

CHAPTER 6

PUBLIC BODY

Hong Kong Sports Development Board

Review of the Hong Kong Sports Development Board

**Audit Commission
Hong Kong
13 March 2001**

REVIEW OF THE HONG KONG SPORTS DEVELOPMENT BOARD

Contents

Paragraphs

SUMMARY AND KEY FINDINGS

PART 1: INTRODUCTION

Background	1.1
Objectives of the SDB	1.2
Integration of the SDB and the Hong Kong Sports Institute	1.3 - 1.4
Organisation of the SDB	1.5 - 1.6
Source of finance of the SDB	1.7 - 1.8
Recent cost-saving measures of the SDB	1.9
Audit review	1.10 - 1.11
<i>General response from the Administration</i>	1.12

PART 2: REMUNERATION AND FRINGE BENEFITS OF SDB STAFF

Salary and fringe benefits package	2.1 - 2.2
Government's policy on terms of service of staff of subvented organisations	2.3 - 2.4
Remuneration and fringe benefits	2.5 - 2.9
<i>Audit observations on remuneration and fringe benefits</i>	2.10 - 2.11
<i>Audit recommendations on remuneration and fringe benefits</i>	2.12
<i>Response from the SDB</i>	2.13
<i>Response from the Administration</i>	2.14 - 2.16

PART 3: UTILISATION OF SPORTS FACILITIES

Sports facilities	3.1
--------------------------	-----

	Paragraphs
Users of sports facilities	3.2 - 3.3
Priority on use of sports facilities	3.4 - 3.5
Charges for use of sports facilities	3.6
Consultancy study on sports facilities	3.7 - 3.8
Utilisation of sports facilities	3.9 - 3.12
<i>Audit observations on utilisation of sports facilities</i>	3.13 - 3.14
<i>Audit recommendations on utilisation of sports facilities</i>	3.15
<i>Response from the SDB</i>	3.16
<i>Audit observations on utilisation of sports facilities by sports club members</i>	3.17
<i>Audit recommendations on utilisation of sports facilities by sports club members</i>	3.18
<i>Response from the SDB</i>	3.19
 PART 4: INSPECTION OF SPORTS FACILITIES	
Procedures for inspection of sports facilities	4.1 - 4.4
Inspection of sports facilities	4.5 - 4.6
<i>Audit observations on inspection of sports facilities</i>	4.7 - 4.8
<i>Audit recommendations on inspection of sports facilities</i>	4.9
<i>Response from the SDB</i>	4.10
 PART 5: CONTRACTING OUT OF SERVICES	
Contracting out can reduce operating costs	5.1
Contracting-out exercise in 1997	5.2 - 5.3
Recent developments	5.4
Tendering for catering services	5.5 - 5.9
Tendering for general cleaning services	5.10 - 5.11
<i>Audit observations on the 1997 contracting-out exercise</i>	5.12 - 5.14
<i>Audit recommendations on the 1997 contracting-out exercise</i>	5.15

	Paragraphs
<i>Response from the SDB</i>	5.16
<i>Audit observations on follow-up review of internal services</i>	5.17 - 5.18
<i>Audit recommendation on follow-up review of internal services</i>	5.19
<i>Response from the SDB</i>	5.20
<i>Audit observations on further contracting out of services</i>	5.21
<i>Audit recommendation on further contracting out of services</i>	5.22
<i>Response from the SDB</i>	5.23
 PART 6: MANAGEMENT OF GRANTS TO NSAs	
Grants to NSAs	6.1
Grants for NSAs' personnel expenses	6.2 - 6.3
<i>Audit observations on grants for NSAs' personnel expenses</i>	6.4 - 6.5
<i>Audit recommendations on grants for NSAs' personnel expenses</i>	6.6
<i>Response from the SDB</i>	6.7
<i>Audit observations on monitoring of NSAs' performance</i>	6.8 - 6.9
<i>Audit recommendations on monitoring of NSAs' performance</i>	6.10
<i>Response from the SDB</i>	6.11
Internal audit	6.12 - 6.14
<i>Audit observations on internal audit</i>	6.15 - 6.16
<i>Audit recommendations on internal audit</i>	6.17
<i>Response from the SDB</i>	6.18
 PART 7: MANAGEMENT OF THE SPORTS HOUSE	
The Sports House	7.1 - 7.3
Accounting of the Sports House	7.4 - 7.5

	Paragraphs
<i>Audit observations on accounting of the Sports House</i>	7.6 - 7.10
<i>Audit recommendations on accounting of the Sports House</i>	7.11
<i>Response from the SDB</i>	7.12
<i>Response from the Administration</i>	7.13
<i>Audit observations on usage rate of the Sports House's meeting facilities</i>	7.14 - 7.15
<i>Audit recommendation on usage rate of the Sports House's meeting facilities</i>	7.16
<i>Response from the SDB</i>	7.17
<i>Audit observations on usage rate of the Sports House's carpark</i>	7.18 - 7.19
<i>Audit recommendations on usage rate of the Sports House's carpark</i>	7.20
<i>Response from the SDB</i>	7.21
Appendix A: Organisation chart of the SDB as at 1 December 2000	
Appendix B: SDB's total expenditure and government subvention for the years from 1990-91 to 2000-01	
Appendix C: SDB staff categories with annual remuneration packages exceeding those of their comparable grades in the civil service for 2000-01	
Appendix D: Sports facilities at the Sports Institute, Shatin	
Appendix E: Analysis of SDB's sports club membership by category for the years from 1996-97 to 1999-2000	
Appendix F: Annual subscription for each category of membership of SDB's sports clubs for 2000-01	
Appendix G: Charges for using SDB's sports facilities payable by different user groups for 2000-01	
Appendix H: Usage rates of sports facilities for the years from 1995-96 to 1999-2000	
Appendix I: Usage rates of sports facilities by user groups for the years from 1995-96 to 1999-2000	
Appendix J: Instances of non-compliance with the SDB's procedures noted during Audit's inspections of sports facilities on 13, 14 and 21 July 2000	
Appendix K: List of NSAs organising focus sports in 1999-2000	
Appendix L: Acronyms and abbreviations	

REVIEW OF THE HONG KONG SPORTS DEVELOPMENT BOARD

Summary and key findings

A. **Introduction.** The Hong Kong Sports Development Board (SDB) is a statutory body established in 1990 for promoting the development of sports and physical recreation in Hong Kong. Of the SDB's total expenditure of \$266 million for 1999-2000, \$215 million (or 81%) was funded by government subvention. As at 1 October 2000, the SDB employed 289 staff (paras. 1.1, 1.6 and 1.7).

B. **Audit review.** Audit has conducted a review to examine the economy, efficiency and effectiveness of the SDB's operations and activities (para. 1.11). Audit has found that there is room for improvement in a number of areas. The major audit findings are summarised in paragraphs C to H below.

C. **Remuneration packages of SDB staff need to be reviewed.** The Government's subvention policy requires that the terms and conditions of service of staff of subvented organisations should not be superior to those provided by the Government to their comparable grades in the civil service. Based on the SDB's list of comparable grades, Audit has found that the remuneration packages of some SDB staff are superior to those of their comparable grades in the civil service. As far as could be ascertained, before the SDB adopted its pay package (which has been used since 1994-95), the advice of the Finance Bureau or the Civil Service Bureau on the terms and conditions of the package had not been sought. Audit considers that the Secretary for Home Affairs has not closely monitored the terms and conditions of service of SDB staff to ensure compliance with the Government's subvention policy. Audit has noted that in early 1999, the Home Affairs Bureau (HAB) started a review to ascertain whether the package of salary and fringe benefits of SDB staff had exceeded that of their comparable grades in the civil service. However, up to the completion of this audit at the end of November 2000, the HAB's review had not yet been completed. Audit considers that there is an urgent need for the HAB to seek the advice of the Finance Bureau and the Civil Service Bureau as to what are SDB staff's comparable grades in the civil service and to complete its review on the existing terms and conditions of service of SDB staff as soon as possible (paras. 2.3, 2.5, 2.10 and 2.11).

D. **Not entirely satisfactory utilisation of sports facilities.** Audit has found that the SDB has not set any targets for the utilisation of its sports facilities which are mainly used for elite training. Audit has also found that during the years from 1995-96 to 1999-2000: (i) the overall utilisation of six sports facilities of the SDB had not been entirely satisfactory as the overall usage rate of each facility had been below 21% and (ii) the overall usage rate of all its sports facilities for elite training had decreased from 25.1% in 1995-96 to 20% in 1999-2000. Audit considers that there is a need for the SDB management to set targets for the utilisation of the SDB's individual sports facilities and to explore practical ways and means to make better use of those sports facilities with low usage rates.

Audit has noted that in the draft consultancy report on the SDB's sports facilities issued in October 2000, the consultants commented that: (a) due to their age, the sports facilities did not provide the highest quality venues for the existing focus sports and (b) in order to be effective in the provision of elite training, the SDB must be provided with flexible training facilities of international standard, including indoor and outdoor multi-purpose sports facilities. Audit considers that the SDB management should take into account the comments of the consultants when considering ways of increasing the usage of the SDB's sports facilities which have low usage rates or, if their usage rates cannot be improved, consider converting the sports facilities into other beneficial uses (paras. 3.8, 3.13 and 3.14).

E. Non-compliance with procedures for inspection of sports facilities. Audit has found that: (a) contrary to the SDB's laid-down procedures, on some occasions, the SDB's Booking Office was not informed of the cancellations of internal bookings of the SDB's sports facilities two weeks before the date on which the facilities were supposed to be used and (b) the cases of non-compliance noted during the inspections of the sports facilities were neither recorded nor reported in writing to the Booking Office for follow-up action. Audit considers that the procedures for the inspection of the sports facilities should be complied with (paras. 4.7(a) and 4.8(a)).

F. Improvement needed in contracting out of services. In a consultancy report on the Hong Kong Sports Institute issued in 1996, the consultants estimated that contracting out the SDB's services could reduce its operating costs by \$2.7 million (or 20%) annually. The SDB implemented the first phase of the contracting-out exercise in 1997. According to the SDB's financial evaluation report, the SDB found that it was financially more beneficial not to contract out the catering services. Audit has found that the SDB's financial evaluation was based on an unduly high projection of income from the catering services. Audit considers that the SDB management: (a) should have taken into account the change in the trend of catering income when projecting the catering income for 1998-99 and (b) based on different assumptions for the projected catering income, should have carried out a sensitivity analysis to assess the financial viability of the option of contracting out. Audit's assessment of the provision of catering services for 1998-99 revealed that providing the catering services in-house resulted in an actual deficit of \$2 million. This was in contrast to the conclusion of the SDB's financial evaluation that the provision of the catering services by SDB staff would bring about a net surplus of about \$4 million. Audit considers that the SDB had not made a fair and meaningful evaluation of the tenders received and hence the conclusions of the financial evaluation were questionable. Furthermore, Audit has found that the second phase of the SDB's contracting-out exercise, which was planned to commence in April 1999, commenced only in August 2000. Audit considers that the SDB management should continue to contract out more of the SDB's services in order to achieve further savings in operating costs (paras. 5.1, 5.3, 5.5, 5.12, 5.13 and 5.21).

G. Improvement needed in managing grants to National Sports Associations. For allocating grants for personnel expenses to the National Sports Associations (NSAs), the SDB has not established productivity standards to objectively assess the NSAs' manpower requirements. Audit has found that 72 out of the 144 staff employed by the NSAs with the SDB's grants in 1999-2000 were Administrative Assistants, whose duties are to perform administrative and clerical work in the office. Audit considers that: (a) grants to the NSAs for personnel expenses should be closely monitored and

(b) as most of the NSAs are accommodated in the SDB's Sports House, the SDB should consider setting up a central pool of administrative/clerical staff so that the total number of such staff employed with the SDB's grants can be reduced. Audit has also found that the random internal audits on selected NSAs planned to be carried out in 2001-02 by external auditors appointed by the SDB do not include a review of the SDB's activities and spot checks on the use of grants by the NSAs. Audit considers that there is a need for the SDB management to expand the scope of such audits to include these two items (paras. 6.4, 6.5, 6.13, 6.15(b) and 6.16(b)).

H. Non-compliance with the Government's requirements specified in the tenancy agreement of the Sports House. In 1994, the Government entrusted the SDB with the responsibility of managing the Sports House under a tenancy agreement. The agreement was made on the understanding that this would not lead to any future call on government funds, either capital or recurrent. However, Audit has found that no separate statement of accounts had been prepared on the operations of the Sports House for inspection by the Government's representative in accordance with the Government's requirements specified in the tenancy agreement. Audit also could not find any record indicating that the Government's representative had inspected such records since the handing-over of the management of the Sports House to the SDB in 1994. Audit considers that: (a) to comply with the terms of the tenancy agreement of the Sports House, the SDB should keep separate accounts on the operations of the Sports House and (b) the Secretary for Home Affairs should regularly inspect the accounting records of the Sports House to ensure compliance with the Government's requirements specified in the tenancy agreement of the Sports House (paras. 7.1, 7.5, 7.6, 7.9 and 7.10).

I. Audit recommendations. Audit has made the following main recommendations that:

(a) the Chief Executive of the SDB should:

Remuneration packages of SDB staff need to be reviewed

(i) promptly and critically review the existing terms and conditions of service of SDB staff to ensure that they comply with the Government's policy that the terms and conditions of service of staff of subvented organisations should not be superior to those provided to their comparable grades in the civil service (para. 2.12(a));

Not entirely satisfactory utilisation of sports facilities

(ii) set targets for the utilisation of the SDB's individual sports facilities (para. 3.15(a));

(iii) critically and regularly examine the need for retaining those sports facilities of the SDB with low usage rates and, where the demand for such sports facilities is found to be low for a long time, consider converting them into other beneficial uses (para. 3.15(b));

- (iv) promptly conduct a cost and benefit analysis to evaluate the various options available for converting the SDB's sports facilities with low usage rates into other beneficial uses, taking into consideration the need to provide elite athletes and other users with flexible training facilities of international standard (para. 3.15(c));
- (v) draw up a long-term plan to upgrade/redevelop the SDB's sports facilities (para. 3.15(d));

Non-compliance with procedures for inspection of sports facilities

- (vi) ensure that in future, all users of the SDB's sports facilities comply with the existing requirement that two weeks' advance notice is given to the Booking Office for cancellations of internal bookings of the sports facilities so that the sports facilities can be reallocated to other users (para. 4.9(a));
- (vii) ensure that in future, cases of non-compliance of using the SDB's sports facilities are recorded on the Facility Booking Schedules and the schedules are forwarded to the Booking Office for follow-up action (para. 4.9(b));

Improvement needed in contracting out of services

- (viii) ensure that in future, realistic projections of income and expenditure are used in the SDB's financial evaluation of the option of contracting out its services (para. 5.15(a)(i));
- (ix) ensure that in future, a sensitivity analysis based on different assumptions of income and expenditure is carried out to assess the financial viability of the option of contracting out (para. 5.15(a)(ii));
- (x) take prompt action to complete the second phase of the SDB's contracting-out exercise so as to further reduce its operating costs (para. 5.22);

Improvement needed in managing grants to NSAs

- (xi) establish productivity standards so that the number of staff to be employed by individual NSAs with the SDB's grants can be more accurately and objectively assessed (para. 6.6(a));
- (xii) consider the possibility of pooling all the administrative/clerical staff of the SDB and the NSAs accommodated in the Sports House with a view to reducing the personnel expenses and using the personnel expenses thus saved to subsidise sports programmes (para. 6.6(d));

- (xiii) expand the scope of the random internal audits to include a review of the SDB's activities and spot checks on the use of grants by the NSAs (para. 6.17(b)); and

Non-compliance with the Government's requirements specified in the tenancy agreement of the Sports House

- (xiv) keep separate accounts on the operations of the Sports House in accordance with the tenancy agreement of the Sports House, so as to facilitate inspections of such accounts by the HAB (para. 7.11(a)); and

(b) the Secretary for Home Affairs should:

Remuneration packages of SDB staff need to be reviewed

- (i) promptly seek the advice of the Finance Bureau and the Civil Service Bureau as to what are SDB staff's comparable grades in the civil service (para. 2.12(b)(i));
- (ii) take prompt action to complete the HAB's review on the existing terms and conditions of service of SDB staff to ensure that their terms and conditions of service are not superior to those provided to their comparable grades in the civil service (para. 2.12(b)(ii));
- (iii) in future, closely monitor the terms and conditions of service of SDB staff by requiring the SDB to notify the HAB promptly of any material changes to their terms and conditions of service (para. 2.12(b)(iii));

Non-compliance with the Government's requirements specified in the tenancy agreement of the Sports House

- (iv) take prompt action to ensure that the Government's requirements specified in the tenancy agreement of the Sports House (that the SDB should apply all revenue, proceeds or profit generated from the Sports House towards the maintenance and refurbishment of the Sports House and development of sports in Hong Kong) are properly complied with (para. 7.11(b)(i)); and
- (v) conduct regular inspections of the Sports House's books, accounts and other accounting records to ensure that the Government's requirements specified in the tenancy agreement of the Sports House are complied with in future (para. 7.11(b)(ii)).

