

CHAPTER 5

Environment Bureau Environmental Protection Department

Environment and Conservation Fund

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ENVIRONMENT AND CONSERVATION FUND

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ENVIRONMENT AND CONSERVATION FUND

Executive Summary

1. The Environment and Conservation Fund (ECF), which came into operation in August 1994, is a statutory trust fund established under the Environment and Conservation Fund Ordinance (Cap. 450 — ECF Ordinance) to provide funding support to local non-profit-making organisations for educational, research and other projects and activities in relation to environmental and conservation matters. The Secretary for the Environment, head of the Environment Bureau (ENB), is the trustee of ECF.
2. The Environment and Conservation Fund Committee (ECFC) is set up under ECF Ordinance to advise the trustee on the use of funds. It is assisted by five subcommittees in vetting applications and overseeing the implementation of approved projects under ECF. These subcommittees are the Waste Reduction Projects Vetting Subcommittee (WRPVSC), the Environmental Education and Community Action Projects Vetting Subcommittee (EE&CAPVSC), the Research Projects Vetting Subcommittee (RPVSC), the Energy Conservation Projects Vetting Subcommittee (ECPVSC) and the Nature Conservation Subcommittee (NCSC). The Environment and Conservation Fund Investment Committee (ECFIC) is set up to set policies on investment and monitor the investment of ECF. The Environmental Protection Department (EPD) provides secretariat support to the committees/subcommittees and support for the administration (including processing applications and monitoring the implementation of approved projects) of ECF.
3. Since June 1994 and up to December 2018, the Finance Committee of the Legislative Council had approved seven funding injections into ECF totalling \$6,735 million. For the first six rounds of injection (\$1,735 million in total), both the funding injected and the bank interest accruing from unspent balance were used to support projects funded by ECF. The seventh round of injection of \$5,000 million served as seed capital to generate investment returns to provide ECF with a long-term and sustainable funding source for supporting community green actions.

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4. As of October 2018, there were six main types of ECF-funded projects, namely (a) waste reduction projects, (b) energy conservation projects, (c) environmental education and community action projects, (d) environmental research, technology demonstration and conference projects, (e) nature conservation management agreement projects and (f) large-scale environmental education and awareness projects/programmes. These projects were funded under 11 ECF funding programmes (5 for waste reduction projects, 2 for energy conservation projects and 4 for the remaining 4 project types). Since its establishment in 1994 and up to March 2018, ECF had supported some 5,200 projects with approved grants of some \$2,800 million in total. The Audit Commission (Audit) has recently conducted a review of ECF.

Administration of applications

5. *Need to keep in view the processing time for ECF applications.* EPD is responsible for processing ECF applications before submitting them to the subcommittee concerned and/or ECFC for vetting and approval. Audit noted that the processing time (from date of receipt of application to date of approval) for 377 (27.6%) of the 1,364 ECF applications approved during 2013-14 to 2017-18 was more than one year. According to EPD, 99% of the 377 applications were those approved in 2013-14 and 2014-15 and significant improvement had been made in recent years (91% to 97% of the ECF applications during the period from 2015-16 to 2017-18 were approved within 6 months). Audit examination found that there was a need for ENB and EPD to strengthen measures to help complete the processing of one long-outstanding application (apart from issuing reminders, EPD had not taken other follow-up actions with the applicant) and consider providing further assistance to the applicant of another application. As of December 2018, there were 215 ECF applications under processing by EPD and, according to EPD, all these applications, except two, had been received for less than 6 months. Audit considers that ENB and EPD need to keep in view the processing time of ECF applications, strengthen measures to help complete the processing as soon as practicable and provide assistance to the applicants where necessary and appropriate (paras. 2.3 and 2.5 to 2.8).

6. *Increasing rejection rate for ECF applications.* During the period from 2013-14 to 2017-18, the rejection rates for ECF applications increased from 20% (112 of 559 applications rejected) in 2013-14 to 48% (217 of 451 applications rejected) in 2017-18. Audit noted that EPD had provided reasons for rejection (e.g. reservations about the possible value and effectiveness) to unsuccessful

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applicants and organised briefing/experience sharing sessions for potential applicants, in which the points to note in applying for funding support from ECF, the main reasons for supporting or not supporting the past applications, and past meritorious projects were discussed/shared. In Audit's view, ENB and EPD need to explore further measures to encourage and facilitate potential applicants to submit meritorious applications to ECF (paras. 2.9 and 2.10).

7. ***Room for improvement in procedures for processing applications for ECF-funded projects.*** Audit examination of the procedural guidelines for funding programmes under ECF revealed that there was room for improvement in procedures for processing applications (para. 2.13), as follows:

- (a) ***Issue of some discussion papers/summaries of project applications to subcommittees shortly before the meetings.*** EPD submits to subcommittees discussion papers/summaries of project applications to facilitate their discussions and assessments on whether the applications should be approved for funding support. Audit noted that: (i) except for RPVSC, it was not uncommon that the discussion papers/summaries of project applications were only issued to members shortly before the scheduled meetings from 2013-14 to 2017-18. For example, the discussion papers/summaries of project applications for 45 (47%) of a total of 95 meetings for four subcommittees (i.e. WRPVSC, EE&CAPVSC, ECPVSC and NCSC) were issued to members 1 to 5 calendar days (averaging 3.7 calendar days) before the scheduled meetings; and (ii) only the procedural guidelines for the funding programme of one project type (environmental research, technology demonstration and conference projects) had stipulated the time frame for issuing discussion papers/summaries of project applications but not stipulated in those for other funding programmes (paras. 2.14, 2.16 and 2.17); and
- (b) ***Different practices adopted in checking for double benefits.*** There were two different practices adopted to check whether the applicants receive double benefits on the same budget item from other funding schemes of the Government: (i) for four project types (see para. 4(a) to (d)), in addition to declarations by the applicants, EPD conducted full checking or random checking with the pertinent secretariats of other funding schemes of the Government; and (ii) for nature conservation management agreement projects, other than declarations by the applicants, no checking for double benefits was conducted by EPD while there were fewer projects as

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compared with the four project types in (i) above, and the grant for each project was higher (para. 2.21).

Monitoring of project implementation and accounts finalisation

8. ECF's guides to application and EPD's procedural guidelines set out EPD's monitoring work for on-going and completed projects, including requirements for checking of progress and completion reports, statement of accounts and supporting documents submitted by the grantees, and conducting site inspections (para. 3.2).

9. ***ECF-funded projects not commenced long after approval.*** According to EPD: (a) as of September 2018, 99 approved ECF-funded projects had not yet commenced; (b) of the 99 projects, 15 (15%) had been approved for more than one year; and (c) all the 15 projects were environmental education and community action projects with facilities/installations (e.g. green roofs, solar panels and energy efficient devices), which usually took a longer time to complete as they had to follow established procedures (e.g. undertaking feasibility studies). Audit examination found inadequacies in follow-up actions by EPD on a project which had not commenced long after approval. In this case, EPD had not followed up with the grantee for a total of five years (comprising three periods of time) regarding the commencement of an approved project. As a result of the inadequacies in follow-up actions by EPD, the funding had been unnecessarily tied up for a long time (paras. 3.3, 3.4 and 3.8).

10. ***Long time taken for completing ECF-funded projects.*** According to EPD: (a) it is not suitable for ECF-funded projects to last for a long duration (more than three years) given the need for ECF to adjust its priority funding areas to support initiatives and activities which complement the Government's policy priorities; and (b) as of September 2018, 607 approved ECF-funded projects had commenced but not yet been completed. Of the 607 projects, 284 (47%) had commenced for more than four years. All the 284 projects were environmental education and community action projects with facilities/installations. Audit examination of long-outstanding on-going projects found inadequacies in follow-up actions by EPD on the progress of projects. For example, in a case, EPD had not followed up with the grantee for a total of 6.4 years (comprising three periods of time) regarding the progress of the project. As a result, the progress of the project was not known despite significant

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project slippage (5.5 years behind the scheduled completion date) as of January 2019 (paras. 3.6 and 3.7).

11. ***Scope for improvement in monitoring ECF-funded projects.*** During the implementation of an approved project by the grantee, EPD observed certain irregularities in the publicity materials and considered such materials to have breached ECF funding conditions on publicity (i.e. the photograph and name of a District Councillor, who was also the senior consultant of the grantee and one of the co-organisers of the project, were displayed prominently on the poster publicising the project, and there was no mentioning of the project title or ECF's funding support for the project on the souvenir shopping bags). In view of the irregularities, EPD had taken follow-up actions (e.g. requesting the grantee to submit a sample of all future publicity materials for prior approval before production) and requested an explanation from the grantee. In response, the grantee said that the posters in question were designed, produced and distributed with funding from the District Councillor and it would take rectification actions on the souvenir shopping bags. According to EPD, the final project expenditure did not include expenditure for publicity materials found not complying with ECF funding conditions, and the grantee had taken rectification actions on the bags. In Audit's view, there is a need for ENB and EPD to continue to remind the grantees to comply with ECF funding conditions on publicity. Audit also noted deficiencies in monitoring implementation of this project: (a) the grantee submitted the completion report with audited statement of accounts nearly three years after the due date despite repeated reminders from EPD; and (b) there was no record available showing the conduct of site inspection by EPD as required by EPD's procedural guidelines (para. 3.10).

12. ***Project accounts not finalised long after project completion.*** According to EPD: (a) as of September 2018, there were 303 completed ECF-funded projects with project accounts not yet finalised for various reasons and circumstances (e.g. the grantees had not provided complete and clear documentary proofs in support of their expenditures and satisfactory implementation of the projects); and (b) of the 303 projects, 185 (61%) had been completed for more than one year. Audit examination found room for improvement in follow-up actions by EPD on a project regarding its account finalisation. In this case, despite the grantee's repeated enquiries about the progress of project account finalisation, it was not until 2.8 years after the receipt of completion report from the grantee that EPD requested the grantee to make clarifications and provide additional information for further processing the account finalisation work of the project. In the event, the project was endorsed for completion and the final disbursement was released to the grantee about 4 years after the receipt

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of completion report. As a result, the unspent commitment (about \$87,000) had been tied up for about 4 years and could not be released to fund other projects (paras. 3.14 and 3.15).

Governance and administrative issues

13. ***Low attendance of some members at meetings.*** For the seven committees/subcommittees (i.e. ECFC, ECFIC, WRPVSC, EE&CAPVSC, RVPSC, ECPVSC (disbanded on 15 October 2018) and NCSC — see para. 2), the number of members (including the chairman) of each committee/subcommittee as of December 2018 ranged from 9 to 15. Audit examined the attendance records of members at meetings of the seven committees/subcommittees held in the past three completed terms (two years for each term) of membership (hereinafter referred to as Terms 1 to 3). Audit noted that: (a) the average attendance rates for meetings held in each term of the committees/subcommittees were in general satisfactory (ranging from 62% to 96%). However, the average attendance rates for meetings of RVPSC (from 79% in Term 1 to 69% in Term 3) and EE&CAPVSC (from 84% in Term 1 to 67% in Term 3) were on a decreasing trend; and (b) the attendance rates of some members at meetings held in Terms 1 to 3 were below 50% (paras. 4.2 to 4.7).

14. ***Reappointment of members with low attendance at meetings.*** For the current-term members of ECFC, ECFIC, WRPVSC, EE&CAPVSC and RVPSC, Audit noted that, in total, eight members with low attendance rates (below 50%) at meetings in the preceding term (i.e. Term 3) were reappointed. According to EPD, it had considered the attendance rates of members at meetings in the preceding term in the submissions to the approving authorities for recommendations on the reappointments. However, the justifications for reappointments of members with low attendance rates were not documented (paras. 4.10 and 4.11).

15. ***Need to improve first-tier declarations.*** Except for ECFIC and NCSC which adopt a one-tier reporting system, ECFC and the four vetting subcommittees (i.e. WRPVSC, EE&CAPVSC, RVPSC and ECPVSC) adopt a two-tier reporting system for declaration of interests. The one-tier reporting system includes the procedures for declaration of interests at meetings. The two-tier reporting system includes the requirement for registering members' interests upon appointment and annually thereafter in a prescribed declaration form (first-tier declaration) and the procedures for declaration of interests at meetings (second-tier declaration). Audit

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reviewed the records of submission of declaration forms by members of ECFC and the four vetting subcommittees for Terms 1 to 3 and noted that, of the total 308 declaration forms required to be submitted by members: (a) 140 (45%) were submitted on time; (b) 85 (28%) were submitted late with delays ranging from 1 to 256 days, averaging 31 days; and (c) 83 (27%) were not available in EPD records. According to EPD, this was due to the fact that some members had not submitted the declaration forms as required (paras. 4.22, 4.23 and 4.25).

16. ***Scope for making better use of information technology in monitoring the processing of applications and progress of approved projects.*** EPD maintains an ECF database, which is a computerised database capturing the key information of all ECF applications/approved projects. According to EPD, despite some recent enhancements, ECF database was not found to be very user-friendly and, as such, records in it might not be updated in a timely manner by all supporting teams for the vetting subcommittees. The various supporting teams had maintained their own comprehensive registers with updated information which they worked on. In Audit's view, there is scope for making better use of information technology in monitoring the processing of applications and progress of approved projects in view of the fact that: (a) ECF database is a centralised database while the individual registers maintained by the various supporting teams provide the information they work on; and (b) the input of information of ECF applications/approved projects in both ECF database and the registers requires double efforts from the supporting teams (paras. 4.32, 4.36 and 4.37).

Audit recommendations

17. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Secretary for the Environment and the Director of Environmental Protection should:**

Administration of applications

- (a) **keep in view the processing time of ECF applications, strengthen measures to help complete the processing as soon as practicable and provide assistance to the applicants where necessary and appropriate (para. 2.11(a) and (b));**

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- (b) explore further measures to encourage and facilitate potential applicants to submit meritorious applications to ECF (para. 2.11(c));
- (c) issue discussion papers/summaries of project applications to members of the subcommittees as early as possible (para. 2.26(a));
- (d) consider stipulating the time frame for issuing discussion papers/summaries of project applications to members of the subcommittees in the procedural guidelines for all ECF funding programmes (para. 2.26(b));
- (e) carry out random checking of applications under the funding programme of nature conservation management agreement projects regarding the receipt of double benefits from other funding schemes of the Government (para. 2.26(d));

Monitoring of project implementation and accounts finalisation

- (f) closely monitor the commencement and progress of ECF-funded projects and take measures to ensure that there is no undue delay in commencement and completion (para. 3.11(a));
- (g) strengthen measures to ensure the timely submission of required documents by the grantees (para. 3.11(b));
- (h) continue to remind the grantees to comply with ECF funding conditions on publicity (para. 3.11(c));
- (i) take measures to ensure that site inspection is conducted in the course of each project (para. 3.11(d));
- (j) take prompt actions to process project accounts finalisation (para. 3.18);

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Governance and administrative issues

- (k) **keep in view members' attendance at meetings and continue to explore effective measures to encourage members with low attendance to attend meetings as far as possible (para. 4.30(a));**
- (l) **properly document the justifications for recommending members with low attendance records to the approving authorities for reappointments (para. 4.30(b));**
- (m) **take measures to ensure that declaration forms for registering members' interests are submitted by members in a timely manner and are properly maintained (para. 4.30(f)); and**
- (n) **make better use of information technology in monitoring the processing of applications and progress of approved projects (para. 4.38).**

Response from the Government

18. The Secretary for the Environment and the Director of Environmental Protection agree with the audit recommendations.

PART 1: INTRODUCTION

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

Background

1.2 The Environment and Conservation Fund (ECF), which came into operation in August 1994, is a statutory trust fund established under the Environment and Conservation Fund Ordinance (Cap. 450 — ECF Ordinance) to provide funding support to local non-profit-making organisations for educational, research and other projects and activities in relation to environmental and conservation matters. The Secretary for the Environment, head of the Environment Bureau (ENB), is the trustee of ECF.

Committees and subcommittees

1.3 ***Environment and Conservation Fund Committee (ECFC).*** ECFC is set up under ECF Ordinance to advise the trustee (i.e. the Secretary for the Environment) on the use of funds. Its terms of reference are to:

- (a) vet applications seeking funding support for over \$2 million from local non-profit-making organisations to undertake educational, research and technology demonstration projects and activities in relation to environmental and conservation matters, as well as applications for community waste reduction projects and to advise on their relative priorities for funding support; and
- (b) advise the trustee on the exact amount of fund to be allocated for each project supported.

1.4 ECFC comprises a chairman and not more than eight non-official members appointed by the Chief Secretary for Administration under the delegated authority of the Chief Executive of the Hong Kong Special Administrative Region for a term of

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two years, and four ex-officio members (Note 1). The current term of ECFC is from 16 October 2018 to 15 October 2020. As of December 2018, ECFC comprised a chairman, eight non-official members and four ex-officio members.

