

CHAPTER 5

Home Affairs Bureau

Hong Kong Arts Development Council

**Audit Commission
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HONG KONG ARTS DEVELOPMENT COUNCIL

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PART 1: INTRODUCTION

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

Background

1.2 The Government's policy in respect of culture and the arts is to create an environment conducive to freedom of artistic expression and creation, and wider public participation in cultural activities. The Home Affairs Bureau (HAB) has overall policy responsibility in respect of culture and the arts. The Government supports the development of culture and the arts mainly through a number of bodies, including the Hong Kong Arts Development Council (HKADC).

The Hong Kong Arts Development Council

1.3 The HKADC was set up in 1994 and became a statutory body in 1995 upon the enactment of the HKADC Ordinance (Cap. 472). The mission of the HKADC is to plan, promote and support the development of the arts in Hong Kong, including the literary, performing, visual and media arts, with a view to improving the quality of life and artistic creativity of the whole community.

Major activities of the HKADC

1.4 To fulfil its mission, the HKADC formulates strategies, implements programmes and provides funding support to arts groups and individual artists in Hong Kong. The funding support is provided through the disbursement of various grants, including the Project Grant, the Multi-project Grant and the One-year Grant.

1.5 The HKADC also initiates its own arts development projects, known as proactive projects. The HKADC may organise these proactive projects itself or commission arts organisations/practitioners to carry out the projects. Examples of proactive projects include arts education and cultural exchange projects.

Structure of the HKADC

1.6 The governing body of the HKADC is its Council. The Council is supported by 6 Committees and 10 art-form groups. The Administration Office, headed by a chief executive (CE), is the executive arm of the Council. The Council structure of the HKADC is at Appendix A.

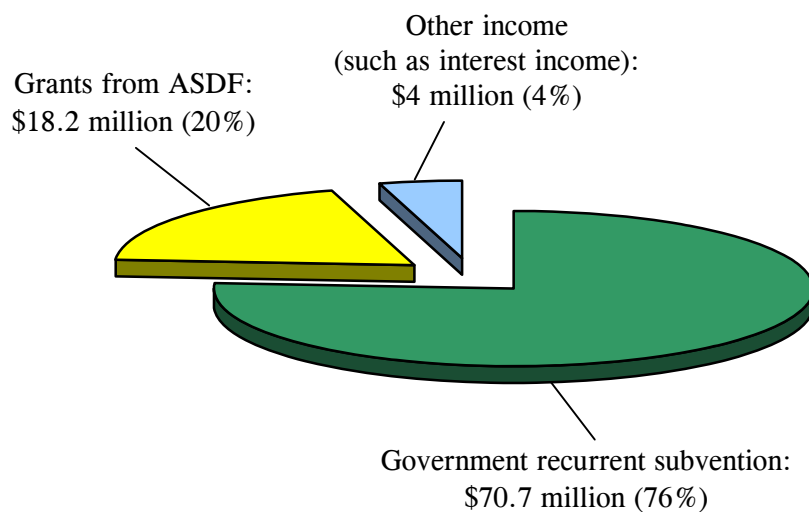
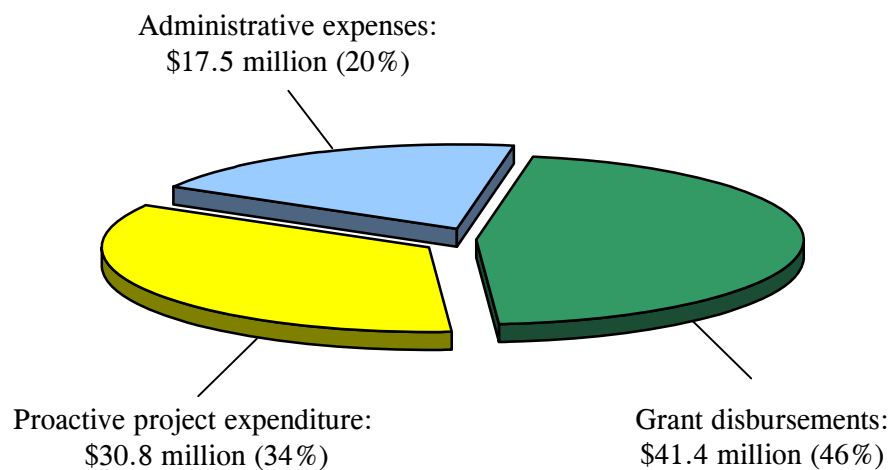
Income and expenditure of the HKADC

1.7 The HKADC is mainly funded by recurrent subventions from the Government. The Permanent Secretary for Home Affairs is the Controlling Officer of government subventions to the HKADC. The HKADC also applies to the Arts and Sport Development Fund (ASDF — Note 1) for grants to finance proactive projects.

1.8 In 2007-08, the HKADC's total income was \$92.9 million, including the government recurrent subvention of \$70.7 million and grants of \$18.2 million obtained from the ASDF (see Figure 1(A)). In the same year, the HKADC's total expenditure was \$89.7 million (see Figure 1(B)).

Note 1: *The ASDF is a sub-fund under the Sir David Trench Fund for Recreation and is administered by the HAB. In January 2007, additional funds of \$80 million were injected into the ASDF to enable it to continue the support for the arts and sports.*

Figure 1

**Income and expenditure of HKADC
(2007-08)****(A) Income: \$92.9 million****(B) Expenditure: \$89.7 million**

Source: HKADC records

Audit review

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

- (a) corporate governance (PART 2);
- (b) grants and proactive projects (PART 3); and
- (c) administrative issues (PART 4).

The review has found that there is room for improvement in the above areas, and has made a number of recommendations to address the issues.

General response from the HKADC and the Administration

1.10 The HKADC and the HAB have thanked Audit for the time and effort spent during the course of examination. They appreciate the recommendations and consider them helpful to further improve the overall administration of the HKADC.

Acknowledgement

1.11 Audit would like to acknowledge with gratitude the full cooperation of the staff of the HKADC and the HAB during the course of the audit review.

PART 2: CORPORATE GOVERNANCE

2.1 This PART examines the corporate governance of the HKADC.

Governance structure

2.2 According to the HKADC Ordinance, the Council shall consist of:

- (a) a Chairman, a Vice-chairman and not more than 22 other non-official members. The non-official members are appointed by the Chief Executive of the Hong Kong Special Administrative Region (HKSAR) for a term not exceeding three years. They may include up to 10 persons nominated by the 10 arts sectors specified in the Ordinance (Note 2); and
- (b) three official members (i.e. the Secretary for Home Affairs, the Permanent Secretary for Education and the Director of Leisure and Cultural Services, or their representatives).

2.3 The HKADC Ordinance also provides that the Council may establish Committees to assist it in performing its functions and duties. The Council has established 6 Committees and 10 art-form groups with the following terms of reference:

- (a) **Arts Promotion Committee.** The Committee is responsible for recommending overall goals and directives for arts promotion and arts education. It coordinates and reviews arts promotion and arts education proactive projects;
- (b) **Arts Support Committee.** The Committee is responsible for recommending the subvention amount and method for various arts sectors, and approving grants under various grant schemes. It monitors and reviews the approval mechanism of arts subvention and support, and advises on the needs of various arts sectors;
- (c) **Management Committee.** The Committee oversees the Council's financial resources and acts as the Council's tendering committee. It formulates staff recruitment terms and regulations, handles staff and legal issues, and makes decisions on major administration matters;

Note 2: *The 10 arts sectors are arts administration, arts criticism, arts education, Chinese opera (Xiqu), dance, drama, film arts, literary arts, music and visual arts.*

- (d) **Resources Development Committee.** The Committee is responsible for recommending specific social networking developments. It reviews and evaluates fund-raising and resources development proposals;
- (e) **Review Committee.** The Committee is responsible for investigating complaints and issuing recommendations. It monitors and reviews conflict of interest cases;
- (f) **Strategy Committee.** The Committee is responsible for studying and recommending the Council's policy and strategic development. It coordinates project planning and considers budget allocation; and
- (g) **Ten art-form groups.** Each group is responsible for advising the Council and its Committees on matters relating to one of the 10 arts sectors specified in the HKADC Ordinance (see Note 2 to para. 2.2).

2.4 The HKADC has laid down in a Members' Handbook rules pertaining to:

- (a) the composition and the terms of reference of the Committees and the art-form groups;
- (b) meeting proceedings of the Council and the Committees; and
- (c) the conduct of Council members.

Nomination of Council members by arts sectors

2.5 Pursuant to the HKADC Ordinance, the Chief Executive of the HKSAR may appoint up to 10 persons nominated by the 10 specified arts sectors as Council members (see para. 2.2(a)). Each Council member is appointed for a term not exceeding three years. During the last year of each term of the HKADC membership, the HAB will launch a nomination exercise to return representatives of the 10 specified arts sectors for the next term. The HAB appoints a nomination agent to assist it in conducting the nomination exercise. Each nomination exercise is divided into four phases, as described in Table 1:

Table 1

Nomination of representatives of arts sectors

Phase (Period — Note)	Main procedures
Phase I: Registration of members of the nominating bodies (early May to early June)	<ul style="list-style-type: none"> • The HAB invites eligible arts organisations and practitioners to register as members of the nominating bodies of the 10 arts sectors. Arts organisations and practitioners which/who have been previously registered do not need to register again unless they wish to update their particulars or change the arts sectors for which they have been registered. • Following the close of this phase, the HAB promulgates in the Gazette a list of registered organisational members (nominating organisations) and registered individual members (nominating individuals) of the 10 nominating bodies.
Phase II: Voter registration (late June to early August)	<ul style="list-style-type: none"> • Nominating organisations (including both newly and previously registered ones) must help their own members register as voters to enable them to take part in the subsequent phases of the nomination exercise. • Nominating individuals automatically qualify as voters and need not register. • All voters have the right to nominate candidates, seek candidature and cast votes in the poll to be held in the subsequent phases.
Phase III: Nomination of candidates (mid-August to late August)	<ul style="list-style-type: none"> • A candidate has to be a registered voter of the arts sector for which he is standing as a candidate. The minimum number of proposers required is 5 or 1% of the number of registered voters of the arts sector, whichever is higher. • A proposer must be a registered voter of the same arts sector as the candidate and may nominate one candidate.
Phase IV: Electioneering and polling (early September to late September)	<ul style="list-style-type: none"> • The 4-week electioneering period includes a 3-day polling for all contested arts sectors (i.e. sectors with more than one candidate). • The nomination agent organises a candidates' forum and sends letters containing candidates' platforms to all voters, to enable voters to learn more about the candidates. • A cross-sector voting system is used for the polling. This voting system allows a voter to cast votes in all contested arts sectors in addition to his own.

