

CHAPTER 8

Environment and Ecology Bureau

Work of Countryside Conservation Office

**Audit Commission
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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. 82 of the Director of Audit contains 8 Chapters which are available on our website (<https://www.aud.gov.hk>).



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WORK OF COUNTRYSIDE CONSERVATION OFFICE

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WORK OF COUNTRYSIDE CONSERVATION OFFICE

Executive Summary

1. To enhance the conservation of remote areas in the countryside, thereby protecting the natural ecology, revitalising the architectural environment of villages, and conserving cultural resources, the Chief Executive of the Hong Kong Special Administrative Region announced in the Chief Executive's 2017 Policy Address that a Countryside Conservation Office (CCO) would be established to coordinate conservation projects that promote sustainable development of remote countryside. In this connection, the Government has also earmarked \$1 billion for such conservation and revitalisation efforts, as well as minor improvement works.

2. CCO was established under the Environmental Protection Department in July 2018 and has been put under the Environment and Ecology Bureau with effect from January 2023. Major responsibilities of CCO include:

- (a) ***Administration of the Countryside Conservation Funding Scheme (CCFS).*** In May 2018, the Legislative Council approved a funding of \$500 million for CCO in the context of the Appropriation Bill 2018. CCO launched CCFS with funding of \$500 million (i.e. half of the \$1 billion earmarked) in October 2019. The objective of CCFS is to provide financial support to local non-profit-making organisations for organising diverse and innovative conservation activities or projects in remote countryside (except Lantau). Since the launch of CCFS in October 2019 and up to October 2023, 87 applications had been received from non-profit-making organisations, of which 44 applications had been approved with approved grants of \$222 million; and
- (b) ***Administration of minor improvement works.*** CCO explores and coordinates the implementation of suitable minor improvement works in remote countryside with the remaining \$500 million (of the \$1 billion earmarked). According to CCO, as of October 2023, there were 10 minor improvement works projects (2 completed and 8 under implementation)

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with a total approved project estimate of \$73.4 million and actual expenditure of \$6.7 million.

3. The Advisory Committee on Countryside Conservation (ACCC) was set up in July 2019 to advise on the priorities for conservation and revitalisation works proposals to be carried out by CCO, as well as the policy and operational matters relating to the overall administration, operation and funding approach of CCFS. To facilitate ACCC to consider CCFS applications, the Vetting Subcommittee (VSC) of ACCC was set up in October 2019. The Audit Commission (Audit) has recently conducted a review of the work of CCO.

Administration of Countryside Conservation Funding Scheme

4. *Scope for setting further timeframes for processing CCFS applications.* While CCO had set timeframe relating to the application and approval processes under CCFS (i.e. normally completed within six months after the cut-off date of application), it did not set timeframe relating to notifying the applicants of the application results after the approval/rejection by ACCC. For the 78 applications processed (i.e. 44 approved and 34 rejected applications) by CCO from October 2019 to October 2023, it took 8 to 83 days (averaging 30 days) to notify the applicants of the application results after the approval/rejection by ACCC (para. 2.6).

5. *Scope for enhancing CCFS database and e-submission options.* According to CCO, in June 2023, CCO soft launched the CCFS database to monitor the processing of CCFS applications and the progress of approved projects. Audit noted that, as of February 2024: (a) the data on the CCFS e-application forms (introduced since October 2023) could not be automatically transferred to the CCFS database. According to CCO, this was because the CCFS database was still being enhanced to allow such automatic transfer and this function was undergoing user acceptance test as of February 2024; and (b) applicants were required to submit the application forms in both hard and soft copies. According to CCO, the CCFS database would be further enhanced to provide an enabling environment for supporting e-submission of CCFS applications. In Audit's view, there is scope for enhancing CCFS database and e-submission options (paras. 2.10 to 2.12).

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6. ***Scope for improvement in releasing disbursements to grantees.*** Funding disbursements (i.e. initial, interim and final disbursements) are subject to the progress and satisfactory performance of the projects (e.g. endorsement of project documents submitted by the grantees). As of October 2023, of the 44 approved CCFS projects with total approved grants of \$222 million, \$123 million (55%) had been disbursed to the grantees. Audit noted that: (a) of the 55 interim disbursements released to the grantees from October 2019 to October 2023, 19 (35%) were not released within the specified timeframe, with delays ranging from 0.1 to 5.6 months (averaging 1.5 months); (b) CCO had not set timeframe for releasing initial and final disbursements to the grantees; and (c) of the 151 project documents submitted by the grantees from October 2019 to October 2023, 120 (79%) were endorsed by CCO 13 to 523 days (averaging 106 days) after the first submission of project documents by the grantees (paras. 1.8 and 2.18 to 2.20).

7. ***Need to ensure the timely submission of project documents by grantees.*** According to CCFS's guidelines, grantees are required to submit a number of project documents by the scheduled deadlines, and reminders (first and second) will be issued to the grantees under specified circumstances. Audit noted that, as of October 2023: (a) there were delays in submission of some project documents (due for submission from October 2019 to October 2023) by the grantees. For example, of the 116 progress reports (together with financial documents) due for submission, 6 (5%) had not been submitted (overdue for 61 to 200 days (averaging 84 days)), and 37 (32%) were submitted 1 to 169 days (averaging 45 days) after the due date; (b) of the 133 project documents (i.e. 116 progress reports + 17 completion reports), there were delays in issuing the first reminders to the grantees for submission of 61 (46%) project documents (ranging from 1 to 80 days (averaging 16 days)), and no reminders had been issued to the grantees for submission of 9 (7%) project documents; and (c) while CCFS's guidelines require the issue of second reminders to the grantees under specified circumstances, CCO did not set timeframe for issuing them (paras. 2.24 and 2.25).

8. ***Scope for improvement in conducting inspections.*** According to CCFS's guidelines, for monitoring purposes, at least one inspection should be conducted every 6 months in the course of each project, and an inspection report should be prepared within one month after the inspection. From October 2019 to October 2023, CCO conducted 149 inspections for 41 approved projects. Audit noted that: (a) for 15 (37%) of the 41 approved projects, CCO did not conduct at least one inspection every 6 months (involving a total of 22 inspections); and (b) for 28 (19%) of the 149 inspections, inspection reports were not prepared within one month after the

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inspections, with delays ranging from 0.1 to 7.9 months (averaging 1.6 months) (paras. 2.28 and 2.29).

Administration of minor improvement works

9. *Number of and expenditure on minor improvement works projects at a low level.* Audit noted that, as of October 2023 (i.e. about 5.3 years after the establishment of CCO in July 2018), there were only 10 minor improvement works projects (2 completed and 8 under implementation) with a total approved project estimate of \$73.4 million (i.e. 15% of \$500 million earmarked funding) and actual expenditure of \$6.7 million (9%). In addition, the 10 minor improvement works projects were all related to 2 areas (i.e. Lai Chi Wo and Sha Lo Tung) only. According to CCO, to implement minor improvement works at rural villages, it encountered different constraints, including accessibility, complicated land issues, diverse views from villagers and the availability of manpower resources. In Audit's view, CCO needs to draw on the experience gained and step up efforts in implementing minor improvement works projects with a view to enhancing public facilities in remote countryside (paras. 3.4 to 3.6).

10. *Slippage of works for some minor improvement works projects.* Regarding the 10 minor improvement works projects, Audit noted that: (a) for the 2 completed projects, 1 project was completed 1.8 months after the target completion date; and (b) for the 8 projects under implementation: (i) the works for 1 project commenced 2 months after the target works commencement date; and (ii) as of January 2024, the works for 2 projects had not yet commenced and were 7 months (see para. 11) and 33 months (according to CCO, the reasons for the delay of this project were mainly revision in the works programme and subject to further review for meeting new policy initiatives in the area concerned) behind their respective target works commencement dates (para. 3.7).

11. *Need to early commence works for a minor improvement works project and early ascertain the management and maintenance responsibility for the related works after completion.* In October 2022, a minor improvement works project involving the repairing works to trails in Sha Lo Tung (Project A) was approved at a project estimate of \$10 million. Audit noted that: (a) as of January 2024, Project A's works had not yet commenced and was 7 months behind the target works commencement date. According to CCO, in order to ensure that the proposed

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repairing works would have no adverse impact to the ecology of Sha Lo Tung (of high ecological significance), it has taken considerable time for the design work and the consultations with the stakeholders prior to works commencement; and (b) CCO took 6 months (from March to September 2023) to reach consensus with the government department concerned on the management and maintenance responsibility of the trails after works completion. In Audit's view, CCO needs to early commence works for Project A and, in implementing minor improvement works projects, early ascertain the management and maintenance responsibility for the related works after completion (paras. 3.10 to 3.13).

12. *Need to draw on the experience gained in constructing a smart public toilet at remote countryside.* In September 2020, a minor improvement works project involving the construction of a new public toilet in Lai Chi Wo (Project B) was approved at a project estimate of \$8.5 million, which was later increased by \$4.8 million to \$13.3 million (due to adoption of smart facilities). According to CCO, Project B would serve as a pilot project to upgrade the image of public toilet at remote countryside, and a number of smart facilities were introduced, including automatic sliding doors and air improvement photovoltaic (AIPV) panels. The works commenced in September 2021 and were substantially completed in August 2023. Audit noted that after the commencement of trial operation of the new public toilet in November 2023: (a) on 9 December 2023, a user was locked up inside the new public toilet as the automatic sliding door could not be opened by waving hands over the control panel or pressing the emergency button. According to CCO, after further review, the automatic door system had been disabled and the sliding doors were converted to fully manual operation since 21 December 2023 to restore public's confidence over the usage of the toilet; and (b) from 29 January 2024 to 2 February 2024 (i.e. 5 days), the new public toilet was closed for replacement works of AIPV panels. According to CCO, upon soft launch, the performance of AIPV panels was not up to the design standards in terms of the harvest of renewable energy. The contractor was required to rectify the defect by replacing AIPV panels at no additional cost to the Government. In Audit's view, in implementing minor improvement works projects involving smart public toilets, CCO needs to draw on the experience gained in constructing and operating the new public toilet under Project B (paras. 3.14, 3.15, 3.17 and 3.18).

Other related issues

13. *Scope for improvement in preparation and issue of meeting materials for ACCC and VSC meetings.* CCO is responsible for preparing and issuing meeting

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materials for ACCC and VSC meetings (e.g. notice of meeting, agenda, meeting papers and draft meeting minutes) in accordance with the specified time pledges. Regarding the meeting materials prepared by CCO for the 9 ACCC and 8 VSC meetings held between July 2019 and October 2023, Audit noted delays in issue of: (a) notice of meeting and agenda for 4 (44%) ACCC meetings and 5 (63%) VSC meetings, ranging from 1 to 5 days; (b) meeting paper for 5 (56%) ACCC meetings and 5 (63%) VSC meetings, ranging from 1 to 5 days; and (c) draft meeting minutes for all the 9 ACCC meetings and all the 8 VSC meetings, ranging from 0.7 to 6.2 months (paras. 4.5 and 4.6).

14. ***Scope for improvement in first-tier declaration of interests for ACCC.*** The chairperson and members of ACCC shall register in writing (on a standard declaration form) their personal interest when they first join the committee, and annually thereafter (i.e. first-tier declaration). Since the establishment of ACCC in July 2019 and up to December 2023, 5 exercises of first-tier declarations (3 exercises of initial declarations (i.e. upon joining) and 2 exercises of annual declarations) were conducted for 3 terms of ACCC (paras. 4.8 and 4.9). Audit noted that:

- (a) ***First-tier declaration of interests by chairperson and ex-officio ACCC members.*** In all the 5 exercises of first-tier declarations, CCO did not request the chairperson (i.e. the Secretary for Environment and Ecology) and the 3 ex-officio ACCC members to complete and return the declaration forms. According to CCO, they (as Principal Official/civil servants) were required to declare regularly their personal interests and private investments as per prevailing government regulations (paras. 4.9(a) and 4.10(b)); and
- (b) ***First-tier declaration of interests by non-official ACCC members.*** For the 3 exercises of initial declarations, CCO requested all non-official ACCC members to complete and return the declaration forms by the specified deadlines. However: (i) the requests for the return of declaration forms for the 3 exercises were sent out by CCO 14, 15 and 123 days after the commencement of Terms 1, 2 and 3 respectively; and (ii) some non-official ACCC members of Terms 1 to 3 returned the declaration forms after the specified deadline, with delays ranging from 1 to 142 days (averaging 32 days). In addition, for the 2 exercises of annual declarations, according to CCO, while it had requested all non-official ACCC members to complete and return the declaration forms, no members returned the declaration forms. Instead, the members confirmed no updates with CCO via phone or instant messaging application (para. 4.9(b) and (c)).

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According to CCO, at every ACCC and VSC meeting, the chairperson asked all members to declare interests before discussion of each agenda item. In Audit's view, there is scope for improvement in first-tier declaration of interests for the chairperson and members of ACCC (paras. 4.10(a) and 4.11).

