

CHAPTER 8

Radio Television Hong Kong

RTHK: governance and strategic management

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RTHK: GOVERNANCE AND STRATEGIC 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.

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.

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, 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. 2.4 to 2.10).

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 (see Chapter 7 of the Director of Audit's Report No. 46); and
- (b) RTHK: governance and strategic management (the subject matter of this report).

Audit review of governance and strategic management

1.11 Audit's review of the financial control and resource management reveals that there are inadequacies in RTHK's management systems – see Chapter 7 of the Director of Audit's Report No. 46. Concurrently, another audit review has also been conducted to examine the fundamental reasons for these problems and to suggest a way forward to tackle them. This audit has focused on the following areas:

- (a) compliance culture and internal control (see PART 2); and
- (b) strategic planning and performance management (see PART 3).

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 **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

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

Photograph 1

RTHK Broadcasting House



Source: RTHK records

PART 2: COMPLIANCE CULTURE AND INTERNAL CONTROL

2.1 This PART examines RTHK's compliance with regulations and guidelines, and internal control.

Management responsibility for the prevention and detection of irregularities

2.2 The primary responsibility for the prevention and detection of irregularities in any organisation rests with its management. In particular, it is the responsibility of the management to establish the following:

- (a) ***Effective internal controls.*** It is the management's responsibility to establish a control environment and maintain policies and procedures to assist in achieving the objective of ensuring the orderly and efficient conduct of the entity's business. This includes establishing and maintaining effective internal controls; and
- (b) ***Effective risk management.*** In determining which controls to implement to prevent and detect irregularities, management needs to assess and take effective measures to address the identified risk factors.

In an organisation, the prerequisite of effective internal controls and risk management is an effective control environment.

2.3 According to international good practices in internal control for managers in governmental organisations (Note 1):

- (a) *“managers are responsible for establishing an effective control environment in their organisations”;*
- (b) *“this is part of their stewardship responsibility over the use of government resources”;* and
- (c) *“the tone managers set through their actions, policies, and communications can result in a culture of either positive or lax control”.*

Note 1: *These international good practices are based on the document “Internal Control: Providing a Foundation for Accountability in Government – An introduction to internal control for managers in governmental organisations” issued by the International Organisation of Supreme Audit Institutions in 2001.*

In this regard, the management needs to place a strong emphasis on prevention and deterrence of irregularities. This involves fostering a compliance culture, which is based on a strong set of core values, and is communicated and demonstrated by the management to provide the foundation for employees as to how the organisation conducts its business. If necessary, the management should consider addressing the issues of internal control and risk management on a strategic level (see para. 2.25(d)).

Observations on non-compliance in RTHK

Formal disciplinary cases in RTHK

2.4 In 2001, Audit conducted a review of 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, the Civil Service Bureau (CSB), and the Government Logistics Department (GLD)) and the introduction of new control measures in RTHK.

SRU review

2.5 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 departmental contract staff (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.

CSB review

2.6 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 2) and Audit in their earlier reviews;
- (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 its review report, the CSB commented that since 2000, RTHK had mounted various measures to improve its system of controls and to remind its staff of the need to comply with the necessary rules and procedures. The CSB made a number of suggestions to further enhance RTHK's system of controls. In February 2004, RTHK reported that the CSB's suggestions had been fully implemented.

ICAC review

2.7 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 temporary staff. 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 to the ICAC that most of the recommendations had been fully implemented.

GLD review

2.8 One of the court cases (the case is on appeal – see Case 3 in Appendix D) revealed weaknesses in management control over procurements in RTHK. In April 2005, the Secretary for Commerce, Industry and Technology raised his concerns with the Director of Broadcasting about this 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.

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

Note 2: *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.*

Audit review of RTHK's financial control and resource management

2.10 Audit's recent review of March 2006 (see Chapter 7 of the Director of Audit's Report No. 46) found that there was room for improvement in RTHK's financial control and resource management. In particular, the review identified cases of non-compliance in a number of areas, including:

- (a) management of DCS and service providers;
- (b) management of outsourcing activities;
- (c) management of overtime (OT) work;
- (d) stores and procurement matters;
- (e) entertainment expenses; and
- (f) management of sponsorship.

Audit observations

2.11 **Audit notes that all the reviews mentioned in paragraphs 2.4 to 2.10 above have highlighted a problem of compliance culture among RTHK staff with applicable regulations, guidelines and procedures.**

2.12 As a government department, RTHK is required to comply with government regulations, guidelines and procedures, which are intended to reduce irregularities to a minimum. **Although RTHK's system of internal control has been strengthened following the internal and external reviews conducted in recent years, Audit considers that more needs to be done.**

2.13 **Based on an analysis of RTHK's formal disciplinary cases, the findings of various internal and external reviews on RTHK, and the observations in Chapter 7 of the Director of Audit's Report No. 46, Audit considers that there is room for further improvement in RTHK's internal control.** There is a need for RTHK to continue to:

- (a) enhance internal control by addressing major risks identified (see paras. 2.14 to 2.23); and
- (b) foster a corporate culture of compliance (see paras. 2.24 to 2.28).

Need to enhance internal control

2.14 In the course of this review, Audit has identified a number of major control risks that RTHK needs to address as a matter of priority, in order to strengthen its financial controls and safeguard against irregularities. These risk factors include:

- (a) nature of the media environment (see paras. 2.15 to 2.17);
- (b) complex staffing structure (see para. 2.18);
- (c) need to implement internal control measures on a timely basis (see para. 2.19);
and
- (d) effectiveness of monitoring (see para. 2.20).

Audit observations

Nature of the media environment

2.15 For an entity, pressure from market competition is a control risk factor. In the dynamic and competitive broadcasting/entertainment business environment of Hong Kong, RTHK is under pressure to produce quality programmes. RTHK has considered that this is a factor for its difficulties in strictly complying with some of the government regulations, guidelines and procedures. For example, in the report of July 2004 to the CITB on the issues arising from an ICAC case, RTHK stated among other things that:

- (a) *“RTHK is in the competitive broadcasting business, and has an operational need to recruit staff at short notice faster than government procedures ordinarily allow”*; and
- (b) *“in fulfilling its role as a public broadcaster, RTHK, like all other media in the broadcasting industry, operates in a diverse and ever-changing environment which reasonably requires responsiveness to the pulse of the public, flexibility in systems and a certain degree of freedom to accommodate staff’s creativity and innovation so as to ensure a high standard and quality of the productions, delivered in a timely fashion”*.