Source: HAB records

Note: The periods are based on the nomination exercise conducted in 2007.

2.6 Since its establishment in June 1995, the HKADC has undergone six nomination exercises with the most recent one in 2007. For the 2007 exercise, the HAB spent about \$1 million on direct expenses. A detailed account of the HAB's publicity efforts for the 2007 nomination exercise is at Appendix B.

Audit observations and recommendations

Results of last three nomination exercises

2.7 Table 2 is a summary of the results of the last three nomination exercises conducted in 2001, 2004 and 2007. Generally, there had been an increasing trend of participation in these nomination exercises.

Table 2
Results of last three nomination exercises

	2001	2004	2007
(a) Number of registered members:			
(i) nominating organisations	262	312	543
(ii) nominating individuals	177	456	640
Total	439	768	1,183
(b) Number of registered voters	7,253	5,337	7,029
(c) Number of turnout voters	703	1,163	1,836
(d) Voter turnout percentage $\left(\frac{(c)}{(b)} \times 100\% \right)$	9.7%	21.8%	26.1%

Source: HAB records

Need for more efforts in registering members of nominating bodies

2.8 In May 2007 when launching the nomination exercise, the HAB stated that registering members of the nominating bodies was most important as only registered members could participate in subsequent phases of the nomination exercise. To publicise the 2007 registration, the HAB placed advertisements in major newspapers, placed application forms in major arts and cultural venues, and issued notification letters to selected arts organisations and practitioners (see details at Appendix B). Table 2 shows that 415 (1,183 less 768) members were newly registered in 2007. The number was 86 more than the 329 (768 less 439) members newly registered in 2004.

2.9 However, in a report to the HAB after the 2007 nomination exercise (post-nomination report), the nomination agent said that it received the following feedback from arts organisations/practitioners regarding the registration of members:

- (a) some registered members indicated that they were not aware of the commencement of the registration phase, otherwise they would have encouraged other arts organisations/practitioners to register;
- (b) some considered that the present channels of publicising the registration of members were inadequate. They suggested that more proactive action should be taken in contacting arts organisations/practitioners not yet registered given that the registration period was relatively short (lasting about one month every three years); and
- (c) some 18 arts organisations/practitioners, who missed the 2007 registration exercise, provided their contact details to the nomination agent and requested that they should be informed of the commencement of the next registration exercise.

2.10 **The feedback revealed that there were still arts organisations/practitioners who had not yet been registered although they showed enthusiasm in participating in the local arts development through the nominating process. The HAB needs to consider introducing additional measures to facilitate the registration of members of the nominating bodies.** Such measures may include lengthening the registration period and widening the publicity channels so as to reach out to as many arts organisations/practitioners as possible.

Need to step up voter registration efforts

2.11 The present voter registration arrangements require that all nominating organisations must help their own members register as voters (see the third inset in Table 1). In its post-nomination report, the nomination agent said that some nominating organisations (especially those newly registered ones) indicated that they were not aware of this requirement.

2.12 Audit analysis of the average number of registered voters per nominating organisation also showed a decreasing trend, from 27 in 2001 to 12 in 2007 (see Table 3). The lack of awareness of the voter registration requirement mentioned in paragraph 2.11 could be one of the contributing factors to this decreasing trend. There is a need to step up registration efforts.

Table 3

Average number of registered voters per nominating organisation

	2001	2004	2007
(a) Number of voters under nominating organisations (Note)	7,076	4,881	6,389
(b) Number of nominating organisations	262	312	543
(c) Average number of voters per nominating organisation ((a)/(b))	27	16	12

Source: *Audit analysis of HAB records*

Note: *This was derived by subtracting from the total number of registered voters (item (b) in Table 2) the number of nominating individuals (item (a)(ii) in Table 2) who, under the existing voter registration procedures, would automatically qualify as voters.*

Need to promote understanding of the nomination process

2.13 Throughout the 2007 nomination exercise, the nomination agent received a variety of enquiries from arts organisations/practitioners about the mechanism of the nomination process. Their enquiries ranged from the eligibility and procedures of becoming a member of a nominating body, a voter and a candidate to the working of the cross-sector voting system. **The variety of enquiries reflected that the whole nomination**

process was not yet well understood by arts organisations/practitioners. To encourage more arts organisations/practitioners to participate in the nomination process, the HAB needs to introduce measures to promote their understanding of the process. Such measures may include holding briefings and posting frequently asked questions and answers on the HAB and the HKADC websites.

Audit recommendations

2.14 **Audit has recommended that in conducting future exercises for nominating HKADC members by the arts sectors, the Secretary for Home Affairs should:**

- (a) **introduce measures to facilitate the registration of members of the nominating bodies. Such measures may include lengthening the registration period and widening the publicity channels so as to reach out to as many arts organisations/practitioners as possible;**
- (b) **step up voter registration efforts; and**
- (c) **introduce measures to promote the arts community's understanding of the nomination process.**

Response from the Administration

2.15 The Secretary for Home Affairs accepts the audit recommendations. He has said that:

- (a) the HAB will consider lengthening the period for the registration of members of the nominating bodies. It will also consider earmarking a larger publicity budget and widening the publicity channels for the nomination exercise;
- (b) the HAB will step up voter registration efforts and promote the arts community's understanding of the nomination process by measures such as holding more briefings, and posting frequently asked questions and answers on the websites of the HAB, the HKADC and the Leisure and Cultural Services Department (LCSD); and
- (c) while the HAB undertakes to step up publicity efforts in the future, it is not certain whether there will be a corresponding increase in the average number of registered voters per nominating organisation. This is because different nominating organisations have different membership requirements and the number of members that each nominating organisation recruits depends on many factors which are beyond the control of the HAB.

Members' attendance at meetings

2.16 According to the HKADC Ordinance, Council members shall manage the HKADC's affairs. The Members' Handbook has set out the following requirements on members' attendance at Council/Committee meetings:

- (a) all members should try to attend all meetings of the Council and the Committees they belong to;
- (b) if a member is unable to attend a meeting, he shall notify the Administration Office of his absence as early as possible; and
- (c) if a member is absent from three consecutive meetings or three meetings in a three-month period without giving any prior explanations, the secretary of the meetings shall report the case to the Council and at the same time issue a letter to the member demanding an explanation in writing for his absences.

Audit observations and recommendations

Attendance rates of members

2.17 Table 4 shows members' overall attendance rates at Council/Committee meetings for the previous term (2005 to 2007) and the first year of the current term (2008 to 2010).

Table 4
Attendance rates at Council/Committee meetings
(2005 to 2008)

Meeting	Previous term			Current term
	2005	2006	2007	2008
Council	72%	72%	66%	76%
Arts Promotion Committee	65%	57%	53%	74%
Arts Support Committee	68%	66%	57%	71%
Management Committee	96%	100%	100%	100%
Resources Development Committee	— (Note)	83%	83%	86%
Review Committee	92%	— (Note)	70%	70%
Strategy Committee	83%	79%	76%	69%

Source: Audit analysis of HKADC records

Note: No meeting was held in the year concerned.

2.18 **Overall attendance rates.** The effective functioning of the Council and its Committees largely depends on their members' knowledge, experience, competency and most important of all, commitment. For the previous term (2005 to 2007), members' overall attendance rates at the Arts Promotion Committee and the Arts Support Committee meetings ranged from 53% to 68%. Moreover, with the exception of the Management Committee and the Resources Development Committee, there was a downward trend in the attendance rates at the Council and four other Committee meetings from 2005 to 2007. **The HKADC needs to closely monitor the attendance rates at Council/Committee meetings and take measures to prevent any decreasing trend in the remaining two years of the current term.**

2.19 ***Absences without prior notifications.*** Based on individual members' attendance records at the Council meetings and the Arts Support Committee meetings held in 2007 and 2008, Audit conducted a checking to see if members had served prior notifications for their absences as required by the Members' Handbook (see para. 2.16(b)). Audit found that the total number of absences from Council meetings during the two years was 116, of which 22 (19%) were without prior notifications. For the Arts Support Committee meetings, the total number of absences was 49, of which 9 (18%) were without prior notifications. The HKADC needs to remind members to give prior notifications for their absences from meetings in accordance with the Members' Handbook.

2.20 ***Repeated absences from meetings.*** Arising from the checking mentioned in paragraph 2.19, Audit further noted that one member was absent from three consecutive Council meetings in 2008 without giving prior notifications. In accordance with the requirement laid down in the Members' Handbook (see para. 2.16(c)), the case should have been reported to the Council and a letter issued to the member demanding an explanation in writing. However, the Administration Office had not taken action on this case.

Appointment of Council members

2.21 In August 1999, the Director of Administration issued guidelines on the appointment of members of advisory and statutory bodies. According to the guidelines, the personal abilities, expertise, experience, integrity and commitment to public service of prospective candidates should be taken into account in considering their appointment. As for existing members, their performance and commitment, including attendance records, should be taken into account in considering their reappointment.

2.22 Two members' attendance rates at Council meetings were 52% and 36% respectively during their tenure from 2005 to 2007. However, they were reappointed for a further term from 2008 to 2010. In 2008, the two members' attendance rates at Council meetings remained low, at 50% and 38% respectively.

2.23 Audit reviewed these two cases of reappointment and noted the following:

- (a) for one reappointment case, it was stated in the HAB's recommendation that the member concerned had actively participated in and contributed to the work of the HKADC. However, the approving authority's attention was not drawn to the member's past attendance rate (52%) at Council meetings; and
- (b) for the other case, the member was nominated by an arts sector for the Government's consideration of appointment (see para. 2.2(a)). During the nomination exercise in mid-2007, arts sector voters did not have information on

members' attendance rates for the year 2006-07. This was because the HKADC's practice was to disclose members' attendance rates only in its printed annual reports, but the HKADC's 2006-07 annual report containing members' attendance rates for that year was only published in November 2007 (i.e. after the nomination exercise). Audit is pleased to note that since December 2008, the HKADC has regularly uploaded information of members' attendance on its website.

