

## LCQ7: Operation of government funds

Following is a question by the Hon Andrew Lam and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (February 12):

Question:

It is learnt that as at end-September last year, a total of 43 funds have been set up by various government bureaux and departments (B/Ds), which are segregated from the government accounts and administered by the relevant B/Ds. Some members of the public are concerned that while quite a number of funds have been set up for years with mechanisms being put in place by the relevant B/Ds to monitor the operation of such funds, there are still areas for improvements. In this connection, will the Government inform this Council:

(1) as it is learnt that no expenditure was recorded for some funds such as the Sir David Trench Fund for Recreation (SDTFR) – Sports Aid for the Disabled Fund and SDTFR – Sports Aid Foundation Fund in the past nine financial years, whether the Government has reviewed the effectiveness of the relevant monitoring mechanisms; if so, of the details; and

(2) whether the Government has regularly reviewed the utilisation and effectiveness of various funds, and introduced improvement measures (including considerations of merging funds with similar functions) to enhance the efficiency of fund management; if so, of the details?

Reply:

President,

Our consolidated reply to the question raised by the Hon Andrew Lam is as follows:

Under section 12(2) of the Public Finance Ordinance (Cap. 2), Controlling Officers shall be responsible and accountable for all expenditure from any head or subhead for which they are the Controlling Officer, and for all public moneys and Government property in respect of the department or service for which they are responsible. The relevant internal administrative guidelines of the Government further provides that, in managing purpose-specific funds, Controlling Officers should observe the need to strive to achieve maximum value for money and exercise prudence in the disbursement of government fund.

As the Education Development Fund has already ceased operations after the 2018/19 school year, there are currently a total of 42 funds which are segregated from the government accounts. Although these funds were set up for different purposes and in different mode, the Controlling Officers managing

these funds have put in place an appropriate monitoring mechanism for each of these funds to ensure effective use of public financial resources. For instance, steering, management or advisory committees comprising representatives from relevant government bureaux/departments (B/Ds), relevant stakeholders and independent members were set up to oversee the funds' operation, handle matters related to the funds and give advice. For funds established by law or in the form of a trust, the Controlling Officers should also ensure their operation complies with the relevant requirements of the law and provisions in the trust deed, including the submission of statements of the accounts and/or progress reports of the funds to the Director of Audit and the Legislative Council as required.

Controlling Officers will formulate and update strategic plans for achieving the purposes of the funds and develop appropriate performance measures for the funds under their purview. Controlling Officers will also conduct regular reviews on the use and effectiveness of the funds, and contemplate appropriate financial arrangements (such as considering whether to merge/retain the funds or implement relevant policy initiatives by other means, etc.) having regard to the policy objectives behind, the financial situation of the funds, views of stakeholders, etc., thereby ensuring effective and flexible use of public financial resources. In cases where there is no need to retain a fund as the policy objectives have been achieved (e.g. the Education Development Fund), the balance of the fund will be brought back to the government accounts.

There are some funds with no expenditure recorded in recent years (such as the J.E. Joseph Trust Fund and the Kadoorie Agricultural Aid Loan Fund), as these funds are loan funds in nature. Therefore, even though these funds are still in normal operation and loans are being granted in the accordance with the purposes of the funds, expenditure will only be recorded in the year when there are bad debts written off. As for the other funds (including the Sports Aid for the Disabled Fund and the Sports Aid Foundation Fund established under the Sir David Trench Fund for Recreation), the B/Ds concerned are reviewing their financial position and will examine whether there is the need to retain them.