1.5 **Subcommittees.** ECFC is assisted by five subcommittees in vetting applications and overseeing the implementation of approved projects under ECF (see para. 1.10), as follows:

Four vetting subcommittees established under ECFC or the Environmental Campaign Committee (ECC)

- (a) ***Waste Reduction Projects Vetting Subcommittee (WRPVSC).*** This subcommittee, established under ECFC, is responsible for vetting applications for projects related to waste reduction (e.g. surplus food recovery, food waste recycling and source separation of waste) and overseeing the implementation of approved projects. As of December 2018, it comprised 12 non-official members (including a chairman) and 1 ex-officio member;

- (b) ***Environmental Education and Community Action Projects Vetting Subcommittee (EE&CAPVSC).*** ECFC has entrusted ECC (Note 2) which set up an EE&CAPVSC to vet applications for projects related to

Note 1: *The four ex-officio members are the Secretary for the Environment, the Permanent Secretary for Education, the Director of Environmental Protection, and the Director of Agriculture, Fisheries and Conservation, or their representatives.*

Note 2: *ECC has been set up since 1990 to promote public awareness of environmental issues and encourage the public to contribute actively towards a better environment. It is an advisory body which advises the Government on community environmental education matters and a close partner of ECF in pursuing community-wide environmental programmes. The chairman, vice-chairman and members of ECC are appointed by the Secretary for the Environment under the delegated authority of the Chief Executive of the Hong Kong Special Administrative Region for a term of two years. As of December 2018, ECC comprised a chairman, a vice-chairman, 15 non-official members and four ex-officio members (i.e. the Secretary for Education, the Secretary for Home Affairs, the Director of Environmental Protection and the Director of Information Services, or their representatives).*

environmental education and community action (Note 3) and oversee the implementation of approved projects. As of December 2018, it comprised 12 non-official members (including a chairman) and 2 ex-officio members;

- (c) ***Research Projects Vetting Subcommittee (RPVSC)***. This subcommittee, established under ECFC, is responsible for vetting applications for environmental research, technology demonstration and conference projects and overseeing the implementation of approved projects. As of December 2018, it comprised 12 non-official members (including a chairman) and 3 ex-officio members;
- (d) ***Energy Conservation Projects Vetting Subcommittee (ECPVSC)***. This subcommittee, established under ECFC, was responsible for vetting applications for energy conservation projects and overseeing the implementation of approved projects. As the funding programmes for energy conservation projects ceased receiving new applications for these projects in 2012 (see para. 1.10(d)) and the finalisation of project accounts and disbursement of funds had been substantially completed, the subcommittee was disbanded on 15 October 2018 (i.e. upon completion of the term of membership from 2016 to 2018); and

One subcommittee established under the Advisory Council on the Environment (ACE)

- (e) ***Nature Conservation Subcommittee (NCSC)***. This subcommittee, established under ACE (Note 4), considers the recommendations of an Assessment Panel (which consists of members from the Environmental Protection Department (EPD) and the Agriculture, Fisheries and

Note 3: *According to the Trustee Report of ECF, the reason for this arrangement is that ECFC considers that ECC has developed the expertise for considering projects related to environmental education and community action.*

Note 4: *ACE, established in 1994, is the Government's principal advisory body on matters relating to environmental protection and conservation. The chairman, deputy chairman and members of ACE are appointed by the Chief Executive of the Hong Kong Special Administrative Region for a term of two years. As of December 2018, ACE comprised a chairman, a deputy chairman and 20 non-official members. NCSC advises the Government, through the Secretary for the Environment, on nature conservation matters and examines nature conservation proposals referred to it by the Government.*

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Conservation Department (AFCD)) about the vetting of applications for nature conservation management agreement projects. After considering the recommendations of the Assessment Panel, NCSC's views and recommendations are put forward to ECFC for consideration of funding support. ECFC also requires the grantees to report the progress of on-going projects to NCSC. As of December 2018, it comprised 14 non-official members (including a chairman).

1.6 The four vetting subcommittees (i.e. WRPVSC, EE&CAPVSC, RVPVSC and ECPVSC) are authorised by ECFC to approve grants up to \$2 million for each project within their respective purview. For applications seeking funding support exceeding the approval ceiling (i.e. \$2 million for each project), the recommendations of these vetting subcommittees have to be considered and endorsed by ECFC. For NCSC, its views and recommendations on applications for nature conservation management agreement projects are put forward to ECFC for consideration of funding support. The terms of reference and the chairmen of WRPVSC, RVPVSC and ECPVSC shall be decided by ECFC while those of EE&CAPVSC shall be decided by ECC. Membership of a vetting subcommittee established under ECFC or ECC shall include those ECFC or ECC members who have signified interest and any other personalities who have been co-opted by ECFC or ECC, where appropriate. The terms of reference of NCSC shall be decided by ACE. ACE members are free to join NCSC and the chairman of NCSC is elected among its members.

1.7 *Environment and Conservation Fund Investment Committee (ECFIC).* ECFIC is set up to set policies on investment and monitor the investment of ECF. Its terms of reference are to advise the Secretary for the Environment on:

- (a) the investment strategy of ECF; and
- (b) matters related to the monitoring of the local and overseas investment of ECF.

1.8 ECFIC is chaired by the Secretary for the Environment and comprises non-official members (Note 5) appointed by the Secretary for the Environment under the delegated authority of the Chief Executive of the Hong Kong Special Administrative Region for a term of two years and two ex-officio members (Note 6). The current term of ECFIC is from 16 October 2018 to 15 October 2020. As of December 2018, ECFIC comprised a chairman, 6 non-official members and 2 ex-officio members.

ECF Secretariat

1.9 The Community Relations Unit of EPD provides secretariat support to ECFC and the vetting subcommittees (i.e. except for ECFIC and NCSC). For ECFIC and NCSC, the secretariat support is provided by the Accounting Services Group and the Cross-Boundary and International Division of EPD (Note 7) respectively. For simplicity, the Secretariats of the various committees and subcommittees of ECF are referred to as EPD in this Audit Report. The Community Relations Unit, among other duties (Note 8), provides support for the administration (including processing applications and monitoring the implementation of approved projects) of ECF (Note 9). As of December 2018, the Community Relations Unit, headed by the Community Relations Manager, had a staff establishment of 85, of which 52 were involved in the administration of ECF. An organisation chart of the Unit is at Appendix A.

Note 5: *The number of non-official members in ECFIC is not specified.*

Note 6: *The two ex-officio members are the Director of Environmental Protection and the Deputy Director of Environmental Protection (1), or their representatives.*

Note 7: *According to EPD, as of December 2018, three staff of the Accounting Services Group and four staff of the Cross-Boundary and International Division provided secretariat support to ECFIC and NCSC respectively. They were also responsible for other duties (e.g. providing accounting support to other groups/divisions of EPD and secretariat support to ACE and its subcommittees).*

Note 8: *The other duties mainly include providing secretariat support to ECC (see Note 2 to para. 1.5(b)) and administrative support to projects organised by ECC.*

Note 9: *The Community Relations Unit is supported by the Nature Conservation Division of EPD and AFCD in processing applications for and monitoring the implementation of nature conservation management agreement projects. The Unit is also supported by the Accounting Services Group of EPD in disbursements of funds to the grantees of ECF-funded projects.*

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Types of ECF-funded projects

1.10 As of October 2018, there were six main types of ECF-funded projects, as follows:

- (a) **Waste reduction projects.** They cover:
 - (i) **Community waste reduction projects.** These projects, which are community-based and result-oriented, aim to enhance awareness and ensure sustained participation of the public in waste prevention and recovery, including surplus food recovery;
 - (ii) **Programme on source separation of waste.** The objective of the programme is to facilitate residents to separate waste at source by providing waste separation facilities on each floor (see Photograph 1) and/or in common areas (see Photograph 2) of the domestic buildings, and broaden the types of recyclables to be recovered. The programme makes the separation more convenient to residents and mobilises their participation in waste separation and recovery;

Photograph 1

**Waste separation facilities
on a floor**



Photograph 2

**Waste separation facilities
in a common area**



Source: EPD records

- (iii) ***Food waste recycling projects in housing estates.*** The objective of these projects is to facilitate housing estates to set up on-site composters (see Photograph 3) to treat food waste collected from households. These projects also aim to provide funding support for hiring personnel and purchasing equipment, such as containers, necessary for the collection of food waste, as well as organising educational programmes for encouraging participation from residents and raising their awareness towards food waste recovery;

Photograph 3

Food waste composter



Source: EPD records

- (iv) ***On-site meal portioning projects in schools.*** These projects aim to carry out conversion works and install facilities necessary for implementing on-site meal portioning. The facilities include electrical/plumbing and drainage installation works, equipment for re-heating and washing of containers/cutlery, cookers, dining tables and chairs (see Photograph 4), and reusable lunch containers (see Photograph 5) and cutlery; and

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Photograph 4

Students taking lunch at school using dining tables and chairs



Photograph 5

Students taking lunch at school using reusable lunch containers



Source: EPD records

- (v) ***Community involvement projects for waste reduction through quantity-based municipal solid waste (MSW) charging.*** These projects are community-based and result-oriented. They aim to encourage all sectors in the community to try out how to implement quantity-based MSW charging in the respective sectors with features that can help the waste producers to better understand the type and quantity of wastes they generate/dispose of, to develop practices to help the waste producers get prepared for complying with MSW charging and to develop measures to reduce waste in order to pay less;

- (b) ***Environmental education and community action projects.*** These projects include educational programmes (see Photograph 6 for an example) or activities to enhance community awareness and knowledge of environmental issues, and environmental projects that mobilise individuals to take direct and positive action to improve and conserve the environment and induce behavioural change towards a green lifestyle;

Photograph 6

Solar panel system installed at a school for educational purposes



Source: EPD records

- (c) ***Environmental research, technology demonstration and conference projects.*** Environmental research and technology demonstration projects are projects that should have contributions in a direct and practical way towards environmental improvement and conservation of the local environment and should not be too theoretical in nature. They include the introduction and development of new technologies, such as technology on waste minimisation and recycling. In particular, technology demonstration projects should promote and encourage the adoption of technologies by different sectors in Hong Kong. International conferences should facilitate exchange of best practices, expertise and experience on environmental and conservation issues and raise Hong Kong's profile as a leading green city;

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- (d) *Energy conservation projects.* The objectives of these projects are to encourage:
- (i) non-governmental organisations (NGOs) to carry out educational projects or activities for enhancing community awareness of energy conservation in Hong Kong, energy-cum-carbon audits and energy improvement works under a funding programme known as “Energy Conservation Projects for Non-government Organisations”. The programme was launched in October 2009 for three years and ceased receiving new applications in October 2012, and ECPVSC for vetting these projects was disbanded in October 2018 (see para. 1.5(d)); and
 - (ii) existing building owners to carry out energy-cum-carbon audits and energy efficiency projects under a funding programme known as “Buildings Energy Efficiency Funding Schemes”. The programme was launched in April 2009 for three years and ceased receiving new applications in April 2012, and ECPVSC for vetting these projects was disbanded in October 2018 (see para. 1.5(d));
- (e) *Nature conservation management agreement projects.* These projects contribute to enhancing the conservation of the sites concerned through management agreements between NGOs and landowners or tenants. Under these agreements, NGOs may provide landowners or tenants with financial incentives in exchange for management rights over their land or their cooperation in enhancing conservation of the priority sites of ecological importance (see Photograph 7 for an example), country park enclaves (Note 10) or private land in country parks; and

Note 10: *Country park enclaves are sites that are surrounded by or are adjacent to country parks, but are not part of the country parks.*

Photograph 7

Priority site of ecological importance: Long Valley



Source: EPD records

- (f) ***Large-scale environmental education and awareness projects/programmes.*** These projects/programmes (e.g. Hong Kong Awards for Environmental Excellence, Hong Kong Green Organisation Certification, Hong Kong Green School Awards, Student Environmental Protection Ambassador Scheme, World Environment Day and other publicity programmes in support of environmental policy priorities) are organised by ECC.

The above 6 main types of projects were funded under 11 ECF funding programmes (5 programmes for waste reduction projects (see (a)(i) to (v) above), 2 programmes for energy conservation projects (see (d)(i) and (ii) above) and 4 programmes for the remaining 4 project types (see (b), (c), (e) and (f) above)). Table 1 shows a summary of the committees, subcommittees and panel (see paras. 1.5 and 1.6) which are responsible for vetting project applications and overseeing the implementation of approved projects.

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Table 1

**Committees, subcommittees and panel responsible for
vetting project applications and overseeing implementation of
ECF-funded projects
(October 2018)**

Project type	Vetting project applications	Overseeing project implementation (Note 1)
Waste reduction project	WRPVSC (Note 2)	WRPVSC
Environmental education and community action project	EE&CAPVSC (Note 2)	EE&CAPVSC
Environmental research, technology demonstration and conference project	RPVSC (Note 2)	RPVSC
Energy conservation project	ECPVSC (Note 2)	ECPVSC
Nature conservation management agreement project	<ul style="list-style-type: none"> • Vetting by the Assessment Panel with recommendations considered by NCSC • Consideration of funding support by ECFC 	NCSC
Large-scale environmental education and awareness project/programme	ECC (Note 3)	ECC (Note 3)

Source: EPD records

Note 1: ECFC has an overall role in overseeing the implementation of all ECF-funded projects.

Note 2: These vetting subcommittees are authorised by ECFC to approve grants up to \$2 million for each project within their respective purview. For applications seeking funding support exceeding the approval ceiling (i.e. \$2 million for each project), the recommendations of these vetting subcommittees have to be considered and endorsed by ECFC.

Note 3: ECC submits an annual programme plan to ECFC to seek funding to organise large-scale environmental education and awareness projects/programmes to raise public awareness on environmental protection. According to EPD, ECC is the execution body of these projects/programmes, which are subject to consideration and vetting by ECC.

Funding injections

1.11 Since June 1994 and up to December 2018, the Finance Committee of the Legislative Council had approved seven funding injections into ECF totalling \$6,735 million (see Table 2).

Table 2

**Funding injections into ECF
(June 1994 to June 2013)**

Round	Date	Amount (\$ million)
1	June 1994	50
2	March 1998	50
3	May 2002	100
4	February 2006	35
5	January 2008	1,000
6	May 2011	500
7	June 2013	5,000
Total		6,735

} \$1,735 million

Source: EPD records

1.12 For the first six rounds of injection (\$1,735 million in total), both the funding injected and the bank interest accruing from unspent balance were used to support projects funded by ECF. As a long-term commitment to environmental protection and conservation, the seventh round of injection of \$5,000 million served as seed capital to generate investment returns to provide ECF with a long-term and sustainable funding source for supporting community green actions. Of the \$5,000 million seed capital, \$4,700 million was placed with the Exchange Fund (Note 11) managed by the Hong Kong Monetary Authority for six years starting from 1 August 2013, during which the amount of original placement cannot be

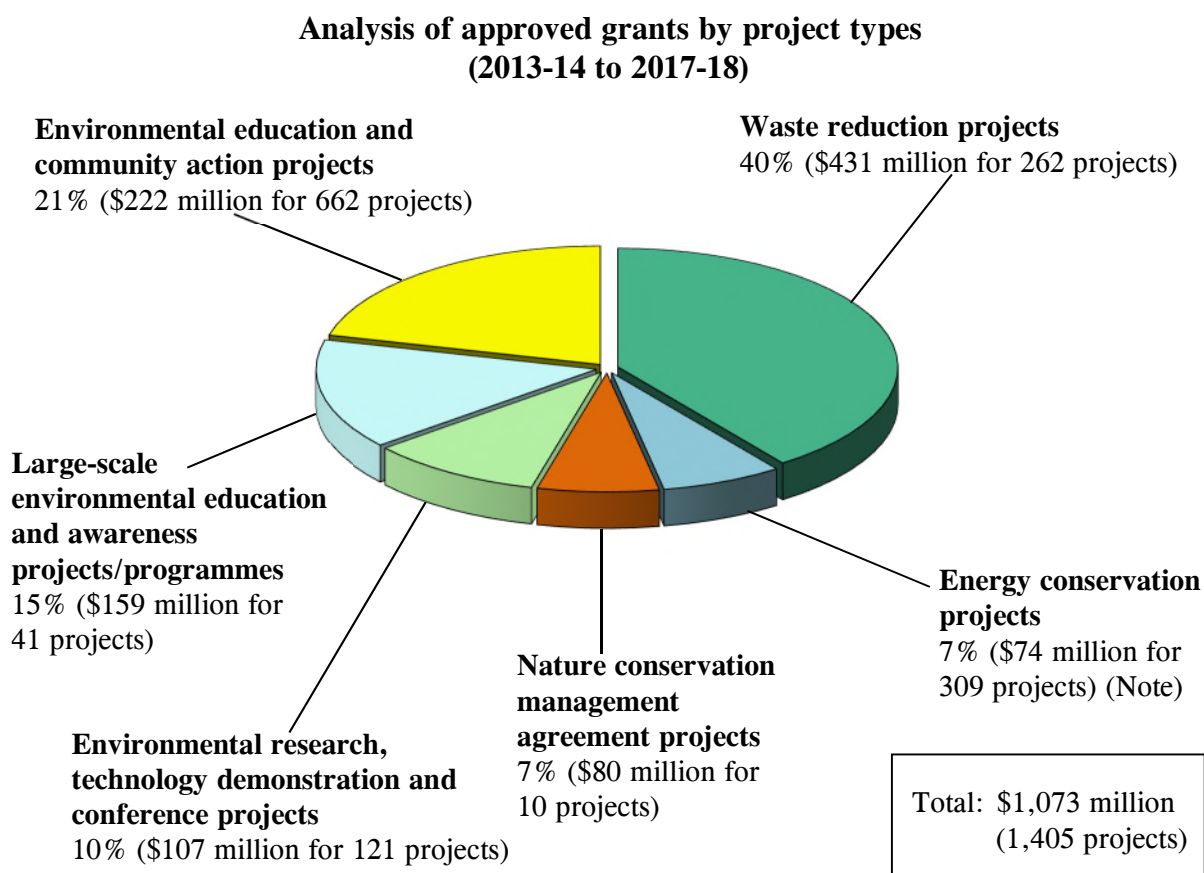
Note 11: *The Exchange Fund is established under the Exchange Fund Ordinance (Cap. 66). The principal objectives of the Fund are safeguarding the exchange value of the currency of Hong Kong and maintaining the stability and integrity of Hong Kong's monetary and financial systems.*

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withdrawn (Note 12). The remaining \$300 million was set aside to cater for ECF's cash flow requirements.