15. *Scope for enhancing performance measures.* Audit noted that: (a) no performance measures were set for CCO's work; and (b) CCO did not compile management information based on the completion reports of CCFS projects (which contained project results) submitted by the grantees (e.g. summarising results and achievements of completed projects) (paras. 4.25 and 4.26).

16. *Scope for preparing an overarching action plan.* Audit noted that CCO had prepared various plans which mainly covered the strategy and approach for taking forward its work and the work for specific sites. According to CCO, it is consolidating the experience gathered in the first 5 years of work. Audit considers that there is merit for CCO, based on its experience gained, to prepare an overarching action plan underpinning and updating as needed the strategy and approach for its work and consolidating and updating as needed its plans for specific sites (paras. 4.28 and 4.29).

Audit recommendations

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

Administration of CCFS

- (a) **consider setting further timeframes for processing CCFS applications (para. 2.15(a));**
- (b) **early complete the enhancement of the CCFS database relating to the automatic transfer of data on the e-application forms to the CCFS database (para. 2.15(c));**
- (c) **continue to explore measures to enhance the e-submission options for making CCFS applications (para. 2.15(d));**

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- (d) **take measures to ensure that disbursements are released to the grantees within the timeframe set by CCO and consider setting timeframe for releasing the initial and final disbursements to the grantees (para. 2.22(a) and (b));**
- (e) **ascertain the reasons for the cases taking long time in endorsement of project documents submitted by the grantees and take measures to address the matter (para. 2.22(c));**
- (f) **strengthen measures to ensure that the grantees submit project documents by the required due dates (para. 2.32(a));**
- (g) **consider setting timeframe for the issue of the second reminders to the grantees for submission of project documents (para. 2.32(b));**
- (h) **take measures to ensure that the required frequency of inspections for approved projects is met and inspection reports are timely prepared in accordance with CCFS's guidelines (para. 2.32(e) and (f));**

Administration of minor improvement works

- (i) **draw on the experience gained and step up efforts in implementing minor improvement works projects (para. 3.19(a));**
- (j) **take measures to ensure the timely commencement and completion of minor improvement works projects (including early commencing works for Project A) (para. 3.19(b));**
- (k) **in implementing minor improvement works projects, early ascertain the management and maintenance responsibility for the related works after completion (para. 3.19(c));**
- (l) **in implementing minor improvement works projects involving smart public toilets, draw on the experience gained in constructing and operating the new public toilet under Project B (para. 3.19(e));**

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Other related issues

- (m) **take measures to ensure that meeting materials for ACCC and VSC meetings are timely prepared and issued (para. 4.15(b)(i));**
- (n) **require CCO staff to make timely requests to the chairperson and members of ACCC for making declaration of interests and strengthen measures to ensure that the chairperson and all members of ACCC declare interests upon joining ACCC and annually thereafter in a timely manner by completing the standard declaration forms properly in accordance with the related requirements (para. 4.15(c));**
- (o) **consider setting performance measures for CCO's work and compiling management information based on the completion reports of CCFS projects on a regular basis (para. 4.30(a) and (b)); and**
- (p) **consider preparing an overarching action plan underpinning and updating as needed the strategy and approach for CCO's work and consolidating and updating as needed CCO's plans for specific sites (para. 4.30(c)).**

Response from the Government

18. The Secretary for Environment and Ecology thanks Audit for conducting the audit review on the work of CCO and 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.

Background

1.2 Remote areas in the countryside are rich in ecological, architectural and cultural resources. To enhance the conservation of remote areas in the countryside, thereby protecting the natural ecology, revitalising the architectural environment of villages, and conserving cultural resources, the Chief Executive of the Hong Kong Special Administrative Region announced in the Chief Executive's 2017 Policy Address that a Countryside Conservation Office (CCO) would be established to coordinate conservation projects that promote sustainable development of remote countryside. In this connection, the Government has also earmarked \$1 billion for such conservation and revitalisation efforts, as well as minor improvement works. These actions will not only conserve precious natural and cultural resources, bringing new life to the almost desolate remote countryside, but also promote sustainable economic activities such as eco-tourism, thereby responding to the community's vision for urban-rural symbiosis.

CCO

1.3 In July 2018, CCO was established under the Environmental Protection Department. With effect from January 2023, as an internal re-organisation of the Environment and Ecology Bureau (EEB — Note 1), CCO has been put under the Environment Branch of EEB (an extract of EEB's organisation chart as at 31 October 2023 is at Appendix A). Major responsibilities of CCO include:

Note 1: *In July 2022, EEB was formed to take over the policy responsibility for environmental matters from the then Environment Bureau, which is referred to as EEB in this Audit Report for simplicity.*

Introduction

- (a) *Administration of the Countryside Conservation Funding Scheme (CCFS).* In May 2018, the Legislative Council approved a funding of \$500 million for CCO in the context of the Appropriation Bill 2018. CCO launched CCFS with funding of \$500 million (i.e. half of the \$1 billion earmarked) in October 2019 and is responsible for the administration of CCFS. The objective of CCFS is to provide financial support to local non-profit-making organisations (NPOs) for organising diverse and innovative conservation activities or projects in remote countryside (except Lantau — Note 2) (see paras. 1.5 to 1.8); and
- (b) *Administration of minor improvement works.* CCO explores and coordinates the implementation of suitable minor improvement works (at a funding up to \$50 million for each project in general) in remote countryside with the remaining \$500 million (of the \$1 billion earmarked) (see para. 1.9).

1.4 As of October 2023, CCO had 41 staff (i.e. 16 civil servants, 5 post-retirement service contract staff, 1 non-civil service contract staff and 19 time-limited agency staff — Note 3), and their related staff cost for 2022-23 was about \$28 million (Note 4).

Note 2: *Projects on Lantau fall under the ambit of the Lantau Conservation Fund set up under the Sustainable Lantau Office of the Civil Engineering and Development Department.*

Note 3: *Agency staff are labour force supplied by employment agencies under service contracts and work under direct supervision of the procuring government bureaux/departments. According to CCO: (a) among the 19 time-limited agency staff, 2 were funded by departmental expenses and 17 were funded under the Anti-epidemic Fund (to relieve the unemployment situation due to the epidemic and the anti-epidemic measures, from 2020 to 2022, the Government had earmarked \$19.8 billion under the Anti-epidemic Fund to create around 90,000 time-limited jobs in the public and private sectors); and (b) the approved service funded under the Anti-epidemic Fund would be completed by the second quarter of 2024.*

Note 4: *CCO's work includes: (a) processing CCFS applications and disbursements; (b) planning and monitoring of minor improvement works; (c) planning and studying the relevant conservation works and coordinating various government departments in carrying out the related works; (d) providing technical support and assisting villagers to implement relevant sustainable economic activities; and (e) providing secretariat service for committee/subcommittee (i.e. the Advisory Committee on Countryside Conservation and Vetting Subcommittee of the Advisory Committee on Countryside Conservation — see paras. 1.10 and 1.11).*

CCFS

1.5 Launched in October 2019, CCFS is dedicated to supporting sustainable and holistic conservation efforts in Hong Kong's rural countryside through an integrated funding source covering a wide spectrum of areas on different levels ranging from the natural environment/habitats, non-graded built heritage to cultural and historic assets. Applications (Note 5) are accepted all year round and processed by batches by CCO every year. Funded projects must be non-profit-making in nature, and their benefits must accrue to the community as a whole, not just to individuals, or a single or a consortium of private organisations/companies. As of October 2023, grants of \$222 million had been approved under CCFS.

1.6 ***Types of projects under CCFS.*** There are 5 types of projects under CCFS, as follows:

- (a) ***Nature Conservation Management Agreement Projects (hereinafter referred to as MA projects).*** MA projects (Note 6) contribute to enhancing the ecological or nature conservation of the sites concerned through management agreements between local NPOs and relevant landowners and/or tenants. Under these agreements, NPOs may provide landowners or tenants with financial incentives in exchange for management rights over their land or their cooperation in enhancing ecological or nature conservation in the eligible sites (Note 7). Each MA project is generally

Note 5: *Eligible applicant and co-organising/supporting organisations must be local NPOs (such as organisations which are: (a) registered under the Companies Ordinance (Cap. 622) and exempted from tax under section 88 of the Inland Revenue Ordinance (Cap. 112); and (b) post-secondary education institutions and the member institutions providing manpower training under the Vocational Training Council).*

Note 6: *Prior to the launch of CCFS in October 2019, MA projects were funded by the Environment and Conservation Fund. The Fund is a statutory trust fund established under the Environment and Conservation Fund Ordinance (Cap. 450) and the Secretary for Environment and Ecology acts as the trustee.*

Note 7: *The eligible sites for MA projects and Formulation of Proposals on Restoration of Built Heritage projects (see para. 1.6(b)) include private land in priority sites for enhanced conservation (in 2004, the Government promulgated the New Nature Conservation Policy, under which 12 priority sites of ecological importance were identified for enhanced conservation), country park enclaves or country parks, excluding those located on Lantau (see Note 2 to para. 1.3(a)).*

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subject to a funding limit of \$15 million and a duration limit of 1 to 3 years (see Photograph 1 for an example of an MA project);

Photograph 1

MA project: Experiential rice farming activity in Lai Chi Wo



Source: CCO records

- (b) ***Formulation of Proposals on Restoration of Built Heritage (hereinafter referred to as BH projects).*** Introduced in May 2020, BH projects aim at formulating proposals on how to restore/revitalise the target built heritage in the eligible sites (see Note 7 to (a) above), which should include relevant studies that support the feasibility of the proposals. Proposals for funding for the reinstatement/restoration of built heritage that could bring significant benefits to the community and general public will also be considered. Each BH project is generally subject to a funding limit of \$3 million and a duration limit of 3 years (see Photograph 2 for an example of a BH project);

Photograph 2

**BH project:
Revitalising Mui Tsz Lam with experimental restorations**



Source: CCO records

- (c) ***Cultural Rehabilitation/Revitalisation Projects (hereinafter referred to as CR projects).*** Introduced in May 2020, CR projects aim at enhancing public appreciation and awareness in cultural conservation of the target cultural assets, which should be unique or representative to the local community of the site under application (Note 8). Each CR project is generally subject to a funding limit of \$3 million and a duration limit of 1 to 3 years (see Photograph 3 for an example of a CR project);

Note 8: *The eligible sites for CR projects and Research Activities on Countryside Conservation and Revitalisation projects (see para. 1.6(d)) include remote countryside areas where public transportation is not accessible within 500 metres walking distance of the site, excluding those located on Lantau (see Note 2 to para. 1.3(a)).*

Photograph 3

CR project:
Traditional craftsmanship (Hakka style village house with tiles) in Lai Chi Wo



Source: CCO records

- (d) ***Research Activities on Countryside Conservation and Revitalisation (hereinafter referred to as RA projects).*** Introduced in May 2020, RA projects aim at harnessing the local and/or overseas experience and knowledge and injecting novel solutions and elements to tackle local challenges on remote countryside conservation and revitalisation of the site under application (see Note 8 to (c) above). Each RA project is generally subject to a funding limit of \$3 million and a duration limit of 3 years (see Photograph 4 for an example of an RA project); and

Photograph 4

**RA project:
Developing a community-led model in countryside revitalisation**



Source: CCO records

(e) ***Proactive Conservation Projects (hereinafter referred to as PC projects).***

This is a new project type introduced under CCFS in February 2023, with a view to deepening the sustainable conservation and revitalisation efforts for the countryside. Different from the above 4 project types under which projects are initiated by NPOs, PC projects are initiated by CCO in collaboration with relevant government bureaux/departments (B/Ds) to proactively identify sites worthy of conservation, and implement targeted conservation work. PC projects would be run by NPOs, selection of which follows the established procurement and tendering procedures of the Government. Each PC project is generally subject to a funding limit of \$15 million and a duration limit of 1 to 3 years.

1.7 ***Approval and disbursement of grants under CCFS.*** Since the launch of CCFS in October 2019 and up to October 2023, 87 applications had been received from NPOs, of which 44 applications had been approved with approved grants of \$222 million (see Table 1), as follows:

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- (a) \$139 million (63 %) had been granted to 12 applications under MA projects (see para. 1.6(a));
- (b) \$19 million (8 %) had been granted to 7 applications under BH projects (see para. 1.6(b));
- (c) \$13 million (6 %) had been granted to 5 applications under CR projects (see para. 1.6(c)); and
- (d) \$51 million (23 %) had been granted to 20 applications under RA projects (see para. 1.6(d)).

As of October 2023, of the total approved grants of \$222 million, \$123 million (55 %) had been disbursed to the grantees (i.e. the successful applicants). In addition, in September 2023, CCO's proposal of the first PC project was supported by the Advisory Committee on Countryside Conservation (ACCC — see para. 1.10). This PC project relates to the provision of proactive habitat management and related services at Sha Lo Tung with the tender closing date of 11 January 2024.