Audit recommendations

2.24 **Audit has recommended that the HKADC should:**

- (a) **monitor the attendance rates at Council/Committee meetings and issue reminders to members with low attendance to draw their attention to the importance of attending meetings;**
- (b) **ensure that the requirements laid down in the Members' Handbook for managing members' attendance at Council/Committee meetings are complied with; and**
- (c) **continue to provide up-to-date information on members' attendance rates for reference of the arts sectors in the nomination of representatives as Council members.**

2.25 **Audit has also recommended that, in considering the reappointment of members (other than those nominated by the arts sectors), the Secretary for Home Affairs should give due consideration to the members' attendance at Council/Committee meetings.**

Response from the HKADC

2.26 The HKADC accepts the audit recommendations. The **CE, HKADC** has said that in addition to attending Council/Committee meetings, members also contribute to the Council's work by offering advice from time to time, attending unofficial meetings, as well as meeting with strategic partners and stakeholders in the arts community.

Response from the Administration

2.27 The **Secretary for Home Affairs** accepts the audit recommendation. He has said that:

- (a) in preparing the recommendation for reappointment of Council members for the term from 2008 to 2010, the HAB had followed the Director of Administration's guidelines that the performance and commitment of Council members, including their attendance records, should be evaluated. The HAB had taken into account the attendance rates of members at Council meetings during the immediate past term. For the case highlighted by Audit (see para. 2.23(a)), the reappointed member had an attendance rate at Council meetings of more than 50% during the immediate past term; and
- (b) the HAB will continue to give due consideration to the attendance rates of members at Council/Committee meetings in addition to their performance and contribution when recommending their reappointment.

Proceedings of meetings

2.28 The HKADC has laid down in the Members' Handbook that the quorum for a Council/Committee meeting shall be half of its members for the time being.

Audit observations and recommendations

2.29 Audit examined the records of proceedings of the 16 Council meetings held in 2007 and 2008. The examination revealed that for 2 (13%) Council meetings, resolutions were passed during the time when there was not a quorum (i.e. after some members had left the meeting).

Audit recommendations

- 2.30 **Audit has recommended that the HKADC should:**
- (a) **ensure that there is a quorum throughout a Council/Committee meeting; and**
 - (b) **review the resolutions which were passed during the two Council meetings when there was not a quorum, as noted by Audit, to see whether remedial actions are needed (e.g. seeking covering approval from the Council).**

Response from the HKADC

2.31 The HKADC agrees with the audit recommendations. The CE, HKADC has said that the HKADC:

- (a) always pays close attention to the quorum of a meeting. The two incidents mentioned in paragraph 2.29 were rare cases where there was a miscounting of the number of members during the meetings. The Council's covering approval for the resolutions passed during the two meetings will be sought; and
- (b) will ensure that in future, all resolutions are passed with a quorum.

Declaration of interests by Council members

2.32 As a statutory body vested with the authority for arts development and grant administration, the HKADC has drawn up codes of conduct for its members to avoid conflict of interest which may affect public confidence in the HKADC. In line with the HAB's requirements on declaration of interests by members of advisory and statutory bodies, the HKADC has stipulated in the Members' Handbook a **two-tier reporting system**:

- (a) ***Register of members' interests.*** All appointed members must submit declarations of interests to the Administration Office when they are appointed as Council members and annually thereafter. The declaration should be made in writing using a specified form. The Administration Office should keep a register of members' declarations which should be made available for public inspection; and
- (b) ***Reporting at meetings.*** All members must report at meetings any conflict of interest as and when it arises.

Audit observations and recommendation

2.33 Based on the Administration Office's register, Audit examined the declarations of interests submitted by Council members of the previous term (2005 to 2007) and by current Council members (with tenure from 2008 to 2010). The examination revealed that:

- (a) **of the 24 members of the previous term, 3 had not submitted any declarations of interests throughout their tenure. There were 10 members who had not submitted their declarations of interests for one or two years; and**
- (b) **of the 24 current members, 12 had not submitted their declarations of interests for 2008.**

Audit recommendation

2.34 Audit has *recommended* that the HKADC should remind all appointed Council members to submit their declarations of interests to the Administration Office in accordance with the Members' Handbook.

Response from the HKADC

2.35 The HKADC accepts the audit recommendation. The CE, HKADC has said that:

- (a) the HKADC always puts great emphasis on members' declaration of interests. To ensure no potential conflict of interest, members are reminded to declare at each meeting any interests in matters under the Council's deliberation;
- (b) to rectify the situation mentioned in paragraph 2.33, the Administration Office had closely followed up the outstanding declarations. As at February 2009, all 24 members had filed their declarations with the HKADC; and
- (c) the Administration Office will in future report any outstanding declarations to the Council within three months upon the issue of reminders.

Strategic planning of the HKADC

2.36 Effective strategic planning is an important element of good corporate governance. It involves:

- (a) defining and keeping under review the mission and objectives of an organisation, and agreeing plans to achieve them; and
- (b) overseeing the delivery of the planned results by monitoring performance against the objectives and ensuring the taking of corrective action where necessary.

2.37 In 1996, the HKADC prepared and published its first strategic plan, covering the five years from 1996-97 to 2000-01. In 2000, after a review, the HKADC concluded that a 5-year planning span was too long a period to address the changing pace and issues of the time. Since 2000, the HKADC has prepared 3-year strategic plans as shown in Table 5.

Table 5
Preparation of 3-year strategic plans

3-year strategic plan	Year of preparation
2001-02 to 2003-04	2000
2005-06 to 2007-08	2005
2008-09 to 2010-11	2008

Source: HKADC records

Audit observations and recommendations

2.38 Audit examination of the HKADC's 3-year strategic plans revealed the following:

- (a) ***Break in planning period.*** In 2000, the HKADC prepared its first 3-year strategic plan covering the period 2001-02 to 2003-04. However, it was only in 2005 that the HKADC prepared its second 3-year plan covering the period 2005-06 to 2007-08. The year 2004-05 was therefore not covered by any strategic plan; and
- (b) ***Publicising strategic plans.*** After the preparation of the first 3-year strategic plan, the HKADC posted it on its website for reference by stakeholders and the arts community. This practice enhanced transparency. However, the HKADC had not done the same for its second and third 3-year strategic plans.

Audit recommendations

2.39 **Audit has recommended that the HKADC should:**

- (a) **prepare strategic plans in a timely manner to ensure that there is no break in the planning period; and**
- (b) **adopt the good practice of publicising its strategic plans.**

Response from the HKADC

2.40 The HKADC agrees with the audit recommendations. The **CE, HKADC** has said that:

- (a) there was a break in the planning period (mentioned in para. 2.38(a)) because 2004-05 was a year of transition between two Council terms (2002 to 2004 and 2005 to 2007); and
- (b) the HKADC will take into account the recommendations in the preparation and disclosure of strategic plans.

Audit requirements of the HKADC's statement of accounts

2.41 According to the HKADC Ordinance, the HKADC should:

- (a) prepare, not later than five months after the close of each financial year, a statement of accounts of the HKADC (including an income and expenditure account and a balance sheet); and
- (b) appoint an auditor who should, not later than seven months after the close of each financial year, audit the accounts prepared under (a) above and submit a report to the HKADC.

2.42 In 2007, the HKADC entered into a contract with an accounting firm for the provision of audit service for three financial years (2006-07 to 2008-09). The audit service included:

- (a) an audit of the HKADC's financial statements for each of the years in accordance with the accounting principles and standards generally accepted in Hong Kong; and
- (b) an expression of opinion on whether the financial statements give a true and fair view of the state of affairs of the HKADC as at the end of the financial year and the results of its operation for the year.

Audit observations and recommendation

2.43 In April 2008, the Government entered into a Memorandum of Administrative Arrangements (MAA) with the HKADC to put into effect the Government's guidelines on management and control of government funding for subvented organisations. The MAA introduced a new requirement that the audited report on the annual statement of accounts of

the HKADC should contain an expression of opinion as to whether the HKADC has complied with, in all material respects, the terms and conditions of the government subvention as specified in the MAA.

2.44 The new requirement of the MAA called for additional audit service for 2008-09 which was not covered in the existing contract between the HKADC and its appointed auditor (see para. 2.42). According to the contract, any alteration to the terms therein should be agreed by both parties in writing. However, up to mid-January 2009, the HKADC had not taken any action in this regard.

Audit recommendation

2.45 **Audit has recommended that the HKADC should take immediate action to amend the scope of the current audit service contract to ensure that the audit of its annual statement of accounts for 2008-09 will conform with the MAA requirement.**

Response from the HKADC

2.46 The HKADC agrees with the audit recommendation. The **CE, HKADC** has said that the MAA requirement has just been included in the scope of the audit service.

PART 3: GRANTS AND PROACTIVE PROJECTS

3.1 This PART examines the HKADC's administration of grants and proactive projects.

Major activities of the HKADC

3.2 The HKADC supports the development of the arts mainly by operating a number of grant schemes and carrying out proactive projects.

Grant schemes

3.3 The HKADC operates four major grant schemes:

- (a) ***Project Grant Scheme.*** Project grants are open to all local arts groups and artists for organising non-profit making arts activities, such as performances, exhibitions, publications and educational programmes;
- (b) ***Multi-project Grant Scheme.*** This scheme was introduced in 2007-08 to provide support to small and medium-sized local arts groups of high artistic standard and ability. The grants are used to assist supported groups in carrying out projects that contribute to the overall arts development in Hong Kong;
- (c) ***One-year Grant Scheme.*** This scheme provides strategic support and nurtures the professional development of local arts groups. The grants are used to assist supported groups in carrying out projects planned for a year; and
- (d) ***Three-year Grant Scheme.*** This scheme provides grants to established arts groups on a three-year basis. In 2007-08, the HKADC transferred the funding responsibility of six three-year grantees to the HAB. The remaining three-year grantee funded by the HKADC is the Hong Kong International Film Festival Society (HKIFFS). The three-year grant for the HKIFFS is earmarked by the HAB without having to compete with other grant applications.