1.13 Since its establishment in 1994 and up to March 2018, ECF had supported some 5,200 projects with approved grants of some \$2,800 million in total. Figure 1 shows an analysis of approved grants by project types for the five years from 2013-14 to 2017-18.

Figure 1



Source: *Audit analysis of EPD records*

Note: *A project with an approved grant of \$6 million was related to extending a service level agreement engaging the Electrical and Mechanical Services Trading Fund to provide professional support for the operation of the funding programme known as "Buildings Energy Efficiency Funding Schemes" (see para. 1.10(d)(ii)). The Fund (the trading arm of the Electrical and Mechanical Services Department) provides electrical and mechanical services to customers (including government bureaux/departments).*

Note 12: *Interest on the placement is at a rate determined annually in January and payable annually in arrears on 31 December. The interest rate was 2.8% per annum in 2017 and 4.6% per annum in 2018.*

Audit review

1.14 In November 2018, the Audit Commission (Audit) commenced a review of ECF. The audit review has focused on the following areas:

- (a) administration of applications (PART 2);
- (b) monitoring of project implementation and accounts finalisation (PART 3);
and
- (c) governance and administrative issues (PART 4).

Audit has found room for improvement in the above areas and has made a number of recommendations to address the issues.

General response from the Government

1.15 The Secretary for the Environment and the Director of Environmental Protection welcome the audit review and generally agree with the audit recommendations. The Director of Environmental Protection has said that:

- (a) EPD fully recognises the valuable contributions by the grantees of ECF-funded projects in promoting public awareness of the community on environmental and conservation matters and acting towards a better environment. EPD also values highly the support provided by members of the related committees and subcommittees in the vetting of applications for ECF funding support under a competition basis;
- (b) in the administration of applications, EPD has taken concrete steps and achieved significant progress in facilitating the application process and shortening the processing time for applications under the various funding programmes to within six months in recent years;
- (c) regarding the monitoring of project implementation and accounts finalisation, with the support of ECFC, EPD has also taken proactive measures and conducted reviews on the administration of project implementation and funds arrangement of ECF-funded projects with a view

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to streamlining the overall procedures and processing payments in a more effective manner;

- (d) EPD has enhanced communication with and provided assistance to potential applicants and the grantees for the submission of applications and the required documents and reports during project implementation through briefing and training sessions; and
- (e) for some areas identified for improvements by Audit, EPD has already made some progress in recent years since 2015-16. EPD will follow up the audit recommendations and continue to take appropriate measures to further improve ECF procedures/guidelines and its governance.

Acknowledgement

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

PART 2: ADMINISTRATION OF APPLICATIONS

2.1 This PART examines the administration of ECF applications by EPD, focusing on:

- (a) processing ECF applications (paras. 2.2 to 2.12); and
- (b) processing procedures for ECF applications (paras. 2.13 to 2.27).

Processing ECF applications

2.2 Local non-profit-making organisations are eligible to apply for funding support from ECF. In general, an application for ECF support should fulfil the following basic requirements:

- (a) the project must contribute to the overall environment of Hong Kong, raise environmental awareness of the local community, or mobilise the community to take action to improve the environment;
- (b) the benefits of the project must accrue to the local community as a whole, and not just to individuals, a single private organisation or a consortium of private companies; and
- (c) the project must be non-profit-making in nature.

As of October 2018, a total of 11 funding programmes were operated under ECF to support different types of ECF-funded projects (see para. 1.10). In addition to the above basic requirements, each funding programme has a set of vetting criteria developed by the subcommittee/panel (see para. 1.5) concerned for vetting applications on the basis of the nature of projects involved, as well as the outcomes and deliverables expected to be derived from these projects.

Administration of applications

2.3 EPD is responsible for processing ECF applications before submitting them to the subcommittee/panel concerned and/or ECFC for vetting and approval (see paras. 1.5 and 1.6). According to the guides to application and the procedural guidelines for funding programmes under ECF, the general procedures for processing ECF applications (summarised in Figure 2) are as follows:

- (a) ***Invitations for applications.*** ECFC will approve an annual budget for each of the funding programmes under ECF. For each funding programme, open invitations for applications will be called at scheduled intervals (once or twice a year) or applications will open throughout the year (Note 13);
- (b) ***Initial checking and referral to parties concerned for comments.*** Upon receiving an application, EPD will issue an acknowledgement of receipt to the applicant. For all applications received by the application deadline, EPD will conduct initial checking of the applications to ensure that they are complete with all necessary supporting documents submitted. In parallel, EPD will refer the applications to its relevant groups/divisions and/or other government bureaux/departments (B/Ds) for comments, when necessary (Note 14);
- (c) ***Processing of applications.*** Based on the results of its initial checking and the comments received from its relevant groups/divisions and/or other B/Ds, EPD will request the applicants to make clarifications and provide additional information as needed for further assessment. The applicants will then prepare and submit additional information as requested by EPD for further processing of applications;

Note 13: *Apart from three funding programmes (programme on source separation of waste, food waste recycling projects in housing estates and on-site meal portioning projects in schools — see para. 1.10(a)(ii) to (iv)) which are open for applications throughout the year, open invitations for applications under the remaining funding programmes will be called at scheduled intervals.*

Note 14: *For an application seeking funding support of over \$500,000 for environmental research, technology demonstration and conference project, EPD will also invite two external assessors (e.g. professors or academics from tertiary institutions) to conduct a review on the project proposal.*

- (d) *Seeking funding approval.* For eligible applications, EPD will submit to the subcommittee/panel concerned and/or ECFC discussion papers/summaries of project applications to facilitate their discussions and assessments on whether the applications should be approved for funding support. Since early 2014, eligible applications have been considered on a competition basis (Note 15) and the most meritorious applications are selected for funding support, subject to the budget for the relevant funding programme not being exceeded; and
- (e) *Notifying applicants of application results* (Note 16). For approved applications, EPD will issue approval letters with funding conditions to the applicants. For rejected applications, EPD will issue notification letters with reasons for rejection to the applicants.

Note 15: *Regarding the funding programmes for programme on source separation of waste, food waste recycling projects in housing estates, on-site meal portioning projects in schools and community involvement projects for waste reduction through quantity-based MSW charging (see para. 1.10(a)(ii) to (v)), the applications received are considered on individual merits and a first-come-first-served basis, subject to the budget for the relevant funding programme not being exceeded.*

Note 16: *According to EPD, all applicants will be notified of their application results by the application result announcement date of the relevant funding programme, which is given on ECF's website when it invites applications.*

Figure 2

General procedures for processing ECF applications

<i>Invitations for applications</i>	<ul style="list-style-type: none"> • Approval of annual budget for funding programmes under ECF • Open invitations for applications
<i>Initial checking and referral to parties concerned for comments</i>	<ul style="list-style-type: none"> • Initial checking of applications by EPD • Referral of applications to EPD’s relevant groups/divisions and/or B/Ds for comments
<i>Processing of applications</i>	<ul style="list-style-type: none"> • Requesting applicants to make clarifications and provide additional information as needed for further assessment • Submission of additional information by applicants for further processing
<i>Seeking funding approval</i>	<ul style="list-style-type: none"> • Submission of discussion papers/summaries of project applications by EPD to subcommittee/panel concerned and/or ECFC for consideration
<i>Notifying applicants of application results</i>	<ul style="list-style-type: none"> • Issue of approval letters with funding conditions or notification letters with reasons for rejection to applicants

Source: Audit analysis of EPD records

2.4 EPD processes several hundreds of applications for funding support from ECF each year. An analysis of ECF applications received and processed during the period from 2013-14 to 2017-18 is shown in Table 3.

Table 3

**Analysis of ECF applications received and processed
(2013-14 to 2017-18)**

Application	No. of applications					
	2013-14	2014-15	2015-16	2016-17	2017-18	Total
Received (Note 1)	333	359	396	400	477	1,965
Processed						
Approved (Note 2)	383	449	192	214	167	1,405
Rejected	112	245	151	210	217	935
Withdrawn /invalid (Note 3)	64	73	28	24	67	256
Total (Note 1)	559	767	371	448	451	2,596

Source: EPD records

Note 1: The number of applications received in a financial year was not equal to the number of applications processed in that year as some applications processed in the year were received in previous years, and some applications received in the year were still under processing at the financial year end. According to EPD, this might be the case when applications were invited or meetings of vetting subcommittees were held near the end of the financial year, or when more time was needed to consider these applications.

Note 2: According to EPD, the decrease in number of approved applications in general was mainly due to: (a) the fact that the funding programmes for energy conservation projects ceased receiving new applications in 2012 (see para. 1.10(d)) and some of the related applications received in 2012 or before were approved in 2013-14 and 2014-15; and (b) the increasing rejection rate for ECF applications (see paras. 2.9 and 2.10).

Note 3: According to EPD, common reasons for: (a) withdrawn applications included obtaining another funding source and change of circumstances during the application process; and (b) invalid applications included late submission of applications and failure to provide documentary proof on the applicants' non-profit-making status.

Administration of applications

Need to keep in view the processing time for ECF applications

2.5 During the period from 2013-14 to 2017-18, there were 1,405 approved ECF applications. Apart from 41 applications which were large-scale environmental education and awareness projects/programmes under ECC (Note 17), the remaining 1,364 (1,405 less 41) approved applications were related to the other five project types (see para. 1.10(a) to (e)). Table 4 shows the processing time (from date of receipt of application to date of approval) for these 1,364 approved applications. According to EPD, the processing time included the time taken for:

- (a) the applicants to provide the essential information for vetting; and
- (b) the subcommittee/panel concerned and/or ECFC to vet the applications after receiving all the essential information from the applicants.

Table 4

**Time taken in processing ECF applications
approved during 2013-14 to 2017-18**

Time taken	No. of applications approved					
	2013-14	2014-15	2015-16	2016-17	2017-18	Total
6 months or less	87	162	174	187	155	765 (56.1%)
More than 6 months to 1 year	120	74	9	17	2	222 (16.3%)
More than 1 year to 2 years	166	204	—	2	1	373 (27.3%)
More than 2 years to 4 years	2	—	1	—	1	4 (0.3%)
Total	375	440	184	206	159	1,364 (100.0%)

} 377 (27.6%)

Source: EPD records

Note 17: For large-scale environmental education and awareness projects/programmes (see para. 1.10(f)), ECC submits an annual programme plan to ECFC to seek funding to organise the related projects/programmes. According to EPD, ECC is the execution body of these projects/programmes, which are subject to consideration and vetting by ECC.

2.6 As shown in Table 4, the processing time for 377 (27.6%) of the 1,364 approved applications was more than one year. These 377 approved applications involved four project types, i.e. the projects mentioned in paragraph 1.10(a) to (d). The processing time for all approved applications for nature conservation management agreement projects (see para. 1.10(e)) was less than one year. According to EPD:

- (a) most (99%) of the 377 approved applications were the approved applications in 2013-14 (168 (166 + 2)) and 2014-15 (204). This was likely due to the need to handle the surge of applications received for energy conservation projects before the related funding programmes ceased receiving new applications in 2012 (see para. 1.10(d));
- (b) 268 (71%) of the 377 approved applications were energy conservation projects. The applicants of these projects had to provide certain technical information in their applications and they had taken considerable time to do so;
- (c) the willingness and timeliness of the applicants to prepare and provide the essential information for vetting were out of the control of the vetting body; and
- (d) significant improvement had been made in recent years. In 2015-16, 2016-17 and 2017-18, 95% (174 out of 184), 91% (187 out of 206) and 97% (155 out of 159) respectively of the ECF applications were approved within 6 months from the time when the applications were received.

Administration of applications

2.7 Audit selected 4 of the 377 approved applications (comprising an application from each of the four project types with the longest processing time in their respective project type) for examination. Audit found areas for improvement in processing applications in 2 cases, as follows:

- (a) Case 1: Need to strengthen measures to help complete the processing of one long-outstanding application for an environmental education and community action project; and
- (b) Case 2: Need to consider providing further assistance to the applicant of an energy conservation project.

Case 1

Need to strengthen measures to help complete the processing of one long-outstanding application (April 2011 to March 2019)

1. In April 2011, a kindergarten (Applicant A) submitted an application for an environmental education and community action project seeking funding support of \$74,000 (revised to \$42,280 in November 2012) to carry out minor works to improve the lighting and air-conditioning systems in the school premises by using more energy efficient equipment (Project A).

2. In May 2011, EPD informed Applicant A that EE&CAPVSC was conducting a review on the vetting criteria for minor works projects and all related applications received by EPD on or after 1 January 2011 (i.e. including Applicant A's application) would be considered under the new vetting criteria. In the same letter of May 2011, EPD reminded Applicant A that the application form would need to be revised accordingly. After the completion of the review, EPD informed Applicant A in June 2011 that a new template of application form, which was applicable for all applications with effect from 1 January 2011, was uploaded onto ECF's website and requested Applicant A to resubmit the application for Project A using the new template.

3. In March and August 2012, EPD issued two reminders to Applicant A regarding the outstanding application for Project A using the new template of application form. In the August reminder, EPD requested Applicant A to resubmit the application by mid-September 2012, or else, the application would be considered withdrawn. In November 2012, Applicant A resubmitted the application seeking funding support of \$42,280. In the event, in April 2013, Project A was approved by EE&CAPVSC at a grant of \$42,280, 1.9 years after Applicant A first sought funding support in April 2011.

Case 1 (Cont'd)

4. In March 2019, EPD informed Audit that:
- (a) according to the guide to application for the funding programme of environmental education and community action projects: (i) the applicants were required to provide additional or supplementary information in relation to their applications upon request; and (ii) the applicants should provide the best and fullest information in their applications and the vetting subcommittee was not obliged to request additional information from the applicants. EPD staff would check if the supporting documents were sufficient and in order. The applicants would be requested to clarify and revise the documents, and to provide supplementary information when necessary;
 - (b) for this case, Applicant A was clearly informed by EPD in June 2011 to resubmit its application using the new template of application form. However, Applicant A only resubmitted its application in November 2012 after the issue of two reminders by EPD in March and August 2012 respectively. The application was approved in April 2013 after the valid application reached EPD in November 2012 (i.e. processing time of about 6 months); and
 - (c) it was the applicants' responsibility to provide relevant information related to their applications and EPD's reminders could only serve to remind them to reply. In this case, it was an issue of not using the new template of application form as required and the application was considered invalid.

Audit comments

5. Audit noted that EPD issued the first reminder in March 2012 (9 months after it requested Applicant A to resubmit the application for Project A in June 2011) and the second reminder in August 2012 (5 months after the first reminder issued in March 2012). Apart from issuing these reminders, no other follow-up actions (e.g. contacting Applicant A by telephone advising it to use the new template of application form) had been taken by EPD. In the event, Applicant A resubmitted the application in November 2012 and the application was approved by EE&CAPVSC in April 2013. In Audit's view, there is a need for ENB and EPD to strengthen measures to help complete the processing of long-outstanding applications.

Source: *Audit analysis of EPD records*

Case 2

Need to consider providing further assistance to an applicant (May 2011 to March 2019)

1. In May 2011, an NGO (Applicant B) submitted an application for an energy conservation project seeking funding support of \$288,840 (revised to \$363,310 in April 2013) to carry out energy improvement works for a social service centre and three hostels (Project B). In June 2011, EPD referred the application to the Electrical and Mechanical Services Trading Fund (EMSTF — see Note to Figure 1 in para. 1.13) for vetting in view that the application involved installation works for lighting and air-conditioning items at multiple sites. EMSTF conducted the first and second pre-approval site inspections in July 2011 and March 2012 respectively.