Table 1

**Approved and disbursed grants under CCFS by project types
(October 2019 to October 2023)**

Project type	Application		Grant amount	
	Received (No.)	Approved (No.)	Approved (\$ million)	Disbursed (\$ million)
MA	18 (21 %)	12 (27 %)	139 (63 %)	73 (59 %)
BH	11 (12 %)	7 (16 %)	19 (8 %)	12 (10 %)
CR	12 (14 %)	5 (11 %)	13 (6 %)	8 (7 %)
RA	46 (53 %)	20 (46 %)	51 (23 %)	30 (24 %)
Total	87 (100 %)	44 (100 %)	222 (100 %)	123 (100 %)

Source: CCO records

1.8 *Monitoring of approved projects and funding disbursement under CCFS.*

For monitoring of approved projects and funding disbursement under CCFS, CCO adopts the following mechanism:

- (a) successful applicants are required to enter into contractual agreements with the Government, which set out terms and conditions for the grants;
- (b) a kick-off meeting with the grantee is conducted at the commencement of the project to facilitate the grantee to better understand the approval conditions and deliverable requirements, devise the work plan, and advise on how the key data for the key performance indicators (introduced with effect from early 2023) are to be collected throughout the project implementation period;
- (c) scheduled and surprise inspections are carried out to examine the progress and achievements of the projects;
- (d) grantees are required to carry out the projects in accordance with the requirements and conditions set out in the approval letter, with submission of inception reports, progress reports, completion reports and audited accounts. Any change to the project must be approved in advance by CCO; and
- (e) funding disbursements are subject to the progress and satisfactory performance of the projects. The final payment will only be disbursed upon satisfactory completion of the project and checking of all reports and audited accounts submitted.

Minor improvement works

1.9 CCO explores and coordinates the implementation of suitable minor improvement works for public facilities in remote countryside, and priority will be given to the areas with conservation value. Examples of minor improvement works include providing or improving footpaths and trails, public lightings, public toilets, sewage treatment facilities, waste recycling facilities as well as watercourse management. Funding for these minor improvement works will be sought according to the established government procedures for block allocation under the Capital Works Reserve Fund. According to CCO, as of October 2023, there were 10 minor

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improvement works projects (2 completed and 8 under implementation) with a total approved project estimate of \$73.4 million and actual expenditure of \$6.7 million (see Photograph 5 for an example of completed minor improvement works project).

Photograph 5

**Completed minor improvement works project:
Improvement works to a footpath with ancillary facilities linking Lai Chi Wo
with Mui Tsz Lam and Kap Tong**



Legend: — — — Footpath

Source: CCO records

Committee and subcommittee

1.10 **ACCC.** ACCC was set up in July 2019 to advise on the priorities for conservation and revitalisation works proposals to be carried out by CCO, as well as the policy and operational matters relating to the overall administration, operation and funding approach of CCFS. ACCC is chaired by the Secretary for Environment and Ecology and comprises scholars, professionals, rural/district stakeholders, representatives of green groups as well as representatives of relevant B/Ds. ACCC members are appointed by the Secretary for Environment and Ecology for a term of 2 years. The current term is from 1 July 2023 to 30 June 2025. As of October 2023,

ACCC comprised a chairperson, 14 non-official members and 3 ex-officio members (Note 9).

1.11 ***Vetting Subcommittee (VSC) of ACCC.*** To facilitate ACCC to consider CCFS applications, VSC was set up in October 2019 to vet CCFS applications and make recommendations for ACCC's consideration regarding the approval or rejection and the level of funding as appropriate. The approval or otherwise of an application is entirely at the discretion of ACCC. Non-official members of ACCC are invited to join VSC for a term of 2 years. The current term is from 1 July 2023 to 30 June 2025. As of October 2023, VSC comprised a chairperson and 3 non-official members. VSC is further supported by the Assessment Panel (AP — Note 10). All eligible CCFS applications received will first be assessed by AP. The initial assessments and recommendations of AP will then be submitted to VSC for discussion.

Audit review

1.12 In November 2023, the Audit Commission (Audit) commenced a review of the work of CCO. The audit review has focused on the following areas:

- (a) administration of CCFS (PART 2);
- (b) administration of minor improvement works (PART 3); and
- (c) other related issues (PART 4).

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

Note 9: *The 3 ex-officio members are the Permanent Secretary for Environment and Ecology (Environment), the Permanent Secretary for Development (Works) and the Director of Agriculture, Fisheries and Conservation or their representatives.*

Note 10: *AP comprises members from CCO and relevant government departments (e.g. the Agriculture, Fisheries and Conservation Department), depending on the need for assessing the applications.*

General response from the Government

1.13 The Secretary for Environment and Ecology thanks Audit for conducting the audit review on the work of CCO and agrees with the audit recommendations. He has said that CCO will take follow-up actions and improvement measures as appropriate.

Acknowledgement

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

PART 2: ADMINISTRATION OF COUNTRYSIDE CONSERVATION FUNDING SCHEME

2.1 This PART examines CCO’s work in the administration of CCFS, focusing on:

- (a) processing of applications (paras. 2.2 to 2.16);
- (b) disbursements of funds (paras. 2.17 to 2.23); and
- (c) monitoring of approved projects (paras. 2.24 to 2.33).

Processing of applications

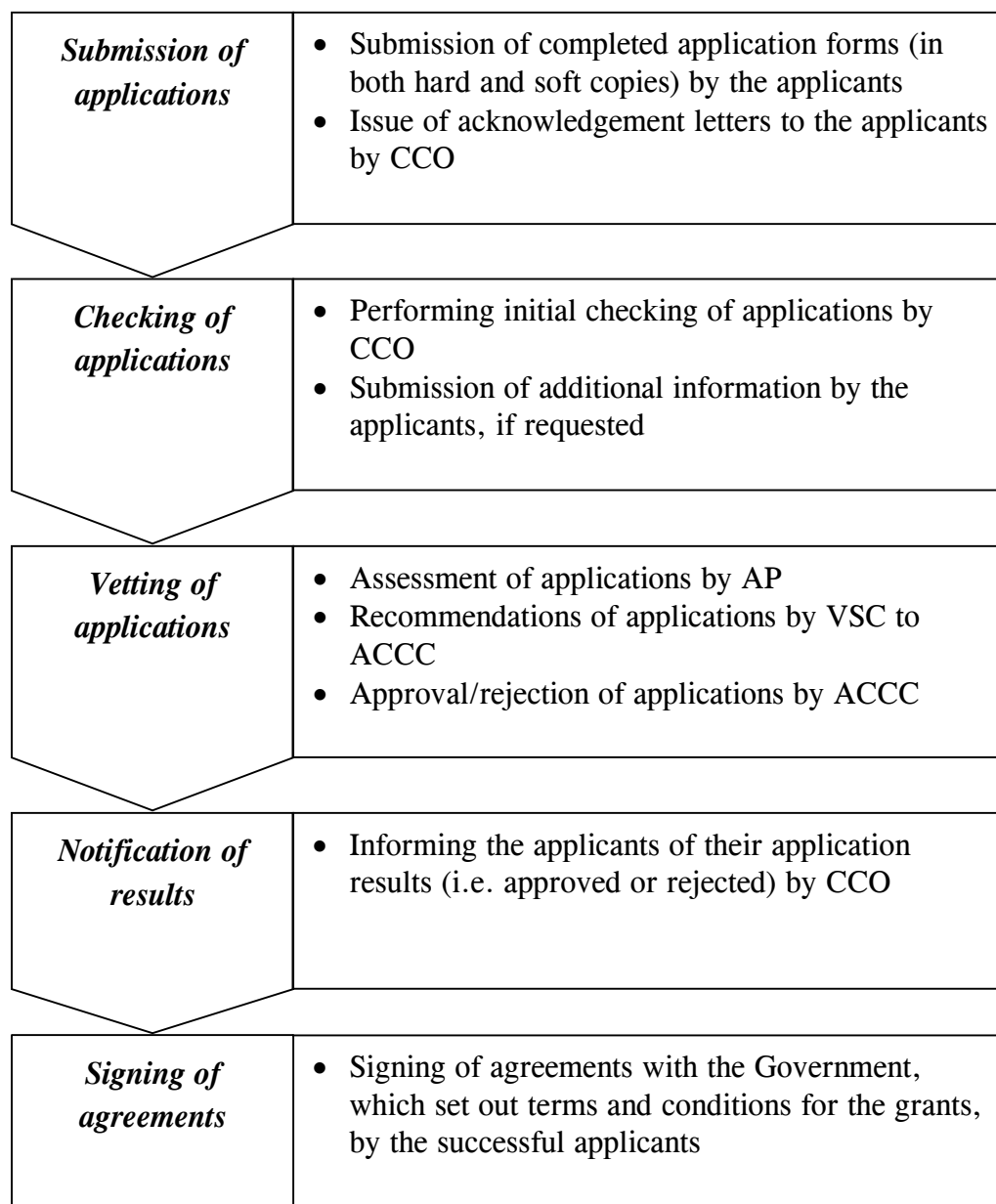
2.2 The “Guide to Application” published by CCO sets out the application and vetting procedures for CCFS applications. It also provides guidance on funding applications for MA projects, BH projects, CR projects and RA projects under CCFS, and sets out the key requirements and responsibilities for applicants. For the processing of CCFS applications and monitoring of approved projects, CCO follows its internal “Procedural Guidelines”. According to CCO:

- (a) CCFS applications (except PC projects — see para. 1.6(e)) are accepted all year round and processed by batches (i.e. rounds of application assessments) by CCO every year;
- (b) to assist NPOs to have better understanding of CCFS including the objectives, application procedures, vetting criteria/mechanism, performance monitoring and disbursement arrangement, CCO will organise briefing session for each round of application assessment, and the briefing materials will be uploaded onto CCO’s webpage for public information; and
- (c) with effect from early 2023, CCO has required CCFS applicants to propose project-specific key performance indicators for CCO’s consideration in order to keep track of the progress of CCFS implementation more effectively.

2.3 *General procedures for processing CCFS applications.* Upon receipt of CCFS applications, CCO will send acknowledgement letters to the applicants and perform initial checking to ensure that all necessary supporting documents have been submitted. The applicants may be requested to provide additional information. All eligible CCFS applications received will first be assessed by AP according to the assessment criteria set out in the “Guide to Application”. The assessment summaries of AP will then be submitted to VSC. The applicants may be invited to VSC meetings to present their applications and answer enquiries. VSC will discuss the applications and make recommendations to ACCC for consideration of the applications and the funding amount, as appropriate. The approval or otherwise of an application is entirely at the discretion of ACCC. CCO will inform the applicants of their application results. For each approved project, the applicant has to sign an agreement with the Government and comply with all the terms and conditions of the agreement. For rejected applications, CCO will inform the applicants of the reasons of rejection and offer to arrange debriefings for them about the weaknesses and strengths of their proposals if required. An overview of the general procedures for processing CCFS applications is shown in Figure 1.

Figure 1

General procedures for processing CCFS applications



Source: CCO records

2.4 ***Safeguarding national security.*** The Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region (National Security Law) was implemented on 30 June 2020. In September 2022:

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- (a) CCO revised the “Guide to Application” to incorporate guidelines and requirements relating to the safeguarding of national security to all applications and projects under CCFS, including, among others:
- (i) the Government reserves the right to disqualify an application on the grounds that the applicant has engaged, is engaging, or is reasonably believed to have engaged or be engaging in acts or activities that are likely to cause or constitute the occurrence of offences endangering national security or otherwise the exclusion is necessary in the interest of national security, or is necessary to protect the public interest of Hong Kong, public morals, public order or public safety; and
 - (ii) the Government may immediately terminate funding granted to a project upon the occurrence of any of the following events:
 - the organisation has engaged or is engaging in acts or activities that are likely to constitute or cause the occurrence of offences endangering national security or which would otherwise be contrary to the interest of national security;
 - the continued engagement of the organisation/contractor or the continued performance of the project is contrary to the interest of national security; or
 - the Government reasonably believes that any of the events mentioned above is about to occur; and
- (b) CCO issued letters to those NPOs implementing approved projects under CCFS to officially advise and remind them that all acts and activities performed under the approved projects should comply with the laws of Hong Kong and the above revisions to the “Guide to Application”.

2.5 Since the launch of CCFS in October 2019 and up to October 2023, CCO received a total of 87 CCFS applications (see Table 1 in para. 1.7) and conducted 8 rounds of application assessments. As of October 2023, of the 87 CCFS applications received:

- (a) 44 (51 %) applications were approved;
- (b) 34 (39 %) applications were rejected;
- (c) 5 (6 %) applications were withdrawn by the applicants (Note 11); and
- (d) 4 (4 %) applications were being processed.

Scope for setting further timeframes for processing CCFS applications

2.6 According to the “Guide to Application”, the application and approval processes under CCFS will normally be completed within six months after the cut-off date of application. For the 78 applications processed (i.e. 44 approved and 34 rejected applications — see para. 2.5(a) and (b)) by CCO from October 2019 to October 2023, their processing was completed within the six-month timeframe (ranging from 66 to 155 days, averaging 116 days) (Note 12). However, Audit noted that CCO did not set timeframe relating to notifying the applicants of the application results after the approval/rejection by ACCC. For the 78 applications processed, it took 8 to 83 days (averaging 30 days) to notify the applicants of the application results after the approval/rejection by ACCC.

