

Report No. 56 of the Director of Audit — Chapter 5

HONG KONG 2009 EAST ASIAN GAMES

Summary

1. The East Asian Games (EAG) is an international sports event held every four years in one of the EAG Association's member countries/places. Members of the EAG Association comprise the National Olympic Committees (NOCs) of nine countries/places in East Asia, including Hong Kong. In April 2001, the Sports Federation and Olympic Committee of Hong Kong, China (SF&OC) indicated an interest in bidding for the hosting right of the fifth EAG to be held in 2009 (2009 EAG). In July 2003, the Finance Committee (FC) of the Legislative Council (LegCo) accepted in principle the provision of a government subsidy for hosting the 2009 EAG in Hong Kong. In November 2003, the SF&OC won the bid for hosting the event.

2. In June 2004, the Secretary for Home Affairs appointed the EAG Planning Committee to oversee the planning and preparation of the 2009 EAG. In March 2005, the 2009 East Asian Games (Hong Kong) Limited (the EAG Company) was incorporated to act as the executive arm and the agent for implementation and delivery of the 2009 EAG. In January 2006, the FC approved funding of \$123 million under the Leisure and Cultural Services Department (LCSD) to provide financial support for the event. In June 2006, the Government (represented by the Secretary for Home Affairs), the SF&OC and the EAG Company entered into a Tripartite Agreement which set out the detailed arrangements and the roles and responsibilities of the three parties in the organisation, implementation and delivery of the 2009 EAG.

3. The 2009 EAG was held between 5 and 13 December 2009. About 2,100 athletes competed in 22 sports items. After completion of the 2009 EAG, in June 2010, a liquidator was appointed to proceed with the voluntary liquidation of the EAG Company. As of February 2011, the liquidation was in progress. The Audit Commission (Audit) has recently conducted a review to examine the planning, organisation and implementation of the 2009 EAG.

Post-implementation review

4. *Need for a post-implementation review (PIR).* The Tripartite Agreement of June 2006 did not specify any requirement for the conduct of a PIR of the 2009 EAG. In February 2009, the Efficiency Unit (EU) issued a user guide on PIRs. Audit noted that a wash-up review and a survey on the participating National Sports Associations (NSAs),

conducted after the completion of the 2009 EAG, did not involve formal consultation with key stakeholders, such as the participating NOCs, sponsors, broadcasters, volunteers and technical officials. *Audit has recommended that the Secretary for Home Affairs should: (a) consolidate the experience in hosting the 2009 EAG by compiling a report on good practices and lessons identified; and (b) consider, in collaboration with the organiser of any similar international multi-sports event in future, the need for conducting a PIR with reference to the EU's user guide.*

Operating cost and revenue

5. ***Full cost implications of 2009 EAG.*** Audit noted that the Administration had not ascertained the full cost implications of hosting the 2009 EAG. As far as Audit could ascertain, apart from the government subsidy of \$123 million (see para. 2), additional direct expenditures amounting to \$132.8 million had been incurred by various government bureaux/departments to support the hosting of the 2009 EAG. *Audit has recommended that, in implementing a similar sports event in future, the Secretary for Home Affairs should provide the FC with an accurate estimate of the direct expenditures as far as possible.*

6. ***Temporary works for competition venues.*** In July 2003, the Administration informed LegCo that the estimated cost of temporary works for the EAG venues was \$6.2 million. In the event, the actual cost of the temporary works, including the provision of thematic facilities and the subsequent dismantling works, amounted to \$48.2 million, representing a sixfold increase. Furthermore, Audit noted that, in seeking funding of \$823.6 million from the FC in 2007 for both the long-term improvement works for the government venues and the temporary works for the 2009 EAG, the Administration did not inform the FC of the estimated cost of the temporary works. *Audit has recommended that, in implementing a similar sports event in future, the Secretary for Home Affairs should inform the FC of the estimated costs of all necessary temporary works.*

7. ***Significant income and expenditure variances.*** Audit examination revealed that some income and expenditure items of the 2009 EAG differed significantly from the estimated amounts stated in the FC paper of January 2006. *Audit has recommended that the Secretary for Home Affairs should endeavour to compile accurate budgets for similar sports events in future, taking into account the significant income and expenditure variances of the 2009 EAG.*

8. ***Funding for two donations under a legacy project.*** As of March 2010, the EAG Company had a surplus of \$21.5 million. In June 2010, under a legacy project, the EAG Company made two donations of \$4.9 million each, one to an athletes career and

education programme and another to an athletes fund, to support the long-term development of Hong Kong athletes. Audit is concerned with the use of the EAG Company's surplus to finance the two donations because: (a) according to the Tripartite Agreement of June 2006, the EAG Company should use all revenue generated solely for the organisation, implementation and delivery of the 2009 EAG, and any surplus funding should be returned to the Government; and (b) both the FC paper of January 2006 and the Tripartite Agreement did not state that the EAG Company would make donations to support the long-term development of Hong Kong athletes. *Audit has recommended that, if the Government wishes to implement a legacy project as part of a sports event in future, the Secretary for Home Affairs should inform the FC of the details and define clearly the terms in the administrative agreement with the event organiser.*

