

Report No. 52 of the Director of Audit — Chapter 5

HONG KONG ARTS DEVELOPMENT COUNCIL

Summary

1. The Hong Kong Arts Development Council (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. To fulfil its mission, the HKADC provides funding support (through the disbursement of various grants) to arts groups and individual artists, and initiates arts development projects (known as proactive projects). The HKADC is mainly funded by recurrent subventions from the Home Affairs Bureau (\$70.7 million in 2007-08) and grants from the Arts and Sport Development Fund (\$18.2 million in 2007-08). The Audit Commission (Audit) has recently conducted a review of the HKADC.

Corporate governance

2. *Nomination of Council members by arts sectors.* The governing body of the HKADC is its council which is supported by 6 Committees. According to the HKADC Ordinance, 10 specified arts sectors may nominate 10 persons for appointment as Council members. During the last year of each term of the HKADC membership, the Home Affairs Bureau will launch a nomination exercise for the next term. The feedback from arts organisations/practitioners during the 2007 nomination exercise showed that: (a) the nomination process was not well understood by the arts community; (b) some of them had not been registered as members of the 10 nominating bodies although they were enthusiastic in participating in the local arts development through the nomination process; and (c) some nominating organisations were not aware of the requirement that they needed to help their own members register as voters. *Audit has recommended that the Secretary for Home Affairs should: (a) introduce measures to promote the arts community's understanding of the nomination process; (b) introduce measures to facilitate the registration of members of the nominating bodies; and (c) step up voter registration efforts.*

3. **Members' attendance at meetings.** During 2005 to 2007, members' overall attendance rates at meetings of two Committees ranged from 53% to 68%. During 2007 and 2008, some members had also not followed the laid-down requirement of serving prior notifications for their absences from meetings of the Council and the Arts Support Committee on 22 and 9 occasions respectively. *Audit has recommended that the HKADC should: (a) monitor the attendance rates at Council/Committee meetings and issue reminders to members with low attendance; and (b) ensure that the laid-down requirements for managing members' attendance at Council/Committee meetings are complied with.*

4. **Proceedings of meetings.** The HKADC has laid down rules that the quorum for a Council meeting shall be half of its members. Audit found that for two of the Council meetings held in 2007 and 2008, resolutions were passed during the time when there was not a quorum. *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 to see whether remedial actions are needed.*

5. **Declaration of interests by Council members.** According to the HKADC Members' Handbook, all appointed members must submit declarations of interests when they are appointed and annually thereafter. For the Council term 2005 to 2007, 3 of the 24 members had not submitted any declarations of interests throughout their tenure and 10 had not submitted their declarations for one or two years. For the term 2008 to 2010, 12 of the 24 members had not submitted their declarations for 2008. *Audit has recommended that the HKADC should remind all appointed Council members to submit their declarations of interests in accordance with the Members' Handbook.*

Grants and proactive projects

6. **Appointment of examiners.** The HKADC has engaged experts from the arts community to be its examiners to assist it in adjudicating grant applications and assessing project outcome. Based on a sample check of examiners appointed in July 2008, Audit found that as at 31 December 2008, 27 of them had not returned their appointment acceptance forms to signify their acceptance of the appointment terms, and 24 had not submitted their curriculum vitae (CV) forms to declare their interests. However, the HKADC had assigned adjudication/assessment duties to some of these examiners. *Audit has recommended that the HKADC should: (a) remind all examiners to promptly return appointment acceptance and CV forms upon their appointment; (b) continue to follow up with serving examiners who have not returned their appointment acceptance and/or CV forms; and (c) only assign adjudication/assessment duties to examiners who have submitted their appointment acceptance and CV forms.*

7. **Projects completed before entering into grant agreements.** In an examination of a sample of grant/proactive projects, Audit found that the HKADC entered into agreements with two grantees after completion of their respective cultural exchange project. A delay in entering into a grant agreement would render some conditions (such as project monitoring) not applicable. *Audit has recommended that the HKADC should: (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; and (b) endeavour to enter into an agreement with the grantee before the commencement of a grant project.*

8. **Assessment of grant/proactive projects.** In an examination of a sample of grant/proactive projects, Audit found that the laid-down guidelines on assigning the stipulated number of examiners for assessing projects were not followed on two occasions. For six projects, the planned assessments were not carried out as the assigned examiners turned out to be unavailable. *Audit has recommended that the HKADC should: (a) remind its Administration Office to strictly follow the laid-down guidelines in assigning examiners for assessing grant/proactive projects; and (b) require examiners to immediately inform the Administration Office in case they cannot undertake any assigned duties.*

9. **Extension of time in completing projects/reports.** In an examination of a sample of grant/proactive projects, Audit found that 47% of the sampled grantees/project organisers could not complete their projects/reports on time. They were granted extensions of time ranging from 10 to 365 days. *Audit has recommended that the HKADC should 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.*

10. **Handling of long outstanding projects/reports.** According to the HKADC Procedures Handbook, a letter ("frozen" letter) will be issued to a grantee/project organiser who fails to complete his project/report on time, informing him that he will be debarred from applying for a further grant/project until six months after the overdue item is completed. If he still fails to comply with the specified due date of the "frozen" letter, a letter ("refund" letter) will be issued urging him to complete the overdue item or return the grant. Audit examination revealed that "frozen" letters were not issued in 4 cases and "refund" letters were not issued in 7 cases. *Audit has recommended that the HKADC should issue "frozen" letters and "refund" letters to grantees/project organisers with overdue projects/reports in accordance with the Procedures Handbook.*

Administrative issues

11. ***Relocation of the HKADC office.*** In May 2008, the HKADC office was relocated to Quarry Bay. An additional space of 3,220 sq. ft. was included in the Quarry Bay office for future expansion. Audit noted that: (a) in September 2007, the Management Committee was informed that the space would provide for future expansion but there was no supporting data provided; (b) in the Management Committee's discussion of using some of the space to provide new support services to arts groups, financial data was not provided for the Committee's consideration; and (c) as at January 2009, only 1,250 sq. ft. of the Quarry Bay office was used for providing the support services. The remaining space of 1,970 sq. ft. currently fitted out for office use could not be fully justified by staff expansion. Conversion works might be required before it could be used by arts groups. *Audit has recommended that the HKADC should (a) critically examine future office accommodation proposals to ensure that any request for additional space is fully justified by supporting data; (b) require its Administration Office to provide information on the financial implication of introducing new support services for the Council's consideration; and (c) urgently review the space and fitting-out requirements of the planned support services and future expansion.*

12. ***Entertainment expenses.*** Audit examined a sample of four entertainment expenses incurred in 2006-07 and 2007-08. In one case, the expenditure was not supported by guest attendance records. In another case, the spending limit of \$400 per head was exceeded. *Audit has recommended that the HKADC should: (a) maintain proper guest attendance records to support entertainment expenses; and (b) abide by the spending limits when incurring entertainment expenses.*

Response from the HKADC and the Administration

13. The HKADC and the Secretary for Home Affairs accept the audit recommendations.

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