J. Response from the SDB and the Administration. The Chief Executive of the SDB and the Secretary for Home Affairs have generally agreed with Audit's recommendations.

PART 1: INTRODUCTION

Background

1.1 The Hong Kong Sports Development Board (SDB) is a statutory body established in 1990 by the Government under the Hong Kong Sports Development Board Ordinance (SDBO — Cap. 1149) for promoting the development of sports and physical recreation in Hong Kong. It operates in conjunction and cooperation with the Leisure and Cultural Services Department (LCSD — Note 1); the Sports Federation and Olympic Committee of Hong Kong, China (SFOC); various National Sports Associations (NSAs) and other sports bodies. Its recurrent expenditure is funded mainly by annual subvention from the Government. Additional funding is also provided by income from an endowment grant of \$200 million donated by the Hong Kong Jockey Club (HKJC), commercial income and commercial sponsorship.

Objectives of the SDB

1.2 The objectives of the SDB are:

- (a) to draw up and implement a clear and coherent plan for the development of sports and physical recreation in Hong Kong;
- (b) to advance the knowledge and practice of sports and physical recreation at all levels in Hong Kong;
- (c) to provide greater support for high-performance sports in Hong Kong;
- (d) to conduct and support research and studies on sports in Hong Kong; and
- (e) to enhance Hong Kong's position in the international sports community.

Note 1: *The Leisure and Cultural Services Department was established on 1 January 2000 to take over the responsibility for providing leisure and cultural services from the then Urban Services Department and the then Regional Services Department.*

Integration of the SDB and the Hong Kong Sports Institute

1.3 As it exists today, the SDB is a body integrating the former SDB and the former Hong Kong Sports Institute (HKSI — Note 2), which was established for the purpose of providing training and training facilities to elite athletes. The HKSI's recurrent expenditure was funded by the HKJC until 1987 when a trust fund was set up with an endowment grant of \$350 million donated by the HKJC to meet the HKSI's expenditure.

1.4 As the HKSI trust fund was depleted at a rate much faster than anticipated, in March 1992, a consultancy study was commissioned by the Government to examine how the funding of the HKSI could be improved. The consultants recommended, among others, the introduction of a new institutional framework which would be based on the creation of a single new governing body for developing sports through the integration of the SDB and the HKSI. In early 1994, legislative amendments to the SDBO were made to implement the recommendations of the consultants. In April 1994, the SDB and the HKSI started an integration programme under one statutory framework allowing the HKSI to work with a high degree of autonomy. In April 1998, the functional activities of the SDB and the HKSI were fully integrated. The purpose of the integration was to provide an environment in which athletic talent could be identified, nurtured and developed to pursue excellence in sports and in sports coaching.

Organisation of the SDB

1.5 The SDB consists of:

- (a) a Chairman, a Vice-Chairman and not more than 13 other members (including the Secretary for Home Affairs and the Director of Leisure and Cultural Services) who are appointed by the Chief Executive of the Hong Kong Special Administrative Region for a term not exceeding three years; and
- (b) two representatives of the SFOC.

1.6 The SDB management, as the SDB's executive arm, is responsible for the day-to-day management of the Board's affairs. The SDB, headed by a Chief Executive, consists of two Groups, namely, the Elite Training and Sports Development Group and the Corporate Affairs Group. An organisation chart of the SDB is at Appendix A. As at 1 October 2000, the SDB employed 289 staff.

Note 2: *The former HKSI, originally named the Jubilee Sports Centre, was established in 1982 by the HKJC.*

Source of finance of the SDB

1.7 As mentioned in paragraph 1.1 above, the SDB's main source of finance comes from the Government. In 1999-2000, the SDB's total expenditure amounted to \$266 million, of which \$215 million was funded by government subvention. It can be observed from Appendix B that:

- (a) for the years from 1990-91 to 2000-01, on average, 85% of the SDB's total expenditure was subvented by the Government; and
- (b) since 1998-99, the SDB's total expenditure and government subvention had increased substantially to provide public funding for the SDB's elite training programme.

The Secretary for Home Affairs is the Controlling Officer responsible for the government subvention to the SDB (Note 3).

1.8 The government subvention referred to in paragraph 1.7 above includes the annual recurrent subvention and, starting from 1997-98, additional funds provided under the Arts and Sport Development Fund. The Arts and Sport Development Fund, in the sum of \$300 million, was established by the Government in January 1997 to help the SDB and the Hong Kong Arts Development Council implement the initiatives set out in their strategic plans. The Fund is administered by the Home Affairs Bureau (HAB).

Recent cost-saving measures of the SDB

1.9 With the objective of achieving cost savings, the SDB has reduced its staff strength from 293 as at 1 October 1997 to 289 as at 1 October 2000, thus achieving a saving of \$6.7 million (or 7.8%) in annual staff cost.

Audit review

1.10 In 1991, the SDB produced its first strategic plan covering the four-year period up to March 1995. In October 1995, the SDB published its second strategic plan which outlined a range of initiatives for the years from 1996 to 2000 to ensure coordinated sports development in Hong Kong. The broad thrust of the second strategic plan was to focus on nurturing athletic talent,

Note 3: *Before 9 April 1998, the then Secretary for Broadcasting, Culture and Sport was the Controlling Officer responsible for the government subvention to the SDB. Following a government reshuffle which came into effect on 9 April 1998, the Secretary for Home Affairs took over the responsibility for culture and sports from the Secretary for Broadcasting, Culture and Sport.*

encouraging greater participation in sports, and promoting the education of children, parents and teachers about the importance of sports and physical recreation, both in and outside school. Each year, the SDB produces an update of the progress made in sports development, measured against the action steps in the strategic plan.

1.11 By reference to the SDB's strategic plan for the years from 1996 to 2000, Audit has conducted a review to examine the economy, efficiency and effectiveness of the SDB's operations and activities to see whether there is any room for improvement. The audit has focused on, and identified room for improvement, in the following areas:

- (a) remuneration and fringe benefits of SDB staff (see Part 2 below);
- (b) utilisation of sports facilities (see Part 3 below);
- (c) inspection of sports facilities (see Part 4 below);
- (d) contracting out of services (see Part 5 below);
- (e) management of grants to NSAs (see Part 6 below); and
- (f) management of the Sports House (see Part 7 below).

General response from the Administration

1.12 The **Director of Leisure and Cultural Services** has found the audit very comprehensive covering all aspects of the SDB's activities. He agrees that the actions recommended by Audit are appropriate for enabling the SDB to improve its work in the relevant areas.

PART 2: REMUNERATION AND FRINGE BENEFITS OF SDB STAFF

Salary and fringe benefits package

2.1 Before the integration of the SDB and the HKSI in April 1994, the SDB followed the civil service pay system while the HKSI adopted a pay system similar to that of the HKJC. Based on the recommendations of a consultancy study on the “Integration of the SDB and the HKSI” completed in 1993, a new pay package was approved by the Governing Boards of the SDB and the HKSI in January 1994. The pay package took effect from 1994-95 for existing staff upon renewal of their employment contracts and for all newly appointed staff.

2.2 SDB staff are classified into five grades (from Grade 5 up to Grade 1). Each grade of staff has its own salary scale. The salary and fringe benefits package of SDB staff consists of the following components:

- (a) a monthly basic salary;
- (b) a 13th month’s additional salary;
- (c) a monthly cash allowance in lieu of fringe benefits, except for the staff of Grade 5; and
- (d) an end-of-contract gratuity for the staff employed on contract terms or a monthly provident fund contribution for the staff employed on superannuation terms.

The monthly salary scale and cash allowance of each grade of staff for 2000-01 are shown in Table 1 below.

Table 1

Salary scale and cash allowance of SDB staff for 2000-01

Staff grade	Number of SDB staff as at 1 October 2000	Monthly salary scale	Monthly cash allowance as a percentage of monthly basic salary
		(\$)	(%)
1	1	133,010 — 170,900	60
2	2	79,140 — 113,690	60
3	5	70,520 — 92,790	45
4	35	27,600 — 67,800	45
5	246	8,010 — 38,400	Nil

Source: SDB's records

**Government's policy on terms of
service of staff of subvented organisations**

2.3 According to Financial Circular No. 19/87 entitled "Terms of Service of Staff of Subvented Organisations" issued by the Finance Bureau (Note 4) of the Government Secretariat in September 1987, the Government's subvention policy requires that the terms and conditions of service of staff of subvented organisations should not be superior to those provided by the Government to their comparable grades in the civil service. Under the subvention policy, Controlling Officers are obliged "to examine carefully any changes in the terms and conditions of service" that subvented organisations under their purview propose to implement. Therefore, Controlling Officers should be aware of changes in the terms and conditions of service of civil servants from time to time, where these changes may have a direct impact on staff employed by subvented organisations.

2.4 According to paragraph 3.31 of the "Guidelines on the Management and Control of Government Subventions" issued by the Finance Bureau in August 1988, in examining an organisation's terms of service, the Controlling Officer should:

Note 4: Before 1 July 1997, the Finance Bureau was known as the Finance Branch.

- (a) study the organisation's grading structure, salary scales and fringe benefits and ensure that the total benefits available to its staff do not exceed those that would be made available to civil servants in comparable grades;
- (b) ensure, in all instances, that the organisation's total expenditure on staff does not exceed the cost that would be incurred if the organisation were staffed by civil servants in comparable grades; and
- (c) keep abreast of terms of service offered by the organisation and any changes to these terms.

Remuneration and fringe benefits

Definition of comparable grades in the civil service

2.5 During the period January 1999 to June 2000, the HAB conducted a review to ascertain whether the package of salary and fringe benefits of SDB staff had exceeded that of their comparable grades in the civil service. The HAB made several enquiries with the SDB about the terms and conditions of service of SDB staff. **In its reply to the HAB in June 1999, the SDB listed out the comparable grades of SDB staff in the civil service. However, the SDB subsequently expressed reservations about its list of comparable grades.** In September 1999, the SDB informed the HAB that the list of SDB staff's comparable grades in the civil service could not be regarded as fair and meaningful for the following reasons:

- (a) the SDB was not in a position to define and determine what were regarded as "comparable grades in the civil service";
- (b) the entry requirements, scope of responsibilities, duties, etc. of SDB staff were very different from those of civil servants; and
- (c) there were fundamental differences between the remuneration structures of the SDB and the civil service. The salary and fringe benefits of SDB staff were included in an all-inclusive cash remuneration package, while civil servants were provided with a range of non-cash and intangible benefits in addition to their salary.

Audit's comparison of annual remuneration package

2.6 Based on the SDB's list of comparable grades, Audit has compared the annual remuneration packages (including basic salary, cash allowance, 13th month's salary and

gratuity/provident fund) of SDB staff with those of their comparable grades in the civil service for 2000-01. **Audit has noted that for 2000-01:**

- (a) **at the highest point of their salary scales, the annual remuneration packages of the SDB's Chief Executive, Directors and Managers exceed those of their comparable grades in the civil service by 11.3% to 26.2% (see Appendix C); and**
- (b) **for three members of SDB staff, the actual annual remuneration packages exceed those at the highest point of the salary scales of their comparable grades in the civil service. The total excess for these staff is about \$594,000.**

Contract gratuity

2.7 SDB staff are employed either on contract terms (normally for two years) or on superannuation terms. Staff employed on contract terms are paid a gratuity equal to 25% (Note 5) of their basic salary upon satisfactory completion of the contract. Staff employed on superannuation terms join a provident fund scheme and are provided with an employer's contribution equal to 15% of their basic salary.

2.8 To take account of the prevailing employment market conditions and the civil service practices, in May 1999, the Secretary for the Treasury advised Controlling Officers on a new set of guidelines on the provision of contract gratuity to staff employed by subvented organisations on contract terms. The new guidelines specify that:

- (a) subvented organisations should provide contract gratuity to professional staff employed on contract terms at a level of no more than 15% of their total basic salary. For non-professional and supporting staff, the level of contract gratuity should normally be pitched at no more than 10% of their total basic salary. These gratuity levels should take immediate effect for new appointments;
- (b) for renewal of existing contracts, in line with the civil service practices, subvented organisations may continue to offer the same level of contract gratuity as in the previous contract, subject to the condition that it does not exceed 25% of the total basic salary during the contract period; and

Note 5: *The only exception is Grade IV Coach, for whom the contract gratuity payable is equal to 15% of the basic salary.*

- (c) where Controlling Officers support individual cases of appointment in subvented organisations providing contract gratuity at a level higher than the prescribed levels, they should seek the Finance Bureau's prior agreement in view of their financial implications.

2.9 **Audit noted that, except for the new appointment of a member of the professional staff, the SDB had followed the new guidelines on the provision of contract gratuity and reduced the contract gratuity of other professional staff from 25% to 15% of the total basic salary.** In this case, the negotiation for the employment contract commenced in May 1999 and the offer of appointment was made in October 1999. The employment contract commenced in January 2000. Notwithstanding that, on 7 June 1999, the HAB notified the SDB of the new provision of contract gratuity with effect from 27 May 1999, the Finance Bureau's prior agreement for providing contract gratuity at a level of more than 15% of the total basic salary (see paragraph 2.8(a) and (c) above) had not been sought.

Audit observations on remuneration and fringe benefits

2.10 **As indicated in paragraphs 2.6 and 2.9 above, the remuneration packages of some SDB staff are superior to those of their comparable grades in the civil service. As far as could be ascertained, before the SDB adopted its pay package (which has been used since 1994-95 — see paragraph 2.1 above), the advice of the Finance Bureau or the Civil Service Bureau (Note 6) on the terms and conditions of the package had not been sought. This did not comply with the Government's requirements on the administration of staff salary of subvented organisations mentioned in paragraphs 3.32 and 3.33 of the "Guidelines on the Management and Control of Government Subventions" issued in 1988 that:**

- (a) **the Controlling Officer should seek advice from the Finance Bureau and the Civil Service Bureau if there is any doubt on the comparability of ranking and terms of service; and**
- (b) **for any adjustments to the terms of service of existing subvented posts, it is necessary to obtain the prior agreement of the Controlling Officer, who must seek the advice of the Finance Bureau on the proposal.**

Audit considers that the Secretary for Home Affairs has not closely monitored the terms and conditions of service of SDB staff to ensure that they are not superior to those provided by the Government to their comparable grades in the civil service.