2.16 However, government regulations, guidelines and procedures are generally drawn up based on good public-sector management practices, which provide an effective safeguard against irregularities and malpractices. **Audit considers that, without specific exemptions granted by the relevant authorities, RTHK should ensure that all applicable government regulations, guidelines and procedures are strictly complied with.**

2.17 In particular, Audit considers that RTHK should ensure staff do not rationalise non-compliance with applicable rules and regulations by advancing reasons such as RTHK's operations being unique. The various cases of irregularities in a number of major areas (including the employment of contract staff and freelance service providers, stores and procurement matters, entertainment, and acceptance of commercial sponsorships – see para. 2.10(a), (d), (e) and (f)) show that staff need to appreciate the requirement to follow government rules and procedures, which is conducive to effective internal control in RTHK.

Complex staffing structure

2.18 Complex/unstable organisational structure and high staff turnover are common control risk factors. In RTHK, the large number of temporary staff (DCS), contractors' staff (especially TSA staff), and freelance artists/service providers makes human resource management difficult. Most of these staff or service providers work in RTHK's offices/premises, some of them on a temporary basis, but many of them work on a long-term basis (e.g. TSA staff and some of the freelance artists). Their different status as "employees" or "contractors" or "service providers" has given rise to ambiguities.

Need to implement internal control measures on a timely basis

2.19 Admittedly, no internal control system is foolproof. However, it is most important that, once identified, any system weaknesses are promptly rectified. Otherwise, a perceived opportunity exists for irregularities to proliferate. **Audit noted that in some instances, RTHK should implement internal control measures on a timely basis.** Examples of such instances include:

- (a) ***Management of DCS and service providers.*** Cases 1 and 2 (uncovered in 2002 – see Appendix D) revealed that there were inadequacies in RTHK's maintenance of attendance records for DCS/service providers. However, RTHK only stipulated the requirement for keeping proper attendance records in May 2003. The requirement was not properly enforced until early 2004 (see paras. 2.25 to 2.29 in Chapter 7 of the Director of Audit's Report No. 46). Besides, there were frequent occasions where RTHK staff were allowed to seek covering approval for OT or additional work done and to sign employment contracts after work had commenced. The position has only improved since late 2005 (see paras. 2.30 to 2.37 in Chapter 7 of the Director of Audit's Report No. 46);
- (b) ***Management of outsourcing activities.*** Despite the fact that the SRU had identified the risk of conflict of interest and recommended implementing some additional control measures (see paras. 3.16 and 3.17 in Chapter 7 of the Director of Audit's Report No. 46), RTHK did not implement these measures on

a timely basis to address the risk (see paras. 3.18 and 3.19 in Chapter 7 of the Director of Audit's Report No. 46);

- (c) **Stores management.** As can be seen in paragraph 5.18 in Chapter 7 of the Director of Audit's Report No. 46, while RTHK had known since 2002 that some user sections did not return stock verification certificates to the Supplies Office, which indicated that there might be stores management problems, effective follow-up action (e.g. arranging stock inspection by staff of the Supplies Office) was not taken to rectify the situation. In particular, RTHK had also not taken early actions to reconcile the discrepancies between the stock lists kept by the Supplies Office and Company A, which had been known to RTHK for a number of years (see para. 5.51 in Chapter 7 of the Director of Audit's Report No. 46). As a result, RTHK currently needs to work against a very tight timetable to conduct a large-scale stocktaking and discrepancies reconciliation exercise before the handover of TSA inventories in September 2006 (see paras. 5.52 to 5.54 in Chapter 7 of the Director of Audit's Report No. 46);
- (d) **Entertainment expenses.** As noted in paragraphs 6.15 and 6.16 in Chapter 7 of the Director of Audit's Report No. 46, RTHK had identified the lack of prior approval for official entertainment as a control weakness, but it did not appear that effective actions were taken to tighten control and, as a result, a number of entertainment claims were made without prior approval. In this connection, RTHK informed Audit in March 2006 that approvals were given either in principle or with the immediate supervisor's consent. Cases cited by Audit were procedural matters. RTHK also advised that some last-minute notifications made late applications inevitable for operational needs. In March 2006, to avoid confusion, RTHK issued clear guidelines that prior approval should be obtained; and
- (e) **Budgetary control.** As can be seen in paragraphs 3.14 to 3.22, although the problem of inadequate budgetary control was identified in Audit's review of October 2001, improvement measures had not been taken to rectify the situation until early March 2003 (see para. 3.16). After the SRU's system review of March 2005 which revealed a lack of improvement in the control of budget variances, RTHK has been taking further action to improve its budgetary control system in 2005 and early 2006 (see paras. 3.17 and 3.18).

Effectiveness of monitoring

2.20 To guard against irregularities, the management needs to appreciate the need for monitoring compliance with laws, policies and procedures. This is the management's responsibility. **The facts revealed in this audit review show that the issue of effectiveness of monitoring will have to be addressed.** Such examples include:

- (a) **Management of outsourcing activities.** The large extent of the contractor's non-compliance with the terms of outside broadcast contracts (see paras. 3.9 to 3.13 in Chapter 7 of the Director of Audit's Report No. 46) highlighted a lack of monitoring by RTHK. RTHK had not taken any monitoring action to ensure that staff with the specified experience and track records as set out in the contracts were supplied by the contractor concerned. In fact, RTHK did not keep any attendance records of the contractor's staff to implement such monitoring action;
- (b) **Management of OT work.** Despite clear RTHK internal instructions, no checking of the OT work registers was conducted for the Transport Office during the period October 2002 to June 2005. Audit considers that, in view of the observations in paragraphs 4.29 to 4.38 in Chapter 7 of the Director of Audit's Report No. 46, RTHK needs to conduct more regular checks on the OT work registers to ensure that overtime allowance (OTA) payments are in order;
- (c) **Stores management.** Regular stock verifications had not been conducted for the various categories of stores and inventories in RTHK. It was not until late 2004/early 2005 that RTHK made efforts to verify these stores and inventories (see paras. 5.26 and 5.52 in Chapter 7 of the Director of Audit's Report No. 46);
- (d) **Management of sponsorship.** Audit's findings in PART 7 of Chapter 7 of the Director of Audit's Report No. 46 have revealed inadequacies in the monitoring of compliance with the CITB policy guidelines regarding sponsorships (see para. 7.7 in Chapter 7 of the Director of Audit's Report No. 46); and
- (e) **Budgetary control.** As mentioned in paragraph 3.17(c), the SRU's review found that variance reports generated by the costing system did not seem to be properly attended to by section and division heads. This showed that there was a general disregard for the need for budgetary control at the section/division head levels.

