December 2005, RTHK was taking various follow-up actions including development of an implementation plan for the GLD's recommendations.**

Procurement of goods and services

5.6 The weaknesses highlighted by the GLD's system survey report mainly related to RTHK's procurement system. The major findings included:

- (a) only one quotation was obtained for direct purchase of stores and services not exceeding \$1,000, **which was contrary to SPR 260(c) and 280(b);**
- (b) the departmental instructions on direct purchase authority for value not exceeding \$1,000 were not clear. **Such instructions had also not been vetted and agreed by the Director of Government Logistics prior to implementation, as required under SPR 135;**
- (c) the Supplies Office placed, on behalf of users, many covering purchase/service orders (not exceeding \$50,000), representing 68% of the total number of such orders in 2004-05. **This was contrary to SPR 255 which stipulates that departments might make purchases before placing formal orders only in exceptional circumstances;**
- (d) some split orders with cumulative value exceeding \$50,000, or frequent purchases of the same/similar stores and services were noted. **Such irregularities were contrary to SPR 205 which stipulates that stores or services of a similar nature should be in normal practice obtained in a single purchase;**
- (e) Purchasing Card (P-card) Programme had not been fully implemented. P-cards were not used as the normal payment means to purchase low value stores/services at or below \$50,000. **This was not in compliance with Financial Circular No. 8/2003 which requires that all government departments should purchase low value stores/services (not exceeding \$50,000) by P-card; and**
- (f) a random check on 26 cases (representing 20% of all cases in 2004-05) for direct purchases of services with quotations obtained by users at the value between \$50,001 and \$1.3 million revealed that the users invited service providers to quote, without obtaining prior approval for the issue of invitation. **Such practices were not in compliance with SPR 280(f).**

Audit observations

5.7 Audit is concerned that the major drawbacks of the procurement system revealed by the GLD's system survey (see para. 5.6) related to non-compliance with the SPRs and/or the relevant Financial Circular or GLD Circular. **Audit considers that as far as procurement matters are concerned, there is a lack of a compliance culture among staff of RTHK.**

5.8 In this regard, Audit notes that the GLD has recommended the redistribution of duties and responsibilities in the Supplies Office, so that the Supplies Officer can spend more time to formulate procurement policies, implement the P-card Programme, and provide training to the non-supplies grade staff who are not proficient in supplies knowledge but are involved in procurement activities. Audit also notes that RTHK intends to create an additional Assistant Supplies Officer post to strengthen the Supplies Office. However, in order to establish a culture of compliance in procurement, strengthening the staffing of the Supplies Office alone may not be sufficient. **Audit considers that it is more important that the top management of RTHK should make efforts to give a clear message to all staff concerned about the importance of compliance with the relevant regulations and guidelines on procurement matters.**

Audit recommendations

- 5.9 **Audit has recommended that the Director of Broadcasting should:**
- (a) **implement the recommendations of the GLD's system survey report to improve the procurement system of RTHK as soon as possible (see para. 5.5);**
 - (b) **ensure that adequate training is organised regularly for all staff involved in procurement activities (see para. 5.8); and**
 - (c) **remind all staff concerned about the commitment of the top management of RTHK to strictly comply with the relevant government regulations and guidelines on procurement (see paras. 5.7 and 5.8).**

Response from the Administration

5.10 The **Director of Broadcasting** agrees to remind all staff concerned about the commitment of the top management of RTHK to strictly comply with the relevant government regulations and guidelines on procurement. He has also said that:

- (a) RTHK has always treasured the recommendations of improvement measures made by external reviews. As a matter of fact, for the System Survey & Stock Verification reviews performed by the GLD in the past few years prior to the report issued in August 2005, RTHK has implemented all the recommendations made by GLD. Same as before, RTHK will implement the GLD's recommendations made in its report of August 2005 as soon as possible; and
- (b) regular training on procurement matters has been arranged for staff concerned through seminars and briefings in divisional meetings. To further strengthen the

training on procurement matters, RTHK will also arrange staff concerned to attend the training courses conducted by the GLD.

5.11 The **Director of Government Logistics** agrees with Audit's observations (see paras. 5.7 and 5.8) and recommendations (see para. 5.9).

Management of stores and inventory

5.12 Though the GLD's system survey report focused on procurement matters, it also made some observations regarding the management of stores and inventory that would require RTHK's attention and follow-up actions, including:

- (a) some quantities of stock items (such as cassette tapes, digital audio tapes, mini discs and rewritable CDs) were kept in an open rack without lock in the Supplies Office; and
- (b) some cases showing that proper loan records were not kept for inventory items on loan.

5.13 Audit recently conducted further examination of RTHK's management of stores and inventory. The results are summarised in paragraphs 5.14 to 5.60.

Classification of stores

5.14 Departmental stores are classified into inventory and non-inventory items. Under the SPRs, inventory items are generally stores of permanent or non-consumable nature and with unit costs at or above \$1,000 at the time of purchase, while all other stores are non-inventory items. In RTHK, the classification of inventory generally follows the definition in the SPRs, except that all music records and reference books (under the category of specialised stores — see (b) below) are classified as inventory regardless of value, and that for props and costume, stores would be classified as inventory if the unit cost is \$200 or more. There are two types of inventory in RTHK:

- (a) ***Inventory kept by user sections.*** These inventories are issued to user sections for use and custody, upon receipt from suppliers. They are classified in three categories: technical, computer, and office furniture and equipment. The inventory records are maintained by the Supplies Office; and
- (b) ***Inventory kept in specialised stores.*** These inventories (e.g. music records, reference books, costumes and props) are kept in the storehouses or libraries for loan to users. The inventory records are maintained by officers in charge of the

storehouses. The Supplies Office would conduct surprise checks to ensure that these inventories are managed properly.

Inventories kept by user sections

5.15 In accordance with SPR 715(b), RTHK should arrange to check inventories at least once a year and ensure that any discrepancies are dealt with in accordance with SPR 1030. In this regard, each year the Supplies Office issues a memo (attaching a copy of inventory list i.e. verification certificate) to user sections, requesting them to check inventories, and sign and return the certificates within four weeks.

Audit observations

SPR 715(b) not fully complied with

5.16 Audit conducted an analysis in November 2005 to ascertain the status of verification certificates returned by user sections, and noted that 34% of the verification certificates issued in August 2004 had remained outstanding for more than one year. Audit further analysed the return rate of the verification certificates issued in the last three years. Audit's analysis is summarised in Table 5, which shows that for verification certificates issued in 2002 and 2003, a considerable percentage (24% and 32% respectively) of the certificates had not been returned as at 1 November 2005. **Audit considers that the results of RTHK's annual stock verification were less than satisfactory and, in this regard, the requirements of SPR 715(b) (see para. 5.15) for the verification of inventories had not been fully complied with.**

Table 5

**Verification certificates issued in 2002 to 2004 but
outstanding as at 1 November 2005**

Inventory type	2002			2003			2004		
	Issued	Outstanding	%	Issued	Outstanding	%	Issued	Outstanding	%
Technical inventory	17	5	29	26	8	31	29	11	38
Office furniture and equipment	42	10	24	42	20	48	43	16	37
Computer inventory	28	6	21	29	3	10	26	6	23
Overall	87	21	24	97	31	32	98	33	34

Source: RTHK records

5.17 Audit also reviewed the verification certificates returned by user sections for the stock verification exercise in 2004, and noted that some user sections were late in returning their certificates, and a few sections had taken more than one year to return their certificates. **The practice of late confirmation of verification certificates is not acceptable, because the inventory list may become outdated and as such does not serve the verification purpose. In this regard, Audit noted that the annual stock verification exercise for 2005 only commenced in late December 2005. The Supplies Office needs to monitor closely the return of verification certificates and ensure that discrepancies are dealt with promptly.**

***Inadequate follow-up action on
outstanding verification certificates***

5.18 Audit's analysis of the outstanding verification certificates in 2004 revealed that a number of user sections, including Company A, the General Programme Section, the ETV Division (see also para. 5.19), and the Art Services Section, had not submitted their verification certificates for their technical inventories since 2002. However, the Supplies Office had only issued reminders to the user sections concerned, without taking more proactive follow-up actions on the long-outstanding cases, e.g. arranging a stock inspection by the staff of the Supplies Office. As for the 2004 stock verification exercise, Audit noted that despite repeated reminders issued to the user sections concerned, as at November 2005, many user sections still had not returned the certificates.

5.19 Audit considers that the Supplies Office should make more vigorous efforts (e.g. arranging stock inspection by its staff) to follow up long-outstanding certificates, because these are signs of possible stores management problems. **In this regard, Audit noted that the ETV Division had recently completed its stock verification for technical inventories (on 25 November 2005) and reported that 168 items (costing \$0.58 million) were found missing, representing 46% of the inventories under its control.** To ensure that all inventories are properly accounted for, the SPR 715(b) requirement on stock verification should be strictly complied with, so that any discrepancies could be identified at an early stage and remedial actions could be taken accordingly.

Audit recommendations

5.20 **Audit has recommended that the Director of Broadcasting should:**

- (a) **remind all staff concerned to strictly comply with the SPR 715(b) requirement that they should check inventories under their control at least once a year and to return the verification certificates to the Supplies Office on time (see paras. 5.17 and 5.18); and**
- (b) **ensure that the Supplies Office takes timely and effective actions to follow up the outstanding verification certificates (see para. 5.19).**

Response from the Administration

5.21 The **Director of Broadcasting** agrees with the recommendations in paragraph 5.20. He has also said that RTHK will review the existing work flow to ensure that more timely and effective action can be taken to follow up outstanding verification certificates.

5.22 The **Director of Government Logistics** agrees with Audit's observations (see paras. 5.16 to 5.19) and recommendations (see para. 5.20).

Inventories kept by specialised stores

5.23 SPR 1015(b) stipulates that, unless otherwise approved by the Director of Government Logistics, a department should appoint officers to inspect and verify:

- (a) progressively, in the case of large store, that each item is checked at least once every three years. Where necessary, more frequent verifications and inspections should be arranged; and
- (b) completely, store by store, in the case of small stores, at least once a year.

5.24 In RTHK, officers in charge of the specialised stores are required to complete a departmental stocktaking report annually to confirm that all inventories under their control are checked and the security of the stores is in order. These reports are required to be submitted to the Supplies Office for record.

Audit observations

5.25 **Audit noted that, except the stationery/furniture stores, the officers in charge of specialised stores had not submitted any stocktaking reports after 2002.** Upon enquiry, Audit was given to understand that only random check of the inventories had been performed in the stocktaking, and a full-scale stock verification had not been carried out for many years. Audit is concerned that the SPR 1015(b) requirements have not been complied with, and the controls of inventories of RTHK's specialised stores are inadequate.

5.26 The RTHK management was aware of the problem. At a meeting held in August 2004 on the SPR 1015(b) requirements on stock checking, the Deputy Director of Broadcasting supported the conduct of a “*one-off clean up stock check*” of the specialised stores and approved funding for this purpose. In 2005, RTHK engaged temporary staff (Note 23) to assist in the stock verification. As at 21 February 2006, the stock verification exercise was near completion. The results were shown in Table 6.

Note 23: *From February 2005 to October 2005, RTHK had engaged a total of 18 temporary staff (costing \$343,320) to assist in the stock verification.*

Table 6

**Results of the stock verification exercise for the specialised stores
(as at 21 February 2006)**

Specialised stores	Items involved	Status	Items reported missing	
			Count	Percentage
Music Library	356,764	Completed	3,922	1.1%
Reference Library	14,917	Completed	297	2%
Video Library	182,100	Completed	360	0.2%
Props Store	4,166	Completed	43	1%
Costume Store	7,000	In progress (Note)	1 (Note)	— (Note)

Source: RTHK records

Note: The Costume Store checked and disposed of 1,756 non-inventory items. It planned to complete the checking of the remaining 5,244 inventory items in October 2006.

5.27 As shown in Table 6, the Costume Store had not completed the stock verification. Audit considers that RTHK needs to expedite actions to complete the stock verification of the Costume Store as soon as possible.

5.28 While the percentage of missing inventories was not large, Audit notes that some of the missing items (e.g. out-of-print music records and reference books) may be difficult, or perhaps expensive, to replace. **To prevent future losses of such items, it is important for RTHK to investigate the causes of the losses and take necessary follow-up actions.**

5.29 While noting RTHK's efforts to carry out a "one-off clean up stock check" exercise for the specialised stores, Audit considers that RTHK should make efforts to ensure that the SPR 1015(b) requirements are met in future. In this regard, Audit noted that at the meeting of August 2004 (see para. 5.26), RTHK decided to classify its specialised stores as large stores under SPR 1015(b). **Therefore, RTHK needs to plan ahead for the conduct of stock verification progressively in a three-year cycle in future.**

Audit recommendations

- 5.30 **Audit has recommended that the Director of Broadcasting should:**
- (a) **expedite actions to complete the stock verification of the Costume Store as soon as possible (see para. 5.27);**
 - (b) **investigate the causes of discrepancies identified in the stock verification of specialised stores and take necessary follow-up actions (see para. 5.28); and**
 - (c) **ensure that stock verification of the specialised stores is performed progressively in a three-year cycle, in order that each store item is checked at least once every three years in the future (see paras. 5.25 and 5.29).**

Response from the Administration

5.31 The **Director of Broadcasting** agrees with the recommendations in paragraph 5.30. He has also said that RTHK has already been taking such action further to a meeting held on 10 August 2004.

