

CHAPTER 7

**Labour and Welfare Bureau
Social Welfare Department
The Mental Health Association of Hong Kong**

**The Mental Health Association
of Hong Kong**

**Audit Commission
Hong Kong
30 November 2021**

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

Report No. 77 of the Director of Audit contains 8 Chapters which are available on our website at <https://www.aud.gov.hk>

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THE MENTAL HEALTH ASSOCIATION OF HONG KONG

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THE MENTAL HEALTH ASSOCIATION OF HONG KONG

Executive Summary

1. The Government attaches great importance to the mental well-being of the public. It adopts an integrated and multi-disciplinary approach towards mental health, and seeks to provide comprehensive and cross-sectoral services to the public through collaboration and cooperation among major stakeholders, including various government bureaux and departments, the Hospital Authority and non-governmental organisations (NGOs) in the social welfare sector. The Social Welfare Department (SWD) provides subventions (mainly under the Lump Sum Grant (LSG) subvention system) to NGOs in the social welfare sector, which in turn provide a wide range of mental health services in Hong Kong, including mental health promotion and rehabilitation services.

2. The Mental Health Association of Hong Kong (MHAHK) is an NGO providing mental health-related services to the public. Established in 1954 as a non-profit-making social service organisation, MHAHK has developed a comprehensive spectrum of rehabilitation services in the community, providing holistic care for persons with mental health needs, persons with intellectual disabilities and the disadvantaged. The Executive Committee is the governing body of MHAHK which determines policies, monitors and evaluates MHAHK's business, and promotes MHAHK's objectives. Under the direction of the Executive Committee, the Director of MHAHK oversees the day-to-day operation. As at 31 March 2021, MHAHK had 770 staff.

3. MHAHK's core services are classified into four categories, namely rehabilitation services for persons in mental recovery (e.g. Integrated Community Centres for Mental Wellness (ICCMWs)), rehabilitation services for persons with intellectual disabilities (e.g. hostels), vocational rehabilitation services for persons with disabilities (PWDs) (e.g. Sheltered Workshops), and mental health promotion and education services. The rehabilitation services are carried out by different service units and benefit about 6,500 to 7,000 service users each year.

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4. Government funding forms a major part of MHAHK's income. In 2020-21, subventions from SWD amounted to \$329 million (61% of MHAHK's total income of \$543 million), of which \$275 million was in the form of LSG. Under the LSG subvention system, Funding and Service Agreements (FSAs) are signed between SWD as a funder and NGOs as service providers. The service units under FSAs are referred to as Agreement Service Units (ASUs). As at 31 March 2021, there were 53 ASUs under MHAHK providing rehabilitation services. The Audit Commission (Audit) has recently conducted a review of MHAHK and found areas for improvement.

Corporate governance

5. *Need to draw up terms of reference for all sub-committees.* As a condition of receiving LSG subvention, NGOs are required to observe the advice on best management practices and processes in the "Social Welfare Services Lump Sum Grant Manual" (LSG Manual) promulgated by SWD, which provides advice and guidelines in respect of corporate governance and other management aspects. MHAHK's Executive Committee is supported by 3 panels. Underpinning the panels are 15 sub-committees that provide advice and monitor performance on service operation. For each panel or sub-committee, typically there should be a set of terms of reference defining its authority, roles and responsibilities, and also specifying the composition of membership and proceedings of meetings. However, Audit noted that there were no terms of reference for 2 sub-committees, namely the Quality and Risk Management Sub-committee, and the Journal Editorial Board (paras. 1.13 and 2.2 to 2.5).

6. *Need to review the terms of reference of panels and sub-committees without regular meetings.* The frequencies of meetings of the Executive Committee, panels and sub-committees are laid down in their respective terms of reference. For example, the Executive Committee should meet at least 4 times per year. For the 3 panels and the Fund-raising Sub-committee, meetings are held on a need basis. Audit noted that the number of meetings held by the panels during the term years (each term year is the 12-month period from December of a year to November next year) 2015-16 to 2020-21 (up to 30 June 2021) varied. While the Administration Panel held a total of 20 meetings, the Service Panel held a total of 4 meetings, and the Education Panel did not hold any meeting. For the Fund-raising Sub-committee and the 2 sub-committees without terms of reference (see para. 5), no meeting was held during the review period. According to MHAHK:

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- (a) the Service Panel and the Education Panel were not standing committees, but temporary and joint panels formed to reach consensus among the sub-committees underpinning the panels when common agenda had to be considered; and
- (b) as for the sub-committees, they had different means to discharge their designated functions in lieu of regular official meetings.

In Audit's view, MHAHK should review and revise as appropriate the terms of reference of panels and sub-committees without regular meetings to more accurately reflect their roles and means to discharge their functions in lieu of regular official meetings (paras. 2.7 to 2.10).

7. ***Room for improvement in attendance and proceedings of meetings.*** Audit analysed members' attendance at meetings for term years 2015-16 to 2020-21 (up to 30 June 2021) and identified the following areas for improvement:

- (a) ***Need to comply with quorum requirement.*** Audit noted that 2 sub-committees each had held one meeting (out of 16 meetings during the review period) without complying with the quorum requirement; and
- (b) ***Need to document the granting of leave of absence by the Executive Committee.*** As stipulated in MHAHK's Articles of Association, if a member of the Executive Committee, without leave of absence granted, was absent from the meetings on three consecutive occasions, the Committee may declare his office vacant, and he shall cease to be a member of the Committee. Audit analysis revealed that for the term years 2015-16 to 2020-21 (up to 30 June 2021), 4 (27%) out of the 15 members of the Executive Committee had been absent from meetings on three or more consecutive occasions. The number of consecutive absences at meetings ranged from 5 to 11 meetings. However, there was no documentation showing that leave of absence had been granted by the Executive Committee (paras. 2.15 to 2.18).

8. ***Room for improvement in managing potential conflicts of interest at meetings.*** Audit examined the Executive Committee's minutes of meetings since the term year 2015-16 and up to 30 June 2021 and noted that although financial matters were discussed at the meetings from time to time, no declaration of interests by

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members nor confirmations of having no interests requiring declaration were recorded in the minutes of meetings. Also, while panels and sub-committees may also involve decision making on financial or personnel matters, the two-tier reporting system of declaration of interests is currently only applicable to the Executive Committee. MHAHK needs to consider the merit of extending the two-tier reporting system to panels and sub-committees, in particular those involved in financial or personnel matters (paras. 2.21 and 2.22).

9. ***Need to promote membership.*** According to the Articles of Association, membership of MHAHK is open to adult residents of Hong Kong or elsewhere who are in sympathy with the objects of MHAHK. As at 31 March 2021, MHAHK had 217 members. Audit noted that, for the period 2016 to 2020:

- (a) only 21 new members were recruited. The net increase in number of members was 6; and
- (b) the attendance rates at the annual general meetings were on the low side (ranging from 9% to 14%).

In Audit's view, MHAHK needs to formulate measures to further encourage and facilitate members in attending the annual general meetings, and step up efforts in recruiting individuals who are in sympathy with the objects of MHAHK as its members, including sub-committee members (paras. 2.29 to 2.33).

Delivery of mental health services

10. ***Need to closely monitor the impact of coronavirus disease (COVID-19) epidemic on subvented services.*** Under the LSG subvention system, an NGO's attainment of the service requirements and service standards (e.g. Output Standards (OSs) and Outcome Standards (OCs)) stipulated in FSAs serves as a performance measurement of the NGO's service delivery. For MHAHK, for each of the years in 2016-17 to 2018-19, there were only 3 to 7 OSs/OCs (i.e. 2% to 3% of the OSs/OCs) not achieved. For 2019-20 and 2020-21, some of the services were suspended or provided on a limited scale due to the COVID-19 epidemic, resulting in more OSs/OCs not achieved. In Audit's view, while noting that the impact brought about by the COVID-19 epidemic is inevitable, with gradual resumption of normal operation of subsidised welfare services, MHAHK should closely monitor the impact of the

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COVID-19 epidemic on its subvented services and, in consultation with SWD, strive to attain all OSs/OCs as far as practicable (paras. 3.4 and 3.6).

11. ***Need to improve the utilisation of a subvented service.*** Audit noted that an ASU (i.e. Day care service for persons with severe disabilities attached to Care and Attention Home for Severely Disabled Persons (day care service)) had failed to achieve an OS on the occupancy rate persistently from 2016-17 to 2020-21 (actual occupancy rates ranging from 22% to 87% versus the OS of 90%). According to MHAHK, the actual occupancy rate (85%) in 2018-19 was lower than the OS set because some service users took leave, which was uncontrollable. MHAHK formulated and implemented an improvement measure that, with effect from 1 October 2018, service users should not take leave for more than 30 days in any 6-month period. With a view to boosting utilisation of the service, MHAHK adopted an over-enrolment practice (i.e. to allow enrolment of 6 users against a capacity of 5 users). In Audit's view, MHAHK needs to, in consultation with SWD, consider further measures to improve the utilisation of day care service (paras. 3.7 to 3.9).

12. ***Need to review the OS of a vocational rehabilitation service.*** Supported Employment is one of the vocational rehabilitation services provided by MHAHK. Under Supported Employment, vocational rehabilitation support (e.g. job trial and post-placement services) is provided to enhance the employment of the service users through proactive training. Audit found that the user turnover rate had been on a decreasing trend from 2016-17 to 2020-21 (dropping from 102% to 46%), indicating that users generally took a longer time to be discharged. During the same period, the average number of applicants on the waiting list for the service decreased from 31 in 2016-17 to 17 in 2018-19, but then gradually increased to 40 in 2020-21. According to MHAHK, the drop in the user turnover rate since 2019-20 was attributable to the extension of post-placement services from 6 to 12 months with additional resources provided by SWD to enhance the service. Audit considers that SWD needs to review the OS on post-placement services of Supported Employment by examining its impact on user turnover at an opportune time, so as to better address the demand for the service (paras. 3.10 to 3.12).

13. ***Need to flexibly deploy the manpower between two ICCMWs.*** ICCMWs offer one-stop and district-based community support services to persons in mental recovery, persons with mental health needs, their family members/carers and residents living in the serving districts concerned. As at 31 March 2021, MHAHK operated two ICCMWs, one in Kwun Tong and the other in Tai Po. Audit conducted

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an analysis of the workload of ICCMW staff in terms of the number of members (i.e. service users) served per ICCMW staff and found that the workload of Kwun Tong ICCMW had been persistently higher than that of Tai Po ICCMW (e.g. in 2020-21, the number of members served per staff was 58 for Kwun Tong and 41 for Tai Po). In Audit's view, MHAHK needs to consider flexibly deploying the manpower resources between the two ICCMWs with a view to balancing their workload (paras. 3.13 and 3.14).

Administrative matters

14. ***Room for improvement in management of reserves.*** Under the LSG subvention system, an NGO can retain unspent LSG subvention in a reserve, known as LSG Reserve, to meet future spending. As at 31 March 2021, the balance of MHAHK's LSG Reserve amounted to \$92.5 million. The balance of a "Holding Account", which was for honouring the contractual commitments to Snapshot staff (i.e. staff members who were on the recognised establishment of NGOs' subvented service units as at 1 April 2000), formed part of the LSG Reserve. According to a review report on the LSG subvention system published in July 2021 (i.e. LSG Enhancement Review Report), it was not uncommon for NGOs to record a substantial reduction in the number of Snapshot staff with no corresponding decrease in the accumulated balance of the Holding Account. Audit noted that the number of MHAHK's Snapshot staff decreased from 265 as at 1 September 2006 to 93 as at 1 September 2020, while the balance of the Holding Account remained at \$48.2 million (paras. 1.13, 4.2 to 4.4 and 4.6).

15. ***Need to improve internal controls in accounting and financial procedures.*** LSG Manual sets out advice on internal control procedures in respect of nine categories of important financial activities (e.g. revenue collection and receipt and payment). Audit noted the following issues:

- (a) ***Irregularities found in SWD inspections.*** SWD conducts accounting inspections in respect of NGOs' compliance with accounting and financial reporting requirements as laid down in LSG Manual. Audit examined the records of the most recent three SWD accounting inspections on MHAHK (for years 2013-14, 2015-16 and 2018-19) and found that some internal control weaknesses had been identified in more than one SWD inspection; and

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- (b) ***Irregularities found in Audit inspections.*** Audit examined records of 6 service centres of MHAHK and identified a number of irregularities on the internal control procedures. For instance, a common irregularity found in SWD accounting inspections (i.e. lack of proper authorisation over petty cash payments) was found in 2 of the 6 service centres. Audit also noted that, for most of the irregularities identified in the Audit inspections, the relevant internal control advice in LSG Manual had not been incorporated in MHAHK's guidelines on accounting and financial procedures (paras. 4.8 to 4.10).

16. ***Need to ensure no cross-subsidisation between FSA and non-FSA activities.*** Under the LSG subvention system, MHAHK receives a lump sum amount of grant for all its ASUs, and may redeploy resources across the ASUs as long as they are within those governed by FSAs. In accordance with the principles of the LSG subvention system, it is important to ensure that the subvention is spent for the intended purposes within the scope of FSAs, and to ensure no cross-subsidisation between FSA and non-FSA activities in money or in kind. Apart from FSA activities, MHAHK also conducted non-FSA activities (e.g. programmes on a self-financing basis). Audit noted that some expenses had not been apportioned between FSA and non-FSA activities (e.g. staff remuneration of the senior management team overseeing both FSA and non-FSA activities) (paras. 4.11 and 4.12).

17. ***Need to tackle challenges of staff shortage and review succession plan.*** Audit noted the following issues:

- (a) ***Staff shortage.*** Audit analysed MHAHK's establishment and strength of staff for the period 2016-17 to 2020-21 and noted that the overall staff vacancy rate increased from 2% in 2016-17 to 7% in 2020-21. Some job categories and service units were experiencing staff shortages (e.g. vacancy rate for specialised health and care professional and nursing staff increased from 7% to 15%). Staff vacancies and/or recruitment difficulties had affected service provision. For example, for the Agency-based Clinical Psychological Service for ICCMW, in 2020-21, the actual numbers of individual clinical sessions and group clinical sessions provided to service users in ICCMWs fell short of the respective targets by 18% and 64%; and

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- (b) ***Succession planning.*** According to LSG Manual, NGOs are advised to formulate and review regularly a succession plan. In March 2018, MHAHK performed a 10-year projection on number of staff, taking into account the number and posts of retiring staff. However, the succession plan had not been reviewed since 2018 (paras. 4.17, 4.18 and 4.20).

18. ***Room for improvement in the procurement of goods and services.*** MHAHK has laid down guidelines for procurement of goods and services. Regarding consumables for daily operations at service units (e.g. food), staff are required to obtain written/verbal quotations from suppliers. ASUs are also required to conduct a review on price and quality of goods at least once every two years. Audit found areas for improvement in conducting quotations and price and quality reviews on food items. For example, for one ASU, there was no documentary evidence showing that a quotation exercise had been conducted. For another ASU, Audit could not find any record showing that price and quality reviews had been conducted (paras. 4.29 and 4.30).

19. ***Room for improvement in financial reporting and disclosure.*** An Annual Financial Report (AFR) is a financial report prepared by an NGO for submission to SWD annually in respect of all FSA activities, FSA-related activities and related support services funded by LSG, other social welfare subventions and other income. Audit noted the following issues:

- (a) ***Need to include all FSA activities.*** MHAHK's headquarters building was located in Kwun Tong which served as an administration office. Also operating in the building was a cafeteria, which according to MHAHK was a simulated business aimed at providing job skills training to PWDs under Supported Employment. Audit noted that while the cafeteria was regarded by MHAHK as a subvented activity governed by an FSA (i.e. Supported Employment), its income and expenditure had been excluded from AFR; and
- (b) ***Need to improve transparency.*** Audit examined MHAHK's Annual Reports for the years 2016-17 to 2019-20 and found that MHAHK had not shown its AFR as an integral part of the Annual Report, nor uploaded the full set of the latest AFR onto its website, contrary to the requirement stated in LSG Manual. With a view to facilitating public access to NGOs' AFRs, SWD has been maintaining on its website a website link to or a copy of

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each NGO's latest AFR. In Audit's view, to further facilitate public access to its AFR and ensure compliance with LSG Manual, MHAHK needs to specify the SWD website address linking to its latest AFR in its Annual Report (paras. 4.4 and 4.34 to 4.37).

Audit recommendations

20. **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 MHAHK should:**

Corporate governance

- (a) **formulate terms of reference for the Quality and Risk Management Sub-committee and the Journal Editorial Board and have them endorsed by the Executive Committee, and ensure that the convenors and members of the sub-committees are well-acquainted with the terms of reference (para. 2.13(a));**
- (b) **review and revise as appropriate the terms of reference of panels and other sub-committees without regular meetings to more accurately reflect their roles and means to discharge their functions in lieu of regular official meetings (para. 2.13(b));**
- (c) **ensure that the quorum requirement of meetings of committees is always met, and properly record in the minutes of meetings the granting of leave of absence to members by the Executive Committee (para. 2.27(a) and (b));**
- (d) **consider strengthening the management of declaration of interests at meetings, particularly when the discussion items involve financial or personnel matters, and consider the merit of extending the two-tier reporting system of declaration of interests to panels and sub-committees (para. 2.27(c) and (d));**

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- (e) **formulate measures to further encourage and facilitate members in attending the annual general meetings, and step up efforts in recruiting individuals who are in sympathy with the objects of MHAHK as its members (para. 2.34(a) and (b));**

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- (f) **closely monitor the impact of the COVID-19 epidemic on its subvented services and, in consultation with SWD, strive to attain all OSs/OCs as far as practicable (para. 3.15(a));**
- (g) **in consultation with SWD, consider further measures to improve the utilisation of day care service (para. 3.15(b));**
- (h) **consider flexibly deploying the manpower resources between the two ICCMWs with a view to balancing their workload (para. 3.15(c));**

Administrative matters

- (i) **take into account the recommendations in the LSG Enhancement Review Report and Audit's comments in improving the management of reserves (para. 4.14(a));**
- (j) **enhance controls on accounting and financial management (para. 4.14(b));**
- (k) **ensure that there is no cross-subsidisation between FSA and non-FSA activities (para. 4.14(c));**
- (l) **enhance human resources management to tackle the challenge of staff shortage, and regularly review the succession plan (para. 4.25(a) and (b));**
- (m) **ensure that the laid-down procurement guidelines are complied with by all ASUs (para. 4.38(b));**

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- (n) ensure that the income and expenditure of all FSA activities and FSA-related activities are included in AFR (para. 4.38(d)); and
 - (o) specify in its Annual Report the SWD website address linking to its latest AFR (para. 4.38(e)).
21. Audit has *recommended* that the Director of Social Welfare should review the OS on post-placement services of Supported Employment by examining its impact on user turnover at an opportune time (para. 3.16).

