

Report No. 50 of the Director of Audit — Chapter 5

THE SOCIETY FOR THE AID AND REHABILITATION OF DRUG ABUSERS

Summary

1. The Society for the Aid and Rehabilitation of Drug Abusers (SARDA) is a non-profit-making non-governmental organisation (NGO) that provides free residential treatment and rehabilitation (T&R) services to drug abusers who seek treatment on a voluntary basis. It is governed by its Executive Committee (EC), and is mainly funded by recurrent subvention from the Department of Health (DH). In 2006-07, its recurrent expenditure was \$75 million. The Audit Commission (Audit) has recently conducted a value for money audit on the administration of SARDA.

Management and control of government subvention

2. *Disputes between SARDA and Department of Health.* SARDA is required to observe DH subvention guidelines. In the past few years, there had been prolonged discussions and arguments (“disputes”) between SARDA and the DH mainly about the legitimacy of the DH’s authority in giving directions to SARDA on administrative matters. Audit conducted a questionnaire survey on the EC members and the government representatives in the EC. The majority of the respondents (including government representatives) considered that the disputes had adversely affected the efficiency and effectiveness of SARDA and the DH in performing their duties. They also believed that the establishment of a funding and service agreement (FSA) would help avoid potential disputes in future and foster a more harmonious working relationship. *Audit has recommended that the Director of Health should accord priority to establishing, in consultation with SARDA, an FSA between SARDA and the DH.*

3. *Monitoring the use of subvented resources.* In early 2000, the EC of SARDA endorsed the establishment of the Supported Employment Service (SES) as an extension to its aftercare service. The SES was operated by another NGO independent of SARDA. In April 2004, the DH considered the SES a non-subvented activity and asked SARDA to regularise the deployment of four staff to the SES. In September 2007, the DH gave its covering approval for SARDA to deploy the staff to the SES. In the same month, the SES was wound up and the staff returned to SARDA. Audit considers that there are lessons to be learnt for both the DH and SARDA. *Audit has recommended that SARDA should: (a) ensure that the subvention guidelines and other DH directives are always complied with in the use of subvented resources; and (b) maintain separate accounting records for resources spent on non-subvented activities. Audit has also recommended that the Director*

of Health should set up an effective mechanism to monitor SARDA use of subvented resources to ensure compliance with the DH subvention guidelines.

Corporate governance

4. **Attendance at committee meetings.** Audit found that the attendance of some members at committee meetings was low. *Audit has recommended that SARDA should take measures to improve the attendance of members at committee meetings.*

5. **Committee members with low attendance records.** Audit found that despite the low attendance (i.e. 50% or below) of a number of voting members and co-opted members at EC meetings, they were re-elected or re-appointed to the EC. *Audit has recommended that SARDA should, before the EC election, draw all members' attention to the attendance of individual EC members who stand for re-election, and duly take into account the attendance history of committee members in considering their re-appointment.*

6. **Budget approval by the Executive Committee.** According to the subvention guidelines, SARDA is required to present its annual budget to the Director of Health through the EC. Audit review of SARDA budget approval process from 2002-03 to 2006-07 showed that none of the budgets was approved by the EC before submission to the DH. *Audit has recommended that SARDA should ensure that the annual budget is submitted to the EC for approval before it is submitted to the DH.*

7. **Budget monitoring by the Executive Committee.** Audit noted that up-to-date information on SARDA financial position was not reported regularly to the EC. *Audit has recommended that SARDA should ensure that financial position of SARDA is reported regularly to the EC for budget monitoring and expenditure control purposes.*

Strategic management

8. **Strategic planning.** Audit noted that the formulation of the 1998 SARDA strategic plan was only a one-off exercise. SARDA has neither updated the strategic plan, nor formulated a new one (upon expiry of the plan in 2003-04). *Audit has recommended that SARDA should: (a) establish a more rigorous strategic planning process; and (b) address strategic issues that pose challenges to SARDA.*