5.32 The **Director of Government Logistics** agrees with Audit's observations (see paras. 5.25 to 5.29) and recommendations (see para. 5.30).

Long-term loan

5.33 To meet operational needs, tools such as filming equipment, audio equipment, music records and reference books are often on loan to staff or to radio channels on a long-term basis (i.e. more than 6 months). These loans were recorded in loan registers kept by officers in charge of the store units.

5.34 **SPR 860.** For the issue of long-term loan in respect of items required by staff for carrying out their normal daily work, SPR 860 stipulates that departments should:

- (a) record the issues on an inventory sheet and distribution record, or a register; and
- (b) check all tools issued physically against the records at least once every six months.

5.35 **RTHK's guidelines.** In June 2005, RTHK issued departmental guidelines on the issue of long-term loan, which require users to:

- (a) register with the Supplies Officer, the names of the store units/sections (including libraries) that have the operational need to issue stores/tools on loan, together with the information of:
 - (i) the name and post of the responsible officer in charge of the store unit/section; and
 - (ii) whether long-term loan of duration longer than six months will be involved and the categories of stores/tools concerned; and
- (b) ensure that for long-term loan in respect of items required by departmental officers for carrying out their normal daily work, all items are checked physically against the loan records at least once every six months by the store unit/section concerned. Written records of the physical check should be maintained for audit purpose.

Audit observations

Compliance with relevant regulations and guidelines

5.36 Audit reviewed five sections (i.e. TV Studio Services, Radio Studio Services, Electronic Field Production (EFP) Services, Reference Library, and Music Library) with long-term loans of store items to staff to examine whether the relevant regulations and guidelines are followed. Audit found that:

- (a) in all five sections under examination, details about long-term loans had not been registered with the Supplies Officer, as required by RTHK's guidelines; and
- (b) **in four sections (i.e. TV Studio Services, EFP Services, Reference Library, and Music Library), there were no written records of any physical check by the store units/sections against their loan records, as required by RTHK's guidelines.**

Loss of inventory on long-term loan

5.37 Audit noted a number of loss cases involved items issued on long-term loan. In RTHK, items on long-term loan may sometimes be shared among users in a section. For these items, loan records are often not properly kept or updated. This makes such items on long-term loan more prone to loss, especially if they are not subject to regular physical checks. An example is music records on loan to individual radio channels. **Audit noted that there was no evidence that the Music Library had verified the existence of music records on long-term loan once they were issued to the users or user sections.** In this regard, some music records were issued many years ago (e.g. in the 1980s). In June 2005, all radio channels were required to check the existence of the music records on loan against

the Music Library's loan register. Radio 1, Radio 2 and Radio 7 reported that many of the records on loan to them (71, 87 and 306 records respectively) were missing. As at December 2005, Radio 4 (with some 4,700 records on loan according to the loan register) had still not returned its confirmation to the Music Library.

5.38 Audit is concerned about the loss of items on long-term loan that may be shared among different users, or sub-loaned to other users. Without any updated records to keep track of the whereabouts of these items, it is difficult to hold individual officers accountable for the loss when the items are eventually found missing.

Audit recommendations

5.39 **Audit has recommended that the Director of Broadcasting should ensure that:**

- (a) **the regulations and guidelines governing store items on long-term loan are always complied with and, in particular, all these items should be checked physically against the loan records at least once every six months (see paras. 5.35 and 5.36); and**
- (b) **the relevant records are always kept updated to keep track of the whereabouts of all items on long-term loan to user sections (see para. 5.38).**

Response from the Administration

5.40 The **Director of Broadcasting** agrees with the recommendations in paragraph 5.39.

5.41 The **Director of Government Logistics** agrees with Audit's observations (see paras. 5.36 to 5.38) and recommendations (see para. 5.39).

Stock verification carried out by Audit

5.42 To examine inventory control in RTHK, Audit conducted a stock verification on a sample basis in December 2005, which covered:

- (a) inventories kept by user sections;
- (b) inventories kept by specialised stores; and
- (c) inventories on long-term loan issued to staff or radio channels.

The results of Audit's stock verification are summarised in Table 7.

Table 7

**Results of stock verification carried out by Audit
(December 2005)**

Type of inventory	Samples selected	Items missing	
		Count	Percentage
<i>Kept by user sections:</i>			
Verification certificate received	30	1	3%
Verification certificate not received	110	11	10%
<i>Kept in specialised stores (Note)</i>	30	0	0%
<i>Long-term loan:</i>			
Music records (issued to officers)	49	10	20%
Music records (issued to channels)	80	33	41%
Audio equipment (issued to officers)	10 (staff)	3 (staff)	30%
Filming/TV equipment (issued to officers)	13 (staff)	0	0%

Source: Stock verification conducted by Audit

Note: Audit only conducted stocktaking for the costumes store, because other specialised stores have conducted a thorough stocktaking exercise (see Table 6 in para. 5.26).

Audit observations

5.43 As shown in Table 7, a higher percentage of missing items related to those on long-term loan and those kept by user sections which had not returned the verification certificates. In particular, those long-term loans issued to individual radio channels reported the highest percentage (41%) of missing items. These results are consistent with the audit observations in paragraphs 5.19 and 5.38. Audit considers that RTHK should focus its efforts on these items identified by Audit and ensure that proper stock verification is carried out in the user sections concerned.

5.44 Audit's sample checking also revealed that in two cases (i.e. one item kept by the Editing Section, and a number of music records issued to Radio 3 on long-term loan), despite the fact that the store units concerned had reported in the verification certificates that inventories under their control were in order, missing items were still identified in Audit's

stock verification. Upon enquiry, Audit was given to understand that the items concerned had not been checked physically and might have actually been missing for many years. **This indicates that stock verification might not be carried out properly by some of the user sections.**

Audit recommendations

- 5.45 **Audit has recommended that the Director of Broadcasting should:**
- (a) **ask RTHK staff to focus their checking efforts on those categories of items with discrepancies identified by Audit, and ensure that proper stock verification is carried out in the user sections concerned (see para. 5.43);**
 - (b) **take follow-up actions to identify the causes of discrepancies identified in stock verification and take appropriate remedial measures for improvement (see para. 5.43); and**
 - (c) **ensure that all user sections perform thorough physical stock check before signing and returning the verification certificates (see para. 5.44).**

Response from the Administration

5.46 The **Director of Broadcasting** agrees with the recommendations in paragraph 5.45.

5.47 The **Director of Government Logistics** agrees with Audit's observations (see paras. 5.43 and 5.44) and recommendations (see para. 5.45).

- 5.48 The **Secretary for Financial Services and the Treasury** has said that:
- (a) as a general principle, all government departments, including RTHK, should comply with relevant government regulations and procedures; and
 - (b) in the current case under Audit's review, the Financial Services and the Treasury Bureau (FSTB) agrees that RTHK should ensure that proper measures are put in place to comply with the principles and requirements set out in the SPRs, including those relating to stock verification.

Handover of inventories kept by Company A

5.49 In the provision of electronic and telecommunication services to RTHK under the TSA, Company A is issued with a large number of tools and technical equipment. As at

June 2005, the technical inventory held under the custody of Company A comprised about 5,591 pieces costing \$172 million.

5.50 Under the TSA, the Government has the sole title to all tools and equipment issued to Company A for use in the provision of services. Upon expiry of the TSA on 30 September 2006, Company A is required to hand over all these tools and equipment to the Government. The TSA provides that, upon termination of the agreement, Company A shall cease to have any interest in such tools and equipment and “*shall make them freely available to the Government to be dealt with in such manner as the Government thinks fit*”.

Audit observations

Planning for handover of TSA inventories

5.51 The Government decided in 2001 that the TSA would not be renewed upon its expiry on 30 September 2006 (see para. 4.22). However, as mentioned in paragraph 5.18, Company A had not returned the annual stock verification certificates to RTHK’s Supplies Office for more than three years (since 2002). Upon enquiry, Audit was informed that the main reason for not returning the verification certificates by Company A was that there were discrepancies between Company A’s inventory list and that of the Supplies Office.

5.52 As the expiry of the TSA is imminent, RTHK has become aware of the need to conduct a comprehensive stocktaking of the TSA inventories. In April 2005, a barcoding system was introduced to keep track of the TSA inventories and automate the stocktaking procedures. In July 2005, the inventory tagging process commenced. According to the project plan prepared in April 2005, the tagging process would be completed in four months’ time (i.e. by October 2005). The list of the tagged inventories would be reconciled against the inventory list of the Supplies Office, and the discrepancy report would be available in December 2005.

5.53 However, RTHK informed Audit that, as at 16 February 2006, about 4,748 (85%) of the inventory items had been tagged. 843 (15%) of the inventory items, costing some \$13 million, remained to be tagged (Note 24). The timetable had been revised due to resource constraints and difficulties in locating some of the items. The inventory tagging process was scheduled for completion in February 2006. The final stocktaking would be completed by July 2006. The final discrepancy report would be provided to Company A by

Note 24: *RTHK has advised Audit that about 90% of the items yet to be tagged are obsolete equipment beyond their economic life. Audit considers that all items need to be properly accounted for in the stocktaking of the TSA inventories.*

August 2006 which would be required to account for any outstanding items by mid-September 2006.

5.54 **Audit considers that RTHK should have taken early actions in the past few years to reconcile the discrepancies between the inventory lists of Company A and those of the Supplies Office.** As there are now only a few months left before the handover of TSA inventories (by 30 September 2006), RTHK needs to closely monitor the progress of the stocktaking of TSA inventories and ensure that the handover timetable is strictly adhered to.

Indemnity for the loss of TSA inventories

5.55 In the stock verification conducted by Audit in December 2005 (see para 5.42), Audit selected 50 samples from the TSA inventories (which had not been barcoded) and noted that 7 (14%) items were missing (Note 25). **This suggests that RTHK may not know eventually the whereabouts of a considerable percentage of TSA inventory items which have not been barcoded.** In this regard, Audit notes that the TSA has not stipulated any basis for assessing the indemnity to be paid by the contractor if the TSA inventories are lost or damaged. Upon enquiry, Audit was informed that RTHK staff had preliminary discussions with Company A about the need to recover the loss of the missing TSA inventories. However, agreement has not been reached on the basis for assessing indemnity for loss items. In the absence of an indemnity clause in the TSA, Audit considers that there is an urgent need for RTHK to work out with Company A a basis, which is acceptable to all parties concerned, for calculating the indemnity for the loss of TSA inventories.

5.56 In this regard, Audit notes that, following standard government contract terms, the new technical services contracts (see para. 4.22) provide that *“should any such item be lost or damaged from any cause whatsoever while in the possession or control of the Contractor or his servants, workmen or agents, the Contractor shall pay for the same at total original purchase cost plus an additional charge of 20% for overheads”*. **Audit considers that these standard government contract terms provide useful reference for RTHK in pursuing this issue with Company A.**

Audit recommendations

5.57 **Audit has recommended that the Director of Broadcasting should:**

Note 25: *The TSA inventory was classified under inventory kept by user sections in the stock verification carried out by Audit (see Table 7 in para. 5.42).*

- (a) **closely monitor the progress of the stocktaking of TSA inventories and ensure that the handover timetable is strictly adhered to (see para. 5.54); and**
- (b) **in consultation with the FSTB and Company A, work out an acceptable basis for assessing the indemnity for loss of TSA inventories as early as possible (see paras. 5.55 and 5.56).**

Response from the Administration

5.58 The **Director of Broadcasting** generally agrees with the recommendations in paragraph 5.57. He has said that:

- (a) regarding paragraph 5.57(a), RTHK and Company A are deploying resources to implement the handover of inventories according to the timetable; and
- (b) regarding paragraph 5.57(b), the issue is being addressed.

5.59 The **Director of Government Logistics** agrees with Audit's observations (see paras. 5.51 to 5.56) and recommendations (see para. 5.57).

5.60 The **Secretary for Financial Services and the Treasury** has said that, on Audit's observation about loss of TSA inventories, the FSTB stands ready to offer its advice to RTHK when more detailed information is made available.

PART 6: ENTERTAINMENT EXPENSES

6.1 This PART examines RTHK's arrangements for the reimbursement of entertainment expenses.

Background

Government regulations on official entertainment

6.2 Government regulations governing official entertainment are set out in CSRs 750 and 751 (see Appendix G). In general, expenditure on entertainment may be charged to public funds when it is:

- (a) directly related to the discharge of an officer's duties or a necessary part of making or maintaining contacts in his official capacity; and
- (b) in the public interest.