3.4 The HKADC procedures for managing grant projects, from application to completion stage, are summarised in Table 6:

Table 6
Procedures for managing grant projects

Stage	Procedures
Open invitation for applications	<ul style="list-style-type: none"> • The HKADC invites applications for grants. • Each year, there are two exercises for processing grant applications under the Project Grant Scheme, and one exercise each for the Multi-project Grant Scheme and the One-year Grant Scheme.
Adjudication of applications	<ul style="list-style-type: none"> • Since 1999, the HKADC has been engaging experts from the arts community to be its examiners (see para. 3.7) to assist in adjudicating grant applications. • For project grants, the HKADC assigns 5 to 7 examiners to adjudicate applications under each of the 10 art-forms (see Note 2 to para. 2.2). For multi-project grants and one-year grants, the HKADC forms an adjudication panel for each art-form (comprising 5 to 7 members who are examiners or art-form group members) to adjudicate applications. • The criteria used in adjudicating applications include the proposed project's contribution to arts development and the applicant's experience and capability.
Approval of grants	<ul style="list-style-type: none"> • Grants not exceeding \$1 million are approved by the Arts Support Committee. Grants exceeding \$1 million are approved by the Council.
Assessment of approved projects	<ul style="list-style-type: none"> • Examiners also assist the HKADC in assessing the outcome of approved projects. • The HKADC may assign examiners to attend and observe the performances/activities of approved projects for making assessments.
Reporting by grantees	<ul style="list-style-type: none"> • Grantees are required to report to the HKADC the progress and completion of their projects.

Source: HKADC records

Proactive projects

3.5 The aim of proactive projects is to foster a favourable environment for the development of the arts. With the assistance of art-form groups, the HKADC prepares project proposals and applies to the ASDF for grants to finance proactive projects. The HKADC may carry out proactive projects itself or commission arts organisations/practitioners (i.e. project organisers) to carry out the projects. The HKADC's procedures for managing proactive projects are similar to those used for grant projects (see para. 3.4).

3.6 Table 7 shows the grants and proactive projects approved during the period 2005-06 to 2007-08.

Table 7
Approved grants and proactive projects
(2005-06 to 2007-08)

	2005-06		2006-07		2007-08	
	Number	Amount (\$'000)	Number	Amount (\$'000)	Number	Amount (\$'000)
(a) Project grants	123	8,265	163	8,650	173	10,422
(b) Multi-project grants (see para. 3.3(b))	—	—	—	—	54	10,641
(c) One-year grants	30	16,080	29	15,865	35	16,586
(d) Three-year grants (see para. 3.3(d))	7	48,254	7	48,254	1	10,910
(e) Proactive projects	30	24,640	30	17,559	25	20,481
Total	190	97,239	229	90,328	288	69,040

Source: HKADC records

Appointment of examiners

3.7 As mentioned in Table 6 (under para. 3.4), examiners assist the HKADC in application adjudication and project assessment. The HKADC pays honoraria to its examiners for performing these duties (Note 3). Examiners serve the HKADC for a tenure of about three years. Towards the end of a tenure, the HKADC will carry out an open recruitment of examiners to serve for the next term. The 10 art-form groups of the HKADC select examiners of their respective art-forms, taking into account factors such as the applicant's qualifications, experience and professional standing.

3.8 In March 2008, the HKADC conducted a recruitment exercise of examiners with a tenure from July 2008 to March 2011. As at 31 December 2008, there were 404 examiners under the 10 art-forms.

Audit observations and recommendations

Examiners' acceptance of appointment

3.9 The HKADC requires all newly appointed examiners to submit appointment acceptance forms which signify their acceptance of the terms and conditions of appointment. Audit selected examiners of four art-forms, who were appointed in July 2008, for a review of their acceptance of appointment. The four selected art-forms were drama, film arts, literary arts, and visual arts. **The review showed that, as at 31 December 2008 (5 months after their appointment), 27 (10%) of the 274 selected examiners had not returned their appointment acceptance forms. The Administration Office had only obtained the relevant examiners' verbal confirmation.**

3.10 Of the 27 examiners who had not returned their appointment acceptance forms, 11 were assigned application adjudication/project assessment duties. This is unsatisfactory and the HKADC needs to:

- (a) ensure that the laid-down requirement on appointment acceptance is fully complied with by an examiner before assigning him any duties; and
- (b) follow up with those examiners who have not returned their appointment acceptance forms.

Note 3: *Currently, the honorarium for an adjudication assignment is \$150 and that for an assessment assignment ranges from \$300 to \$1,000. In 2007-08, the HKADC paid \$650,000 honoraria to its examiners.*

Examiners' declaration of interests

3.11 It is an appointment condition that an examiner must observe the Code of Conduct for Examiners. The Code provides for a **two-tier system of declaration** of interests by examiners (similar to that used for Council members mentioned in para. 2.32):

- (a) **Register of examiners' interests.** Each examiner, upon appointment and on an annual basis thereafter, must register his interests with the Administration Office in a specified form (the Administration Office provides standard curriculum vitae (CV) forms to examiners for this purpose). The Administration Office will keep a register of examiners' interests which should be made available for public inspection. If any part of the register requires updating, the examiner concerned must immediately inform the HKADC in writing; and
- (b) **Reporting of conflict of interest.** In performing an application adjudication/project assessment assignment, an examiner must declare on the adjudication/assessment form that he has no conflict of interest with the applicant or grantee.

3.12 **Submission of CV forms.** Audit reviewed the CV forms of examiners of the four selected art-forms (see para. 3.9). **The review showed that, as at 31 December 2008 (5 months after their appointment), 24 (9%) of the 274 selected examiners had not submitted their CV forms.** Of these 24 examiners, 19 were assigned application adjudication/project assessment duties.

3.13 **Annual submission of updated CV forms.** To test check compliance with the laid-down requirement on annual submission of updated CV forms (see para. 3.11(a)), Audit requested CV forms of examiners of the previous term (July 2005 to June 2008). In response to Audit's request, the Administration Office said that:

- (a) it had not required examiners to submit updated CV forms on an annual basis for the previous term; and
- (b) it had relied on examiners' reporting of conflict of interest when performing adjudication/assessment duties (see para. 3.11(b)). In addition, grant applicants were required to list in their applications the key personnel of their organisations. It would check against such lists to make sure that the examiners assigned to carry out adjudication/assessment duties were not key personnel of the grant applicants.

3.14 The procedures referred to by the Administration Office in paragraph 3.13(b) only form part of the HKADC's two-tier system for managing possible conflict of interest (see para. 3.11). The other important part of the system is the register of examiners' interests (see para. 3.11(a)) which is a document available for public inspection. The HKADC needs to keep this register up-to-date in order to gain public confidence in the impartiality of its grant adjudication and project assessment process. Therefore, the Code of Conduct requirement on annual submission of CV forms by examiners to update the register cannot be dispensed with.

Audit recommendations

3.15 **Audit has recommended that the HKADC should:**

- (a) **remind all examiners to promptly return appointment acceptance forms upon their appointment;**
- (b) **remind all examiners to promptly submit CV forms upon their appointment to register their interests;**
- (c) **continue to follow up with serving examiners who have not returned their appointment acceptance and/or CV forms;**
- (d) **only assign application adjudication/project assessment duties to examiners who have submitted their appointment acceptance and CV forms; and**
- (e) **ensure that the Code of Conduct requirement on annual submission of updated CV forms by examiners is fully complied with.**

Response from the HKADC

3.16 The HKADC accepts the audit recommendations. The **CE, HKADC** has said that:

- (a) the HKADC always puts great emphasis on examiners' declaration of interests. The HKADC will make sure that each examiner selected to perform an adjudication/assessment duty will declare in writing whether he has any conflict of interest with the application/project being adjudicated/assessed. Furthermore, the Administration Office will go through in detail each application and ensure that no examiner will be invited to participate in the adjudication/assessment of the application/project whenever his name appears in the application;

- (b) since the issue of appointment letters in July 2008, the Administration Office has been following up with examiners who had not submitted their appointment acceptance forms and/or CV forms by telephone calls. The process is still on-going. As at 6 March 2009, the Administration Office had received 19 appointment acceptance forms from the 27 examiners mentioned in paragraph 3.9, and 17 CV forms from the 24 examiners mentioned in paragraph 3.12; and
- (c) the HKADC has set a final deadline of 11 March 2009 for the submission of appointment acceptance forms and CV forms, and will consider withdrawing the appointment of examiners who have yet to submit the required documents.

Audit examination of grant and proactive projects

3.17 The HKADC has laid down procedures for administering its grant and proactive projects in a Procedures Handbook. Audit reviewed the procedures by a sample checking of the following:

- (a) 40 (totalling \$6.7 million) out of 294 grant projects (totalling \$40 million) completed in 2007 and 2008; and
- (b) 10 (totalling \$7.7 million) out of 64 proactive projects (totalling \$47.8 million) completed in 2007 and 2008.

Audit found that there were areas for improvement as reported in paragraphs 3.18 to 3.37.

Audit observations and recommendations

Projects completed before entering into grant agreements

3.18 Every year, the HKADC conducts two exercises for processing applications for project grants. The HKADC has laid down in its “Information for Project Grant Applicants” the key dates for processing project grant applications (see Table 8).

Table 8

Key dates of project grant applications

Exercise	Closing date	Performance-related projects		Other types of projects	
		Application result notification date	Project start date	Application result notification date	Project start date
First exercise	30 June	By the end of October	On or after 1 November	By the end of November	On or after 1 December
Second exercise	31 December	By the end of April of following year	On or after 1 May of following year	By the end of May of following year	On or after 1 June of following year

Source: HKADC records

3.19 The “Information for Project Grant Applicants” states that:

- (a) an application for an overseas cultural exchange project should generally be submitted to the HKADC three months before the commencement of the project. This is to ensure that the HKADC has sufficient time to process the application (Note 4); and
- (b) an approved project should commence within one year **after** the application result is notified.

3.20 After approval, the HKADC and the grantee will enter into a grant agreement. The agreement defines the rights and obligations of both parties. **Audit found that there were two cases whereby the Administration Office and the grantees entered into agreements after the projects had been completed:**

Note 4: *In February 2009, the HKADC informed Audit that the timing of a cultural exchange project involving overseas artists usually had to be mutually agreed between the parties concerned.*

- (a) *Case 1.* On 29 June 2007, a grantee submitted an application for organising a Xiqu performance project (with Mainland artists' participation for cultural exchange purpose) from 24 October to 2 November 2007. On 16 October 2007, the Arts Support Committee approved the application (with a grant of \$169,000). On 31 October 2007, when the Administration Office notified the grantee of the approval, the grantee had already started the project. In January 2008 (two months after the completion of the project), the grantee and the HKADC entered into a retrospective agreement confirming the acceptance of the grant conditions; and
- (b) *Case 2.* On 10 April 2007, a grantee submitted an application for organising an overseas cultural exchange project from 19 July to 18 August 2007. On 16 October 2007, when the Arts Support Committee approved the application (with a grant of \$19,380), the grantee had already completed the project. On 18 October 2007, the Administration Office notified the grantee of the approval. In January 2008 (four months after the completion of the project), the HKADC and the grantee entered into a retrospective agreement confirming the acceptance of the grant conditions.