Note 6: *Before 1 July 1997, the Civil Service Bureau was known as the Civil Service Branch.*

2.11 **Audit has noted that:**

- (a) **during the course of the HAB's review of the salary and fringe benefits of SDB staff, the SDB informed the HAB that the SDB had reservations about the list of SDB staff's comparable grades in the civil service (see paragraph 2.5 above); and**
- (b) **up to the completion of this audit at the end of November 2000, the HAB's review had not yet been completed.**

Audit considers that there is an urgent need for the HAB to seek the advice of the Finance Bureau and the Civil Service Bureau as to what are SDB staff's comparable grades in the civil service and to complete its review on the existing terms and conditions of service of SDB staff as soon as possible.

Audit recommendations on remuneration and fringe benefits

2.12 **In view of the existing disparity in the terms and conditions of service between some SDB staff and their comparable grades in the civil service, Audit has *recommended* that:**

- (a) **the Chief Executive of the SDB should promptly and critically review the existing terms and conditions of service of SDB staff (including salary scale, cash allowance, 13th month's salary and gratuity/provident fund) to ensure that they comply with the Government's policy that the terms and conditions of service of staff of subvented organisations should not be superior to those provided to their comparable grades in the civil service; and**
- (b) **the Secretary for Home Affairs, as the Controlling Officer responsible for government subvention to the SDB, should:**
 - (i) **promptly seek the advice of the Finance Bureau and the Civil Service Bureau as to what are SDB staff's comparable grades in the civil service;**
 - (ii) **take prompt action to complete the HAB's review on the existing terms and conditions of service of SDB staff, which should take full account of all the relevant factors (including their comparable grades in the civil service, their entry requirements and their responsibilities and duties), so as to ensure that their terms and conditions of service are not superior to those provided to their comparable grades in the civil service; and**
 - (iii) **in future, closely monitor the terms and conditions of service of SDB staff by requiring the SDB to notify the HAB promptly of any material changes to their terms and conditions of service.**

Response from the SDB

2.13 The **Chief Executive of the SDB** generally accepts Audit's recommendation. He has said that:

- (a) since Audit has recommended that the Secretary for Home Affairs should seek the advice of the Civil Service Bureau on SDB staff's comparable grades in the civil service, a judgement on whether the annual remuneration packages of SDB staff are higher than those of their comparable grades in the civil service should not be drawn until the comparable grades have been duly determined and their packages have been evaluated; and
- (b) the new appointment mentioned in paragraph 2.9 above was an isolated case. All subsequent offers of appointment have already followed the new guidelines on contract gratuity. The SDB will seek the Finance Bureau's prior agreement (via the HAB) on future offers if the contract gratuity rate is higher than 15%.

Response from the Administration

2.14 The **Secretary for Home Affairs** generally accepts Audit's recommendations. He has said that:

- (a) the HAB reserves its comment on the comparability of ranking and terms and conditions of service of SDB staff with those of their comparable grades in the civil service, as this has yet to be determined together with the Civil Service Bureau;
- (b) the ranking of the SDB's Chief Executive was more comparable to a Directorate officer at D3/D4 level in the civil service. The work of the SDB's Managers was comparable to that of the staff of the Recreation and Sport Officer grade rather than that of the Administrative Officer grade. Regarding the annual remuneration packages of the SDB's Chief Executive and Directors, he understands that the post of the SDB's Chief Executive has recently been regraded and its remuneration package will shortly be substantially adjusted downwards to below the minimum point of a Directorate officer at D3 level in the civil service. As for the Directors, the number of officers at this level has been reduced from four to two in 2000-01. The pay packages of the remaining two Directors are roughly equivalent to the lowest point of a Directorate officer at D1 level in the civil service;
- (c) according to the HAB's records, the Finance Bureau was aware of the new terms of service of SDB staff following the integration of the former SDB with the former HKSI. He accepts that the HAB needs to seek up-to-date advice on the employment terms of SDB staff. In future, the HAB will conduct periodic reviews with the SDB, the Finance Bureau and the Civil Service Bureau to make sure that the employment terms of SDB staff would not be higher than those of their comparable grades in the civil service. The HAB has been reviewing these issues since 1999 and will expedite action to complete the review; and

- (d) on the basis of the existing policy, the HAB accepts that the Civil Service Bureau's advice should be sought on SDB staff's comparable grades in the civil service. As part of the HAB's review, the HAB will consider whether the current subvention approach needs to be revised, bearing in mind that there could be difficulties in finding direct comparison between SDB posts and civil service posts.

2.15 **The Secretary for the Civil Service** has said that:

- (a) paragraph 3.32 of the "Guidelines on the Management and Control of Government Subventions" advises Controlling Officers to seek advice from the Finance Bureau and the Civil Service Bureau where there is any doubt on the comparability of ranking and terms of service. This guideline does not impose a requirement on Controlling Officers to consult the Civil Service Bureau on the comparability of ranking or terms of service in all cases. Financial Circular No. 19/87 stipulates that if there is any doubt on the comparable ranking of staff or the appropriate terms of service to be offered, the Controlling Officers should seek early advice from the Finance Bureau. Paragraph 3.33 of the Guidelines also requires Controlling Officers to seek the advice of the Finance Bureau on any proposal regarding terms of service for subvented posts; and
- (b) in the event that the Secretary for Home Affairs has any points of query about the comparability of ranking which the Secretary for Home Affairs would like to raise with the Civil Service Bureau, the Civil Service Bureau is prepared to provide advice on specific points raised.

2.16 **The Secretary for the Treasury** has said that:

- (a) as a general rule, the terms of service for subvented posts may not be superior to those offered by the Government to comparable grades in the civil service. She notes the SDB's point on the fundamental differences in terms of remuneration structure, entry requirements, responsibilities, salary revision system, etc. between the concerned SDB posts and civil service posts and that such posts are not exactly comparable; and
- (b) she considers that the Secretary for Home Affairs should establish whether there are comparable ranks in the civil service. Where there is doubt on the comparability of ranking and terms of service, the Secretary for Home Affairs should seek advice from the Finance Bureau and the Civil Service Bureau, in accordance with the "Guidelines on the Management and Control of Government Subventions".

PART 3: UTILISATION OF SPORTS FACILITIES

Sports facilities

3.1 The SDB's sports facilities, located at the Sports Institute in Shatin, include sports grounds, running tracks, a swimming pool, grass pitches, indoor games halls and training rooms. A list of these sports facilities is at Appendix D.

Users of sports facilities

3.2 The SDB's sports facilities are provided mainly for the training of elite athletes. The sports facilities are also made available to the NSAs for conducting training for their members. In addition, the general public are allowed to use the sports facilities if they become members of the SDB's five sports clubs (Note 7).

3.3 The membership of the SDB's sports clubs is classified into the following four categories:

- (a) junior members for youths aged 6 to 17;
- (b) individual members for individuals aged 18 and above;
- (c) family members for families (including spouse and two children aged 6 to 17); and
- (d) corporate members for staff of local companies, clubs and associations.

In 1999-2000, the SDB had 2,337 sports club members. An analysis of its sports club membership for the four years from 1996-97 to 1999-2000 is at Appendix E. Sports club members are required to pay an annual subscription to the SDB. The annual subscription for each membership category of the SDB's sports clubs for 2000-01 is at Appendix F.

Priority on use of sports facilities

3.4 Other than sports club members, educational institutions, government departments and commercial organisations can also use the sports facilities through advance booking.

Note 7: *The SDB has five sports clubs, namely Badminton Club, Squash Club, Swimming Club, Table Tennis Club and Tennis Club.*

3.5 The priority of booking of the SDB's sports facilities is as follows:

- (a) bookings for elite training have priority over all other bookings. There is no limit on the number of hours for which the various sports facilities can be booked for elite training;
- (b) bookings for elite training of focus sports (Note 8) can be made one year in advance;
- (c) NSAs have the right to book the sports facilities three months in advance;
- (d) for sports club members, corporate members have the right to book the sports facilities two months in advance, while other members can book sports facilities two weeks in advance; and
- (e) the remaining serviceable time of the sports facilities will then be made available to educational institutions, government departments or commercial organisations.

Charges for use of sports facilities

3.6 Athletes of focus sports are allowed to use the sports facilities free of charge. Details of the charges payable by other users of the sports facilities are at Appendix G.

Consultancy study on sports facilities

3.7 In late 1999, the SDB commissioned a consultancy study on its sports facilities. The main objectives of the study were:

- (a) to evaluate the existing elite training facilities at the Sports Institute, having regard to the elite training requirements;
- (b) to evaluate the future demands for elite training facilities both at the Sports Institute and outside;
- (c) to evaluate the way the Sports Institute fits in with the overall development of sports in Hong Kong; and
- (d) to enhance commercialisation opportunities of the Sports Institute without interrupting any of the Sports Institute's elite training programmes.

Note 8: *Focus sports refer to those selected sports which have greater potential for local athletes to achieve good results in international competitions. All other sports are referred to as development sports.*

3.8 A Task Force, comprising representatives from the SDB, the SDB management, the Planning Department and the HAB, was formed to monitor the progress of the consultancy study and to consider the consultants' deliverables. The draft final report of the consultancy study issued in October 2000 proposed three different schemes (i.e. minimum, medium and maximum intervention to the existing facilities) for the redevelopment of the Sports Institute's facilities. Up to the completion of this audit at the end of November 2000, the draft final report was still being considered by the Task Force.

Utilisation of sports facilities

3.9 Audit has examined the utilisation of the SDB's sports facilities for the years from 1995-96 to 1999-2000. During this period:

- (a) the overall usage rate of all sports facilities ranged from 39.2% to 52.3%; and
- (b) six sports facilities, namely hard-ground court, cycle velodrome, function area, basketball courts, mini-tennis courts and volleyball courts, had overall usage rates of lower than 21%.

Details of the usage rates of the SDB's sports facilities are at Appendix H.

3.10 In response to Audit's enquiry about the not entirely satisfactory utilisation of the hard-ground court, cycle velodrome, function area, basketball courts, mini-tennis courts and volleyball courts, the SDB has said that:

- (a) in principle, elite training has the first priority in using the SDB's sports facilities. However, elite training seldom uses the hard-ground court, function area, basketball courts, mini-tennis courts and volleyball courts;
- (b) the hard-ground court and basketball courts have been less attractive to user groups other than elite athletes because the former Municipal Councils and the LCSD provide similar facilities free of charge to the public. The volleyball courts have been less attractive to user groups other than elite athletes because the former Municipal Councils and the LCSD provide better facilities;
- (c) the cycle velodrome is a single-purpose facility for sprint cycling for the sports of cycling and triathlon. Furthermore, although cycling and triathlon are focus sports, the cycle velodrome is no longer functional because cracks appear on its surface. The consultants commissioned to study the SDB's sports facilities (see paragraph 3.7 above) have pointed out (in the draft final report) that the cycle velodrome is dangerous for training and racing and it does not comply with the elite training standards;
- (d) the function area, situated at the main lobby, is used either for conducting SDB training courses or for holding functions and receptions; and

- (e) basketball, mini-tennis and volleyball have never been designated by the SDB as focus sports.

3.11 Audit has further analysed the utilisation of the SDB's sports facilities by different user groups for the years from 1995-96 to 1999-2000 (see Appendix I). Audit found that during this period:

- (a) the sports facilities were mainly used for elite training;
- (b) for only six of the sports facilities, over 25% of their available hours had been used for elite training. Of these six sports facilities, the swimming pool had the highest usage rate of 47% for elite training while, for the other five facilities, namely badminton courts, table-tennis tables, indoor tennis court and wushu area, gymnasium and fencing pistes, their elite training usage rates ranged from 25.5% to 34.3%; and
- (c) there was a decrease of 5.1% in overall usage rate of all sports facilities for elite training (from 25.1% in 1995-96 to 20% in 1999-2000). For the swimming pool and the squash courts, there were bigger decreases of 27.6% and 8.9% respectively in the elite training usage rates (see Table 2 below). The decreases were mainly due to the preference of some elite athletes of water sports or squash to use the LCSD's facilities which were more conveniently located in the urban area.

Table 2

**Decrease in usage rates of sports facilities
for elite training during the years from 1995-96 to 1999-2000**

Type of sports facility	1995-96	1999-2000	Decrease
	(a)	(b)	(a) - (b)
All sports facilities	25.1%	20.0%	5.1%
Squash courts	28.7%	19.8%	8.9%
Swimming pool	52.8%	25.2%	27.6%

Source: SDB's records

3.12 In response to Audit's enquiry about the not entirely satisfactory utilisation of the sports facilities for elite training (see paragraph 3.11(c) above), the SDB has said that:

- (a) some sports facilities e.g. the cycle velodrome, gymnasium, fencing pistes and indoor tennis court are exclusively used for elite training. The reasons for this special arrangement are:
 - (i) for safety reasons, a professional coach has to be present when any one of the facilities (i.e. the cycle velodrome, gymnasium and fencing pistes) is in use; and
 - (ii) it is necessary to minimise damage to the synthetic floor of the sports facilities in order not to affect elite training. An example is the indoor tennis court, which is the only indoor tennis court at the Sports Institute;
- (b) the use of some sports facilities (e.g. the track and field area, grass pitches and activities room) is restricted to organisations only in order to ensure that someone is held accountable if the venue or equipment is damaged; and
- (c) in view of the factors mentioned in insets (a) and (b) above, the usage rates of the sports facilities are much lower than expected.

Audit observations on utilisation of sports facilities

3.13 **Audit has found that:**

- (a) **the SDB has not set any targets for the utilisation of its sports facilities; and**
- (b) **during the years from 1995-96 to 1999-2000:**
 - (i) **the overall utilisation of six sports facilities of the SDB had not been entirely satisfactory as the overall usage rate of each facility had been below 21% (see paragraph 3.9(b) above); and**
 - (ii) **the SDB's sports facilities were mainly used for elite training. The overall usage rate of all its sports facilities for elite training had decreased from 25.1% in 1995-96 to 20% in 1999-2000 (see paragraph 3.11(c) above).**

Audit considers that there is a need for the SDB management to set targets for the utilisation of the SDB's individual sports facilities and to explore practical ways and means to make better use of those sports facilities with low usage rates.

3.14 Audit has noted that in the draft final report on the SDB's sports facilities mentioned in paragraph 3.8 above, the consultants commented that:

- (a) **due to their age, the sports facilities did not provide the highest quality venues for the existing focus sports.** The risk of injury to elite athletes could be costly in terms of rehabilitation and possible reduction in capability, which could result in wasting the time and commitment invested in training and competition. Local and international athletes and their coaches would not risk injury at a substandard venue. The SDB must offer "state-of-the-art" facilities to attract elite athletes from the NSAs in Hong Kong, from Mainland China and from overseas countries; and
- (b) **in order to be effective in the provision of elite training, the SDB must be provided with flexible training facilities of international standard, including indoor and outdoor multi-purpose sports facilities.**

In Audit's view, the SDB management should take into account the comments of the consultants when considering ways of increasing the usage of the SDB's sports facilities which have low usage rates or, if their usage rates cannot be improved, consider converting the sports facilities into other beneficial uses.