2.21 **In Audit's view, the prevalence of irregularities in any government departments is not conducive to strong public governance. In the case of RTHK, there is a need to give higher priority to strengthening internal control and risk management, taking into account the control risk factors identified by Audit (see paras. 2.14 to 2.20).**

Audit recommendations

2.22 **Audit has recommended that the Director of Broadcasting should continue to critically review whether the existing internal controls within RTHK are adequate, based on a rigorous assessment of its major control risks, taking into account:**

- (a) **the observations and recommendations of internal and external reviews on various aspects of RTHK's management (see paras. 2.4 to 2.10); and**
- (b) **the audit observations and recommendations in this review, particularly the control risk factors identified (see paras. 2.14 to 2.20).**

Response from the Administration

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

- (a) RTHK's management has over the years put in place various internal control measures (see Appendix E), the latest effort being management's initiatives to review internal audit effectiveness and to set up with the ICAC an ongoing Steering Committee; and
- (b) in order to further enhance the existing controls, RTHK is looking into setting up a high-powered Internal Audit Committee to closely monitor and assess the effectiveness of internal control measures and the full implementation of the audit observations and recommendations, in particular the control risk factors.

Need to foster a compliance culture

2.24 RTHK's activities are paid for by public funds and, as such, taxpayers quite rightly will have strong expectations of probity. **To ensure that staff do follow all applicable regulations, guidelines and procedures, it is most important to further foster a compliance culture among staff.**

Audit observations

2.25 The various compliance problems in RTHK (see paras. 2.4 to 2.10) have highlighted the need to improve governance by fostering a compliance culture in RTHK. **To help foster such a compliance culture, Audit considers that:**

- (a) **it is most important for RTHK to give a clear message to all staff concerned about the importance of compliance** (e.g. in procurement matters – see para. 5.8 in Chapter 7 of the Director of Audit's Report No. 46);

- (b) **all parties concerned (including RTHK officers, temporary staff, freelance artists/service providers, and contractors' staff) should be familiar with and follow RTHK's corporate values, as well as the codes of conduct applicable to personnel working in the Government.** Regular staff training should be conducted. For example, in procurement matters, there is a clear need for more training to be provided to all staff concerned (see paras. 5.8 and 5.9(b) in Chapter 7 of the Director of Audit's Report No. 46);
- (c) **management controls and monitoring should be enhanced and, if necessary, enforcement and disciplinary actions should be taken.** In this regard, RTHK should address the risk of inadequate monitoring mentioned in paragraph 2.20. Besides, enforcement and disciplinary actions should be taken against non-compliance to underpin a compliance culture; and
- (d) **strengthening internal control should be dealt with as an issue of strategic management.** To bring about a change of organisational culture and establish a compliance culture, improving internal control should continue to be dealt with as a priority issue under the strategic planning and performance management framework in RTHK. For example, the establishment of a compliance culture with a view to strengthening internal control may be included as a major strategic objective of RTHK.

Audit recommendations

2.26 **Audit has recommended that the Director of Broadcasting should continue to foster a corporate culture of compliance with all applicable policies, regulations, guidelines and procedures in RTHK. This should, among other things, entail:**

- (a) **communicating and demonstrating a set of core values and codes of conduct to all levels of staff; and**
- (b) **addressing good governance as a priority issue under RTHK's strategic planning and performance management framework.**

Response from the Administration

2.27 The **Secretary for Commerce, Industry and Technology** has said that:

- (a) the commonly accepted principle is that a publicly-funded broadcaster must deploy public resources responsibly and in a highly transparent manner;

- (b) the CITB agrees that it is imperative to put in place a corporate culture conducive to compliance, and appreciates that the management of RTHK has been striving to make improvement in this respect; and
- (c) given the experience of past reviews not producing significant improvements, the CITB suggests that more effective monitoring of improvement measures should be considered. For example, the CITB suggests the setting up of a time-limited high-level internal audit team to follow up on the audit recommendations by submitting progress reports to the Director of Broadcasting and the CITB.

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

- (a) RTHK's management has over the years put in place various internal control measures (see para. 2.23(a)). RTHK's management has committed continually to fostering a corporate culture of compliance;
- (b) all new recruits have to attend an induction training programme on rules and compliance, while existing staff have to join regular briefing workshops;
- (c) communicating the culture of compliance is a primary agenda item at all levels of meetings and RTHK is actively considering "compliance" as one of the core competencies under a proposed new staff appraisal system being developed; and
- (d) RTHK will set up a high-powered Internal Audit Committee to closely monitor the effectiveness of internal control measures and make recommendations to continue to foster a corporate culture of compliance (see para. 2.23(b)).

PART 3: STRATEGIC PLANNING AND PERFORMANCE MANAGEMENT

3.1 This PART examines RTHK's strategic planning and performance management.

Importance of strategic planning

3.2 Financial controls and resource management can only operate effectively under a sound strategic planning framework. It is important that an organisation allocates and manages its resources to deliver services that meet its objectives and priorities. To ensure effective strategic resource management, a systematic performance measurement and reporting system should be in place to enable all stakeholders assess how effectively the resources are aligned and focused for achieving the organisation's strategic objectives.

3.3 In this review, Audit has found that there is scope for improvement in the following areas of strategic resource management in RTHK:

- (a) need for a formal strategic planning framework as a basis for effective resource management in RTHK (see paras. 3.4 to 3.13);
- (b) need for a sound budgetary control mechanism to monitor the effective use of RTHK's resources (see paras. 3.14 to 3.24); and
- (c) need for a systematic performance measurement and reporting system to enable proper evaluation of RTHK's effectiveness in resource management (see paras. 3.25 to 3.36).

