

CHAPTER 5

Home Affairs Bureau

Hong Kong Sports Institute Limited

**Audit Commission
Hong Kong
1 April 2015**

This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.

Report No. 64 of the Director of Audit contains 8 Chapters which are available on our website at <http://www.aud.gov.hk>

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HONG KONG SPORTS INSTITUTE LIMITED

Contents

	Paragraph
EXECUTIVE SUMMARY	
PART 1: INTRODUCTION	1.1 – 1.12
Audit review	1.13
Acknowledgement	1.14
PART 2: ELITE ATHLETE TRAINING AND SUPPORT	2.1 – 2.10
Athletes’ training attendance	2.11 – 2.16
Audit recommendations	2.17
Response from the HKSI	2.18
Provision of coaches	2.19 – 2.22
Audit recommendations	2.23
Response from the HKSI	2.24
PART 3: GOVERNANCE AND GOVERNMENT MONITORING	3.1 – 3.5
Board and committee proceedings	3.6 – 3.24
Audit recommendations	3.25 – 3.26
Response from the HKSI	3.27
Response from the Government	3.28 – 3.29

	Paragraph
Internal audit and audit committee	3.30 – 3.32
Audit recommendation	3.33
Response from the HKSI	3.34
Government monitoring	3.35 – 3.44
Audit recommendations	3.45
Response from the Government	3.46
PART 4: ADMINISTRATIVE ISSUES	4.1
Utilisation of sports facilities	4.2 – 4.4
Audit recommendations	4.5 – 4.6
Response from the Government	4.7
Response from the HKSI	4.8
Utilisation of other facilities	4.9 – 4.15
Audit recommendations	4.16
Response from the HKSI	4.17
Electricity charges and energy management	4.18 – 4.21
Audit recommendations	4.22
Response from the HKSI	4.23
Shuttle bus services	4.24 – 4.26
Audit recommendation	4.27
Response from the HKSI	4.28

	Paragraph
Procurement and management of fixed assets	4.29 – 4.34
Audit recommendations	4.35
Response from the HKSI	4.36
Guidelines on official entertainment	4.37 – 4.39
Audit recommendation	4.40
Response from the HKSI	4.41
PART 5: REDEVELOPMENT PROJECT	5.1 – 5.4
Implementation of the project	5.5 – 5.17
Audit recommendations	5.18
Response from the HKSI	5.19
Government provision of land for use by the HKSI	5.20 – 5.29
Audit recommendation	5.30
Response from the Government	5.31 – 5.32
Appendices	Page
A : HKSI: Organisation chart (December 2014)	65
B : Eligibility criteria for direct financial support grants (December 2014)	66
C : Case 2: Handling of conflict of interest in Board/ committee meetings	67 – 72
D : Sports facilities of the HKSI (December 2014)	73
E : Other facilities of the HKSI (December 2014)	74
F : Acronyms and abbreviations	75

HONG KONG SPORTS INSTITUTE LIMITED

Executive Summary

1. The Hong Kong Sports Institute Limited (HKSI) is a company limited by guarantee, with all directors nominated by the Secretary for Home Affairs. It is the Government's agent for delivering elite sports training and support under the policy direction of the Home Affairs Bureau (HAB). Before 2012, the HAB provided the HKSI with funding from the Government's General Revenue Account. With effect from 2012, the funding support has been allocated by the HAB from the Elite Athletes Development Fund, which is a Government fund set up with a \$7 billion injection. In 2013-14, the funding support amounted to \$325 million, accounting for 84% of the HKSI's total revenue of \$387 million. The HKSI's total expenditure in 2013-14 was \$369 million. As at 31 December 2014, the HKSI had 328 staff (62 coaching and 266 other staff), providing training and support to 1,051 athletes (279 full-time and 772 part-time athletes). The Audit Commission (Audit) has recently conducted a review of the operation of the HKSI and related issues.

Elite athlete training and support

2. *Need to improve training attendance records.* Elite athletes provided with monthly grants are required to meet the specified minimum training hour requirements. For some HKSI coaching departments, the forms used for recording athletes' training attendance did not include certain essential elements (e.g. the number of hours attended) required under the HKSI's guidelines. The HKSI also needs a more systematic recording system for producing useful training attendance information and identifying athletes with insufficient attendance (paras. 2.13 to 2.16).

3. *Difficulties in recruiting coaches.* In determining the required coaching resources, the HKSI is guided by a coach-to-athlete ratio of 1:6, which is the international benchmark for elite training. As at 31 December 2014, it had a permanent establishment of 72 coaches and employed 62 coaches with 10 coach vacancies. This was equivalent to a coach-to-athlete ratio of 1:7, after taking into account coaches not under the permanent establishment (e.g. part-time coaches).

Executive Summary

The HKSI had difficulties in recruiting coaches. Audit analysis of the 10 coach vacancies revealed that they had lasted for 1 to 30 months, averaging 15 months (paras. 2.19 to 2.22).

Governance and Government monitoring

4. *Low attendance rates of some directors.* The Board is responsible for the management of the HKSI's affairs and business. It has established five standing committees. As at December 2014, there were 19 directors, including a representative each from the HAB and the Leisure and Cultural Services Department (LCSD). Audit analysis of individual directors' attendance at Board/committee meetings from 2010-11 to 2013-14 revealed that the attendance rates of four directors were low, including the two HAB and LCSD representatives. In 2014, there were two cases of inquorate committee meetings (paras. 3.2, 3.3, 3.8 and 3.10).

5. *Need to improve management of conflicts of interest.* The HKSI has adopted a one-tier system for declaration of interests, requiring a director to declare a conflict of interest as and when it arises. As it meets the criteria set in the HAB guidelines, the HKSI needs to consider adopting a two-tier system to also require a director to declare general interests upon joining the Board and annually thereafter. The HKSI's Articles of Association specify strict rules on preventing conflicts of interest, including that a director or officer shall not attend or vote in any meetings or engage in any discussion whereby matters that he is interested in would be considered or discussed. At the Board/committee meetings of 2013 and 2014 when the proposed Secondary Education Programme was discussed, the rules were not strictly followed (paras. 3.14 to 3.19).

6. *Need to set up an internal audit function.* Since its establishment in October 2004, the HKSI's annual expenditure had increased significantly from \$160 million in 2005-06 to an estimated amount of \$430 million in 2014-15. However, the HKSI has not established an internal audit function or an audit committee. The setting up of an internal audit function will help the HKSI strengthen its internal control on financial and administrative matters (para. 3.32).

Executive Summary

7. *Need to enhance Government monitoring of HKSI performance.* The HKSI signs a Deed of Undertaking with the HAB annually, accompanied by a budget and a programme of activities, prescribing the performance levels and requirements to be met by the HKSI. According to the Deed of Undertaking, the HKSI undertakes to submit to the HAB a monthly statement of management accounts and a report on the implementation of the programme of activities for each financial year. However, the HKSI submitted the statements of management accounts to the HAB only bi-monthly. It had not submitted reports on the implementation of the programme of activities in recent years. In response to Audit enquiry, the HKSI submitted in January 2015 the relevant reports to the HAB for the four years 2010-11 to 2013-14 in one go (paras. 3.37 to 3.39).

Administrative issues

8. *Need to enhance monitoring of utilisation of sports facilities.* The HKSI's sports facilities are provided mainly for training elite athletes. When there are residual timeslots, other users including National Sports Associations may use some of the facilities for a fee. In 2014, the utilisation rates of the sports facilities ranged from 18% to 83%. The HKSI indicated that the lower utilisation rates were attributed to the redevelopment project. As the redevelopment project is close to completion, Audit considers that the HKSI needs to more closely monitor the utilisation rates of its sports facilities to ensure that they are optimally utilised (paras. 4.2 and 4.3).

9. *Electricity accounts not using the most economical tariff.* The HKSI had three high-consumption electricity accounts. Only one account was using the more economical bulk tariff. If the bulk tariff had been selected for the other two accounts, the HKSI could have saved electricity charges of \$1.3 million in 2014. Furthermore, by merging the three accounts into one, the HKSI may be entitled to select the large power tariff with further savings (paras. 4.18 to 4.20).

10. *Low usage of shuttle bus services.* The HKSI engaged a contractor to provide free shuttle bus services for its staff and athletes between its Fo Tan venue and the MTR Tai Wai Station, or the Sha Tin downtown (for lunch). In 2014, the cost was \$0.5 million. With a low usage (2 to 16 users per trip), the average costs per user per trip ranged from \$14 to \$127. Given that it takes five to six minutes to walk from the HKSI to the MTR Fo Tan Station, the HKSI needs to re-examine the justifications and cost-effectiveness of providing the services (paras. 4.24 to 4.26).