Audit recommendations on utilisation of sports facilities

3.15 Audit has *recommended* that the Chief Executive of the SDB should:

- (a) **set targets for the utilisation of the SDB's individual sports facilities;**
- (b) **critically and regularly examine the need for retaining those sports facilities of the SDB with low usage rates and, where the demand for such sports facilities is found to be low for a long time, consider converting them into other beneficial uses;**
- (c) **promptly conduct a cost and benefit analysis to evaluate the various options available (including refurbishment, upgrading and redevelopment) for converting the SDB's sports facilities with low usage rates into other beneficial uses, taking into consideration:**
 - (i) **the recommendations of the consultancy report (expected to be finalised soon);**

- (ii) **the need to meet the demand for different types of sports facilities brought about by changes in focus sports from time to time; and**
- (iii) **the need to provide elite athletes and other users with flexible training facilities of international standard; and**
- (d) **draw up a long-term plan to upgrade/redevelop the SDB's sports facilities, taking into consideration the financial and time constraints.**

Response from the SDB

3.16 The **Chief Executive of the SDB** accepts Audit's recommendations. He has said that in order to ensure cost-effective use of resources, the SDB will implement the audit recommendations in the following order:

- (a) finalising the recommendations of the consultancy report in 2001;
- (b) ascertaining the funding requirements and drawing up a timetable for implementing the recommendations of the consultancy report;
- (c) carrying out the study/analysis suggested by Audit in paragraph 3.15(b) and (c) above if the recommendations of the consultancy report are not accepted, or if their implementation is deferred; and
- (d) drawing up a long-term plan to upgrade/redevelop the SDB's sports facilities after the above steps have been taken.

Audit observations on utilisation of sports facilities by sports club members

3.17 **Audit has found that:**

- (a) **during the four years from 1996-97 to 1999-2000, while the total membership of the SDB's sports clubs had increased by 26% from 1,855 to 2,337 (see Appendix E):**

- (i) the number of junior members had increased by 105% from 804 to 1,648; and
 - (ii) for individual members, family members and corporate members, their membership had decreased by about 30%; and
- (b) during the five years from 1995-96 to 1999-2000:
- (i) the overall usage rate of all the sports facilities of the SDB by its sports club members had decreased from 10% to 7%; and
 - (ii) the usage rates of badminton courts, squash courts and tennis courts by the SDB's sports club members had also decreased (see Table 3 below).

Audit considers that there is a need for the SDB management to attract more people to join the SDB's sports clubs and increase the usage rates of the SDB's sports facilities by its sports club members.

Table 3
Decrease in usage rates of sports facilities
by sports club members during the years from 1995-96 to 1999-2000

Type of sports facility	1995-96	1999-2000	Decrease
	(a)	(b)	(a) - (b)
All sports facilities	10 %	7 %	3 %
Badminton courts	16 %	11 %	5 %
Squash courts	3.6 %	1.9 %	1.7 %
Tennis courts	24.5 %	10 %	14.5 %

Source: SDB's records

**Audit recommendations on utilisation
of sports facilities by sports club members**

3.18 **Audit has *recommended* that the Chief Executive of the SDB should:**

- (a) **conduct a review to ascertain the reasons for the decrease in individual membership, family membership and corporate membership of the SDB's sports clubs in the past four years; and**
- (b) **based on the results of the review, take proactive measures to attract more people to join the SDB's sports clubs, particularly as individual members, family members and corporate members, and to increase the usage rates of the SDB's sports facilities by its sports club members.**

Response from the SDB

3.19 The **Chief Executive of the SDB** generally accepts Audit's recommendations. He has said that:

- (a) while there may be practical difficulties for the SDB to find out the reasons for the decrease in membership of the SDB's sports clubs in the past four years, it will conduct a membership survey in due course to understand the needs of members and to avoid further attrition;
- (b) a preliminary review on the SDB's membership system was carried out in September and October 2000 as part of an overall study on commercial opportunities for the SDB's sports facilities and services. A Sports Facility Marketing Plan, which was drawn up after the study, has already been approved by the SDB's Committees for implementation in April 2001; and
- (c) given the existing conditions of some of the SDB's sports facilities (e.g. replacement of the artificial turf pitch which has been put on hold pending the completion of the consultancy study on the sports facilities) and the keen competition from more advanced sports facilities of large residential estates and the LCSD, it is not optimistic that the size of the SDB's sports club membership will be increased substantially even with more promotion efforts.

PART 4: INSPECTION OF SPORTS FACILITIES

Procedures for inspection of sports facilities

4.1 The Facility Attendants (FAs) of the SDB's Facility Management Department are responsible for inspecting the usage of the SDB's sports facilities in accordance with a daily Facility Booking Schedule. The FAs are required:

- (a) to inspect the sports facilities within 20 minutes of each booking session; and
- (b) to ensure that the basic rules for using the sports facilities, such as wearing of appropriate sports suit and footwear, have been complied with.

4.2 The specific procedures for inspection of the SDB's sports facilities are as follows:

- (a) ***Sports club members.*** The FAs should check the booking receipt and membership card of the user to ensure that the booking period is correct, the membership card is valid and at least one user is a member of one of the SDB's sports clubs;
- (b) ***Group booking.*** The FAs should check the booking receipt or the identity of the person in charge of the group or of the representative of the association which has made the group booking; and
- (c) ***Internal users (mainly elite training groups).*** The FAs should look for the presence of the coach to ensure that the sports facilities are used properly. If the coach is absent, or if there is no prior permission of the coach, the athletes should not be allowed to use the sports facilities. If the users are not found during the inspection of a booked sports facility, the FAs should go to other places such as the fitness training room, swimming pool, athletics track or restaurant to ascertain whether the focus sports teams are engaged in warm-up exercises or taking a break.

4.3 Upon completion of the inspection of the sports facilities, the FAs are required:

- (a) to inform verbally the SDB's Booking Office of all the irregularities (including unauthorised use of the sports facilities, or the sports facilities booked being not in use) noted during the inspection; and

- (b) to record the irregularities noted on the Facility Booking Schedule and forward a copy of the schedule to the Booking Office for follow-up action.

4.4 The SDB has contracted out the lifeguard and cleaning services of its swimming pool under a service contract. Apart from providing the lifeguard and cleaning services, the contractor is required:

- (a) to enforce the rules and regulations regarding the use of the swimming pool area and regulate users according to accepted bookings; and
- (b) to record any irregularities noted on the Facility Booking Schedule and forward a copy of the schedule to the Booking Office for follow-up action.

The Facility Management Department is responsible for checking the performance of the contractor at various intervals of a day and recording the inspection results on a standard schedule.

Inspection of sports facilities

4.5 On 13, 14 and 21 July 2000, accompanied by one of the FAs, Audit conducted three inspections of the SDB's sports facilities to see whether the procedures for the inspection of such facilities were complied with. Audit noted the following instances of non-compliance with the SDB's procedures:

- (a) contrary to the Booking/Operation Procedures issued by the Commercial Operations Department, on four occasions, the Booking Office was not informed of the cancellations of internal bookings of the sports facilities two weeks before the date on which the facilities were supposed to be used (see item (a) in Appendix J);
- (b) on two occasions, the sports facilities were used by the elite training group without booking (see item (b) in Appendix J);
- (c) on three occasions, the sports facilities were used by unauthorised persons without booking (see item (c) in Appendix J);
- (d) the cases of non-compliance mentioned in insets (b) and (c) above were not recorded on the Facility Booking Schedules; and

- (e) contrary to the procedures for the inspection of sports facilities mentioned in paragraph 4.3 above, the cases of non-compliance noted during the audit inspections (see insets (a), (b) and (c) above) were not reported in writing to the Booking Office for follow-up action.

4.6 Upon checking the 98 Facility Booking Schedules within the two-week period 21 May to 3 June 2000, Audit noted the following irregularities:

- (a) on ten Facility Booking Schedules, there was either no check mark or no signature on some of the individual booking periods;
- (b) instead of check marks on individual booking periods, only one big tick was found on eight Facility Booking Schedules;
- (c) the coverage of the checks (i.e. the time and court numbers) recorded on 62 Facility Booking Schedules was unclear; and
- (d) only one check mark was found on 14 Facility Booking Schedules for booking periods of several hours.

Audit observations on inspection of sports facilities

4.7 **Audit found that:**

- (a) **there were instances where the procedures for the inspection of the SDB's sports facilities had not been complied with (see paragraph 4.5 above);**
- (b) **the inspection work performed by the responsible persons was not recorded properly on the Facility Booking Schedules (see paragraph 4.6 above); and**
- (c) **there was no documented evidence indicating that surprise checks had been carried out to verify the inspection work performed by the FAs.**

4.8 Audit considers that:

- (a) the procedures for the inspection of the SDB's sports facilities should be complied with;**
- (b) without records indicating that the inspection work has been properly carried out by the responsible persons, it is difficult for the SDB management to:**
 - (i) verify the inspection work;**
 - (ii) identify the responsible persons who have performed the inspection work and assess their performance; and**
 - (iii) ascertain the actual frequency of inspections; and**
- (c) in the absence of documented evidence of the surprise checks on the inspection work performed by the FAs, it is difficult to ensure that their work has been performed up to the SDB's requirements.**

Audit recommendations on inspection of sports facilities

4.9 Audit has *recommended* that the Chief Executive of the SDB should:

- (a) ensure that in future, all users comply with the existing requirement that two weeks' advance notice is given to the Booking Office for cancellations of internal bookings of the SDB's sports facilities so that the sports facilities can be reallocated to other users;**
- (b) ensure that in future, cases of non-compliance of using the SDB's sports facilities are recorded on the Facility Booking Schedules and the schedules are forwarded to the Booking Office for follow-up action;**
- (c) require the FAs to record properly the results of their inspections of the SDB's sports facilities on the Facility Booking Schedules, so as to facilitate the SDB management to monitor the usage of its sports facilities effectively and the performance of the FAs;**

- (d) **revise the existing procedures for inspecting the SDB's sports facilities to include an additional requirement that the SDB's Facility Supervisors or above should conduct surprise checks periodically on the inspection work performed by the FAs, in order to have an assurance of the quality of the inspection work; and**
- (e) **ensure that the results of surprise checks on inspections of the SDB's sports facilities are properly recorded.**

Response from the SDB

4.10 The **Chief Executive of the SDB** accepts Audit's recommendations. He has said that:

- (a) the cases of non-compliance detected by Audit might have been caused by insufficient manpower of the SDB's Operations Division;
- (b) since 17 November 2000, detailed policy guidelines on the "Internal Booking of Facilities at Sports Institute", which include Audit's recommendations in paragraph 4.9(a) to (c) above, have taken effect; and
- (c) starting from 15 December 2000, surprise checks are carried out to verify the inspection work performed by the FAs. Systematic recording requirements are also imposed on such checks.

PART 5: CONTRACTING OUT OF SERVICES

Contracting out can reduce operating costs

5.1 Since April 1994, the SDB has contracted out the lifeguard and cleaning services of its swimming pool. In a consultancy report on the future of the HKSI issued in 1996, the consultants recommended that there would be potential to further contract out the SDB's services in order to reduce operating costs. The consultants estimated that contracting out the SDB's services could reduce its operating costs by \$2.7 million (or 20%) annually. The SDB accepted the consultants' recommendation.

Contracting-out exercise in 1997

5.2 In December 1996, an internal review panel of the SDB, headed by the then Director of Corporate Services was set up to examine the feasibility of contracting out the SDB's services. The panel was of the view that:

- (a) a number of the SDB's services could be considered for contracting out; and
- (b) in order not to affect elite training and the income generated through commercial activities, the contracting-out exercise would be carried out in two phases. The first phase was planned to commence in April 1998 and would cover the following services: catering, security and carpark management, general cleaning, and horticulture and supply of potted plants. Depending on the progress of the first phase, the second phase was planned to commence in April 1999. The second phase would cover routine maintenance services, sports shop, and athletes' hostel and residence.

5.3 In September 1997, the SDB invited tenders for the first phase of the contracting-out exercise. In April 1998, only the security and carpark management services of the SDB were contracted out. However, the SDB did not take action to commence the second phase of the contracting-out exercise in April 1999, as planned.

Recent developments

5.4 In August 2000, the SDB's Corporate Management Committee (Note 9) agreed that, as circumstances had changed since the contracting-out exercise in 1997, the SDB management should carry out a review to ascertain if it was more beneficial to contract out the SDB's catering services and its sports shop operation, bearing in mind the need to achieve maximum cost-effectiveness.

Note 9: *Before 1 April 1998, the Corporate Management Committee was known as the Finance and Administration Committee.*

The SDB was then considering contracting out its catering services for a period of one to two years commencing from April 2001. In September and October 2000, the SDB invited private companies to express their interest in providing catering services to the SDB. Up to the end of December 2000, the SDB had received expression of interest from three outside caterers. In October 2000, tenders were invited for operating the sports shop. According to the SDB's tender evaluation report, the SDB concluded that, instead of contracting out, it was financially more beneficial for the SDB to operate the sports shop in 2001-02. In mid-December 2000, the Corporate Management Committee agreed that the SDB management should be allowed to continue to operate the sports shop.

Tendering for catering services

Estimation of income for the catering services

5.5 The SDB's catering services include the operation of:

- (a) a mess solely for elite athletes; and
- (b) a Chinese restaurant, a Western restaurant and a Fast Food Corner for its sports club members, participants in sports programmes, users of sports facilities, its staff and members of the public.

In the 1997 contracting-out exercise, two tenders were received for the provision of the catering services. According to the SDB's February 1998 financial evaluation report, for 1998-99, the provision of the catering services by SDB staff would bring about a net surplus of about \$4 million while contracting out the services would result in a deficit of \$0.1 million or \$0.2 million, depending on which tenderer would be selected to provide the services. Based on this financial evaluation report, the SDB decided not to contract out the catering services.