Guidelines on expenditure on official entertainment and functions

6.3 In March 2003, as part of Government's continuing commitment to ensuring the cost-effective use of resources, the Director of Administration issued to all government bureaux/departments the following general guidelines:

- (a) bureaux/departments are reminded to exercise strict economy when entertaining guests and avoid accusations of extravagance. **Officers entertaining guests should aim to spend not more than \$250 per person for lunch or \$400 per person for dinner, inclusive of tips; and**
- (b) many bureaux/departments organise spring or annual receptions to facilitate networking with their stakeholders. However, these may be perceived by some as lavish and not commensurate with Government's economy drive. **Unless with full justifications, no more spring or annual receptions should be held (Note 26).**

Note 26: *This guideline does not apply to the Beijing Office and the Economic and Trade Offices in view of their unique operations.*

6.4 In April 2004, RTHK issued departmental procedures on official entertainment requiring that **prior approval** should be sought before the event from:

- (a) the Deputy Director of Broadcasting, for cases of \$5,000 or below; and
- (b) the Director of Broadcasting, for cases of over \$5,000 or entertainment claimed by the Deputy Director of Broadcasting.

Charging programme-related entertainment expenditure to programme production costs

6.5 All expenditure on entertainment directly related to the discharge of official duties should normally be charged to official entertainment expenses. However, it has long been RTHK's practice to charge programme-related refreshment/entertainment/hospitality expenditure to programme production costs (instead of to official entertainment expenses). In justifying such a practice, in late 1987 the Director of Broadcasting explained to the then Deputy Financial Secretary that:

- (a) it had been a normal practice in RTHK to charge expenditure incurred on hospitality for **no-pay artists** who took part in its programmes to the programme costs. This was similar to presentation of souvenirs to them, to express RTHK's appreciation of their efforts/contribution to the programmes; and
- (b) in view of the special circumstances prevailing in RTHK for the production of programmes, it was essential for operational reasons to keep up the contact and good relationship with artists and outside organisations. Hence, hospitality to a certain extent was necessary.

6.6 In early 1988, the then Deputy Financial Secretary agreed to RTHK's charging of refreshment/entertainment/hospitality expenses to programme production costs, subject to meeting a number of requirements, including:

- (a) cost-per-head spending limits;
- (b) limits on ratio of the number of officials to guests;
- (c) the need to obtain prior approval from an Assistant Director/Controller or above for entertainment in restaurants; and
- (d) "no other payments, including artist fees, have been or will be made to the artists concerned".

Appendix H shows details of the then Deputy Financial Secretary's guidelines.

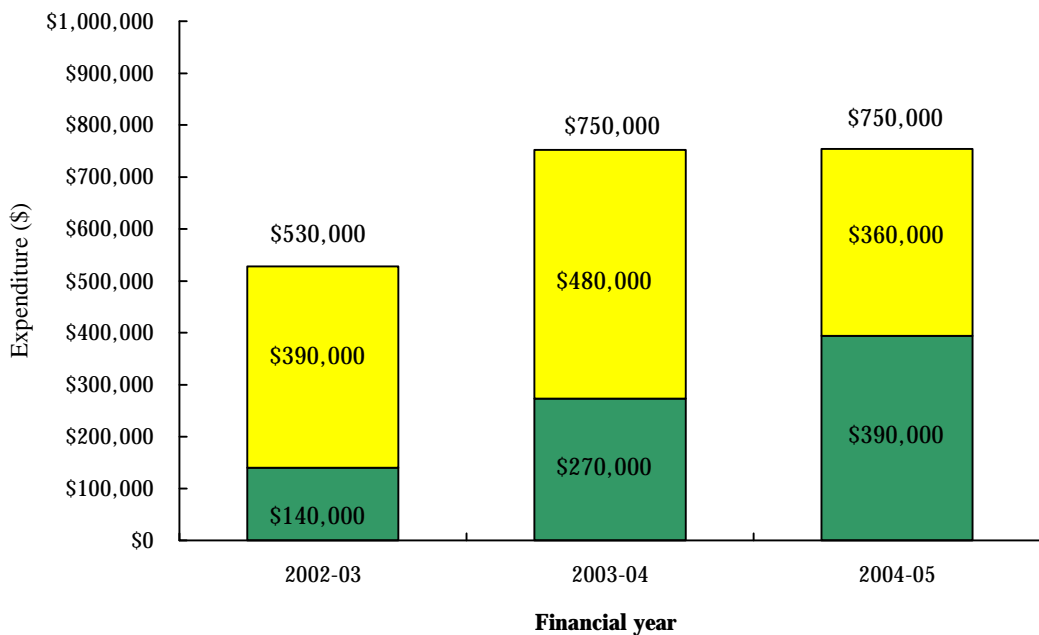
6.7 The then Deputy Financial Secretary’s guidelines (see para. 6.6) were incorporated in the RTHK Accounting Circular No. 2/2003, which sets out the rules to be observed when incurring expenditure for refreshments and entertainments in connection with the production of RTHK’s programmes. According to the Circular, expenditure is chargeable to programme production costs in respect of hospitality for **no-pay artists and guests** who take part in RTHK’s programmes and publicity functions.

RTHK’s expenditure on entertainment

6.8 In 2004-05, RTHK’s total expenditure on entertainment amounted to \$750,000, comprising official entertainment (\$390,000), and programme-related entertainment (\$360,000). Figure 5 shows RTHK’s expenditure on entertainment in the financial years 2002-03 to 2004-05.

Figure 5

**RTHK’s expenditure on entertainment
(2002-03 to 2004-05)**



Legend: ■ Official entertainment ■ Programme-related entertainment

Source: RTHK records

Audit's examination of claims for reimbursement of entertainment expenses

6.9 There was a total of 124 claims for reimbursement of official entertainment expenses in 2004-05, of which 55 were claims by the Director of Broadcasting and 69 were claims by other RTHK staff.

6.10 Regarding programme-related entertainment expenses, there was a total of 520 claims for reimbursement in 2004-05, of which 211 pertained to entertainment in restaurants, and 309 pertained to other refreshments including lunch boxes.

6.11 Audit scrutinised the claims for reimbursement of official entertainment and programme-related entertainment expenses in 2004-05. The results of Audit's examination are set out in paragraphs 6.12 to 6.29.

Audit observations

Cases without prior approval

6.12 ***Official entertainment expenses.*** For the 69 claims for reimbursement of official entertainment by RTHK staff in 2004-05, in accordance with RTHK's procedures mentioned in paragraph 6.4, prior approval should be sought from the Director/Deputy Director of Broadcasting. However, Audit's examination showed that prior approval had not been obtained for 33 (48%) of these 69 claims (see Appendix I for details).

6.13 ***Programme-related entertainment expenses.*** Audit's scrutiny of the 211 claims for reimbursement of programme-related entertainment expenses in restaurants also showed that, for 153 (73%) of these claims, prior approval had not been obtained from an Assistant Director/Controller or above, as required under RTHK Accounting Circular No. 2/2003 (see para. 6.7 and Appendix J for details).

6.14 It is inappropriate to charge entertainment expenses to public funds, unless there is an operational need to hold the entertainment event in discharging official duties. Therefore, RTHK's procedures require that prior approval from the proper authority should be sought before the entertainment event. It is the duty of the approving officer to ensure, before the entertainment event is held, that the entertainment is really necessary for discharging official duties and it is in the public interest to charge the expenses to public funds in accordance with the CSRs (see para. 6.2). **Given the high percentage of cases without prior approval (see paras. 6.12 and 6.13), it is questionable that RTHK's approving officers are always able to properly discharge their duties to ensure that the requirements of the CSRs on entertainment expenses are fully complied with.**

6.15 Audit noted that in September 2004, the Director of Broadcasting expressed his concern about a claim for reimbursement of official entertainment without prior approval, in which the cost-per-head spending limit was exceeded. While the Director of Broadcasting reluctantly gave covering approval to this claim, he instructed that the departmental procedures on official entertainment (see para. 6.4) should be re-circulated to all relevant officers. In an IOM of 6 October 2004, the Senior Treasury Accountant reminded all Division/Unit/Section Heads of the cost-per-head spending limits and the need to seek prior approval. The IOM also requires Division/Unit/Section Heads to ensure strict compliance with the procedures on official entertainment, stating that officers who do not comply with the procedures may render themselves accountable for the expenses incurred.

6.16 Despite re-circulation of the departmental procedures on 6 October 2004, Audit noted that 12 claims for reimbursement of official entertainment submitted after this date in 2004-05 still did not have prior approval. **It appears that RTHK's measures in ensuring strict compliance with the procedures on official entertainment have not been effective.**

Cases exceeding spending limits

6.17 ***Official entertainment expenses.*** Of the 124 claims for reimbursement of official entertainment in 2004-05, Audit found that 10 (8%) claims involved expenditure exceeding the cost-per-head spending limits stipulated by the Director of Administration (see para. 6.3(a)). Appendix K shows details of these cases.

6.18 The spending limits were promulgated by the Director of Administration to ensure strict economy when entertaining guests and avoid accusations of extravagance (see para. 6.3(a)). RTHK needs to make efforts to ensure compliance with the requirement to spend within these limits as far as possible.

6.19 ***Programme-related entertainment expenses.*** RTHK Accounting Circular No. 2/2003 requires that all applications and claims for programme-related entertainment in restaurants must be made through RTHK's Food and Drink Expenditure Computer System which will automatically check the claims against various built-in parameters including the cost-per-head spending limits. Audit noted that no claims for reimbursement of programme-related entertainment expenses had exceeded the spending limits in 2004-05.

6.20 ***Expenditure relating to two consecutive events of an entertainment function in the same evening.*** In examining the claims for reimbursement of entertainment expenses, Audit noted that there were two claims, one related to the spring reception of 4 March 2005 (costing \$4,071), and the other related to the spring dinner of the same date (costing \$7,007). According to the claims, they were **two consecutive events** which were attended by the same group of 29 participants (12 government staff and 17 guests) and held using the

same venue, and at basically the same time (i.e. the evening of 4 March 2005 — see also Note 2 of Appendix L). **Audit is concerned that if one event had been held instead of two, the total cost would have amounted to \$11,078, or \$382 per head (by combining the two bills). This would have exceeded the financial ceiling of \$325 for dinner promulgated in RTHK Accounting Circular No. 2/2003 (see paras. 6.6 and 6.7, and item (b)(i) of Appendix H).** On enquiries, in February 2006 RTHK informed Audit that:

- (a) the spring reception and the spring dinner were two separate functions using the same venue. A cocktail reception (press event) was organised for guest presenters of Radio 3 and Radio 4 to meet the press. Most of them were professional in the music critic field, who seldom took press interviews. It was a special occasion for guests and the press to mingle; and
- (b) the reception was followed by a spring dinner, in which guests were invited in advance. Some of them attended the cocktail in the evening and some did not. However, the venue was small in size and it was very difficult to check the attendance of participants for the reception. Having both functions organised in the same venue was because of budget consideration.

Audit noted RTHK's explanation, but was concerned about the absence of any documentary evidence to substantiate that the two events were really organised as two separate functions. For the avoidance of doubt and audit purposes, Audit considers that RTHK needs to properly document the justifications for organising entertainment functions in the same venue on the same date in the future.

Spring receptions

6.21 Despite the general guideline issued by the Director of Administration that no more spring or annual receptions should be held unless with full justifications (see para. 6.3(b)), RTHK organised six spring receptions/lunches/dinners costing a total of \$52,857 in 2004-05. The expenses of one event were charged to official entertainment; those of four events were charged to programme-related entertainment; and those of one event were charged partly to official entertainment and partly to programme-related entertainment. Appendix L shows details of these six events. In response to Audit's observations, in February 2006 RTHK informed Audit that the RTHK Lunar New Year Celebration 2005 was an annual event to greet RTHK's close partners and guests. RTHK considered that this annual event should not be treated as spring reception which was different in nature. For the other five spring lunches/dinners, more than 80 guests from various sectors were invited. Most of the guests offered help and professional advice to RTHK for the whole year, and the opportunity was chosen after the Lunar New Year for the Director of Broadcasting to thank them for their support. Arrangement of five different occasions to meet RTHK's close partners and guests was in fact a strategic move, since such grouping could enhance the quality of communication and was therefore in the public interest.

6.22 In promulgating the general guideline on spring receptions, the Director of Administration pointed out that spring or annual receptions of government bureaux/departments might be perceived by some as lavish and not commensurate with Government's economy drive (see para. 6.3(b)). **As far as Audit can ascertain, RTHK did not document the full justifications for not complying with this general guideline, as required by the Director of Administration. Audit considers that organising six spring receptions a year appears excessive.**

Entertainment for programme liaison

6.23 RTHK Accounting Circular No. 2/2003 stipulates that programme-related entertainment expenditure is chargeable to public funds in respect of hospitality for **no-pay** artists and guests (see para. 6.7). In practice, however, it is not uncommon for RTHK to incur entertainment expenditure during programme liaison/discussion with paid artists or prospective paid artists. Examples of such cases, as revealed by Audit's scrutiny of entertainment expenses, include:

- (a) on 30 April 2004, entertainment expenditure of \$280 incurred by two RTHK officers on meeting with an artist and his assistant in respect of a night radio programme under discussion was charged to programme liaison costs;
- (b) on 14 May 2004, entertainment expenditure of \$400 incurred by two RTHK officers on meeting with two artists in respect a night programme under discussion was charged to programme liaison costs;
- (c) on 20 August 2004, entertainment expenditure of \$220 incurred by an RTHK officer on meeting with a paid artist in respect of the programme "Media Digest" was charged to programme liaison costs; and
- (d) on 9 December 2004, entertainment expenditure of \$208 incurred by two RTHK officers on meeting with an artist and her manager in respect of the programme "Hong Kong Industries II" was charged to programme liaison costs.