Executive Summary

Redevelopment project

11. ***Delay in project completion.*** In 2007 and 2008, the Finance Committee of the Legislative Council approved a total funding of \$1,760 million for a redevelopment project to upgrade and provide additional facilities at the HKSI's Fo Tan venue, targeted for completion in the third quarter of 2011. The HKSI's estimate in February 2015 indicated that the overall cost of the project would be within the approved project estimate. The project was substantially completed in December 2014, but the rowing boat launching facilities had not been constructed and there was no timetable for completion. The delay of over three years in project completion resulted in a delay in the HKSI's resumption of normal operations (paras. 5.3 to 5.13).

12. ***Need to review lease arrangements for the HKSI.*** For the site presently used by the HKSI, the LCSD charges a rent (currently at \$3.96 million a year) based on the commercial income generated by the HKSI from its facilities. This arrangement involves considerable administrative efforts in renewing the tenancy agreement and reviewing the rent level regularly. It is also not commensurate with the Government's long-term support to elite sports through the HKSI. There is merit in exploring other options (paras. 5.26 to 5.29).

Audit recommendations

13. **Audit recommendations are made in the respective sections of the Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has recommended that the HKSI should:**

- (a) **improve the attendance recording forms of different coaching departments and develop a more systematic attendance recording system to record and summarise attendance data (para. 2.17);**
- (b) **continue to closely monitor the coach vacancies and take effective measures to address the difficulties in recruiting coaches (para. 2.23);**

Executive Summary

- (c) **closely monitor the meeting attendance rates of directors/committee members and liaise with those with low attendance rates or long absence to take appropriate actions (para. 3.25(a) and (b));**
 - (d) **consider adopting a two-tier system for declaration of interests and remind directors/committee members regularly to strictly comply with the rules on prevention of conflicts of interest provided in the HKSI's Articles of Association (para. 3.25(d) and (f));**
 - (e) **set up an internal audit function and an audit committee under the Board to help discharge its functions and duties effectively (para. 3.33);**
 - (f) **continue to monitor the utilisation of its sports facilities to ensure that they are optimally utilised (para. 4.6(a));**
 - (g) **review the charging arrangements of its electricity accounts and select the most economical tariff (para. 4.22(a));**
 - (h) **continue to keep under review the provision of shuttle bus services to its staff and athletes (para. 4.27);**
 - (i) **complete the outstanding works of the redevelopment project as soon as possible, particularly the rowing boat launching facilities (para. 5.18(a)); and**
 - (j) **conduct a post-implementation review of the project to identify lessons learnt for application to future projects (para. 5.18(b)).**
14. **Audit has *recommended* that the Secretary for Home Affairs should:**
- (a) **in conjunction with the Director of Leisure and Cultural Services, ensure that their representatives attend all Board/committee meetings as far as possible (para. 3.26(c));**
 - (b) **remind the HKSI to comply with the requirements of submitting an annual report on the implementation of the programme of activities and monthly statements of management accounts (para. 3.45(a));**

Executive Summary

- (c) **in consultation with the HKSI, work out performance targets on the utilisation rates of the HKSI's sports facilities (para. 4.5); and**
- (d) **subject to the result of the HAB's review of private recreational lease policy, consider whether there is merit in granting the Fo Tan site to the HKSI for its long-term operations under a private recreational lease at a nominal premium (para. 5.30).**

Response from the Government and the HKSI

15. The Secretary for Home Affairs and the Chief Executive, HKSI generally accept the audit recommendations.

PART 1: INTRODUCTION

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

1.2 ***Government's policy and objectives.*** In 2002, the Government completed a review of its sports development policy and established three core objectives, namely to promote greater community participation in sport, to develop sport at the elite level, and to raise Hong Kong's profile as a centre for international sports events. Underlying these objectives is the view that participation in sport contributes significantly to sound physical and psychological health and provides a basis for social interaction and a sense of belonging to the community.

1.3 ***Sports Commission.*** In 2003, the Government announced its decision to establish a new administrative structure for sports promotion and development. Under the new structure, the then Hong Kong Sports Development Board (Note 1) was dissolved in 2004. In 2005, a new Sports Commission chaired by the Secretary for Home Affairs was established to advise the Government on all matters pertaining to sports development. It is underpinned by three committees, namely the Community Sports Committee, the Elite Sports Committee and the Major Sports Events Committee. The Home Affairs Bureau (HAB) is responsible for formulating and coordinating policies for sports promotion and development in Hong Kong.

Hong Kong Sports Institute Limited

1.4 Back in 1982, the former Jubilee Sports Centre was established by the Hong Kong Jockey Club (HKJC). The Centre was initially managed by the HKJC and then by an independent board. It was renamed as the Hong Kong Sports Institute in 1991. In 1994, the Institute was integrated with the Hong Kong Sports Development Board. In 2004, after the dissolution of the Board (see para. 1.3), the

Note 1: *The Board was established in 1990 under the Hong Kong Sports Development Board Ordinance (Cap. 1149) for the promotion and development of sports and physical recreation.*

Introduction

Hong Kong Sports Institute Limited (HKSI) was incorporated in Hong Kong under the Companies Ordinance (Cap. 622) as a company limited by guarantee to manage the Institute.

1.5 The HKSI is the Government's agent responsible for delivering elite sports training and support under the policy direction of the HAB. Its aim is to provide an environment in which sport talent can be identified, nurtured and developed to pursue excellence in sport. It aspires to become the region's elite training systems delivery leader by providing state-of-the-art, evidence-based, elite sports training and athlete support systems resulting in sustainable world-class sports results.

1.6 In order to achieve its aims, the HKSI works in partnership with the Government, the Sports Federation and Olympic Committee of Hong Kong, China (SF&OC) and National Sports Associations (NSAs). The SF&OC is the Olympic Committee for Hong Kong, and is responsible for coordinating the development of local sports organisations and leading the Hong Kong, China Delegation to participate in major international Games (such as the Olympic Games and the Asian Games). NSAs are the local sports governing organisations in their respective disciplines, and are affiliated to the SF&OC and their respective international or Asian federations. NSAs have the objectives of promoting and developing their sports in Hong Kong through different means including organising training programmes and competitions, and fielding athletes to take part in international competitions.

1.7 Before January 2012, the HAB provided the HKSI with funding support allocated from the Government's General Revenue Account. With effect from January 2012, the funding support has been allocated by the HAB from the Elite Athletes Development Fund (EADF). The EADF was established by the Government with the Secretary for Home Affairs Incorporated as the trustee. With the approval of the Finance Committee (FC) of the Legislative Council (LegCo) in July 2011, \$7 billion was injected to the EADF to serve as seed money to generate investment return for providing recurrent funding support to the HKSI. Allocation from the EADF is made after the endorsement of the HKSI's annual plan and budget by the Elite Sports Committee and the Sports Commission. In 2013-14, \$325 million was allocated from the EADF to the HKSI, representing a major portion (84%) of the HKSI's total revenue of \$387 million for the year.

1.8 The HKSI is also the trustee of the Hong Kong Jockey Club Elite Athletes Fund. The Fund was established in 1992 with an endowment of \$200 million (contributed by the HKJC) for providing funding support to the HKSI. In 2013-14, \$10 million was provided by the Fund to the HKSI (Note 2).

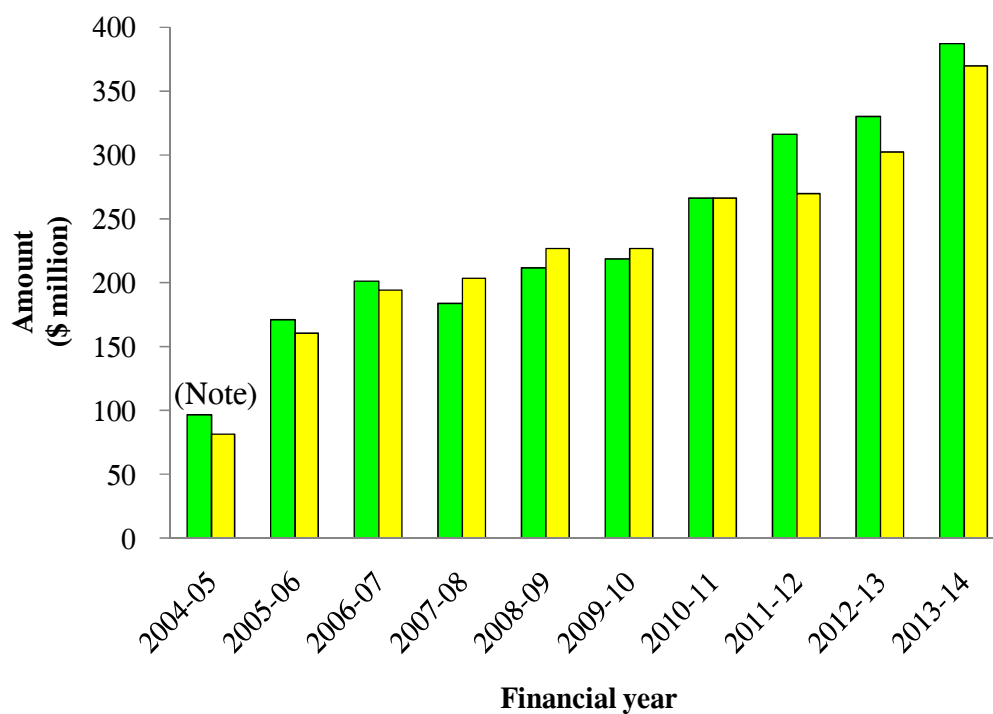
1.9 The HKSI's governing body is its Board. Directors of the Board are nominated by the Secretary for Home Affairs and appointed for a two-year term. The Board is supported by five standing committees. The Chief Executive of the HKSI is appointed by the Board and is responsible for the day-to-day operation of the HKSI. Under the Chief Executive, there are four divisions and 16 coaching departments. Appendix A shows the organisation structure of the HKSI. As at 31 December 2014, the HKSI had 328 staff, comprising 62 coaching staff and 266 other staff. There were 1,051 scholarship athletes (see para. 2.10), comprising 279 (27%) full-time athletes and 772 (73%) part-time athletes. The total expenditure in 2013-14 was \$369 million, comprising \$285 million (77%) on elite athlete training and \$84 million (23%) on administrative expenses.