Need for a formal strategic planning framework

3.4 In order to realise the vision "*to be a leading public broadcaster in the new media environment*" (see Appendix A), RTHK has to meet a number of challenges. Major challenges, according to a consultancy review commissioned by RTHK in 2002, include:

- (a) ***Changing media environment.*** In recent years, the broadcasting environment has been changing rapidly. The overall impact of the global industry trends is to increase quality and choice for consumers both in programming and in delivery channels. For example, interactive digital, Internet, and third generation (3G) mobile phones provide new delivery channels, which not only increase programme availability, but also increase the investment and development demands on PSBs' programme production budgets; and

- (b) **Changing role of PSBs.** In the changing environment for PSBs, RTHK cannot simply assume that its role is understood and accepted. RTHK needs to set out performance measures that can be used to compare its performance with other PSBs and ensure that public funds are being used in an efficient and appropriate manner.

3.5 As part of the consultancy, a strategic plan study was conducted, which identified the following strategic directions for RTHK to move forward over the next five years:

- (a) improving accountability against a well-defined purpose;
- (b) developing a value culture underpinned by financial flexibility; and
- (c) evolving a staffing mix fit for the purpose.

3.6 Following the strategic plan study, RTHK prepared its first Annual Plan, setting out the major directions and the more detailed programme planning for 2004-05.

Audit observations

3.7 Audit considers that the compilation of the 2004-05 Annual Plan by RTHK, based on strategic directions identified in a strategic plan study (conducted by an international consultancy firm – see para. 3.4), is a step in the right direction. To ensure effective strategic resource management, it is important for RTHK to make the best use of the annual planning process as a management tool to:

- (a) communicate its mission and objectives externally and internally to all stakeholders to ensure that all parties concerned understand and are committed to the mission/objectives;
- (b) ensure that resources are allocated effectively to achieve RTHK's strategic objectives; and
- (c) enable management and all stakeholders to evaluate the performance of RTHK.

3.8 However, Audit noted that:

- (a) RTHK did not formally consult the CITB and seek its comments and input (on a draft Annual Plan), before drawing up the 2004-05 Annual Plan;

- (b) there was no formal evaluation of the implementation of targets set out in the 2004-05 Annual Plan; and
- (c) an Annual Plan for 2005-06 had not been prepared.

3.9 In response to Audit's observations, in February 2006 RTHK commented that strategic planning and management of resources can be undertaken in different forms and structures, and should not be limited to an Annual Plan. RTHK considers that the Controlling Officer's Report (COR) and the Performance Pledge are sufficient to act as a management tool in this regard. For example, the COR is submitted to the CITB annually for its review. RTHK also informed Audit that formal evaluation of the implementation of targets was conducted internally and continuously throughout the year during management meetings, as well as the annual management retreat held for senior management for discussing the strategy ahead.

3.10 Audit considers that RTHK needs to establish a more formal strategic planning framework as a basis for effective resource management. In conducting a strategic planning exercise, various strengths and weaknesses (including compliance problems) need to be examined and addressed. **In the absence of a formal strategic plan/business plan framework to underpin resources management, an effective mechanism for aligning individual radio/TV programmes with RTHK's strategic goals and objectives is lacking. This makes it difficult to allocate the appropriate amount of resources to individual programmes, for meeting the various policy objectives.**

Audit recommendations

3.11 **Audit has recommended that the Director of Broadcasting should put in place a formal strategic planning framework as a basis for effective resource management. In this regard, RTHK should consider:**

- (a) **consulting its key stakeholders (including the CITB) when drawing up its annual plans, taking into account their input;**
- (b) **promulgating its annual plans by uploading them to the RTHK website to enhance transparency and public accountability; and**
- (c) **monitoring closely the implementation of its annual plan targets and conducting a formal evaluation of the achievement of these targets.**

Response from the Administration

3.12 The **Secretary for Commerce, Industry and Technology** has said that:

- (a) it is crucial for a publicly-funded broadcaster to retain its identity and distinctiveness for rendering public service. The spirit is enshrined in the statement adopted by the participants in the workshop on public service broadcasting at the World Electronic Media Forum organised by the United Nations Educational, Scientific and Cultural Organisation in December 2003, which states, among others:

“Although PSB should be adjusted to the media environment today, it remains crucial for it to retain its identity and distinctiveness for rendering public service. This should be the most essential cause of our fight for the continuous existence of public service broadcasting tomorrow”;

- (b) in this connection, the CITB agrees to Audit’s observations in paragraph 3.3(a) that there is a need for a formal strategic planning framework and in paragraph 3.7 that the compilation of an annual plan by RTHK is a useful strategic planning tool; and
- (c) the CITB is aware that annual programme plan is in fact a common practice for publicly-funded broadcasters in the UK, Australia, Canada, New Zealand, etc. Usually, there are measurable targets for different genres of distinctive public service programmes for the public’s scrutiny of the broadcaster’s performance in meeting its targets.

3.13 The **Director of Broadcasting** has said that RTHK will be happy to promulgate appropriate elements of its programming plans on its website and is committed to achieving targets set. He has also said that:

- (a) he has not completed an annual formal strategic plan since 2004 because the formulae approach taken in previous annual plans did not lend itself to the overall management of RTHK’s activities, especially those creative aspects of radio and TV programming;
- (b) in 2004 and 2005, around Chinese New Year, he held a one-day management retreat to establish a macro approach to the way ahead for the next financial year;
- (c) following the retreats, division heads then refine various elements in their own management meetings. Their plans are discussed and refined at weekly strategic meeting chaired by the Director of Broadcasting;

- (d) in this way, audience needs through many channels of communication and RTHK resources available are under constant evaluation; and
- (e) the CITB is very much in the picture, as RTHK holds a quarterly progress review meeting with the CITB.

Need for a sound budgetary control mechanism

3.14 A sound budgetary control system is essential for effective financial controls. Besides, strategic resource management will only be effective if budgetary control is strictly exercised to ensure that resources allocated according to the Annual Plan are not diverted to other areas without proper approval.

3.15 As a government department, RTHK uses the Treasury's Ledger Accounting and Financial Information System for control of its overall expenditure. This is generally effective in controlling RTHK's expenditure at the macro level. RTHK uses a computerised costing system to assist in budgetary control at the micro level (i.e. programme level for TV services, and channel level for Radio services).

3.16 In October 2001, Audit reviewed the performance and resource management of RTHK and identified areas for improvement in its budgetary control system. These included the need to keep formal records of budget revisions and the need to input revised budget data into the costing system for budgetary control purposes. In response to Audit's findings, RTHK issued an Inter-Office Memorandum (IOM) in September 2001 to formalise departmental procedures for budgetary control. RTHK had also upgraded the costing system to generate exceptions reports on budget variances. Since March 2003, RTHK had changed the frequency of programme offer exercise (which is an exercise for allocating RTHK resources among TV programmes) from annually to half-yearly.