2. Between July 2011 and April 2013, Applicant B had responded to 8 rounds of enquiries from EMSTF by making clarifications or providing supplementary information for the application. EMSTF's enquiries were mainly related to inadequate or outstanding information in the application form (e.g. calculations of energy saving and payback period, provision of electricity bills for every site, maintenance records of existing air-conditioners and layout plans of existing lighting and air-conditioning items proposed to be replaced). In the event, in November 2013, Project B was approved by ECPVSC at a grant of \$358,310, 2.5 years after Applicant B first sought funding support in May 2011.

3. In March 2019, EPD and EMSTF informed Audit that:

- (a) Project B was an energy improvement works project. EPD had no expertise in such technical projects and hence engaged EMSTF under a service level agreement to provide professional support to EPD for processing funding applications for such projects (which involved some extent of technical complexities or where the amount of funding support sought was substantial) and in monitoring these approved projects. Project B involved technical complexities at four sites and this required a relatively longer time for processing the application especially if the information provided for the application was inadequate and incorrect;
- (b) according to the guide to application for the funding programme known as “Energy Conservation Projects for Non-government Organisations”, for energy improvement works, the applicants should engage a Qualified Service Provider (QSP) in certifying the detailed scope of the projects and provide the name and qualifications of the QSP with documentary proof;

Case 2 (Cont'd)

- (c) QSP, a professional with expertise, should be able to assist the applicants in providing clear and concise information for the application. If no QSP was engaged in the application stage, the applicants should have the responsibility to provide complete information in their applications and to respond to any subsequent enquiries which EMSTF might have;
- (d) EMSTF had requested Applicant B to provide details of the QSP (such as copy of his/her relevant certificate and professional institution card) and the required information was duly submitted. EMSTF had also sought and received confirmation from Applicant B that the QSP fee was for all four sites of the application. In addition, EMSTF had made a series of enquiries which were of highly technical nature and could only be replied by someone with technical background (e.g. QSP). Unfortunately, Applicant B together with its QSP could not address EMSTF's concerns due to repeated submission of inadequate and incorrect information; and
- (e) assistance provided by EPD and EMSTF to the applicants should be on the procedures and not on the contents, and on a "same-to-all" basis.

Audit comments

4. Applicant B had taken a long time from July 2011 to April 2013 to respond to enquiries from EMSTF by making clarifications or providing supplementary information for the application. Audit noted that EMSTF had made repeated enquiries on or requests for some information (e.g. inaccurate calculations of energy saving and payback period — see para. 2), which indicated that Applicant B might have difficulties in submitting a complete application for vetting. In Audit's view, ENB and EPD need to consider providing further assistance to the applicants where necessary and appropriate (e.g. in collaboration with the relevant B/Ds) to facilitate them in providing information required in the vetting process.

Source: Audit analysis of EPD and EMSTF records

2.8 As of December 2018, there were 215 ECF applications under processing by EPD. According to EPD, all these applications had been received for less than 6 months except 2 applications which were received about 10 months ago (clarifications were required from the applicants on details in their application forms). Audit considers that ENB and EPD need to keep in view the processing time of ECF

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applications and strengthen measures (e.g. issuing timely reminders and/or contacting the applicants by telephone) to help complete the processing as soon as practicable. ENB and EPD also need to provide assistance to the applicants where necessary and appropriate to facilitate them in providing information required in the vetting process.

Increasing rejection rate for ECF applications

2.9 During the period from 2013-14 to 2017-18, the rejection rates for ECF applications increased from 20% (112 of 559 applications rejected — see Table 3 in para. 2.4) in 2013-14 to 48% (217 of 451 applications rejected) in 2017-18. Audit noted that the major reasons for rejection from 2013-14 to 2017-18 were as follows:

- (a) reservations about the possible value (e.g. contributions to environmental protection and environmental education impact) and effectiveness (e.g. cost effectiveness) of the proposed projects or activities;
- (b) insufficient information to support the applications;
- (c) proposals not practicable or technically not feasible; and
- (d) duplication of work or similar services or activities already existed.

2.10 Audit noted that EPD had provided reasons for rejection to unsuccessful applicants. In addition, EPD had organised briefing/experience sharing sessions for potential applicants, in which the points to note in applying for funding support from ECF and the main reasons for supporting or not supporting the past applications were discussed. According to EPD, best-practice or past meritorious projects under the various funding programmes were also shared with interested parties in briefing/experience sharing sessions for potential applicants and/or publicised through various means (e.g. television, newspaper and other social media means). In Audit's view, ENB and EPD need to explore further measures to encourage and facilitate potential applicants to submit meritorious applications to ECF.

Audit recommendations

2.11 **Audit has *recommended* that the Secretary for the Environment and the Director of Environmental Protection should:**

- (a) **keep in view the processing time of ECF applications and strengthen measures (e.g. issuing timely reminders and/or contacting the applicants by telephone) to help complete the processing as soon as practicable;**
- (b) **provide assistance to the applicants where necessary and appropriate to facilitate them in providing information required in the vetting process; and**
- (c) **explore further measures to encourage and facilitate potential applicants to submit meritorious applications to ECF.**

Response from the Government

2.12 The Secretary for the Environment and the Director of Environmental Protection agree with the audit recommendations. The Director of Environmental Protection has said that EPD will:

- (a) keep in view the processing time of ECF applications and take measures to help complete the processing as soon as practicable;
- (b) continue to conduct briefing/experience sharing sessions for potential applicants to explain the application requirements and provide assistance to the applicants in providing information required in the vetting process as appropriate under the competition-based approach though full submission of all required information primarily remains the responsibilities of the applicants; and
- (c) explore further measures to encourage and facilitate potential applicants to submit meritorious applications to ECF and continue to share best-practice or past meritorious projects with potential applicants in briefing/experience

Administration of applications

sharing sessions and/or showcase them through various means (e.g. television, newspaper and website).

Processing procedures for ECF applications

2.13 EPD has drawn up procedural guidelines for funding programmes under ECF. Audit examination of these procedural guidelines revealed that there was room for improvement in procedures for processing applications for ECF-funded projects (see paras. 2.14 to 2.26).

Issue of some discussion papers/summaries of project applications to subcommittees shortly before the meetings

2.14 EPD submits to subcommittees discussion papers/summaries of project applications to facilitate their discussions and assessments on whether the applications should be approved for funding support (see para. 2.3(d)).

2.15 According to the Fund Management Guide (Note 18) issued by the Treasury, members of the committee should be provided with the agenda and discussion papers in good time, normally not less than five working days before the meeting (the 5-working-day rule). According to EPD:

- (a) except for RPVSC, the issue of discussion papers/summaries of project applications to members of other subcommittees, in general, follows the 5-working-day rule in accordance with the Fund Management Guide; and
- (b) for RPVSC, all discussion papers for applications under the funding programme of environmental research, technology demonstration and conference projects should be issued to members of RPVSC by e-mail at least 10 calendar days before the scheduled meeting as far as possible (which has been stipulated in the procedural guidelines for such funding programme). A slightly longer time is allowed for environmental research

Note 18: *The Fund Management Guide aims at providing a handy reference for B/Ds in discharging their duties and responsibilities of fund management.*

projects as the applications contain more technical information including past research papers and comments from relevant groups/divisions of EPD and other B/Ds as well as assessments from external assessors if the funding support sought exceeds \$500,000.

2.16 For the discussion papers/summaries of project applications issued to members of the subcommittees from 2013-14 to 2017-18, Audit found that, except for RPVSC (Note 19), it was not uncommon that the discussion papers/summaries of project applications were only issued to members shortly before the scheduled meetings. For example, the discussion papers/summaries of project applications for 45 (47%) of a total of 95 meetings for four subcommittees (i.e. WRPVSC, EE&CAPVSC, ECPVSC and NCSC) were issued to members 1 to 5 calendar days (averaging 3.7 calendar days) before the scheduled meetings. The time for issuing discussion papers/summaries of project applications to members of the four subcommittees for all these 95 meetings was as follows:

- (a) for WRPVSC, 1 to 7 calendar days (averaging 4.4 calendar days) before the scheduled meetings;
- (b) for EE&CAPVSC, 1 to 15 calendar days (averaging 6.6 calendar days) before the scheduled meetings;
- (c) for ECPVSC, 2 to 43 calendar days (averaging 18.3 calendar days) before the scheduled meetings; and
- (d) for NCSC, 2 to 7 calendar days (averaging 4.3 calendar days) before the scheduled meetings.

2.17 In Audit's view, ENB and EPD need to issue discussion papers/summaries of project applications to members of the subcommittees as early as possible with a view to allowing sufficient time for them to consider the applications. In this connection, Audit noted that only the procedural guidelines for the funding programme of environmental research, technology demonstration and conference

Note 19: *For RPVSC, the discussion papers of project applications were issued to members 14 to 24 calendar days before the scheduled meetings from 2013-14 to 2017-18.*

Administration of applications

projects had stipulated the time frame for issuing discussion papers of project applications (see para. 2.15(b)) but not stipulated in those for other funding programmes. Audit considers that ENB and EPD need to consider stipulating such time frame in the procedural guidelines for all ECF funding programmes.

Different practices adopted in handling of cases involving information not provided by applicants within specified time period

2.18 According to the procedural guidelines for ECF funding programmes, there are two different practices adopted to handle cases involving information not provided by the applicants within the specified time period, as follows:

- (a) according to the procedural guidelines for funding programmes of three project types (i.e. waste reduction projects, environmental research, technology demonstration and conference projects, and energy conservation projects), in general:
 - (i) to avoid undue delay in the processing work for an application, where the applicant does not reply to any enquiries from EPD within a specified time period (e.g. 1 month), EPD should write to remind the applicant that if it does not reply within another specified time period (e.g. 2 weeks), the application will be considered withdrawn and the processing work for the application will terminate (Note 20); and
 - (ii) the applicant will have to submit a fresh application in case it subsequently wishes to pursue the application again; and
- (b) according to the procedural guidelines for the funding programme of environmental education and community action projects, to avoid undue delay in the processing work for an application, where the applicant does not reply to any request for additional information/clarifications/response within 1 month (for projects with facilities/installations (see para. 3.8(a))

Note 20: *For the funding programme of nature conservation management agreement projects, its procedural guidelines stipulate that if an applicant does not reply to enquiries from EPD within 2 weeks, the application will be considered withdrawn and the processing work for the application will terminate.*

or 5 working days (for projects without facilities/installations), EPD should write to remind the applicant that if it does not reply within another 2 weeks (for projects with facilities/installations) or 3 working days (for projects without facilities/installations), the application will be considered on the basis of information previously provided.

As a result of the difference between the two practices, for cases involving information not provided by the applicants within the specified time period, the processing work for applications of the three project types in (a) above will terminate while the applications of the project type in (b) above will be considered on the basis of information previously provided.

2.19 In March 2019, EPD informed Audit that:

- (a) environmental education and community action projects were of a comparatively simple nature. Certain missing information required for consideration of approval (e.g. details of activities proposed and type of target participants) was in most cases not essential in determining the validity of the proposal itself but such information might enable members of EE&CAPVSC to have a better understanding of the contents of the proposal; and
- (b) EE&CAPVSC was generally satisfied with the existing arrangement and would request clarifications from the applicants after discussing the proposals if necessary.

2.20 In Audit's view, ENB and EPD need to review and revise the procedural guidelines for ECF funding programmes as appropriate to ensure consistency of practices in the processing of applications under various funding programmes.

Different practices adopted in checking for double benefits

2.21 According to the procedural guidelines for ECF funding programmes, there are two different practices adopted to check whether the applicants receive double benefits on the same budget item from other funding schemes of the Government, as follows:

Administration of applications

Declarations by applicants only

- (a) for the funding programme of nature conservation management agreement projects (1 project with a grant of \$8.5 million was approved in 2017-18), the applicant declares in the application form regarding the details of other sources of funds. No other checking is conducted by EPD;

Declarations by applicants and checking by EPD

- (b) for funding programmes of three project types, in addition to declaration by the applicant in the application form, EPD sends a list of applications which are selected on a random sampling basis (e.g. 1 in every 5 applications) to the pertinent secretariats of other funding schemes of the Government (e.g. the Quality Education Fund — Note 21) for checking. The three project types are:
 - (i) waste reduction projects (56 projects with grants totalling \$89 million were approved in 2017-18);
 - (ii) environmental education and community action projects (85 projects with grants totalling \$47.1 million were approved in 2017-18); and
 - (iii) energy conservation projects (no projects were approved in 2017-18 as the related funding programmes ceased receiving new applications in 2012 — see para. 1.10(d)); and
- (c) for the funding programme of environmental research, technology demonstration and conference projects (17 projects with grants totalling \$17.7 million were approved in 2017-18), in addition to declaration by the applicant in the application form, EPD sends a list of all applications to the pertinent secretariats of other funding schemes of the Government (e.g. the

Note 21: *The Quality Education Fund provides funding to schools, educational bodies, teaching professionals, organisations and individuals to undertake one-off projects for the promotion of quality school education at all levels.*

Innovation and Technology Fund and the Research Grant Council — Note 22) for checking.

Audit noted that there were fewer projects for the funding programme of nature conservation management agreement projects as compared with the funding programmes of the other four project types, and the grant for each nature conservation management agreement project was higher (see (a) to (c) above). However, unlike the funding programmes of the four project types, there is no checking for double benefits in respect of applications under the funding programme of nature conservation management agreement projects by EPD.

2.22 In March 2019, EPD informed Audit that:

- (a) EPD had observed and complied with the requirements stipulated in the procedural guidelines. EPD considered it infeasible to conduct full checking across the board for the funding programmes under ECF, taking into account the large number of applications, the nature of projects and the existence of abundant funding bodies within the Government. EPD had tried to standardise the practice under the various funding programmes as far as possible with due regard to the specific nature of environmental research projects which were more related to the Innovation and Technology Fund and the Research Grant Council (see para. 2.21(c)); and
- (b) for nature conservation management agreement projects, the applicants were encouraged to seek alternative funding sources (including income-generating activities and private sponsorship) for generating 5% income of the total budget of their projects, and thus it was reasonably believed that the applicants would provide the information in their applications if they had secured sponsorships from other sources as income. The applicants were requested to clearly indicate in their application forms regarding sponsorships outside ECF (including the source, amount, and income to be generated, etc.). Even when details were not yet available

Note 22: *The Innovation and Technology Fund provides funding support for research and development projects that contribute to innovation and technology upgrading in manufacturing and service industries. The Research Grant Council is a non-statutory body which advises the Government on the needs of the institutions of higher education in Hong Kong in the field of academic research and invites and receives applications for research grants from academic staff.*

Administration of applications

when the applications were submitted, the applicants should still indicate their intentions to seek other sponsorships if this was the case. In addition, there were only a few related projects funded by ECF and all of them were large-scale and managed by renowned NGOs. EPD considered that declaration alone should be sufficient for nature conservation management agreement projects, and proactive checking of additional funding sources outside ECF for these projects was unnecessary.

2.23 In Audit's view, ENB and EPD need to carry out random checking of applications under the funding programme of nature conservation management agreement projects (which are generally large-scale projects requiring substantial funding support) regarding the receipt of double benefits from other funding schemes of the Government with a view to tallying with the good practice of other funding programmes under ECF.

Need to stipulate requirements for assessment of ECF applications in procedural guidelines

2.24 According to ECF's assessment mechanism for handling ECF applications, in general, open invitations for applications under individual funding programmes will be called at scheduled intervals each year (see para. 2.3(a)) and eligible applications will be considered on a competition basis (see para. 2.3(d)). A marking scheme based on the vetting criteria is implemented to vet and evaluate the relative merits of individual applications and select the most meritorious applications for funding support.

2.25 According to the procedural guidelines for the funding programme of environmental research, technology demonstration and conference projects:

- (a) members of the vetting subcommittees should follow the pre-determined assessment criteria for selection of projects for funding support (i.e. applications attaining less than the passing mark will not be supported, regardless of whether the budget for the funding programme in that round of invitation is exhausted or not), and that unallocated funds should be returned to ECF pool; and

- (b) if there are strong reasons to deviate from the pre-determined assessment criteria for assessment of ECF applications, the justifications and the decisions should be properly documented.

Audit noted that none of the procedural guidelines for the other funding programmes had stipulated such requirements. In March 2019, EPD informed Audit that it was EPD's prevailing practice to properly document the justifications and decisions of the vetting subcommittees for any deviation from the pre-determined assessment criteria in the assessment of ECF applications though this practice had not been stipulated in the procedural guidelines. In Audit's view, ENB and EPD need to stipulate such requirements in the procedural guidelines for all ECF funding programmes in order to formalise the prevailing practice on the assessment of applications.