Response from The Mental Health Association of Hong Kong

22. MHAHK agrees with the audit recommendations.

Response from the Government

23. The Director of Social Welfare agrees with the audit recommendations.

PART 1: INTRODUCTION

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

Mental health policy and services in Hong Kong

1.2 In Hong Kong, the Government attaches great importance to the mental well-being of the public. Recognising that mental health goes beyond medical care, the Government adopts an integrated and multi-disciplinary approach towards mental health, including promotion, prevention, early identification, timely intervention and treatment, and rehabilitation for persons in need. From self-care, primary care and community support to specialist care and residential services, the Government seeks to provide comprehensive and cross-sectoral services to the public through collaboration and cooperation among the following major stakeholders:

- (a) ***Government bureaux and departments (B/Ds).*** The relevant B/Ds involved in provision of mental health services include:
 - (i) the Food and Health Bureau which assumes the overall responsibility for co-ordinating the various multi-disciplinary and cross-sectoral services to persons with mental health needs;
 - (ii) the Labour and Welfare Bureau which formulates and co-ordinates welfare policies and programmes to assist those in need (e.g. persons with disabilities — PWDs), including monitoring the delivery of the Social Welfare Department (SWD)’s rehabilitation services;
 - (iii) the Education Bureau which gives support to schools (e.g. subventions to aided special schools and additional resources in the form of Learning Support Grant to public sector ordinary schools) for students with special educational needs, including those with mental health needs;

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- (iv) the Department of Health which undertakes a role to promote mental well-being by enhancing public awareness through education and publicity; and
- (v) SWD which provides a range of rehabilitation services for PWDs, mainly through provision of subventions to non-governmental organisations (NGOs) under the Lump Sum Grant (LSG) subvention system;
- (b) ***Hospital Authority.*** The Hospital Authority provides comprehensive and continuous medical support to psychiatric patients, including in-patient care and ambulatory care services. It also provides community support through collaboration with SWD and NGOs; and
- (c) ***NGOs in the social welfare sector.*** NGOs in the social welfare sector subvented by SWD play an important role in providing a wide range of mental health services in Hong Kong, including mental health promotion and rehabilitation services, such as community support, vocational rehabilitation and residential care for persons in mental recovery.

1.3 To ensure that the mental health regime can rise up to the challenges of a growing and ageing population, the Government set up a Review Committee on Mental Health (Review Committee — Note 1) in May 2013 to conduct a review of the then mental health policy with a view to mapping out the future direction for development of mental health services in Hong Kong. The Review Committee also considered means and measures to strengthen the provision of mental health services in Hong Kong having regard to the changing needs of the community and resource availability. In April 2017, the report of the Review Committee was published, with a total of 40 recommendations for the enhancement of the overall mental health services in Hong Kong in various areas including education and promotion, capacity building, and mental health services for different age groups.

Note 1: *Chaired by the Secretary for Food and Health, the Review Committee comprised some 20 members with wide representation, including Members of the Legislative Council, academics, healthcare professionals, service providers and other stakeholders.*

1.4 To follow up and monitor the implementation of the Review Committee's recommendations and to provide advice on the development of mental health policies and enhancement of mental health services, the Advisory Committee on Mental Health (Advisory Committee — Note 2) was established in December 2017. The Advisory Committee published its first work report in January 2020 (covering the period 1 December 2017 to 30 November 2019), and would continue to work with relevant stakeholders with a view to building a mental health-friendly community in Hong Kong.

The Mental Health Association of Hong Kong

1.5 The Mental Health Association of Hong Kong (MHAHK) is an NGO providing mental health-related services to the public. It has developed a comprehensive spectrum of rehabilitation services in the community, providing holistic care for persons with mental health needs, persons with intellectual disabilities and the disadvantaged. Established in 1954 as a non-profit-making social service organisation and with the object of educating the public on mental health, MHAHK started direct service operation in 1967. In 1970, it was incorporated as a company limited by guarantee under the Companies Ordinance (Cap. 622), and since then has been recognised as a charitable institute exempt from tax under section 88 of the Inland Revenue Ordinance (Cap. 112). As at 31 March 2021, MHAHK operated 53 service units subvented by the Government (see para. 1.12).

Governance and organisation structure of MHAHK

1.6 The Executive Committee is the governing body of MHAHK and determines policies, monitors and evaluates MHAHK's business, and promotes MHAHK's objectives. Its members are elected among members of MHAHK (see para. 2.29) at the annual general meetings to serve for a term of three years on a voluntary basis. The Executive Committee is composed of a Chairman, 2 Vice-Chairmen, an Honorary Secretary, an Honorary Treasurer and 6 members

Note 2: *The Advisory Committee comprises a chairman and 34 members from various sectors including professionals from the legal, healthcare, social service and education sectors and other stakeholders, and ex-officio members from different B/Ds.*

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(Note 3), and supported by 3 panels (underpinned by 15 sub-committees providing advice and monitoring performance on service operation) and 3 boards (for the two subsidiary companies and the special school — see para. 1.10). The governance structure of MHAHK as at 31 March 2021 is shown at Appendix A.

1.7 Under the direction of the Executive Committee, the Director of MHAHK oversees the day-to-day operation. As at 31 March 2021, MHAHK had 770 staff. An extract of the organisation chart of MHAHK as at 31 March 2021 is at Appendix B.

Core services of MHAHK

1.8 MHAHK's core services are classified into the following four categories:

- (a) *Rehabilitation services for persons in mental recovery.* The objectives are to:
 - (i) provide transitional accommodation and community support to persons in mental recovery in order to induce hope and promote recovery (e.g. Integrated Community Centres for Mental Wellness (ICCMWs) — see Photograph 1);
 - (ii) assist persons with mental health needs and their families to identify the problems and seek appropriate services; and
 - (iii) provide a one-stop service to the community ranging from mental health education, prevention and social rehabilitation in order to facilitate the public in facing mental health issues positively;

Note 3: *The Executive Committee also comprises 7 co-opt members. They provide assistance to the Executive Committee but are not entitled to vote or reckoned towards a quorum.*

Photograph 1

**Rehabilitation services for
persons in mental recovery — ICCMW**



Source: MHAHK records

- (b) ***Rehabilitation services for persons with intellectual disabilities.*** The objectives are to:
- (i) provide professional care and training, social activities and residential services (e.g. hostels) for service users with moderate to severe intellectual disabilities in order to facilitate their learning abilities, develop their potentials, and cultivate their self-esteem, self-reliance and self-confidence;
 - (ii) motivate and encourage service users to participate actively in social activities and re-integrate into the community; and
 - (iii) enhance the mutual support among families with members with intellectual disabilities through continuous development of parents' work;
- (c) ***Vocational rehabilitation services for PWDs.*** The objective is to provide person-centred and versatile vocational rehabilitation training (e.g. Sheltered Workshops — see Photograph 2), placement opportunities, job matching and counselling as well as continuous community support services for PWDs, so as to satisfy their needs on training, employment and personal growth in different stages of life cycle; and

Photograph 2

**Vocational rehabilitation services for
PWDs — Sheltered Workshop**



Source: MHAHK records

- (d) ***Mental health promotion and education services.*** The objectives are to:
- (i) provide mental health knowledge and education for the general public and professions;
 - (ii) promote public awareness on mental health and concern for PWDs, so as to foster an accepting and caring attitude within the communities; and
 - (iii) provide employee assistance to corporations and organisations with an aim to build a mentally healthy working environment.

1.9 MHAHK's core services mentioned in paragraph 1.8(a) to (c) above are carried out by different service units and benefit about 6,500 to 7,000 service users each year. Table 1 shows the number of service users of these core services for the period 2016-17 to 2020-21.

Table 1

**Number of service users of MHAHK's core services (Note 1)
(2016-17 to 2020-21)**

| Service | No. of users | | | | |
|--|----------------|---------|----------------|---------|----------------|
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| <i>Rehabilitation services for persons in mental recovery</i> | | | | | |
| Halfway House | 360 | 373 | 360 | 344 | 374 |
| ICCMW | 3,619 | 3,813 | 3,850 | 3,771 | 4,135 |
| Supported Apartment | 33 (Note 2) | 17 | 18 | 18 | 14 |
| <i>Rehabilitation services for persons with intellectual disabilities</i> | | | | | |
| Care and Attention Home for Severely Disabled Persons (C&A/SD) | 56 | 56 | 57 | 57 | 78 (Note 3) |
| Day Activity Centre | 247 | 244 | 237 | 232 | 219 |
| Extended Care Programme | 47 | 50 | 72 (Note 3) | 77 | 73 |
| Hostel for Moderately Mentally Handicapped Persons (HMMH) | 174 | 174 | 171 | 172 | 170 |
| Hostel for Severely Mentally Handicapped Persons (HSMH) | 129 | 131 | 129 | 133 | 130 |
| <i>Vocational rehabilitation services for PWDs</i> | | | | | |
| Training and Employment Services | 1,349 | 1,230 | 1,071 | 1,047 | 1,229 |
| Sheltered Workshop | 535 | 548 | 538 | 519 | 517 |
| Work Extension Programme | 48 | 49 | 66 (Note 3) | 68 | 69 |
| Total | 6,597 | 6,685 | 6,569 | 6,438 | 7,008 |

Source: MHAHK records

Table 1 (Cont'd)

- Note 1: According to MHAHK, it is difficult to estimate the number of service users of mental health promotion and education services (see para. 1.8(d)) as such services are far reaching and the forms and media of public education vary, e.g. social media and radio or television interviews.*
- Note 2: One self-financing Supported Apartment with a capacity of 20 residents was closed on 31 March 2017.*
- Note 3: The increase in the number of users was generally attributable to the increase in service capacity with additional resources provided by SWD.*
- Remarks: Persons in need of services for ICCMW, Supported Apartment, Training and Employment Services, and day care service for persons with severe disabilities attached to C&A/SD (see para. 3.7) may approach MHAHK directly to apply for service. For Extended Care Programme and Work Extension Programme, they are directly arranged by the relevant service units to existing users of MHAHK's Day Activity Centre and Sheltered Workshop after assessment. Applications for all other day or residential services have to be made by social workers through the Central Referral System for Rehabilitation Services managed by SWD.*

Other services of MHAHK

1.10 MHAHK also operates two wholly-owned self-financing subsidiary companies and a special school:

- (a) ***MentalCare Connect Company Limited.*** Established and incorporated under the Companies Ordinance in 2002, the company is a social enterprise which strives to create employment opportunities for PWDs and disadvantaged groups through operating social enterprise projects such as convenience stores and an online shopping platform;
- (b) ***Institute of Community Rehabilitation.*** Established and incorporated under the Companies Ordinance in 2010, it is a training institute providing long-term consultation and supervision to mental health projects in the Mainland and the Greater Bay Area. It is also responsible for collaborating with the counterparts in the Mainland to promote further cooperation in community rehabilitation service between the two places; and

- (c) ***MHAHK - Cornwall School.*** Established in 1978 and registered as a school in 1980, it is a special school with MHAHK as its sponsoring body. The school provides educational and boarding services for children with severe intellectual disabilities (Note 4).

Government funding and activities subvented by LSG

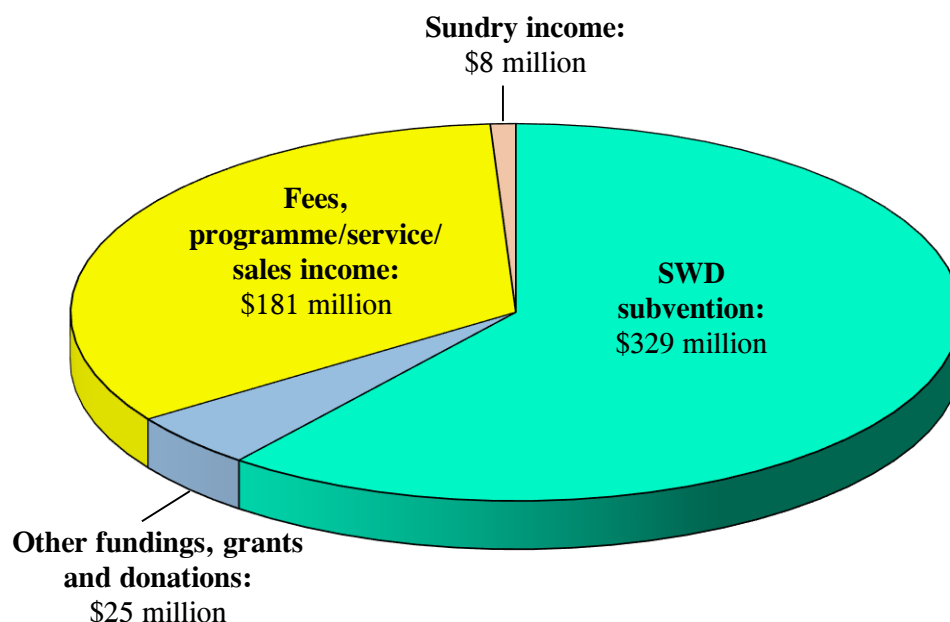
1.11 Government funding forms a major part of MHAHK's income. In 2020-21, subventions from SWD amounted to \$329 million (61 % of MHAHK's total income of \$543 million), of which \$275 million was in the form of LSG (Note 5). MHAHK's other sources of income included other grants and donations, service income and sales income. Figure 1 shows an analysis of sources of income of MHAHK in 2020-21.

Note 4: *MHAHK - Cornwall School is an aided special school subvented by the Education Bureau. In October 2019, the Audit Commission completed a review entitled "Special education" (Chapter 5 of the Director of Audit's Report No. 73), which covered the Education Bureau's work in the implementation of special education and SWD's work in connection with special education.*

Note 5: *Apart from LSG, MHAHK receives other subventions from SWD, including funding from the Lotteries Fund.*

Figure 1

**Analysis of sources of income of MHAHK
(2020-21)**



Source: MHAHK records

1.12 Under the LSG subvention system, Funding and Service Agreements (FSAs) are signed between SWD as a funder and NGOs as service providers. FSAs define the obligations of SWD to NGOs, the role of SWD in monitoring the performance of NGOs, the type of services to be provided, the performance standards, and the basis of subvention (Note 6). The service units under FSAs are referred to as Agreement Service Units (ASUs). As at 31 March 2021, there were 53 ASUs under MHAHK providing rehabilitation services (activities conducted by ASUs are hereinafter referred to as FSA activities). Appendix C analyses the services provided by the 53 ASUs.

Note 6: *An FSA can govern more than one service unit which provides the same type of subvented service. For example, an FSA for Sheltered Workshop governs MHAHK's three Sheltered Workshops, which are regarded as three service units. On the other hand, a centre may provide more than one type of service. For a centre providing two types of service, two FSAs are drawn up and the centre is regarded as two service units.*

1.13 As a condition of receiving LSG subvention, NGOs are required to observe the advice on best management practices and processes in the “Social Welfare Services Lump Sum Grant Manual” (LSG Manual) and related LSG Circulars (Note 7) promulgated by SWD to enhance the accountability, efficiency and cost-effectiveness in the use of public funds for the provision of welfare services. Apart from LSG Manual, SWD also issued the “Lump Sum Grant Subvention System Best Practice Manual for Non-governmental Organisations” (BPM — Note 8) in 2014. It sets out 17 items (see Appendix D) to encourage NGOs under the LSG subvention system to enhance governance through financial management, human resources management, as well as corporate governance and accountability. With an aim of optimising the LSG subvention system and ensuring that it keeps pace with the times, a Task Force for Review on Enhancement of LSG subvention system (Task Force — Note 9) was set up in November 2017 to review and make recommendations on the system. A Review Report on Enhancement of LSG subvention system (LSG Enhancement Review Report) was published in July 2021. SWD will discuss with stakeholders on how to take forward the recommendations in a systematic manner, which are expected to be implemented gradually starting from 2022-23.

Note 7: *LSG Manual provides guidance to subvented NGOs on the use of LSG. SWD administers LSG in accordance with the requirements in the Manual which includes advice on best practices and processes for NGOs’ reference. SWD also issues LSG Circulars to supplement the Manual.*

Note 8: *BPM comprises guidelines at two levels: Level One guidelines are those that NGOs are expected to follow unless there are strong justifications not to do so; and Level Two guidelines are those that NGOs are encouraged to adopt. There is further elaboration on the criteria and procedures on how each item should be implemented. As at 31 March 2021, BPM included 9 Level One items and 8 Level Two items.*

Note 9: *The Task Force was chaired by the Director of Social Welfare with members comprising some Members of the Legislative Council, representatives of NGOs in the social welfare sector and the Labour and Welfare Bureau and SWD, and other stakeholders.*

Introduction

1.14 An NGO may redeploy LSG resources across its ASUs after assessing needs as long as the service units are among those governed by FSAs. MHAHK's income and expenditure on FSA activities and FSA-related activities (Note 10) from 2016-17 to 2020-21 is shown in Table 2.

Table 2
Income and expenditure on FSA activities and FSA-related activities
(2016-17 to 2020-21)

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|---------------------|---------|---------|-------------------|---------|
| | Amount (\$ million) | | | | |
| <i>Income</i> | | | | | |
| LSG subvention (Note 1) | 207.6 | 218.2 | 233.8 | 262.5 (Note 2) | 275.0 |
| Fee income (Note 3) | 11.9 | 11.8 | 12.0 | 11.4 | 11.1 |
| Rent and rates | 9.4 | 8.9 | 9.1 | 9.8 | 10.6 |
| Other income (Note 4) | 6.4 | 6.3 | 6.6 | 5.5 | 2.7 |
| Central items (Note 5) | 0.3 | 0.3 | 0.5 | 3.3 | 2.7 |
| Interest income | 0.5 | 0.4 | 0.7 | 0.9 | 0.6 |
| Total | 236.1 | 245.9 | 262.7 | 293.4 | 302.7 |
| <i>Expenditure</i> | | | | | |
| Personal emoluments | 197.3 | 204.7 | 213.0 | 228.6 | 248.3 |
| Other charges (e.g. utility charges and food expenses) | 35.2 | 35.4 | 35.9 | 35.5 | 33.3 |
| Rent and rates | 9.0 | 9.1 | 9.0 | 10.7 | 10.6 |
| Central items (Note 5) | 0.0 | 0.3 | 0.3 | 2.5 | 2.2 |
| Total | 241.5 | 249.5 | 258.2 | 277.3 | 294.4 |
| (Deficit)/Surplus | (5.4) | (3.6) | 4.5 | 16.1 | 8.3 |

Source: MHAHK records

Note 10: *FSA-related activities are services that are not specified in the FSAs but meet such requirements as service targets, objectives and nature in support of the delivery of FSA services. To avoid misunderstanding, NGOs should consult SWD in a timely manner as to what constitutes "FSA-related" activities before conducting such activities. Examples of MHAHK's FSA-related activities include support services provided to carers of service users of day care service attached to C&A/SD.*

Table 2 (Cont'd)

Note 1: LSG subvention covers salaries and allowances, provident fund and other charges (e.g. utility charges). The level of subvention is adjusted annually on the following basis:

- (a) personal emoluments — in line with civil service pay adjustment; and*
- (b) other charges — based on price adjustment factor (currently the Composite Consumer Price Index).*

Note 2: Apart from the annual adjustments in Note 1, the increase of LSG subvention in 2019-20 was mainly due to the launch of a new service (i.e. Pilot Scheme on Professional Outreaching Team for Private Residential Care Homes for Persons with Disabilities (\$8 million)), and a higher level of subvention to enhance ICCMW service (from \$46 million in 2018-19 to \$54 million in 2019-20).