6.24 Audit recognises that not all RTHK officers are fully aware at the time of the entertainment that the artists concerned may have previously been paid. However, the purpose of programme liaison normally includes discussion of the contract or prospective contract terms. The RTHK officers should be aware that the artists concerned are very often prospective service providers who will be paid if their services are hired after programme liaison/discussion. According to the then Deputy Financial Secretary's guidelines on programme-related entertainment, no other payments (including artist fees) **have been or will be made to the artists concerned** (see para. 6.6(d)). **It appears that entertainment expenses incurred during programme liaison/discussion may not comply with the then Deputy Financial Secretary's guidelines. There is a need to devise**

clearer guidelines regarding entertainment expenses for paid artists for programme liaison.

Entertainment involving only government staff

6.25 As a general rule, entertainment involving only civil servants should not be charged to public funds. According to the then Secretary for the Treasury's reply to a LegCo question in May 2001, the guidelines issued by the CSB have stated that if the participants in an activity are all civil servants, then expenses for the activity definitely cannot be charged to public funds except that it is held under the following two circumstances:

- (a) if the Head of Department has to conduct consultation with staff associations formally set up within the Department, expenses for such activities can be charged to public funds even though all the participants are civil servants; and
- (b) if the Head of Department considers that for some special reasons, some colleagues deserve commendation and if the Head of Department considers it better to do it by way of a meal, the expenses so incurred can be borne by taxpayers on a reimbursement basis with the consent of the Secretary for the Civil Service.

Other than these two exceptions, civil servants are not allowed to treat civil servants to meals out of public funds.

6.26 Audit noted that, in one case of RTHK reimbursement of official entertainment in October 2004, a lunch costing \$1,000 was attended by nine government staff, comprising four RTHK staff and five officers of another government department (see para. 6.31(h)).

6.27 In another case, Audit noted a reimbursement of \$786.8 programme-related refreshments to an officer in July 2004 for buying lunch boxes for RTHK staff only. RTHK Accounting Circular No. 2/2003 (see para. 6.7) provides that free lunch boxes may be provided to paid artists during location filming, filming in studios and outside broadcast (subject to the financial ceiling of \$32.5 per head), but internal staff/employees, TSA staff and hired crew should pay for their own lunch boxes. Upon Audit's enquiry about this case, RTHK issued a demand note in November 2005 to recover the amount from the officer concerned.

6.28 Audit also noted that in the production of a programme sponsored by another government department, the expenses of two lunches (costing \$290 and \$200) attended by an RTHK officer and two officers of the sponsoring department on 13 November and

16 December 2004 respectively were charged to programme production costs (see para. 6.31(h)).

6.29 According to guidelines issued by the Secretary for the Civil Service in August 1995, it is important to avoid any suggestion that civil servants are lavishing entertainment on each other at taxpayers' expense. **RTHK needs to remind its staff that entertainment involving only government staff should not be charged to public funds. This principle should apply to official entertainment, as well as programme-related entertainment, including those relating to sponsored programmes.**

Audit recommendations

6.30 **Audit has recommended that the Director of Broadcasting should:**

Cases without prior approval or exceeding the approved spending limits

- (a) **remind all RTHK staff of the need to strictly follow the relevant procedures and guidelines for reimbursement of entertainment expenses, including:**
 - (i) **obtaining prior approval from the proper authority. Verbal approval is acceptable for urgent and exceptional cases, which should be clearly documented by the claimant on the claim form for record purposes (see para. 6.14);**
 - (ii) **ensuring that they spend within the approved cost-per-head spending limits. For cases exceeding the spending limits, unless there is full justification, the officers concerned should be required to bear the extra expenses incurred (see para. 6.18); and**
 - (iii) **properly documenting the justifications for organising entertainment functions in the same venue on the same date (see para. 6.20);**
- (b) **consider requiring all officers who do not comply with the relevant procedures and guidelines to personally pay for the entertainment expenses incurred (see para. 6.16);**

Spring receptions

- (c) **critically assess the need for RTHK to organise spring or annual receptions (see para. 6.22);**
- (d) **if a spring reception is considered essential, document the full justifications for not complying with the Director of Administration's general guideline that no spring or annual receptions should be held. In case of doubt, the Director of Administration should be consulted (see para. 6.22);**

Entertainment for programme liaison

- (e) **discuss with the FSTB with a view to devising clear guidelines on the reimbursement of entertainment expenses for programme liaison (see para. 6.24); and**

Entertainment involving only government staff

- (f) **invite the attention of all staff to the general rule that expenses of official entertainment functions or programme-related entertainment (including sponsored programmes) attended only by government staff should not be charged to public funds (see para. 6.29).**

Response from the Administration

6.31 The **Director of Broadcasting** has said that:

Cases without prior approval or exceeding the approved spending limits (para. 6.30(a) and (b))

- (a) RTHK agrees with the recommendation in paragraph 6.30(a)(i);
- (b) regarding paragraph 6.30(a)(ii), RTHK will continue to closely monitor the spending against the recommended limits. RTHK can show evidence of stricter control over the spending limits up to February 2006 (there are only three cases out of 95 exceeding the spending limits as promulgated by the Director of Administration);
- (c) regarding paragraph 6.30(a)(iii), RTHK does not permit splitting of claims. In the case mentioned in paragraph 6.20, there was no premeditated splitting of the claims. One claim related to a cocktail reception and the other to a dinner function at the same venue. The arrangement was genuinely for budget considerations, i.e. it cost less this way;
- (d) regarding paragraph 6.30(b), RTHK has issued guidelines to remind officers of the procedures. For the 12 cases mentioned in paragraph 6.16, approval-in-principle had already been given by management at various senior-level meetings. As the cases have already been approved, it is considered not appropriate to require the officers concerned to pay back the amounts;

Spring receptions (para. 6.30(c) and (d))

- (e) RTHK considers that given the dimension and practices within the media environment that it operates, its spring receptions are not excessive, being small

scale with guests carefully selected. They are recognised annual occasions for programme staff to gather guests' views on annual programme planning;

- (f) RTHK will revisit carefully its rationale for holding spring receptions in the future. On each occasion where there is a need to hold a reception, justification will be documented;

Entertainment for programme liaison (para. 6.30(e))

- (g) RTHK will issue more detailed guidelines to facilitate the full understanding and compliance of staff. The FSTB will be consulted where necessary. In general, RTHK considers that the artists so entertained may have provided programme idea to RTHK for free when they were being entertained. Entertainment of the artists through a token hospitality for such free services received is not prohibited; and

Entertainment involving only government staff (para. 6.30(f))

- (h) departmental guidelines have been issued to remind RTHK staff on this general rule. Amounts involved in the cases mentioned in paragraphs 6.26 to 6.28 have also been recovered from the officers concerned.

6.32 The **Director of Administration** has said that:

- (a) she is supportive of Audit's recommendations (see para. 6.30) to be taken forward by the Director of Broadcasting;
- (b) she is keen to see that relevant rules governing entertainment expenses should be properly complied with. As mentioned in paragraph 6.3, the Director of Administration issued a circular memorandum in March 2003 to all bureaux and departments giving general guidelines on, inter alia, expenditure on official entertainment and functions. Other than making it clear that official entertainment expenses are subject to CSRs 750 and 751, heads of bureaux and departments are reminded to exercise strict economy when entertaining guests and to avoid accusations of extravagance. In the event of deviation from the general guidelines, they should ensure that full justifications are given and properly documented; and
- (c) to facilitate compliance, she would request bureaux and departments to arrange for regular circulation among their staff of the aforesaid circular memorandum.

- 6.33 The **Secretary for Financial Services and the Treasury** has said that:
- (a) the FSTB shares Audit's observation that relevant guidelines should be properly complied with; and
 - (b) the FSTB is prepared to discuss with RTHK on guidelines governing programme-related entertainment expenditure having regard to its operational circumstances.

Need to economise on official and programme-related entertainment

Public concern about excessive entertainment expenses

6.34 In May 2001, Members of LegCo expressed concerns over the high levels of entertainment expenses for offices of the secretaries and bureaux and, among other things, asked whether the Administration had laid down clear guidelines on the levels of entertainment expenses incurred for various types of social functions. Noting that the entertainment expenses of some policy bureaux at that time could be as high as \$600,000 to \$700,000 a year, a Member of LegCo also asked whether the Administration would consider setting a ceiling for entertainment expenses.

- 6.35 In its reply to LegCo, the Administration pointed out, among other things, that:
- (a) in accordance with section 12(2) of the Public Finance Ordinance (Cap. 2), each Controlling Officer was responsible and accountable for all expenditure from any head or subhead for which he was the Controlling Officer;
 - (b) CSRs 750 and 751 (see para. 6.2) stipulated the use of official entertainment;
 - (c) entertainment expenditure was subject to examination by the Director of Audit; and
 - (d) the Government would be especially careful in using taxpayers' resources and would ensure that money was spent only where necessary.

6.36 The use of public funds for entertainment purposes is a matter of public concern (see para. 6.34). Audit's observations in paragraphs 6.12 to 6.29 revealed various cases of non-compliance with relevant procedures and guidelines. In accordance with CSR 750(2)(b), the Controlling Officer should satisfy himself that the charging of entertainment expenditure to public funds is in the public interest.

Audit recommendations

- 6.37 **Audit has *recommended* that the Director of Broadcasting should:**
- (a) **remind all staff of the need to exercise due care in using public funds for entertainment and remind them that they should economise on official and programme-related entertainment, in view of the high level of entertainment expenditure of RTHK; and**
 - (b) **critically review whether it is still necessary and in the public interest to charge all categories of entertainment expenses (including programme-related entertainment) to public funds.**

Response from the Administration

6.38 The **Director of Broadcasting** generally agrees with the recommendations in paragraph 6.37. He has said that:

- (a) RTHK has always exercised stringent control over entertainment expenses, which are incurred only on an as-needed basis. All staff involved in this area will be reminded of the need for expenditure of this nature to reflect well on RTHK, not only as a host, but also as a user of the taxpayer's money; and
- (b) RTHK will issue more detailed guidelines to facilitate the full understanding and compliance of staff. The FSTB will be consulted where necessary.

6.39 The **Director of Administration** has said that she is supportive of Audit's recommendations (see para. 6.37) to be taken forward by the Director of Broadcasting.

PART 7: MANAGEMENT OF SPONSORSHIP

7.1 This PART examines RTHK's management of sponsorship.

Government policy on sponsorship for programmes

RTHK's practice before April 1997

7.2 From time to time, RTHK received programme sponsorships to enhance its community involvement, enrich programme contents and promote specific programme themes. The sponsorships raised could be in the form of financial contributions or provision of services or prizes. Before April 1997, RTHK's sponsors included both commercial and non-profit-making organisations. In 1996-97, the total sponsorship payments received by RTHK amounted to \$56.5 million, including \$7.4 million from commercial organisations.

Concerns about RTHK's acceptance of commercial sponsorships

7.3 There had been concerns from some sectors of the community, notably commercial broadcasters, about the acceptance of commercial sponsorships by RTHK, a publicly-funded broadcaster. Such concerns included:

- (a) RTHK's integrity and editorial independence would be compromised by the influence of sponsors; and
- (b) RTHK might compete with its commercial counterparts for sponsorship revenue. This would impact on the revenue intake of commercial broadcasters.

Review on RTHK's acceptance of sponsorship

7.4 To address these concerns, in 1996, the Government conducted a review on RTHK's acceptance of sponsorship. The then Secretary for Broadcasting, Culture and Sport considered that:

- (a) it was unfair for a broadcaster funded by taxpayers to compete for commercial sponsorship with broadcasters relying upon sponsorship and advertising income to survive; and
- (b) given the trust which RTHK's audience reposed in RTHK as an objective broadcaster unsullied by commercial considerations, it would not be appropriate to allow commercial organisations to use RTHK as a public relations vehicle.

The Secretary believed that these considerations outweighed the financial advantages of accepting commercial sponsorship, and concluded that RTHK should not accept sponsorship from profit-making organisations.

7.5 During discussions between RTHK and its policy bureau, the Director of Broadcasting commented that sponsorship in kind should be exempted from the proposed sponsorship restrictions. However, the then Secretary for Broadcasting, Culture and Sport stated clearly in a letter of 11 October 1996 to the Director of Broadcasting that “*RTHK should not accept or be seen to be accepting commercial sponsorship, whether in the form of money or other benefits..... RTHK should fund these activities from its own resources, or from donations from non-profit making organisations, and should not accept commercial sponsorship in cash or kind*”.