3.21 **The two cases indicated that the HKADC did not have suitable arrangements to promptly process cultural exchange projects.** As a result, the HKADC and the grantees entered into agreements (confirming the acceptance of the grant conditions) after the completion of the projects. This is unsatisfactory because delay in entering into an agreement would render some grant conditions not applicable, for example, the normal project monitoring (assigning examiners to observe the project activities for making assessments) and acknowledgement of the HKADC's support in the project promotional materials.

Assessment of grant/proactive projects

3.22 According to the grant conditions, the HKADC may assign examiners to attend and observe grant project activities for making assessments. For proactive projects commissioned to project organisers, the HKADC also makes similar assessment arrangements.

3.23 Audit review of the assessment arrangements for 47 grant/proactive projects (Note 5) revealed the following inadequacies:

Note 5: *Three of the 50 grant/proactive projects mentioned in paragraph 3.17 were proactive projects undertaken by the HKADC. They were monitored directly by the HKADC without the use of examiners.*

- (a) ***Non-compliance cases.*** While the HKADC guidelines stipulate that one examiner should be assigned for assessing each project grant, this was not done for one project grant under review. For one proactive project, only one examiner was assigned while the guidelines stipulate that at least two examiners should be assigned. Moreover, as the assigned examiner was not available for making the assessment, it turned out that the proactive project was not subject to any assessment; and
- (b) ***Planned assessments not carried out.*** No assessment was carried out for six project grants under review as the assigned examiners turned out to be unavailable. It was unsatisfactory that the planned assessments were not carried out, especially when two of these six cases involved grants of \$346,500 and \$470,000 respectively.

Assessment reports

3.24 After observing activities and/or reviewing outcome (such as publications), examiners will prepare assessment reports for the projects. Copies of the assessment reports will be provided to the grantees/project organisers. The assessment reports serve two purposes:

- (a) enhancing the communication between the HKADC and the grantees/project organisers and encouraging their self-evaluation; and
- (b) serving as reference materials for the HKADC's adjudication of future applications from the same grantees/project organisers.

3.25 ***Projects' contribution to arts development.*** The HKADC uses different assessment forms for reporting on different art-form projects. With the exception of performance-related projects, the assessment forms for all other types of projects require specific assessment on the value of the projects towards arts development. While such assessment would be of interest to the Council and the Arts Support Committee in evaluating the effectiveness of their funded projects in furthering arts development (one of the HKADC's missions), there is no laid-down procedure for presenting assessment reports to the Council/Arts Support Committee. Moreover, performance-related projects also have a role to play in furthering arts development. There is merit to consider requiring assessment of the value of performance-related projects towards arts development.

Extension of time in completing projects/reports

3.26 The due dates for completing a grant project and submitting the project report (or the year-end report for one-year grant cases) are specified in an agreement signed

between the HKADC and the grantee. For each proactive project, the HKADC also enters into similar agreements with the project organisers (Note 6).

3.27 According to the Procedures Handbook, the Administration Office will issue a reminder to a grantee/project organiser one month before the due date for **completing the project**, drawing his attention to the following:

- (a) the specified due date in the grant agreement;
- (b) the HKADC's regulatory action if the project is not completed by the specified due date (see paras. 3.31 to 3.35); and
- (c) if there is any valid reason that the project cannot be completed by the due date, the need for the grantee/project organiser to apply for extension of time within two weeks from the date of the reminder. An application must be made in writing stating the reasons for the extension.

Similarly, the Administration Office will issue a reminder to a grantee/project organiser one month before the due date for **submitting the project report**.

3.28 *Issue of reminders.* Audit checking of 50 grant/proactive projects (see para. 3.17) involving 68 grantees/project organisers revealed that the Administration Office had not fully complied with the laid-down requirement on issuing reminders, as follows:

- (a) there were a total of 109 occasions (Note 7) necessitating the issue of reminders, but reminders were not issued on 24 occasions (22%); and
- (b) there was a delay of 2 to 24 days in issuing 11 reminders (10%).

Note 6: *A proactive project often involves a number of sub-projects and hence a number of organisers.*

Note 7: *As mentioned in paragraph 3.27, 2 reminders (one for project completion and one for report submission) should have been issued to each of the 68 grantees/project organisers unless:*

- (a) *they had completed their projects and/or submitted their reports one month before the specified due dates; or*
- (b) *there was no specified completion date, such as in the case of a one-year grant which was not related to the completion of a specific project.*

3.29 *Applications for extension of time.* Of the 68 grantees/project organisers mentioned above, 32 (47%) could not complete their projects and/or submit their reports on time. Three of the 32 grantees/project organisers applied for extension of time for both project completion and report submission, while 29 applied for extension of time for either project completion or report submission. The approved extensions of time for them ranged from 10 to 365 days, with an average of 89 days.

3.30 **The fact that 47% of the sampled grantees/project organisers could not complete their projects/reports on time warrants the HKADC's attention.** The HKADC needs to carry out a review to ascertain the grantees/project organisers' difficulties in completing their projects/reports on time to see if there are lessons that can be learnt.

Handling of long outstanding projects/reports

3.31 As a measure to discourage delay in completing projects/reports, the HKADC maintains a list of grantees/project organisers who fail to meet such due dates. Grantees/project organisers on the list (referred to as the "frozen" list by the HKADC) will be debarred from making further grant/proactive project applications until six months after the overdue items are completed. According to the Procedures Handbook, the Administration Office will, within seven days after the expiry of the project/report due date (specified in the grant agreement), issue a letter ("frozen" letter) to the grantee/project organiser informing him:

- (a) of his "frozen" status; and
- (b) that the HKADC will demand refund of the grant if he fails to complete the project/report within three weeks from the date of the letter.

3.32 **"Frozen" letters.** As at 30 September 2008, there were 12 grantees/project organisers on the HKADC "frozen" list. Audit examination of these 12 "frozen" cases revealed instances of non-compliance with the laid-down procedures, as follows:

- (a) for 4 cases, "frozen" letters were not issued (informing the grantees/project organisers of their "frozen" status);
- (b) for the 8 "frozen" letters issued, 6 were not issued within 7 days after the expiry of project/report due dates. In one case, the delay involved was 131 days; and
- (c) in 6 of the 8 "frozen" letters, the Administration Office allowed the grantees/project organisers concerned to complete the overdue projects/reports in a period ranging from 2 to 6 months, longer than the specified 3-week period.

3.33 **“Refund” letters.** According to the Procedures Handbook, if a grantee/project organiser fails to complete an overdue project/report by the deadline specified in a “frozen” letter and fails to provide the HKADC with information on the progress, the Administration Office will issue a letter (referred to as the “refund” letter by the HKADC):

- (a) urging him to complete the overdue project/report within one month from the date of the letter, or otherwise return the grant to the HKADC; and
- (b) informing him that the HKADC may instigate legal action against him.

3.34 In examining the 8 cases with “frozen” letters issued (see para. 3.32(b)), Audit noted that for 7 cases, the Administration Office should have issued “refund” letters to the grantees/organisers but had not done so.

3.35 **Recovery action.** As at 31 December 2008, the grantees/project organisers of 6 of the 12 “frozen” cases (see para. 3.32) still had not completed their project reports. Of the 6 overdue project reports, 4 had been overdue for a long time (i.e. ranging from 83 days to 334 days) involving grants of \$513,630. The HKADC needs to take immediate follow-up action on these 4 cases with a view to recovering the grants from the grantees/project organisers in accordance with the Procedures Handbook.

Checking to guard against hidden subsidy

3.36 The HKADC has laid down in the “Information for Project Grant Applicants” the following provisions governing other sources of finance for a grant project:

- (a) a grant applicant is allowed to explore other funding sources provided that he discloses in his application any pending/confirmed sponsorship, donation and financial support or venue rental subsidy from the LCSD or other organisations; and
- (b) the HKADC reserves the right to verify with relevant organisations whether the approved project also receives sponsorship from them.

3.37 The HKADC currently checks the disclosure of other sources of finance in grantees’ statements of accounts by reference to the sponsor lists in the grantees’ submitted publicity materials. However, the Administration Office has not carried out any cross-checking with other relevant organisations such as the LCSD, the Home Affairs Department and the District Councils to guard against understatement by grantees of other financial support.

Monitoring of a three-year grant

3.38 As mentioned in paragraph 3.3(d), the HKADC currently provides a three-year grant to the HKIFFS. The amount of the grant made in 2007-08 was \$10.9 million (see item (d) in Table 7 under para. 3.6). Since its establishment in 2004, the HKADC had entered into two grant agreements with the HKIFFS, i.e. the first one in 2004 (covering the period May 2004 to April 2007) and the second one in 2007 (covering the period May 2007 to April 2010). Audit noted that there was room for improvement in the following areas:

- (a) ***No performance evaluation carried out.*** There were provisions in the two grant agreements for the HKADC to assign examiners to evaluate the performance of the HKIFFS in fulfilling its mission and obligation. However, no performance evaluation had been carried out since 2004. In March 2008, the HKADC agreed that there was a need to rectify the situation. As at early January 2009, the HKADC and the HKIFFS were still discussing the evaluation mechanism; and
- (b) ***Other inadequacy relating to monitoring in the grant agreements.*** There was no provision in the two grant agreements enabling Audit to access the accounts and records of the HKIFFS. This was not in line with the HKADC's grant agreements with other three-year and one-year grantees.