1.10 Figure 1 shows the HKSI's total income and expenditure for the 10-year period from 2004-05 to 2013-14.

Note 2: *The HKSI's other revenue in 2013-14 included a one-off funding of \$21 million from the Sports Aid Foundation Fund administered by the HAB, revenue of \$11 million from Government capital subvention for redevelopment, and revenue of \$10 million from sports courses and letting of sports and meeting facilities.*

Figure 1

**Total income and expenditure of the HKSI
(2004-05 to 2013-14)**



Legend: ■ Total income
■ Total expenditure

Source: *HKSI records*

Note: *The 2004-05 financial year covered the six-month period from 1 October 2004 (date of commencement of operation) to 31 March 2005.*

1.11 The HKSI is currently undertaking a redevelopment project. The project was started in 2008 and is at its final stage. It aims to provide world class facilities to elite athletes in Hong Kong. It is a public works project funded by the Government involving a capital subvention of about \$1,760 million.

Recent sports achievements

1.12 In 2014, Hong Kong athletes won 42 medals at the Asian Games and 44 medals at the Asian Para Games, both breaking records. The remarkable achievements of the athletes have won praises from the Chief Executive of the Hong Kong Special Administrative Region and the community. Table 1 shows the medals won by Hong Kong athletes at major multi-sport Games between 2008 and 2014.

Table 1
Medals won at major multi-sport Games
(2008 to 2014)

Multi-sport Games	No. of medals			
	Gold	Silver	Bronze	Total
2008 Olympic Games	0	0	0	0
2008 Paralympics	5	3	3	11
2009 East Asian Games (Note)	26	31	53	110
2010 Asian Games	8	15	17	40
2010 Asian Para Games	5	9	14	28
2012 Olympic Games	0	0	1	1
2012 Paralympics	3	3	6	12
2013 East Asian Games	10	16	30	56
2014 Asian Games	6	12	24	42
2014 Asian Para Games	10	15	19	44

Source: HKSI and HAB records

Note: The 2009 East Asian Games was hosted by Hong Kong.

Introduction

Audit review

1.13 In November 2014, the Audit Commission (Audit) commenced a review of the operation of the HKSI and related issues. The review focused on the following areas:

- (a) elite athlete training and support (PART 2);
- (b) governance and Government monitoring (PART 3);
- (c) administrative issues (PART 4); and
- (d) redevelopment project (PART 5).

Audit has found room for improvement in the above areas and has made a number of recommendations to address the issues.

Acknowledgement

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

PART 2: ELITE ATHLETE TRAINING AND SUPPORT

2.1 This PART examines the HKSI's systems for delivering elite athlete training and support. Audit has identified room for improvement in the following areas:

- (a) athletes' training attendance (paras. 2.11 to 2.18); and
- (b) provision of coaches (paras. 2.19 to 2.24).

Elite Vote Support System

2.2 The HKSI is the Government's agent for delivering elite athlete training and support. The Government makes use of the Elite Vote Support System (EVSS) in evaluating and selecting high performance sports for support (Note 3). The key elements of the EVSS are as follows:

- (a) ***Four-year support cycle.*** Reviews for selecting high performance sports for support are conducted at two-year intervals. Support under the EVSS is for a period of four years. The four-year support cycle aligns with the Olympic Games and the Asian Games cycles, and provides for stable support over a suitable period of time. The support cycle arising from the 2013 review is from April 2013 to March 2017;
- (b) ***Generic Scoring Table.*** The EVSS score is the criterion for selecting high performance sports. The Generic Scoring Table provides an objective base for calculating the EVSS score of a sport, based on the best results of two senior and two junior athletes submitted by the NSA of the sport. The mechanism of including two senior and two junior athletes is to ensure that selected high performance sports can continue to develop; and
- (c) ***Three-tier structure.*** The EVSS provides for a three-tier structure, and the three tiers have been renamed Tier A*, Tier A and Tier B since April 2013.

Note 3: *The EVSS has been formulated with the advice of the Elite Sports Committee under the Sports Commission and implemented since 2005, and was reviewed in 2013.*

Elite athlete training and support

2.3 Table 2 shows the three-tier structure and the high performance sports in different tiers as at December 2014.

Table 2

**Three-tier structure of EVSS and high performance sports
(December 2014)**

Tier	Criteria	Level of support provided by HKSI	High performance sports	
A* (Elite sports — Note)	Tier A sports with athletes who consistently perform at the highest level, with potential to achieve medals at Olympic Games	Enhanced support (additional resources for enhancing preparedness for major Games in addition to full support)	1 2 3 4	Badminton Cycling Table tennis Windsurfing
A (Elite sports — Note)	Sports with score of 9 points or above and that are current or recent Olympic or Asian Games sports	Full support (funding for training programmes, dedicated coaching led by a head coach, and full sports science and medicine support)	1 2 3 4 5 6 7 8 9 10 11 12	Athletics Billiard sports Fencing Gymnastics Karatedo Rowing Rugby sevens Squash Swimming Tenpin bowling Triathlon Wushu
B (Non-elite sports)	Sports with score of 6.5 points or above and that are not Tier A sports	Basic support (worked out by HKSI with respective NSAs depending on individual circumstances)	1 2 3 4 5 6 7 8 9 10	Dance sports Equestrian Judo Lawn bowls Mountaineering Orienteering Roller sports Sailing Skating Tennis

Source: HKSI records

Note: Tier A* sports are Tier A sports with enhanced support. As at December 2014, there were 16 Tier A sports (including 4 Tier A* sports), which are commonly known as elite sports.

Elite athlete training system

2.4 In Hong Kong, it is mainly the responsibility of NSAs to identify and train young athletes with the potential to reach the highest level. The HKSI is primarily responsible for providing elite sports training and systematic support to elite athletes admitted to its Elite Training Programme (see para. 2.5). The HKSI's elite athlete training system is an athlete-centred system that recognises the interaction of biological, psychological and socio-cultural factors impacting athlete development. It aims to provide centralised, integrated support systems targeting all aspects of the athletes' physiological, psychological, social support and personal development needs.

2.5 The HKSI's Elite Training Programme covers all Tier A sports. Under the Programme, the HKSI provides training to elite athletes and potential athletes (see para. 2.10) of Tier A sports. For each Tier A sport, a coaching department is set up. Each coaching department is headed by a Head Coach, assisted by a number of coaches and assistant coaches. The High Performance Management Division is responsible for overseeing the coaching departments' performance in conducting their training programmes. The Division is also responsible for providing other support to athletes (e.g. educational support and personal development programmes). The Elite Training Science and Technology Division is responsible for providing support relating to sports nutrition, medicine, psychology, etc.

2.6 For each financial year, the coaching departments compile annual training programmes (consisting of training camps and competitions) and budgets for their sports. They are submitted to the High Performance Management Division for coordinating and incorporating into an annual plan and budget for approval by the Board.

Direct financial support to athletes

2.7 The HKSI provides direct financial support grants to elite athletes. The purpose is for them to have a more financially stable environment to undergo training and compete in major Games. Appendix B shows the eligibility criteria for the grants. There are four types of grants, as follows:

Elite athlete training and support

- (a) ***Elite Training Grants.*** The grants are provided to elite athletes of Tier A sports under the HKSI's Elite Training Programme, and elite athletes of secondary disciplines (see Note 2 to Appendix B) of Tier A sports or non-Tier A sports under the Individual Athletes Support Scheme (see (b) below);
- (b) ***Individual Athletes Support Scheme grants.*** The grants are programme grants. They are provided to the NSAs concerned to conduct training programmes for elite athletes (receiving Elite Training Grants) of secondary disciplines of Tier A sports or non-Tier A sports (see (a));
- (c) ***Sports Aid Grants.*** The grants are provided to elite athletes not under the HKSI's Elite Training Programme or Individual Athletes Support Scheme; and
- (d) ***Sports Aid Grants for Athletes with Disabilities.*** The grants are provided to elite athletes under the training programmes of the two NSAs concerned, i.e. the Hong Kong Paralympic Committee and Sports Association for the Physically Disabled, and the Hong Kong Sports Association for the Mentally Handicapped.