CITB policy guidelines

7.6 With effect from 1 April 1997, RTHK programmes have been forbidden to accept sponsorships from commercial organisations. RTHK can, however, accept sponsorship monies from non-profit-making organisations and government agencies/departments. Details of this policy were set out in guidelines issued by the CITB (formerly known as the Information Technology and Broadcasting Bureau, and before that, as the Broadcasting, Culture and Sport Branch) in March 1997 and revised in June 1998. RTHK also issued internal guidelines in June 1998 for giving credits or acknowledgements to sponsors of RTHK’s programmes or projects. Copies of the CITB policy guidelines and RTHK’s internal guidelines on crediting sponsors are uploaded to the RTHK website as annexes to the published Producers’ Guidelines, to enhance the transparency and accountability of the operation of RTHK.

7.7 The CITB policy guidelines of June 1998 stipulate, among other things, that:

- (a) with effect from 1 April 1997, RTHK has been permitted to accept sponsorship for its radio and television programmes from non-profit-making organisations only, in accordance with the principles and guidelines set out in the policy guidelines;
- (b) “sponsorship” refers to any item of publicity, other than an advertisement, broadcast in return for payment or other valuable consideration to RTHK; and
- (c) a programme is sponsored if it broadcasts in return for payment or other consideration (which includes the programme itself) to RTHK. A programme includes a part thereof or a programme segment. Provision of venue without charge to RTHK for outside broadcasts and/or activities shall not be regarded as falling within the definition of sponsorship, subject to the condition that credit mention shall not be given to the provider.

Recent discussions on the issue of commercial sponsorships

7.8 In May 2000, LegCo discussed whether the Administration would consider allowing RTHK to accept commercial advertisements or sponsorships with a view to generating more revenue. In response to a question by a Member of LegCo, the Administration reiterated its view that to ensure that RTHK's editorial independence would not be affected by any commercial elements, RTHK was not allowed under the existing policy to accept commercial advertisements or commercial sponsorships. The Administration also explained that, after weighing the pros and cons, it decided that RTHK's credibility could only be strengthened and maintained when RTHK was not allowed to accept commercial sponsorships.

7.9 In 2003, in order to expand the source of funding, RTHK sought CITB's policy approval to relax the current sponsorship restrictions by permitting RTHK to accept commercial sponsorship for arts and culture, education, language, community building and minority interests programmes and projects inadequately served by commercial broadcasters. However, the CITB did not accede to the proposal, in view of the concerns mentioned in paragraph 7.3.

Receipts and expenditure of sponsored programmes

7.10 Sponsorships provide additional funding to RTHK for the production of radio/television programmes. In 2004-05, the total receipts from government bureaux/departments and non-profit-making organisations in the form of sponsorship for programme production amounted to \$47.2 million. The total expenditure incurred on these sponsored programmes in 2004-05 was \$41.2 million. Table 8 shows an analysis of the receipts and expenditure of sponsored programmes of RTHK in 2004-05.

Table 8

**Analysis of receipts and expenditure of sponsored programmes of RTHK
(2004-05)**

Sponsor	Receipts (\$ million)	Expenditure (\$ million)	Unspent balance as at 31.3.2005 (\$ million)
Government bureaux/departments	21.0	17.7	3.3
Non-profit-making organisations	26.2	23.5	2.7
Total	47.2	41.2	6.0

Source: RTHK records

Procedures for handling sponsorship

7.11 RTHK Administrative Circular No. 2/2005 sets out the procedures for handling sponsorship for RTHK's radio/television programmes and activities. The Circular stipulates, among other things, that:

- (a) **Limited sponsorship.** RTHK is permitted by the Government to accept limited sponsorship of its programmes from non-profit-making bodies;
- (b) **Business Development Unit.** The Business Development Unit is charged with the responsibilities of seeking and coordinating sponsorships for RTHK's radio/television programmes and activities. The Unit reports to the Head of the Corporate Development Unit who is responsible for overseeing all its activities, consulting Division Heads and the Deputy Director of Broadcasting as necessary;
- (c) **Policy guidelines.** Officers seeking sponsorship from outside bodies should exercise care to ensure that the rules in CITB's policy guidelines (see para. 7.7) are complied with. An internal investigation will be undertaken if any officer breaches the guidelines/procedures governing RTHK's acceptance and acknowledgement of sponsorship. Management may consider instituting disciplinary action against offending officers; and
- (d) **Signing of agreement.** All proposed sponsorship packages must be referred to the Business Development Unit which will check to ensure that the terms and conditions are in order and have not breached the relevant rules and guidelines.

The Unit will submit the agreement to the appropriate RTHK authority (Director/Deputy Director/Assistant Director) for approval.

Sponsorships in kind

7.12 Besides accepting monies from sponsors, RTHK may receive sponsorships in the form of other valuable considerations (e.g. free goods and services). Main categories of such “sponsorships in kind” include:

- (a) contribution of gifts and prizes to RTHK for use in its programmes;
- (b) provision of free services (e.g. advisory services) to RTHK;
- (c) costume sponsorships; and
- (d) free passage, board and/or lodging for RTHK programme production staff.

7.13 RTHK Administrative Circular No. 2/2005 provides guidelines for handling sponsorship in general. RTHK has not issued any other circulars to provide guidelines specifically for handling sponsorship in kind, except some internal guidance for handling prizes given out in radio and television programmes. In his IOM dated 1 May 1997 to the Assistant Director (Radio) and the Assistant Director (PATV), the Deputy Director of Broadcasting commented that it should be up to the programme divisions to decide the exact form of treatment for handling prizes given out in programmes. In this regard, the Radio Division has issued divisional guidelines for handling gifts for the audience.

7.14 According to the Radio Division’s guidelines for handling gifts for the audience:

- (a) in order to make the radio programmes more interesting or attractive, staff are allowed to obtain gifts from **suitable sponsors** to be sent out to the audience;
- (b) in doing so, officers are reminded to be careful in their choice of sponsors to avoid putting RTHK or the service as a whole in an embarrassing position; and
- (c) officers should refer to the guidelines governing acceptance of gifts for the benefit of staff as set out in paragraph 32 of CSB Circular No. 16/2002.

The guidelines also set out the divisional procedures for the receipt of gifts, seeking approval, giving out gifts, and record of recipients.

Audit observations

Lack of comprehensive management information on sponsorships in kind

7.15 In the absence of specific departmental procedures and guidelines on the handling of sponsorship in kind, individual RTHK producers or staff members involved in programme production seek and accept sponsorships in kind from outside bodies, using their own discretion. In practice, the Business Development Unit only coordinates sponsorships in money and does not deal with sponsorships in kind. Apart from some records kept on the contribution of gifts/prizes for radio programmes (see para. 7.14), RTHK does not have comprehensive management information on the acceptance of all categories of sponsorships in kind for programme production. **Audit therefore could not ascertain the total number of cases involving commercial sponsors and the value of the sponsorships involved. However, Audit's enquiry has shown that it is a common practice for individual producers or staff members involved in programme production to accept sponsorships in kind from commercial organisations for programme production or as gifts to audience.**

7.16 The note attached to the Deputy Director of Broadcasting's IOM of 1 May 1997 states *"It is quite a normal practice now for our radio programmes to invite singers or record companies to donate some prizes for phone-in game segments. Acknowledgement credit to the singer is very often immediately followed by that singer's song"* (Note 27). Audit scrutinised recent records kept in individual channels/units of the Radio Division in respect of the acceptance of gifts/prizes. It was noted that these gifts/prizes were mainly contributed by commercial organisations. Appendix M shows examples of gifts/prizes given out to audience of radio programmes, which had been contributed by commercial organisations.

7.17 Regarding television programmes, Audit reviewed ten television programmes recently broadcast by RTHK. It was found that six (60%) of these programmes contained acknowledgements/credit mentions given to commercial organisations (see Appendix N). Of these six television programmes:

Note 27: *In response to this observation, RTHK has said that the purpose of the IOM is to remind the staff members to take special care when giving out donated prizes in programmes and be cautious of the choice of words and programme sequence when giving acknowledgements in programmes. RTHK has also said that **RTHK upholds its editorial integrity without compromising by commercial considerations**, and the donation of competition prizes is mentioned in the programme in an **informational and non-promotional manner for factual reporting purposes only.***

- (a) five programmes (items 1, 2, 3, 4 and 9) involved provision of free services to RTHK (Note 28);
- (b) three programmes (items 1, 2 and 9) involved costume sponsorships; and
- (c) one programme (item 6) involved free passage for RTHK programme production staff.

Need for more detailed guidelines

7.18 The CITB policy guidelines requires that:

- (a) **the Director of Broadcasting shall ensure that RTHK's own detailed internal procedures relating to the acceptance of sponsorships and the broadcast of sponsored programmes are fully consistent with the principles and rules set out in the policy guidelines;**
- (b) both the spirit and the letter of the principles set out in the policy guidelines should be upheld; and
- (c) in case of doubt, the CITB should be consulted before any commitments to potential sponsors are given.

However, RTHK's internal guidelines set out in the Deputy Director of Broadcasting's IOM of 1 May 1997 (see para. 7.13) have given individual producers full discretion to accept contribution of prizes. Audit considers that, without centralised control, there is a risk that the acceptance of prizes and the public acknowledgement would be in breach of the guidelines on sponsorship.

7.19 Regarding the Radio Division's internal guidelines, reference is made to paragraph 32 of CSB Circular No. 16/2002 (see para. 7.14(c)). In this connection, Audit notes that this Circular provides some general guidance for staff to handle the acceptance of gifts/prizes. However, paragraph 32 of the Circular:

Note 28: *In response to this observation, RTHK has explained to Audit that four of the five programmes involved shooting of the programmes in commercial premises. In RTHK's view, some services or locations are unique in themselves and cannot be "bought" with money. However, Audit notes that, according to the CITB policy guidelines (see para. 7.7(c), for the provision of venue without charge to RTHK for outside broadcast, credit mention shall not be given to the provider.*

- (a) does not clearly state whether the acceptance of gifts/prizes from commercial organisations is permitted; and
- (b) only deals with gifts/donations *accepted for the benefit of staff* (see para. 7.14(c)). It does not deal with gifts/prizes which are *accepted for giving out to the audience of RTHK programmes*.

Audit considers that RTHK's internal guidelines are not fully consistent with the principles and rules set out in the CITB policy guidelines, which permit RTHK to accept sponsorship from non-profit-making organisations only. As far as Audit can ascertain, the CITB had not been consulted before the internal guidelines were issued.

7.20 **RTHK needs to promulgate detailed guidelines on the handling of other categories of sponsorships in kind in its Producers' Guidelines, which should be consistent with the CITB policy guidelines.** In this connection, Audit notes that the Editorial Guidelines promulgated by the British Broadcasting Corporation (BBC) in June 2005 contain detailed guidance for dealing with prizes. Appendix O shows extracts of these BBC guidelines.

Initial response from RTHK

7.21 **In response to Audit's observations, RTHK informed Audit that RTHK would seek exemption from the Government regarding sponsorships in kind for production use.** RTHK also informed Audit that:

- (a) ***Support from outside organisations.*** In RTHK, under no circumstances should publicity or on-air reference be broadcast in exchange for the donation of competition prizes, or as a precondition for the provision of free services. Hence, RTHK does not regard such support it sought from outside organisations as commercial sponsorship;
- (b) ***Competition prizes given out in radio programmes.*** In order to make the radio programmes more interesting and attractive, prizes would be given out in competitions. The items given out are normally modest prizes donated by outside parties, such as theatre tickets, books, CDs, DVDs or tickets to special events. Donation of competition prizes is mentioned in the programme in an informational and non-promotional manner for factual reporting purposes only;
- (c) ***TV production credits.*** RTHK normally gives credits to production crew and outside organisations to recognise their editorial, creative or professional input. Production credits reflect such contributions honestly and as accurately as possible. Unlike publicity exposures given to sponsors, production credits should be editorially justifiable, non-promotional and not unduly prominent. On occasions, credits are given for reasons of transparency. For example, it may be

editorially necessary to give credit to a research library or the supplier of archive material; and

- (d) ***Sponsorship in kind for programme production.*** It is media industry's practice to seek assistance in kind like costume, location, provision of free services, air tickets, and footage. These "sponsorships in kind" have not only facilitated RTHK productions but also help RTHK enhance the quality of programmes which have stringent budgets that leave producers with little room to manoeuvre. Sometimes, money cannot buy a special arrangement and it is appropriate to acknowledge a company's assistance in the form of a broadcast acknowledgement credit. RTHK upholds its editorial integrity without being compromised by commercial considerations. The acknowledgement or credit given to commercial companies has always been discreet and appeared on screen only for a few seconds at the end of a programme. No logo or other special mentioning was provided.