Note 3: Fee income represents fees and charges that SWD allows an NGO to charge for some of the welfare services provided. Such charges are stipulated in LSG Manual. Examples of MHAHK's fee income included residential fee of HMMH, HSMH and C&A/SD.

Note 4: Other income includes fees and charges for services incidental to the operation of subvented services, other than recognised fee income. For example, programme income was recognised as other income of MHAHK.

Note 5: Central items arise from subvented service activities which are not covered by LSG and are subject to their own procedures as set out in other SWD's papers and correspondence with MHAHK. Examples of MHAHK's central items included Training Sponsorship Scheme for Master in Occupational Therapy and Physiotherapy programmes, and Special Allowance for Staff of Subvented Residential Service Units under the Government's anti-epidemic measures in light of the outbreak of coronavirus disease (COVID-19).

Audit review

1.15 The Audit Commission (Audit) has recently conducted a review of MHAHK, focusing on the following areas:

- (a) corporate governance (PART 2);
- (b) delivery of mental health services (PART 3); and
- (c) administrative matters (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 Mental Health Association of Hong Kong

1.16 The Chairman of the Executive Committee, MHAHK has said that:

- (a) on behalf of MHAHK, he would like to express his sincere thanks to Audit for its effort in the auditing exercise especially during the period of the COVID-19 epidemic;
- (b) MHAHK generally agrees with the audit recommendations;
- (c) the Audit Report will serve as a valuable reference for MHAHK's service enhancement of quality and continuation with the current good practices;
- (d) MHAHK is mindful of the tremendous need for mental health services in the community, in light of the current social and economic situations. Since 1954, MHAHK has been striving for community acceptance for its service targets, the persons in mental recovery, the persons with intellectual disabilities and the enhancement of mental health literacy of the general public. It has been a long and winding road; and

- (e) he would like to thank the Executive Committee and sub-committee members, who are mostly professionals in the field, in taking their time and effort in their busy schedule, to work hand in hand with staff, service users, carers and the community in governing MHAHK and in sharing MHAHK mission of “Mental Health for ALL”.

General response from the Government

- 1.17 The Director of Social Welfare agrees with the audit recommendations.

Acknowledgement

- 1.18 Audit would like to acknowledge with gratitude the full cooperation of the staff of MHAHK and SWD during the course of the audit review.

PART 2: CORPORATE GOVERNANCE

2.1 This PART examines MHAHK's corporate governance, focusing on:

- (a) governance structure (paras. 2.4 to 2.14);
- (b) attendance and proceedings of meetings (paras. 2.15 to 2.28); and
- (c) management of membership (paras. 2.29 to 2.35).

Background

2.2 Corporate governance refers to the processes by which organisations are directed, controlled and held to account. Good governance is essential for subvented NGOs to ensure proper use of public resources to the benefits of their service users. Given the importance of good governance, LSG Manual provides advice and guidelines in respect of corporate governance and other management aspects, with reference made to the "Guide to Corporate Governance for Subvented Organisations" issued by the Efficiency Office (EffO) (hereinafter referred to as EffO's Guide), and the "Best Practice Checklist Governance and Internal Control in Non-governmental Organisations" issued by the Independent Commission Against Corruption (ICAC) (hereinafter referred to as ICAC's Best Practice Checklist).

2.3 MHAHK is governed by the Executive Committee, which is supported by 3 panels, namely the Administration Panel, Education Panel and Service Panel. Underpinning the panels are 15 sub-committees that provide advice and monitor performance on service operation (see para. 1.6 and Appendix A). The compositions of the Executive Committee, panels and sub-committees are as follows:

- (a) the Executive Committee is composed of a Chairman, 2 Vice-Chairmen, an Honorary Secretary, an Honorary Treasurer and 6 members. Each of them is elected among members of MHAHK at the annual general meetings to serve for a term of three years on a voluntary basis;
- (b) for the 3 panels, the Chairman of the Executive Committee serves as the ex-officio convenor of the Administration Panel, while the two Vice-chairmen of the Executive Committee serve as the ex-officio

convenors of the other two panels. Convenors of the sub-committees under each panel are ex-officio members of the respective panels; and

- (c) for sub-committees, convenors are appointed by the Executive Committee from among members of MHAHK. The convenors in turn invite interested persons to become sub-committee members, with a term of appointment until the next annual general meeting.

Appendix E shows the roles of the Executive Committee and the panels (hereinafter the Executive Committee, panels and sub-committees are collectively referred to as committees unless otherwise stated).

Governance structure

Need to draw up terms of reference for all sub-committees

2.4 EffO's Guide (see para. 2.2) states that when the board of an NGO (which means its Executive Committee for MHAHK) establishes committees to deal with core business of the organisation, the structure, roles and responsibilities of these committees should be clearly defined, and their authority should be properly delegated by the board. The terms of reference of a committee serve this purpose by defining the committee's authority, roles and responsibilities.

2.5 Audit requested MHAHK to provide the terms of reference of each committee, which typically specify the objectives, roles, composition of membership and proceedings of meetings of a committee. In June 2021, MHAHK informed Audit that no terms of reference were available for 2 sub-committees, namely the Quality and Risk Management Sub-committee, and the Journal Editorial Board. Without a set of well-defined terms of reference, there is a risk that the convenors and members of the sub-committees may not clearly understand their roles and responsibilities. In this connection, Audit noted that the 2 sub-committees had not held any meeting in the past few years (see para. 2.8(b)(iii)). In Audit's view, MHAHK needs to formulate terms of reference for the 2 sub-committees (e.g. stating clearly the objectives and functions of the sub-committees) and have them endorsed by the Executive Committee. MHAHK also needs to ensure that the convenors and members of the sub-committees are well-acquainted with the terms of reference.

Need to review terms of reference of panels and sub-committees without regular meetings

2.6 MHAHK's Articles of Association states that an annual general meeting shall be held in each year. The annual general meeting is usually held in December following the end of the financial year ending in March each year (e.g. the 2018-19 annual general meeting was held on 10 December 2019). At each annual general meeting, members are elected to the Executive Committee (Note 11). As a usual practice, in the first meeting of the Executive Committee after the annual general meeting (held in the same month as the annual general meeting), the convenors of all sub-committees under the three panels are appointed.

2.7 The frequencies of meetings of the Executive Committee, panels and sub-committees are laid down in their respective terms of reference. Table 3 summarises the laid-down frequencies of meetings of committees as at 31 March 2021.

Table 3

**Laid-down frequencies of meetings of committees
(31 March 2021)**

| Committee | Frequency of meetings |
|-----------------------|---|
| Executive Committee | At least 4 times per year |
| Panels | On a need basis |
| Sub-committees (Note) | <ul style="list-style-type: none">• Fund-raising Sub-committee — on a need basis• Other sub-committees — at least 3 times per year |

Source: MHAHK records

Note: Out of the 15 sub-committees, no terms of reference were available for 2 sub-committees, namely the Quality and Risk Management Sub-committee, and the Journal Editorial Board (see para. 2.5).

Note 11: Members of the Executive Committee who retire after serving the three-year term are eligible for re-election but shall not hold office for more than two consecutive three-year terms.

2.8 Appendix F shows the number of meetings held for each term year (Note 12) from 2015-16 to 2020-21 (up to 30 June 2021). Audit noted that the number of meetings held by the Executive Committee had met or exceeded the required number in each term year from 2015-16 to 2019-20. For the panels and sub-committees:

- (a) **Panels.** According to the terms of reference of the 3 panels, meetings are held on a need basis. The number of meetings held by the panels during the period varied, as shown below:
 - (i) the Administration Panel held a total of 20 meetings;
 - (ii) the Service Panel held 1 meeting in term year 2017-18 and 3 meetings in term year 2018-19, but no meeting was held in other term years; and
 - (iii) the Education Panel did not hold any meeting during the review period; and
- (b) **Sub-committees.** Of the 15 sub-committees:
 - (i) for 12 sub-committees, the number of meetings held had met the required number in each term year from 2015-16 to 2019-20;
 - (ii) for the Fund-raising Sub-committee, meetings were to be held on a need basis. No meeting was held during the review period; and

Note 12: *While the terms of reference of sub-committees have laid down the number of meetings to be held in each year, the starting and ending month of a year are not specified. Since the convenors of all sub-committees under the 3 panels are appointed in the first meeting of the Executive Committee in December each year (see para. 2.6), for the purpose of counting the number of meetings held, a term year is regarded as the 12-month period from December of a year to November next year. For example, the term year 2018-19 ran from December 2018 to November 2019.*

- (iii) for the other 2 sub-committees, namely the Quality and Risk Management Sub-committee, and the Journal Editorial Board, there were no terms of reference governing the number of meetings to be held (see para. 2.5) and no meeting was held during the review period.

2.9 Upon enquiry on the reasons for the 2 panels and the 3 sub-committees not having regular meetings during the review period, MHAHK in March and September 2021 informed Audit that:

- (a) the Service Panel and the Education Panel (see para. 2.8(a)(ii) and (iii)) were not standing committees but temporary and joint panels. They were formed to reach consensus among the sub-committees underpinning the panels (7 and 4 sub-committees respectively) when common agenda had to be considered. The convenors of the respective sub-committees would report to the Executive Committee all the decisions made and actions taken. The Service Panel met 4 times (i.e. in term years 2017-18 and 2018-19) to discuss the Persons with Disabilities and Rehabilitation Programme Plan (see para. 3.19(b)) and to formulate a consensus position paper of MHAHK for submission to the Labour and Welfare Bureau. For the Education Panel, there was no such common agenda that warranted the Panel to call for a meeting since the term year 2015-16;
- (b) the Fund-raising Sub-committee (see para. 2.8(b)(ii)) had a distinct and unique function of overseeing the co-ordination and promotion of fund-raising projects and activities. The convenor was supported by a working group (comprising staff members nominated to carry out the fund-raising projects/activities). The convenor and the working group members should meet as deemed necessary. Their performance was reflected by the fund-raising projects launched and total proceeds raised each year, which would be presented in MHAHK's Annual Reports;

- (c) the Quality and Risk Management Sub-committee (see para. 2.8(b)(iii)) was designated to provide the Executive Committee with assurance on all aspects of standards of care, safety and risk issues related to service delivery (Note 13). It was supported by working groups on occupational safety and health within MHAHK's service units. The convenor and members should determine the frequency of meetings as deemed fit. In the past few years, service units would complete the risk assessment and submit to the members of the sub-committee by e-mails for their information and comment. Discussions among members on the risk assessment were also conducted via e-mails; and
- (d) the Journal Editorial Board (see para. 2.8(b)(iii)) had a designated function of assisting in the publication of the Hong Kong Journal of Mental Health (an inter-disciplinary journal intended to serve as a focal point for exchange of information in the field of mental health). It determined the theme of each issue, called for manuscripts, and reviewed and edited the manuscripts. As some members were overseas experts, no regular meeting could be held. The Chief Editor (i.e. the convenor) and members would communicate among themselves via various contact means for matters relating to the publication (e.g. to determine the theme of each issue).

2.10 Audit noted that the roles of the Service Panel and Education Panel as clarified by MHAHK in paragraph 2.9(a) were not stated in their terms of reference. Regarding the 3 sub-committees, while noting that they had different means to discharge their designated functions in lieu of regular official meetings (see para. 2.9(b) to (d)), such means were not documented in the terms of reference. In Audit's view, apart from drawing up terms of reference for 2 sub-committees (see para. 2.5), MHAHK should also review and revise as appropriate the terms of reference of panels and other sub-committees without regular meetings to more accurately reflect their roles and means to discharge their functions in lieu of regular official meetings.

Note 13: *For example, the Quality and Risk Management Sub-committee gave advice on prevention strategies and action plans, and recommended continuous staff development on occupational safety and health, risk identification and management. During the period under review, the sub-committee was delegated to review the staff appraisal system and staff training on the implementation of new system. Members of the sub-committee also helped review reports prepared by the management on internal audit/assessment on service quality standards, trends of complaints received and performance of complaint handling, and advised on appropriate actions in fine-tuning the complaint management process.*

Need to consider setting up an audit committee

2.11 Audit committee is an important feature of corporate governance. It is usually set up by the governing board of an organisation to independently review financial information, framework and control, the external audit process and compliance with applicable laws and regulations. Given the growing focus on corporate governance, it has been increasingly common for NGOs to set up audit committees. To enhance accountability and financial control, SWD encourages NGOs to set up an audit committee overseeing financial reporting process and internal control. EffO's Guide and ICAC's Best Practice Checklist (see para. 2.2) also promote the setting up of an audit committee.

2.12 There is no audit committee in MHAHK under the current governance structure (see Appendix A). According to MHAHK, the Quality and Risk Management Sub-committee dealt with risk issues and reviewed reports on internal audit (see para. 2.9(c)). However, the sub-committee did not have a set of terms of reference to spell out such function (see para. 2.5) and did not report directly to the Executive Committee. It also did not hold any meeting in the past few years (see para. 2.8(b)(iii)). In Audit's view, to enhance its governance, MHAHK should consider the merit of setting up an audit committee or a similar committee to deal with the review and supervision of the organisation's financial reporting process and internal control.

Audit recommendations

2.13 **Audit has *recommended* that MHAHK should:**

- (a) **formulate terms of reference for the Quality and Risk Management Sub-committee and the Journal Editorial Board and have them endorsed by the Executive Committee, and ensure that the convenors and members of the sub-committees are well-acquainted with the terms of reference;**
- (b) **review and revise as appropriate the terms of reference of panels and other sub-committees without regular meetings to more accurately reflect their roles and means to discharge their functions in lieu of regular official meetings; and**

- (c) consider the merit of setting up an audit committee or a similar committee to deal with the review and supervision of its financial reporting process and internal control.

Response from The Mental Health Association of Hong Kong

2.14 MHAHK agrees with the audit recommendations. The Chairman of the Executive Committee, MHAHK has said that MHAHK will:

- (a) delineate the objectives and functions of the Quality and Risk Management Sub-committee and the Journal Editorial Board and formulate their terms of reference. Convenors and members will be acquainted with the new terms of reference;
- (b) examine the terms of reference of panels and the Fund-raising Sub-committee to reflect more accurately their roles and means to discharge their functions; and
- (c) consider setting up a new committee or delegating to the Quality and Risk Management Sub-committee to supervise its financial reporting process and internal control and directly report to the Executive Committee.

Attendance and proceedings of meetings

Room for improvement in attendance and proceedings of meetings

2.15 Appendix G shows an analysis on members' attendance at meetings of the committees for term years 2015-16 to 2020-21 (up to 30 June 2021). Audit noted that for the Service Panel and 6 sub-committees, in some term years, the attendance rates were less than or equal to 50% (ranging from 36% to 50%). Audit's further analysis of members' attendance at committee meetings found areas for improvement as detailed in paragraphs 2.16 to 2.19.

2.16 ***Need to comply with quorum requirement.*** MHAHK has set out quorum requirement for the meetings. For the Executive Committee, 5 members shall form a quorum. For the panels and sub-committees, in general, the quorum is 3. Audit noted that 2 sub-committees each had held one meeting (out of 16 meetings during the review period mentioned in para. 2.15) without complying with the quorum requirement:

- (a) for the Care & Attention Home for Severe Disabled Persons Sub-committee (formerly known as the Tin Shui Home Sub-committee), only 2 members attended the meeting in August 2019; and
- (b) for the Day Activity Centre and Mentally Handicapped Hostel Sub-committee, only 2 members attended the meeting in July 2019.

In Audit's view, MHAHK needs to take measures to ensure that the quorum requirement of meetings is always met. Audit noted that meetings of some committees were conducted by online video conferencing in recent years. MHAHK may consider extending this arrangement to other committees for facilitating members' attendance.

2.17 ***Need to document the granting of leave of absence by the Executive Committee.*** The Executive Committee is the governing board of MHAHK and exercises all powers of the organisation. Audit noted that for the term years 2015-16 to 2020-21 (up to 30 June 2021), a total of 15 members had served in the Executive Committee. While the average attendance rate of Executive Committee meetings had improved from 60% in term year 2015-16 to 85% in term year 2020-21 (up to 30 June 2021), Audit's further analysis revealed that, for the review period, the overall attendance rate was:

- (a) over 75% for 8 members;
- (b) over 50% to 75% for 3 members; and
- (c) lower than or equal to 50% for 4 members (see Table 4).

Table 4

**Members' attendance at the Executive Committee meetings
(Term years 2015-16 to 2020-21 (up to 30 June 2021))**

| Overall attendance rate | No. of members | } | 4 |
|-------------------------|----------------|---|---|
| 0% – 25% | 1 | | |
| 26% – 50% | 3 | | |
| 51% – 75% | 3 | | |
| 76% – 100% | 8 | | |
| Total | 15 | | |

Source: Audit analysis of MHAHK records

2.18 As stipulated in MHAHK's Articles of Association, if a member of the Executive Committee, without leave of absence granted, was absent from the meetings on three consecutive occasions, the Committee may declare his office vacant, and he shall cease to be a member of the Committee. Audit analysis revealed that for the term years 2015-16 to 2020-21 (up to 30 June 2021), 4 (27%) out of the 15 members had been absent from meetings on three or more consecutive occasions (see Table 5). The number of consecutive absences at meetings ranged from 5 to 11 meetings. However, there was no documentation showing that leave of absence had been granted by the Executive Committee.

Table 5

**Members who had been absent from
the Executive Committee meetings on three or more consecutive occasions
(Term years 2015-16 to 2020-21 (up to 30 June 2021))**

| Member | Total no. of meetings during member's tenure (a) | No. of meetings attended (b) | Attendance rate (c) = (b) ÷ (a) × 100% | No. of consecutive absences at meetings (d) |
|---------------|---|---|---|--|
| A | 10 | 0 | 0% | 10 |
| B | 27 | 9 | 33% | 11 |
| C | 20 | 8 | 40% | 5 |
| D | 24 | 17 | 71% | 5 |

Source: Audit analysis of MHAHK records

Remarks: As at 30 June 2021, only Member B remained as an Executive Committee member and Member D became a co-opt member.

2.19 Upon enquiry, MHAHK in September 2021 informed Audit that:

- (a) members of the Executive Committee, including those who had been absent on consecutive occasions, served on a voluntary basis. Despite that many of them were doctors or university professors frequently having to work in the evenings, they had made tremendous efforts to attend the meetings held in the evenings. However, sometimes under extraordinary circumstances (e.g. sudden upcoming issues or urgent duties/matters), they were unable to attend on the scheduled meeting dates;
- (b) the members concerned had informed MHAHK of their absences before the meetings; and
- (c) the Chairman of the Executive Committee had also announced the reasons of members' absences during the meetings although these were not recorded in the minutes of meetings.