2.7 In Audit’s view, CCO needs to consider setting further timeframes for processing CCFS applications (e.g. notifying the applicants of the application results after the approval/rejection by ACCC).

High rejection rates of applications for CR projects and RA projects

2.8 Audit noted that, from October 2019 to October 2023, 34 CCFS applications were rejected, representing 44 % of the 78 applications processed (i.e. 44 approved and 34 rejected applications — see para. 2.5(a) and (b)) by CCO.

Note 11: *According to CCO, these applications were withdrawn by the applicants prior to the assessment by ACCC due to, for example, change of applicant’s strategy.*

Note 12: *The processing time of all applications is counted from the cut-off date of application to the date of approval/rejection by ACCC.*

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The rejection rates of applications for the 4 project types (MA, BH, CR and RA) varied from 29% to 55%. The rejection rates for applications under CR projects (55%) and RA projects (50%) were particularly high.

2.9 While CCO had informed the applicants of the reasons of rejection (see para. 2.3), as far as could be ascertained, there was no documentary evidence showing that CCO had analysed the reasons of rejection. In view of the high rejection rates of 55% and 50% for CR projects and RA projects respectively, there is merit for CCO to consider analysing the reasons for rejecting CCFS applications and take follow-up actions as needed with a view to better facilitating applicants in making applications meeting CCFS's requirements.

Scope for enhancing CCFS database and e-submission options

2.10 According to CCO, to monitor the processing of CCFS applications and the progress of approved projects, in June 2023, CCO soft launched the CCFS database (information captured included submission status of project documents by the grantees (see para. 2.17) and overdue cases for such submissions).

2.11 Audit noted that:

- (a) e-application forms (Note 13) for CCFS applications (Note 14) had been introduced since October 2023. However, as of February 2024, the data on the e-application forms could not be automatically transferred to the CCFS database. According to CCO, this was because the CCFS database

Note 13: *The e-application forms include features such as validation checks to reduce typing errors and missing inputs.*

Note 14: *In November 2020, the Environmental Protection Department commissioned a review team to conduct a study on CCFS with an objective to replicate those good practices of the Environment and Conservation Fund (see Note 6 to para. 1.6(a)) to CCFS where applicable. The review study was completed in April 2021 and made 16 recommendations. One of the recommendations was to provide e-submission option for the submission of applications to reduce inputting effort and minimise data inputting error. According to CCO, all recommendations had been implemented by September 2023.*

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was still being enhanced to allow such automatic transfer and this function was undergoing user acceptance test as of February 2024; and

- (b) according to the “Guide to Application”, as of February 2024, applicants were required to submit the application forms in both hard and soft copies. According to CCO, the CCFS database would be further enhanced to provide an enabling environment for supporting e-submission of CCFS applications. CCO would keep in view the policy initiative for the provision of “iAM Smart” (Note 15) digital authentication platform for business.

2.12 In Audit’s view, CCO needs to:

- (a) early complete the enhancement of the CCFS database relating to the automatic transfer of data on the e-application forms to the CCFS database (see para. 2.11(a)); and
- (b) continue to explore measures to enhance the e-submission options for making CCFS applications with a view to better facilitating applicants in making applications (e.g. e-submission of applications).

Guidelines for the administration of PC projects not set out in “Procedural Guidelines”

2.13 Audit noted that while PC project type was introduced in February 2023 (see para. 1.6(e)), as of October 2023, the “Procedural Guidelines” did not set out guidelines for the administration of PC projects.

2.14 In Audit’s view, CCO needs to take measures to ensure that CCFS’s guidelines are complete and up-to-date (including incorporating guidelines for the administration of PC projects into the “Procedural Guidelines”).

Note 15: *“iAM Smart” allows users to perform authentication through mobile phones or website services and log in for using the online services of different government departments and commercial organisations.*

Audit recommendations

2.15 Audit has *recommended* that the Secretary for Environment and Ecology should:

- (a) consider setting further timeframes for processing CCFS applications (e.g. notifying the applicants of the application results after the approval/rejection by ACCC);
- (b) consider analysing the reasons for rejecting CCFS applications and take follow-up actions as needed with a view to better facilitating applicants in making applications meeting CCFS's requirements;
- (c) early complete the enhancement of the CCFS database relating to the automatic transfer of data on the e-application forms to the CCFS database;
- (d) continue to explore measures to enhance the e-submission options for making CCFS applications with a view to better facilitating applicants in making applications (e.g. e-submission of applications); and
- (e) take measures to ensure that CCFS's guidelines are complete and up-to-date (including incorporating guidelines for the administration of PC projects into the "Procedural Guidelines").

Response from the Government

2.16 The Secretary for Environment and Ecology agrees with the audit recommendations. He has said that:

- (a) CCO will consider setting further timeframe for notifying the applicants of the application results, and incorporating the same into the "Guide to Application" as appropriate;

- (b) the CCFS database will be further enhanced to collect and analyse the reasons for rejecting CCFS applications. CCO will make continued efforts and explore further measures to facilitate applicants in making applications meeting CCFS's requirements;
- (c) CCO will endeavour to complete the enhancement of the CCFS database relating to the automatic transfer of data on the e-application forms to the CCFS database as soon as possible;
- (d) CCO will keep in view the policy initiative for the provision of "iAM Smart" digital authentication platform for business, and will further enhance the CCFS database to facilitate the e-submission of CCFS applications; and
- (e) CCO will regularly review CCFS's guidelines to ensure that they are up-to-date.

Disbursements of funds

2.17 *Submission of project documents.* According to the "Guide to Application", during the project period, grantees are required to submit a number of project documents, as follows:

- (a) *Inception reports.* The grantee should submit an inception report to CCO within one month after the commencement of the project;
- (b) *Progress reports (together with statements of accounts and annual audited accounts, if applicable).* The grantee should submit a half-yearly progress report and a statement of accounts to CCO within two months after completion of the 6-month reporting period (or before the date specified in the agreement). For project receiving a grant of more than \$300,000 and lasting more than 18 months, the grantee is also required to submit an annual audited accounts every 12 months; and
- (c) *Completion reports (together with final audited accounts).* Within two months after completion of the project (or before the date specified in the agreement), the grantee should submit a completion report and a final audited accounts to CCO.

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2.18 **Disbursements of funds.** According to the “Guide to Application”, the approved grants are, in general, disbursed as follows:

- (a) **Initial disbursements.** The initial disbursement shall normally lie between 25% and 50% of the approved grant. With effect from August 2021, the first part of the initial disbursement has been capped at 25% of the approved grant. Upon receiving the confirmation by the grantee for complying with all conditions of the approved projects and “Guide to Application” (i.e. signing of the agreement with the Government), CCO will arrange to release the first part of the initial disbursement. The second part (i.e. the remaining part) of the initial disbursement will be released upon CCO’s acceptance of the inception report;
- (b) **Interim disbursements.** Disbursement of the approved grant, other than the initial and final disbursements, will normally be divided equally by the number of half-yearly progress reports required. Interim disbursements may be released subject to the endorsement of the progress reports and statements of accounts and/or annual audited accounts normally within two months (Note 16); and
- (c) **Final disbursements.** The final disbursement (i.e. 10% of the approved grant) will normally only be released after completion of the project, subject to completion of all project deliverables and satisfactory performance of the project, and submission of a completion report together with final audited accounts to the satisfaction of CCO.

2.19 As of October 2023, of the 44 approved CCFS projects with total approved grants of \$222 million (see Table 2):

Note 16: *According to CCO: (a) after the first submission of the progress reports and statements of accounts and/or annual audited accounts by the grantees, CCO will conduct rounds of checking and enquiry on the submitted documents; (b) when CCO has no further comments on the submitted documents, CCO will require the grantees to submit a final version of the progress reports and statements of accounts and/or annual audited accounts; and (c) the timeframe of two months is counted from the date of submission of the final version of the documents (i.e. regarded as the date of endorsement of documents by CCO) to the date of disbursement.*

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- (a) 25 (57%) projects had commenced and were in progress. The total approved grants for these projects was \$137 million, of which \$58 million (42%) had been disbursed to the grantees; and
- (b) 19 (43%) projects had been completed. The total approved grants for these projects was \$85 million, of which \$65 million (76%) had been disbursed to the grantees.

Table 2

Disbursement of approved grants under CCFS (October 2023)

Project type	Approved project		Grant amount	
	Total (No.)	With disbursement (No.)	Approved (\$ million)	Disbursed (\$ million)
<i>In progress</i>				
MA	7	6 (86%)	86	36 (42%)
BH	4	4 (100%)	12	6 (50%)
CR	2	2 (100%)	6	2 (33%)
RA	12	12 (100%)	33	14 (42%)
Sub-total (a)	25	24 (96%)	137	58 (42%)
<i>Completed</i>				
MA	5	5 (100%)	53	37 (70%)
BH	3	3 (100%)	7	6 (86%)
CR	3	3 (100%)	7	6 (86%)
RA	8	8 (100%)	18	16 (89%)
Sub-total (b)	19	19 (100%)	85	65 (76%) (Note)
Total (c) = (a) + (b)	44	43 (98%)	222	123 (55%)

Source: CCO records

Note: According to CCO, the less than 100% disbursement rate for some completed projects was mainly due to, for example, disbursements under processing, completion reports and final audited accounts not yet submitted, being revised or under checking, and actual spending less than the approved grant.

Scope for improvement in releasing disbursements to grantees

2.20 Audit noted that there was scope for improvement in releasing disbursements to grantees, as follows:

- (a) ***Timeframe for releasing interim disbursements to grantees not met in some cases.*** From October 2019 to October 2023, CCO received applications for 70 interim disbursements, of which:
 - (i) 55 (79%) interim disbursements had been released to the grantees. For 19 (35%) of the 55 interim disbursements, the disbursements were not released within the two-month timeframe (see para. 2.18(b)), with delays ranging from 0.1 to 5.6 months (averaging 1.5 months); and
 - (ii) 15 (21%) interim disbursements were under processing as of October 2023. For 7 (47%) of the 15 interim disbursements, the grantees had submitted the final version (i.e. after CCO's checking of the submission and CCO had no further comments — see Note 16 to para. 2.18(b)) of progress reports and statements of accounts and/or annual audited accounts over 2 months ago, ranging from 2.2 to 5 months (averaging 3.4 months);
- (b) ***No timeframe set for releasing the initial and final disbursements.*** While CCO had set timeframe for releasing interim disbursements to the grantees, it had not set timeframe for releasing initial and final disbursements to the grantees. Audit noted that long time was taken to release the initial and final disbursements to some grantees, as follows:
 - (i) ***Initial disbursements.*** With effect from August 2021, the grantee of an approved project is required to submit an inception report to CCO. The first part of the initial disbursement will be released upon signing of the agreement with the Government while the second part of the initial disbursement will be released upon CCO's acceptance of the inception report (see para. 2.18(a)). The initial disbursements for 27 projects approved between August 2021 and October 2023 were as follows:

- ***First part of the initial disbursement.*** For 26 (96%) of the 27 projects, the first part of the initial disbursement was released 10 to 153 days (averaging 50 days) after the grantees signed the agreements with the Government. For the remaining project, as of October 2023, the first part of the initial disbursement was under processing and the grantee had signed the agreement with the Government 21 days ago. According to CCO, the release of the initial disbursement to each grantee took into consideration the project commencement date, the projected cash flow requirement and the nature of the project in order to mitigate the risk of not commencing the project originally committed by the grantee; and
 - ***Second part of the initial disbursement.*** As of October 2023, for 23 of the 26 projects with the first part of the initial disbursement released, the grantees had submitted the final version of inception reports to CCO. For 21 (91%) of these 23 projects, the second part of the initial disbursement was released 10 to 66 days (averaging 35 days) after the grantees submitted the final version of inception reports to CCO. For the remaining 2 projects, as of October 2023, the second part of the initial disbursement was under processing and the 2 grantees had submitted the final version of inception reports to CCO 32 and 33 days ago respectively; and
- (ii) ***Final disbursements.*** As of October 2023, for 7 of the 19 completed projects, the grantees had submitted the final version of completion reports and final audited accounts to CCO. For 4 (57%) of the 7 completed projects, the final disbursements were released 7 to 120 days (averaging 81 days) after the grantees submitted the final version of completion reports and final audited accounts to CCO. For the remaining 3 projects, as of October 2023, the final disbursements were under processing and the 3 grantees had submitted the final version of completion reports and final audited accounts to CCO 20 to 82 days (averaging 57 days) ago; and

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- (c) ***Long time taken in endorsement of some project documents submitted by grantees.*** From October 2019 to October 2023, the grantees submitted 151 project documents (e.g. inception reports, progress reports and completion reports) for CCO's endorsement, of which:
 - (i) 120 (79%) project documents were endorsed 13 to 523 days (averaging 106 days) after the first submission of project documents by the grantees; and
 - (ii) 31 (21%) project documents were under checking by CCO as of October 2023 with the first submission of project documents by the grantees 0 to 399 days ago (averaging 168 days).