5.6 **However, Audit noted that the SDB's financial evaluation was based on an unduly high projection of the income from the catering services.** The SDB estimated that in 1998-99, its catering business would generate an income of \$17 million. Based on this income, it expected that, if its catering services were provided by SDB staff, there would be a net surplus of about \$4 million. **In the event, the SDB's actual catering income in 1998-99 was only \$10.9 million (see Figure 1 in paragraph 5.7 below).**

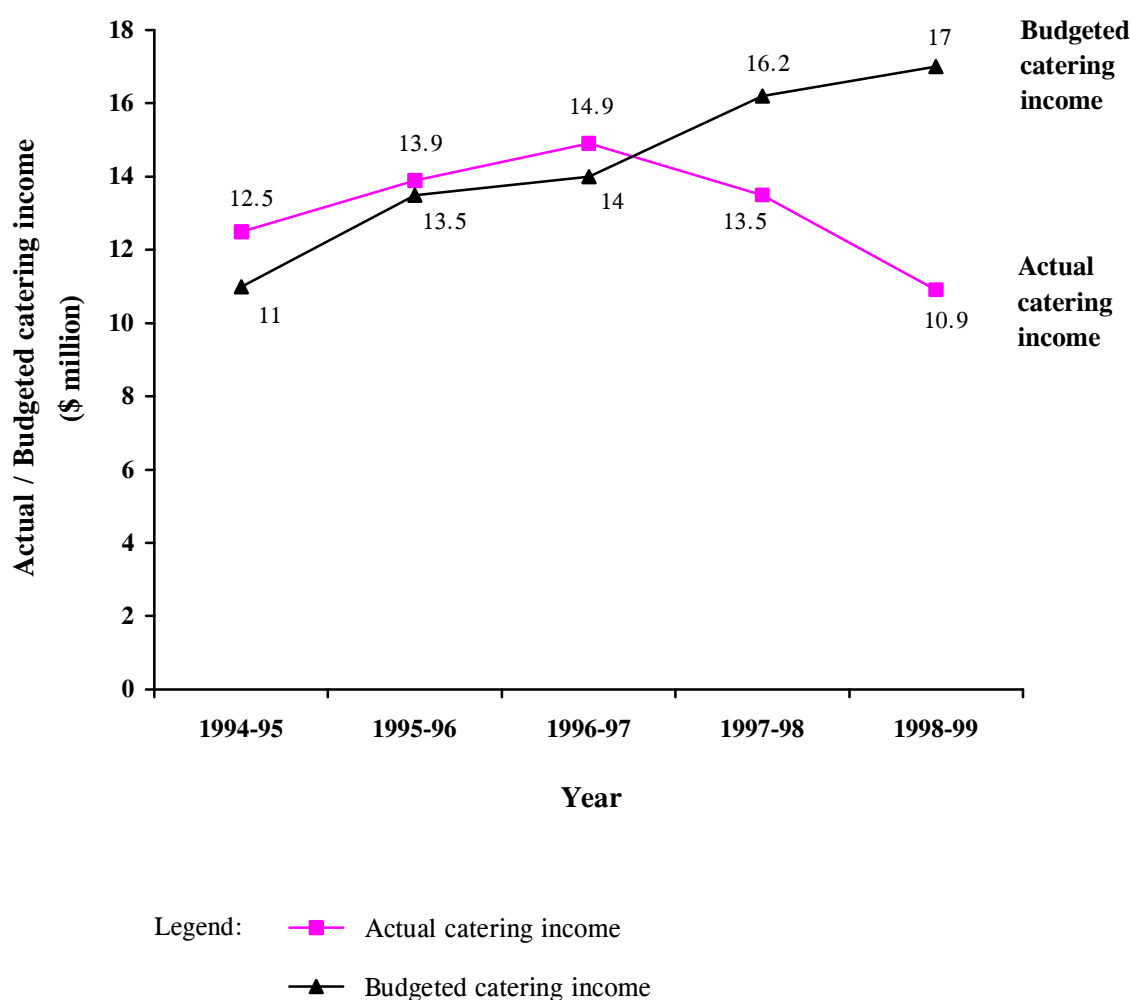
5.7 Audit's analysis of the actual and budgeted income of the SDB's catering services for the years from 1994-95 to 1998-99 indicates that:

- (a) the actual and budgeted catering income for the years from 1994-95 to 1996-97 were quite close. However, since 1997-98, while the budgeted catering income was expected to continue to increase, the actual catering income had decreased;

- (b) in 1997-98, the actual catering income started to decrease by \$1.4 million (or 9.4%) from \$14.9 million in 1996-97 to \$13.5 million in 1997-98; and
- (c) in 1998-99, the actual catering income was significantly less than the budgeted catering income by \$6.1 million (or 36% — see Figure 1 below).

Figure 1

**Actual and budgeted catering income
for the years from 1994-95 to 1998-99**



Source: SDB's records

**Income and expenditure items used in
evaluating the tenders of the catering services**

5.8 Upon reviewing the SDB's February 1998 financial evaluation report for contracting out the catering services, Audit noted that:

- (a) in the tender documents, the external service provider was required to pay a fee to the SDB for the maintenance of the central electrical and mechanical systems, and a hiring charge for the use of venues outside the specified catering area, based on a formula to be worked out. **However, in the financial evaluation of the tenders, these income items, which would be additional income to the SDB, had not been taken into account;**
- (b) **the following items had been wrongly included in the SDB's financial evaluation of the provision of catering services by SDB staff:**
 - (i) **a notional income from a charge of \$1.1 million to the Coaching Division for free meals provided to the elite athletes. This was an inter-divisional charging and was not a real income to the SDB; and**
 - (ii) **an income of \$0.3 million and an expenditure of \$0.1 million relating to 13 soft drink vending machines, both of which were outside the terms of the tender for the catering services; and**
- (c) **for electricity and water charges, a total amount of \$0.4 million recoverable from the external service provider had been included in the income from the tenderers. However, the same amount, payable by the SDB, was not included in the general expenses in the SDB's financial evaluation of the provision of the catering services by the tenderers.**

5.9 Taking into account the errors and omissions in the SDB's financial evaluation mentioned in paragraph 5.8 above, Audit compared the actual financial results of providing the catering services by SDB staff for 1998-99 with the likely results of providing the same services if the catering services had been contracted out. Audit found that:

- (a) providing the catering services in-house resulted in an actual deficit of \$2 million (instead of a net surplus of about \$4 million, as had been estimated in the SDB's financial evaluation report — see paragraph 5.5 above); and
- (b) if the catering services had instead been contracted out, the actual deficit of \$2 million would have been reduced to about \$0.9 million.

Tendering for general cleaning services

5.10 The SDB's Facility Management Department is responsible for the provision of the SDB's cleaning services. At the time of the 1997 contracting-out exercise, the Department had:

- (a) a Cleaning Team which provided general cleaning services to offices, store rooms, plant rooms, athletes' hostel and residence, changing rooms, toilets, laboratories, clinics and all outdoor areas (except landscaping areas); and
- (b) a Facility Services Team which provided cleaning services to both indoor and outdoor sports facilities.

5.11 Audit noted that:

- (a) in the 1997 contracting-out exercise for the general cleaning services, the cleaning services for both indoor and outdoor sports facilities, which were outside the scope of the general cleaning services as the SDB had intended that its Facility Services Team would continue to provide such services, were inadvertently included in the tender document;
- (b) the Facility Management Manager recognised the oversight mentioned in inset (a) above before a tender briefing meeting held in October 1997. However, as the tender document had already been issued, SDB staff verbally informed all tenderers at the tender briefing meeting that the cleaning services for all indoor and outdoor sports facilities **should be excluded** from the required jobs specified in the tender document; and
- (c) in the event, all tenderers submitted tenders confirming their agreement to provide all the cleaning services specified therein, which included the cleaning services for both indoor and outdoor sports facilities. All the tenders were rejected because the tendered sums were too high. SDB staff continued to provide all the cleaning services.

Audit observations on the 1997 contracting-out exercise

Tendering for catering services

5.12 Audit found that the SDB's financial evaluation of the option of contracting out the catering services was based on an unduly high projection of income from the catering services (see paragraph 5.6 above). With the decrease in actual catering income in 1997-98 (see paragraph 5.7(a) and (b) above), Audit considers that the SDB management should:

- (a) in the contracting-out exercise for the catering services, have taken into account the change in the trend of catering income when projecting the catering income for 1998-99; and
- (b) based on different assumptions for the projected catering income, have carried out a sensitivity analysis to assess the financial viability of the option of contracting out.

5.13 Audit also found that there were errors and omissions in the SDB's financial evaluation of the contracting-out option for the catering services (see paragraph 5.8 above). Audit's assessment of the provision of catering services for 1998-99 revealed that providing the catering services in-house resulted in an actual deficit of \$2 million (see paragraph 5.9 above). The result of Audit's assessment was in contrast to the conclusion of the SDB's financial evaluation that the provision of the catering services by SDB staff would bring about a net surplus of about \$4 million (see paragraph 5.5 above). In the light of Audit's findings, Audit considers that the SDB had not made a fair and meaningful evaluation of the tenders received and hence the conclusions of the financial evaluation were questionable.

Tendering for general cleaning services

5.14 Audit noted that the cleaning services for both indoor and outdoor sports facilities should not have been included in the tender document for the general cleaning services, as the SDB's intention was that such services would continue to be provided by its Facility Services Team (see paragraph 5.11(a) above). Audit considers that the inadvertent inclusion of a larger scope of services in the tender document than actually required had caused the tenders to be rejected and resulted in the delay in contracting out the general cleaning services.

Audit recommendations on the 1997 contracting-out exercise

5.15 Audit has *recommended* that the Chief Executive of the SDB should:

- (a) ensure that in future:
 - (i) realistic projections of income and expenditure are used in the SDB's financial evaluation of the option of contracting out its services; and
 - (ii) a sensitivity analysis based on different assumptions of income and expenditure is carried out to assess the financial viability of the option of contracting out;

- (b) ensure that in future, proper and correct income and expenditure of both internal and external service providers are used in the financial evaluation of the option of contracting out;
- (c) as a good practice, ensure that in future, all significant subsequent changes to the service requirements specified in tender documents are properly conveyed to the tenderers in writing as a tender addendum; and
- (d) conduct another tendering exercise to ascertain the true costs and benefits of contracting out the catering and general cleaning services.

Response from the SDB

5.16 The **Chief Executive of the SDB** accepts Audit's recommendations. He has said that:

- (a) the SDB had believed that the income and expenditure were realistic projections for the SDB's catering services at the time the contracting-out exercise was conducted. The reversal of the evaluation outcome was mainly due to the fact that the actual catering income in 1998-99 was much lower than that projected at the time the contracting-out exercise was conducted. It was impossible to predict at that time what impact such a drastic market downturn (i.e. the financial turmoil in 1997-98) would bring about and how long the market downturn would subsist;
- (b) evaluation guidelines for the SDB's contracting-out exercises are now being developed to further strengthen its evaluation process. The SDB undertakes to look into the income and expenditure projection process for areas of further improvements and has recently implemented sensitivity analysis and break-even analysis techniques as its standard evaluation procedures;
- (c) for the tender exercise on the SDB's general cleaning services conducted in 1997-98, the SDB did not cast any doubt on the tenderers' understanding of the scope of services concerned because the returned tender prices of the general cleaning services were slightly higher than the cost of the SDB's cleaning team responsible for the same scope of work. Furthermore, during the site tour arranged for the tenderers, the venues of all indoor and outdoor sports facilities of the SDB were excluded. As the cleaning job for the indoor and outdoor sports facilities was very labour-intensive, it would have required an additional cost of about 25%, if the tenderers had included the indoor and outdoor sports facilities' cleaning duties in their bids; and

- (d) since 1997, the SDB has adopted the practice of conveying to the tenderers in writing all changes to the service requirements specified in the tender documents. The present case of not sending written confirmation on changes to the tender documents on the general cleaning services was an isolated, one-off incident.

Audit observations on follow-up review of internal services

5.17 In February 1998, the SDB's Corporate Management Committee endorsed the SDB management's recommendation that, with the exception of security and carpark management services, catering services, general cleaning services and horticulture services should continue to be provided internally. The Committee also advised that it would be incumbent upon the SDB management to ensure that a mechanism would be put in place to monitor the cost-effectiveness of these services.

5.18 However, Audit has found that the SDB management has not carried out an internal review to evaluate the catering services, general cleaning services and horticulture services which were being provided internally, and to monitor the performance of the internal services against their targets. Audit considers that there is a need for the SDB management to continuously monitor the cost-effectiveness of the SDB's internal services.

Audit recommendation on follow-up review of internal services

5.19 Audit has *recommended* that the Chief Executive of the SDB should closely monitor the cost-effectiveness of the services being provided by SDB staff, especially the catering services, general cleaning services and horticulture services.

Response from the SDB

5.20 The Chief Executive of the SDB accepts Audit's recommendation. He has said that, although there was no formal internal review to monitor the performance of the internal services against their targets, both the catering services and general cleaning services are closely monitored by the SDB to ensure that their services are cost-effective.

Audit observations on further contracting out of services

5.21 As mentioned in paragraph 5.1 above, in 1996, the consultants estimated that contracting out the SDB's services could reduce its annual operating costs by 20%. So far, only the lifeguard

and cleaning services of the SDB's swimming pool and the security and carpark management services of the SDB have been contracted out. **The second phase of the contracting-out exercise did not commence in April 1999, as planned (see paragraph 5.3 above). While Audit has noted that since August 2000, the SDB has taken action to prepare for the contracting-out of its catering services and sports shop operation (see paragraph 5.4 above), Audit considers that the SDB management should continue to contract out more of the SDB's services in order to achieve further savings in operating costs.**

Audit recommendation on further contracting out of services

5.22 Audit has *recommended* that the Chief Executive of the SDB should take prompt action to complete the second phase of the SDB's contracting-out exercise so as to further reduce its operating costs.

Response from the SDB

5.23 The **Chief Executive of the SDB** accepts Audit's recommendation. He has said that:

- (a) the main reasons for deferring the second phase of the SDB's contracting-out exercise were the poor general economic conditions, the Government's Review of District Organisations in 1998 and the SDB's staff reorganisation exercise; and
- (b) in December 2000, the SDB's relevant Committee decided and approved that the second phase of the SDB's contracting-out exercise would be carried out in 2001-02.

PART 6: MANAGEMENT OF GRANTS TO NSAs

Grants to NSAs

6.1 In 1999-2000, \$64 million (or 30%) of government subvention to the SDB was paid to the NSAs in the form of grants to cover their personnel expenses, office expenses, programme expenses on sports activities, expenses for organising international events in Hong Kong and audit fees. Of the 55 NSAs in Hong Kong which are currently in receipt of grants from the SDB, 13 NSAs are organising focus sports (see Appendix K).

Grants for NSAs' personnel expenses

6.2 Grants are provided to the NSAs to employ their staff according to the manning scale shown in Table 4 below. Staff employed by the NSAs with grants are required to meet the qualifications and to be paid according to the salary scales prescribed by the SDB. For 1999-2000, the grants for NSAs' personnel expenses amounted to \$27 million (see Figure 2 below).

Table 4

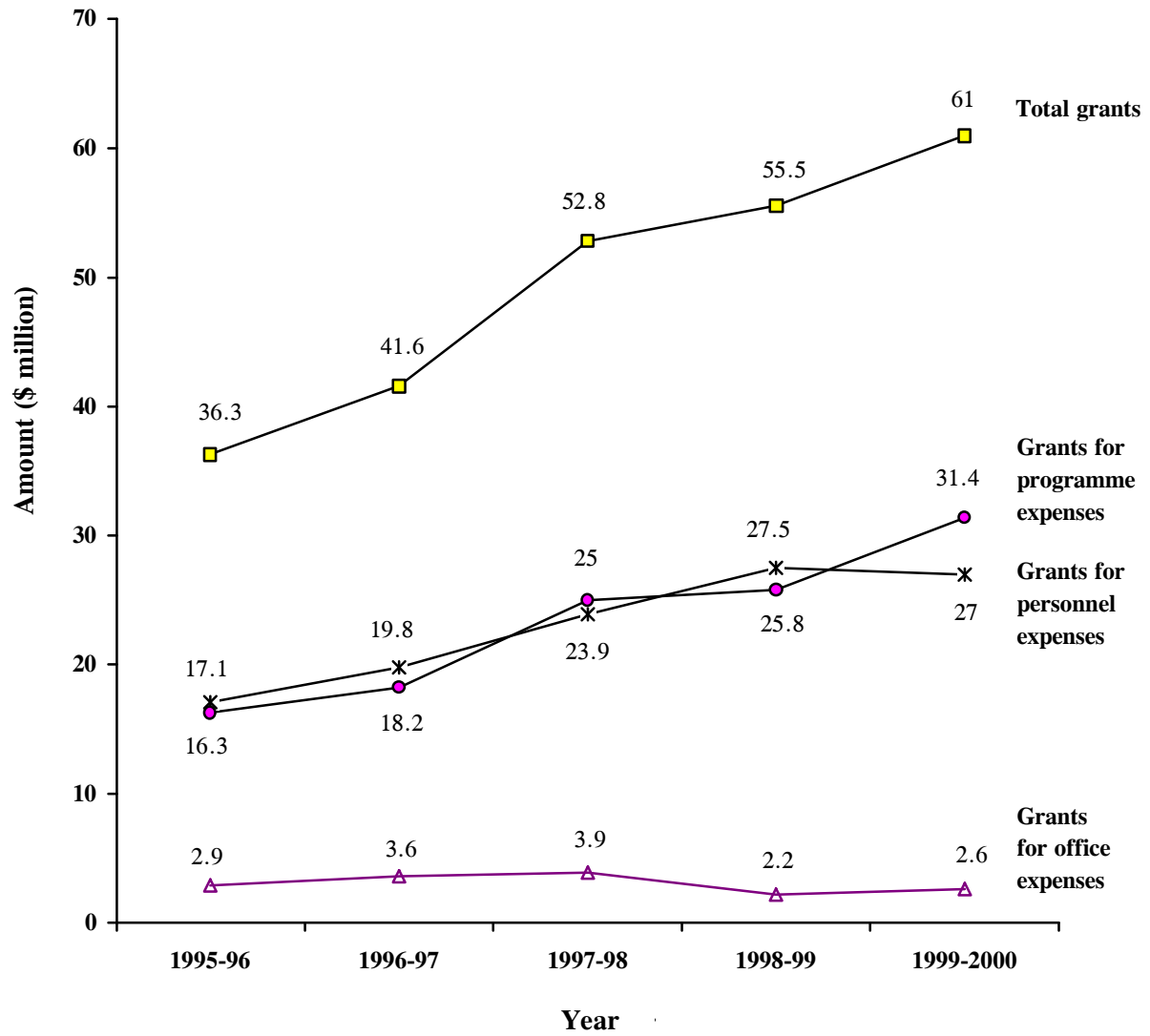
**Maximum number of staff allowed
to be employed by NSAs with grants from the SDB**

Nature of sports organised by the NSAs	Maximum number of staff allowed to be employed
Focus sports	5
Development sports	3
Multi-discipline sports (e.g. gymnastics, sports for the physically disabled and mentally handicapped)	4
Focus team sports or ex-focus team sports	4

Source: SDB's records

Figure 2

Grants to the NSAs for the years from 1995-96 to 1999-2000



Legend:

- △— Grants for office expenses
- *— Grants for personnel expenses
- Grants for programme expenses
- Total grants

Source: SDB's records

6.3 Audit has noted that:

- (a) out of the total of 55 NSAs, 54 NSAs are each provided with funds to employ at least one staff; and
- (b) in 1999-2000, 144 staff, including 122 full-time staff and 22 part-time staff, were employed by the NSAs with the SDB's grants (see Table 5 below).