Audit recommendations

2.26 **Audit has *recommended* that the Secretary for the Environment and the Director of Environmental Protection should:**

- (a) **issue discussion papers/summaries of project applications to members of the subcommittees as early as possible with a view to allowing sufficient time for them to consider the applications;**
- (b) **consider stipulating the time frame for issuing discussion papers/summaries of project applications to members of the subcommittees in the procedural guidelines for all ECF funding programmes;**
- (c) **review and revise the procedural guidelines for ECF funding programmes as appropriate to ensure consistency of practices in the processing of applications under various funding programmes;**
- (d) **carry out random checking of applications under the funding programme of nature conservation management agreement projects (which are generally large-scale projects requiring substantial funding support) regarding the receipt of double benefits from other funding schemes of the Government with a view to tallying with the good practice of other funding programmes under ECF; and**

Administration of applications

- (e) **in order to formalise the prevailing practice on the assessment of applications, in the procedural guidelines for all ECF funding programmes, stipulate the requirements on:**
 - (i) **following the pre-determined assessment criteria for selection of projects for funding support and returning unallocated funds to ECF pool; and**
 - (ii) **properly documenting the justifications and the decisions if there are strong reasons to deviate from the pre-determined assessment criteria for assessment of ECF applications.**

Response from the Government

2.27 The Secretary for the Environment and the Director of Environmental Protection agree with the audit recommendations. The Director of Environmental Protection has said that:

- (a) for meetings of WRPVSC and EE&CAPVSC, agenda and relevant documents such as discussion papers, if any, and applications received for vetting are now issued one week before the date of the meetings. EPD will take steps to issue discussion papers/summaries of project applications to members of the subcommittees as early as possible;
- (b) EPD will review and revise the procedural guidelines for all ECF funding programmes as appropriate to stipulate the time frame for issuing discussion papers/summaries of project applications to members of the subcommittees, ensure consistency of practices in the processing of applications and stipulate the requirements on following the pre-determined assessment criteria; and
- (c) EPD will carry out random checking of applications under the funding programme of nature conservation management agreement projects regarding the receipt of double benefits from other funding schemes of the Government to tally with the good practice in vetting of applications that is applicable to other funding programmes under ECF.

PART 3: MONITORING OF PROJECT IMPLEMENTATION AND ACCOUNTS FINALISATION

3.1 This PART examines EPD's work in monitoring of implementation of ECF-funded projects (paras. 3.2 to 3.12) and project accounts finalisation (paras. 3.13 to 3.19).

Monitoring of implementation of ECF-funded projects

3.2 ECFC and the various subcommittees (see Table 1 in para. 1.10), with the support of relevant groups/divisions of EPD and AFCD, oversee the implementation of ECF-funded projects. According to ECF's guides to application and EPD's procedural guidelines, EPD's monitoring work for on-going and completed projects is, in general, as follows:

- (a) ***On-going projects.*** The monitoring work is as follows:
 - (i) for a project lasting more than 6 months, the grantee is required to submit half-yearly progress reports with information on financial position of its project together with the original invoices and receipts to EPD within one month following the end date of the corresponding reporting period (e.g. 6 months after the project commencement date). For a project with a grant of more than \$300,000 and lasting more than 18 months, the grantee is also required to submit an audited statement of accounts once every 12 months;
 - (ii) EPD will then check if the progress report and supporting documents are in order and if the project is progressing satisfactorily; and
 - (iii) except for the initial disbursement, all interim disbursements of funds will be subject to satisfactory performance and progress of the project (or completion of a milestone for a minor works project). EPD will also conduct site inspections or surprise checks to examine the progress of the project at any time. For monitoring purposes,

Monitoring of project implementation and accounts finalisation

at least one site inspection should be conducted in the course of each project. For projects with duration exceeding 2 years, a second site inspection should be conducted (for minor works project, site inspections are usually conducted before the endorsement of installation report and completion report); and

- (b) ***Completed projects.*** The monitoring work is as follows:
- (i) within two months of completion of a project, the grantee has to submit a completion report with a statement of accounts (an audited statement of accounts for a project with a grant of more than \$300,000) together with the original invoices and receipts to EPD;
 - (ii) EPD will then check if the completion report and supporting documents are in order and if the project is completed satisfactorily (Note 23);
 - (iii) the subcommittee concerned will assess the success or effectiveness of the project by comparing the project results against its original objectives and targets as set out in the project proposal; and
 - (iv) after the endorsement of satisfactory completion of the project and the final project expenditure by the subcommittee concerned, final disbursement of funds will be made to the grantee.

ECF-funded projects not commenced long after approval

3.3 According to EPD:

- (a) as of September 2018, 99 approved ECF-funded projects had not yet commenced; and

Note 23: *For an environmental research, technology demonstration and conference project with a grant of over \$500,000, EPD will also invite an independent evaluator (e.g. professor or academic from tertiary institutions) to assess the overall effectiveness of the project.*

Monitoring of project implementation and accounts finalisation

- (b) of the 99 projects, 15 (15%) had been approved for more than one year (see Table 5). All the 15 projects were environmental education and community action projects with facilities/installations (see para. 3.8(a)).

Table 5

**Ageing analysis of approved projects not yet commenced
(September 2018)**

Time elapsed after approval	Projects	
	No.	Percentage
1 year or less	84	85%
More than 1 year to 2 years	—	0%
More than 2 years to 4 years	4	4%
More than 4 years to 6 years	5	5%
More than 6 years to 9 years	6	6%
Total	99	100%

Source: EPD records

Note: All the 15 projects were environmental education and community action projects with facilities/installations (see para. 3.8(a)).

3.4 Audit selected 5 projects for examination (Note 24) and noted that there were inadequacies in follow-up actions by EPD on a project which had not commenced long after approval (see Case 3).

Note 24: *Based on the information (extracted from ECF database — see para. 4.32) provided by EPD in January 2019 during Audit’s fieldwork, Audit selected 5 projects which had been approved for more than four years but were shown as not yet commenced as of September 2018 for examination. Apart from a project (Case 3) meeting these criteria, the remaining 4 projects had actually commenced (ranging from 3 to 11 months after obtaining approval). According to EPD, this was due to the fact that the data field “project commencement date” in ECF database was not applicable to environmental education and community action projects with facilities/installations (see para. 4.36(b) and (e)) and thus not updated.*

Case 3

Inadequacies in follow-up actions on a project not commenced long after approval (September 2010 to January 2019)

1. In September 2010, EE&CAPVSC approved a grant of \$375,000 for a secondary school (Grantee A) to carry out minor works for the installation of solar panel system and provision of green roof in the school premises (Project C). In May 2011, EPD notified Grantee A of the approval of Project C in writing. According to Grantee A, Project C was scheduled for commencement in July 2011 and completion in April 2014.

2. According to the prevailing funding conditions, if a project did not commence within one year of the approval of the grant and no reasonable explanation had been given, the funding support might be suspended/terminated. In April 2012, noting that Project C had not yet commenced, EPD issued a letter to Grantee A enquiring about the reasons for the delay. In response, in May 2012, Grantee A explained that the delay was due to the fact that the school became a Direct Subsidy Scheme school in 2011 and so it needed to complete the administrative and financial transition work before commencing Project C. In July 2012, Grantee A further informed EPD that the tendering work for the project was in progress.

3. In April 2013, Grantee A informed EPD that re-tendering work was needed due to the insufficient number of tenders received. In November 2013, Grantee A further informed EPD that the feasibility study for Project C could not commence due to the incomplete records of building plans of the school premises, which was built in the 1950s, and requested EPD to extend the commencement of Project C.

4. In January 2016, noting that Project C had still not yet commenced, EPD issued a letter to Grantee A again enquiring about the reasons for the delay. According to EPD, in November 2017, it contacted Grantee A twice to enquire about the latest position but Grantee A did not respond.

5. On 15 January 2019, Audit requested the case file of Project C for review. On 18 January 2019, EPD sent an e-mail to Grantee A asking Grantee A to submit written withdrawal for Project C to support the verbal withdrawal previously conveyed by Grantee A to EPD.

Case 3 (Cont'd)

Audit comments

6. EPD had not followed up with Grantee A for a total of 5 years (2.1 years from December 2013 to December 2015, 1.8 years from February 2016 to October 2017 and 1.1 years from December 2017 to December 2018) regarding the commencement of Project C after notifying Grantee A of the approval of the project in May 2011. As a result of the inadequacies in follow-up actions by EPD, it was not until January 2019 that EPD was informed by Grantee A that Project C was withdrawn and hence the funding had been unnecessarily tied up for a long time.

Source: Audit analysis of EPD records

3.5 In Audit's view, ENB and EPD need to closely monitor the commencement of ECF-funded projects and take measures to ensure that there is no undue delay in commencement, particularly for environmental education and community action projects with facilities/installations as all the 15 projects which had not commenced more than one year after approval as of September 2018 were such projects (see para. 3.3(b)).

Long time taken for completing ECF-funded projects

3.6 According to EPD:

- (a) ECF plays a role, through grants of fund, in supporting initiatives and activities which complement the Government's policy priorities, and hence, it is not suitable for ECF-funded projects to last for a long duration (more than three years) given the need for ECF to adjust its priority funding areas to support the Government's new policy initiatives; and
- (b) as of September 2018, 607 approved ECF-funded projects had commenced but not yet been completed. Of the 607 projects, 284 (47%) had commenced for more than four years (see Table 6). All the 284 projects (i.e. long-outstanding on-going projects) were environmental education and community action projects with facilities/installations (see para. 3.8(a)).

Monitoring of project implementation and accounts finalisation

Table 6

Ageing analysis of projects commenced but not yet completed (September 2018)

Time elapsed after commencement	Projects	
	No.	Percentage
1 year or less	136	22%
More than 1 year to 2 years	79	13%
More than 2 years to 4 years	108	18%
More than 4 years to 6 years	139	23%
More than 6 years to 11 years	145	24%
	} 284 (Note)	} 47%
Total	607	100%

Source: EPD records

Note: All the 284 projects were environmental education and community action projects with facilities/installations (see para. 3.8(a)).

3.7 Audit examined 5 long-outstanding on-going projects and noted that there were inadequacies in follow-up actions by EPD on the progress of 4 projects (see Case 4 for an example).

Case 4

Inadequacies in follow-up actions on progress of a project (December 2010 to January 2019)

1. In December 2010, EE&CAPVSC approved a grant of \$866,550 for a secondary school (Grantee B) to carry out minor works for the provision of green roof in the school premises (Project D). In March 2011, EPD notified Grantee B of the approval of Project D in writing. According to Grantee B, Project D was scheduled for commencement in April 2011 and completion in July 2013. The disbursement schedule for Project D was as follows:

Milestone	Disbursement	Amount (\$)
Submission of quotations for feasibility study	Initial	20,000
Submission of feasibility study report and quotations for plan submission	Second	50,000
Works commencement	Third	311,620
Endorsement of installation report	Fourth	311,620
Endorsement of progress report	Fifth	86,655
Endorsement of completion report	Final	86,655
	Total	866,550

2. Upon submitting the required documents to EPD, Grantee B requested the initial and second disbursements in September 2011 and April 2012 respectively. The initial and second disbursements were then released to Grantee B in October 2011 and May 2012 respectively.

3. Since April 2012, Grantee B had not informed EPD of the progress of Project D. In October 2016, EPD sent an e-mail to Grantee B enquiring about the progress of Project D. In November 2016, Grantee B replied that it was raising funds for the fencing works before the installation works for green roof could commence. In the same month, EPD requested Grantee B to submit a written explanation but no action was taken by Grantee B afterwards. In August 2018 and January 2019, EPD contacted Grantee B again but as of January 2019, Grantee B's response was still pending.

Case 4 (Cont'd)

Audit comments

4. EPD had not followed up with Grantee B for a total of 6.4 years (4.4 years from May 2012 to September 2016, 1.7 years from December 2016 to July 2018 and 0.3 year from September 2018 to December 2018) regarding the progress of Project D. As a result of the inadequacies in follow-up actions by EPD, the progress of Project D was not known despite significant project slippage (5.5 years behind the scheduled completion date of July 2013) as of January 2019.

Source: Audit analysis of EPD records

3.8 In March 2019, EPD informed Audit that:

- (a) ECF-funded projects with facilities/installations (e.g. green roofs, solar panels and energy efficient devices) usually took a longer time to complete as they had to follow established procedures (e.g. undertaking feasibility studies, obtaining approval from relevant authorities or parties, tendering and procurement, etc.). In general, the project duration from works commencement to completion for environmental education and community action projects with facilities/installations would normally be more than 3 years and depend on the nature of the facilities/installations involved. The installation projects (e.g. weather stations, solar panels, wind turbine and green roofs) that involved feasibility study and plan submission would take much longer time to complete;
- (b) the monitoring period (from 1 year to 2 years) for these projects would only start when all the relevant documents including the installation report with all the supporting documents (invoices and receipts) had been submitted and approved;
- (c) the applicants of these projects (mainly schools) were aware of the above requirements as laid down clearly in an appendix of the application form. Each step might take 3 months to 1 year and the whole project could take 4 to 11 years to complete; and

Monitoring of project implementation and accounts finalisation

- (d) EE&CAPVSC had recognised the deficiency in implementing such installation projects at schools and had been discussing in recent meetings on how to deal with these problems. In March 2019, the Government launched a renewable energy programme, which aimed to promote the development of local renewable energy at eligible schools and welfare NGOs and might help install solar panels at schools in a more efficient way.

3.9 In Audit's view, ENB and EPD need to closely monitor the progress of ECF-funded projects and take measures to ensure that there is no undue delay in completion, particularly for environmental education and community action projects with facilities/installations as all the 284 long-outstanding on-going projects as of September 2018 were such projects (see para. 3.6(b)).

Scope for improvement in monitoring ECF-funded projects

3.10 Apart from selecting long-outstanding on-going projects for examination of EPD's monitoring actions (see para. 3.7), Audit also selected 5 completed, 3 withdrawn and 2 terminated ECF-funded projects for examination and noted that:

- (a) for 1 completed project, there were deficiencies in monitoring project implementation including late submission of reports and accounts by the grantee, non-compliance with ECF funding conditions on publicity, and no site inspection conducted by EPD (see Case 5);
- (b) for 1 terminated project, there was late submission of reports and accounts by the grantee (similar to Case 5); and
- (c) for 1 withdrawn project, there were inadequacies in taking actions for monitoring project progress (similar to Case 4 in para. 3.7).

Case 5

Deficiencies in monitoring project implementation (March 2014 to March 2019)

1. In March 2014, ECPVSC approved a grant of \$569,500 for an NGO (Grantee C) to carry out an energy conservation education project to promote energy saving through workshops, ambassador training sessions and energy and carbon assessments (Project E). Project E commenced in April 2014 and was completed in May 2015 with a project duration of 13 months. The disbursement schedule for Project E was as follows:

Disbursement	Amount (\$)	Paid in
Initial (confirmation of acceptance)	284,750	May 2014
Second (endorsement of progress report)	227,800	April 2015
Final (endorsement of completion report)	56,950	N/A (see para. 7 below)
Total	569,500	

2. According to EPD, ECF's guides to application and the "Conditions for the Use and Allocation of Fund" enclosed with the approval letter have set out detailed requirements for the layout of publicity materials related to ECF-funded projects, including:

- (a) grantees are prohibited from using ECF-funded projects and activities, including the related publicity materials, for any personal, political, commercial or religious publicity;
- (b) grantees are also prohibited from presenting any activities, events or materials arising from an ECF-funded project in such a way as to induce public perception of any personal, political, commercial or religious publicity;
- (c) for publicity materials produced under ECF-funded projects or activities, the name and/or logo of the organisers, or co-organising, assisting, supporting or sponsoring bodies should not be larger or placed in a more prominent position than those of ECF; and
- (d) grantees are obliged to submit a copy/sample/artwork of all publicity materials proposed, produced or used for the projects or their activities for review by EPD as and when required, and should follow the advice of EPD on the format and presentation of such materials whenever required.

Case 5 (Cont'd)

3. In December 2014, Grantee C submitted a progress report to EPD. In reviewing the progress report and related documents, EPD observed certain irregularities in the publicity materials produced for Project E, as follows:

- (a) the photograph and name of a District Councillor, who was also the senior consultant of Grantee C, were displayed prominently on the poster publicising the project's opening ceremony held in August 2014. The manner in which the District Councillor's photograph and name were displayed raised the concern and possible public perception that the publicity materials had been used for personal publicity of the District Councillor; and
- (b) on the souvenir shopping bags produced for the project, the name of Grantee C was printed prominently at the centre. ECF's logo together with, inter alia, the District Councillor's name, was printed lower down as one of Grantee C's "long time partners". There was no mentioning of the project title or ECF's funding support for the project on the shopping bags. The display on the bags raised the concern that the souvenirs might be perceived as Grantee C's own souvenirs, and that the organisation might have been giving these out as its own souvenirs or publicity materials. The shopping bags obviously were not designed in a way to publicise the project or its activities.

4. In January 2015, EPD wrote to inform Grantee C that the design and layout of the aforesaid publicity materials were considered to have breached ECF funding conditions on publicity (see para. 2), and to request an explanation from Grantee C. In addition, EPD demanded Grantee C to reclaim the distributed publicity materials in question, to stop distributing such materials and to take immediate remedial measures to rectify the irregularities. To facilitate monitoring, EPD also requested Grantee C to submit a sample or artwork of all future publicity materials proposed for Project E for prior approval before production.