Audit recommendations

7.22 **Audit has recommended that the Director of Broadcasting should:**

- (a) **seek guidance from the CITB on whether RTHK should be permitted to accept and acknowledge the contribution of prizes (for use in radio/television programmes) and other forms of sponsorship from commercial organisations;**
- (b) **tighten the control on sponsorships in kind by centralising the acceptance of permitted sponsorships in kind;**
- (c) **promulgate, in consultation with the CITB, more detailed guidelines on the handling of various categories of sponsorships in kind in the RTHK Producers' Guidelines (see para. 7.20); and**
- (d) **ensure that proper departmental records are kept and comprehensive management information is compiled for all categories of sponsorships in kind received by RTHK and their estimated value (see para. 7.15).**

Response from the Administration

7.23 The **Director of Broadcasting** agrees with the recommendations in paragraph 7.22.

7.24 The **Secretary for the Commerce, Industry and Technology** agrees with the recommendation in paragraph 7.22(b) that there is a need for RTHK to tighten the control on sponsorships in kind. He has also said that:

Policy guidelines of 1998

- (a) the rationale for the prohibition of accepting commercial sponsorship is detailed in paragraphs 7.4 and 7.5;
- (b) the existing policy guideline issued in 1998 is crystal clear that RTHK is permitted to accept sponsorship, in cash or in kind, for its programmes from non-profit-making organisations only;
- (c) given the trust of the public placed in RTHK as a publicly-funded broadcaster independent of political and commercial interests, the existing policy guideline should be strictly observed;
- (d) regarding the observation on RTHK's internal guidelines in paragraph 7.19 and recommendation in paragraph 7.22(a), the CITB considers that there is no ambiguity in the policy guideline which is clear that **RTHK shall not receive any sponsorship in kind from commercial organisations**;
- (e) based on paragraphs 7.12 to 7.19, the CITB agrees to Audit's observation that the RTHK internal guidelines are not fully consistent with the policy guideline;

Donated prizes from commercial organisations

- (f) while the CITB recognises that prizes given out in a programme to audience (including those donated by commercial organisations) may be justified under some circumstances as explained in RTHK's initial response (see para. 7.21), there could be a form of commercial promotion (e.g. distributing a singer's newly-released CDs donated by its music record company in an RTHK programme in which the singer participates). In such circumstances, the music record company takes advantage of a publicly-funded programme to pursue its commercial interests of promoting the record;
- (g) as rightly pointed out by Audit, other publicly-funded broadcasters have clear internal guidelines on dealing with prizes (see para. 7.20). To the best of CITB's knowledge, the international best practice is that normally only modest donated prizes should be accepted. It is for RTHK to explain, on the facts of a particular case, why accepting donated prizes from commercial organisations for distribution to audience could be justified without constituting direct or indirect promotion of commercial interests;
- (h) as a general case, RTHK can take into account international best practice, and propose with detailed justifications, the proper procedures for treatment of

donated prizes from commercial organisations for further deliberations with the CITB;

- (i) unless and until the existing policy guideline is amended, RTHK should observe it strictly;

Production credits

- (j) the CITB is concerned about RTHK's initial response in paragraph 7.21(c) and (d). As far as the CITB understands, the general principle of giving production credits upheld by publicly-funded broadcasters is that credits are justified for acknowledging contributions to the production of a programme but **under no circumstances shall credits be given in return for payment, reduced fee, benefit or any advantage**. For example, the aforesaid principle is enshrined in various areas of BBC's Editorial Guidelines, including the general guideline and the guidelines for online activities and commissioned productions;
- (k) paragraph 7.21(d) seems to unveil that RTHK has been seeking contributions from commercial organisations and giving them production credit in return. If that is the case, the practice seems to be in breach of the policy guideline and, more importantly, departs from international best practice; and
- (l) RTHK should critically review the existing practice in this respect and, taking into account international best practice, improve the guidelines on production credits; and

Improvement measures

- (m) centralised control (see para. 7.22(b)) may be one of the options but should not be the only option. The CITB considers that the most important improvement measures are:
 - (i) to put in place an internal checks and balance mechanism so that the acceptance of sponsorship is not at the discretion of a producer; and
 - (ii) to make the accepted sponsorship as transparent as possible to facilitate public scrutiny.

In this regard, the CITB considers that RTHK should be given flexibility in working out the improvement measures.

7.25 The **Secretary for the Civil Service** has said that:

- (a) regarding paragraph 7.19(a), she wishes to clarify that:

- (i) for cases involving the acceptance of gifts/prizes from outside (including commercial) organisations for the benefit of staff, these cases should be dealt with in accordance with paragraphs 30 to 33 of CSB Circular No. 16/2002; and
 - (ii) for cases involving acceptance of gifts/prizes from outside (including commercial) organisations for the benefit of members of RTHK's audience, they fall outside the ambit of CSB Circular No. 16/2002; and
- (b) the CSB shares Audit's observation that when dealing with gifts/donations accepted for the benefit of members of the audience attending/listening to RTHK programmes, RTHK should deal with such cases in consultation with its policy bureau, i.e. the CITB, rather than making reference to CSB Circular No. 16/2002.

Sponsored visits

7.26 The circumstances in which a government department may accept an invitation from a foreign country or an outside organisation to make a sponsored visit are stipulated in CSB Circular No. 7/94. In accordance with the Circular, the Head of Department may personally approve sponsored visits to such events as conferences and demonstrations of new technology, **except cases involving Taiwan** in which case the Secretary for the Civil Service remains the approving authority.

7.27 In 2004-05, the Director of Broadcasting personally approved 52 official sponsored visits involving some 100 staff and 600 man-days.

Audit observations

Cases involving programme production

7.28 Audit's examination of the 52 sponsored visits approved in 2004-05 by the Director of Broadcasting under CSB Circular No. 7/94 revealed that 14 (27%) of these visits related to the production of radio/television programmes. Audit considers that these visits involving programme production should fall within the definition of "*sponsorships for programmes*" under the CITB policy guidelines (see paras. 7.7(b) and 7.12(d)), instead of "sponsored visits" under CSB Circular No. 7/94 which covers such events as conferences and demonstrations of new technology only (see para. 7.26).

7.29 Of the 14 sponsored visits involving programme production in 2004-05, Audit noted that 7 (50%) of them were sponsored by commercial organisations (see Appendix P). **Such cases are not in compliance with the CITB policy guidelines**

which permit RTHK to accept sponsorship for its programmes from non-profit-making organisations only. Audit considers that RTHK should refrain from accepting commercial organisations' offer of sponsored visits for the purpose of programme production.

Cases involving sponsored visits to Taiwan

7.30 **Audit's examination of the 52 sponsored visits approved in 2004-05 by the Director of Broadcasting under CSB Circular No. 7/94 revealed two official visits to Taiwan, which were sponsored by non-profit-making organisations (see Appendix Q).** Audit noted that both of them were not related to programme production or news broadcasting.

Audit recommendations

7.31 **Audit has recommended that the Director of Broadcasting should:**

- (a) **seek policy clarification from the CSB on whether the delegation of authority to him, as Head of Department, to approve sponsored visits under CSB Circular No. 7/94 covers the acceptance of commercial sponsorship in the form of free passage for the production of radio/television programmes;**
- (b) **ensure that visits for the purpose of programme production should not be sponsored by commercial organisations, in compliance with the CITB policy guidelines on sponsorship for programmes. In case of doubt, the CITB should be consulted; and**
- (c) **ensure that all sponsored visits to Taiwan should be submitted to the Secretary for the Civil Service for consideration and approval, in accordance with CSB Circular No. 7/94. In case of doubt, the CSB should be consulted.**

Response from the Administration

7.32 The **Director of Broadcasting** agrees with the recommendations in paragraph 7.31. He has also said that:

- (a) the acceptance of commercial sponsorship in the form of free passage for the production of radio/TV programmes was considered not compromising RTHK's integrity and editorial independence, but instead facilitated the production of the programmes concerned under the financial constraints; and
- (b) the two visits to Taiwan did not involve Taiwan government and were considered by RTHK to be more industry-related rather than politically related.

7.33 The **Secretary for the Civil Service** has said that:

- (a) as Audit has rightly pointed out (see para. 7.28), CSB Circular No. 7/94 deals with sponsored visits on the invitation of a foreign government or an outside organisation to such events as conferences and demonstrations of new technology. In RTHK's case, the sponsorship is in the form of free passage for the production of radio/television programmes, which is not a visit to any events organised by the sponsor;
- (b) based on the information shown in Appendix Q, the two visits in question concern attendance at symposiums organised by the sponsors. The CSB agrees that the Secretary for the Civil Service's approval should be sought for such visits to Taiwan in accordance with the requirement under CSB Circular No. 7/94;
- (c) regarding paragraph 7.31(a), the CSB has clarified in paragraph 7.33(a) that sponsored visits for programme production do not fall within the ambit of CSB Circular No. 7/94; and
- (d) regarding paragraph 7.31(c), the CSB agrees that the Secretary for the Civil Service's approval should be sought for any sponsored visit to Taiwan falling within the ambit of CSB Circular No. 7/94.

RTHK Vision, Mission and Values Statement

Vision

- To be a leading public broadcaster in the new media environment.

Mission

- To inform, educate and entertain our audiences through multi-media programming;
- To provide timely, impartial coverage of local and global events and issues;
- To deliver programming which contributes to the openness and cultural diversity of Hong Kong;
- To provide a platform for free and unfettered expression of views; and
- To serve a broad spectrum of audiences and cater to the needs of minority interest groups.

Values

- Editorial independence;
- Impartiality;
- Serving the public;
- Competitiveness;
- Quality production; and
- Development of talent.

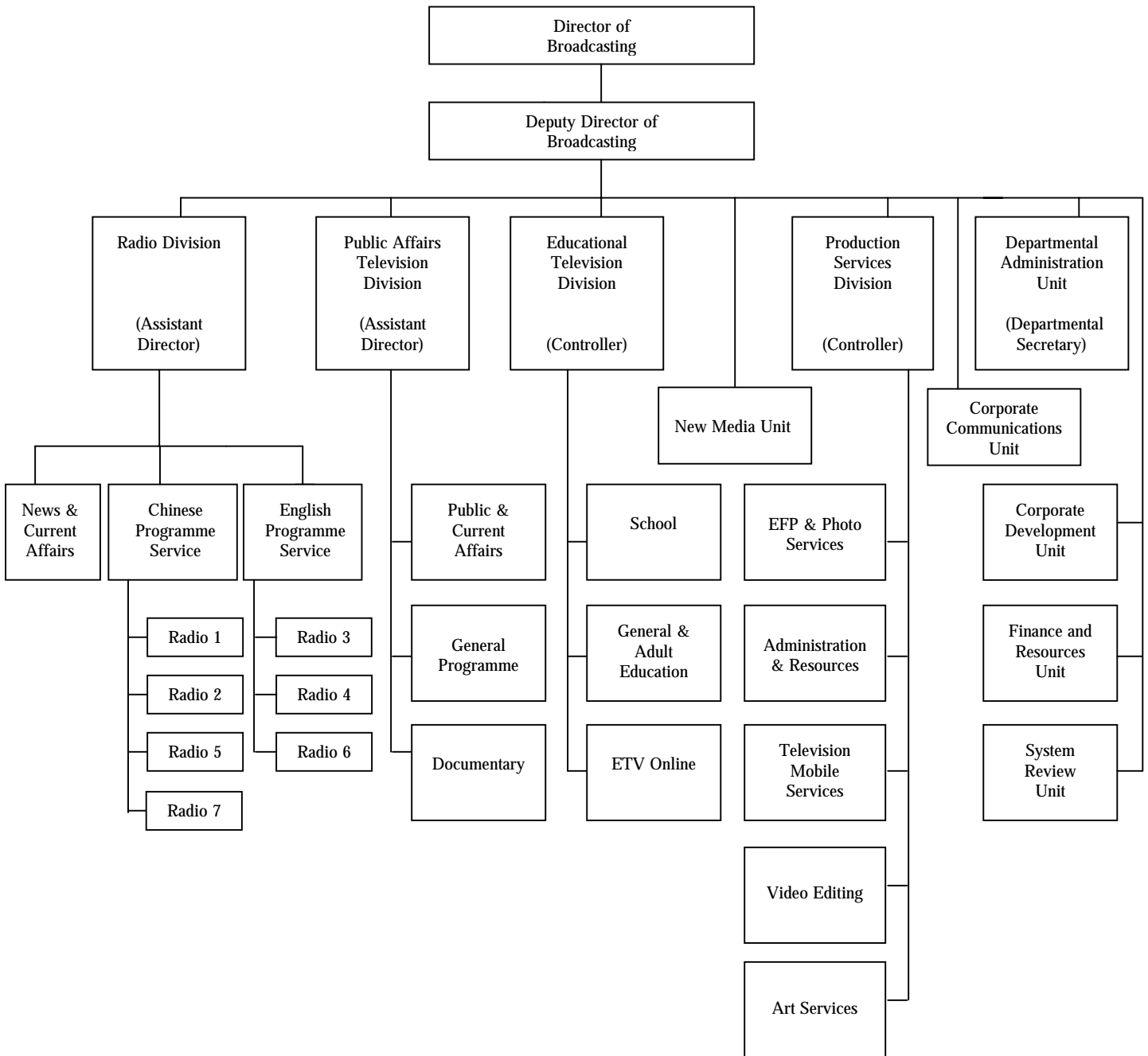
Source: RTHK records

The seven radio channels of RTHK

Channel	Language	Programme
Radio 1	Chinese	News, information and general programming
Radio 2	Chinese	Youth, entertainment and popular music
Radio 3	English	News, information and general programming
Radio 4	Bilingual (Chinese and English)	Serious music and fine arts
Radio 5	Chinese	Elderly, cultural and education
Radio 6	English	BBC World Service relay
Radio 7	Chinese (Putonghua)	General programming, news and finance

Source: RTHK records

Organisation chart of RTHK



Source: RTHK records

Formal disciplinary cases in RTHK

Case 1 (convicted fraud case)

- Between December 1998 and December 2000, a Programme Officer deceived some freelancers and the Government by overstating the number of hours worked by the freelancers or by including in the payroll names of freelancers who had not performed any work at all, and subsequently pocketed the overpayments totalling over \$240,000. The officer was convicted on 11 July 2002 under the Theft Ordinance (Cap. 210) and sentenced to 16 months of imprisonment. The officer was dismissed under section 11 of the Public Service (Administration) Order.