Table 5

Staff employed by NSAs with grants from the SDB in 1999-2000

Rank	Full-time (Number)	Part-time (Number)	Total (Number)
Executive Director	8	—	8
Coaching Director	4	—	4
Technical Executive	7	—	7
Senior Sports Executive	13	—	13
Sports Executive	37	3	40
Administrative Assistant	53	19	72
Total	<u>122</u>	<u>22</u>	<u>144</u>

Source: SDB's records

**Audit observations on
grants for NSAs' personnel expenses**

6.4 Audit's review of the SDB's principles for allocating personnel expenses to NSAs has indicated that when allocating grants for personnel expenses to NSAs, the SDB's Sports Development Managers had taken into consideration a number of general factors, including the NSAs' programme size and future development. However, the SDB had not established productivity standards to objectively assess the NSAs' manpower requirements. Audit has found that:

- (a) of the 144 staff employed by the NSAs with the SDB's grants in 1999-2000, 72 (or 50%) were Administrative Assistants (see Table 5 in paragraph 6.3 above); and

- (b) the duties of the Administrative Assistants are to perform administrative and clerical work in the office and to provide accounting, secretarial and other supporting services to the executives of the NSAs.

6.5 Audit considers that:

- (a) grants to the NSAs for personnel expenses should be closely monitored so that a larger proportion of the total grants to the NSAs can be allocated to organise sports programmes;
- (b) as 42 out of the 55 NSAs are accommodated in the Sports House next to the Hong Kong Stadium, instead of providing grants to individual NSAs for employing their own staff, the SDB should consider setting up a central pool of administrative/clerical staff to provide supporting services to the NSAs accommodated there so that the total number of such staff employed with the SDB's grants can be reduced; and
- (c) as some departments of the SDB are also accommodated in the Sports House, more savings can be achieved through further pooling of the administrative/clerical staff of the SDB and the NSAs accommodated in the Sports House.

**Audit recommendations on
grants for NSAs' personnel expenses**

6.6 Audit has *recommended* that the Chief Executive of the SDB should:

- (a) establish productivity standards so that the number of staff to be employed by individual NSAs with the SDB's grants can be more accurately and objectively assessed;
- (b) having regard to the established productivity standards, take prompt action to revise the staff establishment of individual NSAs so as to ensure optimum utilisation of their manpower resources;
- (c) conduct regular reviews to ascertain if there are any significant changes in the activities of the NSAs and, if so, revise their staff establishment accordingly; and
- (d) consider the possibility of pooling all the administrative/clerical staff of the SDB and the NSAs accommodated in the Sports House with a view to reducing the personnel expenses and using the personnel expenses thus saved to subsidise sports programmes.

Response from the SDB

6.7 The **Chief Executive of the SDB** accepts Audit's recommendations. He has said that:

- (a) in addition to the SDB's existing guidelines for determining the number of NSAs' subvented staff, more specific guidelines on this subject will be considered with reference to the practices of other public organisations which provide funding to the social services agencies (such as the Social Welfare Department and the Community Chest);
- (b) the NSAs' manpower requirements are regularly reviewed in the SDB's annual Block Grant Allocation Exercise, taking into consideration the NSAs' size of activities and membership. Addition or deletion of subvented posts will be recommended to the SDB's respective Committee and full Board for approval; and
- (c) presently, some central administration support for the NSAs (e.g. central mailing, bulk printing and reception duties) is provided by the SDB at the Sports House. Audit's recommendation will be further explored after the SDB's consultation with the NSAs.

Audit observations on monitoring of NSAs' performance

6.8 Presently, some ten staff of the SDB's Sports Development Department are engaged in monitoring the performance of the NSAs. In 1999-2000, their total staff cost amounted to \$4.3 million. For the purpose of monitoring the performance of the NSAs, from time to time, SDB staff are required to conduct visits to NSAs' venues, to attend NSAs' Executive Committee meetings, and to prepare reports on their visits and attendance at meetings to the SDB's Director in charge of the Elite Training and Sports Development Group.

6.9 **Audit has found that the SDB has, for several years, developed and put in use a checklist of the items which SDB staff need to examine during the visits/meetings and a standard form for recording the observations noted during such visits/meetings. However, for individual items in the checklist for which in-depth examination is required, the SDB has not issued guidelines on the specific areas which should be further examined, the extent of examination, and how the results of the examination should be reported. In order to ensure that the performance of the NSAs is monitored properly and in a consistent manner, Audit considers that there is a need for the SDB management to draw up such guidelines.**

Audit recommendations on monitoring of NSAs' performance

6.10 In order to ensure that the performance of the NSAs is monitored properly and in a consistent manner, **Audit has *recommended* that the Chief Executive of the SDB should:**

- (a) **draw up clear guidelines on conducting examinations of the NSAs; and**
- (b) **for individual items in the SDB's existing checklist for which in-depth examination is required, ensure that the guidelines cover the specific areas which should be further examined, the extent of examination, and how the results of the examination should be reported.**

Response from the SDB

6.11 The **Chief Executive of the SDB** accepts Audit's recommendations. He has said that:

- (a) guidelines on conducting examinations of the NSAs will be reviewed and included in the operational guide of the SDB in order to enhance the monitoring system; and
- (b) areas requiring special attention and examination during visits to the NSAs' programmes and meetings with the NSAs will be included in a standard report format in order to maintain consistency in monitoring the NSAs' performance.

Internal audit

6.12 The Independent Commission Against Corruption, in its studies in 1993 and again in 1998, recommended that:

- (a) an Internal Audit Unit should be established within the SDB to conduct audits on the SDB's activities and carry out spot checks on the use of grants by the NSAs, as such audits were considered to be an effective deterrent to malpractices and misuse of grants; and
- (b) the Internal Audit Unit should report directly to the Chief Executive of the SDB and an Internal Audit Committee comprising a number of Board/Committee Members.

6.13 However, up to the completion of this audit at the end of November 2000, no internal audit unit has been set up. Instead, the SDB has decided, on the grounds of more cost-effective use of public funds, to appoint external auditors to carry out audits on selected NSAs (hereinafter referred to as random internal audits) in 2001-02. The scope of such audits will be limited to expressing opinions on the NSAs' statements of accounts, internal controls over their subvented activities and their compliance with procurement policies and procedures.

6.14 Each NSA receiving grants from the SDB is required to submit to the SDB either its annual audited accounts if its initial allocation is more than \$80,000 or an annual return if its initial allocation is equal to or less than \$80,000. The initial allocation excludes grants for personnel expenses and audit fees.

Audit observations on internal audit

6.15 Audit has found that:

- (a) **part of the work of the SDB's random internal audits on the NSAs' statements of accounts duplicates the audit work on those NSAs receiving an initial allocation of more than \$80,000 (see paragraph 6.14 above) because their external auditors have already performed the work during the audit of their accounts; and**
- (b) **the SDB's random internal audits do not include a review of the SDB's activities and spot checks on the use of grants by the NSAs.**

6.16 Audit considers that:

- (a) **in order to save audit cost, the SDB management should reconsider whether there is a need to include the audit of the NSAs' statements of accounts in respect of those NSAs receiving an initial allocation of more than \$80,000 in the random internal audits; and**
- (b) **there is a need for the SDB management to expand the scope of the random internal audits to include a review of the SDB's activities and spot checks on the use of grants by the NSAs, because such audits can provide the SDB management with useful information on whether the grants have been spent economically, efficiently and effectively.**

Audit recommendations on internal audit

6.17 Audit has *recommended* that the Chief Executive of the SDB should:

- (a) **consider excluding the audit of the NSAs' statements of accounts in respect of those NSAs receiving an initial allocation of more than \$80,000 from the random internal audits; and**
- (b) **expand the scope of the random internal audits to include a review of the SDB's activities and spot checks on the use of grants by the NSAs.**

Response from the SDB

6.18 The **Chief Executive of the SDB** accepts Audit's recommendations and agrees to consider expanding the scope of the random internal audits to include a review of the SDB's activities.

PART 7: MANAGEMENT OF THE SPORTS HOUSE

The Sports House

7.1 The Sports House, which was part of the redevelopment project of the Hong Kong Stadium, was built in 1992. Its building and fitting-out costs were financed by the HKJC. Upon completion of its construction in March 1994, it was handed over to the Government. In April 1994, the Government entrusted the SDB with the responsibility of managing the Sports House under a tenancy agreement signed between the Government and the SDB at a nominal rent of \$1 per year. The tenancy was made for a period of five years commencing on 1 April 1994. The tenancy would be automatically renewed for a further period of five years, except with a six-month notice from either party for the termination of the agreement.

7.2 The justifications for building the Sports House were:

- (a) to provide centralised facilities and services specially designed and catered for the needs of the local sports community;
- (b) to enable more efficient communication between the NSAs, the Government, the SDB and the SFOC;
- (c) to allow more interaction between the NSAs so that they could work together to advocate their views and to share their experiences;
- (d) to reduce the duplication of resources and facilitate the work within the local sports community; and
- (e) to enable easier access to the local sports community by the public, the media, multi-sport service agencies and the business sector.

7.3 The Sports House is a two-storey building with a net usable area of about 2,438 square metres on each floor. It provides office space, storage space, car parking spaces and common facilities (including a lecture theatre, meeting rooms, a press room and staff rooms) to the NSAs and the SDB. It is the SDB's policy that free use of office space, storage space and meeting facilities is provided to the NSAs. Office space is provided to the NSAs according to the space standards laid down by the SDB. Requests for additional office space or storage space over the SDB's standard provision will be met subject to the availability of space and the payment of a below market rental. Surplus office space, storage space, car parking spaces and meeting facilities are rented out at discounts of the market rental to commercial sports-related organisations or non-profit making sports-related organisations.

Accounting of the Sports House

7.4 The accounts of the Sports House form part of the SDB's accounts. All income and expenditure relating to the operations of the Sports House are recorded under a separate cost centre in the SDB's accounts. Table 6 below shows the operating results of the Sports House for the years from 1994-95 to 1999-2000.

Table 6
Operating results of the Sports House
for the years from 1994-95 to 1999-2000

Year	Income	Expenditure	Operating surplus/(deficit)
	(\$'000)	(\$'000)	(\$'000)
1994-95	1,677	4,821	(3,144)
1995-96	3,779	3,203	576
1996-97	5,164	4,192	972
1997-98	4,255	4,882	(627)
1998-99	3,114	3,759	(645)
1999-2000	2,839	3,720	(881)
Total	<u>20,828</u>	<u>24,577</u>	<u>(3,749)</u>

Source: SDB's records

7.5 When the Sports House was handed over to the SDB in 1994, the then Secretary for Recreation and Culture informed the SDB that as a general principle, the handing-over of the management of the Sports House to the SDB was made on the understanding that this would not lead to any future call on government funds, either capital or recurrent. According to Clause 3(r) of the tenancy agreement of the Sports House signed between the Government and the SDB, the SDB is required to keep proper books and accounts in relation to the use, occupation and management of the premises and to permit the Government's representative to inspect such records at all reasonable times for the purpose of ensuring due compliance by the SDB with Clause 3(q). According to this clause, the SDB is required to apply all revenue, proceeds or profit generated from the Sports House towards the maintenance and refurbishment of the Sports House and development of sports in Hong Kong.

Audit observations on accounting of the Sports House

7.6 Audit has found that no separate statement of accounts (including a balance sheet and an income and expenditure account) had been prepared on the operations of the Sports House in accordance with Clause 3(r) of the tenancy agreement of the Sports House. As no such separate statement of accounts had been prepared, it is difficult to ascertain how the surpluses or deficits of the Sports House in the past six years have been applied towards the maintenance and refurbishment of the Sports House and development of sports in Hong Kong.

7.7 Audit has also found that:

- (a)** in total, \$12 million of capital expenditure had been incurred on fixed assets and fitting-out of the Sports House for the six years from 1994-95 to 1999-2000;
- (b)** the fixed assets of the Sports House were recorded in the fixed asset register of the SDB; and
- (c)** no depreciation on the fixed assets of the Sports House had been included in the statement of the Sports House Cost Centre for the first three years from 1994-95 to 1996-97. Depreciation was only provided for in the statement of the Sports House Cost Centre from 1997-98 onwards.

7.8 On the basis of Audit's findings mentioned in paragraph 7.7 above, in Audit's view, it is difficult to ascertain:

- (a)** the total capital expenditure of the Sports House for each of the past six years from 1994-95 to 1999-2000;
- (b)** the sources of the funds that have been used to finance the capital expenditure of the Sports House in these six years; and
- (c)** the true operating results of the Sports House for the three years from 1994-95 to 1996-97.

7.9 As mentioned in paragraph 7.5 above, according to the tenancy agreement of the Sports House, the Government's representative should carry out periodic inspections of the books and accounts kept for the Sports House for the purpose of ensuring due compliance by the SDB with Clause 3(q), i.e. to apply all revenue, proceeds or profit generated from the Sports House towards the maintenance and refurbishment of the premises and development of sports in Hong Kong. However, Audit could not find any record indicating that the Government's representative had inspected such records since the handing-over of the management of the Sports House to the SDB in 1994.