In Audit's view, MHAHK needs to properly record in the minutes of meetings the granting of leave of absence to members by the Executive Committee.

Room for improvement in managing potential conflicts of interest at meetings

2.20 According to EffO's Guide (see para. 2.2), conflicts of interest may arise when a committee member or an employee has the opportunity to influence the organisation's business or other decisions in ways that could lead to personal gain or advantage of any kind. The interests declared should be accurately recorded in the minutes of meetings. To enhance corporate governance and accountability, MHAHK has set out guidelines on declaration and disclosure of interests as follows:

- (a) for the Executive Committee, a two-tier reporting system has been adopted. Members elected to the Executive Committee are required to declare any pecuniary or other personal interests and disclose any conflicts of interest when they first join the Executive Committee and annually thereafter, as well as disclose any conflict of interest at meetings;
- (b) at a meeting in December 2020, the Executive Committee further endorsed that all elected members should make a written declaration, within one month after the annual general meeting every year, stating any pecuniary or other personal interests that may conflict with their duties as a member of the Executive Committee. Members shall also disclose any personal interests in any matter under consideration of the Executive Committee by giving a notice to the Chairman prior to the discussion of the matter; and
- (c) as regards members of panels, sub-committees and staff, a one-tier reporting system is adopted under which members shall disclose any personal interests in any matter under consideration or when performing duties (Note 14).

Note 14: *For example, members of the Personnel and Finance Sub-committee who are involved in the decision making of procurement matters and with potential conflicts of interest have to declare the interests to the Executive Committee for an immediate assessment as to whether the members are still suitable to carry out the related duties.*

2.21 Audit examined the Executive Committee's minutes of meetings since the term year 2015-16 and up to 30 June 2021 and noted that although financial matters were discussed at the meetings (e.g. tenders for procurement of assets) from time to time, no declaration of interests by members nor confirmations of having no interests requiring declaration were recorded in the minutes of meetings. In Audit's view, to further improve corporate governance, MHAHK may consider strengthening the management of declaration of interests at meetings by reminding members to make declarations, if any, particularly when the discussion items involve financial or personnel matters, and ensure that the interests declared or members' confirmations of having no interests requiring declaration are properly recorded in minutes of meetings.

2.22 Currently, the two-tier reporting system of declaration of interests is only applicable to the Executive Committee. Apart from the Executive Committee, panels and sub-committees may also involve decision making on financial or personnel matters. For example, the Administration Panel and the Personnel and Finance Sub-committee decide on procurement of assets and services. MHAHK needs to consider the merit of extending the two-tier reporting system to panels and sub-committees, in particular those involved in financial or personnel matters.

Room for improvement in reporting on implementation of strategic plans

2.23 Strategic planning helps an organisation achieve its goals and objectives. It lays out the practical steps to accomplish the organisation's vision and mission. To implement a strategic plan effectively, it is important to have a monitoring and tracking system, which monitors progress, compiles management information, and keeps the plan on course. In 2018, MHAHK tailored a 3-year strategic plan for the period 2018-19 to 2020-21 (the 2018-21 strategic plan). Strategic directions were set out and key action plans and deliverables were developed along the 3 missions: quality service, care for staff and public education. The strategic directions in the 2018-21 strategic plan are shown in Appendix H.

2.24 The Administration Panel was tasked to oversee the implementation of the strategic plan (see Appendix E). The 2018-21 strategic plan was tabled at the Panel's meeting in September 2018 and the Executive Committee's meeting in November 2018. It was agreed that MHAHK's management should make periodic progress reporting to the Administration Panel at every alternate meeting, with the

scope of the plan (i.e. different strategic directions) reported on a rotational basis. In addition, highlights of the progress would be reported at meetings of the Executive Committee.

2.25 Audit examined the meeting records of the Administration Panel and Executive Committee on the reporting by MHAHK's management on the implementation of the strategic plan and noted that:

- (a) the strategic plan was discussed at three meetings of the Panel and the requirement for periodic reporting at every alternate meeting was fulfilled (Note 15). However, highlights of the progress were reported only once (covering all 18 items under the 5 strategic directions) to the Executive Committee at a meeting in April 2020, i.e. about two years after the strategic plan had been implemented. The frequency and timeliness of reporting appeared to be inadequate; and
- (b) based on the progress reports submitted to the Administration Panel on the implementation of the strategic plan, out of the 18 items under the 5 strategic directions, only 5 (28%) items under 2 (40%) strategic directions were covered in the reports (see Appendix H). The coverage of the reporting appeared to be inadequate.

2.26 Upon enquiry, MHAHK in September 2021 informed Audit that:

- (a) despite efforts to hold meetings, due to social unrest and the COVID-19 epidemic, considering the safety of staff and members, the Administration Panel was unable to conduct regular meetings in 2019-20. Members of the Executive Committee verbally agreed at a meeting (i.e. not recorded in the minutes of meeting) that some progress could be reported at other meetings or by other forms of report, if appropriate; and

Note 15: *According to the minutes of meeting of the Administration Panel, progress of the 2018-21 strategic plan was reported at the meetings in April 2019 and September 2019. At the meeting in October 2020, the Panel requested MHAHK's management to prepare a new cycle of strategic plan upon the expiry of the 2018-21 strategic plan.*

- (b) progress of 12 of 13 items not covered in the progress reports submitted to the Administration Panel had been reported in service reports submitted to various sub-committees for discussion.

According to MHAHK, the progress of the 2018-21 strategic plan generally conformed to the timeframes set out. Upon the lapse of the 2018-21 strategic plan, management of MHAHK reviewed its strategies and tailored a new 5-year strategic plan for 2021-25, taking into account the rapidly changing environment that affected mental health services. In Audit's view, it is an opportune time for MHAHK to review and strengthen the progress reporting on implementation of strategic plans (e.g. formalising the practice of tasking relevant sub-committees to oversee the implementation of different items of strategic plans to ease the burden of the Administration Panel, and setting and adhering to a reporting cycle for different strategic directions).

Audit recommendations

2.27 **Audit has recommended that MHAHK should:**

- (a) **take measures to ensure that the quorum requirement of meetings of committees is always met;**
- (b) **properly record in the minutes of meetings the granting of leave of absence to members by the Executive Committee;**
- (c) **consider strengthening the management of declaration of interests at meetings, particularly when the discussion items involve financial or personnel matters, and ensure that the interests declared or members' confirmations of having no interests requiring declaration are properly recorded in minutes of meetings;**
- (d) **consider the merit of extending the two-tier reporting system of declaration of interests to panels and sub-committees; and**
- (e) **review and strengthen the progress reporting on implementation of strategic plans.**

Response from The Mental Health Association of Hong Kong

2.28 MHAHK agrees with the audit recommendations. The Chairman of the Executive Committee, MHAHK has said that MHAHK will:

- (a) take measures to ensure that the quorum requirement of meetings is always met;
- (b) record the granting of leave of absence to members in the minutes of meetings;
- (c) strengthen the management of declaration of interests and take records in the minutes of all meetings;
- (d) discuss and consider extending the two-tier reporting system of declaration of interests to panels and sub-committees on a need basis; and
- (e) formulate a mechanism for clear and timely reporting on the progress of the strategic plan.

Management of membership

Need to promote membership

2.29 According to the Articles of Association, membership of MHAHK is open to adult residents of Hong Kong or elsewhere who are in sympathy with the objects of MHAHK (e.g. to promote the advancement of mental health programme in Hong Kong). The number of members to be registered is unlimited. A candidate applying for membership has to be proposed and seconded in writing by two members of MHAHK, and admission shall be approved by the Executive Committee. MHAHK's members have the rights to attend annual general meetings and elect members to the Executive Committee. The quorum of the annual general meeting is 20 members (attending in person or being represented by proxy).

Corporate governance

2.30 As at 31 March 2021, MHAHK had 217 members, comprising 212 life members and 5 ordinary members. The membership fee for life members is \$2,000 (one-off), and that for ordinary members is \$300 per year. Table 6 analyses the number of MHAHK's members and attendance rates (including members attending in person or being represented by proxy) at the annual general meetings for the years 2016 to 2020.

Table 6

**Analysis of number of members and
attendance at annual general meetings
(2016 to 2020)**

| Year | No. of new members | Total no. of members | Attendance at annual general meeting |
|-------------|---------------------------|-----------------------------|---|
| 2016 | 10 | 211 | 27 (13%) |
| 2017 | 1 | 210 | 24 (11%) |
| 2018 | 3 | 212 | 26 (12%) |
| 2019 | 3 | 214 | 30 (14%) |
| 2020 | 4 | 217 | 20 (9%) (Note) |
| Total | 21 | | |

Source: Audit analysis of MHAHK records

Note: Amid the COVID-19 epidemic, the annual general meeting of December 2020 was conducted in a hybrid mode. Apart from attending in person or being represented by proxy, members could attend by viewing a live webcast. According to MHAHK, 7 members attended in person and 13 members attended via a video-conferencing software.

2.31 Audit noted that, for the period 2016 to 2020:

- (a) only 21 new members were recruited. The net increase in number of members was 6 (217 in 2020 minus 211 in 2016); and

- (b) the attendance rates at the annual general meetings were on the low side (ranging from 9% to 14%).

2.32 Audit noted MHAHK's measure taken in the 2020 annual general meeting to facilitate members' participation (i.e. providing an online option to attend the meeting). However, given that members' attendance at annual general meetings had been on the low side, MHAHK needs to formulate measures to further encourage and facilitate members in attending the annual general meetings.

2.33 A larger pool of members with diversity of experience and expertise would be conducive to the development of MHAHK. Audit noted that there was no information in the public domain (e.g. MHAHK's website) about means to apply for MHAHK's membership. Audit also noted that for sub-committees, the convenors could invite interested persons, be they MHAHK's members or not, to be members of the sub-committees (see para. 2.3(c)). The Executive Committee had requested the convenors to invite members of the sub-committees to become MHAHK's members, so as to recruit new blood and facilitate succession of MHAHK (e.g. to become members of the Executive Committee). As at 31 March 2021, 27 (32%) of 84 members of the sub-committees were not MHAHK's members, suggesting room for recruiting them to become members of MHAHK. Upon enquiry, MHAHK in September 2021 informed Audit that there was a mechanism to recruit new members, which included:

- (a) sending regular invitations for joining MHAHK as new members by the Chairman and the Honorary Secretary of the Executive Committee;
- (b) attaching membership application forms to the Hong Kong Journal of Mental Health (see para. 2.9(d));
- (c) inviting interested persons from universities and NGOs and psychiatrists to attend a public lecture before the annual general meeting to learn more about MHAHK with a view to recruiting them as members; and
- (d) distributing membership application forms to the guests in the annual general meetings.

In Audit's view, MHAHK needs to step up efforts in recruiting individuals who are in sympathy with the objects of MHAHK as its members, including sub-committee members.

Audit recommendations

2.34 **Audit has *recommended* that MHAHK should:**

- (a) **formulate measures to further encourage and facilitate members in attending the annual general meetings; and**
- (b) **step up efforts in recruiting individuals who are in sympathy with the objects of MHAHK as its members.**

Response from The Mental Health Association of Hong Kong

2.35 MHAHK agrees with the audit recommendations. The Chairman of the Executive Committee, MHAHK has said that MHAHK will:

- (a) discuss and explore the possibility of amending the Articles of Association so that members can attend annual general meetings by telecommunication; and
- (b) step up efforts as far as practicable in recruiting new members.

PART 3: DELIVERY OF MENTAL HEALTH SERVICES

3.1 This PART examines the delivery of mental health services by MHAHK, focusing on:

- (a) performance management and standard of services (paras. 3.2 to 3.18); and
- (b) use of innovation and technology to improve delivery of services (paras. 3.19 to 3.23).

Performance management and standard of services

Attainment of output and outcome standards

3.2 SWD is responsible for developing and co-ordinating welfare services in Hong Kong. It provides subventions to NGOs for the provision of welfare services to the public. The Director of Social Welfare is responsible for ensuring that the social welfare services delivered by NGOs are meeting the Government's policy objectives. To this end, for each of the subvented services provided by an NGO, an FSA is drawn up by SWD and accepted by the NGO (see para. 1.12). An FSA defines the welfare services to be provided by an ASU of the NGO, and stipulates the following:

- (a) ***Scope of the service.*** It includes the purposes, objectives and nature of the service, and target group of service users;
- (b) ***Essential Service Requirements (ESRs).*** They specify some basic features of the infrastructure for the service provision (e.g. staff qualifications and opening hours);
- (c) ***Service Quality Standards (SQSs).*** They define the level of quality which, in terms of management and service provision, ASUs are expected to attain (e.g. financial management). There are 16 SQSs, each of which is elaborated by a set of criteria and assessment indicators. They are generic descriptions of the basic requirements so as to enable the NGO to have appropriate methods in meeting the SQS requirements (see Appendix I);

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- (d) ***Output Standards (OSs)***. These are quantitative measures of the key activities related to the provision of a particular service (e.g. enrolment rate and number of activities organised); and
- (e) ***Outcome Standards (OCs)***. They measure the effectiveness of the service (e.g. percentage of service users indicating satisfaction).

An FSA also sets out the roles, expectations and responsibilities of SWD and the NGO. In particular, it stipulates the need to follow the advice and guidance laid down in LSG Manual (see para. 1.13).

3.3 MHAHK is required to conduct self-assessments on attainment of ESRs, SQSs, OSs and OCs, and report regularly to SWD by submitting the following reports (Note 16):

- (a) ***Quarterly statistical report***. The actual performance on OSs and OCs is reported quarterly in a prescribed format;
- (b) ***Half-yearly report***. Variances against the agreed levels of OSs and OCs for the half-year period ending 30 September each year are reported in a standard format. Follow-up actions are formulated with a view to meeting the OSs and OCs at the end of the financial year, which normally runs from April of a year to March next year; and
- (c) ***Annual self-assessment report***. Overall compliance with ESRs and SQSs and achievement on OSs and OCs (including any areas for improvement for attaining the performance standards) are reported annually. If an ASU is assessed to be non-conforming with the required performance standards, it has to work out an action plan to improve its services within an agreed time frame (Note 17).

Note 16: *Apart from the submission requirements on service performance, MHAHK also needs to fulfil reporting requirements relating to financial reporting and internal controls (e.g. submitting to SWD an Annual Financial Report) (see Note 27 to para. 4.4(a)(ii)).*

Note 17: *If an ASU fails to improve after repeated efforts, the ultimate sanction will be for SWD to withdraw the LSG and other welfare subventions for the ASU in question.*

3.4 An NGO's attainment of the service requirements and service standards stipulated in FSAs serves as a performance measurement of the NGO's service delivery. Audit has examined MHAHK's performance management and standard of services against this performance measurement framework and noted areas for improvement.

3.5 According to MHAHK's self-assessments for the period 2016-17 to 2020-21, it had fulfilled most of the ESRs (Note 18) and all SQSs. MHAHK's attainment of OSs and OCs for the same period is shown in Table 7.

Table 7

**MHAHK's attainment of OSs and OCs
(2016-17 to 2020-21)**

| Year | No. of ASUs | No. of ASUs with OSs/OCs not attained | No. of OSs/OCs | No. of OSs/OCs not attained |
|-------------|--------------------|--|-----------------------|------------------------------------|
| 2016-17 | 47 | 3 (6%) | 158 | 3 (2%) |
| 2017-18 | 47 | 3 (6%) | 164 | 3 (2%) |
| 2018-19 | 51 | 7 (14%) | 244 | 7 (3%) |
| 2019-20 | 52 | 16 (31%) | 258 | 37 (14%) |
| 2020-21 | 53 | 16 (30%) | 274 | 42 (15%) |

Source: Audit analysis of MHAHK records

Note 18: *In 2019-20 and 2020-21, one ASU was unable to meet an area in ESR due to recruitment difficulties (see para. 4.18(a)).*

3.6 *Need to closely monitor the impact of COVID-19 epidemic on subvented services.* As shown in Table 7, for each of the years in 2016-17 to 2018-19, there were only 3 to 7 OSs/OCs (i.e. 2% to 3% of the OSs/OCs) not achieved. For 2019-20 and 2020-21, some of the services were suspended or provided on a limited scale due to the COVID-19 epidemic, resulting in more OSs/OCs not achieved (Note 19). In Audit's view, while noting that the impact brought about by the COVID-19 epidemic is inevitable, with gradual resumption of normal operation of subsidised welfare services (see Note 19), MHAHK should closely monitor the impact of the COVID-19 epidemic on its subvented services and, in consultation with SWD, strive to attain all OSs/OCs as far as practicable.

3.7 *Need to improve the utilisation of a subvented service.* Audit noted that an ASU had failed to achieve an OS persistently from 2016-17 to 2020-21. Day care service for persons with severe disabilities (day care service) is attached to C&A/SD to achieve synergy effect of service and to fully utilise the available resources. It provides nursing, rehabilitation, social and personal care services to users, and aims to promote care in the community by strengthening the caring capabilities of their family members/carers. Audit noted that MHAHK had not achieved an OS on the occupancy rate since 2016-17 (see Table 8).

Note 19: *To prevent and control the spread of the COVID-19, SWD announced the special arrangements for welfare services subsidised (through press releases during the period January 2020 to February 2021). Most subvented service units, apart from residential service units and hotline services, should suspend the non-core services or have only provided services on a limited scale in 2019-20 and 2020-21. In the press release of 16 February 2021, SWD announced that subsidised welfare services operated by NGOs would resume normal operation in a gradual manner. SWD would adopt a flexible approach when assessing the performance of subvented service units against the OSs/OCs and other service requirements as laid down in the FSAs.*

Table 8

**Occupancy rate for day care service attached to C&A/SD
(2016-17 to 2020-21)**

| Year | OS | Available service places (a) | Service places occupied (b) | Occupancy rate (c) = (b) ÷ (a) × 100% |
|---------|-----|---------------------------------|--------------------------------|--|
| 2016-17 | 90% | 1,210 | 1,053 | 87% |
| 2017-18 | | 1,220 | 1,061 | 87% |
| 2018-19 | | 1,195 | 1,015 | 85% |
| 2019-20 | | 1,210 | 840 | 69% |
| 2020-21 | | 1,240 | 274 | 22% |

Source: Audit analysis of MHAHK records

Remarks: Service places are calculated on a daily basis. To illustrate, the ASU in question has a capacity of 5 places of day care service. In 2020-21, the ASU opened on 248 days. Hence, the number of available service places was 1,240 (i.e. 248 days × 5 places).

3.8 In June and July 2021, Audit visited 6 service centres of MHAHK (Note 20), including a C&A/SD with day care service, to examine the provision of services with a view to identifying room for improvement. Audit examined MHAHK's annual self-assessment reports submitted to SWD (see para. 3.3(c)) on the day care service and noted the following:

- (a) MHAHK explained that the actual occupancy rate in 2018-19 was lower than the OS set because some service users took leave, which was uncontrollable. MHAHK formulated and implemented an improvement

Note 20: The service centres selected were under the three core service categories with LSG subvention, i.e. an ICCMW and a Halfway House (rehabilitation services for persons in mental recovery), a C&A/SD and a Day Activity Centre (rehabilitation services for persons with intellectual disabilities), a Sheltered Workshop and a Training and Employment Service Centre (vocational rehabilitation services for PWDs). The 6 service centres covered 19 ASUs.