2.21 In Audit's view, CCO needs to:

- (a) take measures to ensure that disbursements are released to the grantees within the timeframe set by CCO;
- (b) consider setting timeframe for releasing the initial and final disbursements to the grantees; and
- (c) ascertain the reasons for the cases taking long time in endorsement of project documents submitted by the grantees and take measures to address the matter with a view to early completing the funding disbursement process.

Audit recommendations

2.22 **Audit has *recommended* that the Secretary for Environment and Ecology should:**

- (a) **take measures to ensure that disbursements are released to the grantees within the timeframe set by CCO;**
- (b) **consider setting timeframe for releasing the initial and final disbursements to the grantees; and**

- (c) **ascertain the reasons for the cases taking long time in endorsement of project documents submitted by the grantees and take measures to address the matter with a view to early completing the funding disbursement process.**

Response from the Government

2.23 The Secretary for Environment and Ecology agrees with the audit recommendations. He has said that CCO will:

- (a) enhance monitoring on disbursement and provide more guidance to the grantees to facilitate them in making submissions meeting the established requirements for enabling disbursements to be released on time;
- (b) review and set timeframe for releasing the initial and final disbursements to the grantees as appropriate; and
- (c) step up efforts to conduct regular analysis on overdue cases and provide further facilitation to the grantees in making submissions meeting the established requirements for enabling disbursements to be released on time.

Monitoring of approved projects

Need to ensure the timely submission of project documents by grantees

2.24 According to the “Guide to Application”, grantees are required to submit a number of project documents by the scheduled deadlines (see para. 2.17), and reminders will be issued according to the “Procedural Guidelines”, as follows:

- (a) reminders will be issued to the grantees with reporting period ending in three weeks for submission of progress reports, completion reports and financial documents by the scheduled deadlines;

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- (b) if the grantees do not submit the progress reports, completion reports or financial documents three weeks after the scheduled deadlines without providing any sound reasons, CCO will issue a second reminder and/or request for an explanation for the delay; and
- (c) the scheduled and actual dates of submission of progress reports, completion reports and financial documents will be recorded in the CCFS database for monitoring purpose.

2.25 From October 2019 to October 2023, there were 25 inception reports, 116 progress reports (together with statements of accounts and annual audited accounts, if applicable) and 17 completion reports (together with final audited accounts) due for submission for approved projects under CCFS. Audit noted that, as of October 2023:

- (a) ***Inception reports.*** Of the 25 inception reports due for submission:
 - (i) 10 (40%) were submitted 1 to 26 days (averaging 11 days) after the due date; and
 - (ii) 15 (60%) were submitted by the due date;
- (b) ***Progress reports (together with statements of accounts and annual audited accounts, if applicable).*** Of the 116 progress reports (together with statements of accounts and annual audited accounts, if applicable) due for submission:
 - (i) 6 (5%) had not been submitted, which had been overdue for 61 to 200 days (averaging 84 days);
 - (ii) 37 (32%) were submitted 1 to 169 days (averaging 45 days) after the due date; and
 - (iii) 73 (63%) were submitted by the due date;

- (c) ***Completion reports (together with final audited accounts).*** Of the 17 completion reports (together with final audited accounts) due for submission:
 - (i) 5 (30%) had not been submitted and had been overdue for 61 days;
 - (ii) 6 (35%) were submitted 8 to 160 days (averaging 46 days) after the due date; and
 - (iii) 6 (35%) were submitted by the due date;
- (d) ***First reminders issued to grantees.*** Of the 133 project documents (i.e. progress reports, completion reports and financial documents (116 + 17 — see (b) and (c) above)), there were delays in issuing the first reminders to the grantees for submission of 61 (46%) project documents (ranging from 1 to 80 days (averaging 16 days) — see para. 2.24(a)), and no reminders had been issued to the grantees for submission of 9 (7%) project documents; and
- (e) ***Second reminders issued to grantees.*** CCO did not set timeframe for the issue of the second reminders to the grantees. For 5 project documents not submitted to CCO within three weeks after the scheduled deadlines (see para. 2.24(b)), CCO did not issue any second reminders to the grantees. According to CCO, its staff will follow up the outstanding submissions with the grantees by various means (e.g. email and telephone call).

2.26 In this connection, according to CCO, regarding the project documents submitted by the grantees of approved projects, regular management reports highlighting overdue cases had been generated from the CCFS database (see para. 2.10) since September 2023. However, Audit noted that:

- (a) information on the follow-up actions taken on the overdue cases (e.g. date of issuing reminders) was not incorporated in such management reports; and
- (b) there was no readily available analysis on the reasons for the late submission of project documents by the grantees.

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2.27 In Audit's view, CCO needs to:

- (a) strengthen measures (e.g. issuing reminders to the grantees for submission of project documents in accordance with CCFS's guidelines) to ensure that the grantees submit project documents by the required due dates;
- (b) consider setting timeframe for the issue of the second reminders to the grantees for submission of project documents;
- (c) incorporate the information on the follow-up actions taken on the overdue cases relating to submission of project documents by the grantees of approved projects (e.g. date of issuing reminders) in the regular management reports for monitoring purpose; and
- (d) ascertain the reasons for the late submission of project documents by the grantees and take measures as needed with a view to ensuring the timely submission of project documents.

Scope for improvement in conducting inspections

2.28 According to the "Procedural Guidelines":

- (a) for monitoring purposes, at least one inspection should be conducted every 6 months in the course of each project (Note 17); and
- (b) an inspection report should be prepared by the inspecting officer within one month after the inspection.

2.29 From October 2019 to October 2023, CCO conducted 149 inspections for 41 approved projects (Note 18). Audit noted that:

Note 17: *According to CCO, scheduled and surprise inspections are carried out to examine the progress and achievements of the projects. With effect from July 2023, CCO has been conducting at least one surprise inspection for each project annually.*

Note 18: *As of October 2023, 3 of the 44 approved projects commenced for less than 6 months and no inspection was needed (see para. 2.28(a)).*

- (a) ***Required frequency of inspections not met for some projects.*** For 15 (37%) of the 41 approved projects, CCO did not conduct at least one inspection every 6 months (involving a total of 22 inspections) (see para. 2.28(a));
- (b) ***Delays in preparation of some inspection reports.*** For 28 (19%) of the 149 inspections, inspection reports were not prepared within one month after the inspections (see para. 2.28(b)), with delays ranging from 0.1 to 7.9 months (averaging 1.6 months); and
- (c) ***Management information on findings from inspections not compiled.*** While observations noted during inspections were recorded in inspection reports, CCO did not regularly compile management information on the nature and seriousness of irregularities found during inspections and the follow-up actions taken for monitoring purpose.

2.30 In March 2024, CCO informed Audit that:

- (a) the requirement of conducting at least one inspection every 6 months could not be met (see para. 2.29(a)) mainly because of the outbreak of coronavirus disease (COVID-19) from 2020 to 2022; and
- (b) e-inspection report had been introduced since October 2023. However, as of February 2024, the data on the e-inspection reports could not be automatically transferred to the CCFS database as the CCFS database was still being enhanced to allow such automatic transfer, and this function was undergoing user acceptance test. Upon completion of the user acceptance test, related management information on inspection results would be generated by the CCFS database periodically or on an ad-hoc basis.

2.31 In Audit's view, CCO needs to:

- (a) take measures to ensure that the required frequency of inspections for approved projects is met;
- (b) take measures to ensure that inspection reports are timely prepared in accordance with CCFS's guidelines; and

- (c) early complete the enhancement of the CCFS database relating to the automatic transfer of data on the e-inspection reports to the CCFS database (see para. 2.30(b)) with a view to compiling regular management information on the observations noted during inspections for approved projects and the follow-up actions taken for monitoring purpose.

Audit recommendations

2.32 **Audit has *recommended* that the Secretary for Environment and Ecology should:**

- (a) **strengthen measures (e.g. issuing reminders to the grantees for submission of project documents in accordance with CCFS's guidelines) to ensure that the grantees submit project documents by the required due dates;**
- (b) **consider setting timeframe for the issue of the second reminders to the grantees for submission of project documents;**
- (c) **incorporate the information on the follow-up actions taken on the overdue cases relating to submission of project documents by the grantees of approved projects (e.g. date of issuing reminders) in the regular management reports for monitoring purpose;**
- (d) **ascertain the reasons for the late submission of project documents by the grantees and take measures as needed with a view to ensuring the timely submission of project documents;**
- (e) **take measures to ensure that the required frequency of inspections for approved projects is met;**
- (f) **take measures to ensure that inspection reports are timely prepared in accordance with CCFS's guidelines; and**
- (g) **early complete the enhancement of the CCFS database relating to the automatic transfer of data on the e-inspection reports to the CCFS database with a view to compiling regular management information on**

the observations noted during inspections for approved projects and the follow-up actions taken for monitoring purpose.

Response from the Government

2.33 The Secretary for Environment and Ecology agrees with the audit recommendations. He has said that:

- (a) CCO will strengthen measures, including stepping up communication with the grantees, to ensure the timely submission of project documents;
- (b) CCO will consider setting timeframe for the issue of the second reminders to the grantees for submission of project documents;
- (c) the CCFS database will be further enhanced to incorporate the information on the follow-up actions taken on the overdue cases in the regular management reports, with analysis to ascertain the reasons for the late submission of project documents;
- (d) CCO will introduce additional measures to ensure compliance with the inspection requirements in CCFS's guidelines; and
- (e) CCO will endeavour to complete the enhancement of the CCFS database relating to the automatic transfer of data on the e-inspection reports to the CCFS database as soon as possible.

PART 3: ADMINISTRATION OF MINOR IMPROVEMENT WORKS

3.1 This PART examines CCO's work in the administration of minor improvement works (paras. 3.2 to 3.20).

Minor improvement works

3.2 In 2017, the Government earmarked \$500 million under the Capital Works Reserve Fund to implement minor improvement works projects for enhancing various public facilities in remote countryside. According to CCO:

- (a) it is the project proponent to explore and initiate minor improvement works in remote countryside in consultation with relevant B/Ds (e.g. the works agents and client departments), and priority will be given to the areas with conservation value;
- (b) it will act as the project coordinator to facilitate funding application (both project cost and recurrent cost) and work closely with relevant B/Ds for project delivery as well as negotiate with B/Ds concerned for addressing any issue identified;
- (c) based on the nature of the minor improvement works, the minor improvement works projects will be funded under different block votes under the Capital Works Reserve Fund controlled by relevant B/Ds; and
- (d) it will act as the works agent for some minor improvement works projects and monitor their implementation. It will also coordinate and monitor the implementation of minor improvement works projects for which relevant works departments act as the works agents.

3.3 According to CCO, as of October 2023, there were 10 minor improvement works projects with a total approved project estimate of \$73.4 million (see Table 3), as follows:

- (a) 2 projects related to works in Lai Chi Wo had been completed;
- (b) 4 projects related to works in Lai Chi Wo were in progress; and
- (c) 4 projects related to works in Sha Lo Tung were at planning stage.

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Table 3

Minor improvement works projects (October 2023)

Nature (Note 1)	Project (No.)	Approved project estimate (\$ million)	Actual expenditure (\$ million)
Minor building works	3 (Note 2)	47.3	2.1
Drainage works, studies and investigations	1 (Note 3)	4.8	0.7
Environmental works, studies and investigations	6 (Note 4)	21.3	3.9
Total	10	73.4	6.7

Source: CCO records

Note 1: The block votes include: (a) block vote for minor building works (Head 703 (Buildings), Subhead 3101GX); (b) block vote for drainage works, studies and investigations (Head 704 (Drainage), Subhead 4100DX); and (c) block vote for environmental works, studies and investigations (Head 705 (Civil Engineering), Subhead 5101DX). The approving limits of these block votes under the Permanent Secretaries and Directors concerned are \$50 million and \$33 million for each project respectively.

Note 2: The projects were funded under the block vote for minor building works (Subhead 3101GX) and comprised: (a) 1 project in progress (construction of a smart public toilet in Lai Chi Wo); and (b) 2 projects at planning stage (improvement works to village aqua privy and construction of visitor facilities cum management office in Sha Lo Tung).

Note 3: The project was funded under the block vote for drainage works, studies and investigations (Subhead 4100DX) and involved consultancy for design and construction of a sewerage infrastructure in Lai Chi Wo and was in progress.

Note 4: The projects were funded under the block vote for environmental works, studies and investigations (Subhead 5101DX) and comprised: (a) 2 completed projects (improvement works to a footpath and site and ground investigations and engineering surveys for a sewerage infrastructure in Lai Chi Wo); (b) 2 projects in progress (feasibility study and site survey of drainage improvements and farmland irrigation facilities in Lai Chi Wo); and (c) 2 projects at planning stage (repairing works to trails and technical study on pre-construction works for nature conservation facilities in Sha Lo Tung).