7.10 Audit considers that:

- (a) **to comply with the terms of the tenancy agreement of the Sports House, the SDB should keep separate accounts on the operations of the Sports House; and**
- (b) **the Secretary for Home Affairs should regularly inspect the books, accounts and other accounting records of the Sports House to ensure compliance with the Government's requirements specified in the tenancy agreement of the Sports House.**

Audit recommendations on accounting of the Sports House

7.11 Audit has *recommended* that:

- (a) **the Chief Executive of the SDB should keep separate accounts on the operations of the Sports House in accordance with the tenancy agreement of the Sports House, so as to facilitate inspections of such accounts by the HAB; and**
- (b) **the Secretary for Home Affairs should:**
 - (i) **take prompt action to ensure that the Government's requirements specified in the tenancy agreement of the Sports House (that the SDB should apply all revenue, proceeds or profit generated from the Sports House towards the maintenance and refurbishment of the Sports House and development of sports in Hong Kong) are properly complied with; and**
 - (ii) **conduct regular inspections of the Sports House's books, accounts and other accounting records to ensure that the Government's requirements specified in the tenancy agreement of the Sports House are complied with in future.**

Response from the SDB

7.12 The Chief Executive of the SDB accepts Audit's recommendation. He has said that:

- (a) while the SDB agrees that Audit's observations are valid, the issue identified by Audit relates to the layout and organisation of the financial reports adopted at that time, as the transactions of the Sports House are separately accounted for by a unique set of accounting codes in the SDB's general ledger; and
- (b) the SDB agrees that, in order to facilitate the HAB's inspection of the Sports House's accounts as stated in the Sports House's tenancy agreement, a separate financial statement for the operations of the Sports House should be prepared.

Response from the Administration

7.13 The **Secretary for Home Affairs** accepts Audit's recommendations. He has said that he will liaise with the SDB to ensure that the requirements specified in the tenancy agreement of the Sports House are complied with in future.

Audit observations on usage rate of the Sports House's meeting facilities

7.14 The meeting facilities in the Sports House include a boardroom, a lecture theatre and seven meeting rooms. **Audit found that:**

- (a) **the main users of the meeting facilities were the NSAs;**
- (b) **of the overall usage rate of 50.7% of the meeting facilities in 1999-2000, their usage by the NSAs accounted for 40.3%; and**
- (c) **the usage rate of the meeting facilities by the corporate users had decreased substantially from 30.6% in 1996-97 to 6.4% in 1999-2000 (see Figure 3 below).**

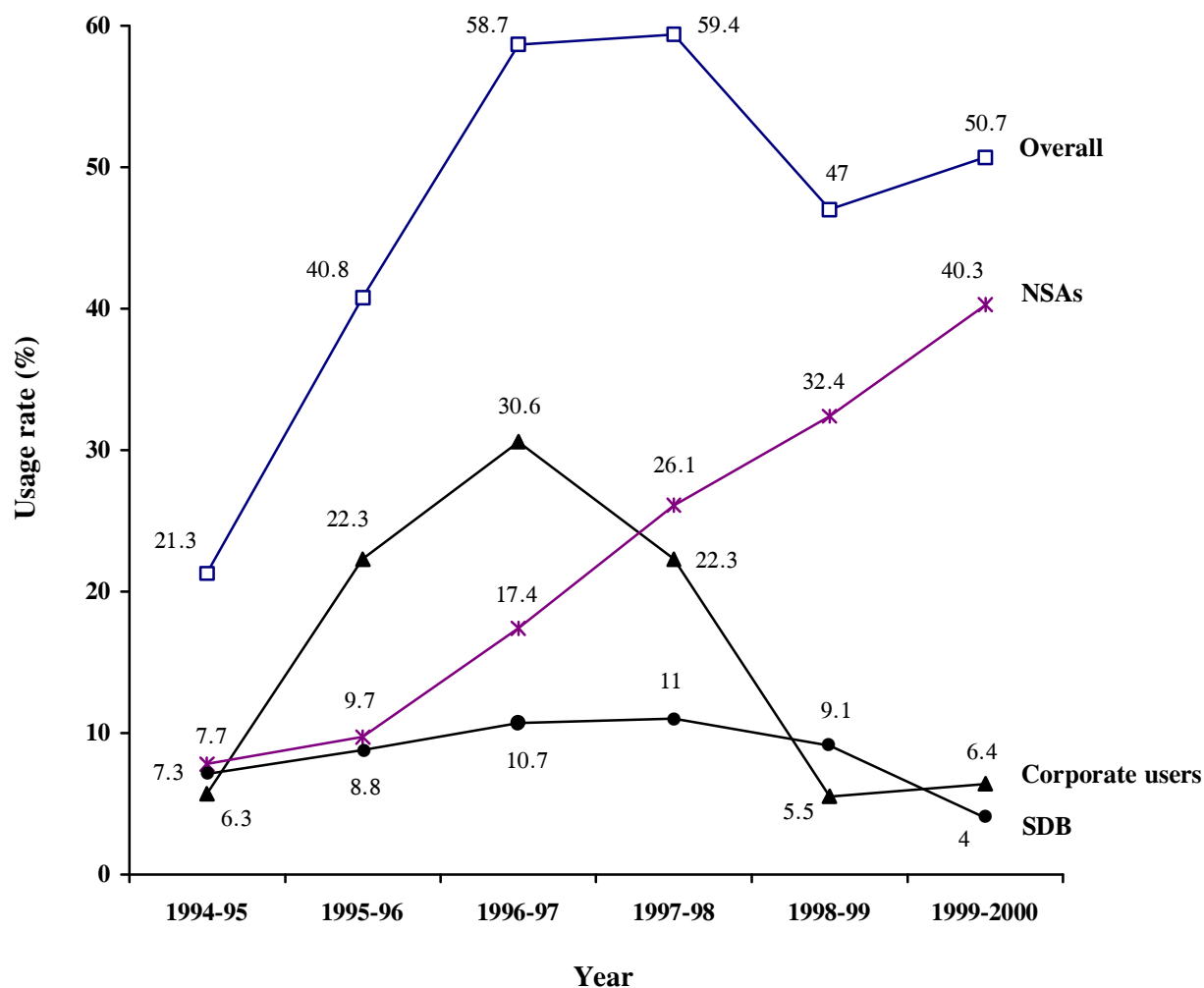
7.15 **Audit's enquiry revealed that:**

- (a) **before October 1999, the SDB did little to promote the usage of the meeting facilities in the Sports House by commercial/corporate users; and**
- (b) **since October 1999, some promotion work on the Sports House's meeting facilities had been carried out by the SDB. As a result, the overall usage rate of such meeting facilities for 1999-2000 slightly increased by 3.7%, i.e. from 47% to 50.7%.**

Audit considers that, with more positive promotion by the SDB, the usage of such meeting facilities by commercial/corporate users could be improved, thus generating more income for the Sports House.

Figure 3

**Usage rate of the Sports House's meeting facilities
for the years from 1994-95 to 1999-2000**



Legend:

- Usage by SDB
- ▲ Usage by corporate users
- * Usage by NSAs
- Overall usage

Source: Audit's analysis of SDB's records

Audit recommendation on usage rate of the Sports House's meeting facilities

7.16 Audit has *recommended* that the Chief Executive of the SDB should promote the usage of the meeting facilities in the Sports House by commercial/corporate users with a view to increasing the income of the Sports House.

Response from the SDB

7.17 The **Chief Executive of the SDB** accepts Audit's recommendation. He has said that:

- (a) located next to the Hong Kong Stadium, the Sports House is not easily accessible by its users who go there by public transport;
- (b) there are now more NSAs residing at the Sports House than in previous years (i.e. 42 NSAs as at 31 December 2000 compared with 38 NSAs in 1998-99). As a result, the duration of the Sports House's meeting facilities available for use by commercial/corporate users, and hence the income of the Sports House, are further reduced; and
- (c) it is expected that, with the implementation of the SDB's Facility Marketing Plan in 2001-02, the amount and extent of promotion and marketing work for the Sports House's meeting facilities can be further increased.

Audit observations on usage rate of the Sports House's carpark

7.18 The ground floor of the Sports House is used as a carpark. Presently, there are 38 monthly parking spaces and 18 hourly parking spaces in the carpark. **Audit found that:**

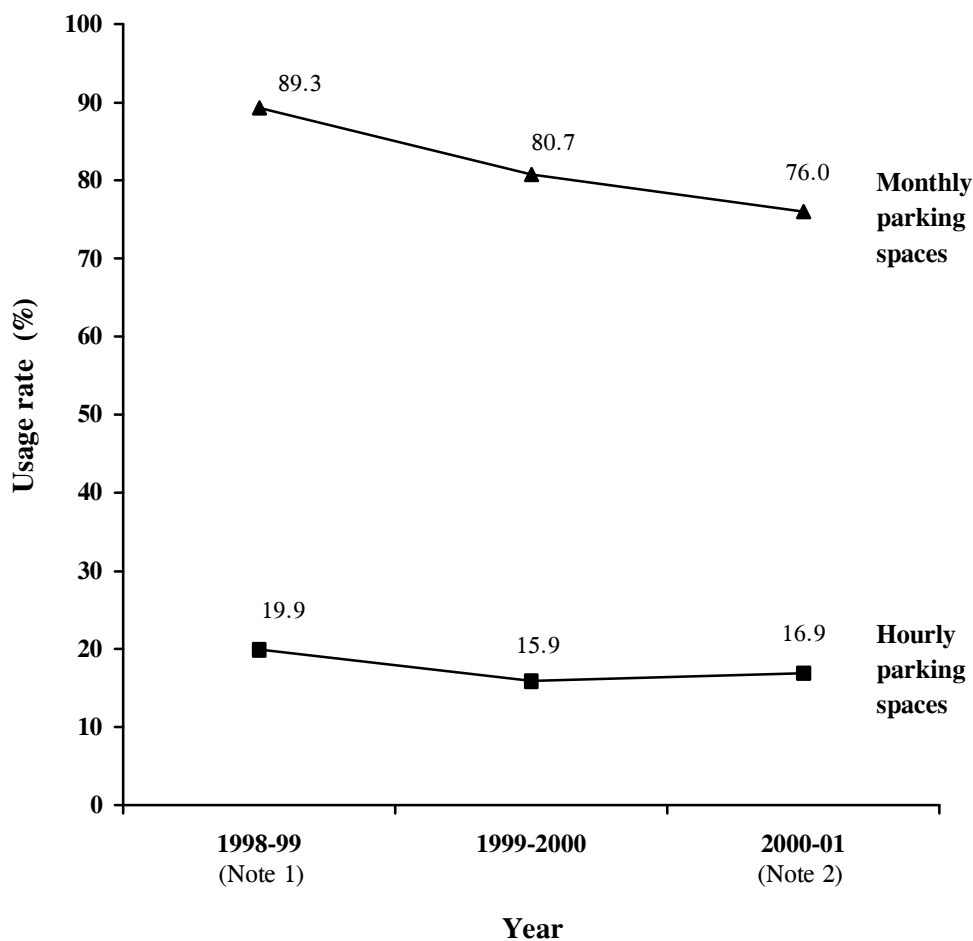
- (a) **the usage rate of the monthly parking spaces in the Sports House's carpark had decreased from 89.3% in 1998-99 to 76% in 2000-01 (Note 10); and**
- (b) **the usage rate of the hourly parking spaces in the Sports House's carpark had decreased from 19.9% in 1998-99 (Note 11) to 16.9% in 2000-01 (Note 10 and see Figure 4 below).**

Note 10: *The usage rates for 2000-01 were estimated based on data available for the period April to October 2000.*

Note 11: *The usage rate of the hourly parking spaces for 1998-99 was estimated based on the actual usage during the period August 1998 to March 1999.*

Figure 4

**Usage rates of the Sports House's car parking spaces
for the years from 1998-99 to 2000-01**



Legend: ■ Hourly parking spaces
 ▲ Monthly parking spaces

Source: SDB's records

Remarks: Statistics on the usage rates before 1998-99 are not available.

Note 1: The usage rate of the hourly parking spaces for 1998-99 was estimated based on the actual usage during the period August 1998 to March 1999.

Note 2: The usage rates for 2000-01 were estimated based on data available for the period April to October 2000.

7.19 In view of the low usage rate of the hourly parking spaces and the decrease in usage rate of the monthly parking spaces in the Sports House's carpark since 1998-99 (see paragraph 7.18 above), Audit considers that the SDB management should find ways to improve their usage rate so as to generate more income for the Sports House.

**Audit recommendations on
usage rate of the Sports House's carpark**

7.20 Audit has *recommended* that the Chief Executive of the SDB should:

- (a) promptly conduct a review to find out the reasons for the decrease in the usage rates of the Sports House's carpark since 1998-99; and
- (b) based on the results of the review, take proactive measures to attract more people to use the carpark with a view to increasing the income of the Sports House.

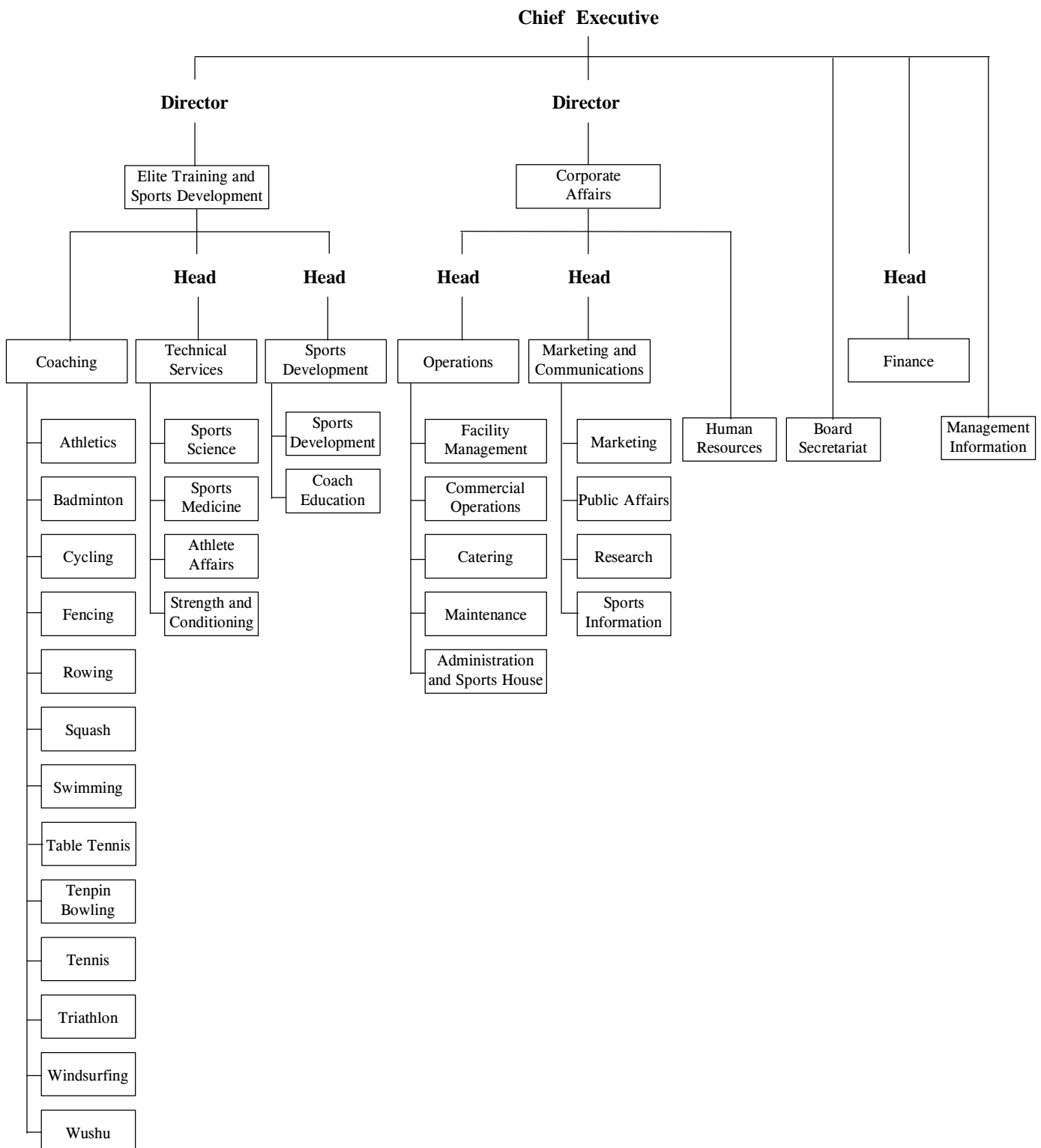
Response from the SDB

7.21 The **Chief Executive of the SDB** accepts Audit's recommendations. He has said that:

- (a) brief reviews on the usage rates of the Sports House's carpark are conducted regularly by the SDB. It is hoped that the review recommended by Audit can shed further light on the reasons for the decrease in usage rates of the carpark; and
- (b) it is expected that, with the implementation of the SDB's Facility Marketing Plan in 2001-02, the amount and extent of promotion and marketing work for the Sports House's carpark can be further increased.