2.8 The HKSI invites NSAs to nominate elite athletes for the four types of grants once a year around October/November. Existing grant recipients have to make new applications each year, which have to be endorsed by the NSAs concerned. The High Performance Management Division processes applications according to laid-down eligibility criteria (mainly based on achievements in international/local competitions), and makes grant recommendations for approval by the Board. Grant recipients are required to enter into grant agreements with the HKSI, which include terms such as the required number of training hours a week. Table 3 shows a summary of direct financial support grants paid in 2013-14. Figure 2 shows the number of grant recipients and the amount of grants paid during the seven-year period from 2007-08 to 2013-14.

Elite athlete training and support

Table 3

**Direct financial support grants paid
(2013-14)**

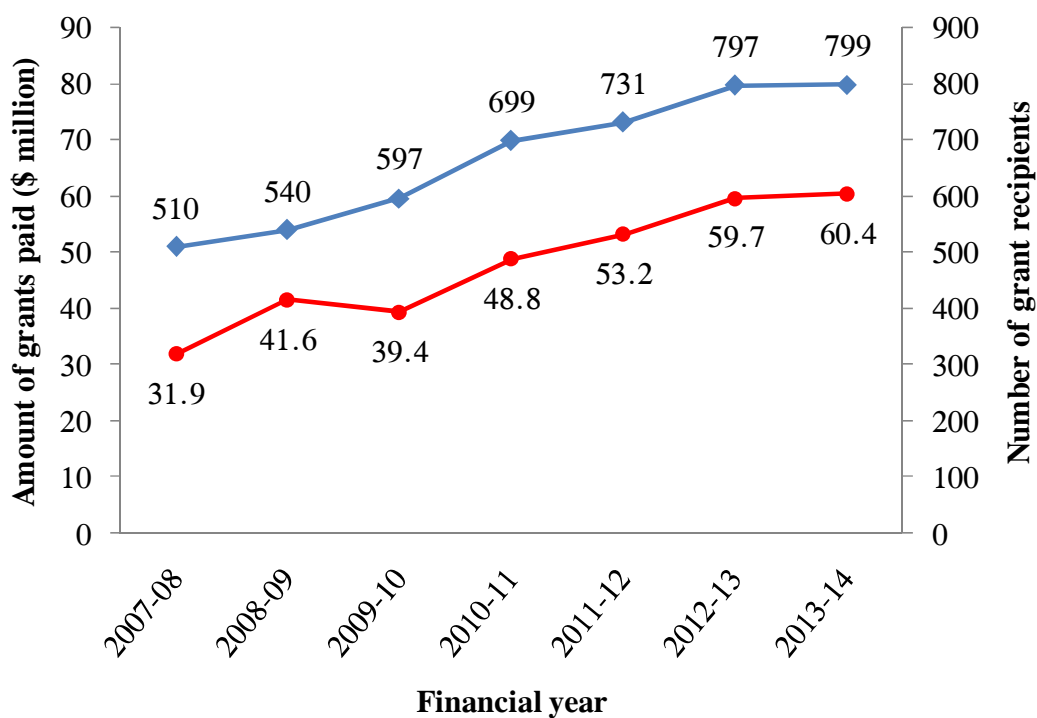
Type of grant	No. of athletes	Grant payment (\$ million)
Elite Training Grants	693	49.0 (81%)
Sports Aid Grants	59	2.7 (5%)
Sports Aid Grants for Athletes with Disabilities	47	2.5 (4%)
Sub-total	799	54.2 (90%)
Individual Athletes Support Scheme grants	(Note)	6.2 (10%)
Total	799	60.4 (100%)

Source: HKSI records

Note: The grants were paid to NSAs for providing training to 68 athletes (receiving Elite Training Grants) of secondary disciplines of Tier A sports or non-Tier A sports.

Figure 2

**Number of grant recipients and amount of grants paid
(2007-08 to 2013-14)**



Legend: —◆— Number of grant recipients
—●— Amount of grants paid

Source: HKSI records

2.9 The HKSI also provides various types of support to grant recipients, e.g. hostel, meals, education subsidies, tutorial support, and personal development programmes. The types of support available to grant recipients vary according to their types of grants.

2.10 In addition to elite athletes who have attained recognised sports achievements, the HKSI also trains athletes who have been recommended for enrolment as potential athletes by Head Coaches. Such athletes are identified and selected by NSAs. The HKSI also provides, on request, a screening service to NSAs and assist them in their talent identification process using scientific methods.

Potential athletes (of Tier A sports) receive training under the HKSI's Elite Training Programme, though they are not given grants. Recipients of Elite Training Grants, recipients of Sports Aid Grants for Athletes with Disabilities, and potential athletes under the HKSI's Elite Training Programme are collectively referred to as the HKSI's scholarship athletes.

Athletes' training attendance

2.11 Athletes enhance their performance through attending training and participating in competitions. Attendance at training sessions is important to improve their skills and enhance their chance of winning medals in competitions. For each Tier A sport, the coaching department concerned is required to keep proper attendance records of athletes under the Elite Training Programme (i.e. athletes receiving Elite Training Grants and potential athletes). Generally speaking:

- (a) sport-specific training is normally a group or individual activity under the direction of coaches;
- (b) full-time athletes and part-time athletes of different sports have different training schedules; and
- (c) sport-specific training schedules are generally preset. However, different sports and different athletes within those sports have differing individual needs and receive tailor-made specific training as necessary.

2.12 According to the HKSI, training of athletes comprises not just the sport-specific elements, but also other modalities such as strength and conditioning, sports science (e.g. biochemistry, biomechanics, psychology, nutrition and physiology), sports medicine, prehabilitation, rehabilitation and recovery. All these form part of the overall training.

2.13 For Elite Training Grant recipients, a minimum training requirement in terms of the required number of training hours a week is specified in their grant agreements. The minimum requirement is 25 hours a week for full-time athletes, and 15 hours a week for part-time athletes. In case an athlete cannot fulfil his training requirement of a month, the coaching department has to inform the High Performance Management Division and the athlete's monthly grant may be forfeited.

Elite athlete training and support

Need to improve training attendance records

2.14 According to the HKSI's laid-down guidelines, coaching departments are allowed to design their forms for recording the sport-specific training. Nevertheless, such forms are required to include a number of essential elements (e.g. the date and time of training). Audit examined the attendance recording forms of seven selected departments to see whether three essential elements (i.e. the time of training, the number of hours attended and the athlete's signature) had been duly included. Audit noted that some of the three elements were missing (see Table 4), and the extent of details recorded varied among the seven selected departments.

Table 4

**Audit examination of attendance recording forms
(December 2014)**

Coaching department selected for examination	Athlete's signature	Time of training	No. of hours attended	Remarks
Fencing	Yes	Yes	Yes	—
Karatedo	Yes	Yes	Yes	—
Tenpin bowling	Yes	Yes	No	—
Table tennis	Yes	No	No	—
Cycling	No	No	No	Only a "tick" to indicate an athlete's presence on a training day
Badminton	No	No	No	
Wushu	No	No	No	

Source: Audit analysis of HKSI records

2.15 Upon enquiry, the HKSI informed Audit in March 2015 that:

- (a) training records existed in multiple documents, as each training modality (see para. 2.12) kept athletes' records; and

- (b) coaches used the sport-specific training schedule documents, in addition to the other records from the other training modalities, to create the summary attendance records.

2.16 In Audit's view, the HKSI needs to consider:

- (a) improving the attendance recording forms of different coaching departments to ensure that they include the essential elements, particularly the number of training hours attended, which is essential for determining whether an athlete has fulfilled his training requirement for his monthly grants; and
- (b) developing a more systematic attendance recording system to record and summarise attendance data for management review. Such a system can calculate the weekly and monthly totals of training hours, produce useful attendance information and identify athletes with insufficient attendance for early follow-up actions.

Audit recommendations

2.17 **Audit has *recommended* that the HKSI should:**

- (a) **improve the attendance recording forms of different coaching departments to ensure that they include the essential elements, particularly the number of training hours attended; and**
- (b) **develop a more systematic attendance recording system to record and summarise attendance data.**

Response from the HKSI

2.18 The Chief Executive, HKSI accepts the audit recommendations. She has said that the HKSI will improve the attendance recording forms and attendance recording system, where appropriate.