Audit recommendations

3.39 **Audit has recommended that the HKADC should:**

Projects completed before entering into grant agreements

- (a) **require the Administration Office to urgently seek the Council/Arts Support Committee's decision on a cultural exchange project which is planned to commence shortly after the submission of the grant application;**
- (b) **endeavour to enter into an agreement with the grantee before the commencement of a grant project;**

Assessment of grant/proactive projects

- (c) **remind the Administration Office to strictly follow the laid-down guidelines in assigning examiners for assessing grant/proactive projects;**
- (d) **require examiners to immediately inform the Administration Office in case they cannot undertake any assigned duties;**
- (e) **closely monitor the deployment of examiners to ensure that project assessments are carried out as planned;**

Assessment reports

- (f) require the Administration Office to present assessment reports to the Council/Arts Support Committee for evaluating the effectiveness of their funded projects in furthering arts development;
- (g) consider requiring assessment of the value of performance-related projects towards arts development to be made in the relevant project assessment forms;

Extension of time in completing projects/reports

- (h) issue reminders in accordance with the Procedures Handbook to urge grantees/project organisers to complete their projects/reports by the specified due dates;
- (i) carry out a review to ascertain the grantees/project organisers' difficulties in completing their projects/reports on time with a view to drawing lessons for the benefit of new grantees/project organisers;

Handling of long outstanding projects/reports

- (j) issue "frozen" letters and "refund" letters to grantees/project organisers with overdue projects/reports in accordance with the Procedures Handbook;
- (k) take immediate follow-up action on the four long outstanding cases mentioned in paragraph 3.35 with a view to recovering the grants from the grantees/project organisers;

Checking to guard against hidden subsidy

- (l) carry out regular cross-checking with other relevant organisations to guard against understatement by grantees of other financial support;

Monitoring of a three-year grant

- (m) expedite action to finalise the evaluation mechanism with the HKIFFS so that a performance assessment can be carried out without further delay; and
- (n) include provisions in future grant agreements enabling Audit to access the accounts and records of the HKIFFS.

Response from the HKADC

3.40 The HKADC agrees with the audit recommendations. The CE, HKADC has said that the HKADC will tighten the administrative oversight accordingly. He has also said that:

Projects completed before entering into grant agreements

- (a) for the two cultural exchange cases mentioned in paragraph 3.20, the adjudications had been duly completed and the applicants had been verbally notified of the terms and conditions of the grants before the commencement of the projects;
- (b) the HKADC will review the current practice with a view to seeking the Council/Arts Support Committee's decisions on applications of cultural exchange projects planned to commence shortly, and will endeavour to enter into agreements with the grantees before the commencement of the projects;

Extension of time in completing projects/reports

- (c) as at February 2009, all the 68 grantees/project organisers mentioned in paragraph 3.28 had completed their projects and submitted their project reports;

Handling of long outstanding projects/reports

- (d) as at February 2009, the grantee of one of the 4 cases mentioned in paragraph 3.35 had submitted the project report and the HKADC had issued refund letters to the grantees of the other 3 cases; and

Monitoring of a three-year grant

- (e) as the funding and monitoring responsibility over the HKIFFS is being transferred to the Television and Entertainment Licensing Authority under the Commerce and Economic Development Bureau (CEDB) starting from 1 April 2009, the CEDB has been made aware of the audit recommendations. The CEDB will be developing a monitoring framework for the HKIFFS taking into account the audit recommendations.

PART 4: ADMINISTRATIVE ISSUES

4.1 This PART examines the administration of the HKADC.

Administration Office

4.2 The Administration Office is the executive arm of the HKADC and is responsible for the day-to-day administration of the HKADC. It is headed by a CE who is supported by two directors and one senior manager, each in charge of a division/department.

4.3 Audit examined the administration of the HKADC and found that there was room for improvement in the following areas:

- (a) relocation of the HKADC office (paras. 4.4 to 4.16);
- (b) management of investments (paras. 4.19 to 4.24);
- (c) entertainment and overseas duty visit expenses (paras. 4.27 to 4.30); and
- (d) management of human resources (paras. 4.33 to 4.36).

Relocation of the HKADC office

4.4 Since 1996, the HKADC has been accommodated in leased commercial premises (Note 8). Apart from housing its staff, the HKADC office also provides meeting and functional space for its Council members. In 1996, the HKADC rented an office in Causeway Bay. It moved to another office in Sheung Wan in 2002 and then to its present office in Quarry Bay in 2008.

4.5 ***Reasons for relocating to Sheung Wan in 2002.*** The HKADC had a small establishment of 20 staff when it moved into its Causeway Bay office in 1996, occupying a single floor. Owing to the expansion of the HKADC's functions and staff, additional floors were leased. By 2001, the HKADC had 55 permanent staff and 22 temporary staff scattered over four different floors. The spread of office accommodation over four floors gave rise to administration and security problems. Moreover, the HKADC considered that

Note 8: *Before 1996, the HKADC was accommodated in a government building in Wan Chai.*

the Causeway Bay office, with a net usable area of about 7,370 square feet (sq. ft.), was insufficient to meet its accommodation requirement. In June 2002, the HKADC moved to its Sheung Wan office occupying a single floor with a net usable area of 10,800 sq. ft. (Note 9).

4.6 ***Reasons for relocating to Quarry Bay in 2008.*** The Sheung Wan office lease provided the HKADC with an option of tenancy renewal for a further period of three years. In May 2005, the HKADC renewed the lease as the new monthly rent (\$14.8 per sq. ft. — Note 10) was comparable to the previous one (\$14.5 per sq. ft.). However, in June 2007, the HKADC was informed by the landlord that the rent would likely be increased to \$37.8 per sq. ft. when the lease was to be renewed in June 2008. In the event, the HKADC moved to its Quarry Bay office in May 2008 (Note 11).

4.7 ***Audit examination.*** The Quarry Bay office has a net usable area of 11,720 sq. ft. which is 920 sq. ft. larger than the Sheung Wan office. Audit examined the HKADC's planning of office accommodation for its relocation to Quarry Bay, in particular the justification for the increase in office space. The examination revealed that there was room for improvement as detailed in paragraphs 4.8 to 4.16.

Changes in office accommodation arrangements in 2005

4.8 ***Decrease in HKADC staff establishment.*** With the formation of the HKIFFS in February 2004, the HKADC transferred the task of organising the Hong Kong International Film Festival and the associated staff (including 9 permanent staff and 19 temporary staff) to the HKIFFS. In early 2005, the HKIFFS informed the HKADC that it would vacate the HKADC's Sheung Wan office in April 2005. According to the lease condition, the HKADC had to reinstate the office vacated by the HKIFFS before its return to the landlord. In February 2005, the Administration Office informed the Management Committee that the reinstatement would cost \$0.7 million. The Management Committee then proposed to continue renting the entire floor of the Sheung Wan office and make use of the space vacated by the HKIFFS for setting up an Arts Service Centre (ASC) to strengthen the HKADC's tie with arts groups.

Note 9: *In February 2002 when planning for the relocation, the HKADC had 50 permanent staff and 19 temporary staff.*

Note 10: *The annual rent (including management fee and rates) of the Sheung Wan office was \$3.6 million during June 2005 to May 2008.*

Note 11: *The annual rent of the Quarry Bay office was \$4.3 million.*

4.9 *Setting up an ASC.* At a Council meeting of April 2005, the Administration Office informed members that:

- (a) the rental cost of the office space vacated by the HKIFFS was about \$1.3 million for three years. Considering the reinstatement cost of \$0.7 million which would otherwise have to be incurred (see para. 4.8), it would only cost the HKADC an additional sum of \$0.6 million in keeping the extra office space for providing an ASC; and
- (b) the ASC would provide meeting and activity facilities for arts groups as well as the HKADC for organising art-related activities such as seminars and exhibitions. The eight office rooms vacated by the HKIFFS could be let out to arts groups as their offices (Note 12).

With members' support of the proposed ASC, the Administration Office renewed the lease for the Sheung Wan office in May 2005 without surrendering the ex-HKIFFS office space.

Planning for the relocation to Quarry Bay

4.10 *New office requirements.* At a Council meeting of June 2007, the Administration Office sought members' view on the HKADC's future office accommodation arrangements upon the expiry of the Sheung Wan office lease in May 2008. The Administration Office informed members that:

- (a) of the 10,800 sq. ft. in the Sheung Wan office, 8,500 sq. ft. was used for housing HKADC staff and providing meeting and functional space for Council members. The remaining 2,300 sq. ft. was used for the ASC;
- (b) the ASC would cease to operate in April 2008. There was no commitment to re-provision the ASC if the HKADC was to be relocated. Therefore, **a new HKADC office would only require an area of 8,500 sq. ft.;**
- (c) the Jockey Club Creative Arts Centre (JCCAC — Note 13) indicated that an area of about 9,200 sq. ft. could be made available for setting up an HKADC office. The annual rent would be lower than the then existing rent of the Sheung Wan

Note 12: *There was a provision in the Sheung Wan office lease for the HKADC to sublet part of its leased floor.*

Note 13: *The JCCAC was converted from a decommissioned factory estate in Shek Kip Mei with the sponsorship of the Hong Kong Jockey Club Charities Trust. The JCCAC provides a total rental space of 77,000 sq. ft. for arts groups and institutional tenants. The JCCAC is managed by the Hong Kong Baptist University with the HKADC as one of its strategic partners.*

office by \$1.9 million. However, as the JCCAC was mainly designed for use as artist studios, major renovation works of \$8 million would be required to upgrade the acoustic and security facilities for meeting the HKADC office requirements; and

- (d) the other two options would be:
 - (i) renewing the Sheung Wan office lease, but the renewal rent was expected to be increased by at least \$3.6 million a year; and
 - (ii) relocating to another commercial premises with a smaller area (given that there was no need to re-provision the ASC).

As the proposed relocation of the HKADC office to the JCCAC had significant implication on the HKADC's future operation, it was decided that the proposal should be put to the vote by paper circulation to all Council members after the meeting. It turned out that the majority vote was against the proposed relocation. The Administration Office then explored suitable office accommodation in other commercial premises. In this connection, it visited 29 premises.

4.11 *Option selection.* In mid-September 2007, the Administration Office informed the Management Committee that:

- (a) while the landlord of the Sheung Wan office had agreed to reduce the monthly rent to \$33 per sq. ft. upon tenancy renewal, it would still be higher than the existing rent of \$14.8 per sq. ft.;
- (b) alternative accommodation in other premises had been explored based on the criteria of: (i) **sufficient office space with provision for future expansion**; (ii) affordable rent; (iii) long lease term; and (iv) easy access and image concern;
- (c) four potential commercial premises (including the Quarry Bay office) had been short-listed. **Their net usable area ranged from 10,000 to 11,720 sq. ft.** with monthly rent ranging from \$18.8 to \$26.5 per sq. ft.; and
- (d) as the potential offers were valid for a limited period and, given the lead time required for the subsequent tendering process, the location of new office had to be determined within a short period of time.

After discussion, the Management Committee decided that the Quarry Bay office should be the first choice among the four options. While its rent was the second lowest, it had a longer lease term (5 years) and higher efficiency ratio (80%) than those (3 years and 70% respectively) of the lowest bid (Note 14).