3.17 In March 2005, the SRU completed a system review on resource management, including a review of the effectiveness of the remedial measures taken in response to Audit's findings in 2001. Among other observations, the SRU noted that:

- (a) based on its analysis of budget variances in 2003-04, no improvement was observed in the control of budget variances;
- (b) for those TV programmes with budget variances, no formal record for budget revision was kept; and

- (c) though variance reports at costing units level were generated by the costing system and were accessible by section and division heads, these reports did not seem to have been properly attended to.

3.18 At the time of this audit review, RTHK was taking action to improve its budgetary control system, in response to the SRU's review. In September 2005, the Assistant Director (PATV) issued an IOM to set out more detailed procedures for budgetary control of TV programmes, highlighting the need for "*close monitoring*" of budget variances. To enhance a better control mechanism, starting from September 2005, there have also been monthly revision exercises regarding two of the four elements of the programme budgets (namely cash and production services staff), with formal approval from division/section heads. The records were documented. For the other two elements of the programme budgets, quarterly review had commenced in January 2006 for programme staff costs, while adjustment for costs of TSA would be addressed when the new contract for the provision of technical services comes into effect in October 2006.

Audit observations

3.19 In this review, Audit analysed the budget variances of TV programmes with an actual direct cost of \$100,000 or more in 2004-05 and 2005-06 (up to November 2005). The results were compared with those conducted by Audit in October 2001, and those conducted by the SRU in March 2005 (see Table 2).

Table 2

Audit analysis of budget variances of TV programmes

	2000-01 (Note 1)		2003-04 (Note 1)		2004-05 (Note 1)		2005-06 (Note 1) (up to November 2005)	
	No.	(%)	No.	(%)	No.	(%)	No.	(%)
Within budget	37	41%	49	34%	69	42%	75	62%
Exceeded budget by								
less than 20%	14	15%	16	11%	25	15%	16	13%
20% or more	20	22%	50	34%	65	39%	28	23%
	34	37%	66	45%	90	54%	44	36%
No budget	20	22%	30	21%	7	4%	2	2%
Total (Note 2)	91	100%	145	100%	166	100%	121	100%

Source: RTHK records and Audit analysis

Note 1: The analysis of budget variances for 2004-05 and 2005-06 was conducted by Audit in December 2005. The analysis for 2003-04 was conducted by the SRU in March 2005 and that for 2000-01 was conducted by Audit in its review of October 2001.

Note 2: Only TV programmes with an actual direct cost of \$100,000 or more were selected for review.

3.20 Table 2 shows that:

- (a) for 2004-05, the extent of budget variances continued to be significant. For example, 90 (54%) programmes in 2004-05 exceeded their budgets, compared with 34 (37%) in 2000-01. In particular, 65 (39%) programmes under examination exceeded the budgets by 20% or more in 2004-05, compared with 20 (22%) in 2000-01; and
- (b) for 2005-06 (up to November 2005), there has been an improvement. Due to a number of remedial measures taken in the implementation of the Programme Offer System during 2005 and early 2006, in 2005-06, 75 programmes (62%) were within budget. The percentage of programmes without a budget was also reduced to 2%.

3.21 **Audit is concerned that unauthorised budget overruns are not in compliance with RTHK's procedures on budgetary control and might undermine the effectiveness of RTHK's financial controls and resource management.** Although the position of budget variances in 2005-06 has improved and RTHK has advised that the total expenditure of TV programmes production is within the RTHK's budgetary limit, Audit is concerned that the budget variances are still significant. As shown in Table 2, in 2005-06, 44 programmes (36%) had budget overrun. **There is still scope for further improvement.**

3.22 **Audit considers that RTHK needs to continue making vigorous efforts to ensure strict compliance with the departmental budgetary control procedures.** In this regard, Audit noted that the SRU had recommended that the PATV and ETV Divisions should consider incorporating the element of expenditure control into the staff appraisal system. In Audit's view, this measure will be conducive to fostering a compliance culture among all RTHK staff.

Audit recommendations

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

- (a) **implement the SRU's recommendations to improve RTHK's budgetary control system as soon as possible;**
- (b) **remind all staff of the need to strictly comply with the departmental budgetary control procedures; and**
- (c) **incorporate an element of budgetary control into the staff appraisal system, and make those who repeatedly exceed the budgets without prior approval accountable for budget overrun.**

Response from the Administration

3.24 The **Director of Broadcasting** has said that steady progress and improvement are being made as shown in the expenditure up to November 2005. RTHK has taken a number of improvement measures on budgetary control of TV programmes during 2005 and early 2006. Of the total spending up to November 2005, 75 programmes (62%) were within budget and the percentage of programmes without a budget was even down to 2% (see para. 3.20(b)). The actual costs of these 75 programmes amounted to 72% of the total actual costs of all the programmes. While recognising that there is still room for improvements, RTHK has exercised control and accorded priority to programmes with higher costs in controlling the TV programme budgets. The Director has also said that:

- (a) actions are being taken to implement the SRU's recommendations to improve RTHK's budgetary control system on TV programmes as soon as possible;
- (b) departmental instructions have been issued to staff concerned in September 2005;
- (c) RTHK is currently working actively on the Programme Offer System so that revised bidding can be reflected as budget in the Costing System to facilitate adjustments; and
- (d) RTHK is actively considering adopting "management of resources" as one of the core competencies under a proposed new staff appraisal system being developed.

Need for a systematic performance measurement and reporting system

3.25 Audit's review on the performance and resource management of RTHK in October 2001 had revealed inadequacies in RTHK's performance measurement and reporting. Audit had recommended, among other things, that RTHK should devise suitable performance indicators for reporting in the COR its achievements and how it was fulfilling the role of a PSB. In response to Audit's recommendations, RTHK included various key performance indicators (KPIs) in its COR. In this review, Audit has found that there is still room for improvement in a number of areas, including:

- (a) assessing RTHK's success in fulfilling its role as a PSB (see paras. 3.26 and 3.27);
- (b) international benchmarking (see para. 3.28); and
- (c) evaluation of TV programmes (see paras. 3.29 to 3.34).