5. In February 2015, EPD received a letter from Grantee C responding that:

- (a) the posters in question were designed, produced and distributed with funding from the District Councillor, who was one of the co-organisers of Project E as well as an officiating guest of the opening ceremony. For these reasons, the District Councillor's photograph was put into the poster. There was no intention of publicising the District Councillor;

Case 5 (Cont'd)

- (b) regarding the souvenir shopping bags, it had intended to set out Project E's activities on the other side of the bags. However, due to printing errors, such information had been omitted. It would rectify the situation by printing the other side of the bags again with the omitted information; and
- (c) as the publicity materials in question involved a large quantity and had been distributed long time ago, it was not possible to reclaim all distributed materials. Nevertheless, it would stop distributing such materials.

6. Project E was completed in May 2015. In October 2015, EPD urged Grantee C to submit a completion report for Project E. In December 2015, Grantee C informed EPD that the audit for the accounts of Project E was in progress. Since then, EPD issued 13 reminders to Grantee C regarding the outstanding completion report and audited statement of accounts between March 2016 and April 2018. In June 2018, Grantee C submitted the completion report and the audited statement of accounts.

7. In October 2018, ECPVSC endorsed the completion of Project E and the final project expenditure of \$486,814.59 (Note). In the same month, EPD requested Grantee C to refund \$25,735.41 (\$284,750 + \$227,800 (i.e. grants paid) – \$486,814.59 (i.e. final project expenditure)) to ECF by the end of October 2018. According to EPD, it had made numerous telephone calls and concurrently issued 10 reminders to Grantee C regarding the refund between November 2018 and March 2019. In March 2019, EPD received the refund from Grantee C.

Audit comments

8. Timely submission of progress and completion reports is essential to facilitate the monitoring of implementation of projects. Grantee C submitted the completion report with audited statement of accounts nearly three years after the due date of July 2015 despite repeated reminders from EPD. In Audit's view, ENB and EPD need to strengthen measures to ensure the timely submission of required documents (e.g. reports on progress and completion and audited statements of accounts) by the grantees with a view to facilitating the monitoring of implementation of ECF-funded projects.

Case 5 (Cont'd)

9. According to EPD, the grantees are constantly reminded of the need to comply with ECF funding conditions on publicity. Audit considers that ENB and EPD need to continue to remind the grantees to comply with ECF funding conditions on publicity and to seek EPD's advice on the publicity materials proposed for ECF-funded projects before production where in doubt.

10. In addition, according to EPD's procedural guidelines, for monitoring purposes, at least one site inspection should be conducted in the course of each project. For projects with duration exceeding 2 years, a second site inspection should be conducted. However, there was no record available showing the conduct of site inspection for Project E by EPD. In Audit's view, ENB and EPD need to take measures to ensure that site inspection is conducted in the course of each project in accordance with EPD's procedural guidelines.

Source: Audit analysis of EPD records

Note: According to EPD, the final project expenditure did not include expenditure for publicity materials found not complying with ECF funding conditions (see paras. 3 and 5) and Grantee C had taken rectification actions on the souvenir shopping bags (see paras. 3(b) and 5(b)).

Audit recommendations

3.11 **Audit has recommended that the Secretary for the Environment and the Director of Environmental Protection should:**

- (a) **closely monitor the commencement and progress of ECF-funded projects and take measures to ensure that there is no undue delay in commencement and completion, particularly for environmental education and community action projects with facilities/installations which accounted for all of the projects not commenced long after approval or not completed long after commencement as of September 2018;**
- (b) **strengthen measures to ensure the timely submission of required documents (e.g. reports on progress and completion and audited statements of accounts) by the grantees with a view to facilitating the monitoring of implementation of ECF-funded projects;**

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- (c) **continue to remind the grantees to comply with ECF funding conditions on publicity and to seek EPD's advice on the publicity materials proposed for ECF-funded projects before production where in doubt; and**
- (d) **take measures to ensure that site inspection is conducted in the course of each project in accordance with EPD's procedural guidelines.**

Response from the Government

3.12 The Secretary for the Environment and the Director of Environmental Protection agree with the audit recommendations. The Director of Environmental Protection has said that EPD will:

- (a) closely monitor the commencement and progress of ECF-funded projects and take measures to reduce undue delay. For environmental education and community action projects with facilities/installations, they might continue to require a longer time in commencement and completion due to the need to undertake feasibility studies and completion of tendering procedures, etc.;
- (b) continue to assist the grantees in submitting the required documents through training sessions arranged for successful applicants and sharing of good examples to help them avoid delay, and to streamline the overall procedures to facilitate payment of funds to the grantees and expedite project accounts finalisation for future projects;
- (c) continue to remind the grantees to comply with ECF funding conditions on publicity; and
- (d) take measures to ensure that adequate site inspection is conducted in the course of each project.

Project accounts finalisation

3.13 Audit examination has found that there is room for improvement in EPD's work in monitoring of project accounts finalisation (see paras. 3.14 to 3.18).

Project accounts not finalised long after project completion

3.14 According to EPD, as of September 2018, there were 303 completed ECF-funded projects with project accounts not yet finalised. Of the 303 projects, 185 (61%) had been completed for more than one year (see Table 7). Of the 185 projects, 102 (55%) were waste reduction projects and 35 (19%) were environmental education and community action projects (see Table 8). In March 2019, EPD informed Audit that there were various reasons and circumstances for project accounts not finalised after project completion, such as:

- (a) the grantees had not submitted progress and completion reports on time and/or had not provided complete and clear documentary proofs in support of their expenditures and satisfactory implementation of the projects; and
- (b) excessive time and manpower were required by EPD in conducting thorough checking and clarifying uncertainties with the grantees on a large number of invoices, receipts and salary payment records submitted by them to ensure that the incomes and expenditures as provided in their submissions had complied with the approved budget of the projects and the ceilings of individual budgeted items had not been exceeded.

Monitoring of project implementation and accounts finalisation

Table 7

**Ageing analysis of project accounts not finalised after project completion
(September 2018)**

Time elapsed after completion	Projects	
	No.	Percentage
1 year or less	118	39%
More than 1 year to 2 years	84	28%
More than 2 years to 4 years	73	24%
More than 4 years to 6 years	18	6%
More than 6 years to 11 years	10	3%
Total	303	100%

Source: EPD records

Table 8

**Projects with their accounts not finalised
more than one year after project completion
(September 2018)**

Project type	Projects	
	No.	Percentage
Waste reduction project	102	55%
Environmental education and community action project	35	19%
Environmental research, technology demonstration and conference project	17	9%
Energy conservation project	31	17%
Total	185	100%

Source: EPD records

Monitoring of project implementation and accounts finalisation

3.15 Audit selected 5 projects for examination (Note 25) and noted that there was room for improvement in follow-up actions by EPD on a project regarding its account finalisation (see Case 6).

Case 6

Room for improvement in follow-up actions on project account finalisation (May 2010 to September 2017)

1. In May 2010, WRPVSC approved a grant of \$1 million for an NGO (Grantee D) to carry out a waste reduction project to link up different villages in the Lantau areas for promotion and implementation of waste separation and recycling (Project F). Major activities under Project F included conducting door-to-door collection of recyclables in the participating villages for 22 consecutive months, conducting second-hand market at Mui Wo or Pui O every 2 months, and organising talks on recycling and visits to environmental sites for the residents. Project F commenced in June 2010 and was completed in June 2012 with a project duration of 24 months. The disbursement schedule for Project F was as follows:

Disbursement	Amount (\$)	Paid in
Initial (confirmation of acceptance)	287,794.50	July 2010
Second (endorsement of progress report)	287,794.50	February 2011
Third (endorsement of progress report)	281,330.25	November 2011
Final (endorsement of completion report)	7,999.51	September 2017
Total	864,918.76	

2. In August 2013, Grantee D submitted a completion report to EPD and requested the final disbursement. In October 2013, Grantee D sent an e-mail to EPD enquiring about the progress of project account finalisation. In response, EPD said that the processing work was in progress.

Note 25: *Based on the information (extracted from ECF database — see para. 4.32) provided by EPD in January 2019 during Audit’s fieldwork, Audit selected 5 projects which had been completed for more than six years and the related project accounts were shown as not yet been finalised as of September 2018 for examination. All these 5 projects did not meet these criteria as their project accounts had actually been finalised. The incorrect information in ECF database was due to the fact that their data fields “project settlement date” in ECF database had not been updated (see para. 4.36(a) and (c)). Notwithstanding this, Audit noted that there was room for improvement in 1 project (Case 6).*

Monitoring of project implementation and accounts finalisation

Case 6 (Cont'd)

3. In November 2014, noting that there was no response from EPD since October 2013, Grantee D sent a letter to EPD enquiring about the progress of project account finalisation. According to Grantee D, EPD verbally advised that the case would be processed as soon as possible.

4. In March and May 2016, noting that there was no response from EPD since November 2014, Grantee D sent letters to EPD enquiring about the progress of project account finalisation again. In June 2016, EPD requested Grantee D to make clarifications and provide additional information for further processing. According to EPD, the receipts and documents necessary for the reimbursement were incomplete and were not arranged in a correct sequence and therefore a longer processing time was needed.

5. Upon receiving all the requested information from Grantee D in August 2017, WRPVSC endorsed in September 2017 the completion of Project F and the final project expenditure of \$864,918.76. In September 2017, the final disbursement of \$7,999.51 was released to Grantee D. The unspent commitment was \$87,213.74 (\$952,132.5 (i.e. approved grant) – \$864,918.76 (i.e. final project expenditure)).

Audit comments

6. According to EPD's procedural guidelines, if a grantee does not submit the completion report four weeks after the due date (i.e. two months after completion of a project) without providing any sound reasons, EPD will issue a reminder and/or request for an explanation for the delay. As revealed in this case, Grantee D submitted the completion report in August 2013 (i.e. one year after the due date of August 2012). Audit noted that EPD only sent e-mails to remind Grantee D to submit the completion report in June 2012 and June 2013. In addition, despite Grantee D's repeated enquiries about the progress of project account finalisation, it was not until June 2016 (2.8 years after the receipt of completion report from Grantee D in August 2013) that EPD requested Grantee D to make clarifications and provide additional information for further processing the account finalisation work of Project F. In the event, Project F was endorsed for completion in September 2017 and the final disbursement was released to Grantee D in the same month. The unspent commitment of about \$87,000 had been tied up for about 4 years (from the receipt of completion report in August 2013 to September 2017) and could not be released to fund other projects.

Source: *Audit analysis of EPD records*

Monitoring of project implementation and accounts finalisation

- 3.16 In March 2019, EPD informed Audit that:
- (a) there might be a number of reasons for the grantees not being able to provide the required documents for project accounts finalisation. For example, the grantees:
 - (i) might not be familiar with the requirement of submitting a full set of tidy invoices and receipts for reimbursement purpose and might have difficulties to provide a certain number of missing invoices and receipts;
 - (ii) might not be familiar with ECF's guides to application and might have overlooked a number of essential clauses; and
 - (iii) might have already obtained enough funding support through the initial and second or third disbursements and might not be keen to get the final disbursement sooner, especially if they had approved extension projects in hand;
 - (b) some grantees experienced a high turnover of project officers which might make matters worse if there were no clear handover instructions;
 - (c) as the reasons for project accounts not finalised long after project completion could be complicated, issuing frequent reminders by EPD might not be effective enough;
 - (d) in recent years, EPD had directly approached the senior management or chief executive officer level of the grantees and had held meetings with them and their project officers with a view to resolving all outstanding issues. This had found to be effective and EPD had managed to clear some long-outstanding cases; and
 - (e) to assist the grantees in submitting the required documents (such as reports, invoices, receipts, etc.) in a timely manner, EPD had already taken the initiative to provide training to the grantees on the proper documentation, preparation and submission of such documents. In such training sessions run by EPD, participants were taught how to properly prepare and submit the necessary information for funding reimbursement and

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progress/completion reports, etc. Participants were also required to practise what they had learnt by preparing sample submission during the training sessions.

3.17 In Audit's view, the long time taken in finalising project accounts after project completion would tie up unspent commitments which could have been used for funding other new projects, and might also lead to delay in making funding disbursements to the grantees. With a view to early releasing the unspent commitments to support other new projects and the final disbursements to the grantees as well as recovering overpaid grants from the grantees as appropriate (see Case 5 in para. 3.10(a)), Audit considers that ENB and EPD need to take prompt actions (e.g. clarifying with the grantees in a timely manner) to process project accounts finalisation, particularly for waste reduction projects and environmental education and community action projects which accounted for most of the outstanding cases as of September 2018 (see para. 3.14).

Audit recommendation

3.18 **Audit has recommended that the Secretary for the Environment and the Director of Environmental Protection should, with a view to early releasing the unspent commitments to support other new projects and the final disbursements to the grantees as well as recovering overpaid grants from the grantees as appropriate, take prompt actions (e.g. clarifying with the grantees in a timely manner) to process project accounts finalisation, particularly for waste reduction projects and environmental education and community action projects which accounted for most of the outstanding cases as of September 2018.**

Response from the Government

3.19 The Secretary for the Environment and the Director of Environmental Protection agree with the audit recommendation. The Director of Environmental Protection has said that EPD:

- (a) will enhance communication with the grantees in handling requests for disbursement of funds not supported by the required documents;

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- (b) has already initiated and completed a review on the disbursement and reimbursement of funds arrangement of ECF-funded projects with a view to streamlining the overall procedures to facilitate payment of funds to the grantees and expedite project accounts finalisation for future projects;
- (c) has obtained the support of ECFC in September 2018 on the short, medium and long-term proposals to expedite the disbursement and reimbursement of funds and started to put in place the improvement measures for new projects; and
- (d) will deploy additional manpower in dealing with the outstanding disbursements.

PART 4: GOVERNANCE AND ADMINISTRATIVE ISSUES

4.1 This PART examines the governance and administrative issues of ECF, focusing on:

- (a) governance issues (paras. 4.2 to 4.31);
- (b) management information system (paras. 4.32 to 4.39); and
- (c) other administrative issues (paras. 4.40 to 4.47).

Governance issues

4.2 ECFC is set up under ECF Ordinance to advise the trustee (i.e. the Secretary for the Environment) on the use of funds (see para. 1.3). ECFC comprises a chairman and not more than eight non-official members appointed by the Chief Secretary for Administration for a term of two years, and four ex-officio members (see para. 1.4). According to its standing orders, ECFC shall meet as frequently as necessary to discharge its duties and any other related business, and a quorum of seven members is required for each meeting.

4.3 ECFC is assisted by five subcommittees in vetting applications and overseeing the implementation of approved projects under ECF (see para. 1.5), as follows:

- (a) ***Vetting subcommittees.*** WRPVSC, RPVSC and ECPVSC are established under ECFC while EE&CAPVSC is established under ECC (see Note 2 to para. 1.5(b)). Membership of a vetting subcommittee shall include those ECFC or ECC members who have signified interest and any other personalities who have been co-opted by ECFC or ECC, where appropriate. According to their respective standing orders, the vetting subcommittee shall meet as frequently as necessary to discharge its duties, and a quorum of half of its total number of members is required for each meeting; and

- (b) **Subcommittee under ACE.** NCSC is established under ACE (see Note 4 to para. 1.5(e)). ACE members are free to join NCSC. According to the house rule of ACE, NCSC shall set its meeting frequency having regard to the discussion topics, and a quorum of more than half of its total number of members, including the chairman, is required for each meeting.

4.4 ECFIC is set up to set policies on investment and monitor the investment of ECF (see para. 1.7). ECFIC is chaired by the Secretary for the Environment and comprises non-official members appointed by the Secretary for the Environment for a term of two years and two ex-officio members (see para. 1.8). According to its standing orders, ECFIC shall meet on a need basis and a quorum of five members is required for each meeting.

4.5 The compositions and the terms of membership of the various committees and subcommittees as of December 2018 are shown in Table 9.

Table 9

**Compositions and terms of membership of committees and subcommittees
(December 2018)**

Committee/ subcommittee	No. of members (including the chairman)			Term of membership
	Non-official	Ex-officio	Total	
ECFC	9	4	13	Starting on 16 October of a year and ending on 15 October of the year after next
ECFIC	6	3	9	
WRPVSC	12	1	13	
RPVSC	12	3	15	
ECPVSC	(Note)			
EE&CAPVSC	12	2	14	Starting on 1 January of a year and ending on 31 December of the next year
NCSC	14	—	14	

Source: EPD records

Note: ECPVSC had a term of membership starting on 16 October of a year and ending on 15 October of the year after next and was disbanded on 15 October 2018 (see para. 1.5(d)). Before disbandment, it comprised 7 non-official members and 2 ex-officio members.

Governance and administrative issues

Low attendance of some members at meetings

4.6 Audit examined the attendance records of members at meetings of the seven committees/subcommittees held in the past three completed terms of membership in the period from 2012 to 2018 (hereinafter referred to as Terms 1 to 3 — Note 26). Audit noted that the average attendance rates for meetings held in each term of the committees/subcommittees were in general satisfactory (ranging from 62% to 96%). However, the average attendance rates for meetings of RPVSC and EE&CAPVSC were on a decreasing trend (see Table 10).