Number of and expenditure on minor improvement works projects at a low level

3.4 According to CCO, \$500 million earmarked funding will be used to carry out suitable minor improvement works in remote countryside. Audit noted that, as of October 2023 (i.e. about 5.3 years after the establishment of CCO in July 2018), there were only 10 minor improvement works projects (2 completed and 8 under implementation) with a total approved project estimate of \$73.4 million (i.e. 15% of \$500 million earmarked funding) and actual expenditure of \$6.7 million (9%) (see Table 3 in para. 3.3). In addition, the 10 minor improvement works projects were all related to 2 areas (i.e. Lai Chi Wo and Sha Lo Tung) only.

3.5 In February 2024, CCO informed Audit that:

- (a) since the establishment of CCO in July 2018, as remote countryside revitalisation was a new policy initiative in the Government, professional staff seconded from various works departments were required to familiarise themselves with the status of the basic infrastructure of remote villages, build up connection with the villagers, and identify key issues to be encountered for implementing minor improvement works; and
- (b) to implement minor improvement works at rural villages, CCO encountered different constraints, including accessibility, complicated land issues, diverse views from villagers and the availability of manpower resources.

3.6 In Audit's view, CCO needs to draw on the experience gained and step up efforts in implementing minor improvement works projects (e.g. identifying more suitable projects in various areas) with a view to enhancing public facilities in remote countryside.

Slippage of works for some minor improvement works projects

3.7 Regarding the 10 minor improvement works projects (see para. 3.3), Audit noted that:

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- (a) for the 2 completed projects, 1 project was completed 1.8 months after the target completion date; and
- (b) for the 8 projects under implementation:
 - (i) the works for 1 project commenced 2 months after the target works commencement date; and
 - (ii) as of January 2024, the works for 2 projects had not yet commenced and were 7 months (see paras. 3.10 to 3.13 for Audit's finding on this project) and 33 months (Note 19) behind their respective target works commencement dates.

3.8 In Audit's view, CCO needs to take measures to ensure the timely commencement and completion of minor improvement works projects.

Scope for improvement in the implementation of minor improvement works projects

3.9 Audit noted that there was scope for improvement in implementing 2 minor improvement works projects relating to:

- (a) the repairing works to trails in Sha Lo Tung (see paras. 3.10 to 3.13); and
- (b) construction of a smart public toilet in Lai Chi Wo (see paras. 3.14 to 3.18).

Note 19: *According to CCO, this project was related to improvement works to village aqua privy in Sha Lo Tung and the reasons for the delay were mainly: (a) revision in the works programme; and (b) subject to further review to dovetail with the overall planning and design of CCO's minor improvement works in Sha Lo Tung for meeting the objectives of several new policy initiatives (e.g. non-in-situ land exchange of Sha Lo Tung in July 2022, proactive conservation for Sha Lo Tung under the 2023 Policy Measures, and the set-up of an expert group to steer and provide expert advice on the way to conserve Sha Lo Tung).*

Need to early commence works for a minor improvement works project and early ascertain the management and maintenance responsibility for the related works after completion

3.10 In October 2022, a minor improvement works project was approved at a project estimate of \$10 million (Note 20). The project involved the repairing works to 2-kilometre long trails in Sha Lo Tung and the installation of information panels and totems to inform visitors of the high ecological value of Sha Lo Tung (hereinafter referred to as Project A). The works under Project A were targeted to commence in the second quarter of 2023 for completion in the fourth quarter of 2025. CCO acts as the works agent for Project A.

3.11 ***Commencement of works.*** Audit noted that, as of January 2024, Project A's works had not yet commenced and was 7 months behind the target works commencement date (i.e. the second quarter of 2023). According to CCO, Sha Lo Tung has been identified as a priority site for enhanced conservation in view of its high ecological significance. In order to ensure that the proposed repairing works would have no adverse impact to the ecology of Sha Lo Tung, CCO has taken considerable time for the design work (e.g. alignment of the trails and the materials to be used) and the consultations with the stakeholders prior to works commencement.

3.12 ***Management and maintenance responsibility of the trails after works completion.*** Audit noted that CCO took 6 months (from March to September 2023) to reach consensus with the Agriculture, Fisheries and Conservation Department (AFCD) on the management and maintenance responsibility of the trails in Sha Lo Tung after works completion. According to CCO:

- (a) there have been different views on the maintenance of the trails between CCO and AFCD at the initial stage. While CCO has continued with the pre-construction works (e.g. design, preparation of tender documents and consultation papers), CCO has also explored means and ways on how to maintain the trails in a cost-effective manner; and

Note 20: *The project was funded under the block vote for environmental works, studies and investigations (Subhead 5101DX).*

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- (b) consensus was reached between CCO and AFCD in September 2023 such that AFCD would conduct inspections whereas CCO would carry out the repairing works as identified by AFCD accordingly.

3.13 In Audit's view, CCO needs to:

- (a) early commence works for Project A; and
- (b) in implementing minor improvement works projects, early ascertain the management and maintenance responsibility for the related works after completion.

Need to draw on the experience gained in constructing a smart public toilet at remote countryside

3.14 According to CCO:

- (a) with the increasing popularity of Lai Chi Wo following various revitalisation efforts, the capacity of the existing public toilet could not meet the expanding visitors' demand. In order to cope with the growing number of visitors to Lai Chi Wo, promote smart and low carbon architecture, bring a new image to the countryside and better serve the public, CCO proposed to construct a new public toilet (later named as the Lai Chi Wo Eco-Smart Public Toilet) in Lai Chi Wo (hereinafter referred to as Project B); and
- (b) Project B would serve as a pilot project to upgrade the image of public toilet at remote countryside, and a number of smart facilities were introduced, including:
 - (i) ***Automatic sliding doors.*** Amidst the outbreak of COVID-19 and promoting smart image of the new public toilet under Project B, touchless design would be adopted to the doors of the toilet, which could be opened and locked by waving hands over the control panels, in order to ensure public hygiene and prevent the cross-infection of virus and germs; and

- (ii) *Air improvement photovoltaic (AIPV — Note 21) panels.* In pursuit of the net-zero carbon emission target in green buildings for promoting and improving Hong Kong's sustainable built environment set out in Hong Kong's Climate Action Plan 2050 promulgated in October 2021, CCO envisaged that Project B could achieve the Advancing Net Zero (Note 22) standard as defined by the World Green Building Council (Note 23) by installing AIPV panels as roof for harvesting renewable energy and allowing natural lighting. The power generated from AIPV panels would feed in to the power grid for offsetting the energy use of Project B during operational stage.

3.15 In September 2020, Project B was approved at a project estimate of \$8.5 million (Note 24), which was later increased by \$4.8 million to \$13.3 million (Note 25). The Architectural Services Department (ArchSD) acts as the works agent for Project B. The works commenced in September 2021 and were substantially

Note 21: *According to the “Guidebook for Innovative and Smart Technologies for Design, Construction, Operation and Maintenance of Government Buildings” issued by the Architectural Services Department in January 2024, AIPV is one of the renewable energy application on building. AIPV, for example, can: (a) be used to build canopies; (b) serve the dual function of canopy and power generator by replacing conventional canopy materials; and (c) provide additional functions such as air purification and disinfection.*

Note 22: *According to CCO: (a) Advancing Net Zero is one of the global projects of the World Green Building Council (see Note 23 to para. 3.14(b)(ii)), which aims to promote and support the acceleration of net-zero carbon emission buildings to 100% by 2050; and (b) as a phase target by 2030, all new buildings, infrastructure and renovations will have at least 40% less embodied carbon during construction stage and 100% net-zero carbon emission during operational stage.*

Note 23: *According to CCO, the World Green Building Council is an NPO and global network of national Green Building Councils. It has member councils in over 70 countries/regions worldwide.*

Note 24: *The project was funded under the block vote for minor building works (Subhead 3101GX).*

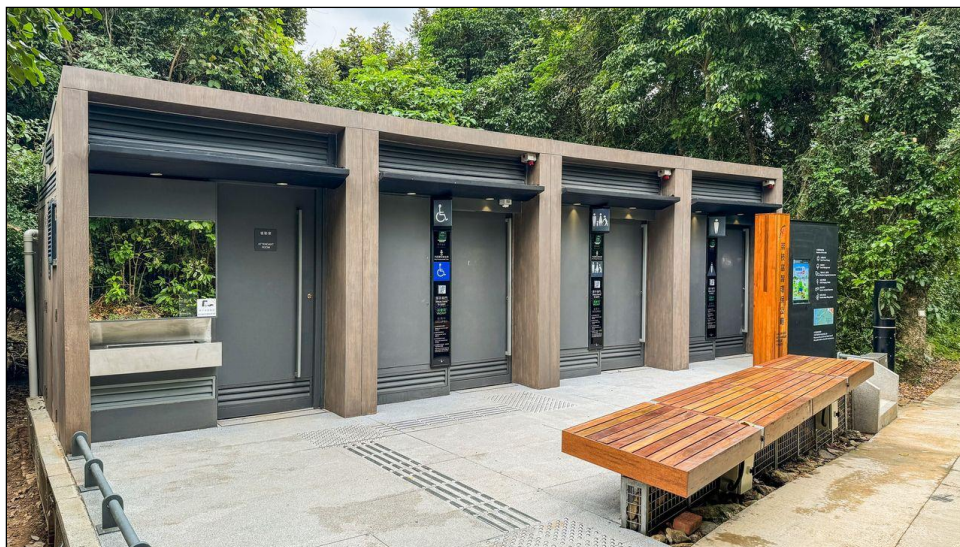
Note 25: *According to CCO, in view of the design enhancement to achieve high environmental design standard in answering to the call for decarbonisation in Hong Kong's Climate Action Plan 2050 and policy initiatives under the Chief Executive's 2017 Policy Address, smart facilities were adopted which attributed to the increase in project cost estimate.*

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completed in August 2023. In November 2023, the new public toilet was soft-launched for use by the public as a trial operation (Note 26) (see Photograph 6).

Photograph 6

**Lai Chi Wo Eco-Smart Public Toilet
(November 2023)**



Source: CCO records

3.16 According to CCO:

- (a) there were different views among the government departments concerned (including ArchSD (the works agent and maintenance department for builder's works) and the Food and Environmental Hygiene Department (FEHD — the operation department)) on Project B in the adoption of smart facilities (including the provision of automatic sliding doors and the

Note 26: *According to CCO, upon the substantial completion of Project B in August 2023, testing and commissioning were carried out on its smart facilities and installations to ensure proper functioning and safety, before Project B was soft-launched in November 2023.*

installation of AIPV panels) during the initial stage of the project implementation in August and September 2021 (Note 27); and

- (b) upon the announcement of Hong Kong's Climate Action Plan 2050 in October 2021, CCO further discussed with the government departments concerned regarding the reasons (e.g. a pilot project being showcased as low carbon and smart public facility in the countryside areas and the first Advancing Net Zero carbon emission building ever constructed in Hong Kong) of having smart facilities in the design of the new public toilet under Project B. Consensus was reached among the government departments concerned and the design was subsequently approved by FEHD working group (Note 28) meeting in October 2021.

3.17 Audit noted that after the commencement of trial operation of the new public toilet in November 2023:

- (a) ***Automatic door system disabled and sliding doors converted to fully manual operation.*** On 9 December 2023, a user was locked up inside the

Note 27: *ArchSD and FEHD expressed concerns about the provision of automatic sliding doors and the installation of AIPV panels, including: (a) manual-operated door would be preferred due to safety concern regarding user being trapped at the public toilet at remote location; (b) users might psychologically feel insecure with automatic sliding door and would tend to lock the door when they saw a manual lock on the door. It would defeat the purpose of having touchless automatic sliding door for hygiene reason when users touched the lock; (c) the mechanism of the automatic sliding door would be easily in malfunction as it could not open the door which was being locked by the manual lock; and (d) Lai Chi Wo was in remote countryside with no land transport and no daily ferry schedule. It might not be easy to carry out on-site repair, maintenance or replacement for the automatic sliding door or AIPV panels due to the remoteness of the toilet. In addition, during the construction stage of the new public toilet, the Electrical and Mechanical Services Department (the maintenance department for building services works) commented that fail-safe for electrical automatic sliding door should be provided.*

Note 28: *Since 2000, FEHD and ArchSD have set up a working group which holds frequent discussions on how to optimise FEHD public toilets to ensure that the design of public toilet facilities could blend well with the surrounding environment and keep up with the times, with a view to making the public toilet facilities hygienic, clean, safe and decent. The working group will decide on the exterior design, facilities and materials having regard to the actual circumstances of individual toilets. It is chaired by a Deputy Director of FEHD with representatives from FEHD and ArchSD as members.*

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new public toilet as the automatic sliding door could not be opened by waving hands over the control panel or pressing the emergency button. In the event, after being locked up for 10 minutes, with the assistance from others, the user managed to exit from the toilet. According to CCO:

- (i) the related automatic door system was inspected on-site by the contractor in the following day of the incident and several enhancement measures were taken (e.g. clear display of user information and contact information in the toilet compartments to enable users to have a better grasp of the operation procedures of relevant smart facilities implemented); and
 - (ii) after further review, the automatic door system had been disabled and the sliding doors were converted to fully manual operation since 21 December 2023 to restore public's confidence over the usage of the toilet; and
- (b) ***Replacement of AIPV panels.*** From 29 January 2024 to 2 February 2024 (i.e. 5 days), the new public toilet was closed for replacement works of AIPV panels. According to CCO, upon soft launch, the performance of AIPV panels was not up to the design standards in terms of the harvest of renewable energy. The contractor was required to rectify the defect by replacing AIPV panels at no additional cost to the Government.