Audit observations

RTHK's role as a PSB

3.26 At present, RTHK does not have a formal strategic plan (see paras. 3.7 to 3.10). **Audit considers that, in the absence of a strategic plan (as a basis for systematic performance measurement and reporting), it is difficult for RTHK to demonstrate to all stakeholders its success in achieving its strategic goals, particularly in fulfilling the role as a PSB.**

3.27 In response to Audit's recommendation in October 2001 that RTHK should devise suitable KPIs for reporting in the COR its achievement in fulfilling the role of a PSB (see para. 3.25), RTHK commissioned a consultancy in 2002 to conduct a strategic plan

study (see paras. 3.4 and 3.5) including the drawing up of new KPIs. The consultancy highlighted the changing role of PSBs as a key challenge facing RTHK. According to the consultancy, the fundamental response to the question as to why PSBs should receive public funding is that PSBs create “*public value*”. With the help of the consultancy, RTHK has been exploring options to revise its Vision, Mission and Values Statement to address the concept of public value.

International benchmarking

3.28 Audit’s review of October 2001 recommended that RTHK should accord priorities to international benchmarking, in order to seek productivity improvement. The consultancy commissioned by RTHK in 2002 also highlighted the need to set out performance measures that can be used to compare its performance with other PSBs (see para. 3.4(b)). **However, no systematic benchmarking of RTHK against overseas PSBs has yet been conducted. In the absence of such benchmarking information, it is difficult for stakeholders to assess RTHK’s performance in isolation.**

Evaluation of TV programmes

3.29 For commercial broadcasters, performance of their programmes can be readily assessed by market ratings (e.g. reports on TV viewership). However, for a PSB, market ratings are normally not considered appropriate as the sole indicator of performance for its TV programmes. This makes evaluation of the quality and effectiveness of the programmes of a PSB difficult.

3.30 RTHK included TV programme appreciation index as a new KPI in the 2005-06 COR. Among the four local broadcasters participating in the 2004 TV Programme Appreciation Index Survey (Note 3), RTHK’s average appreciation index of 72.8 was the highest (compared with the lowest of 68.7). Besides, of the top 20 programmes according to the appreciation index, 10 were RTHK programmes. These results gave a broad indication about the quality of RTHK’s TV programmes.

Note 3: *The TV Programme Appreciation Index Survey, which is conducted by an independent body, provides another indicator of programme quality apart from viewership ratings. Four local broadcasters participated in the 2004 Survey, which was the latest available full-year survey at the time of this audit review. A total of 213 TV programmes were included in the survey, including 49 from RTHK.*

3.31 However, Audit's analysis of the "awareness level" (Note 4) produced by the 2004 TV Programme Appreciation Index Survey showed that, of the 49 RTHK programmes included in the survey:

- (a) 33 (67%) programmes were below the average awareness level of 26.1% (among all 213 programmes included in the survey);
- (b) 14 (29%) programmes scored less than 10% in awareness level. **The scores of these RTHK programmes appeared to be on the low side, given that most of RTHK programmes were broadcast during prime time via the two local free-to-air TV stations** (Note 5). In comparison, for the other two local free-to-air broadcasters, only 5% and 9% respectively of their programmes scored less than 10% in awareness level; and
- (c) in particular, 7 (14%) programmes (see Appendix F) scored less than 10% in awareness level and, at the same time, were below the average appreciation index of 70 (among all 213 programmes included in the survey).

3.32 **Audit considers that the RTHK's TV programmes with either low appreciation index or low awareness level, or both, are a cause for concern because it is not known whether these programmes have reached the target number of audience.** In this connection, RTHK has advised Audit in March 2006 that:

- (a) Appreciation Index Survey aims at gauging audience's assessment of the quality of selected productions, as opposed to ratings or reach which is mainly a quantitative measure for commercial needs. "Awareness level" is only a means to the Appreciation Index Survey and should in no way be interpreted as purely a measure of reach or audience ratings. It is in fact a proportion of a sample of audience who watched the programme. It may not be appropriate to quote awareness level as an independent quantitative indicator in a survey that focuses on the quality of a programme;
- (b) among the four local broadcasters (RTHK, two free-to-air TV stations, and one pay TV station), RTHK was second in the average awareness level;

Note 4: *The "awareness level" is an indicator produced by the Appreciation Index Survey. The awareness level of a programme is calculated by dividing the number of respondents who have watched the programme by the total number of respondents in the survey.*

Note 5: *RTHK's TV programmes are mainly broadcast during prime time via the two local free-to-air TV stations. Of the 14 programmes that scored less than 10% in awareness level, 13 programmes (including a one-off special programme) were broadcast during prime time, and only one programme was broadcast during fringe time. 13 of these 14 programmes were broadcast on the same free-to-air local TV station.*

- (c) prime-time slots allocated to RTHK are on Mondays to Fridays at 7:00 p.m. to 7:30 p.m. on one TV station, and on Saturdays and Sundays at 7:00 p.m. to 8:30 p.m. and 7:00 p.m. to 8:00 p.m. respectively on the other TV station, with an annual timeslot swap. RTHK's audience reach or ratings are also affected by the overall performance of those two TV stations;
- (d) RTHK might not be able to reach its target audience under this confined timeslot. However, RTHK has to strike a balance between programmes for the mass, which the commercial broadcasters are already providing, and programmes for the minority of specific interests or age groups, which might not be those widely popular programmes;
- (e) with the fast changing digital environment, more pay TV operators have joined the media scene. At present, only one cable TV operator, which is confronted with the dilemma of scoring low appreciation index and low awareness level, is invited to take part in the Appreciation Index Survey. To keep pace with the change in media players, the survey methodology is currently under review to further achieve the goal of the Appreciation Index Survey; and
- (f) RTHK is also tasked with providing platforms for independent producers and grooming local talents. Special interests programmes with low appreciation index and low awareness level (e.g. YTV – see Appendix F), which tapped creative talents, might not be a mainstream choice, but it is RTHK's mandate as a public broadcaster to continue to support such kind of productions that commercial broadcasters shun.

3.33 Audit notes RTHK's comments but considers that, given the considerable resources (\$198 million for 2005-06 – see para. 1.6) involved in production of these TV programmes, RTHK has to critically evaluate the quality and audience reception of its programmes, particularly those with low appreciation index and awareness level.