Case 2 (convicted misconduct case)

- Between March 1999 and December 2000, a Chief Programme Officer approved a salary increase for two RTHK staff without complying with the required procedures by causing payments totalling \$16,640 to be made in the name of the two staff's relatives who had not performed any job for RTHK at all. The officer was convicted of misconduct by abusing authority on 16 October 2002 and sentenced to four months' imprisonment, suspended for two years. The officer was dismissed under section 11 of the Public Service (Administration) Order.

Case 3 (fraud case on appeal)

- In February 2004, an RTHK officer (employed on NCSC terms) and two contractors (both of whom were former RTHK part-time or temporary employees) were arrested and subsequently charged with fraud and forgery offences in relation to the award of service contracts. They were accused of having defrauded RTHK, for periods between December 2000 and December 2002, by dishonestly falsely representing that the quotations submitted for prospective RTHK projects were: (i) genuinely competitive ones; (ii) obtained through a competitive process; and (iii) prepared separately from and independently of each other, thereby deceiving RTHK into granting job orders for the said projects to the contractors. The RTHK officer was convicted of fraud in March 2005 and in April 2005 sentenced to six months' imprisonment, suspended for two years. The RTHK officer was dismissed following his conviction. All three defendants have appealed against their convictions.

**Case 4 (disciplinary case under section 10
of the Public Service (Administration) Order)**

- Sometime prior to December 1999, a Chief Programme Officer and a Senior Programme Officer were found, as a result of an ICAC investigation, to have inflated cash sums in invoices which were submitted for reimbursement of incidental expenses under Stores and Procurement Regulation 265(a). The officers were punished respectively under section 10 of the Public Service (Administration) Order by a severe reprimand plus a fine equivalent to reduction in salary by one increment for 12 months and under section 9 of the Public Service (Administration) Order by a severe reprimand plus a fine equivalent to reduction in salary by one increment for six months. Both officers were also cautioned of removal from service in the event of further misconduct.

**Case 5 (disciplinary case under section 10
of the Public Service (Administration) Order)**

- Between September 2000 and March 2001, seven officers were discovered through an audit examination to have accumulated half-hour overtime periods and claimed overtime allowance (OTA) with the consent of their supervisors (i.e. an Assistant Programme Officer, a Programme Officer and a Senior Programme Officer). The arrangement was contrary to Civil Service Regulation 667 which provides that OTA should only be paid for overtime work performed for durations of one hour or more. Formal disciplinary action was taken against the three supervisors under section 10 of the Public Service (Administration) Order and each was punished by a severe reprimand plus a fine equivalent to reduction in salary by one increment for 12 months. They were also cautioned of removal from service in the event of further misconduct.

Source: RTHK records

Activities for camera/lighting operators during TV standby time

Lighting

- Preparation and reset for productions outside the Television House
- Periodical renewal of colour filters and ground-rolls
- Checking of safety chains
- Checking of barn-doors of studio lights
- Checking of the stock of lighting filters
- Checking for and change of blown-out bulbs
- Checking for and change of torn filters
- Attendance of ad hoc production meetings
- Drafting lighting plans
- Responding to ad hoc Beta production request
- Viewing of past programme tapes for future reference and experience sharing

Camera

- Preparation and reset for productions outside the Television House
- Functional checking of zoom and focus
- Checking and service maintenance of pedestals, viewfinders and lens
- Tidying up and rewinding of camera cables
- Checking and packing of electronic field production cameras
- Responding to ad hoc digital video production requests
- Viewing of past programme tapes for future reference and experience sharing

Audio

- Preparation for special productions such as outside broadcasts, press conferences, promotional functions
- Checking and maintenance of microphone cables
- Testing of audio equipment
- Making of special audio connectors and cables
- Packing of equipment for loan to producers
- Checking of stock of equipment
- Viewing of past programme tapes for future reference and experience sharing

Source: Information provided by RTHK

**Days in 2004-05 when camera operators had spent 40% or more
of their charged manhours on standby**

Date (Note)	Manhours on standby (a)	Total manhours charged (b)	Percentage (a) ÷ (b) × 100%
2004			
5 April (Monday)	9.17	14.17	65%
9 April (Friday)	20.50	37.50	55%
12 April (Monday)	9.17	14.17	65%
14 April (Wednesday)	15.92	33.42	48%
15 April (Thursday) *	31.25	51.33	61%
23 April (Friday) *	39.17	79.92	49%
27 April (Tuesday)	23.08	50.08	46%
26 May (Wednesday)	13.42	30.42	44%
11 June (Friday) *	37.50	65.00	58%
22 June (Tuesday)	9.17	14.17	65%
12 July (Monday) *	32.25	72.08	45%
20 July (Tuesday)	26.08	58.16	45%
22 July (Thursday)	20.08	49.16	41%
23 July (Friday) *	32.92	83.17	40%
24 July (Saturday) *	44.58	74.83	60%
4 August (Wednesday) *	32.25	55.33	58%
5 August (Thursday) *	31.00	54.41	57%
7 August (Saturday)	30.00	60.16	50%
14 August (Saturday)	16.75	42.25	40%
17 September (Friday) *	38.75	81.75	47%
18 September (Saturday) *	36.75	76.67	48%
20 September (Monday)	24.00	42.00	57%
21 September (Tuesday)	23.08	53.08	43%
23 September (Thursday) *	42.50	62.58	68%
24 September (Friday) *	35.25	74.08	48%
25 September (Saturday) *	45.75	93.00	49%
4 October (Monday)	19.75	46.25	43%
7 October (Thursday) *	33.25	66.25	50%

Appendix F
(Cont'd)
(para. 3.29 refers)

Date (Note)	Manhours on standby (a)	Total manhours charged (b)	Percentage (a) ÷ (b) × 100%
12 October (Tuesday)	20.75	52.25	40%
17 October (Sunday)	12.00	25.50	47%
18 October (Monday)	20.33	41.33	49%
19 October (Tuesday)	19.50	39.58	49%
23 October (Saturday)	16.00	38.67	41%
26 October (Tuesday)	25.33	59.83	42%
6 November (Saturday)	29.00	71.58	41%
8 November (Monday)	29.50	43.00	69%
9 November (Tuesday)	29.92	70.92	42%
20 November (Saturday) *	33.25	80.92	41%
2005			
1 January (Saturday)	11.33	28.33	40%
4 January (Tuesday)	23.33	46.33	50%
15 January (Saturday)	29.25	73.00	40%
31 January (Monday)	18.50	43.50	43%
1 February (Tuesday)	28.25	55.83	51%
3 February (Thursday) *	32.50	72.00	45%
5 February (Saturday)	29.00	63.16	46%
15 February (Tuesday)	18.00	38.08	47%
26 February (Saturday) *	34.08	63.08	54%
1 March (Tuesday)	25.75	38.75	66%
5 March (Saturday) *	33.00	74.00	45%
13 March (Sunday)	16.25	40.25	40%
14 March (Monday)	27.25	43.25	63%
24 March (Thursday)	15.08	22.58	67%
25 March (Friday)	24.88	57.38	43%
28 March (Monday)	5.08	11.08	46%

Total : 54 days

Source: RTHK records

Note: On 18 days (marked with an asterisk), the standby time exceeded 30 manhours per day.

Civil Service Regulations on entertainment expenses

- CSR 750 (1) Heads of Department and officers duly authorised by their Head of Department may be reimbursed expenses arising from entertainment undertaken in the course of duty.
- (2) Expenditure on entertainment may be charged to public funds when it is:
- (a) directly related to the discharge of an officer's duties or a necessary part of making or maintaining contacts in his official capacity; and
 - (b) in the public interest.
- (3) Expenditure arising from the presence of other Government officers and their spouses may be reimbursed when the Head of Department or the officer acting as host:
- (a) considers it in the public interest that the principal guests should meet such officers; or
 - (b) considers it necessary to invite them to assist in entertaining the principal guests.
- (4) The status of the guests and the standard of entertainment appropriate to the occasion must be taken into account when deciding the place and scale of entertainment.
- (5) When official entertainment is combined with private entertainment only that proportion of the expenditure that is attributable to the presence of the host and hostess and of their official guests may be charged to public funds.

- CSR 751 (1) The Head or Deputy Head of Department must personally authorise all expenditure from the departmental entertainment vote.
- (2) Expenditure on official entertainment should be fully supported by receipts wherever possible. Claims for expenditure on home entertainment when receipts are not produced must be supported by full details and should be certified a reasonable by the Head or Deputy Head of Department personally.
- (3) Vouchers must include sufficient supporting information to enable the Director of Audit to ascertain whether the provisions of these Regulations are being complied with. The list of guests for a particular function need not be attached to the voucher but must be retained for at least 12 months and produced for the Director of Audit's examination if required.
- (4) In the case of large departments the authority referred to at CSR 751(1) and (2) may, with the consent of the Secretary for the Civil Service, be delegated to a directorate officer.
- (5) Entertainment given in connection with opening ceremonies and similar functions may be debited to the entertainment votes provided that:
- (a) these Regulations are complied with; and
 - (b) no special provision has been made under another subhead.

Source: Civil Service Regulations

**The then Deputy Financial Secretary's guidelines
on programme-related entertainment expenses issued in January 1988**

- (a) **For refreshments**
- (i) the cost per head shall not exceed \$15 (subsequently revised to \$32.5);
 - (ii) a full list of names of attendees (including officials) shall be prepared as far as possible to support each claim form. Explanations should be given if it is not possible to produce such a full list;
 - (iii) if the number of attendees is 50 or less, officials should not comprise more than 50%; and
 - (iv) if the number of attendees exceeds 50, officials should not comprise more than 25%;
- (b) **For entertainment in restaurants**
- (i) the cost per head shall not exceed \$150 (subsequently revised to \$250 per head for lunch and \$325 per head for dinner);
 - (ii) prior permission from an Assistant Director/Controller or above shall be obtained;
 - (iii) if the number of attendees is 50 or less, officials should not comprise more than 50%; and
 - (iv) if the number of attendees exceeds 50 for a restaurant meal, prior approval should be sought from the Financial Services and the Treasury Bureau; and
- (c) In both cases (see (a) and (b) above), no other payments, including artist fees, have been or will be made to the artists concerned.

Source: RTHK records

**Approval of claims for reimbursement of
official entertainment expenses in 2004-05**

	Number of claims (Note)	Percentage
Claims with prior approval		
Approval obtained before the event date	32	46%
Claims without prior approval, but covering approval was given		
Application date after the event date	23	33%
Application date before the event date, but approval obtained after the event date	<u>10</u>	<u>15%</u>
	33	48%
Claims without prior approval, but events were held before the requirement was introduced on 1 April 2004		
	<u>4</u>	<u>6%</u>
Total	<u>69</u>	<u>100%</u>

Source: RTHK records and Audit analysis

Note: These cover claims by staff other than the Director of Broadcasting.

**Approval of claims for reimbursement of
programme-related entertainment expenses in restaurants in 2004-05**

	Number of claims	Percentage
Claims with prior approval		
Approval obtained before the event date	58	27%
Claims without prior approval, but covering approval was given		
Application date after the event date	128	61%
Application date before the event date, but approval obtained after the event date	<u>25</u>	<u>12%</u>
	<u>153</u>	<u>73%</u>
Total	<u>211</u>	<u>100%</u>

Source: RTHK records and Audit analysis

**Claims for reimbursement of official entertainment expenses
which exceeded the cost-per-head spending limits in 2004-05**

Date	Total expenses	Number of persons attended	Cost per head (Note 1)
	(\$)		(\$)
<i>Lunch</i>			
3 June 2004	1,700	6	283
30 June 2004	3,100	10	310
1 November 2004	4,915	17	289
11 December 2004	7,915	25	317
21 February 2005	3,529	14	252
<i>Dinner</i>			
25 May 2004	2,243	5	449
27 May 2004	4,834	12	403
11 June 2004	19,500 (Note 2)	13	1,500
9 September 2004	12,120 (Note 3)	18	673
17 March 2005	15,100	35	431

Source: RTHK records

Note 1: As mentioned in paragraph 6.3(a), the general guidelines issued by the Director of Administration require that officers entertaining guests should aim to spend not more than \$250 per person for lunch and \$400 per person for dinner, inclusive of tips.

Note 2: This amount was incurred on the Anniversary Gala Dinner of the Hong Kong Journalists Association, based on \$1,500 per VIP ticket. The Gala Dinner was a fund-raising event of the Association. Audit noted that RTHK's representatives and guests attended this event in the last three years.