4.12 *Surplus space.* At the Management Committee meeting of late September 2007, members noted that the Quarry Bay office (11,720 sq. ft.) would be larger than the HKADC's actual office requirement (8,500 sq. ft. — see para. 4.10(b)). After discussion, it was decided that the surplus space (3,220 sq. ft.) would allow for future expansion and provide venue for arts groups to hold meetings and exhibitions as additional support services of the HKADC. In the longer term, consideration could be given to using the space for setting up a resource centre. The Administration Office was then tasked to make arrangement for leasing the Quarry Bay office.

4.13 In December 2007, the HKADC signed a tenancy agreement for leasing the Quarry Bay office for five years commencing from February 2008. The tenancy had a rent-free period of three months from February to May 2008.

Audit observations and recommendations

Need to critically examine office accommodation proposals

4.14 In the Council paper of June 2007, it was stated that a new HKADC office only required an area of 8,500 sq. ft. as there was no need to re-provision the ASC upon relocating from the Sheung Wan office to another commercial premises. However, in the Management Committee paper of mid-September 2007, all four potential commercial premises short-listed for members' consideration had a usable area ranging from 10,000 sq. ft. to 11,720 sq. ft. While the paper stated that one of the criteria in selecting potential premises was sufficient office space with provision for future expansion, there was no supporting data for future expansion. **Audit considers that the HKADC should critically examine future office accommodation proposals to ensure that any request for additional space is fully justified by supporting data.**

Note 14: *In late September 2007, the Administration Office informed the Management Committee that the lowest bid might not be available as the landlord would give priority to renewing tenancy with the existing tenant.*

Need to consider financial implication in introducing new services

4.15 In late September 2007, the Management Committee noted that the new Quarry Bay office would be larger than the HKADC's requirement. The Committee then discussed the use of the surplus space including the provision of new support services to arts groups. However, unlike the discussion in April 2005 when the Council was apprised of the financial implication of setting up an ASC (see para. 4.9), financial data was not provided for the Management Committee's consideration of introducing the new support services in the Quarry Bay office. **Audit considers that the Council/Committee should be fully apprised of the financial implication for their consideration of introducing new services.**

Need for space and fitting-out planning of support services

4.16 Pursuant to the Management Committee's decision of late September 2007, the surplus space in the Quarry Bay office should be used for both future expansion and provision of support services for arts groups. For the provision of support services, the Management Committee considered that the Quarry Bay office should include multi-purpose rooms or partitioned areas for arts groups to hold meetings, seminars and exhibitions. However, Audit noted that:

- (a) out of the surplus space of 3,220 sq. ft., the Administration Office had only designated 3 rooms and some common area (totalling 1,250 sq. ft.) for providing the support services (Note 15). **The remaining space of 1,970 sq. ft. taken up by the Administration Office could not be fully justified by staff expansion. This is because the HKADC's permanent and temporary staff were only increased from 41 as at September 2007 to 49 as at January 2009; and**
- (b) the surplus space currently occupied by the Administration Office was fitted out for office use. Conversion works might be required before it could be used by arts groups for holding meetings, seminars and exhibitions.

Audit recommendations

4.17 **Audit has recommended that the HKADC should:**

Note 15: *Similar to the arrangement in the Sheung Wan office, the Quarry Bay office's conference rooms could be made available for arts groups' use if there was no clash with the Council/Committee meeting schedule. The HKADC had included the area of these conference rooms as part of its total office accommodation requirement (see para. 4.10(a) and (b)).*

- (a) **critically examine future office accommodation proposals to ensure that any request for additional space is fully justified by supporting data;**
- (b) **require the Administration Office to provide, for the Council's consideration, information on the financial implication of introducing new services;**
- (c) **adequately plan for the space and fitting-out requirements of all personnel and services to be accommodated in a new office for future office relocation exercises; and**
- (d) **urgently review the space and fitting-out requirements of the planned support services and future expansion with a view to putting the surplus office space into effective use.**

Response from the HKADC

4.18 The HKADC agrees with the audit recommendations. The **CE, HKADC** has said that:

- (a) the factors to rent the Quarry Bay office were thoroughly discussed by the Management Committee. When deciding on the Quarry Bay office, the Management Committee had considered the possible space requirement arising from proposed new projects (such as the establishment of the Arts Community Fund);
- (b) despite fierce competition from other bidders and its less favourable bargaining position due to the booming property market in 2007, the HKADC managed to achieve a cost saving of \$2.7 million per annum compared with the cost of maintaining the Sheung Wan office;
- (c) the ASC in the Quarry Bay office was set up to strengthen the support to the arts community by providing them with a venue for holding meetings, workshops or exhibitions. This objective is well served by sharing the use of meeting rooms and conference rooms. Over the past months, the provision of this service has been promoted and extended to include more arts groups and artists, and has helped forge closer ties between the HKADC and the arts community; and
- (d) currently the ASC is available for booking free of charge from 9:00 a.m. to 10:00 p.m. on Mondays to Saturdays. The HKADC will continuously review the operation of the centre and plan for the space and fitting-out requirements. A review of the policy on booking charges is planned for June 2009.

Management of investments

4.19 According to section 9 of the HKADC Ordinance, all money of the HKADC which is not immediately required shall be deposited with any bank licensed under the Banking Ordinance (Cap. 155) or invested in other investments that may be approved by the Financial Secretary, either generally or in any particular case. The HKADC maintains savings and current accounts with one bank for handling its day-to-day money transactions. The surplus fund is placed with other banks in the form of time deposits for earning higher interest. In 2007-08, the interest income was \$1.7 million.

4.20 For the management of investments, the HKADC has laid down the following rules:

- (a) to minimise the concentration risk, the money deposited with a bank should not be more than 50% of the HKADC's total liquid fund; and
- (b) investments have to be approved by Council members with the delegated authority (Note 16). If the amount of an investment is not more than \$10 million, it should be approved by one of the authorised members. If the amount is more than \$10 million, it should be approved by two of the authorised members.

4.21 Each month, the Administration Office prepares a cash flow forecast and makes an investment proposal for placing surplus fund as time deposits. The current practices are that most of the time deposits have maturity of two months.

Audit observations and recommendations

4.22 Audit reviewed eight monthly investment proposals approved by the HKADC during the period April to November 2008. Audit noted that improvement could be made in the following areas:

- (a) ***Obtaining quotations from more banks.*** The HKADC maintained a list of four banks (including the one operating the HKADC's savings and current accounts) for obtaining interest rate quotations. Two of them always offered less favourable rates. As a result, the other two banks were invariably selected for the placement of time deposits. **In order to ensure that competitive interest**

Note 16: *Before April 2008, the Chairman and the Vice-chairman were delegated by the Council the authority of approving investments. Since April 2008, in addition to the Chairman and the Vice-chairman, two more Council members have been delegated the authority.*

rates are obtained for its time deposits, the HKADC needs to expand its list of banks for obtaining interest rate quotations;

- (b) *Scope for increasing interest income.* Each of the eight investment proposals involved reinvestment of three or more time deposits maturing on the same day. The interest rates for renewal of the deposits offered by the two banks concerned were different. **However, the HKADC had not transferred fund from the bank offering a lower interest rate to the one offering a higher rate before renewing the deposits.** Such a transfer (subject to the “50% limit” mentioned in para. 4.20(a) not being exceeded) could have increased the HKADC’s overall interest income; and
- (c) *Deposits requiring two authorised members’ approval.* Two of the eight investment proposals involving placement of time deposits with amounts over \$10 million were approved by one authorised member only. This did not comply with the HKADC’s laid-down rule that deposits of over \$10 million have to be approved by two authorised members (para. 4.20(b)). **Audit considers that the laid-down rule on approving investments should be strictly followed.**

4.23 *Scope for investing more in time deposits.* Audit examined the year-end balances of the HKADC’s liquid fund for the past three financial years 2005-06 to 2007-08. There was an increasing amount of money (in both absolute and percentage terms) held in bank accounts and as cash instead of being invested in time deposits for earning more interest as shown in Table 9.

Table 9

Year-end balances of HKADC’s liquid fund

	31 March 2006 (\$ million)	31 March 2007 (\$ million)	31 March 2008 (\$ million)
Bank balance and cash	9.5 (19%)	10.0 (22%)	19.3 (35%)
Time deposit	41.1 (81%)	36.3 (78%)	35.9 (65%)
Total	50.6 (100%)	46.3 (100%)	55.2 (100%)

Source: HKADC records

4.24 From April to November 2008, the average amount held in bank accounts and as cash remained at a high level of \$17.2 million (i.e. 27% of the HKADC's average liquid fund of \$63.5 million). **Audit considers that the HKADC needs to improve its cash flow planning so as to invest more surplus fund in time deposits.**

Audit recommendations

4.25 **Audit has recommended that the HKADC should:**

- (a) **expand its list of banks for obtaining interest rate quotations for the placement of time deposits;**
- (b) **maximise its investments in banks offering the best interest rates, as far as practicable;**
- (c) **ensure that the laid-down rule on approving investments is strictly followed; and**
- (d) **improve its cash flow planning so as to invest more surplus fund for interest income.**

Response from the HKADC

4.26 The HKADC agrees with the audit recommendations. The **CE, HKADC** has said that the HKADC will review the current practices in managing investments.

Entertainment and overseas duty visit expenses

4.27 For 2006-07 and 2007-08, the HKADC incurred \$224,000 on entertainment expenses and \$226,000 on overseas duty visit expenses. Although the amounts involved are not large, these expenses could be seen as giving some private benefit to individuals that is additional to the business benefit to the public entity. The HKADC has to properly manage these expenses in order to demonstrate the prudent use of public money.

Audit observations and recommendations

Entertainment expenses

4.28 The HKADC has laid down guidelines that for entertainment expenses, the spending limits are \$400 per head for dinner and \$300 per head for lunch and other circumstances. Audit examined a sample of four entertainment expenses incurred in

2006-07 and 2007-08. **Audit noted that there was room for improvement in the following two cases:**

- (a) in one case, a Spring Festival dinner reception was held in March 2007 which cost \$86,100. However, the expenditure was not supported by guest attendance records. In response to Audit's enquiry in February 2009, the HKADC said that based on reply slips, 241 guests had indicated that they would attend the reception. Allowing for some guests who might not have turned up but taking into account the attendance of Council members and HKADC staff, the HKADC estimated that the attendance figure was 223. The spending limit of \$400 per head had not been exceeded ($\$86,100 \div 223 = \386); and
- (b) in another case, a dinner for 10 persons was held in September 2006 which cost \$4,300, exceeding the spending limit of \$400 per head ($\$4,300 \div 10 = \430).