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measure that, with effect from 1 October 2018, service users should not take leave for more than 30 days in any 6-month period (Note 21);

- (b) with a view to boosting utilisation of the service, MHAHK adopted an over-enrolment practice (i.e. to allow enrolment of 6 users against a capacity of 5 users); and
- (c) in 2020-21, due to the COVID-19 epidemic, some service users preferred to stay at home to reduce the chance of being infected, resulting in a low occupancy rate at 22%.

3.9 In Audit's view, apart from continuing to implement the improvement measure to deal with service users taking long leave (see para. 3.8(a)), MHAHK needs to, in consultation with SWD, consider further measures to improve the utilisation of day care service attached to C&A/SD, such as enlarging the number of eligible service users and stepping up promotion of the service.

Need to review the OS of a vocational rehabilitation service

3.10 Supported Employment is one of the vocational rehabilitation services provided by MHAHK. According to the FSA, the target users for Supported Employment are people with moderate disablement (e.g. people with moderate grade intellectual disabilities and those with mild grade intellectual disabilities coupled with other disabilities). Vocational rehabilitation support (e.g. job-related training and counselling, job attachment, job trial and post-placement services) is provided to enhance the employment of the service users through proactive training. Audit analysed the user turnover of Support Employment provided by MHAHK and found that the user turnover rate had been on a decreasing trend from 2016-17 to 2020-21 (see Table 9).

Note 21: *For example, in 2018-19, a service user took leave and left Hong Kong for 5 months to visit her grandmother. Despite the implementation of the new measure (i.e. users should not take leave for more than 30 days in any 6-month period), in 2019-20, another user took a 3-month leave.*

Table 9

**User turnover of Supported Employment
(2016-17 to 2020-21)**

| Year | Capacity (a) | No. of admissions (b) | User turnover rate (i.e. ratio of no. of admissions to capacity) (c) = (b) ÷ (a) × 100% |
|-------------|-------------------------|----------------------------------|--|
| 2016-17 | 90 | 92 | 102 % |
| 2017-18 | 90 | 88 | 98 % |
| 2018-19 | 90 | 69 | 77 % |
| 2019-20 | 90 | 46 | 51 % |
| 2020-21 | 90 | 41 | 46 % |

Source: Audit analysis of MHAHK records

3.11 As shown in Table 9, for the period 2016-17 to 2020-21, the user turnover rate dropped from 102% to 46%, indicating that users of Supported Employment generally took a longer time to be discharged. As a result, fewer service places could be released to those on the waiting list. During the same period, the average number of applicants on the waiting list for the service decreased from 31 in 2016-17 to 17 in 2018-19, but then gradually increased to 40 in 2020-21. Upon enquiry, MHAHK in September 2021 informed Audit that:

- (a) the drop in the user turnover rate since 2019-20 was attributable to the extension of post-placement services from 6 to 12 months with additional resources provided by SWD to enhance the service;
- (b) the enhancement could help service users have a better adjustment in the job market; and
- (c) after the enhancement of the service, MHAHK was required to achieve an OS on the percentage of participants having received no less than 12 months of post-placement services in a year (the agreed level was 80%).

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3.12 With regard to the drop in user turnover rate and the increase in the number of applicants on the waiting list, SWD in September 2021 informed Audit that:

- (a) the extension of post-placement services from 6 to 12 months could sustain the work motivation and incentives of PWDs in their employment; and
- (b) given the impact of social unrest and the COVID-19 epidemic which occurred after the extension and the relatively short duration of statistics available, there would be insufficient empirical data for assessing the NGOs' performance in respect of the post-placement services.

While noting the explanations provided by MHAHK and SWD, Audit considers that SWD needs to review the OS on post-placement services of Supported Employment by examining its impact on user turnover at an opportune time, so as to better address the demand for the service.

Need to flexibly deploy the manpower between two ICCMWs

3.13 ICCMWs offer one-stop and district-based community support services (including casework counselling, outreaching visits, therapeutic and supportive groups, day training, occupational therapy training and public education programmes) to persons in mental recovery, persons with mental health needs, their family members/carers and residents living in the serving districts concerned. Persons in need of the services can make self-applications to ICCMWs, or through referrals by doctors, social workers, allied health professionals or government departments. In October 2019, the coverage of ICCMWs was expanded to cover secondary school students with mental health needs. As at 31 March 2021, MHAHK operated two ICCMWs, one in Kwun Tong and the other in Tai Po.

3.14 Audit conducted an analysis of the workload of ICCMW staff in terms of the number of members (i.e. service users) served per ICCMW staff for the period 2016-17 to 2020-21, and found that the workload of Kwun Tong ICCMW had been persistently higher than that of Tai Po ICCMW (see Table 10). In Audit's view, MHAHK needs to consider flexibly deploying the manpower resources between the two ICCMWs with a view to balancing their workload.

Table 10

**Analysis of workload of ICCMW staff
(2016-17 to 2020-21)**

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|---------|---------|---------|---------|---------|
| Kwun Tong ICCMW | | | | | |
| No. of members served (a) | 2,614 | 2,725 | 2,769 | 2,738 | 3,001 |
| No. of ICCMW staff (b) | 46.75 | 46.75 | 52.5 | 54.0 | 52.0 |
| No. of members served per staff (c)=(a)÷(b) | 56 | 58 | 53 | 51 | 58 |
| Tai Po ICCMW | | | | | |
| No. of members served (d) | 1,005 | 1,088 | 1,081 | 1,033 | 1,134 |
| No. of ICCMW staff (e) | 23.5 | 22.5 | 25.5 | 26.5 | 27.5 |
| No. of members served per staff (f)=(d)÷(e) | 43 | 48 | 42 | 39 | 41 |

Source: Audit analysis of MHAHK records

Remarks: In calculating the workload of ICCMW staff, administrative staff (e.g. executive officers and clerks) were excluded as they were usually not involved in serving members.

Audit recommendations

3.15 Audit has recommended that MHAHK should:

- (a) closely monitor the impact of the COVID-19 epidemic on its subvented services and, in consultation with SWD, strive to attain all OSs/OCs as far as practicable;
- (b) in consultation with SWD, consider further measures to improve the utilisation of day care service attached to C&A/SD; and
- (c) consider flexibly deploying the manpower resources between the two ICCMWs with a view to balancing their workload.

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3.16 Audit has *recommended* that the Director of Social Welfare should review the OS on post-placement services of Supported Employment by examining its impact on user turnover at an opportune time.

Response from The Mental Health Association of Hong Kong

3.17 MHAHK agrees with the audit recommendations in paragraph 3.15. The Chairman of the Executive Committee, MHAHK has said that MHAHK will:

- (a) in consultation with SWD, strive to attain all OSs/OCs as far as practicable;
- (b) keep in view the utilisation of day care service attached to C&A/SD and consider measures to improve the utilisation; and
- (c) continue its existing practice to deploy staff flexibly and to balance their workload.

Response from the Government

3.18 The Director of Social Welfare agrees with the audit recommendation in paragraph 3.16.

Use of innovation and technology to improve delivery of services

3.19 According to a survey of 130 countries by the World Health Organization (Note 22) from June to August 2020 to evaluate how the provision of mental health services had changed due to the COVID-19 epidemic, many countries (70%) have adopted tele-medicine or tele-therapy to overcome disruptions to in-person services. In Hong Kong:

Note 22: *The World Health Organization is an agency of the United Nations that promotes health around the world.*

- (a) the Government launched the \$1 billion Innovation and Technology Fund for Application in Elderly and Rehabilitation Care (I&T Fund) in December 2018 to subsidise eligible service units to try out and procure or rent technology products, so as to improve the quality of life of service users and reduce the burden and stress on care staff and family members/carers. The Fund is administered by SWD; and
- (b) the Rehabilitation Advisory Committee in June 2020 recommended in the Persons with Disabilities and Rehabilitation Programme Plan (Note 23) that the Government should encourage service units to increase the use of technology products (e.g. make use of the I&T Fund) in residential care homes and the community for enhancing the quality of care.

Need to continue efforts in using innovation and technology in delivery of services

3.20 Audit noted that MHAHK took a number of initiatives in adopting innovation and technology for improving the delivery of services, including:

- (a) ***Use of technology products under I&T Fund.*** MHAHK had applied for the I&T Fund (see para. 3.19(b)) to procure technology products (e.g. virtual reality-based rehabilitation system and multi-sensory therapy system). Up to November 2020, grants had been approved for a total of 62 items for MHAHK's service centres (e.g. C&A/SD and HMMH);
- (b) ***Use of information technology to render services amid COVID-19 epidemic.*** During the COVID-19 epidemic, some MHAHK's services were suspended or partially suspended (see Note 19 to para. 3.6). According to MHAHK, it had responded by using various information technology means to render core services, and maintain contacts and support to service users and their family members/carers. For example:

Note 23: *The Rehabilitation Advisory Committee is the principal advisory body to the Government on the development and implementation of rehabilitation services and matters pertaining to the well-being of PWDs in Hong Kong. In 2017, to keep rehabilitation services abreast of the times, the Government tasked the Committee to formulate a new Persons with Disabilities and Rehabilitation Programme Plan (previously updated in 2007). The new plan was formally submitted to the Government in June 2020.*

Delivery of mental health services

- (i) as most of the day service users could not attend training at the service units and that a lack of activity might lead to functional deterioration and weakened immunity, physiotherapists encouraged users to exercise at home by producing exercise videos for sharing with users and giving guidance through video and telephone calls. MHAHK staff also made follow-up calls to users after tele-consultation in order to check if users encountered difficulties or problems;
 - (ii) during the time when visits were not allowed, telephone and video calls had substituted physical visits which enhanced family connectivity and support to users in residential settings. Emotional support was provided to relieve their tension and anxiety caused by the epidemic; and
 - (iii) service units also offered online support to family members/carers for self-study and training at home in order to assist them to take care of users during the suspension of day service;
- (c) ***Use of mobile applications.*** MHAHK launched a few mobile applications to provide mental health services. For example, a mobile application, namely “Counseline”, was launched in March 2017 to provide online counselling services among other functions (Note 24); and
- (d) ***Use of social media.*** Apart from mobile applications, MHAHK also made use of different social media platforms for disseminating mental health related information and for promoting activities of different service units.

3.21 Audit well noted MHAHK’s efforts in making use of innovation and technology in enhancing its services, including making changes swiftly by switching to online modes of service in response to the service suspension amid the COVID-19 epidemic. Regarding the use of mobile applications and social media, Audit noted that there could be room for further promoting their usage. For instance, Audit noted that the counselling services of the mobile application “Counseline” decreased by

Note 24: *The functions of “Counseline” include online counselling services, a mini game, a self-test for evaluating degree of depression and stress with simple self-test questions, representational information of MHAHK, and useful mental health community resources and hotlines.*

40% from 2,103 sessions in 2017-18 to 1,253 sessions in 2020-21. For the social media accounts of MHAHK, Audit noted that the number of engaged users (i.e. those who reacted to posts, shared the posts, commented or clicked on the posts) was usually on the low side (e.g. only a few users shared and commented on the posts). In Audit's view, MHAHK needs to continue its efforts to make wider use of innovation and technology to enhance its services, including stepping up promotion of its mobile applications and making better use of the social media platforms for publicity and education.

Audit recommendation

3.22 Audit has *recommended* that MHAHK should continue its efforts to make wider use of innovation and technology to enhance its services, including stepping up promotion of its mobile applications and making better use of the social media platforms for publicity and education.

Response from The Mental Health Association of Hong Kong

3.23 MHAHK agrees with the audit recommendation. The Chairman of the Executive Committee, MHAHK has said that MHAHK will step up promotion and continue efforts in the use of innovation and technology.

PART 4: ADMINISTRATIVE MATTERS

4.1 This PART examines administrative matters of MHAHK, focusing on:

- (a) financial management (paras. 4.2 to 4.15);
- (b) human resources management (paras. 4.16 to 4.26); and
- (c) other administrative matters (paras. 4.27 to 4.39).

Financial management

Room for improvement in management of reserves

4.2 Under the LSG subvention system, an NGO can retain unspent LSG subvention in a reserve, known as LSG Reserve, to meet future spending (Note 25). LSG Reserve can be used at the discretion of the NGO on FSA activities and related support services. In addition to LSG Reserve, NGOs can also retain a Provident Fund (PF) Reserve, which can only be used for provident fund commitment.

4.3 As at 31 March 2021, the balance of MHAHK's LSG Reserve and PF Reserve amounted to \$92.5 million and \$15.9 million respectively. Table 11 shows MHAHK's balances of the reserves for the period 2016-17 to 2020-21.

Note 25: *The cumulative LSG Reserve (excluding the Provident Fund Reserve and LSG Reserve kept in the Holding Account — see Note 26 to para. 4.4(a)) is capped at 25% of the NGO's annual operating expenditure (excluding provident fund expenditure) of the subvented activities for that year. Any amount above the 25% cap needs to be refunded to the Government in the following financial year.*

Table 11

**Balances of LSG Reserve and PF Reserve
(2016-17 to 2020-21)**

| Year | LSG Reserve (\$ million) | PF Reserve (\$ million) | Total (\$ million) |
|---------|-----------------------------|----------------------------|-----------------------|
| 2016-17 | 73.0 | 16.2 | 89.2 |
| 2017-18 | 69.2 | 14.2 | 83.4 |
| 2018-19 | 70.4 | 15.6 | 86.0 |
| 2019-20 | 83.3 | 18.6 | 101.9 |
| 2020-21 | 92.5 | 15.9 | 108.4 |

Source: MHAHK records

4.4 LSG Manual (see para. 1.13) stipulates that NGOs should put in place a proper mechanism for deployment of the reserves. In the LSG Enhancement Review Report (see para. 1.13), the Task Force also agreed to the principles of maximising and optimising the use of reserves, and made the following recommendations on management of reserves by NGOs:

- (a) **LSG Reserve and Holding Account (Note 26).** NGOs should:
 - (i) make better use of LSG Reserve and the accumulated balance of the Holding Account to develop effective and long-term financial plans and arrangement; and

Note 26: *SWD withheld the claw-back of LSG Reserve above the 25% cap from 2004-05 to 2006-07, and allowed NGOs to keep the cumulative LSG Reserve as at 31 March 2007 in a “Holding Account”. This was one of the facilitating measures to cover the expenditure of honouring the contractual commitments to Snapshot staff (i.e. staff members who were on the recognised establishment of NGOs’ subvented service units as at 1 April 2000). The balance of the “Holding Account” formed part of the LSG Reserve. The use of the “Holding Account” should be in line with the requirements as stipulated in LSG Manual and/or prevailing policies. For MHAHK, the balance of the “Holding Account” remained at \$48.2 million as at 31 March 2021.*

- (ii) improve the management of the Holding Account and formulate utilisation plans and financial projections in order to optimise the use of the reserves, including disclosing the utilisation situation and plans of the Holding Account in the Annual Financial Report (AFR — Note 27);
- (b) **PF Reserve.** NGOs should optimise the use of PF Reserve to enhance staff morale and their sense of belonging according to the guidelines in BPM; and
- (c) **Overall management of LSG and PF Reserves.** NGOs should conduct annual financial projection to ensure financial stability, including examination of the accuracy and limitations of the projection for the last financial year, with the details reported to the governing boards. NGOs should also disseminate information about the use of the reserves to the public to enhance transparency.

4.5 **Better alignment with BPM.** In BPM (see para. 1.13), there are three items that relate to the management of LSG Reserve (see Appendix D). MHAHK, in its Annual Reports, stated that it had fulfilled all items in BPM in 2018-19 and 2019-20 (Note 28). However, Audit examination found scope for better alignment with BPM on the criteria and procedures relating to the item on status of reserve (see item 3 in Appendix D). According to BPM, NGOs are required to disseminate information about the LSG Reserve. Such information should include briefly a plan on how the reserve will be used in the future. MHAHK reported in the self-assessment report for 2019-20 submitted to SWD that the item had been complied with as the information about the LSG Reserve had been disseminated through the Chairman's Report of the 2018-19 Annual Report. However, Audit examined the relevant Chairman's Report and found that it did not include the brief plan on how the LSG Reserve would be used in the future.

Note 27: *An AFR is a financial report prepared by an NGO for submission to SWD annually in respect of all FSA activities, FSA-related activities and related support services funded by LSG, other social welfare subventions and other income.*

Note 28: *When the BPM first became effective in July 2014, it contained 14 items (7 Level One and 7 Level Two items). It was revised in October 2018 by adding 2 Level One and 1 Level Two items, making up a total of 17 items (9 Level One and 8 Level Two items).*

4.6 ***Scope for better utilisation and disclosure of Holding Account.*** According to the LSG Enhancement Review Report, it was not uncommon for NGOs to record a substantial reduction in the number of Snapshot staff with no corresponding decrease in the accumulated balance of the Holding Account which was for honouring contractual commitments to Snapshot staff (see Note 26 to para. 4.4(a)). Audit noted that the number of MHAHK's Snapshot staff decreased from 265 as at 1 September 2006 to 93 as at 1 September 2020, while the balance of the Holding Account remained at \$48.2 million. The amount formed part of the LSG Reserve and was not separately disclosed in MHAHK's AFR.

4.7 Audit considers that MHAHK should take into account the recommendations in the LSG Enhancement Review Report and Audit's comments in improving the management of reserves, including better alignment with BPM and better utilisation and disclosure of the Holding Account.

Need to improve internal controls in accounting and financial procedures

4.8 According to LSG Manual, internal controls are fundamental to sound and prudent financial management. NGOs should always ensure that adequate internal controls are in place having regard to the nature and sizes of their organisations and the services provided. LSG Manual sets out advice on internal control procedures in respect of nine categories of important financial activities (e.g. revenue collection and receipt and payment).

4.9 ***Irregularities found in SWD inspections.*** SWD conducts accounting inspections in respect of NGOs' compliance with accounting and financial reporting requirements as laid down in LSG Manual, and reviews and advises on internal control procedures. Audit examined the records of the most recent three SWD accounting inspections on MHAHK (for years 2013-14, 2015-16 and 2018-19) (Note 29) and found that some internal control weaknesses had been identified in more than one SWD inspection (see Appendix J).