9. **Meeting challenges in the provision of drug T&R services.** From 1997 to 2007, the number of reported heroin abusers decreased considerably by 48%. The decline in the number of heroin abusers has resulted in considerable under-utilisation of the T&R centre at Shek Kwu Chau, with its bed occupancy rate standing at 64% in 2007. In June 2004, SARDA put forward to the Narcotics Division (ND) of the Security Bureau a proposal to

establish a Centre for Anti-drug Education and Disciplinary Training (CAEDT) at Shek Kwu Chau. As at February 2008, the proposal was still under examination by the ND and the DH. *Audit has recommended that SARDA should further explore the better use of its resources and facilities. Audit has also recommended that the Commissioner for Narcotics should accord priority to the examination of the SARDA proposal to establish the CAEDT.*

Staff recruitment

10. ***Documentation of recruitment exercises.*** Audit reviewed SARDA staff recruitment process and found that the criteria for shortlisting applicants for interviews were not laid down, and the reasons for applicants not having been shortlisted for interview were not documented. *Audit has recommended that SARDA should maintain proper records of the recruitment exercises.*

11. ***Granting of incremental credit for experience.*** Subject to DH approval, SARDA may grant incremental credit for experience (ICE) to new recruits who are in the professional grade (such as nurses). Audit examination of the ICE applications processed in recent years indicated that, on average, a new recruit of SARDA had to wait for 2.6 months before ICE was granted to him. This might not be conducive to attracting and retaining professional staff to work in SARDA. *Audit has recommended that SARDA should, in consultation with the DH, take measures to streamline the processing of ICE applications.*

Financial control and cash management

12. ***Financial control.*** Audit noted that SARDA did not regularly review its Standing Financial Instructions (SFIs) to take into account the development and changes in financial and accounting matters. *Audit has recommended that SARDA should regularly review the SFIs and accord priority to the establishment of a set of comprehensive regulations governing controls on financial and accounting matters.*

13. ***Management of surplus funds.*** Audit noted that in 2006-07 and 2007-08 (up to November 2007), SARDA placed all fixed deposits with the same bank. It did not obtain quotes for interest rates from other banks. It also has not laid down its policies and procedures on the management of surplus funds. *Audit has recommended that SARDA should: (a) obtain interest rate quotes from different banks before placing fixed deposits; and (b) establish a set of policies and procedures on the management of surplus funds.*

14. ***Petty cash management.*** Audit examination of the petty cash accounts of two T&R centres revealed that there were inadequacies in petty cash management, such as exceeding of cash limit and no segregation of duties between authorisation and payment of petty cash. *Audit has made recommendations for SARDA to strengthen its petty cash management.*

Procurement and stores management

15. ***Procurement of stores.*** Audit examination of SARDA stores procurement procedures indicated that: (a) it was SARDA practice that all purchases were approved by just one authorised person; and (b) there were purchases made before the approval was obtained or without obtaining the required number of quotations. *Audit has recommended that SARDA should: (a) consider delegating the authority for approving purchases to other designated officers; and (b) ensure that proper approval is obtained before making purchases, and the quotation and tender procedures stipulated in SARDA Stores Regulations are followed.*

16. ***Management of inventory and consumable stores.*** Audit visited two T&R centres and conducted inventory checking and stock inspection. Audit found that there was scope for improvement in the management of inventory and consumable stores. *Audit has recommended that SARDA should: (a) require the officers-in-charge of SARDA offices to report the receipt of inventory stores in a timely manner; and (b) ensure that all assets received from donations are recorded on the inventory list.*

Performance measurement and reporting

17. ***Performance information published by SARDA.*** Although SARDA compiles many different performance indicators, only three have been included in its Annual Report. Furthermore, the performance information mainly relates to its workload or output. There is a lack of outcome indicators. *Audit has recommended that SARDA should set performance targets and publish more performance indicators in its Annual Report and website.*

18. ***Questionnaire survey of patients.*** SARDA conducts questionnaire surveys on the level of customer satisfaction on its T&R services. Audit noted that the surveys did not cover patients who left the T&R centres without completing the programmes. *Audit has recommended that SARDA should consider extending the questionnaire survey to also cover those patients who have not successfully completed SARDA programmes, so as to seek their views on how to improve the T&R services.*

Response from SARDA and the Administration

19. SARDA welcomes the audit review and accepts all the audit observations and recommendations. The Director of Health has generally agreed with the audit recommendations. The Commissioner for Narcotics has also accepted the audit recommendation in paragraph 9.

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