3.34 At present, RTHK does not set targets/benchmarks of appreciation index or awareness level for its programmes. **Audit considers that RTHK may consider setting targets/benchmarks for both appreciation index and awareness level, in order that more meaningful evaluation of its programmes can be made.** In this regard, different targets/benchmarks should be set for different categories of programmes. For example, for programmes which are intended to be “popular programmes”, a higher target/benchmark of awareness level should be set. For “minority programmes”, appreciation index may be more important, but a minimum awareness level should also be set as a benchmark for evaluation. In any case, it is not satisfactory for many TV programmes to be rated below the target awareness level, even if the viewers may appreciate the programme.

Audit recommendations

- 3.35 **Audit has recommended that the Director of Broadcasting should:**
- (a) **devise suitable performance measures for reporting to key stakeholders its success in achieving its strategic goals, particularly in fulfilling RTHK's role as a PSB in Hong Kong (see para. 3.26);**
 - (b) **conduct systematic benchmarking of RTHK's KPIs against those of overseas PSBs and report the results to key stakeholders (see para. 3.28);**
 - (c) **critically evaluate the quality and effectiveness of its programmes, particularly those with low appreciation index and awareness level (see para. 3.33); and**
 - (d) **consider setting targets/benchmarks in the strategic planning process for RTHK's programmes, in terms of both programme quality (e.g. appreciation index) and the target number of audience (e.g. awareness level), in order to facilitate more meaningful evaluation of the success of RTHK programmes (see para. 3.34).**

Response from the Administration

- 3.36 The **Director of Broadcasting** has said that:
- (a) RTHK agrees with the recommendation in paragraph 3.35(a). Discussions are ongoing. RTHK looks forward to this being covered in the current review on public service broadcasting;
 - (b) RTHK is looking into the recommendation in paragraph 3.35(b) within the context of the public value of its operations;
 - (c) the implementation of the recommendation in paragraph 3.35(c) is already ongoing; and
 - (d) the implementation of the recommendation in paragraph 3.35(d) is also ongoing. However, RTHK does not consider it appropriate to apply mechanically derived targets.

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.

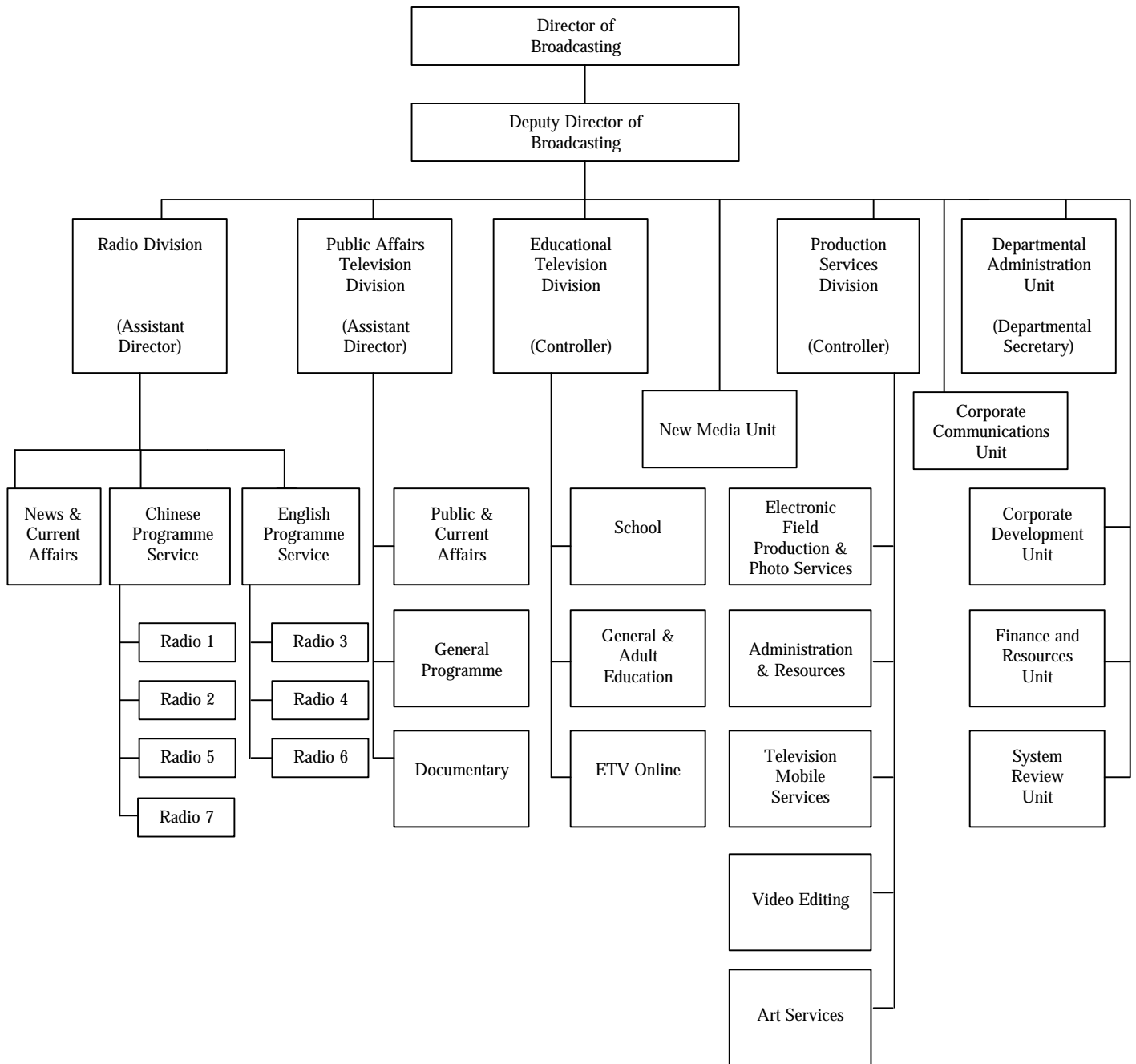
Source: RTHK records

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 misconducts.