Overseas duty visit expenses

4.29 According to the HKADC Members' Handbook, the HKADC subsidises 50% of the airfare and the hotel expense incurred by a Council member participating in a duty visit organised and approved by the Council. However, there was no laid-down rule on the level of subsidy for members representing the HKADC as officiating guests of its functions overseas. Audit examined the expenses incurred in 2006-07 and 2007-08 in relation to three overseas duty visits. Audit noted that in two of the overseas duty visits, the Chairman represented the HKADC as an officiating guest. The HKADC bore the full cost of airfare and hotel expense in both cases.

4.30 In January 2009, the Council included in the Members' Handbook a new rule that the HKADC shall bear the full cost of airfare and hotel expense incurred by members representing the HKADC as officiating guests of its functions overseas. Audit welcomes the action taken by the HKADC to improve the management of overseas duty visit expenses.

Audit recommendations

4.31 **Audit has recommended that the HKADC should:**

- (a) **maintain proper guest attendance records to support entertainment expenses;**
- (b) **abide by the spending limits when incurring entertainment expenses; and**
- (c) **ensure compliance with the laid-down rules on overseas duty visit expenses.**

Response from the HKADC

4.32 The HKADC agrees with the audit recommendations. The **CE, HKADC** has said that the HKADC will ensure that the recommendations are followed in its future operations.

Management of human resources

4.33 In January 2009, the Administration Office had 49 staff. The HKADC has stipulated rules and procedures in a Staff Handbook regulating matters such as terms of appointment and payroll.

Audit observations and recommendation

Staff insurance schemes

4.34 According to the Staff Handbook, full-time employees of the HKADC are eligible for the following insurance coverage:

- (a) medical insurance which provides staff with health care protection. The insured items include clinical consultation, hospitalisation and dental service; and
- (b) life and accident insurance which provides coverage up to \$100,000 (i.e. 3.6 times of the average monthly salary of staff) for death, accidental death and dismemberment.

4.35 In March 2006, in procuring group insurance policies for its staff for the period May 2006 to April 2007, the Administration Office considered it necessary to enhance the benefit levels provided for in the Staff Handbook because:

- (a) the provision of medical benefits to dependants of staff was common in the market; and
- (b) the stipulated life and accident insurance coverage of \$100,000 was found to be below the market provision.

4.36 Since May 2006, the Administration Office has taken out enhanced insurance policies for its staff as follows:

- (a) for the medical insurance, the coverage has been extended to dependants of staff. The medical benefits provided to dependants include clinical consultation and hospitalisation; and
- (b) for the life and accident insurance, the benefit level has been increased from 3.6 times of the average monthly salary of staff to 24 times of the monthly salaries of individual staff members.

As a result, the annual expenditure on insurance premium has increased since May 2006 (for example, from \$175,100 to \$248,700 for the policy year ended April 2007). While the enhanced staff insurance benefits were different from those provided for in the Staff Handbook and involved additional recurrent expenditure, the Administration Office had not sought the Council's or the Management Committee's approval (Note 17).

Audit recommendation

4.37 **Audit has recommended that the HKADC should require the Administration Office to seek the Council's or the Management Committee's approval for any variation to the terms of the Staff Handbook that carries recurrent cost implication.**

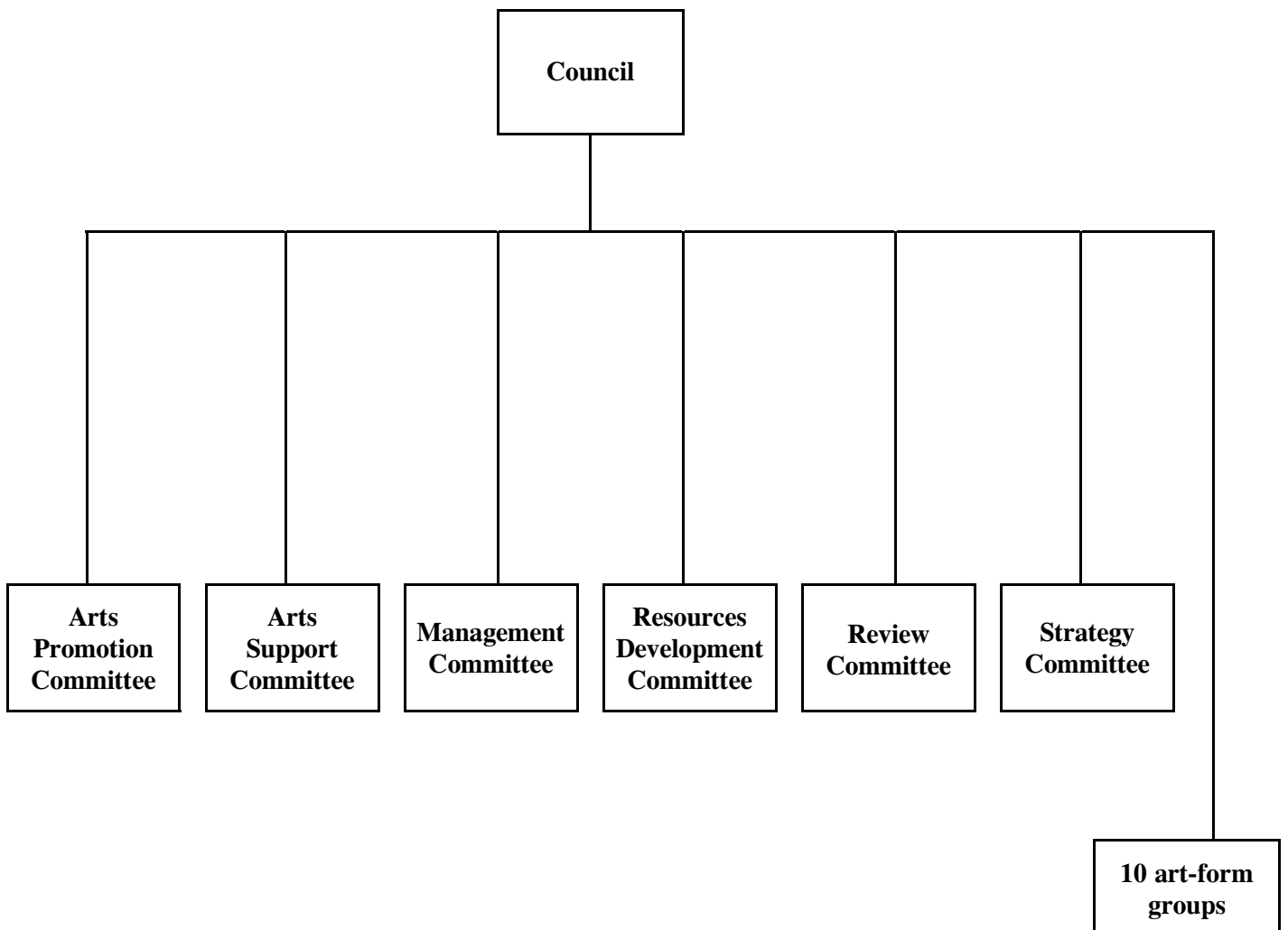
Response from the HKADC

4.38 The HKADC agrees with the audit recommendation. The **CE, HKADC** has said that:

- (a) the Council and the Management Committee were not aware of the changes in the staff insurance schemes in May 2006. The Administration Office will urgently seek the Management Committee's covering approval for the changes; and
- (b) the HKADC will ensure that the Administration Office adheres to the approving procedures and seeks the Management Committee's approval for any variation to the terms of the Staff Handbook that carries recurrent cost implication.

Note 17: *According to the Staff Handbook, the approval of the Council is required to vary the terms therein. Pursuant to the Council's resolution of October 1995, the Management Committee has been delegated the authority to exercise the Council's authority in relation to staff and administrative matters.*

Hong Kong Arts Development Council
Council structure
(31 January 2009)



Source: HKADC records

Home Affairs Bureau's publicity efforts for 2007 nomination exercise

Period	Publicity efforts
April 2007	<ul style="list-style-type: none"> • The HAB conducted a public consultation on 13 April 2007 to solicit public views on the proposed procedures for the 2007 nomination exercise and to explain the four-phase nomination exercise. Members of the public could give their views to the HAB by 25 April 2007.
May 2007	<ul style="list-style-type: none"> • On 2 May 2007, the HAB sent a letter to: <ul style="list-style-type: none"> — nominating organisations and individuals previously registered to announce the timetable of the four phases of the nomination exercise. The letter reminded nominating organisations to update their membership databases to facilitate the registration of their members as voters at the voter registration stage; — the heads of tertiary institutes, secondary schools and primary schools to invite them to disseminate nomination information to their full-time and part-time teaching staff of arts subjects. These staff were eligible to register as nominating individuals under the arts education sector; and — all current/former Council members, current/former arts advisers, examiners, awardees and grant applicants of the HKADC, as well as current/former arts advisers and applicants for grants/sponsorship of the Leisure and Cultural Services Department (LCSD). The letter reminded them about the timetable of the nomination exercise and their eligibility for registration as nominating organisations/individuals. • The HAB: <ul style="list-style-type: none"> — issued a press release, placed advertisements in major newspapers and distributed posters and information leaflets; — arranged for the broadcasting of radio announcements of public interest (in Cantonese, English and Putonghua) and a radio publicity trailer; and — uploaded all information of this phase on the websites of the HAB, the HKADC and the LCSD.
June to August 2007	<ul style="list-style-type: none"> • The HAB: <ul style="list-style-type: none"> — wrote to all nominating organisations to remind them of their role in helping their members register as voters; — issued a press release, distributed posters and arranged for the broadcasting of radio announcements of public interest; and — uploaded all information of this phase on the websites of the HAB, the HKADC and the LCSD. • On 25 July 2007, the HAB issued a press release to announce the extension of the voter registration phase from 30 July to 3 August 2007.

Source: HAB records

Acronyms and abbreviations

ASC	Arts Service Centre
ASDF	Arts and Sport Development Fund
Audit	Audit Commission
CE	chief executive
CEDB	Commerce and Economic Development Bureau
CV	curriculum vitae
HAB	Home Affairs Bureau
HKADC	Hong Kong Arts Development Council
HKIFFS	Hong Kong International Film Festival Society
HKSAR	Hong Kong Special Administrative Region
JCCAC	Jockey Club Creative Arts Centre
LCSD	Leisure and Cultural Services Department
MAA	Memorandum of Administrative Arrangements
sq. ft.	square feet