Provision of coaches

2.19 The HKSI is guided by the following principles in determining the required coaching resources:

- (a) in general, the coach-to-athlete ratio needs to be maintained at approximately 1:6, which is the international benchmark for elite training. For certain sports like water sports (rowing and windsurfing), cycling, triathlon and gymnastics, to ensure training safety, the ratio may need to be enhanced to approximately 1:4;
- (b) the Head Coach of a coaching department functions as the programme director to oversee the planning, implementation and evaluation of the training programme of the department, in collaboration with the NSA concerned;
- (c) the three-grade structure, comprising Head Coaches, Coaches and Assistant Coaches, provides a structure which can facilitate succession planning and ensures a pipeline of local high performance coaches;
- (d) besides coaches under the permanent establishment, programme coaches funded by the Elite Training Programme budget can also be used. The use of programme coaches allows for strategic focusing and fine-tuning as necessary (e.g. when preparing for major Games, strengthening specific sports disciplines, and responding to changes in international sports environment). Programme coaches are employed on a one-year contract basis (while coaches under the permanent establishment are on a two-year contract basis), and the posts are subject to annual review; and
- (e) part-time coaches may also be employed to supplement the coaching resources.

2.20 Table 5 shows the provision of coaches under the permanent establishment as at 31 December 2014.

Table 5

**Provision of coaches under permanent establishment
(31 December 2014)**

Grade	Establishment (a) (No.)	Strength (b) (No.)	Vacancy (c) = (a) - (b) (No.)
Head Coach	16	14	2
Coach	28	27	1
Assistant Coach	28	21	7
Total	72	62	10

Source: HKSI records

Remarks: There were 629 athletes under the Elite Training Programme (excluding 224 potential athletes).

2.21 As shown in Table 5, as at 31 December 2014, the HKSI had a permanent establishment of 72 coaches and actually employed 62 coaches (i.e. 10 coach vacancies). Including programme coaches (a total of 15) and part-time coaches (equivalent to 12 full-time coaches), the total number of coaches actually employed was 89, equivalent to an average coach-to-athlete ratio of 1:7. If the HKSI is able to recruit 10 coaches to fill up the vacancies, it will have a total of 99 coaches, achieving an average coach-to-athlete ratio of 1:6 (see para. 2.19(a)).

Difficulties in recruiting coaches

2.22 Audit conducted an analysis on how long the 10 vacant coach posts had been vacant. It was noted that 2 posts had been vacant for 1 month and the other 8 posts up to 30 months, with an overall average of 15 months. In response to enquiry, the HKSI explained to Audit in January and March 2015 that:

Elite athlete training and support

- (a) among the 10 vacant coach posts, four were strategically deferred because of the scheduling of the major Games;
- (b) it was not easy to recruit Assistant Coaches for sports like badminton, cycling, table tennis and windsurfing since the market demand for them was high;
- (c) in the past few years, the “weak Dollar” against Euro and Asian currencies had reduced the competitiveness of the HKSI’s coach remuneration packages for Assistant Coaches;
- (d) the HKSI was very closely monitoring the coaching situation, and had an annual salary scale review system. The Human Resources Department worked extremely hard to recruit suitable coaches, but elite sport was a highly specialised market and therefore sometimes it was difficult to find best fit candidates; and
- (e) the HKSI recruited coaches in full partnership with the Tier A sport NSAs, which were involved at all stages of recruitment. Ensuring the effective delivery and monitoring of the elite training programmes was a joint effort between the HKSI and the Tier A sport NSAs.

Audit recommendations

2.23 **Audit has *recommended* that the HKSI should continue to:**

- (a) **closely monitor the coach vacancies; and**
- (b) **take effective measures to address the difficulties in recruiting coaches.**

Response from the HKSI

2.24 The Chief Executive, HKSI accepts the audit recommendations.

PART 3: GOVERNANCE AND GOVERNMENT MONITORING

3.1 This PART examines the following issues relating to the governance and the Government's monitoring of the HKSI. Audit has found room for improvement in the following areas:

- (a) Board and committee proceedings (paras. 3.6 to 3.29);
- (b) internal audit and audit committee (paras. 3.30 to 3.34); and
- (c) Government monitoring (paras. 3.35 to 3.46).

Governance structure

3.2 ***Membership.*** According to the HKSI's Articles of Association:

- (a) ***HKSI Members.*** The maximum number of HKSI members is 20. As at December 2014, the HKSI had 12 members nominated by the Secretary for Home Affairs. HKSI members have the right to attend general meetings (both annual and extraordinary); and
- (b) ***Board Directors.*** The Board consists of not less than 2 or more than 20 directors. All directors, including the Chairman, are nominated by the Secretary for Home Affairs and appointed by members in general meetings. The directors are appointed initially for two years and are eligible for re-appointment. As at December 2014, there were 19 directors. They included a representative each from the HAB and the Leisure and Cultural Services Department (LCSD), both having one alternate director.

3.3 ***Board and committees.*** The Board as the governing body is responsible for the overall management of the affairs and business of the HKSI. The Board has established five standing committees and two working committees (see Table 6). Members of these committees include directors and non-directors (e.g. sports sector

Governance and Government monitoring

representatives). The operation of the HKSI's Board/committees is governed by the HKSI's Articles of Association. The Board has appointed a Chief Executive to carry out the day-to-day management of the HKSI.

Table 6

**HKSI's committees
(December 2014)**

Name of committee	Function
<i>Standing committees</i>	
Corporate Management Committee	Endorses annual budget and annual financial accounts, and approves/recommends tenders to the Board for approval
Elite Training and Athletes Affairs Committee	Oversees strategic development and monitors progress of sports programmes of the elite training
The Hong Kong Jockey Club Elite Athletes Fund Committee of Trustees	Administers the Fund and makes investment policies
Hong Kong Sports Institute Development Committee	Oversees implementation of the HKSI brand development activities, and monitors all revenue generation activities
Hong Kong Coaching Committee	Formulates strategies for development of coach education and accreditation programmes
<i>Working committees</i>	
HKSI Redevelopment Project Steering Committee	Coordinates and oversees the implementation of the redevelopment project of the HKSI
Athlete Education Advisory Panel	Makes recommendations on the implementation, evaluation and monitoring of the proposed athlete education initiatives

Source: HKSI records

Best practices for corporate governance

3.4 In May 2010, the Efficiency Unit issued the “Guide to Corporate Governance for Subvented Organisations” (hereinafter referred to as the Corporate Governance Guide). It sets out the principles and best practices on corporate governance for organisations receiving Government subventions. The Guide aims to help sustain public trust in organisations which use public funds.

3.5 According to the Corporate Governance Guide, officers with oversight responsibilities are obliged to follow the guidelines and broad principles laid down by Government circulars, including in particular:

- (a) Financial Circular No. 9/2004 regarding guidelines on the management and control of Government funding for subvented organisations; and
- (b) Circular Memorandum No. 2/2003 issued by the Director of Administration regarding guidelines for the control and monitoring of remuneration practices in respect of senior executives in subvented bodies.

Board and committee proceedings

Scope for improving the overall attendance rates

3.6 The effectiveness of the governing board of an organisation in fulfilling its responsibilities is dependent on its members’ knowledge, experience, competence and, in particular, commitment to serving the organisation. Attendance at meetings is a key indicator to reflect the board members’ commitment to serving the organisation. Table 7 shows the overall attendance rates of all members at meetings of the HKSI’s Board and standing committees for the years 2010-11 to 2013-14.

Governance and Government monitoring

Table 7

**Overall attendance rates at meetings of the Board and standing committees
(2010-11 to 2013-14)**

Board/Standing committee	2010-11	2011-12	2012-13	2013-14
Board of Directors	70%	73%	82%	74%
Corporate Management Committee	67%	60%	60%	56%
Elite Training and Athletes Affairs Committee	67%	67%	85%	63%
The Hong Kong Jockey Club Elite Athletes Fund Committee of Trustees	83%	92%	100%	100%
Hong Kong Sports Institute Development Committee (Note)	N/A	N/A	67%	75%
Hong Kong Coaching Committee	78%	72%	83%	89%

Source: Audit analysis of HKSI records

Note: The Hong Kong Sports Institute Development Committee was set up in 2012-13 and its first meeting was held in September 2012.

3.7 Table 7 shows that the overall meeting attendance rates for the Corporate Management Committee, decreasing from 67% in 2010-11 to 56% in 2013-14, were the lowest. The overall meeting attendance rates for the Board and the Elite Training and Athletes Affairs Committee, after a noticeable rise in 2012-13, were 74% and 63% respectively in 2013-14.