Note 29: *According to SWD, NGOs are selected for accounting inspections based on a risk-based plan. On average, over 50 inspections are conducted per year and the inspection frequencies of individual NGOs would depend on their assessed risk level (e.g. amount of subvention, record of compliance with reference to findings in previous inspections, etc.).*

4.10 ***Irregularities found in Audit inspections.*** Audit visited 6 service centres (see para. 3.8) in June and July 2021 and examined MHAHK's accounting and financial records for evaluating its compliance with the controls set out in LSG Manual. Audit identified a number of irregularities on the internal control procedures. For instance, a common irregularity found in SWD accounting inspections (i.e. lack of proper authorisation over petty cash payments) was found in 2 of the 6 service centres (see Appendix K for more details). Audit also noted that, for most of the irregularities identified in the Audit inspections, the relevant internal control advice in LSG Manual had not been incorporated in MHAHK's guidelines on accounting and financial procedures. Upon enquiry, MHAHK in September 2021 informed Audit that:

- (a) MHAHK had informed SWD about their follow-up actions after each inspection;
- (b) although some of the revised financial procedures had not been added to the guidelines, they had been reported and discussed in unit heads meetings; and
- (c) the finance manager would then inform service managers the revised accounting procedures and related forms by memorandums.

In Audit's view, with a view to avoiding the recurrence of irregularities found in previous accounting inspections, MHAHK needs to take measures to enhance controls on accounting and financial management, making reference to the related advice stipulated in LSG Manual. These may include incorporating appropriate recommended controls in its guidelines, and taking timely follow-up actions on SWD's recommendations in the accounting inspections.

Need to ensure no cross-subsidisation between FSA and non-FSA activities

4.11 Under the LSG subvention system, MHAHK receives a lump sum amount of grant for all its ASUs, and may redeploy resources across its ASUs as long as they are within those governed by FSAs. In accordance with the principles of the LSG subvention system, it is important to ensure that the subvention is spent for the

intended purposes within the scope of FSAs, and to ensure no cross-subsidisation between FSA and non-FSA activities in money or in kind (Note 30).

4.12 Apart from FSA activities, MHAHK also conducted non-FSA activities (i.e. programmes on a self-financing basis or funded by other grants). Audit noted that some expenses had not been apportioned between FSA and non-FSA activities. For example, as shown in MHAHK's organisation chart at Appendix B, the senior management team (i.e. Director, Assistant Directors and Chief Officers) oversees both FSA activities (e.g. ICCMWs and Halfway Houses) and non-FSA activities (e.g. a self-financing Supported Apartment and service projects and programmes). Similarly, some other staff were also engaged to perform routine duties for both FSA and non-FSA activities. Audit examined the payroll records for the period 2016-17 to 2020-21 and noted that for staff engaged in both FSA and non-FSA activities, there was no apportionment of their remuneration between the two types of activities.

4.13 To adhere to the principles of the LSG subvention system (see para. 4.11), MHAHK needs to take measures to ensure that there is no cross-subsidisation between FSA and non-FSA activities, including devising a mechanism to apportion expenditure between the two types of activities. In this connection, the Task Force had in the LSG Enhancement Review Report recommended SWD to formulate guidelines to set out the cost apportionment arrangements, benchmarks and examples for the use of LSG subvention. MHAHK should keep in view SWD's guidelines and consult SWD if needed in devising the apportionment mechanism.

Audit recommendations

4.14 **Audit has *recommended* that MHAHK should:**

- (a) **take into account the recommendations in the LSG Enhancement Review Report and Audit's comments in improving the management of reserves, including better alignment with BPM and better utilisation and disclosure of the Holding Account;**

Note 30: *The same principle is also stated in Financial Circular No. 9/2004 "Guidelines on the Management and Control of Government Funding for Subvented Organisations" issued by the Secretary for Financial Services and the Treasury (updated on 29 January 2021).*

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- (b) **take measures to enhance controls on accounting and financial management, making reference to the related advice stipulated in LSG Manual; and**
- (c) **take measures to ensure that there is no cross-subsidisation between FSA and non-FSA activities, including devising a mechanism to apportion expenditure between the two types of activities, and keep in view SWD's guidelines and consult SWD if needed in devising the apportionment mechanism.**

Response from The Mental Health Association of Hong Kong

4.15 MHAHK agrees with the audit recommendations. The Chairman of the Executive Committee, MHAHK has said that MHAHK will:

- (a) outline the process in the management of reserves;
- (b) include reserve planning and management as a standing agenda item to be discussed at the meeting of the Personnel and Finance Sub-committee once a year; and
- (c) keep in view SWD's guidelines on cross-subsidisation between FSA and non-FSA activities and the apportionment mechanism, and devise internal guidelines on apportioning expenditure of non-FSA activities accordingly.

Human resources management

Need to tackle challenges of staff shortage and review succession plan

4.16 According to LSG Manual, human resources are the greatest assets for an NGO providing welfare services. Manpower planning is essential to ensure that the NGO will have the appropriate staff in place to provide efficient services, in both the short and long terms. On the basis of its plans, it can project its manpower and resource requirements to meet changing priorities.

4.17 **Staff shortage.** Audit analysed MHAHK's establishment and strength of staff for the period 2016-17 to 2020-21 and noted that:

- (a) the overall staff vacancy rate (Note 31) increased from 2% in 2016-17 to 7% in 2020-21;
- (b) based on an analysis of the staff vacancy rate by job categories, some categories were experiencing staff shortages, for example:
 - (i) vacancy rate for social workers increased from 8% in 2016-17 to 14% in 2020-21; and
 - (ii) vacancy rate for specialised health and care professional and nursing staff increased from 7% in 2016-17 to 15% in 2020-21; and
- (c) based on an analysis of the staff vacancy rate by service units, some units were experiencing staff shortages, for example:
 - (i) vacancy rate for the head office and management office increased from 4% in 2016-17 to 21% in 2020-21;
 - (ii) vacancy rate for ICCMWs increased from -4% (i.e. the staff strength was in excess of the establishment by 4%) in 2016-17 to 10% in 2020-21; and
 - (iii) vacancy rate for the Pilot Scheme on Professional Outreaching Team for Private Residential Care Homes for Persons with Disabilities remained high at 39% in 2019-20 and 27% in 2020-21.

4.18 Audit noted that staff vacancies and/or recruitment difficulties had affected service provision, as illustrated by the following examples:

Note 31: *The vacancy rate is calculated as follows:*

$$[1 - (\text{No. of staff strength} \div \text{No. of staff establishment})] \times 100\%.$$

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- (a) **An ESR not met.** For the Pilot Scheme on Professional Outreaching Team for Private Residential Care Homes for Persons with Disabilities, one of the ESRs was to engage professionals such as clinical psychologists in service delivery. In 2019-20 and 2020-21, the ESR was not met due to difficulties in recruiting speech/occupational therapists and clinical psychologists. As a result, some outreaching rehabilitation services could not be provided. For example, against the OS set at 349 clinical sessions on average per month in a year, only 236 sessions (68%) were provided per month in 2019-20; and
 - (b) **Service targets not met.** For the Agency-based Clinical Psychological Service for ICCMW, in 2020-21, the actual numbers of individual clinical sessions and group clinical sessions provided to service users in ICCMWs fell short of the respective targets by 18% and 64%. According to the self-assessment report submitted by MHAHK to SWD, apart from the impact caused by the COVID-19 epidemic, the unmet targets were also due to the difficulty in filling the vacancy of a clinical psychologist since November 2020.
- 4.19 Upon enquiry, MHAHK in September 2021 informed Audit that:
- (a) regarding paragraph 4.17, the increase in vacancy rates of different service units was due to specific reasons, as follows:
 - (i) **Head office and management office.** With additional resources provided by SWD, 22 time-limited posts of Information Technology Assistant were created in 2020-21 to facilitate the use of information technology to enhance service delivery;
 - (ii) **ICCMWs.** Additional manpower provision was added to meet the increasing service demand of ICCMWs and it took some time to fill the posts; and

(iii) ***The Pilot Scheme on Professional Outreaching Team for Private Residential Care Homes for Persons with Disabilities.*** The service was a new project and the subvention was granted by phase. Hence, the filling of vacant posts was completed by phase and it took some time to fill them. In addition, most of the vacant posts were professional staff with a serious shortage of supply such as occupational therapists, physiotherapists and clinical psychologists; and

(b) regarding paragraph 4.18, MHAHK had been making efforts to recruit the required professional staff by different means. However, there was a serious shortage of supply of professional staff in the NGO sector and the situation in rehabilitation services was even worse. Moreover, the vacancies in both cases were fractional posts, i.e. the service required of a clinical psychologist is about 1 day per week for the Pilot Scheme on Professional Outreaching Team for Private Residential Care Homes for Persons with Disabilities (see para. 4.18(a)) and about 2.5 days per week for each ICCMW (see para. 4.18(b)), which were not attractive in the job market.

4.20 ***Succession planning.*** According to LSG Manual, NGOs are advised to formulate and review regularly a succession plan, which should identify the key posts and possible successors, causes of turnover, competencies of successors and the training required for them, and posts for which no apparent successor exists and the remedial action planned, such as direct recruitment of outsiders. According to MHAHK, its efforts on succession planning included the following:

- (a) ***10-year projection.*** In March 2018, MHAHK performed a 10-year projection on number of staff, taking into account the number and posts of retiring staff;
- (b) ***Talent Development Programme.*** In September 2019, MHAHK launched an 18-month Talent Development Programme (including courses on financial management and human resources management). A total of 22 staff joined the programme; and

- (c) ***Training sponsorship.*** MHAHK has launched a staff training sponsorship scheme (i.e. to encourage staff to take continuous studies and retain staff with potential for professional development) since 2015-16. A total of 6 staff joined the scheme.

Audit noted that the succession plan (i.e. the 10-year projection in (a)) had not been reviewed since 2018.

4.21 In the LSG Enhancement Review Report, the Task Force acknowledged that staff wastage, vacancies and turnover were great challenges faced by NGOs. Vacancies and turnover rates of some grades, including paramedical personnel (e.g. occupational therapists) and general grade staff, were generally higher, and might have a negative impact on service quality. It recommended that NGOs should improve human resources management continuously, including optimising the use of Holding Account and/or PF Reserve (see para. 4.4), and formulating appropriate staff-friendly and staff wastage reduction initiatives. In Audit's view, MHAHK needs to take measures to enhance human resources management to tackle the challenge of staff shortage, taking into account the recommendations in the LSG Enhancement Review Report. With regard to succession planning, MHAHK needs to regularly review the succession plan in accordance with LSG Manual.

Scope for improvement in staff training

4.22 According to LSG Manual, to equip organisations to meet future challenges, NGOs are advised to work out their staff training and development plans. Such plans aim to enable staff to acquire the knowledge, skills, abilities and attitudes necessary to improve their performance and increase their effectiveness. Existing managerial staff or staff with potential to take up managerial positions should be identified and given the proper training, so that they would be knowledgeable and competent in the areas of financial management and human resources management.

4.23 Audit examined MHAHK's training and development activities provided to staff for the period 2016-17 to 2020-21 (see Table 12) and found that:

Table 12

**Staff training activities
(2016-17 to 2020-21)**

| Year | No. of training activities | Attendance |
|-------------|-----------------------------------|-------------------|
| 2016-17 | 33 | 1,078 |
| 2017-18 | 57 | 2,440 |
| 2018-19 | 34 | 1,018 |
| 2019-20 | 20 | 622 |
| 2020-21 | 22 | 866 |

Source: MHAHK records

- (a) according to MHAHK, fewer staff training courses were conducted during the COVID-19 epidemic in 2019-20 and 2020-21; and
- (b) according to ICAC's Best Practice Checklist (see para. 2.2), NGOs should organise capacity building sessions for staff to raise their corruption prevention awareness, with ICAC's assistance if necessary. For the period 2016-17 to 2020-21, no such session was organised.

4.24 According to MHAHK, online platform for staff training has become a more common practice since mid-2020 and two webinars were organised involving overseas speakers in 2021. In Audit's view, MHAHK needs to make wider use of online platforms in providing staff training, such as holding webinars and uploading video clips of seminars, so that staff can flexibly attend the courses according to their availability. As regards the nature of training activities, MHAHK should continue to provide managerial training (see para. 4.20(b) and (c)) with a view to strengthening management capability, and include capacity building sessions to raise corruption prevention awareness among staff.

Audit recommendations

- 4.25 **Audit has *recommended* that MHAHK should:**
- (a) **take measures to enhance human resources management to tackle the challenge of staff shortage, taking into account the recommendations in the LSG Enhancement Review Report;**
 - (b) **regularly review the succession plan in accordance with LSG Manual;**
 - (c) **make wider use of online platforms in providing staff training; and**
 - (d) **continue to provide managerial training with a view to strengthening management capability, and include capacity building sessions to raise corruption prevention awareness among staff.**

Response from The Mental Health Association of Hong Kong

- 4.26 MHAHK agrees with the audit recommendations. The Chairman of the Executive Committee, MHAHK has said that MHAHK will:
- (a) continue to build on previous success and take measures to tackle the challenge of staff shortage;
 - (b) regularly review the succession plan;
 - (c) use online platforms, if appropriate, in providing staff training; and
 - (d) continue to provide managerial training, inviting organisations such as ICAC, Office of the Privacy Commissioner for Personal Data and Equal Opportunities Commission, to enhance awareness on corruption, privacy of personal data, equal opportunities, etc.

Other administrative matters

Need to ensure compliance with terms of tenancy agreement

4.27 MHAHK provides the majority of its subvented services in rented premises. Under the LSG subvention system, rent and rates for subvented activities are supported by SWD on an actual basis. For conducting FSA activities, MHAHK enters into tenancy agreements for the rented premises as service centres (e.g. hostels and ICCMWs). Audit examination on the use of premises by MHAHK found room for improvement in complying with the terms of a tenancy agreement.

4.28 MHAHK rented a premises in Tai Po, for which the tenancy agreement explicitly stated that it was for “self-financing services for ex-mentally ill persons” (i.e. a non-FSA activity), and no other business or activity was permitted. Audit noted that, apart from the non-FSA activity, the venue was also used for an FSA activity (i.e. a Training and Employment Service Centre — Note 32). However, there was no documentation showing that MHAHK had informed the landlord regarding the use of the premises for the FSA activity. To ensure full compliance with the terms of tenancy agreement, MHAHK needs to obtain written approval from the landlord regarding the use of venues for activities other than those stated in the tenancy agreement.

Room for improvement in the procurement of goods and services

4.29 To ensure transparency and open and fair competition, MHAHK has laid down guidelines for procurement of different categories of goods and services (e.g. fixed assets, services and consumables). Regarding consumables for daily operations at service units (e.g. food, cleaning products, stationery and household goods), the requirements are as follows:

- (a) ***Quotations.*** Staff are required to obtain written/verbal quotations from suppliers (e.g. at least two quotations if exceeding \$3,999). In general, for goods with similar quality, the lowest quotation should be chosen; and

Note 32: *The rent and utility charges were apportioned on the respective area of use at 54% for the non-FSA activity and 46% for the FSA activity.*

- (b) **Price and quality reviews.** ASUs are required to conduct a review on price and quality of goods at least once every two years (Note 33), which would be taken into account before selecting a supplier for the next financial year. In each review, an ASU should obtain quotations from at least three suppliers for a price comparison. A well-documented evaluation (i.e. taking into account price, quality and service performance of suppliers) and selection results should be submitted to Chief Officer (Service) for endorsement.

4.30 Audit visited MHAHK's headquarters and 7 service centres (Note 34) and selected samples on procurement of goods and services to examine if the laid-down guidelines were complied with. Among the ASUs visited, 5 ASUs procured food items for daily consumption. Audit found areas for improvement in conducting quotations and price and quality reviews on food items as follows:

- (a) **Lack of quotations.** ASU A was opened in 2020 providing residential rehabilitation service. Food items were needed for its daily operation. However, there was no documentary evidence showing that a quotation exercise had been conducted. According to MHAHK, as the residential places at the ASU had not been fully occupied during the start-up period, the quantity of food items ordered might not represent the full consumption amount, and hence no quotation was conducted;
- (b) **Lack of price and quality reviews.** ASU B is a hostel which has been in operation for a long time. Audit could not find any record showing that price and quality reviews had been conducted. According to MHAHK:

Note 33: *ASUs are exempted from carrying out the price and quality review if:*

- (a) *the yearly total consumption for each type of the consumables is less than \$5,000;*
- (b) *the supplier is the manufacturer or sole distributor of that type of product; or*
- (c) *the goods are sale items purchased at supermarkets.*

Note 34: *Apart from the 6 service centres mentioned in paragraph 3.8, Audit also visited a service centre which commenced operation in 2020 to examine procurement on capital items (e.g. fixtures). The procurement amount of the samples selected totalled some \$1.2 million, which represented about 10% of the total procurement amount of MHAHK in 2020-21.*

- (i) as a usual practice, for procuring meat and vegetables, suppliers were required to provide delivery service and bill monthly. There was only one supplier in the vicinity of the ASU that could fulfil the requirements; and
- (ii) for rice and milk powder, the respective supplier was the sole distributor and the price and quality review requirement was exempted (see Note 33 to para. 4.29(b)). However, in Audit's view, exemption should not apply if equivalent products (i.e. rice and milk powder) could be procured from other suppliers;
- (c) ***Contract renewal without quotations.*** ASU C provided vocational rehabilitation service. In August 2019, the food supplier engaged by ASU C ceased business. As a result, ASU C needed to engage another supplier urgently. According to MHAHK, since it was difficult to get quotations from other food suppliers due to the COVID-19 epidemic, ASU C directly approached another supplier (i.e. a potential supplier in the previous quotation exercise) and entered into a contract for one year. In September 2020, without conducting a new quotation exercise, ASU C renewed the contract with the supplier; and
- (d) ***Price and quality reviews not properly endorsed.*** ASU D provided residential rehabilitation service. While the price and quality reviews were conducted, the evaluation and results were endorsed by a Service Manager, instead of Chief Officer (Service) as required in the guidelines (see para. 4.29(b)).

In Audit's view, MHAHK needs to ensure that the laid-down procurement guidelines are complied with by all ASUs. If there are justifiable reasons for deviations from the requirements, endorsement from an appropriate level of authority (e.g. Chief Officer) should be obtained.

Need to keep in view the full implementation of BPM

4.31 Under the LSG subvention system, NGOs are encouraged to adopt the best practices laid down in BPM (see para. 1.13 and Appendix D). In October each year, NGOs are required to review whether they have complied with the Level One requirements and adopted the Level Two guidelines, and submit self-assessment

Administrative matters

checklists to SWD. To enhance corporate governance and accountability, NGOs may, through effective communication channels (e.g. annual report and newsletter), make known to their staff and service users the progress of their implementation of BPM.

4.32 As at 31 March 2021, there were 17 items in BPM (see Note 28 to para. 4.5). Audit examined MHAHK's compliance or adoption of the items in BPM in 2018-19 and 2019-20 (Note 35) and noted that:

- (a) in the self-assessment checklists MHAHK submitted to SWD, MHAHK reported that it had implemented all items, except a Level Two item on the disclosure of remuneration policy (see item 7 in Appendix D). For this item, MHAHK had implemented one of the two criteria and procedures, and the implementation on the remaining criterion and procedure was in progress;
- (b) there was room for better alignment with BPM on the criteria and procedures relating to the item on status of reserve (see para. 4.5); and
- (c) MHAHK disclosed full compliance with all items in BPM in the Annual Reports of 2018-19 and 2019-20.