3.18 In Audit's view, CCO needs to:

- (a) keep under review the trial operation of the new public toilet under Project B and take improvement measures as needed; and
- (b) in implementing minor improvement works projects involving smart public toilets, draw on the experience gained in constructing and operating the new public toilet under Project B with a view to better serving the public.

Audit recommendations

3.19 **Audit has *recommended* that the Secretary for Environment and Ecology should:**

- (a) **draw on the experience gained and step up efforts in implementing minor improvement works projects (e.g. identifying more suitable projects in various areas) with a view to enhancing public facilities in remote countryside;**
- (b) **take measures to ensure the timely commencement and completion of minor improvement works projects (including early commencing works for Project A);**
- (c) **in implementing minor improvement works projects, early ascertain the management and maintenance responsibility for the related works after completion;**
- (d) **keep under review the trial operation of the new public toilet under Project B and take improvement measures as needed; and**
- (e) **in implementing minor improvement works projects involving smart public toilets, draw on the experience gained in constructing and operating the new public toilet under Project B with a view to better serving the public.**

Response from the Government

3.20 **The Secretary for Environment and Ecology agrees with the audit recommendations. He has said that CCO will:**

- (a) **consolidate the past years' experience and knowledge gained on implementation of minor improvement works projects, and further collaborate with the relevant internal/external stakeholders to explore the potential of enhancing public facilities at suitable location(s) in remote countryside;**

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- (b) closely monitor the progress of the minor improvement works projects and step up the communication with other government departments to ascertain the management and maintenance responsibility for the related works after completion at an early stage, as well as to implement the projects adhering to the schedule; and
- (c) continue to closely monitor the operation of the new public toilet under Project B to ensure proper functioning of various features and the achievement of the Advancing Net Zero standard. CCO will also carry out a post-implementation review of this pilot project with a view to providing better services to the public in similar minor improvement works projects in future.

PART 4: OTHER RELATED ISSUES

4.1 This PART examines other issues related to CCO's work, focusing on:

- (a) governance issues (paras. 4.2 to 4.16);
- (b) publicity and promotion programmes (paras. 4.17 to 4.24); and
- (c) performance measures and action plans (paras. 4.25 to 4.31).

Governance issues

Scope for improvement in appointing non-official ACCC members

4.2 In October 2017, the Government announced that it would appoint more young people to various government boards and committees with the aim of increasing the overall ratio of young members (i.e. persons who are aged between 18 and 35) to 15% by June 2022.

4.3 Audit noted that, of the total number of non-official ACCC members appointed, the number of young members was 0 (0%), 2 (17%) and 1 (7%) for Terms 1, 2 and 3 (Note 29) respectively (i.e. below 15% for Terms 1 and 3).

4.4 In Audit's view, CCO needs to consider appointing more young members to participate in ACCC in future with a view to increasing the overall ratio of young members in ACCC.

Note 29: *Term 1 was from 1 July 2019 to 30 June 2021, Term 2 was from 1 July 2021 to 30 June 2023, and Term 3 was from 1 July 2023 to 30 June 2025.*

Scope for improvement in preparation and issue of meeting materials for ACCC and VSC meetings

4.5 CCO is responsible for preparing and issuing meeting materials for ACCC and VSC meetings, such as notice of meeting, agenda, meeting papers and draft meeting minutes. The time pledges for issuing meeting materials are as follows:

- (a) ***Notice of meeting, agenda and meeting paper.*** According to the “House Rules”, the notice of meeting, agenda and meeting paper should be issued to ACCC and VSC members generally one week before the meeting day, or as soon as practicable; and
- (b) ***Draft meeting minutes.*** According to the “Procedural Guidelines”, the draft meeting minutes should be issued to ACCC and VSC members within 1 month after the meeting was held.

4.6 Regarding the meeting materials prepared by CCO for the 9 ACCC and 8 VSC meetings held between July 2019 and October 2023, Audit noted delays in issue of the following meeting materials:

- (a) ***Notice of meeting and agenda.*** In 4 (44%) of the 9 ACCC meetings and 5 (63%) of the 8 VSC meetings, the notice of meeting and agenda were not issued to members within the one-week time pledges. The delays for the 4 ACCC meetings ranged from 1 to 5 days (averaging 3.5 days) and the 5 VSC meetings ranged from 1 to 2 days (averaging 1.2 days);
- (b) ***Meeting paper.*** In 5 (56%) of the 9 ACCC meetings and 5 (63%) of the 8 VSC meetings, the meeting papers were not issued to members within the one-week time pledge. The delays for the 5 ACCC meetings ranged from 1 to 5 days (averaging 3.6 days) and the 5 VSC meetings ranged from 1 to 3 days (averaging 1.6 days); and
- (c) ***Draft meeting minutes.*** For all the 9 ACCC meetings and all the 8 VSC meetings, the draft meeting minutes were not issued to members within the one-month time pledge. The delays for the 9 ACCC meetings ranged from 0.7 to 5.6 months (averaging 3.8 months) and the 8 VSC meetings ranged from 1.6 to 6.2 months (averaging 4.1 months).

4.7 In Audit's view, CCO needs to take measures to ensure that meeting materials for ACCC and VSC meetings are timely prepared and issued.

Scope for improvement in making declaration of interests

4.8 ***Declaration of interests by the chairperson and members of ACCC and VSC.*** ACCC and VSC adopt a two-tier reporting system for managing conflict of interests, as follows:

- (a) ***First-tier declaration.*** The chairperson and members shall register in writing their personal interest, direct or indirect, pecuniary or otherwise, when they first join the committee, and annually thereafter. The registration shall be made on a standard declaration form; and
- (b) ***Second-tier declaration.*** If a member (including the chairperson) has any direct personal or pecuniary interest in any matter under consideration by the committee, he/she must, as soon as practicable after he/she has become aware of it, disclose to the chairperson prior to the discussion of the item concerned. If the chairperson declares an interest in a matter under consideration, the chairmanship may be temporarily taken over by another member appointed by all other members present at the meeting.

As the chairperson/members of VSC are non-official members of ACCC, the first-tier declarations for ACCC also cover that for VSC.

4.9 ***Scope for improvement in first-tier declaration of interests for ACCC.*** Since the establishment of ACCC in July 2019 and up to December 2023, 5 exercises of first-tier declarations (3 exercises of initial declarations (i.e. upon joining) and 2 exercises of annual declarations) were conducted for 3 terms of ACCC (Note 30). Audit noted that:

Note 30: *There were 14, 16 and 18 chairperson/members for Terms 1, 2 and 3 of ACCC respectively.*

First-tier declaration of interests by chairperson and ex-officio ACCC members

- (a) in all the 5 exercises of first-tier declarations, CCO did not request the chairperson (i.e. the Secretary for Environment and Ecology) and the 3 ex-officio ACCC members (see Note 9 to para.1.10) to complete and return the declaration forms;

First-tier declaration of interests by non-official ACCC members

- (b) for the 3 exercises of initial declarations, CCO requested all non-official ACCC members (Note 31) to complete and return the declaration forms by the specified deadlines. However:
 - (i) all the 3 exercises of initial declarations were conducted after the commencement of the terms. The requests for the return of declaration forms were sent out by CCO 14, 15 and 123 days after the commencement of Terms 1, 2 and 3 respectively. The non-official ACCC members were requested to return the completed forms within 34, 15 and 16 days for Terms 1, 2 and 3 respectively;
 - (ii) 4 (40%) of the 10 non-official ACCC members of Term 1, 11 (92%) of the 12 non-official ACCC members of Term 2 and 5 (36%) of the 14 non-official ACCC members of Term 3 returned the declaration forms after the specified deadline, with delays ranging from 1 to 142 days (averaging 32 days);
 - (iii) 1 (8%) of the 12 non-official ACCC members of Term 2 and 3 (21%) of the 14 non-official ACCC members of Term 3 did not complete the declaration forms properly (missing signature or date); and
 - (iv) 1 (10%) of the 10 non-official ACCC members of Term 1 and 1 (7%) of the 14 non-official ACCC members of Term 3 did not return the declaration forms and provided a nil return via phone or

Note 31: *There were 10, 12 and 14 non-official ACCC members for Terms 1, 2 and 3 respectively.*

instant messaging application on the grounds that they had no interests to declare or no updates; and

- (c) for the 2 exercises of annual declarations, according to CCO, while it had requested all non-official ACCC members to complete and return the declaration forms, no members returned the declaration forms. Instead, the members confirmed no updates with CCO via phone or instant messaging application. This did not comply with the requirement of making declaration of interests on a standard declaration form.

4.10 In March 2024, CCO informed Audit that:

- (a) at every ACCC and VSC meeting, the chairperson asked all members to declare interests before discussion of each agenda item. All declared interests were recorded in the minutes of relevant meetings; and
- (b) in practice, the Secretary for Environment and Ecology (ACCC chairperson) as a Principal Official and the 3 ex-officio ACCC members (see Note 9 to para. 1.10) as civil servants were required to declare regularly their personal interests and private investments to ensure that at all times there was no conflict of interests between their official duties and personal interests as per prevailing government regulations.

4.11 In Audit's view, CCO needs to:

- (a) make timely requests to the chairperson and members of ACCC for making declaration of interests; and
- (b) strengthen measures to ensure that the chairperson and all members of ACCC declare interests upon joining ACCC and annually thereafter in a timely manner by completing the standard declaration forms properly in accordance with the related requirements.

Need to ensure compliance with integrity requirement for CCO staff

4.12 According to the integrity requirements stipulated in the “Procedural Guidelines”, CCO staff should:

- (a) sign an undertaking not to disclose any information in relation to applications under CCFS both before his/her service in CCO and thereafter every year of his/her service; and
- (b) familiarise themselves with the integrity-related regulations such as the Prevention of Bribery Ordinance (Cap. 201), Civil Service Bureau Circular No. 2/2004 “Conflict of Interest”, and extracts of Civil Service Regulations on acceptance of advantages and entertainment.

4.13 According to CCO:

- (a) it has not requested its staff to sign the undertaking (see para. 4.12(a)); and
- (b) in practice, when there is a new round of CCFS application assessment, CCO will circulate to its staff concerned a list of major circulars and materials on integrity requirements and require them to sign on the list. Regarding the 8 rounds of application assessments conducted between October 2019 and October 2023 (see para. 2.5), all the staff concerned had signed on the circulated lists.

4.14 In Audit’s view, CCO needs to take measures to ensure that its staff comply with the integrity requirement relating to the signing of an undertaking not to disclose any information in relation to applications under CCFS as stipulated in the “Procedural Guidelines”.

Audit recommendations

4.15 **Audit has *recommended* that the Secretary for Environment and Ecology should:**

- (a) **consider appointing more young members to participate in ACCC in future with a view to increasing the overall ratio of young members in ACCC;**
- (b) **take measures to ensure that:**
 - (i) **meeting materials for ACCC and VSC meetings are timely prepared and issued; and**
 - (ii) **CCO staff comply with the integrity requirement relating to the signing of an undertaking not to disclose any information in relation to applications under CCFS as stipulated in the “Procedural Guidelines”; and**
- (c) **require CCO staff to:**
 - (i) **make timely requests to the chairperson and members of ACCC for making declaration of interests; and**
 - (ii) **strengthen measures to ensure that the chairperson and all members of ACCC declare interests upon joining ACCC and annually thereafter in a timely manner by completing the standard declaration forms properly in accordance with the related requirements.**

Response from the Government

4.16 The Secretary for Environment and Ecology agrees with the audit recommendations. He has said that:

- (a) **efforts will be made to identify more young members suitable to be appointed to participate in ACCC in future terms of appointment; and**
- (b) **CCO will:**
 - (i) **strictly enforce the requirements on preparation and issue of meeting materials for ACCC and VSC meetings, and signing of undertaking**

Other related issues

not to disclose any information in relation to applications under CCFS by CCO staff;

- (ii) make timely requests to the chairperson and members of ACCC for making declaration of interests; and
- (iii) strictly enforce the requirements on declaring interests upon joining ACCC and annually thereafter by the chairperson and members of ACCC.

Publicity and promotion programmes

4.17 CCO was established to coordinate conservation projects that promote sustainable development of remote countryside (see para. 1.2). It takes forward countryside conservation at different levels, including promoting to the public scenic countryside natural habitats and valuable historical architectural and cultural heritage, and supporting villagers and local universities, etc., to undertake countryside conservation and revitalisation projects.