Low attendance rates of some directors

3.8 Audit analysis of individual directors' attendance rates at Board/committee meetings for the four years 2010-11 to 2013-14 revealed that the attendance rates of four directors were particularly low:

- (a) three directors (Director A, Director B and the LCSD's representative) attended 43% to 50% of the Board meetings during the four-year period. In 2013-14, the LCSD's representative attended only 20% of the Board meetings. Nevertheless, another LCSD officer attended all the meetings as an observer;
- (b) Director A (a director since 2011-12) joined 3 standing committees but only attended 20% to 38% of the meetings. Despite the low attendance at meetings, Director A was re-appointed in April 2013;
- (c) Director B (a director since 2010-11) joined the Corporate Management Committee but did not attend any of the 13 meetings. Despite the low attendance at meetings, Director B was re-appointed in April 2013; and
- (d) in 2013-14, the HAB's representative (as a committee member) attended 1 (25%) of the 4 Corporate Management Committee meetings. Nevertheless, another HAB officer attended all the meetings as an observer.

3.9 Audit noted that in nominating directors for re-appointment, the HAB did not seem to have taken into account their attendance rates in Board/committee meetings. For example, Director A and Director B were re-appointed in April 2013 despite their low attendance at meetings.

Risk of inquorate meetings

3.10 Without the benefits of the expertise and experience of members absent from meetings, the effectiveness of the Board/committees in discharging their functions may be undermined. Besides, there is a risk of inquorate meetings. Audit noted two such cases in 2014, i.e. the Corporate Management Committee meeting in September 2014 and the Elite Training and Athletes Affairs Committee meeting in March 2014. Details of the latter case are given below for illustration (Case 1).

Case 1

An inquorate meeting of the Elite Training and Athletes Affairs Committee (March 2014)

1. A meeting of the Elite Training and Athletes Affairs Committee (comprising 9 members) on 21 March 2014 had to be deferred as a quorum was not formed.
2. On 24 March 2014, the meeting was held again and a quorum of 4 members was formed only during the meeting when the fourth member arrived. After the quorum was formed, 2 members subsequently left the meeting, and the meeting became inquorate again. The remaining members continued to discuss matters, which did not involve granting approvals. For the meeting, only 2 members attended the whole session and 5 members (including representatives of the HAB and the LCSD) were absent. Audit noted that HAB and LCSD officers (not the committee members) had attended the meeting as observers.

Source: Audit analysis of HKSI records

No laid-down procedures for dealing with long absence from Board/committee meetings

3.11 For the four years 2010-11 to 2013-14, Director B attended 44% of the 18 Board meetings. He joined the Corporate Management Committee but did not attend any meetings. There were no laid-down procedures for dealing with a director's long absence from or low attendance at meetings. All attendance, including absence, of Board/committee meetings were recorded in the minutes of the meetings concerned.

Attendance rates not disclosed

3.12 According to the Corporate Governance Guide (see para. 3.4), a good annual report of a subvented organisation should disclose for public information the number of board/committee meetings held and the meeting attendance rates of individual members. This will enhance transparency and public accountability.

3.13 It is common for Government-funded organisations to disclose meeting attendance rates of their board/committee members in their annual reports or on websites. There is merit for the HKSI to adopt such a practice to enhance transparency and public accountability.

Need to improve management of conflicts of interest

3.14 A governing board has to properly manage conflicts of interest of its members. According to the Corporate Governance Guide, an organisation should set out requirements to avoid conflicts of interest, including a system for declaration of interests by board members which may have two tiers:

- (a) upon joining the board, all board members would be asked to declare their general interests. They would also be asked to update the declarations on a periodic (e.g. annual) basis; and
- (b) when there is a special instance involving a probable threat of a conflict of interest, the board member concerned has to declare the conflict of interest.

3.15 The HKSI has adopted a one-tier system for declaration of interests by directors, which only requires a director to declare a conflict of interest as and when it arises. Declarations of general interests are not required to be made upon joining the Board and annually thereafter.

3.16 In August 2005, the HAB issued a memorandum to Government bureaux and departments promulgating a set of guidelines for introducing a system for declaration of interests for advisory and statutory bodies. The guidelines advocate the adoption of a two-tier system for advisory and statutory bodies which:

Governance and Government monitoring

- (a) have a high degree of management and financial autonomy;
- (b) have extensive executive powers on matters of public interest; or
- (c) are responsible for the control and disbursement of substantial public funds.

3.17 To a large extent, the HKSI meets the above criteria and should follow the HAB guidelines to adopt a two-tier system for declaration of interests. The HAB guidelines also recommend good practices which are worth considering for reporting declarations of interests (such as keeping a register of all declarations, and making the register available for public inspection).

Rules on prevention of conflicts of interest not strictly followed

3.18 The HKSI's Articles of Association specify the following rules on prevention of conflicts of interest:

“A director or officer shall disclose the nature of his interest in any matter concerning the Institute and shall not attend or vote in any meetings of the Institute or engage in any discussion whereby matters that he is interested in would be considered or discussed.”

3.19 Case 2 in Appendix C shows that, in considering the two initiatives under the Secondary Education Programme, the rules were not strictly followed at the relevant Board and committee meetings.

3.20 In Audit's view, the HKSI needs to remind all directors/committee members and HKSI officers of the relevant rules and devise a mechanism to enable the Board and the committees to comply with the HKSI's Articles of Association in future.

Need for Government representatives to avoid approving the HKSI's annual budget in Board/committee meetings

3.21 Each year, the HKSI's annual plan and budget have to be endorsed by the Corporate Management Committee and approved by the Board, before submitting to the Elite Sports Committee and the Sports Commission for advice and the HAB for approval. According to the Corporate Governance Guide, under such circumstances, the Government representatives should not be present in a board discussion on the organisation's budget.

3.22 Audit noted that in 2012-13 and 2013-14, the HAB's representative participated in the Corporate Management Committee and the Board meetings when the HKSI's annual plan and budget were discussed and approved. In Audit's view, the HAB needs to remind its representative to follow the good practice mentioned in paragraph 3.21.

Corporate Governance Manual not compiled

3.23 The operation of the HKSI's Board/committees is governed by the HKSI's Articles of Association, which lay down some basic guidelines on corporate governance. Besides, the HKSI has adopted the following practices:

- (a) chairmanship and membership of committees are proposed by the HKSI Management for the Board's approval at the beginning of each two-year tenure;
- (b) each director would be invited to join at least one committee;
- (c) co-opted members (not directors) would be invited and nominated by respective committee Chairmen;
- (d) the quorum for a committee meeting is 50% for committees with an even number of members, and 50% rounded downwards for committees with an odd number of members; and
- (e) discussion papers should be distributed one week before the meeting date.

Governance and Government monitoring

3.24 At present, the HKSI does not have a Corporate Governance Manual which sets out detailed guidelines and procedures, including its adopted practices (see para. 3.23), procedures for dealing with members' long absence or low attendance (see paras. 3.8 and 3.11), frequencies of Board/committee meetings, etc. Following good governance practices, the HKSI should consider compiling a Corporate Governance Manual to facilitate the effective functioning of its Board/committees and provide guidelines to directors/committee members (particularly new appointees).

Audit recommendations

3.25 **Audit has *recommended* that the HKSI should:**

- (a) **closely monitor the meeting attendance rates of directors/committee members;**
- (b) **liaise with directors/committee members with low attendance rates or long absence to take appropriate actions, e.g. reminding them to make efforts to attend meetings as far as possible;**
- (c) **publish on its website or annual report the meeting attendance rates of directors/committee members;**
- (d) **consider adopting a two-tier system for declaration of interests which requires, among other things, directors/committee members to make declaration of general interests on appointment and annually thereafter;**
- (e) **consider keeping a register of all declarations of interests and making it available for public inspection;**
- (f) **remind directors/committee members regularly to strictly comply with the rules on prevention of conflicts of interest provided in the HKSI's Articles of Association; and**

- (g) **consider compiling a Corporate Governance Manual covering, among other things, its adopted practices on corporate governance, procedures to deal with long absence from or low attendance at meetings of directors/committee members and frequencies of meetings.**
- 3.26 **Audit has *recommended* that the Secretary for Home Affairs should:**
- (a) **take into account the meeting attendance rates of individual directors in nominating them for re-appointment;**
- (b) **remind the HAB representative to refrain from approving the HKSI's annual budget in Board/committee meetings; and**
- (c) **in conjunction with the Director of Leisure and Cultural Services, ensure that their representatives (as directors/committee members) attend all Board/committee meetings as far as possible.**

Response from the HKSI

3.27 The Chief Executive, HKSI accepts the audit recommendations in paragraph 3.25. She has said that the HKSI will adopt as far as practicable given its corporate structure.

Response from the Government

3.28 The Secretary for Home Affairs agrees with the audit recommendations in paragraph 3.26.

3.29 The Director of Leisure and Cultural Services has said that the LCSD concurs with the audit recommendation in paragraph 3.26(c) and will comply with it.