9. ***Timeframe for administrative arrangements.*** As laid down in the Tripartite Agreement, within six months from the conclusion of the 2009 EAG, the EAG Company should submit the final audited financial statements and return any surplus funding to the Government. As of February 2011, 14 months after the completion of the 2009 EAG, the final audited financial statements had not been submitted, and the surplus funding not been returned to the Government. *Audit has recommended that, in implementing a similar sports event in future, the Secretary for Home Affairs should include a realistic timeframe in the administrative agreement with the event organiser.*

Reduction in number of shooting competition events

10. ***Reduction in number of competition events after official endorsement.*** In early 2006, the LCSD and the Hong Kong Shooting Association (HKSA) discussed a proposal for the construction of a new shooting range at the Pillar Point Valley Landfill for holding shooting competitions in the 2009 EAG, and for the HKSA to seek funding support from a sponsor for the construction works. In June 2006, the EAG Association approved shooting as one of the sports items of the 2009 EAG, and in June 2007 endorsed 13 shooting competition events (four 10-metre-range events, four 25-metre-range events and five 50-metre-range events). Since June 2006, the HKSA had taken action on the construction of the shooting range. In October 2008, in view of the fact that the HKSA might not be able to obtain funding support promptly for constructing the proposed shooting range, the EAG Company recommended changing the EAG shooting venue to an existing smaller-scale venue in Causeway Bay. As a result, the 25-metre-range and 50-metre-range events were cancelled, and the number of competition events was reduced from 13 to 4. *Audit has recommended that, in implementing a similar sports event in future, the Secretary for Home Affairs should: (a) take measures to ensure the timely provision of suitable competition venues; (b) take measures to avoid a significant reduction in the number of competition events after their official endorsement; and (c) monitor closely an NSA's progress of constructing a new venue, and plan for contingency measures as early as possible.*

Conversion of squash courts into office accommodation

11. *Use of sports facilities for permanent office purposes.* In August 2005, the Home Affairs Bureau (HAB) proposed providing office accommodation for the EAG Company by converting 6 of the 18 squash courts at the Hong Kong Squash Centre (HKSC). In January 2006, the Administration informed the FC of the arrangement and that the conversion and subsequent reinstatement of the six squash courts would cost \$4.4 million. From February 2007 to June 2010, the EAG Company used the converted squash courts for office accommodation. In May 2010, the LCSD proposed to the HAB not to reinstate the office accommodation back into squash courts because the estimated cost of reinstatement and renovation works for upgrading the six squash courts to current standards would be \$5 million, and the LCSD was in need of office space. Audit has reservations on the LCSD's proposal as this arrangement would deprive the public of the use of the sports facility in the area. *Audit has recommended that the Secretary for Home Affairs should: (a) avoid using sports facilities for permanent office purposes; and (b) reconsider critically the future use of the converted squash courts at the HKSC.*

Admission ticketing arrangements

12. *Sales of same-day tickets at competition venues.* On 2 December 2009, the first day of the preliminaries for some competition events, box offices were set up at three competition venues for selling same-day tickets. However, there were public requests for providing on-site box offices at some other competition venues. On the following day, the EAG Company set up box offices at four additional competition venues for selling same-day tickets. *Audit has recommended that the Secretary for Home Affairs should require the organiser of a similar sports event in future to consider providing box offices at competition venues for selling same-day tickets as far as possible, taking into account the public demand.*

13. *Unwanted guest admission tickets.* A total of 44,974 admission tickets were issued to guests for attending competition events. Audit examination revealed that the overall guest attendance rate was 22%, and the guest attendance rates for 10 sports items were below 20%. Audit considers the low guest attendance unsatisfactory, which deprived other people of their opportunities to attend the competition events. *Audit has recommended that the Secretary for Home Affairs should require the organiser of a similar sports event in future to consider taking appropriate measures to improve the guest attendance rates.*

14. ***Unsold admission tickets.*** Of the total 210,746 admission tickets available for open sales, 145,243 (69%) were sold. Audit examination revealed that the percentages of unsold tickets of five sports items were more than 30% of the total number of tickets available for open sales. Audit considers the high percentages of unsold tickets for these sports items unsatisfactory. *Audit has recommended that the Secretary for Home Affairs should require the organiser of a similar sports event in future to consider taking appropriate measures to maximise the spectator attendance.*

15. ***Adoption of effective ticketing arrangements.*** The EAG Company adopted a day-pass arrangement (one ticket for a whole-day event at a competition venue) for all relevant sports items, except two self-financed items. Some NSAs commented that a two-session-a-day arrangement could allow more spectators to attend competition events. Audit also notes that the session-ticketing arrangement has been adopted in some international sports events. *Audit has recommended that the Secretary for Home Affairs should require the organiser of a similar sports event in future to consider adopting appropriate ticket-sale arrangements.*

Audit survey

16. ***Areas for improvement.*** To gauge the views of the participants and to identify areas for improvement, Audit conducted a questionnaire survey on the implementation of the 2009 EAG. *Based on the feedback from 5 participating NOCs and 19 participating NSAs, Audit has recommended that the Secretary for Home Affairs should: (a) step up efforts to provide long-term support to sustain sports development in Hong Kong; and (b) in implementing a similar sports event in future, require the organiser to take improvement measures in various areas, such as arranging competition events, providing competition venues and facilities, and handling suggestions and complaints.*

Response from the Administration

17. The Administration accepts the audit recommendations.

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