Note 26: *The three completed terms of membership for each committee/subcommittee were as follows:*

<i>Committee/ subcommittee</i>	<i>Term 1</i>	<i>Term 2</i>	<i>Term 3</i>
<i>ECFC</i>	<i>16 October 2012 to 15 October 2014</i>	<i>16 October 2014 to 15 October 2016</i>	<i>16 October 2016 to 15 October 2018</i>
<i>ECFIC</i>			
<i>WRPVSC</i>			
<i>RPVSC</i>			
<i>ECPVSC</i>			
<i>EE&CAPVSC</i>	<i>1 January 2013 to 31 December 2014</i>	<i>1 January 2015 to 31 December 2016</i>	<i>1 January 2017 to 31 December 2018</i>
<i>NCSC</i>			

Table 10

**Average attendance rates for
committee/subcommittee meetings held in each term
(October 2012 to December 2018)**

Committee/ subcommittee	Term 1		Term 2		Term 3	
	No. of meetings held	Average attendance rate	No. of meetings held	Average attendance rate	No. of meetings held	Average attendance rate
ECFC	8	78%	6	85%	5	88%
ECFIC	2	91%	2	78%	3	96%
WRPVSC	11	76%	11	62%	9	67%
RPVSC	10	79%	11	73%	12	69%
ECPVSC	6	71%	2	94%	(Note)	
EE&CAPVSC	18	84%	24	75%	22	67%
NCSC	4	68%	4	75%	6	63%

Source: Audit analysis of EPD records

Note: No meeting was held in the term. All matters were considered by circulation of papers.

4.7 Audit examination also found that the attendance rates of some members at meetings held in Terms 1 to 3 were below 50% (see Table 11) and, in two WRPVSC meetings held in September 2016 and January 2018, the approvals for applications for waste reduction projects were deferred due to the lack of a quorum.

Governance and administrative issues

Table 11

**Members' attendance at committee/subcommittee meetings
(October 2012 to December 2018)**

Committee/ subcommittee	Term 1			Term 2			Term 3		
	No. of meetings held	No. of members with attendance rates		No. of meetings held	No. of members with attendance rates		No. of meetings held	No. of members with attendance rates	
		Below 50%	50% or above		Below 50%	50% or above		Below 50%	50% or above
ECFC	8	2 (15%)	11 (85%)	6	—	13 (100%)	5	1 (8%)	12 (92%)
ECFIC	2	—	11 (100%)	2	1 (11%)	8 (89%)	3	—	9 (100%)
WRPVSC	11	2 (13%)	13 (87%)	11	4 (27%)	11 (73%)	9	4 (31%)	9 (69%)
RPVSC	10	1 (7%)	14 (93%)	11	1 (6%)	15 (94%)	12	3 (19%)	13 (81%)
ECPVSC	6	1 (8%)	12 (92%)	2	—	8 (100%)	(Note)		
EE&CAPVSC	18	—	10 (100%)	24	—	13 (100%)	22	3 (21%)	11 (79%)
NCSC	4	1 (10%)	9 (90%)	4	1 (8%)	11 (92%)	6	3 (21%)	11 (79%)

Source: Audit analysis of EPD records

Note: No meeting was held in the term. All matters were considered by circulation of papers.

4.8 In March 2019, EPD informed Audit that:

- (a) the dates of meetings of committees/subcommittees were finalised according to the availability of most members;
- (b) as most members had certain standing in their own expertise area or profession, they had very busy schedules. They sometimes had important unforeseen commitments to attend to and could not attend the meetings of committees/subcommittees;

- (c) mere absence from a meeting did not imply that the member concerned was not participating in the vetting process as apart from meetings, members' comments were often sought via e-mail circulations; and
- (d) for the two WRPVSC meetings with approvals for applications deferred due to the lack of a quorum (see para. 4.7):
 - (i) members were enquired about their availabilities two to three months before the scheduled meetings and reminded to attend the meetings more than one week beforehand via e-mails and phone calls; and
 - (ii) some members might have new commitments after confirmation of their availabilities to the meetings.

4.9 In Audit's view, through attending meetings, a member can participate in voting for making decisions and contribute the most by actively taking part in the discussions during the meetings. Audit considers that ENB and EPD need to keep in view members' attendance at meetings and continue to explore effective measures to encourage members with low attendance to attend meetings as far as possible.

Reappointment of members with low attendance at meetings

4.10 For the current-term members (Note 27) of ECFC, ECFIC, WRPVSC, RVPSC and EE&CAPVSC, Audit noted that some members with low attendance rates (below 50%) at meetings in the preceding term (i.e. Term 3) were reappointed (see Table 12).

Note 27: *NCSC is established under ACE and ACE members are free to join NCSC (see para. 4.3(b)).*

Table 12

**Current-term committee/subcommittee members
with attendance rates below 50% in the preceding term
(October 2016 to December 2018)**

Committee/subcommittee	Term 3	
	No. of meetings held	No. of members
ECFC	5	1
WRPVSC	9	2
RPVSC	12	2
EE&CAPVSC	22	3

Source: Audit analysis of EPD records

4.11 According to EPD, it had considered the attendance rates of members at meetings in the preceding term in the submissions to the approving authorities for recommendations on the reappointments. However, the justifications for reappointments of members with low attendance rates were not documented. In March 2019, EPD informed Audit that it had already attempted to adopt measures to seek for improvement (e.g. avoid reappointing members with low attendance at meetings and maintaining proper records to justify reappointing members with low attendance at meetings).

4.12 While recognising that there may be other factors (e.g. personal expertise, experience and integrity) that need to be taken into account in reappointing members to a committee/subcommittee, Audit considers that ENB and EPD need to properly document the justifications for recommending members with low attendance records to the approving authorities for reappointments. There is also merit for ENB and EPD to remind members of the need to attend meetings as far as practicable when reappointing them to the committees/subcommittees.

Scope for defining more clearly terms of reference and code of conduct

4.13 As of December 2018, ECFC was assisted by three vetting subcommittees (i.e. WRPVSC, EE&CAPVSC and RPVSC) in vetting applications and overseeing the implementation of approved projects under ECF. ECFC and the three vetting subcommittees have their own terms of reference and code of conduct. Audit’s comparison of their terms of reference and code of conduct found that there were some differences between them (see paras. 4.14 to 4.19).

4.14 ***Terms of reference.*** Table 13 shows a comparison of the terms of reference of the three vetting subcommittees as of December 2018.

Table 13
Comparison of terms of reference
(December 2018)

Particulars	WRPVSC	EE&CAPVSC	RPVSC
(a) To vet applications seeking funding support from local non-profit-making organisations to undertake projects under the purview of the vetting subcommittee and advise on their relative priorities for funding support	✓	✓	✓
(b) To make recommendations to ECFC on the exact amount of fund to be allocated for each project supported if the grant is over \$2 million	✓	✓	✓
(c) To advise the trustee on the exact amount of fund to be allocated for each project supported if the grant is \$2 million or below and report back to ECFC	✓	✓	✓
(d) To monitor progress of funded projects	×	✓	×
(e) To review completed projects to see if they have achieved the project objectives set out in the proposal	×	✓	×

Legend: ✓: Included in the terms of reference
×: Not included in the terms of reference

Source: *Audit analysis of EPD records*

Governance and administrative issues

4.15 According to EPD, all the three vetting subcommittees had assisted ECFC in overseeing the implementation of approved projects under ECF. However, Audit noted that the terms of reference of ECFC did not include clauses relating to the overseeing function. In addition, as shown in Table 13, the terms of reference of EE&CAPVSC included clauses relating to the overseeing function (i.e. items (d) and (e) in Table 13) while that of WRPVSC and RPVSC did not have such clauses. Audit further examined the terms of reference of these two vetting subcommittees in Terms 1 to 3 and noted that such clauses were included in Term 1 (i.e. the term of membership from 2012 to 2014) but had been removed since Term 2 (i.e. the term of membership from 2014 to 2016).

4.16 In March 2019, EPD informed Audit that:

- (a) the terms of reference of WRPVSC and RPVSC were amended after the seventh round of funding injection of \$5,000 million into ECF in June 2013 (see para. 1.11) with the removal of clauses relating to the overseeing function for simplicity. As EE&CAPVSC was established under ECC, no amendment was particularly made to its terms of reference to remove such clauses; and
- (b) while the removal of such clauses did not affect the function of the vetting subcommittees in overseeing the project implementation, EPD saw merits in standardising all the terms of reference for consistency.

4.17 **Code of conduct.** According to ECF guidelines, it is imperative for all members of ECFC and the vetting subcommittees who are responsible for the vetting and approval of funding applications to commit to ethical practices in the allocation and use of funds. All members of ECFC and the vetting subcommittees are required to observe the code of conduct, which sets out the guidelines and standards of integrity expected for members.

4.18 For the code of conduct of ECFC, Audit noted that guidelines for managing possible conflict of interest arising from a member's application for funding support were included. For the three vetting subcommittees, Audit noted that the code of conduct of WRPVSC and RPVSC included such guidelines while that of EE&CAPVSC did not have such guidelines. In March 2019, EPD informed Audit that the guidelines on declaration of interests by members (see Note 28 to para. 4.23)

circulated annually also set out how to manage a direct or indirect conflict of interest of a member in any matter under consideration by the committee/subcommittee. EPD would continue to review and refine the guidelines as necessary.

4.19 In Audit's view, ENB and EPD need to, in consultation with ECFC and ECC, review the terms of reference and code of conduct of ECFC and the three vetting subcommittees with a view to defining more clearly the requirements and standardising the documents as appropriate to ensure consistency.

Need to ensure endorsement of minutes of meetings by members

4.20 Audit examined the minutes of meetings of the seven committees/subcommittees held in Terms 1 to 3 and noted that, as of January 2019, the minutes for 20 meetings had not been endorsed by members in subsequent meetings, as follows:

- (a) **Term 1.** The minutes for 4 consecutive EE&CAPVSC meetings held between July and October 2013, and 6 consecutive WRPVSC meetings held between February and September 2014 had not been endorsed; and
- (b) **Term 2.** For WRPVSC, the minutes for 2 consecutive meetings held in February 2015 and 8 consecutive meetings held between August 2015 and September 2016 had not been endorsed.

4.21 In Audit's view, ENB and EPD need to take measures to ensure that minutes of meetings of the various committees and subcommittees are endorsed by members in a timely manner (e.g. circulating the draft minutes to members promptly after each meeting and endeavouring to endorse the minutes in the following meeting).

Management of conflicts of interest

4.22 According to a memorandum issued by the Secretary for Home Affairs in August 2005, B/Ds should introduce either a one-tier reporting system or a two-tier reporting system for declaration of interests for each of the advisory and statutory bodies under their purview. Both systems include the procedures for declaration of

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interests at meetings. In addition, the two-tier reporting system incorporates the requirement for registering members' interests.

4.23 Except for ECFIC and NCSC which adopt the one-tier reporting system, ECFC and the four vetting subcommittees adopt the two-tier reporting system. According to an ECF paper issued to members at the beginning of every term of membership (Note 28), under the two-tier reporting system:

- (a) ***First-tier declaration (register of members' interests).*** A member is required to register his personal interests, direct or indirect, pecuniary or otherwise, upon appointment and annually thereafter in a prescribed declaration form (i.e. Register of Interests). A register of members' interests shall be kept by EPD and be made available for inspection on request by the public; and

- (b) ***Second-tier declaration (declaration of interests at meetings).*** If a member has an actual or potential conflict of interest in any matter under consideration by the committee/subcommittee, he must, as soon as practicable after he has become aware of it, make a declaration to the committee/subcommittee prior to the discussion of the item. All cases of declaration of interests shall be recorded in the minutes of meeting.

4.24 According to EPD:

- (a) in earlier years, it was not a mandatory requirement for ECFC members to submit separate declaration forms upon their joining of the vetting subcommittees and for ex-officio members to submit declaration forms; and

Note 28: *According to EPD: (a) at the beginning of every term of membership, ECFC and all vetting subcommittees issued a paper entitled "Terms of Reference, Standing Orders and Code of Conduct" to members; and (b) the code of conduct included extracts from the Prevention of Bribery Ordinance (Cap. 201), procedures for handling gifts/souvenirs and guidelines on declaration of interests by members (which stated clearly the two-tier reporting system).*

- (b) since Term 3, for the purpose of tidiness and completeness, it has already requested all members to submit separate declaration forms for the committees and vetting subcommittees they have joined.

Need to improve first-tier declarations

4.25 Audit reviewed the records of submission of declaration forms by members of ECFC and the four vetting subcommittees (i.e. WRPVSC, EE&CAPVSC, RPVSC and ECPVSC) for Terms 1 to 3 and noted that, of the total 308 declaration forms (see Table 14) required to be submitted by members (i.e. for Terms 1 and 2, each non-official member was required to submit a declaration form and for Term 3, all members were required to submit separate declaration forms for the committees and vetting subcommittees they had joined):

- (a) 140 (45%) were submitted on time;
- (b) 85 (28%) were submitted late with delays ranging from 1 to 256 days, averaging 31 days (see Table 15); and
- (c) 83 (27%) were not available in EPD records. According to EPD, this was due to the fact that some members had not submitted the declaration forms as required.

Table 14

**Analysis of submission of declaration forms
by committee/subcommittee members
(October 2012 to December 2018)**

Particulars	No. of declaration forms (Note)			
	Submitted on time	Late submission	Not available in EPD records	Overall
<i>Term 1</i>				
Upon appointment	20 (46%)	14 (33%)	9 (21%)	43 (100%)
Annual submission	29 (66%)	7 (16%)	8 (18%)	44 (100%)
Overall	49 (56%)	21 (24%)	17 (20%)	87 (100%)
<i>Term 2</i>				
Upon appointment	14 (30%)	20 (44%)	12 (26%)	46 (100%)
Annual submission	5 (11%)	5 (11%)	35 (78%)	45 (100%)
Overall	19 (21%)	25 (27%)	47 (52%)	91 (100%)
<i>Term 3</i>				
Upon appointment	35 (54%)	20 (31%)	10 (15%)	65 (100%)
Annual submission	37 (57%)	19 (29%)	9 (14%)	65 (100%)
Overall	72 (55%)	39 (30%)	19 (15%)	130 (100%)
<i>Terms 1 to 3</i>				
Upon appointment	69 (45%)	54 (35%)	31 (20%)	154 (100%)
Annual submission	71 (46%)	31 (20%)	52 (34%)	154 (100%)
Overall	140 (45%)	85 (28%)	83 (27%)	308 (100%)

Source: *Audit analysis of EPD records*

Note: *The total number of declaration forms required from members upon appointment and annual submission in a term might be different due to resignation/appointment of members. In addition, according to EPD, prior to Term 3, it was not a mandatory requirement for ECFC members to submit separate declaration forms upon their joining of the vetting subcommittees and for ex-officio members to submit declaration forms (see para. 4.24).*

Table 15

**Delay in submission of declaration forms by committee/subcommittee members
(October 2012 to December 2018)**

Delay	No. of declaration forms		
	Upon appointment	Annual submission	Overall
1 day to 10 days	28 (52%)	14 (45%)	42 (49%)
More than 10 days to 30 days	15 (28%)	6 (19%)	21 (25%)
More than 30 days to 90 days	5 (9%)	7 (23%)	12 (14%)
More than 90 days to 256 days	6 (11%)	4 (13%)	10 (12%)
Overall	54 (100%)	31 (100%)	85 (100%)

Source: Audit analysis of EPD records

4.26 According to the ECF paper issued to members at the beginning of every term of membership (see Note 28 to para. 4.23), failure to avoid or declare any conflicts of interest might give rise to criticisms of favouritism or abuse of authority. Audit considers that ENB and EPD need to take measures to ensure that declaration forms for registering members' interests are submitted by members in a timely manner and are properly maintained.

Need to document decisions on declared interests

4.27 According to the ECF paper issued to members at the beginning of every term of membership (see Note 28 to para. 4.23):

- (a) when a member makes a declaration of interests at meeting, the chairman shall decide whether the member may speak or vote on the matter, may remain in the meeting as an observer, or should withdraw from the meeting;
- (b) if the chairman declares an interest in a matter under consideration, the chairmanship may be temporarily taken over by a member appointed by a majority of votes; and

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- (c) all cases of declaration of interests shall be recorded in the minutes of meeting.

4.28 Audit reviewed the minutes of meetings of the seven committees/subcommittees held in Terms 1 to 3 and noted two cases where decisions on declared interests were not documented in the minutes of meetings, as follows:

- (a) at a meeting of ECPVSC held in Term 1, the chairman declared that he was the executive director of the applicant of a funding application under consideration. However, the minutes of meeting did not document the decision on declared interest and did not indicate that the chairmanship was temporarily taken over by a member. In the event, the meeting approved the application; and
- (b) at a meeting of WRPVSC held in Term 3, a member declared that he had a business relationship with the applicant of a funding application under consideration. However, the minutes of meeting did not document the decision on declared interest and the member concerned continued to attend the meeting. In the event, the meeting approved the application. In March 2019, EPD informed Audit that according to the audio record of the meeting, the chairman allowed the member to vote on the matter.