Source: RTHK records

RTHK's internal control measures
(Prepared by RTHK on 10 March 2006)

Review studies conducted in respect of
RTHK's operating systems and procedures

1.1 RTHK has co-operated with some key government authorities to conduct studies into its operation and systems. They include the Corruption Prevention Department of ICAC, Audit Commission, CSB, Treasury, and Government Logistics Department. The following is a list of the review studies conducted in the last five years:

- (a) ICAC Corruption Prevention Assignment Report No. 95/99 on "Engagement of Contractors for Programme Production" (issued in April 2000);
- (b) Departmental Survey conducted by the Treasury (issued in August 2000);
- (c) ICAC Corruption Prevention Assignment Report No. 16/2001 on "Procurement of Goods" (issued in May 2001);
- (d) Audit Commission's Report No. 37 on RTHK's Performance and Resource Management 2001 (issued in October 2001);
- (e) Review report on RTHK systems (procurement of goods and services, management of temporary staff and administration of overtime work) by the CSB (issued in December 2002);
- (f) ICAC Corruption Prevention Assignment Report No. 99/2002 on "Hiring of Temporary Staff" (issued in March 2003);
- (g) ICAC Corruption Prevention Assignment Report on "Commissioning of TV Programmes" (issued in October 2004);
- (h) Supplies Survey & Stock Verification regularly conducted by Government Logistics Department (last report issued in August 2005); and
- (i) ICAC Corruption Prevention Assignment Report on "Administration of the Top Ten Chinese Gold Songs Awards" (issued in October 2005).

1.2 Besides the above studies, RTHK has also conducted a number of scheduled reviews after setting up its own Systems Review Unit in April 2002 to strengthen internal controls and enhance efficiency and productivity of the department, in compliance with established policies and procedures. Systems reviews subsequently completed include the following:

- (a) payment operations of Form 9A System (January 2003);
- (b) procurement of goods (April 2003);

- (c) procurement of services (September 2003);
- (d) management of services under Technical Services Agreement (February 2004);
- (e) management of stores (July 2004);
- (f) resource management (March 2005); and
- (g) miscellaneous ongoing maintenance reviews to check on compliance with government regulations and rules.

Improvement measures already put in place

2.1 By taking through a whole series of follow-up measures, RTHK has shown its determination to stamp out any non-compliances and abuses to its system. Collectively, these measures serve to:

- strengthen RTHK's management systems;
- put in place risk management processes;
- segregate duties in hiring and procurement matters;
- put into effect audit systems; and
- inculcate a culture change to meet public expectations.

2.2 The CSB, in its review report in December 2002, said that:

“ ... (RTHK) has indeed mounted a number of measures to improve its system control and to remind its staff of the need to comply with the necessary rules and procedures, and to ensure that systems operate properly and efficiently. Departmental circulars and inter-office memos on procurement, employment of temporary staff, and management of OT work have been issued.”

The following paragraphs give a brief account of the improvement measures put in place in RTHK in the last few years.

Setting up Central Administration Units in Divisions

2.3 CAUs were set up in all Divisions in 2003 to centrally coordinate the recruitment, payment of fees and wages, and the general administration of temporary staff and service providers. With the CAUs in the Divisions, the administrative duties involved in the hiring and payment are no longer undertaken by the end users. With the segregation of duties, the possibility of non-compliances can be minimised.

Computerisation of the administrative and financial systems

2.4 Automated administrative and financial systems have been launched to closely monitor the handling of payments and procurements.

2.5 Since early 2003, RTHK has also put in place a system to invite potential contractors to register as RTHK's suppliers through its website. If these contractors are considered qualified after vetting by the Finance and Resources Unit, they will be put on the RTHK's supplier list. This arrangement helps to enlarge the suppliers' pool and guard against any possible malpractice of only offering service contracts to few selected contractors all the time.

Updating circulars and guidelines

2.6 Internal circulars have been issued and updated to increase staff's awareness of government rules and regulations and to provide clear guidelines and instructions for everyday operation.

2.7 All Senior Programme Officers and above were issued Circular Binders to keep copies of administrative circulars for handy reference. This helps to reinforce supervisory officers' accountability and enhance the management system as a whole.

Regular briefings and staff communication

2.8 Staff training on important government and departmental rules and regulations has been provided through briefings, seminars, workshops, induction programmes and use of training video. This is an on-going exercise, with the latest round of talks given by representatives from the Corruption Prevention Department and the Community Relations Department of ICAC, and the Treasury.

Latest development

2.9 The latest effort is management's initiatives to review the effectiveness of the internal audit function and to set up with ICAC a Joint Integrity Steering Committee.

Source: RTHK records

Appendix F
(paras. 3.31(c)
and 3.32(f) refer)

**RTHK 2004 TV programmes which scored less than 10%
in awareness level and were below the average appreciation index of 70**

Programme	Time schedule	Appreciation index (Note)	Awareness level
Trade - the GPS Way (商貿攻略 GPS)	Sunday 7:00 p.m. – 7:30 p.m.	69.3	5.3%
Robocon 2004 Hong Kong Contest - Lover's Reunion (全港大專生機械人 大賽 – 鐵甲情緣)	Tuesday 7:00 p.m. – 7:30 p.m.	69.3	8.3%
Male and Female in Hong Kong (港式男女)	Monday 7:00 p.m. – 7:30 p.m.	68.9	7.3%
Tutor Online (上網問功課)	Saturday or Sunday (non-racing day) 10:00 a.m. – 10:30 a.m.	68.3	7.8%
Challenge of Life (小伙子大攞作)	Monday 7:00 p.m. – 7:30 p.m.	68.2	8.9%
Youth Profile (青春告白)	Tuesday 7:00 p.m. – 7:30 p.m.	67.4	8.7%
YTV (青年人電視頻道)	Wednesday 7:00 p.m. – 7:30 p.m.	65.4	5.4%

Source: Results of the 2004 TV Programme Appreciation Index Survey

Note: The average appreciation index of all 213 programmes included in the 2004 TV Programme Appreciation Index Survey was 70. Of the 7 RTHK programmes which scored less than 10% in awareness level and were below the average appreciation index of 70, 6 programmes were within 2.6 points of this average. The remaining programme scored 65.4. Of all the 213 programmes surveyed, the lowest score was 57.1 (the programme concerned was broadcast on a pay TV station and was not an RTHK programme).

Acronyms and abbreviations

Audit	Audit Commission
CAUs	Central Administration Units
CITB	Commerce, Industry and Technology Bureau
COR	Controlling Officer's Report
CSB	Civil Service Bureau
DCS	Departmental contract staff
ETV	Educational Television
GLD	Government Logistics Department
ICAC	Independent Commission Against Corruption
IOM	Inter-Office Memorandum
KPIs	key performance indicators
NCSC	non-civil service contract
OT	overtime
OTA	overtime allowance
PATV	Public Affairs Television
PSB	public service broadcaster
RTHK	Radio Television Hong Kong
SRU	System Review Unit
TSA	Technical Services Agreement