Appendix A
(paragraph 1.6 refers)

Organisation chart of the SDB as at 1 December 2000



Source: SDB's records

Appendix B
(paragraph 1.7 refers)

**SDB's total expenditure and government subvention
for the years from 1990-91 to 2000-01**

Year	SDB's total expenditure	Government subvention	Government subvention as a percentage of SDB's total expenditure
	(a)	(b)	(c) = $\frac{(b)}{(a)} \times 100\%$
	(\$ million)	(\$ million)	(%)
1990-91	46.0	46.0	100
1991-92	50.9	50.0	98
1992-93	62.4	55.0	88
1993-94	100.8	160.9 (Note 1)	160
1994-95	118.6	73.3	62
1995-96	114.3	73.8	65
1996-97	115.6	78.4	68
1997-98	125.7	109.1 (Note 2)	87
1998-99	260.0	196.7 (Note 2)	76
1999-2000	266.4	215.1 (Note 2)	81
2000-01	289.6 (Note 3)	255.2 (Notes 2 and 4)	88
		Average (Note 5)	85

Source: SDB's records and Government Estimates

Note 1: This includes a special grant of \$100 million which was paid to the SDB to run an intensive programme for high-performance athletes between 1993-94 and 1996-97.

Note 2: This includes funds provided under the Government's Arts and Sport Development Fund.

Note 3: This is the SDB's budgeted figure.

Note 4: This is the estimated figure for 2000-01.

Note 5: The average percentage is calculated as follows:

$$\frac{\text{Sum of government subvention from 1990-91 to 2000-01}}{\text{Sum of the SDB's total expenditure for the same period}} \times 100\%$$

Appendix C
(paragraph 2.6(a) refers)

**SDB staff categories with annual remuneration packages
exceeding those of their comparable grades in the civil service for 2000-01**

Staff category	SDB's annual remuneration package (Note 1)		Grade/rank	Civil service's annual remuneration package (Note 2)		Difference at lowest point of each salary scale		Difference at highest point of each salary scale	
	Lowest point of salary scale	Highest point of salary scale		Lowest point of salary scale	Highest point of salary scale				
	(a)	(b)		(c)	(d)	(e) = (a) - (c)	(f) = $\frac{(e)}{(c)} \times 100\%$	(g) = (b) - (d)	(h) = $\frac{(g)}{(d)} \times 100\%$
	(\$)	(\$)		(\$)	(\$)	(\$)	(%)	(\$)	(%)
Chief Executive	3,091,197 (Contract terms)	3,970,197	Directorate D4	3,092,108	3,145,508	-911	-0.1%	824,689	26.2%
Director	1,841,437 (Contract terms)	2,642,997	Directorate D1 — D2	2,068,327	2,375,527	-226,890	-11.0%	267,470	11.3%
Manager	616,697 (Contract terms)	1,454,257	Administrative Officer	694,560	1,156,920	-77,863	-11.2%	297,337	25.7%
	582,305 (Super-annuation terms)	1,372,897				-112,255	-16.2%	215,977	18.7%

Source: SDB's list of comparable grades and records of SDB, Civil Service Bureau and Treasury

Note 1: The annual remuneration package of SDB staff includes basic salary, cash allowance, 13th month's salary, gratuity/provident fund, medical benefits, travel insurance and death and disability benefits but excludes leave.

Note 2: The annual remuneration package of the civil service includes basic salary and average oncost which consists of retirement benefits, Widows and Orphans/Surviving Spouses' and Children's Pension Schemes, housing benefits, leave, leave passage allowances, education allowances, and medical and dental benefits.

Appendix D
(paragraph 3.1 refers)

Sports facilities at the Sports Institute, Shatin

Type of sports facility	Number	Approximate area (square metres)
Golf driving range	1	16,650
Grass pitches	2	14,630
Track and field area	1	10,636
Tennis courts	15	10,292
Artificial turf pitch	1	8,424
Cycle velodrome	1	7,150
Hard-ground court	1	3,528
Jogging trail	1	2,000
Basketball courts	2	1,764
Swimming pool	1	1,551
Badminton courts	10	1,487
Tennis range	1	1,300
Volleyball courts	4	1,188
Squash courts	12	1,008
Indoor tennis court and wushu area	1	893
Gymnasium	1	805
Putting green	1	700
Fitness training room	1	691
Mini-tennis courts	5	684
Function area	1	414
Table-tennis tables	8	403
Fencing pistes	4	403
Outward bound training area	1	240
Triathlon training room	1	56
Cycling training room	1	24
Total		86,921

Source: SDB's records

Appendix E
(paragraphs 3.3
and 3.17(a) refer)

**Analysis of SDB's sports club membership by category
for the years from 1996-97 to 1999-2000**

Membership category	1996-97	1997-98	1998-99	1999-2000	Percentage increase/(decrease) from 1996-97 to 1999-2000
	(a)	(b)	(c)	(d)	(e) = $\frac{(d) - (a)}{(a)} \times 100\%$
	(Number)	(Number)	(Number)	(Number)	(%)
Junior member	804	1,007	1,212	1,648	105%
Individual member	827	735	613	524	(37%)
Family member	172	165	146	130	(24%)
Corporate member	52	58	50	35	(33%)
Total membership	<u>1,855</u>	<u>1,965</u>	<u>2,021</u>	<u>2,337</u>	26%

Source: SDB's records

Remarks: Statistics on sports club membership before 1996-97 are not available.

Appendix F
(paragraph 3.3 refers)

**Annual subscription for each category of
membership of SDB's sports clubs for 2000-01**

Sports club	Annual subscription			
	Junior member	Individual member	Family member	Corporate member (Note)
	(\$)	(\$)	(\$)	(\$)
Badminton Club	480	1,600	2,880	15,960
Squash Club	450	1,100	2,000	15,960
Swimming Club	480	1,200	2,200	15,960
Table Tennis Club	450	1,100	2,000	15,960
Tennis Club	1,200	2,280	2,980	15,960

Source: SDB's records

Note: Each corporate member is issued with two transferable membership cards for use by its staff.

Appendix G
(paragraph 3.6 refers)

**Charges for using SDB's sports facilities
payable by different user groups for 2000-01**

Type of sports facility	NSA	Individual member	Corporate member	Educational institution	Sports-related organisation/ government department	Commercial organisation
	Hourly rate or as specified					
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Artificial turf pitch	120 — 360	185 — 375	340 — 630	155 — 650	340 — 630	490 — 770
Badminton court	40 — 64	60 — 68	105 — 135	45 — 140	105 — 135	140 — 175
Basketball court	35 — 180	51 — 180	120 — 250	42 — 255	120 — 250	136 — 290
Grass pitch	170 — 270	N.A.	420 — 630	210 — 670	420 — 630	670 — 840
Hard-ground court	65 — 335	98 — 340	210 — 565	81 — 575	210 — 565	260 — 680
Long/high jump/ shot put field	84 — 285	N.A.	295 — 475	105 — 495	295 — 475	335 — 580
Squash court — per 45 minutes	25 — 42	32 — 38	48 — 64	30 — 67	48 — 64	67 — 84
Swimming pool						
— per head/ per visit	N.A.	22	N.A.	N.A.	N.A.	N.A.
— per lane/ per hour	43 — 66	N.A.	150 — 160	66 — 170	150 — 160	170 — 215
— per pool/ per hour	430 — 660	N.A.	1,500 — 1,600	660 — 1,700	1,500 — 1,600	1,700 — 2,150
Table-tennis table	27 — 45	36 — 40	63 — 70	35 — 72	63 — 70	72 — 90
Tennis court	35 — 112	50 — 122	115 — 182	42 — 182	115 — 182	130 — 217
Track	88 — 440	N.A.	310 — 840	110 — 865	310 — 840	350 — 1,040
Volleyball court	36 — 115	48 — 109	84 — 155	48 — 151	84 — 155	96 — 175
Wushu area	160 — 240	N.A.	425 — 670	200 — 640	425 — 670	640 — 800
Sports day — per day	8,250 — 22,000	N.A.	19,250 — 41,250	1,650	22,000 — 49,500	27,500 — 55,000

Source: SDB's records

Remarks: The sports facilities provided by the SDB on sports day include: artificial turf pitch, long/high jump/shot put field and track.

Appendix H
(paragraph 3.9 refers)

**Usage rates of sports facilities
for the years from 1995-96 to 1999-2000**

Type of sports facility	Usage rate (%) (Note 3)					Overall
	1995-96	1996-97	1997-98	1998-99	1999-2000	
Swimming pool	88.6	92.3	86.9	88.1	75.6	86.4
Badminton courts	62.9	60.7	53.6	54.4	55.5	57.4
Artificial turf pitch	52.9	67.1	47.3	45.4	49.5	52.5
Table-tennis tables	49.8	67.8	41.4	43.8	56.7	51.9
Grass pitches	51.9	69.5	36.9	43.5	40.4	51.4
Tennis courts	54.1	58.5	58.4	50.1	32.9	50.5
Indoor tennis court and wushu area (Note 1)	69.7	62.0	44.7	21.1	35.3	47.9
Gymnasium	46.5	49.9	43.9	43.7	45.1	45.8
Fencing pistes	34.9	32.9	38.1	40.3	41.3	37.5
Track and field area	36.7	39.2	37.4	36.2	35.3	36.5
Squash courts	38.0	46.8	27.7	29.8	25.8	33.8
Activities room	38.0	34.8	37.9	1.8	(Note 2)	31.0
Hard-ground court	16.8	24.4	19.3	17.3	22.1	20.5
Cycle velodrome	22.5	16.7	18.5	18.9	21.1	19.4
Function area	18.0	9.0	12.7	23.8	9.7	13.8
Basketball courts	11.9	13.5	14.4	12.4	13.7	13.2
Mini-tennis courts	0.2	2.8	3.5	5.5	2.7	2.9
Volleyball courts	0.2	0	1.6	1.0	1.1	0.8
Overall	47.8	52.3	44.2	43.2	39.2	45.3

Source: SDB's records

Note 1: Since November 1998, the indoor tennis court has been used as a venue for wushu training.

Note 2: The activities room was previously a multi-purpose venue used for training and SDB training courses. In mid-November 1998, the whole area was converted to an open plan office to accommodate SDB staff.

Note 3: The usage rate is calculated as follows:

$$\frac{\text{Actual number of hours used in that period}}{\text{Total available hours in that period}} \times 100\%$$

Total available hours exclude the hours the facilities are closed for maintenance, due to inclement weather (for outdoor sports facilities), and during the Chinese New Year.

Appendix I
(paragraph 3.11 refers)

**Usage rates of sports facilities by user groups
for the years from 1995-96 to 1999-2000**

Type of sports facility	Usage rate (%) (Note 3)			
	Elite training	NSAs	Club members	Others
Swimming pool	47.0	5.2	15.9	18.3
Badminton courts	30.2	1.8	13.8	11.6
Artificial turf pitch	15.6	3.3	15.6	18.0
Table-tennis tables	31.3	5.4	3.1	12.1
Grass pitches	16.9	9.5	11.9	13.1
Tennis courts	10.0	7.7	23.6	9.2
Indoor tennis court and wushu area (Note 1)	25.5	1.6	19.0	1.8
Gymnasium	27.1	9.3	0	9.4
Fencing pistes	34.3	2.3	0	0.9
Track and field area	16.6	5.8	5.7	8.4
Squash courts	22.7	1.5	4.2	5.4
Activities room (Note 2)	8.0	3.7	2.6	16.7
Hard-ground court	1.1	0.2	10.5	8.7
Cycle velodrome	13.7	4.9	0	0.8
Function area	2.9	1.5	0.2	9.2
Basketball courts	1.3	0.1	5.1	6.7
Mini-tennis courts	0	1.6	0	1.3
Volleyball courts	0.1	0.1	0	0.6

Source: SDB's records

Note 1: Since November 1998, the indoor tennis court has been used as a venue for wushu training.

Note 2: The activities room was previously a multi-purpose venue used for training and SDB training courses. In mid-November 1998, the whole area was converted to an open plan office to accommodate SDB staff.

Note 3: The usage rate is calculated as follows:

$$\frac{\text{Actual number of hours used in that period}}{\text{Total available hours in that period}} \times 100\%$$

Total available hours exclude the hours the facilities are closed for maintenance, due to inclement weather (for outdoor sports facilities), and during the Chinese New Year.

Appendix J
(paragraph 4.5 refers)

**Instances of non-compliance with the SDB's procedures noted
during Audit's inspections of sports facilities on 13, 14 and 21 July 2000**

Nature of non-compliance	Date	Sports facilities
(a) The Booking Office was not informed of the cancellations of internal bookings of the sports facilities two weeks before the date on which the facilities were supposed to be used.	(i) 13.7.2000	4 squash courts
	(ii) 14.7.2000	4 squash courts
	(iii) 14.7.2000	5 tennis courts
	(iv) 14.7.2000	5 badminton courts
(b) The sports facility was used by the elite training group without booking.	(i) 13.7.2000	1 tennis court
	(ii) 21.7.2000	1 tennis court
(c) The sports facilities were used by unauthorised persons without booking.	(i) 14.7.2000	1 grass pitch
	(ii) 14.7.2000	1 hard-ground court
	(iii) 21.7.2000	1 tennis court

Source: Audit's inspection records

Appendix K
(paragraph 6.1 refers)

List of NSAs organising focus sports in 1999-2000

1. Hong Kong Amateur Athletic Association
2. Hong Kong Amateur Fencing Association
3. Hong Kong Amateur Swimming Association
4. Hong Kong Badminton Association
5. Hong Kong, China Rowing Association
6. Hong Kong Cycling Association
7. Hong Kong Squash
8. Hong Kong Table Tennis Association
9. Hong Kong Tennis Association
10. Hong Kong Tenpin Bowling Congress
11. Hong Kong Triathlon Association
12. Hong Kong Wushu Union
13. Windsurfing Association of Hong Kong

Source: SDB's records

Appendix L

Acronyms and abbreviations

FAs	Facility Attendants
HAB	Home Affairs Bureau
HKJC	Hong Kong Jockey Club
HKSI	Hong Kong Sports Institute
LCSD	Leisure and Cultural Services Department
NSAs	National Sports Associations
SDB	Hong Kong Sports Development Board
SDBO	Hong Kong Sports Development Board Ordinance, Cap. 1149
SFOC	Sports Federation and Olympic Committee of Hong Kong, China