4.29 In Audit's view, ENB and EPD need to take measures to ensure that decisions on declared interests by members at meetings of the committees/subcommittees are documented in the minutes of meetings.

Audit recommendations

4.30 **Audit has *recommended* that the Secretary for the Environment and the Director of Environmental Protection should:**

- (a) **keep in view members' attendance at meetings and continue to explore effective measures to encourage members with low attendance to attend meetings as far as possible;**

- (b) properly document the justifications for recommending members with low attendance records to the approving authorities for reappointments;**
- (c) remind members of the need to attend meetings as far as practicable when reappointing them to the committees/subcommittees;**
- (d) in consultation with ECFC and ECC, review the terms of reference and code of conduct of ECFC and the three vetting subcommittees (i.e. WRPVSC, EE&CAPVSC and RPVSC) with a view to defining more clearly the requirements and standardising the documents as appropriate to ensure consistency;**
- (e) take measures to ensure that minutes of meetings of the various committees and subcommittees are endorsed by members in a timely manner (e.g. circulating the draft minutes to members promptly after each meeting and endeavouring to endorse the minutes in the following meeting);**
- (f) take measures to ensure that declaration forms for registering members' interests are submitted by members in a timely manner and are properly maintained; and**
- (g) take measures to ensure that decisions on declared interests by members at meetings of the committees/subcommittees are documented in the minutes of meetings.**

Response from the Government

4.31 The Secretary for the Environment and the Director of Environmental Protection agree with the audit recommendations. The Director of Environmental Protection has said that EPD will:

- (a) keep in view members' attendance at meetings and take into consideration attendance rates in the reappointment of members to the committees/subcommittees but noting that the contribution of a member should not be related solely to attendance rate as a member may offer professional views on vetting applications through circulation of papers as**

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well as participate in related events organised by the grantees during project implementation, etc.;

- (b) in consultation with ECFC and ECC, review the terms of reference and code of conduct of ECFC and the three vetting subcommittees (i.e. WRPVSC, EE&CAPVSC and RPVSC) to ensure consistency;
- (c) take measures to ensure that minutes of meetings of the various committees and subcommittees are endorsed by members in a timely manner; and
- (d) take measures to ensure that declaration forms for registering members' interests submitted by members are properly maintained and that decisions on declared interests are documented in the minutes of meetings.

Management information system

4.32 ***ECF database.*** EPD maintains an ECF database, which is a computerised database capturing the key information of all ECF applications/approved projects (e.g. project title, applicant name, application date, approval date, project status, approved/revised budget, project commencement date, project completion date, report submission history, site inspection history and funds disbursement history). ECF database, developed in 2009 by in-house staff, was implemented by phases and fully launched in mid-2011.

4.33 According to EPD's procedural guidelines:

- (a) ECF database is an important tool for monitoring the processing of applications and progress of approved projects, and provides a useful information base for reference;
- (b) EPD staff should regularly update ECF database, particularly at critical milestones to facilitate the processing and monitoring work;
- (c) supervisory checks on ECF database to ensure the proper updating of application/project details should be carried out; and

- (d) EPD staff should call up relevant reports from ECF database regularly for management monitoring.

4.34 ***Registers maintained by individual teams.*** According to EPD:

- (a) each vetting subcommittee is supported by a team of EPD staff (hereinafter referred to as the supporting team); and
- (b) apart from ECF database, each supporting team also uses word processing/spreadsheet software to maintain their own comprehensive registers for monitoring the processing of applications and progress of approved projects.

Scope for making better use of information technology in monitoring the processing of applications and progress of approved projects

4.35 Audit noted that:

- (a) there were some common data fields between ECF database and the registers (Note 29), including:
 - (i) project background information such as applicant name, approved budget, project commencement date and project completion date;
 - (ii) submission history of progress and completion reports;
 - (iii) site inspection history; and
 - (iv) funds disbursement history;

Note 29: *The number of registers varies among the supporting teams, ranging from 1 to 6 files, and the files provide information (e.g. approved budget, project commencement date, project completion date and report submission history) for monitoring the processing of applications and progress of approved projects.*

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- (b) information of ECF applications/approved projects was input in both ECF database and the registers for the common data fields. However, ECF database was not updated in a timely manner by all supporting teams to reflect the most updated information on the applications and approved projects. According to EPD, supporting teams would update their own comprehensive registers regularly; and
- (c) except for RPVSC supporting team which would call up reports from ECF database on a bi-weekly basis, other supporting teams would only call up reports from ECF database as and when there was a need (see para. 4.33(d)).

4.36 In March 2019, EPD informed Audit that:

- (a) despite some recent enhancements, ECF database was not found to be very user-friendly and, as such, records in it might not be updated in a timely manner by all supporting teams;
- (b) some mandatory data fields in ECF database were not applicable to all ECF funding programmes;
- (c) various supporting teams had maintained their own comprehensive registers with updated information which they worked on. ECF database was not as updated as individual comprehensive registers maintained by the supporting teams;
- (d) the supporting teams would call up reports from their own comprehensive registers from time to time for management monitoring;
- (e) ECF database had deficiencies and could not serve as an important tool as stated in EPD's procedural guidelines (see para. 4.33(a)). Nevertheless, the comprehensive registers maintained by the supporting teams were important tools and the supporting teams relied on such registers for monitoring the processing of applications and progress of approved projects; and
- (f) EPD considered that subject to the availability of resources, it would consider the need to redesign and revamp ECF database.

4.37 In Audit's view, there is scope for making better use of information technology in monitoring the processing of applications and progress of approved projects in view of the fact that:

- (a) ECF database is a centralised database while the individual registers maintained by the various supporting teams provide the information they work on (see para. 4.36(c));
- (b) while ECF database is equipped with automatic management report generating function, individual supporting teams might require additional manual work in compiling regular management reports from the registers maintained by them; and
- (c) the input of information of ECF applications/approved projects in both ECF database and the registers (see para. 4.35(b)) requires double efforts from the supporting teams.

Audit considers that ENB and EPD need to make better use of information technology in monitoring the processing of applications and progress of approved projects (e.g. reviewing the need to redesign and revamp ECF database to enhance the provision of management information).

Audit recommendation

4.38 **Audit has recommended that the Secretary for the Environment and the Director of Environmental Protection should make better use of information technology in monitoring the processing of applications and progress of approved projects (e.g. reviewing the need to redesign and revamp ECF database to enhance the provision of management information).**

Response from the Government

4.39 The Secretary for the Environment and the Director of Environmental Protection agree with the audit recommendation. The Director of Environmental Protection has said that EPD will make better use of information technology and review the need to redesign and revamp ECF database to enhance the provision of management information.

Other administrative issues

4.40 Audit examination has found that there is room for improvement in other administrative work relating to ECF by EPD (see paras. 4.41 to 4.46).

Need to update information on ECF's website in a timely manner

4.41 ECF has set up its own website providing various information for public information. The information includes agendas, discussion papers and minutes of meetings of ECFC and the four vetting subcommittees (Note 30), application procedures and guidelines of various ECF funding programmes, information on approved projects and the Trustee Reports of ECF. According to EPD's procedural guidelines, EPD staff should check on ECF's website from time to time to ensure that the information on ECF's website is kept up-to-date.

4.42 Audit examination of the agendas, discussion papers and minutes of meetings of ECFC and the four vetting subcommittees for Terms 1 to 3 provided on ECF's website as of December 2018 found that some agendas, discussion papers and minutes of meetings were not available on the website (see Table 16). In particular, none of the agendas, discussion papers and minutes of WRPVSC meetings for Term 2 was uploaded onto the website.

Note 30: *All agendas, discussion papers and minutes of NCSC meetings for Terms 1 to 3 were uploaded onto EPD's website.*

Table 16

**Availability of information relating to
meetings of ECFC and four vetting subcommittees on ECF’s website
(December 2018)**

Information	Availability of information				
	ECFC	WRPVSC	EE&CAPVSC	RPVSC	ECPVSC
<i>Term 1</i>					
Agendas	✓	✗	×	✓	✓
Discussion papers	✓	×	×	✓	✓
Meeting minutes	✓	✗	✓	✓	✓
<i>Term 2</i>					
Agendas	✓	×	×	✗	✓
Discussion papers	✓	×	×	×	✓
Meeting minutes	✓	×	✓	×	✗
<i>Term 3</i>					
Agendas	✗	✗	×	✓	(Note)
Discussion papers	✗	×	×	✗	
Meeting minutes	✗	✗	✗	✗	

Legend: ✓: Information available
 ✗: Information partially available
 ×: Information not available

Source: *Audit analysis of EPD records*

Note: *No meeting was held in the term. All matters were considered by circulation of papers.*

4.43 In Audit’s view, ENB and EPD need to ensure that information relating to meetings of ECFC and the four vetting subcommittees (i.e. agendas, discussion papers and minutes of meetings) are uploaded onto ECF’s website timely and completely with a view to enhancing accountability and transparency of ECF.

Review of performance of ECF

4.44 In April 2016, EPD engaged a local tertiary institution to conduct a research study aiming to evaluate the overall performance of ECF (Note 31), identify areas for enhancement and recommend the way forward for future developments and improvements. The research study commenced in June 2016 and had a study period of 15 months. The original completion date was September 2017, which was subsequently extended to March 2018 due to longer-than-expected time used for data collection and consolidation. In March 2018, the institution submitted the final research report.

4.45 At an ECFC meeting held in September 2018, the research findings were presented to members. The research study found that ECF-funded projects had resulted in enhancing participants' knowledge and a positive change in their attitude and behaviours on different aspects of environmental protection, such as waste reduction and recycling, energy-saving and wise use of water resources. The study also made four recommendations for ECF. ECFC noted the recommendations of the study and endorsed the completion of the study at the meeting. According to EPD:

- (a) it has already implemented two recommendations (i.e. establishing a knowledge sharing platform for showcasing the best-practice projects under different ECF funding programmes and simplifying the application procedures and re-examining the administrative requirements);
- (b) a recommendation (i.e. conducting evaluation session at the project completion stage to grasp a better understanding of the projects' overall effectiveness) would be difficult to be implemented for every ECF-funded project but it would explore the possibility of selecting certain projects to test out such evaluation process via social media means; and
- (c) another recommendation (i.e. exploring the feasibility of supporting ECF-funded projects with a long duration to employ a third-party organisation to carry out a tracking study for recording and measuring the

Note 31: *The previous review on the effectiveness of ECF was conducted by EPD in 2013. The review found that ECF-funded projects had effectively contributed to raising public awareness and deepening the community's involvement in green campaigns, and ECF had played an important role in the promotion of environmental protection in Hong Kong.*

attitudinal and behavioural change of the participants over time) would not be implemented as the research study pointed out that it would be difficult to verify the cause and effect relationship. However, for projects with environmental education elements, it would explore the feasibility to gauge participants' feedback, say after a few months, to see whether participants have sustained their green behaviour or not.

In Audit's view, ENB and EPD need to closely monitor the progress of implementing the recommendations of the research study on ECF's overall performance.

Audit recommendations

4.46 **Audit has recommended that the Secretary for the Environment and the Director of Environmental Protection should:**

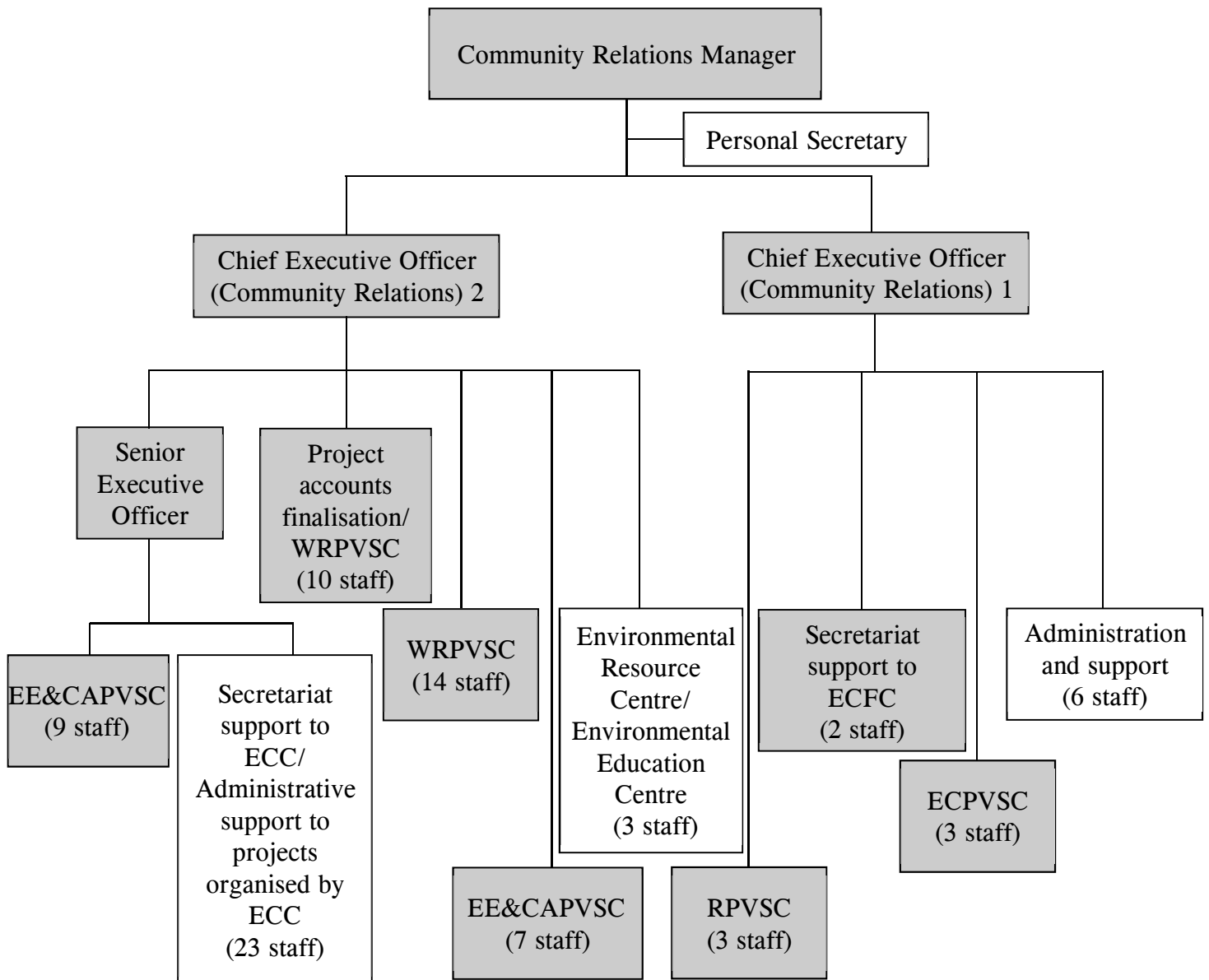
- (a) **ensure that information relating to meetings of ECFC and the four vetting subcommittees (i.e. agendas, discussion papers and minutes of meetings) are uploaded onto ECF's website timely and completely with a view to enhancing accountability and transparency of ECF; and**
- (b) **closely monitor the progress of implementing the recommendations of the research study on ECF's overall performance.**

Response from the Government

4.47 The Secretary for the Environment and the Director of Environmental Protection agree with the audit recommendations. The Director of Environmental Protection has said that EPD will:

- (a) ensure that relevant information relating to ECFC and the vetting subcommittees are uploaded onto ECF's website in a timely manner; and
- (b) monitor the progress of implementing the recommendations of the research study on ECF's overall performance.

**Community Relations Unit of Environmental Protection Department:
Organisation chart
(31 December 2018)**



Legend: Staff involved in administration of ECF

Source: EPD records

Remarks: The Community Relations Unit is supported by the Nature Conservation Division of EPD and AFCD in processing applications for and monitoring the implementation of nature conservation management agreement projects. The Unit is also supported by the Accounting Services Group of EPD in disbursements of funds to the grantees of ECF-funded projects.

Acronyms and abbreviations

ACE	Advisory Council on the Environment
AFCD	Agriculture, Fisheries and Conservation Department
Audit	Audit Commission
B/Ds	Government bureaux/departments
ECC	Environmental Campaign Committee
ECF	Environment and Conservation Fund
ECFC	Environment and Conservation Fund Committee
ECFIC	Environment and Conservation Fund Investment Committee
ECPVSC	Energy Conservation Projects Vetting Subcommittee
EE&CAPVSC	Environmental Education and Community Action Projects Vetting Subcommittee
EMSTF	Electrical and Mechanical Services Trading Fund
ENB	Environment Bureau
EPD	Environmental Protection Department
MSW	Municipal solid waste
NCSC	Nature Conservation Subcommittee
NGO	Non-governmental organisation
QSP	Qualified Service Provider
RPVSC	Research Projects Vetting Subcommittee
WRPVSC	Waste Reduction Projects Vetting Subcommittee