Internal audit and audit committee

3.30 Internal audit function of an organisation has the role to identify and assess on an independent basis potential risks to the organisation's operations. The internal audit function is strengthened by the setting up of an audit committee which has an important role in monitoring the organisation's audit arrangement, internal control and risk management systems. It also provides the internal audit function with a greater degree of independence from the executive management.

3.31 Audit committee is nowadays a fundamental part of the corporate governance landscape in Hong Kong. It is common for Government-funded organisations to set up audit committees.

Need to set up an internal audit function

3.32 Since its establishment in October 2004, the HKSI's annual expenditure had increased significantly from \$160 million in 2005-06 to an estimated amount of \$430 million in 2014-15. However, the HKSI has not established an internal audit function or an audit committee. For enhancing its governance, the HKSI needs to consider setting up an internal audit function and an audit committee under the Board. This will help the HKSI strengthen its internal control on financial and administrative matters, e.g. procurement, management of fixed assets, official entertainment expenses, etc. (see PART 4 for examples in which an effective internal audit function may help address the identified inadequacies).

Audit recommendation

3.33 **Audit has *recommended* that the HKSI should consider setting up an internal audit function and an audit committee under the Board to help discharge its functions and duties effectively.**

Response from the HKSI

3.34 The Chief Executive, HKSI accepts the audit recommendation.

Government monitoring

Elite Athletes Development Fund

3.35 In 2011, the FC of LegCo approved the setting up of the EADF and the injection of \$7 billion into the EADF as seed money to support the operation of the HKSI on a sustainable and long-term basis. The EADF was established in the form of a trust fund with the Secretary for Home Affairs Incorporated as the trustee. With effect from January 2012, the funding support to the HKSI has been allocated by the HAB from the EADF (see para. 1.7).

3.36 Under the funding allocation mechanism of the EADF, the HKSI's annual plan and budget have to be submitted to the Sports Commission through the Elite Sports Committee for consideration before allocations are approved by the HAB. The EADF allocation to the HKSI is on an annual basis and is released bi-monthly.

3.37 To ensure the effective use of the EADF allocation, the HKSI is required to sign a Deed of Undertaking with the HAB annually, accompanied by a budget and a programme of activities, prescribing the performance levels and requirements to be met by the HKSI. The HAB oversees the administration and investment strategy of the EADF. It also oversees the operations of the HKSI through membership of the HKSI's Board of Directors and committees and the submission of regular reports by the HKSI.

Reporting requirements under the Deed of Undertaking not strictly followed

3.38 According to the Deed of Undertaking, the HKSI undertakes to implement a programme of activities within the budget and to submit to the HAB, among other things:

- (a) a report on the implementation of the programme of activities for each financial year on or before 30 June of the following financial year; and
- (b) a monthly statement of management accounts on or before the 20th day of the following month.

Governance and Government monitoring

3.39 Despite the above reporting requirements, Audit noted that the HKSI had not submitted reports on the implementation of the programme of activities to the HAB in recent years. There were also no HAB reminders to the HKSI to request the submissions. In response to Audit's enquiry, the HKSI submitted in January 2015 the relevant reports to the HAB for the four years 2010-11 to 2013-14 in one go. Audit also noted that the HKSI submitted the statements of management accounts on a bi-monthly basis, instead of on a monthly basis as required. The HKSI needs to follow the reporting requirements stated in the Deed of Undertaking. The HAB also needs to see to it that the HKSI follows such reporting requirements.

Need for an agreed arrangement to deal with accumulated surpluses

3.40 Financial Circular No. 9/2004 stipulates that a subvented organisation may place surpluses arising from subvented programmes into a reserve. The surpluses may come from unspent subvention or unspent income from other sources supporting a subvented programme. Any surplus in excess of the agreed ceiling should be returned to the Government (e.g. by way of offsetting from next year's funding), or dealt with in accordance with the agreed arrangements.

3.41 Since the commencement of the current funding mechanism in January 2012, the HKSI has had operating surplus each year. As at 31 March 2014, the accumulated surpluses were about \$82 million and were transferred to the HKSI's general reserve. However, the Deed of Undertaking did not set out any arrangement regarding the handling of surpluses.

Periodic reviews of staff remuneration not conducted

3.42 The Director of Administration issued Circular Memorandum No. 2/2003 in March 2003 to promulgate a set of guidelines for the effective control and monitoring of the ranking, structure and remuneration of the top three-tier executives in subvented bodies. According to the guidelines, subvented bodies which receive more than 50% of their operating income from the Government should review the number, ranking and remuneration of their senior staff and submit to their responsible Directors of Bureaux annual reports on the review findings. The relevant Directors of Bureaux may, with justifications, approve individual bodies under their purview to submit biennial or triennial review reports.

3.43 According to the Deed of Undertaking, the HKSI shall review the number, ranking and remuneration of its staff as directed by the HAB and submit the report on the findings of the review in such a format as required. However, Audit was unable to trace from HKSI records the submissions of such reports in recent years.

3.44 Upon enquiry, the HAB and the HKSI informed Audit in March 2015 that the HKSI had conducted a salary benchmarking exercise for all level of staff in 2014. Audit considers that the HAB needs to remind the HKSI to continue to conduct remuneration reviews periodically in accordance with the Circular Memorandum and the Deed of Undertaking.

Audit recommendations

3.45 **Audit has *recommended* that the Secretary for Home Affairs should:**

- (a) **remind the HKSI to comply with the requirements of submitting an annual report on the implementation of the programme of activities and monthly statements of management accounts;**
- (b) **work out an agreed arrangement with the HKSI to deal with its accumulated surpluses; and**
- (c) **remind the HKSI to continue to conduct periodic reviews (say on an annual basis) on their senior staff remuneration packages and submit the review reports.**

Response from the Government

3.46 The Secretary for Home Affairs generally agrees with the audit recommendations.

PART 4: ADMINISTRATIVE ISSUES

4.1 This PART examines the following administrative issues of the HKSI:

- (a) utilisation of sports facilities (paras. 4.2 to 4.8);
- (b) utilisation of other facilities (paras. 4.9 to 4.17);
- (c) electricity charges and energy management (paras. 4.18 to 4.23);
- (d) shuttle bus services (paras. 4.24 to 4.28);
- (e) procurement and management of fixed assets (paras. 4.29 to 4.36); and
- (f) guidelines on official entertainment (paras. 4.37 to 4.41).

Utilisation of sports facilities

4.2 The HKSI is an elite sports training centre and is tasked with providing a world class infrastructure environment and system which would enable gifted athletes to reach world levels of performance. Appendix D shows the HKSI's sports facilities as at December 2014. At the beginning of a year, the Head Coach of each elite sport can block-book the relevant training facilities for the whole year in advance. The Head Coaches may also adjust their bookings during the year to meet the needs of elite training. When there are residual timeslots, other users including NSAs, sports organisations and training course users may use some of the facilities for a fee. Table 8 shows the utilisation rates of the HKSI's sports facilities in 2014.

Table 8

Utilisation rates of sports facilities
(2014)

Facilities		Utilisation rates (Note 1)				
		Elite athletes	NSAs	Training courses (Note 2)	Others (Note 3)	All users
1	Table tennis hall	81%	0%	2%	0%	83%
2	Fencing hall	76%	1%	0%	0%	77%
3	Karatedo hall	67%	0%	0%	0%	67%
4	Badminton hall	52%	0%	10%	2%	64%
5	Wushu hall	58%	1%	2%	0%	61%
6	Grass pitch ground (multi-purpose)	54%	1%	0%	4%	59%
7	Swimming pool	35%	8%	14%	1%	58%
8	Bowling centre	55%	0%	0%	0%	55%
9	Velodrome (in Ma On Shan)	26%	8%	0%	0%	34%
10	Tennis court	N/A (Note 4)	8%	0%	22%	30%
11	Squash court	26%	1%	1%	0%	28%
12	Athletics track and field	25%	0%	0%	0%	25%
13	Basketball court	N/A (Note 4)	1%	15%	2%	18%

Source: Audit analysis of HKSI records

Note 1: The utilisation rate in a period was calculated as follows:

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

Note 2: The HKSI provided training courses to the public in the sports concerned.

Note 3: This category included staff, internal programmes, sports organisations, commercial organisations, and Government departments.

Note 4: The related sports were not Tier A sports.

Need to enhance monitoring of utilisation of sports facilities

4.3 Table 8 shows that in 2014 the utilisation rates of the HKSI's sports facilities ranged from 18% to 83%. Upon enquiry, the HKSI informed Audit in March 2015 that:

- (a) all the facilities of the HKSI were built with a view to catering for future development for the next 15 to 20 years; and
- (b) the utilisation of residual timeslots (see para. 4.2) was monitored. However, for the past few years with redevelopment taking place, the HKSI had been a building site and unsafe for all but the most highly controlled community access activities.

In Audit's view, the HKSI needs to continue to monitor the utilisation of its sports facilities to ensure that they are optimally utilised.