Need to make continued efforts in promoting countryside conservation

4.18 According to CCO:

- (a) ***Publicity activities.*** It had formulated publicity strategies covering a wide spectrum of educational and promotional activities such as organising annual signature events and tours for stakeholders, participating in conferences and ceremonies, actively engaging with media organisations to conduct interviews and setting up of social media platforms, etc. The momentum was slowing down during the period of the outbreak of COVID-19. Nevertheless, CCO had geared up the momentum since mid-2021. From 2019 to 2023, CCO had arranged over 80 publicity activities with direct engagement of some 10,000 participants; and
- (b) ***Online video sharing platform.*** It set up its own channel at an online video sharing platform in July 2021. Audit noted that from July 2021 to January 2024, CCO had uploaded 38 promotional videos onto the online

video sharing platform. As of January 2024, the cumulative number of views of the 38 promotional videos ranged from 20 to 16,483.

4.19 In Audit's view, CCO needs to make continued efforts in promoting countryside conservation with a view to enhancing the public awareness in protecting the nature ecology, revitalising the architectural environment of villages and conserving cultural resources.

Scope for enhancing the dissemination of information on CCO's webpage

4.20 CCO maintains a webpage under the conservation section in EEB's website. CCO is responsible for updating and checking its webpage from time to time to ensure that the information is kept up-to-date. In May 2022, CCO launched the CCFS Event Calendar under its webpage to provide a consolidated platform for the public to know all upcoming CCFS events and activities conveniently. Links for individual events and activities are also provided on the CCFS Event Calendar to make it user-friendly and easy for the public to join the events and activities. Audit noted that as of December 2023:

- (a) some information on CCO's webpage was not up-to-date, as follows:
 - (i) while the "Guide to Application" was revised in September 2023, the frequently asked questions on CCO's webpage were not updated and still cited reference to the previous version of the "Guide to Application";
 - (ii) while the new PC project type (see para. 1.6(e)) was introduced under CCFS in February 2023, unlike the other 4 types of CCFS projects, there were no frequently asked questions for PC project type provided on CCO's webpage; and
 - (iii) the information (project period and amount of grant approved) of two MA projects and one CR project provided on CCO's webpage was not up-to-date;

Other related issues

- (b) for 6 (20%) of the 30 events of the grantees listed on the CCFS Event Calendar for December 2023, there were no links to individual events' social media platform/website. Regarding the list of approved CCFS projects provided on CCO's webpage, there were also no links to individual projects' social media platform/website to facilitate the public to know more about the projects and keep track of their activities; and
- (c) there was no information on minor improvement works projects provided on CCO's webpage.

4.21 In March 2024, CCO informed Audit that it was developing a dedicated website for showing the features and activities of CCFS projects, the benefits of minor improvement works as well as latest news, with a view to facilitating the potential applicants, stakeholders and general public to know more about the work of CCO. The website was targeted to be launched in mid-2024.

4.22 In Audit's view, CCO needs to take measures to enhance the dissemination of information on its webpage (including providing up-to-date information and enriching the contents of information) and early complete the development of its dedicated website with a view to facilitating the potential applicants, stakeholders and general public to know more about the work of CCO (including CCFS and minor improvement works).

Audit recommendations

4.23 Audit has *recommended* that the Secretary for Environment and Ecology should:

- (a) **make continued efforts in promoting countryside conservation with a view to enhancing the public awareness in protecting the nature ecology, revitalising the architectural environment of villages and conserving cultural resources; and**
- (b) **take measures to enhance the dissemination of information on CCO's webpage (including providing up-to-date information and enriching the contents of information) and early complete the development of CCO's dedicated website with a view to facilitating the potential applicants,**

stakeholders and general public to know more about the work of CCO (including CCFS and minor improvement works).

Response from the Government

4.24 The Secretary for Environment and Ecology agrees with the audit recommendations. He has said that CCO will:

- (a) sustain the momentum in promoting public awareness towards various countryside conservation efforts being and to be undertaken by CCO; and
- (b) continue to develop CCO's dedicated website for completion within 2024 to enable dissemination of comprehensive information about CCO's work on countryside conservation.

Performance measures and action plans

Scope for enhancing performance measures

4.25 *Scope for setting performance measures for CCO's work.* According to:

- (a) Civil Service Bureau Circular No. 7/2009 "Performance Pledges in the Civil Service", performance pledges help B/Ds to monitor their performances in service delivery and to enhance such performances where practicable. Implementation of performance pledges should be regularly reviewed; and
- (b) Financial Circular No. 2/2017 "Guides for Controlling Officers (a) Management of funding schemes and (b) Management of non-works projects funded by the Government", as a good practice, the Controlling Officer should consider developing and reporting on appropriate performance measures for the fund, preferably focusing on outcome-based targets.

Audit noted that no performance measures were set for CCO's work. In Audit's view, CCO needs to consider setting performance measures for its work with a view to enhancing CCO's transparency and accountability.

4.26 *Scope for compiling management information based on completion reports of CCFS projects.* According to the “Guide to Application”, the grantee of CCFS project is required to submit a completion report (see para. 2.17(c)) which contains project results such as whether the objectives, deliverables and benefits were achieved, and reasons if not. According to CCO, it had reported regularly the implementation progress of approved CCFS projects at ACCC meetings. However, Audit noted that CCO did not compile management information based on the completion reports of CCFS projects (e.g. summarising results and achievements of completed projects). In Audit’s view, there is merit in compiling such information on a regular basis with a view to evaluating the performance of CCFS.

Scope for preparing an overarching action plan

4.27 According to a paper submitted by CCO to ACCC in July 2019 relating to its proposals on conserving and revitalising the remote countryside areas (Note 32):

- (a) as a priority, CCO was focusing its efforts on the revitalisation of Lai Chi Wo, as well as the ecological conservation of Sha Lo Tung. CCO would keep under review the implementation of these initiatives and their effectiveness with an aim of extending the initiatives progressively to other remote countryside areas (Note 33);
- (b) CCO had started to identify the next potential sites for conservation and revitalisation efforts. Priority would be given to sites where some conservation efforts by non-governmental organisations and/or local communities already existed, such that greater synergy could be achieved by leveraging on existing efforts and developments;

Note 32: *According to CCO, ACCC noted the paper and did not raise specific comments on its proposals.*

Note 33: *According to the Chief Executive’s 2017 Policy Address, as a priority, CCO would take forward the planning of enhanced effort on countryside revitalisation in Lai Chi Wo, and implement an ecological conservation project in Sha Lo Tung. The implementation of the initiative and the effectiveness of these projects would be kept under review from time to time, and the initiative would be extended progressively to other remote countryside areas.*

- (c) CCO was assessing the feasibility to radiate its efforts and experience to cover Siu Tan, Mui Tsz Lam and Kap Tong;
- (d) CCO would explore potential minor improvement works to the hiking trails connecting the cluster of villages around Lai Chi Wo, such as So Lo Pun, Yung Shue Au and Mui Tsz Lam; and
- (e) in long run, CCO would consider extending relevant conservation efforts to and implement minor improvement works in remote countryside areas other than the priority areas for enhanced conservation, country park enclaves and private land within country parks (excluding those on Lantau), where respectable efforts on natural, cultural, architectural conservation and/or village revitalisation from the local community or non-governmental organisations had been or would be initiated.

4.28 According to CCO:

- (a) since its establishment in 2018, CCO has formulated a work plan on the strategy and approach to take forward the policy initiative with the initial focus on countryside revitalisation in Lai Chi Wo and ecological conservation in Sha Lo Tung (i.e. the paper submitted to ACCC in July 2019 — see para. 4.27);
- (b) to tie in with the progress of conservation efforts, CCO has collaborated with NPOs through CCFS to implement a series of projects in Lai Chi Wo and Sha Lo Tung aiming to revitalise the village and conserve the ecology, and has planned/implemented a series of minor improvement works projects for supporting villagers' re-settlement and eco-tourism. Besides, under CCO's facilitation, the first ever licensed guesthouses commenced operation in Lai Chi Wo in 2022 (Note 34); and
- (c) based on the experience and knowledge acquired through the countryside revitalisation work in Lai Chi Wo and Sha Lo Tung as well as exchanges

Note 34: *According to CCO, it set up an inter-departmental task force in 2021 to develop streamlining measures for guesthouse and food business licences in countryside areas to enable villagers running small business on one hand and support eco-tourism on the other hand.*

Other related issues

with villagers, NPOs, academia and professionals, CCO has also gradually expanded coverage of its work to the vicinity areas of Lai Chi Wo (e.g. setting out strategy plans to conserve the cultural resources in Kuk Po and pursuing local infrastructure enhancement projects at Mui Tsz Lam of Sha Tau Kok). CCO is consolidating the experience gathered in the first 5 years of work.

4.29 Audit noted that CCO's various plans mainly covered the strategy and approach for taking forward its work and the work for specific sites (see para. 4.28). Noting that CCO is consolidating the experience gathered in the first 5 years of work, Audit considers that there is merit for CCO, based on its experience gained, to prepare an overarching action plan underpinning and updating as needed the strategy and approach for its work and consolidating and updating as needed its plans for specific sites. Such plan will facilitate EEB's senior management and ACCC in giving advice on, reviewing and monitoring CCO's work.

Audit recommendations

4.30 Audit has *recommended* that the Secretary for Environment and Ecology should:

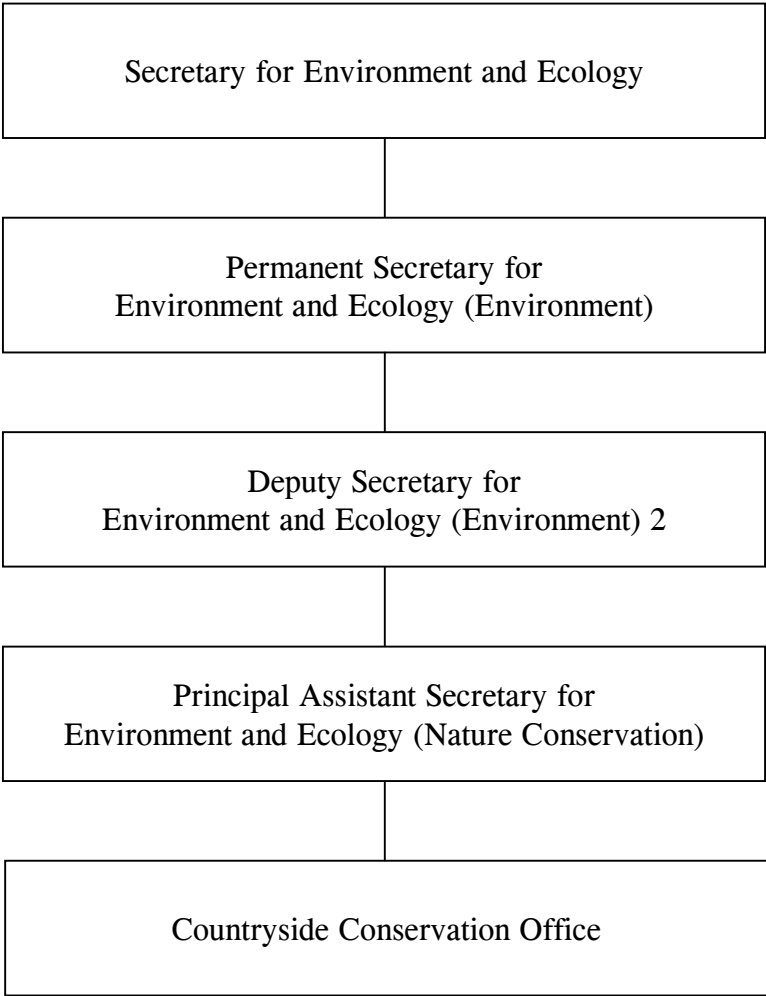
- (a) consider setting performance measures for CCO's work with a view to enhancing CCO's transparency and accountability;
- (b) consider compiling management information based on the completion reports of CCFS projects on a regular basis with a view to evaluating the performance of CCFS; and
- (c) consider preparing an overarching action plan underpinning and updating as needed the strategy and approach for CCO's work and consolidating and updating as needed CCO's plans for specific sites.

Response from the Government

4.31 The Secretary for Environment and Ecology agrees with the audit recommendations. He has said that CCO will:

- (a) make continued efforts to explore further measures to enhance CCO's transparency and accountability, including the need to devise suitable performance measures; and
- (b) consolidate the experience and knowledge gained in the first 5 years of work and the achievements of CCFS projects with a view to formulating an overarching action plan for the next 5 years.

**Environment and Ecology Bureau:
Organisation chart (extract)
(31 October 2023)**



Source: CCO records

Acronyms and abbreviations

ACCC	Advisory Committee on Countryside Conservation
AFCD	Agriculture, Fisheries and Conservation Department
AIPV	Air improvement photovoltaic
AP	Assessment Panel
ArchSD	Architectural Services Department
Audit	Audit Commission
B/Ds	Government bureaux/departments
CCFS	Countryside Conservation Funding Scheme
CCO	Countryside Conservation Office
EEB	Environment and Ecology Bureau
FEHD	Food and Environmental Hygiene Department
NPOs	Non-profit-making organisations
VSC	Vetting Subcommittee