Note 3: This is the case mentioned in paragraph 6.15. In response to the Departmental Secretary's query, the claimant explained that he was informed by the restaurant during the dinner that the minimum charge was \$6,000 per table (or \$12,000 for two tables). The Departmental Secretary recommended to the Director of Broadcasting that the claim for reimbursement be approved. The departmental procedures on official entertainment were then re-circulated to all relevant officers as a reminder.

Spring receptions/lunches/dinners held by RTHK in 2004-05

Date	Event	Total expenses (\$)	Number of Government staff	Number of guests
(a) 16 February 2005	RTHK Lunar New Year Celebration 2005	11,650 (Note 1)	— (Not specified)	42
(b) 21 February 2005	Spring reception (lunch)	3,529	6	8
(c) 24 February 2005	Spring reception (lunch)	5,000	11	12
(d) 2 March 2005	Spring dinner	11,900	15	23
(e) 4 March 2005	Spring reception and dinner	11,078 (Note 2)	12	17
(f) 7 March 2005	Spring dinner	9,700	11	22
Total		52,857 (Note 3)		

Source: RTHK records

Note 1: The amount comprised \$9,250 charged to official entertainment and \$2,400 charged to programme-related entertainment.

Note 2: RTHK received two separate bills for this function, one for reception (\$4,071) and the other for dinner (\$7,007). The reception was immediately followed by the dinner (see also para. 6.20).

Note 3: The expenses of item (b) were charged to official entertainment; those of items (c) to (f) were charged to programme-related entertainment; and those of item (a) were charged partly to official entertainment and partly to programme-related entertainment.

Examples of gifts/prizes given out to audience of radio programmes

Date of broadcasting	Radio programme	Gifts/prizes	Contributed by
(1) 26 November and 3 December 2005	Radio 1: Travel Around the World (旅遊樂園)	1 return economy class air ticket between Hong Kong and a European country	A foreign airline
(2) 10 November 2005	Radio 1: Happy Daily (開心日報)	2 concert tickets	A management company
(3) 5 November 2005	Radio 5: Programme for the Elderly (香江暖流)	2 return economy-class air tickets between Hong Kong and an Asian city	A local airline
(4) 13 to 19 October 2005	Radio 1: Happy Daily (開心日報)	8 musical drama tickets	A management company
(5) 10 to 12 October 2005	Radio 1: Happy Daily (開心日報)	100 movie tickets	A management company
(6) 6 and 7 October 2005	Radio 1: Happy Daily (開心日報)	10 tickets of an amusement park	An amusement park
(7) 18 July 2005	Radio 2: Morning Suite (晨光第一線)	40 movie tickets	An entertainment company
(8) 23 to 27 May 2005	Radio 2: Morning Suite (晨光第一線)	8 concert tickets	A management company
(9) 21 May 2005	Radio 2: Public Light Bus Safety Campaign (小巴安全 S 行動日)	5 books	A publisher
(10) 14 May 2005	Radio 2: QQ Co.	20 movie tickets	An entertainment company

Source: RTHK records

Audit's review of ten television programmes recently broadcast by RTHK

Item	Date of broadcasting	Programme	Acknowledgement given to non-profit-making organisation/ government department	Acknowledgement given to commercial organisation
(1)	28 November 2005	Health and Wealth (健康大道)	<ul style="list-style-type: none"> • Hong Kong Academy of Medicine • Faculty of Medicine, University of Hong Kong • Faculty of Medicine, Chinese University of Hong Kong • School of Chinese Medicine, Chinese University of Hong Kong • School of Chinese Medicine, Hong Kong Baptist University • Department of Rehabilitation Sciences, Hong Kong Polytechnic University • Department of Health • Leisure and Cultural Services Department • Agriculture, Fisheries and Conservation Department • Wan Chai Sports Ground 	<ul style="list-style-type: none"> • A clothing company (Note 1) • A ballet school (Note 2) • A sports club (Note 2) • A saloon (Note 2)
(2)	20 November 2005	Art Odyssey (藝行四方)	Nil	<ul style="list-style-type: none"> • A clothing company (Note 1) • A saloon (Note 2)
(3)	20 November 2005	Hong Kong Connection – Unbearable (鏗鏘集 – 不再容忍)	Nil	<ul style="list-style-type: none"> • A local broadcasting company (Notes 2 and 4)
(4)	2 November 2005	Meteorology Series – The Earth-shaking Catastrophe	<ul style="list-style-type: none"> • University of Hong Kong • Hong Kong University of Science and Technology 	<ul style="list-style-type: none"> • An architectural and engineering company (Notes 2 and 5)

Appendix N
(Cont'd)
(para. 7.17 refers)

Item	Date of broadcasting	Programme	Acknowledgement given to non-profit-making organisation/ government department	Acknowledgement given to commercial organisation
(5)	15 September 2005	Rocking Consumption – Smart Consumers (消費樂與怒 - 消費消廢)	Nil	Nil
(6)	14 July 2005	Free the Tigers	Save China's Tigers	• A local airline (Note 3)
(7)	30 June 2005	Bio-century	<ul style="list-style-type: none"> • University of Hong Kong • Chinese University of Hong Kong • Hong Kong Polytechnic University • Hong Kong University of Science and Technology • Hong Kong Academy for Performing Arts • University of Texas at San Antonio 	Nil
(8)	31 May 2005	Medical Detective – Sunset Killer (醫學神探 – 黃昏的殺手)	<ul style="list-style-type: none"> • Hospital Authority • Queen Mary Hospital • Agriculture, Fisheries and Conservation Department • Food, Environment and Hygiene Department • Hong Kong Anti-Cancer Society 	Nil
(9)	4 May 2005	Equal Opportunities Special – Being Single (非常平等任務 - 單身男女)	<ul style="list-style-type: none"> • City University of Hong Kong • Leisure and Cultural Services Department 	<ul style="list-style-type: none"> • A café (Note 2) • A clothing company (Note 1) • An eyewear company (Note 2) • A boxing club (Note 2) • A real estate company (Note 2)

Appendix N
(Cont'd)
(para. 7.17 refers)

Item	Date of broadcasting	Programme	Acknowledgement given to non-profit-making organisation/ government department	Acknowledgement given to commercial organisation
(10)	30 January 2005	Pan-PRD Project – Synergy (新三角演義 - 共贏創未來)	<ul style="list-style-type: none"> • Hungarian Consulate • Spanish Consulate • German Consulate • European Union 	Nil

Source: RTHK records

Note 1: Acknowledgement was given in respect of costume sponsorship.

Note 2: Acknowledgement was given in respect of provision of free services to RTHK.

Note 3: Acknowledgement was given in respect of free passage for RTHK programme production staff.

Note 4: RTHK has explained to Audit that the acknowledgement given to a local broadcasting company is a mutual understanding between RTHK and individual broadcasters on the use of their stations' footage in RTHK's programmes to be transmitted on their platform. This kind of usage is not regarded strictly as sponsorship. It is a token of thanks and also a copyright acknowledgement.

Note 5: RTHK has explained to Audit that the acknowledgement to the architectural and engineering company on the closing credit was given for the permission to take pictures of a device which was only available in the company's building.

Extracts of the BBC guidelines for dealing with prizes

PRIZES

We should not mislead competitors about the nature of the prize.

We should normally pay for the prizes we offer in our competitions and aim to offer original, rather than expensive prizes. If there is a range of prizes, there should be a range of brands or suppliers but we should normally avoid offering prizes of branded products or services which are referred to editorially elsewhere in the programme or on the same section of the website. We should avoid shots of brand logos on air and online. We should not normally refer to brand names or give details about the manufacturer or supplier of a prize.

We should normally only accept modest donated prizes such as theatre tickets, football tickets, books, CDs or DVDs. We may accept prizes of visits to special events, including the hospitality offered at the event, but we should pay for the majority of costs for travel and accommodation.

Donations of substantial prizes are permissible only in exceptional circumstances and must not bring the BBC's editorial integrity into question.

We should use a wide range of donors over time, to ensure we do not appear to favour any institution or company.

Programmes must never give an assurance that there will be an on air or online credit or any publicity in exchange for the donation of a competition prize.

We should not normally link to the site of a supplier or manufacturer of a prize.

We should not offer cash prizes for viewer and listener competitions.

Any proposal to offer a cash prize for a game show must be referred to and approved by the relevant Output Controller.

Cash prizes should never be offered for any children's competition.

Prizes in children's competitions should be appropriate to the age of the target audience and the competitors and should normally be modest or rely on "money can't buy" experiences. High value prizes should normally be avoided.

Source: The BBC Editorial Guidelines

Sponsored visits involving programme production in 2004-05

Programme	Place and date of visit	Number of staff	Particulars of sponsorship	Non-profit making sponsor	Commercial sponsor
Happy Daily Tour for Reconstructing Economy of Phuket	Thailand (1 – 3.2.05)	1	Air passage, accommodation and meals	—	A foreign airline
Meteorology Series III	Japan (26 – 29.1.05)	2	Air tickets	—	A foreign airline
The Guangdong International Music Summer Camp of China	Guangdong (23.1.05)	1	Travelling expenses and meals	The People's Government of Guangdong	—
Lose and Win Website	Macau (17.11.04)	2	Sea passage	Department of Psychiatry of University of Hong Kong	—
Powering Hong Kong	Conghua (8 – 9.11.04)	4	Free accommodation	—	A local utility company
Media Watch	France (2 – 6.11.04)	2	Air tickets and accommodation	—	A French museum and cultural institution
Free the Tigers	Beijing and South Africa (26.10.04 – 11.11.04)	3	Air tickets	—	A local airline

Appendix P
(Cont'd)
(para. 7.29 refers)

Programme	Place and date of visit	Number of staff	Particulars of sponsorship	Non-profit making sponsor	Commercial sponsor
Chinese Youth Forum	Beijing (27.9.04 – 1.10.04)	3	Air passages, local transportation, meals and accommodation	The Hong Kong Federation of Youth Groups and All-China Youth Federation	—
Pan-PRD Project – Synergy (新三角演義 – 共贏創未來)	Germany (14 – 19.9.04)	2	Air tickets	—	A trade fair and exhibition company
Hong Kong Art Festival in Shanghai	Shanghai (24.8.04 – 6.9.04)	4	Air tickets and hotel accommodation	Hong Kong Arts Development Council	—
My Way	South Africa (21 – 30.7.04)	2	Air tickets, accommodation, meals and local transport	—	A local airline
Discovery Tour Around the World II	Macau (23 – 26.6.04)	2	Jetfoil tickets, hotel and accommodation	Macau Government Tourist Office	—
Bio-tech Century	USA (31.5.04 – 4.6.04)	1	Air tickets and accommodation	University of Texas Health Science Centre and the University of Hong Kong	—
Asian Youth Orchestra Special	Thailand and Singapore (13 – 22.5.04)	2	Air tickets and accommodation	Asian Youth Orchestra	—

Source: RTHK records

Sponsored visits to Taiwan in 2004-05

Date	Place of visit	Number of staff	Particulars of sponsorship	Sponsoring organisation
19 to 21 September 2004	Taipei, Taiwan (Note 1)	1	Air tickets, local transportation and accommodation	Public Television Service Foundation of Taiwan
25 to 27 November 2004	Chia Yi, Taiwan (Note 2)	1	Air ticket, board and lodging	National Chung Cheng University and Public Television Service Foundation of Taiwan

Source: RTHK records

Note 1: The purpose of the visit was to attend the "Media On the Move" Symposium held on 20 and 21 September 2004 in Taipei as a panellist of the session "International Cooperation and Marketing in TV Programming". The Symposium was organised by the Public Television Service of Taiwan. A remuneration of US\$300 was offered by the organiser to the RTHK staff concerned. As the participation in the symposium was duty-related and within working hours, the RTHK staff was required to return 50% of the sum to the Government under CSR 552(1) governing outside work during working hours.

Note 2: The purpose of the visit was to represent RTHK as a speaker at the 2004 International Symposium on Digital Communication held on 26 November 2004 in Chia Yi, Taiwan. The Symposium was jointly hosted by the Department of Communication and Institute of Telecommunications of National Chung Cheng University and the Public Television Service of Taiwan.

Acronyms and abbreviations

Audit	Audit Commission
CAUs	Central Administration Units
CITB	Commerce, Industry and Technology Bureau
CSB	Civil Service Bureau
CSRs	Civil Service Regulations
DCS	Departmental contract staff
DCS/service providers	Category II service providers and DCS III
EFP	Electronic Field Production
ETV	Educational Television
FC	Finance Committee
FRU	Finance and Resources Unit
FSTB	Financial Services and the Treasury Bureau
GLD	Government Logistics Department
ICAC	Independent Commission Against Corruption
IOM	Inter-Office Memorandum
LegCo	Legislative Council
NCSC	non-civil service contract
OB	outside broadcast
OT	overtime
OTA	overtime allowance
PAC	Public Accounts Committee
PATV	Public Affairs Television
P-card	Purchasing Card
PIF	Payment Instruction Form
PO	Programme Officer
PSB	public service broadcaster
RTHK	Radio Television Hong Kong
SCOCS	Standing Committee on Contract Staff and Service Providers
SPO	Senior Programme Officer
SPRs	Stores and Procurement Regulations
SRU	System Review Unit
TSA	Technical Services Agreement