4.33 In Audit's view, MHAHK needs to step up efforts in achieving full implementation of BPM, including all the criteria and procedures stated in BPM. It also needs to ensure that information communicated to the staff, service users and the public on the progress of the implementation of BPM are consistent with that reported to SWD in the self-assessment checklists.

Room for improvement in financial reporting and disclosure

4.34 ***Need to include all FSA activities.*** MHAHK's headquarters building was located in Kwun Tong which served as an administration office. Also operating in the building were two Halfway Houses, an HMMH, a Sheltered Workshop, and a

Note 35: *The period selected for examination had taken into account the revision of the BPM in October 2018 (see Note 28 to para. 4.5). Up to June 2021, the self-assessment on adoption of the BPM in 2020-21 was not yet available.*

Training and Employment Service Centre with a cafeteria. According to MHAHK, the cafeteria was a simulated business aimed at providing job skills training to PWDs under Supported Employment (see para. 3.10).

4.35 Audit noted that while the cafeteria was regarded by MHAHK as a subvented activity governed by an FSA (i.e. Supported Employment), its income and expenditure had been excluded from AFR (Note 36). Audit considers that MHAHK needs to ensure that the income and expenditure of all FSA activities and FSA-related activities are included in AFR.

4.36 *Need to improve transparency.* According to LSG Manual, where an NGO publishes an Annual Report, AFR must be an integral part of the Annual Report. If any NGO chooses not to provide AFR in its Annual Report, it has to upload the full set of the latest AFR onto its website and specify the website address linking to AFR in its Annual Report. Audit examined MHAHK's Annual Reports for the years 2016-17 to 2019-20 and found that, instead of making AFR as an integral part of the Annual Report, MHAHK had shown its consolidated financial statements (i.e. financial statements consolidating FSA activities and non-FSA activities). However, MHAHK had not uploaded the full set of the latest AFR onto its website and no website address linking to AFR had been specified in its Annual Report, contrary to the requirement stated in LSG Manual.

4.37 With a view to facilitating public access to NGOs' AFRs, SWD has been maintaining on its website a website link to or a copy of each NGO's latest AFR, including the one for MHAHK (i.e. a copy of MHAHK's latest AFR has been uploaded on SWD website). In Audit's view, to further facilitate public access to its AFR and ensure compliance with LSG Manual, MHAHK needs to specify in its Annual Report the SWD website address linking to its latest AFR.

Note 36: *The cafeteria generated a surplus of about \$175,000 for 2019-20 and \$62,000 for 2020-21.*

Audit recommendations

4.38 **Audit has *recommended* that MHAHK should:**

- (a) **obtain written approval from the landlord of the premises in Tai Po regarding the use of venues for activities other than those stated in the tenancy agreement;**
- (b) **ensure that the laid-down procurement guidelines are complied with by all ASUs, and in the event that there are justifiable reasons for deviations from the requirements, endorsement is obtained from an appropriate level of authority;**
- (c) **step up efforts in achieving full implementation of BPM, and ensure that information communicated to the staff, service users and the public on the progress of the implementation of BPM are consistent with that reported to SWD in the self-assessment checklists;**
- (d) **ensure that the income and expenditure of all FSA activities and FSA-related activities are included in AFR; and**
- (e) **specify in its Annual Report the SWD website address linking to its latest AFR.**

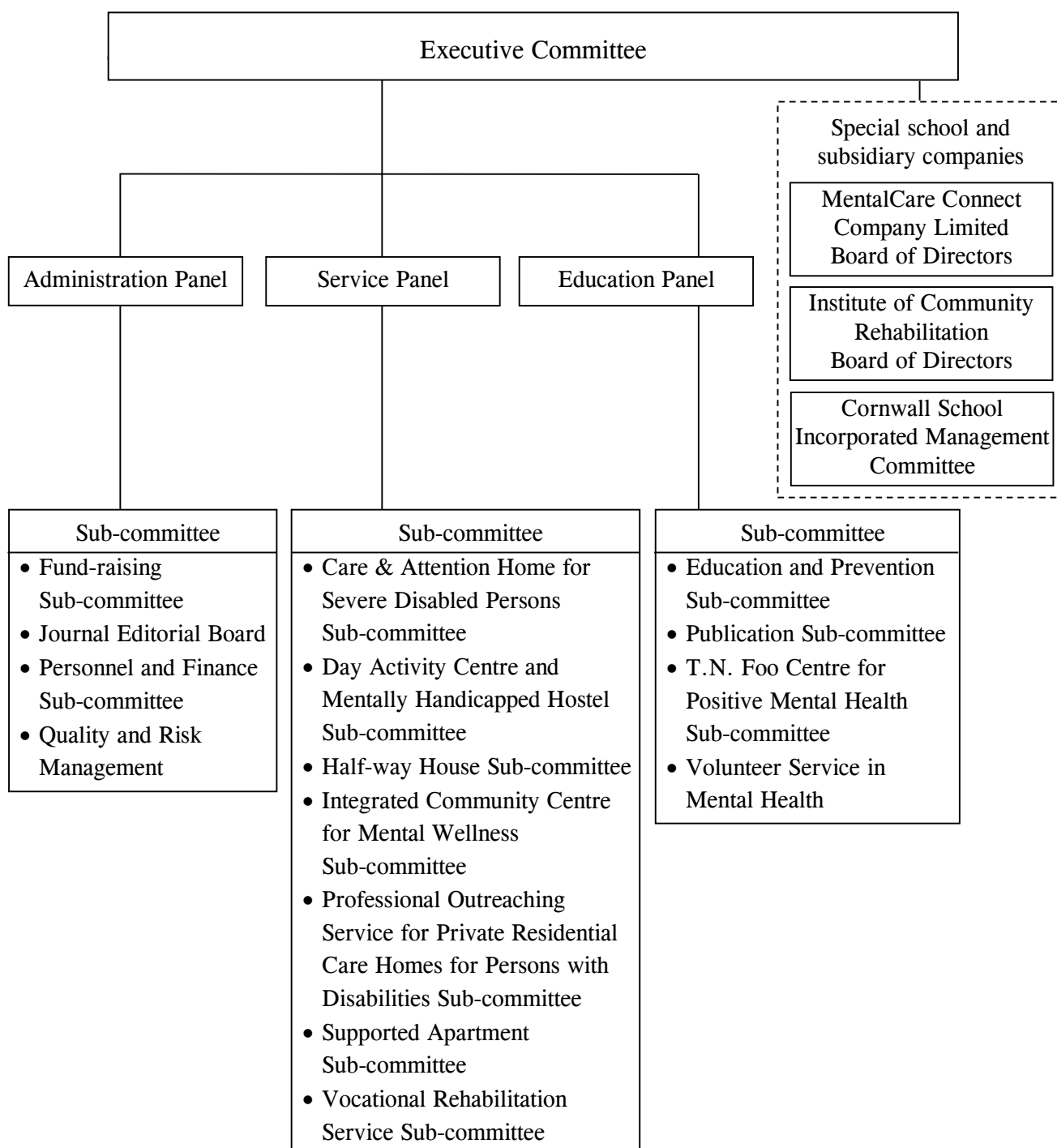
Response from The Mental Health Association of Hong Kong

4.39 **MHAHK agrees with the audit recommendations. The Chairman of the Executive Committee, MHAHK has said that MHAHK will:**

- (a) **obtain written approval from the landlord of the premises in Tai Po regarding the current use of venues;**
- (b) **draft clear procurement guidelines on items requiring quotations and ensure compliance, with approval for deviations required from an appropriate level of authority;**

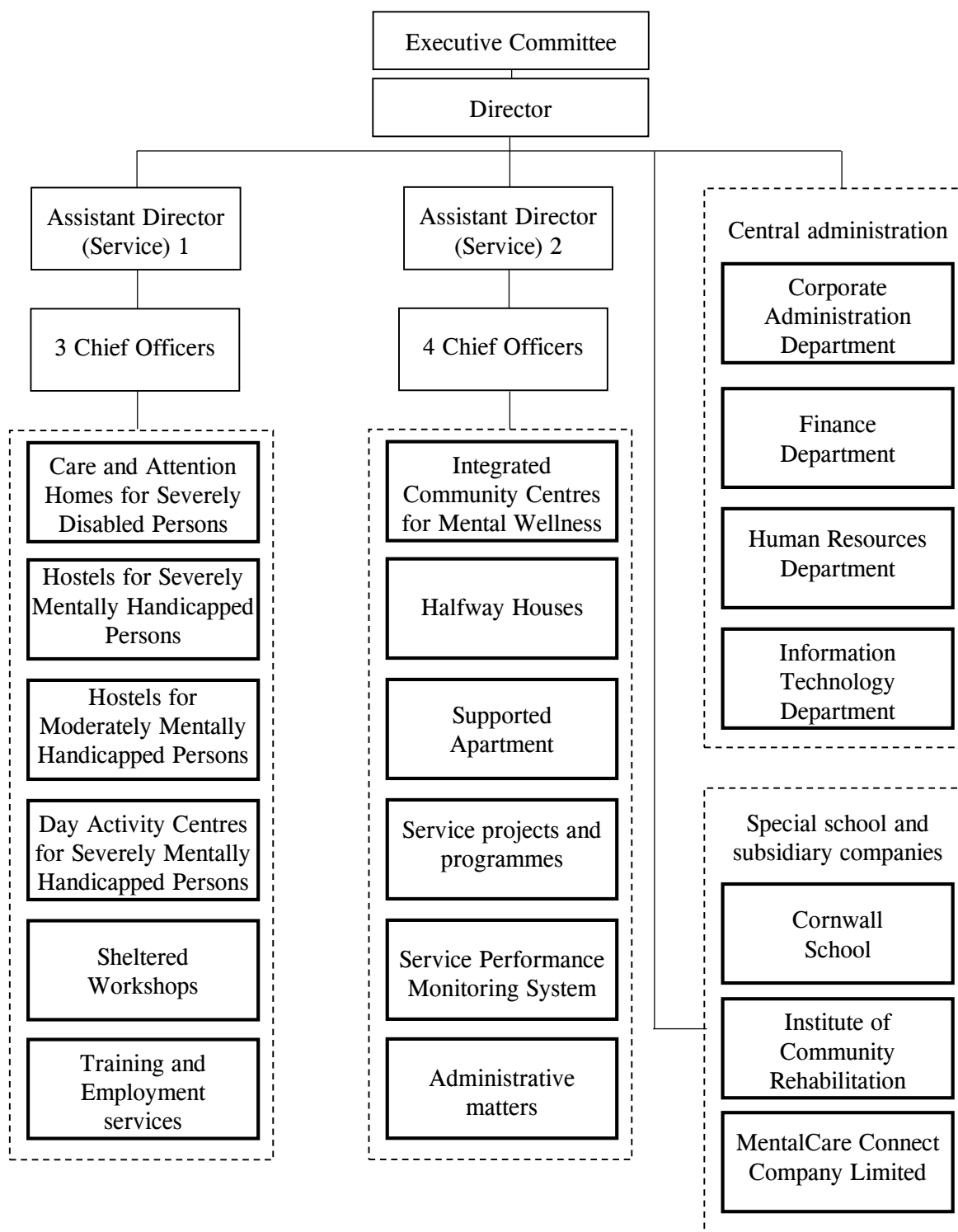
- (c) step up efforts in achieving full implementation of BPM and ensure transparency and consistency in reports;
- (d) include all income and expenditure of FSA activities and FSA-related activities in AFR from 2020-21 onwards; and
- (e) include SWD website address linking to AFR in the Annual Report from 2020-21 onwards.

**The Mental Health Association of Hong Kong:
Governance structure
(31 March 2021)**



Source: MHAHK records

**The Mental Health Association of Hong Kong:
Organisation chart (extract)
(31 March 2021)**



Source: MHAHK records

**Analysis of services provided by 53 Agreement Service Units
(31 March 2021)**

| Service | No. of ASUs | Core service category (Note 3) | | |
|--|-------------|--|--|---|
| | | Rehabilitation services for persons in mental recovery | Rehabilitation services for persons with intellectual disabilities | Vocational rehabilitation services for PWDs |
| Halfway House | 7 | ✓ | ✗ | ✗ |
| ICCMW | 2 | ✓ | ✗ | ✗ |
| C&A/SD/Day Care Service for Persons with Severe Disabilities attached to C&A/SD | 3 | ✗ | ✓ | ✗ |
| Day Activity Centre | 2 | ✗ | ✓ | ✗ |
| Extended Care Programme | 3 | ✗ | ✓ | ✗ |
| HMMH | 3 | ✗ | ✓ | ✗ |
| HSMH/Day Activity Centre cum HSMH | 3 | ✗ | ✓ | ✗ |
| On the Job Training Programme for People with Disabilities (Note 1) | 1 | ✗ | ✗ | ✓ |
| Sheltered Workshop | 3 | ✗ | ✗ | ✓ |
| Sunnyway – On the Job Training Programme for Young People with Disabilities (Note 1) | 1 | ✗ | ✗ | ✓ |
| Supported Employment (Note 1) | 2 | ✗ | ✗ | ✓ |
| Work Extension Programme | 2 | ✗ | ✗ | ✓ |
| Specialised health care support and outreach services (Note 2) | 21 | ✓ | ✓ | ✓ |
| Total | 53 | | | |

Source: MHAHK records

Appendix C
(Cont'd)
(para. 1.12 refers)

Note 1: These services are provided under Training and Employment Services (see Table 1 in para. 1.9).

Note 2: These include:

- (a) Agency-based Clinical Psychological Service and Central Psychological Support Service; and Agency-based Clinical Psychological Service for ICCMW (2 ASUs);*
- (b) Agency-based Occupational Therapy Service (1 ASU);*
- (c) Agency-based Speech Therapy Service for Ageing Persons with Disabilities in Residential Care Homes for Persons with Disabilities (2 ASUs);*
- (d) Pilot Scheme on Professional Outreaching Team for Private Residential Care Homes for Persons with Disabilities (1 ASU);*
- (e) Visiting Medical Practitioner Scheme (14 ASUs); and*
- (f) Agency-based Peer Support Service in Community Psychiatric Service Units (1 ASU).*

Note 3: Mental health promotion and education services (see para. 1.8(d)) were not subvented by LSG.

**Items set out in Lump Sum Grant Subvention System
Best Practice Manual for Non-governmental Organisations
(31 March 2021)**

Financial management

Management of LSG Reserve

1. *Maximised use of reserve (Level One).*

- (a) NGOs are required to ensure that the reserve is fairly, reasonably, properly and effectively used for the intended purposes as stipulated by SWD; and
- (b) NGOs should maximise the use of the reserve in order to maintain or strengthen service delivery and implement strategic development plans, including building up a staff team with high quality.

2. *Optimal level of reserve (Level Two).*

- (a) NGOs should, having regard to their sizes and actual needs, develop planning and evaluation mechanisms on their own to determine the appropriate level of reserve, and monitor it effectively through appropriate years of projection; and
- (b) NGOs should be cautious but not be too conservative or aggressive when estimating the required amount of accumulated LSG Reserve.

3. *Status of reserve (Level One).* NGOs are required to, through convenient, effective and timely channels, disseminate information about the LSG Reserve in a reader-friendly format to staff members and the public. Such information should include briefly a plan on how the reserve will be used in the future.

Use of Provident Fund Reserve for non-Snapshot staff

4. ***Use of reserve (Level One).*** NGOs are required to maximise the use of Provident Fund Reserve for non-snapshot staff for the designated purpose so as to enhance staff morale and their sense of belonging to the organisations.
5. ***Status of reserve (Level One).*** NGOs are required to use convenient, effective and timely channels to disseminate information about the Provident Fund Reserve to staff members, including a brief plan on how the Provident Fund Reserve will be used in the future.

Human resource management

Salary package policy and administration

6. ***Salary adjustment (Level One).*** NGOs are required to spend the subvention for salary adjustment for the designated purpose by making timely adjustment to the salary for all staff members subvented by the LSG.
7. ***Disclosure of remuneration policy (Level Two).*** NGOs should have in place a remuneration policy, including their salary structure and/or minimum salary points, for reference of the staff of respective grades/ranks/posts.

Contract management

8. ***Handling of internal transfer and contract termination (Level One).*** NGOs should develop clear and transparent policy on handling employment contracts of staff.
9. ***NGO's decision making on employment contracts (Level One).*** NGOs should comply with the relevant requirements and procedures when making decisions on employment contracts.

Corporate governance and accountability

Management Strategies

10. ***Communication (Level Two).*** NGOs should establish effective channels of communication between the governing board, the management, staff and service users, to ensure that feedback from staff and service users on LSG-related matters can be received.
11. ***Term of office of the governing board (Level Two).*** NGOs should establish a succession mechanism for their governing board members, where there are no such restrictions in relevant legislation or constitution, to ensure the sustainable development of the board.
12. ***Roles of governing board (Level Two).*** Regarding LSG-related matters, NGOs should enhance the knowledge of their board members on the NGOs and their SWD-subvented services through various effective and appropriate arrangements so as to strengthen their leading roles.

Responsibilities of the governing board and NGOs' decision making on important management issues of SWD-subvented services under the LSG subvention system

13. ***Delineation of roles and responsibilities of the governing board (Level Two).***
 - (a) The roles, responsibilities and membership of the governing board and the relevant committees should be clearly defined and put on record; and
 - (b) NGOs should properly delineate the terms of reference between governing board members and senior management.

14. *NGOs' decision making on important management issues of SWD-subvented services (Level Two).*

- (a) NGOs should consult their staff and service users on important issues that affect them;
- (b) Generally speaking, the NGO's governing board should consult the staff first before there are any changes that may affect them, including:
 - (i) changing the existing establishment structure;
 - (ii) changing the remuneration package or the working conditions; and
 - (iii) re-engineering and rationalising the service delivery modes, and the corresponding manpower redeployment that may become necessary; and
- (c) NGOs should consider involving service users as far as practicable in service re-engineering, changing the existing service delivery mode, and monitoring compliance with service performance standards. Service users' feedback may be obtained through a variety of means such as service user liaison groups, discussions or opinion surveys.

15. *NGO's decisions made on important management issues of SWD-subvented services (Level Two).* NGOs should disseminate to their staff and services users in a timely manner the decisions made on important management issues related to LSG subvention system.

Roles and duties of NGOs in complaints handling

16. *Composition, duties and responsibilities on handling complaints at different levels (Level One).*

- (a) For LSG-related complaints, NGOs are required to develop a sound mechanism and policy to clearly spell out the personnel in handling complaints at different levels and their respective responsibilities and duties at each level;
- (b) NGOs are required to ensure that all levels of staff involved in complaints handling are free from any conflict of interest; and
- (c) NGOs are required to ensure that both the complainant and the parties being complained against are aware that the complaint concerned is being handled in accordance with the procedures set out by the NGOs/the LSG Independent Complaints Handling Committee.

17. *NGOs' policies and procedures on complaints handling (Level One).*

- (a) For LSG-related complaints, NGOs are required to strictly follow established policies and procedures, as well as the personnel composition to handle the complaints in a fair manner, with appropriate monitoring and appeal/review mechanisms; and
- (b) NGOs are required to comply with the LSG Independent Complaints Handling Committee's complaints handling procedures and requirements in handling the complaints concerned.

Source: SWD records

Remarks: In BPM, there is further elaboration on the criteria and procedures for each of the 17 best practice items.

Roles of Executive Committee and panels (31 March 2021)

| Executive Committee /panel | Role |
|---------------------------------------|--|
| Executive Committee | <ul style="list-style-type: none"> (a) approve membership application and withdrawal; determine entrance fees and annual subscription; (b) determine date and venue of annual general meeting; adopt the Annual Report and receive the audited financial statements; call an extraordinary general meeting as and when appropriate; (c) elect a Chairman and Vice-chairmen at the first meeting after the annual general meeting; (d) formulate policies and guidelines to ensure implementation of MHAHK's objectives; (e) formulate and review development strategies and organisational structure; appoint suitable personnel to hold related offices; (f) delegate administrative affairs to sub-committees and staff; (g) ensure proper and effective provision of services and use of funds in accordance to the requirements of the government and funding bodies; (h) review complaint handling and ensure compliance with the established mechanism and procedures; and (i) execute other functions in accordance with the powers stipulated in the Articles of Association. |
| Administration Panel | <ul style="list-style-type: none"> (a) review policies on administration, finance and human resources, and provide relevant recommendations to the Executive Committee; (b) review and approve financial budgets and statements; (c) provide recommendations on corporate governance and operational management, and monitor implementation of strategic plans; (d) delegate affairs relating to organisational administrative management to sub-committees and staff; and (e) execute other duties delegated by the Executive Committee. |

Appendix E
(Cont'd)
(paras. 2.3 and 2.24 refer)

| Executive Committee /panel | Role |
|---------------------------------------|---|
| Education Panel | <ul style="list-style-type: none"> (a) review planning and implementation on mental health promotion and education services, and provide relevant recommendations to the Executive Committee; (b) review operations relating to mental health promotion and education services, and evaluate and provide advice on the effectiveness; (c) provide professional advice and support on staff training and individual service projects; (d) delegate affairs relating to mental health promotion and education services to sub-committees and staff; and (e) execute other duties delegated by the Executive Committee. |
| Service Panel | <ul style="list-style-type: none"> (a) provide recommendations on service quality, improvement on workflow and improving staff competencies; (b) provide recommendations on policies related to customer relations and service users' participation; (c) review implementation of service development and integration, and provide advice to the Executive Committee; (d) explore new policies and strategies in response to new service demand, and provide advice to the Executive Committee; and (e) delegate affairs relating to services to sub-committees and staff. |

Source: MHAHK records

Appendix F
(para. 2.8 refers)

**Number of meetings held by
Executive Committee/panels/sub-committees
(Term years 2015-16 to 2020-21 (up to 30 June 2021))**

| Executive Committee/panel/ sub-committee | No. of meetings held | | | | | | |
|--|-----------------------------|----------------|----------------|----------------|----------------|----------------|--------------|
| | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | Total |
| <i>Executive Committee</i> | 5 | 5 | 5 | 5 | 4 | 3 | 27 |
| <i>Administration Panel</i> | 4 | 5 | 4 | 2 | 1 | 4 | 20 |
| Fund-raising Sub-committee | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Journal Editorial Board | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Personnel and Finance Sub-committee | 4 | 4 | 3 | 3 | 4 | 2 | 20 |
| Quality and Risk Management Sub-committee | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Education Panel</i> | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Education and Prevention Sub-committee | 3 | 3 | 3 | 3 | 3 | 2 | 17 |
| Publication Sub-committee | 3 | 3 | 3 | 3 | 3 | 2 | 17 |
| T.N. Foo Centre for Positive Mental Health Sub-committee | 3 | 3 | 3 | 3 | 3 | 2 | 17 |
| Volunteer Service in Mental Health Sub-committee | 3 | 3 | 3 | 3 | 3 | 1 | 16 |
| <i>Service Panel</i> | 0 | 0 | 1 | 3 | 0 | 0 | 4 |
| Care & Attention Home for Severe Disabled Persons Sub-committee (Note 1) | 3 | 3 | 3 | 3 | 3 | 1 | 16 |
| Day Activity Centre and Mentally Handicapped Hostel Sub-committee | 3 | 3 | 3 | 3 | 3 | 1 | 16 |
| Half-way House Sub-committee | 3 | 3 | 3 | 3 | 3 | 1 | 16 |

Appendix F
(Cont'd)
(para. 2.8 refers)

| Executive Committee/panel/ sub-committee | No. of meetings held | | | | | | |
|---|----------------------|---------|---------|---------------|---------|---------|-------|
| | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | Total |
| Integrated Community Centre for Mental Wellness Sub-committee | 3 | 3 | 3 | 3 | 3 | 1 | 16 |
| Professional Outreaching Service for Private Residential Care Homes for Persons with Disabilities Sub-committee | N.A. (Note 2) | | | 1 (Note 2) | 3 | 1 | 5 |
| Supported Apartment Sub-committee | 3 | 3 | 3 | 3 | 3 | 1 | 16 |
| Vocational Rehabilitation Service Sub-committee | 3 | 3 | 3 | 3 | 3 | 1 | 16 |

Source: Audit analysis of MHAHK records

Note 1: The Sub-committee was formerly known as the Tin Shui Home Sub-committee prior to January 2020.

Note 2: The Professional Outreaching Service for Private Residential Care Homes for Persons with Disabilities Sub-committee was set up in September 2019.

Remarks: In counting the number of meetings held, a term year is regarded as running from December to November next year (see Note 12 to para. 2.8).

Appendix G
(para. 2.15 refers)

**Average attendance rates of meetings of
Executive Committee/panels/sub-committees
(Term years 2015-16 to 2020-21 (up to 30 June 2021))**

| Executive Committee/ panel/sub-committee | No. of members | Average attendance rates | | | | | | |
|---|-------------------|--------------------------|---------|---------|---------|---------------|---------|---------|
| | | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | Overall |
| <i>Executive Committee</i> | 10 to 11 | 60% | 66% | 60% | 67% | 84% | 85% | 69% |
| <i>Administration Panel</i> | 6 to 7 | 75% | 87% | 67% | 58% | 83% | 71% | 74% |
| Fund-raising Sub-committee | 8 to 9 | N.A. (Note 1) | | | | | | |
| Journal Editorial Board | 5 to 6 | N.A. (Note 1) | | | | | | |
| Personnel and Finance Sub-committee | 4 to 5 | 69% | 80% | 93% | 87% | 65% | 100% | 80% |
| Quality and Risk Management Sub-committee | 3 | N.A. (Note 1) | | | | | | |
| <i>Education Panel</i> | 4 to 5 | N.A. (Note 1) | | | | | | |
| Education and Prevention Sub-committee | 8 to 11 | 45% | 36% | 52% | 44% | 46% | 44% | 44% |
| Publication Sub-committee | 14 to 16 | 53% | 42% | 50% | 56% | 56% | 53% | 52% |
| T.N. Foo Centre for Positive Mental Health Sub-committee | 5 to 7 | 60% | 67% | 60% | 60% | 71% | 71% | 65% |
| Volunteer Service in Mental Health Sub-committee | 4 to 6 | 61% | 67% | 80% | 86% | 67% | 60% | 71% |
| <i>Service Panel</i> | 6 to 8 | N.A. (Note 1) | | 50% | 56% | N.A. (Note 1) | | 54% |
| Care & Attention Home for Severe Disabled Persons Sub-committee (Note 2) | 5 to 6 | 69% | 61% | 67% | 61% | 83% | 83% | 69% |

Appendix G
(Cont'd)
(para. 2.15 refers)

| Executive Committee/ panel/sub-committee | No. of members | Average attendance rates | | | | | | |
|--|-------------------|--------------------------|---------|---------|---------|---------|---------|---------|
| | | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | Overall |
| Day Activity Centre and Mentally Handicapped Hostel Sub-committee | 6 to 7 | 52 % | 55 % | 57 % | 43 % | 62 % | 100 % | 56 % |
| Half-way House Sub-committee | 8 to 10 | 43 % | 60 % | 53 % | 42 % | 50 % | 75 % | 51 % |
| Integrated Community Centre for Mental Wellness Sub-committee | 5 to 8 | 75 % | 61 % | 63 % | 67 % | 63 % | 63 % | 65 % |
| Professional Outreaching Service for Private Residential Care Homes for Persons with Disabilities Sub-committee | 6 to 7 | N.A. (Note 3) | | | 50 % | 85 % | 71 % | 76 % |
| Supported Apartment Sub-committee | 5 to 6 | 72 % | 69 % | 67 % | 59 % | 50 % | 67 % | 63 % |
| Vocational Rehabilitation Service Sub-committee | 7 to 8 | 76 % | 63 % | 54 % | 58 % | 71 % | 100 % | 66 % |

Legend: Attendance rates less than or equal to 50 %

Source: *Audit analysis of MHAHK records*

Note 1: *No meeting was held.*

Note 2: *The Sub-committee was formerly known as the Tin Shui Home Sub-committee prior to January 2020.*

Note 3: *The Professional Outreaching Service for Private Residential Care Homes for Persons with Disabilities Sub-committee was set up in September 2019.*

Remarks: *In calculating the attendance rate of the Executive Committee, attendance of co-opt members was not taken into account (see Note 3 to para. 1.6).*

**Progress reports to Administration Panel
on implementation of 2018-21 strategic plan
(up to 30 June 2021)**

| Area under strategic directions | Progress report |
|---|-----------------|
| A. Service | |
| 1. Evidence-based practice (e.g. complete at least 6 projects with evidence-based researches) | ✓ |
| 2. Art development (e.g. form a steering committee to oversee art development) | ✓ |
| 3. Supported education (e.g. pilot supported education service for vulnerable youths with special needs) | ✗ |
| 4. Develop service for aged persons with intellectual disabilities | ✓ |
| 5. Enhance stakeholders' participation | ✓ |
| 6. Enhance corporate governance | ✗ |
| B. Care for staff members | |
| 1. Enhance staff communication and engagement | ✗ |
| 2. Cultivate appreciation and sharing culture | ✗ |
| 3. Improve staff wellness | ✗ |
| 4. Improve on family friendly practices | ✗ |
| C. Public education | |
| 1. Strengthen the connection with community leaders | ✗ |
| 2. Improve agency's visibility and image | ✗ |
| 3. Enhance public education for care-givers and families | ✗ |
| 4. Expansion of Mental Health First Aid programme | ✓ |
| D. Capital works (e.g. modernisation or upgrading to meet service needs) | ✗ |
| E. New initiatives | |
| 1. Establishment of Mental Health Association Macau | ✗ |
| 2. Establishment of Institute of Community Rehabilitation in Mainland China | ✗ |
| 3. New project bidding | ✗ |

Source: Audit analysis of MHAHK records

Service Quality Standards (31 March 2021)

Principle 1: Provision of information

The purpose and objectives of the service should be clearly defined and its mode of operations transparent for the benefit of staff, existing and potential service users, and the general community.

SQS 1. *Service information.* The service unit ensures that a clear description of its purpose, objectives and mode of service delivery is publicly available.

SQS 2. *Review and update policies and procedures.* The service unit should review and update the documented policies and procedures, describing how it will approach key service delivery issues.

SQS 3. *Records.* The service unit maintains accurate and current records of service operations and activities.

Principle 2: Service management

The service unit should manage its resources effectively and in a manner consistent with flexibility, innovation and continuous improvement in the quality of service delivered to service users.

SQS 4. *Roles and responsibilities.* The roles and responsibilities of all staff, managers, the Management Committee and/or the Board or other decision-making bodies should be clearly defined.

SQS 5. *Human resources.* The agency/service unit implements effective staff recruitment, contracting, development, training, assessment, deployment and disciplinary practices.

SQS 6. *Planning, evaluation and feedback.* The service unit regularly plans, reviews and evaluates its own performance, and has an effective mechanism whereby service users, staff and other interested parties can provide feedback on its performance.

SQS 7. *Financial management.* The service unit implements policies and procedures to ensure effective financial management.

SQS 8. ***Legal obligations.*** The service unit complies with all relevant legal obligations.

SQS 9. ***Safe physical environment.*** The service unit takes all reasonable steps to ensure that it provides a safe physical environment for its staff and service users.

Principle 3: Service to users

The service unit should identify and respond to specific service users' needs.

SQS 10. ***Entry and exit.*** The service unit ensures that service users have clear and accurate information about how to enter and leave the service.

SQS 11. ***Needs of service users.*** The service unit has a planned approach to assessing and meeting service users' needs (whether the service user is an individual, family, group or community).

Principle 4: Respect for service users' right

The service unit should respect the rights of the service users in all aspects of service operations and delivery.

SQS 12. ***Informed choices.*** The service unit respects the service users' rights to make informed choices of the service they receive as far as practicable.

SQS 13. ***Private property.*** The service unit respects the service users' rights in relation to private property.

SQS 14. ***Privacy and confidentiality.*** The service unit respects the service users' rights for privacy and confidentiality.

SQS 15. ***Complaints.*** Each service user and staff member is free to raise and have addressed, without fear of retribution, any complaints he or she may have regarding the agency or the service unit.

SQS 16. ***Freedom from abuse.*** The service unit takes all reasonable steps to ensure that service users are free from abuse.

Source: SWD records

Remarks: For each of the 16 SQSs, there is elaboration on how the SQS should be implemented.

Appendix J
(para. 4.9 refers)

**Areas of internal control weaknesses found in accounting inspections
conducted by Social Welfare Department
(2013-14, 2015-16 and 2018-19)**

| Area of internal control weaknesses found | 2013-14 | 2015-16 | 2018-19 |
|---|---------|---------|---------|
| <u>Petty cash</u> | | | |
| - Claim forms/invoices not signed and/or dated by the authorising officer | ✓ | ✓ | ✓ |
| - Claim forms not dated by the claimants upon reimbursement | ✗ | ✗ | ✓ |
| - Claim forms not stamped with a “PAID” chop upon settlement of the claims | ✗ | ✗ | ✓ |
| <u>Fixed assets</u> | | | |
| - Annual physical checking of fixed assets not conducted | ✗ | ✓ | ✓ |
| - Number of disposed items incorrectly recorded in fixed assets register | ✗ | ✓ | ✗ |
| - Disposal of assets not properly authorised | ✗ | ✓ | ✗ |
| <u>Bank account and cheque</u> | | | |
| - Bank reconciliation statement not reviewed on a monthly basis | ✗ | ✗ | ✓ |
| - Cheque book register not maintained; officer responsible for issuance of cheques was also responsible for safe custody of unused cheque books | ✗ | ✗ | ✓ |
| - Cheque book register not signed by custodian upon receipt of new cheque books from head office | ✓ | ✗ | ✗ |
| <u>Programme income and expenses</u> | | | |
| Programme financial reports not timely reviewed after completion of programme | ✓ | ✓ | ✗ |
| <u>Revenue collection and receipt</u> | | | |
| - Official receipt registers not maintained | ✗ | ✗ | ✓ |
| - Clerks signed on official receipt registers in the capacity of custodians of unused official receipt books | ✗ | ✗ | ✓ |
| <u>Payment</u> | | | |
| Paid invoices not stamped with a “PAID” chop | ✗ | ✗ | ✓ |
| <u>Safe custody of cash, cheque and valuables</u> | | | |
| Surprise cash count not carried out | ✗ | ✗ | ✓ |

Source: Audit analysis of SWD and MHAHK records

Remarks: 12 of 53 ASUs were covered in the three accounting inspections.

Appendix K
(para. 4.10 refers)

**Irregularities of internal control procedures
on important financial activities identified by Audit Commission
(June and July 2021)**

| No. | Financial activity/ internal control procedure set out in LSG Manual | Irregularity | No. of service centres with irregularities (Note) |
|-----|--|---|--|
| 1 | <u>Revenue collection and receipt</u> The stub/counterfoil of the last receipt in a day should be initialled by supervisor | Stub/counterfoil was not initialled by supervisor | 2 (33%) |
| 2 | <u>Bank account and cheque</u> Spoiled or obsolete cheques should be effectively cancelled by stamping "CANCELLED" and signed by supervisor/authorising officer | Spoiled or obsolete cheques were not stamped "CANCELLED" and/or signed | 5 (83%) |
| 3 | <u>Petty cash</u> All petty cash payments should be properly authorised before they are eligible for claiming the petty cash | Petty cash payments were not properly authorised before the expenses being claimed | 2 (33%) |
| 4 | <u>Payment</u> All paid vouchers/invoices must be stamped with the word "PAID" by paying officer to prevent duplicate payment | Paid vouchers/invoices were not stamped "PAID" immediately by the officer at site office | 5 (83%) |
| 5 | Alteration on payment vouchers must be initialled/signed by the officer certifying or authorising the payment voucher | Alterations on payment vouchers were not initialled/signed | 2 (33%) |
| 6 | <u>Fixed assets</u> A fixed asset register should contain information on the date, reasons and authorisation for scrap or disposal | Information of the scrapped/disposed assets was not kept in the fixed asset register | 1 (17%) |
| 7 | In case of write-off/scrapping of fixed assets, proper approval must be obtained and evidence of approval be kept or recorded in the fixed asset register | Approvals on disposal were not given timely (i.e. dates of approval were after dates of disposal) | 1 (17%) |
| 8 | <u>Programme income and expenses</u> A financial report should be prepared on each programme and should be authorised by an independent senior officer within one month after completion of programme | Financial reports were not authorised within one month after completion of the programmes | 2 (33%) |

Source: Audit analysis of MHAHK records

Note: These figures represented the number of service centres with irregularities out of 6 service centres visited by Audit (see para. 3.8).

Acronyms and abbreviations

| | |
|------------|--|
| AFR | Annual Financial Report |
| ASU | Agreement Service Unit |
| Audit | Audit Commission |
| B/Ds | Bureaux and departments |
| BPM | Lump Sum Grant Subvention System Best Practice Manual for Non-governmental Organisations |
| C&A/SD | Care and Attention Home for Severely Disabled Persons |
| EffO | Efficiency Office |
| ESR | Essential Service Requirement |
| FSA | Funding and Service Agreement |
| HMMH | Hostel for Moderately Mentally Handicapped Persons |
| HSMH | Hostel for Severely Mentally Handicapped Persons |
| ICAC | Independent Commission Against Corruption |
| ICCMW | Integrated Community Centre for Mental Wellness |
| I&T Fund | Innovation and Technology Fund for Application in Elderly and Rehabilitation Care |
| LSG | Lump Sum Grant |
| LSG Manual | Social Welfare Services Lump Sum Grant Manual |
| MHAHK | The Mental Health Association of Hong Kong |
| NGO | Non-governmental organisation |

Appendix L
(Cont'd)

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|------|---------------------------|
| OC | Outcome Standard |
| OS | Output Standard |
| PF | Provident Fund |
| PWDs | Persons with disabilities |
| SQS | Service Quality Standard |
| SWD | Social Welfare Department |