4.4 Audit noted that there was room for improvement in the monitoring of utilisation of sports facilities, as follows:

- (a) ***Target utilisation rates not set.*** In May 2008, a paper was submitted to the LegCo Panel on Home Affairs to explain the scope of the HKSI redevelopment project. In the paper, the Government informed the Panel that new performance targets would be included in the service agreement with the HKSI, including utilisation rates of the sports facilities provided under the redevelopment project. However, the target utilisation rates had not yet been set;
- (b) ***Utilisation statistics not compiled.*** The HKSI did not compile utilisation statistics for the billiard centre (which was set up in December 2013). There were no records indicating the reasons for not compiling the statistics, which would provide essential information for monitoring the utilisation of the billiard centre; and
- (c) ***Inspection records not kept.*** The Corporate Services Division is responsible for inspecting sports facilities on a daily basis. If irregularities are found (e.g. not turning up for bookings and unauthorised use), inspection officers have to report the irregularities to their senior

officers for follow-up actions. However, inspection officers did not keep inspection records for management review. As such, there was no evidence of inspections conducted, and no records of irregularities identified and follow-up actions taken.

Audit recommendations

4.5 Audit has *recommended* that the Secretary for Home Affairs should, in consultation with the HKSI, work out performance targets on the utilisation rates of the HKSI's sports facilities as pledged to the LegCo Panel in May 2008.

4.6 Audit has *recommended* that the HKSI should:

- (a) continue to monitor the utilisation of its sports facilities to ensure that they are optimally utilised;**
- (b) compile utilisation statistics for the billiard centre for management review; and**
- (c) keep inspection records to improve the monitoring of the utilisation and proper use of its sports facilities.**

Response from the Government

4.7 The Secretary for Home Affairs agrees with the audit recommendation in paragraph 4.5. He has said that as the redevelopment project will be fully completed in 2015, the HAB will work with the HKSI to include in its performance targets relevant utilisation rates for the HKSI's facilities.

Response from the HKSI

4.8 The Chief Executive, HKSI accepts the audit recommendations in paragraph 4.6.

Utilisation of other facilities

4.9 The HKSI's other facilities include the athlete hostel, sports residence (for visitors), carpark, canteen, lecture theatre, boardroom, and meeting rooms. Appendix E shows the HKSI's other facilities as at December 2014. Audit examined the utilisation of three major facilities, namely the athlete hostel, sports residence and carpark.

Need to closely monitor utilisation of facilities

4.10 *Athlete hostel.* The athlete hostel, with a capacity of 370 places (185 rooms), has been in operation since September 2013. It provides free accommodation to full-time elite athletes under the HKSI's Elite Training Programme (a total of 258 full-time athletes as at December 2014). The annual operating cost is about \$7 million. As at December 2014, the athlete hostel provided 262 places (Note 4) and accommodated 211 athletes. Upon enquiry, the HKSI informed Audit in March 2015 that:

- (a) the HKSI was built to allow for future capacity, and therefore it was natural that the athlete hostel then was not fully occupied; and
- (b) the HKSI was already taking measures to develop the depth of the full-time training cohort of elite athletes. This included setting targets across all sports to increase the cohort of full-time athletes by an average 10% every year. Based on this, the number of full-time athletes was expected to exceed 500 in less than 10 years.

4.11 *Sports residence.* The sports residence has been in operation since October 2013. It provides accommodation (for a fee) to international and local visiting teams, conference and seminar attendees. As at December 2014, a total of 74 rooms (each with an area of 22 to 27 square metres and fitted with two beds) were provided. According to HKSI records, the overall utilisation rate was 16% in 2014. In 2013-14, in running the sports residence, the income was \$107,000 and

Note 4: *The hostel had 46 rooms (i.e. 92 places) used temporarily as offices and 8 rooms (i.e. 16 places) under maintenance.*

the operating cost was \$213,000, resulting in a deficit of \$106,000 (50% of the cost). There is a need to closely monitor the operating results of the sports residence and explore improvement measures.

4.12 **Carpark.** As at December 2014, the HKSI had 286 parking spaces at its Fo Tan venue. Free parking is provided to HKSI staff, Board/committee members, coaches, elite athletes and guests. Parking at hourly rates is provided to visitors. The operation of the carpark (together with cleaning and security services of the HKSI) has been outsourced to a service contractor at an estimated cost of \$10.9 million in 2014-15.

4.13 **Utilisation statistics not compiled.** The HKSI did not compile utilisation statistics of the carpark. Audit conducted four visits to the covered carpark in the main building in January 2015 to ascertain its utilisation. As indicated by the visit results (see Table 9), the carpark's utilisation was low.

Table 9
Utilisation of the parking spaces in the main building
(January 2015)

Audit visit	Date and time of audit visit	No. of cars parking	Utilisation rate (Note)
<i>Office hours</i>			
1	22 January 2015 (Thursday) at 10:00 a.m.	58	27%
2	23 January 2015 (Friday) at 3:00 p.m.	61	28%
<i>After office hours and on a weekend</i>			
3	24 January 2015 (Saturday) at 12:40 p.m.	45	21%
4	27 January 2015 (Tuesday) at 6:50 p.m.	42	19%

Source: *Audit visits*

Note: *The utilisation rate is arrived at by dividing the number of parking cars by the number of parking spaces in the main building (i.e. 216).*

Administrative issues

- 4.14 Upon enquiry, the HKSI informed Audit in March 2015 that:
- (a) the HKSI was built with the expectation of fulfilling needs for the next 15 to 20 years and thus it was not at optimal capacity yet; and
 - (b) additionally, given that the HKSI venue was undergoing construction works under the redevelopment project, this had temporarily limited the HKSI's capacity for hosting community engagement events, which would impact the usage statistics.

In Audit's view, the HKSI needs to request the carpark operator to compile utilisation statistics. Such statistics are essential for monitoring the utilisation of the carpark, with a view to taking necessary action to achieve optimal utilisation of the carpark.

4.15 *Cases of unauthorised overnight parking.* Overnight parking (i.e. parking from 12:00 midnight to 6:00 a.m.) is only allowed for authorised vehicles (e.g. vehicles of the HKSI, athletes residing in the hostel and visitors staying at the sports residence). Audit examined the overnight parking logbook (prepared by the carpark operator) of December 2014, and noted that, of the 749 overnight parking cases, 344 (46%) were related to unauthorised overnight parking (involving 45 cars). The HKSI was apparently aware of the unauthorised overnight parking (since cases of such were recorded on the logbook prepared by the operator). However, there were no records indicating any follow-up actions taken by the HKSI (Note 5). Audit considers that the HKSI needs to take prompt actions to curb unauthorised overnight parking.

Audit recommendations

- 4.16 **Audit has recommended that the HKSI should:**

Note 5: *According to the HKSI, of the 344 unauthorised overnight parking cases, 183 cases were parking by 14 athletes and coaches allowable under the Security and Carpark Guidelines. However, Audit noted that for these cases, applications had not been made and approved under the Guidelines.*

- (a) **closely monitor the utilisation of the athlete hostel and sports residence and take measures to improve their utilisation;**
- (b) **request the carpark operator to compile utilisation statistics of the carpark for management review; and**
- (c) **take prompt actions to curb unauthorised overnight parking.**

Response from the HKSI

4.17 The Chief Executive, HKSI accepts the audit recommendations. She has said that the HKSI:

- (a) is already taking measures to improve the utilisation of the sports residence under the HKSI's commercial operations planning;
- (b) will follow up with the carpark operator to submit appropriate monthly statistical data; and
- (c) will ensure that all authorised persons for overnight parking submit their application forms to the HKSI's Facilities Department, and take prompt actions to curb unauthorised overnight parking.

Electricity charges and energy management

Electricity accounts not using the most economical tariff

4.18 The HKSI incurred electricity charges of \$18 million in 2014. It has four electricity accounts, three for its Fo Tan venue and one for its Ma On Shan satellite site. Audit examined the electricity consumption and charges in 2014 of the four accounts, and noted that only one high-consumption account was using the bulk tariff. Table 10 shows the details.

Table 10**Electricity consumption and charges of electricity accounts
(2014)**

Item	Location	Monthly electricity consumption (Kilowatt-hour)	Annual charges (\$)	Tariff used
(a)	Sports complexes	367,615 to 666,609	6,586,000	Bulk
(b)	Main building	363,810 to 663,920	7,236,000	General service
(c)	Swimming complex	275,760 to 394,730	4,663,000	General service
(d)	Velodrome (at satellite site)	4,630 to 10,460	106,000	General service

Source: Audit analysis of HKSI records

4.19 Regarding the electricity accounts of the main building and the swimming complex (Items (b) and (c)), their monthly consumption had far exceeded the threshold (20,000 kilowatt-hours per month — Note 6) where selecting the bulk tariff might be more economical. Audit estimated that, if the bulk tariff had been used, the HKSI could have saved electricity charges of \$1.3 million in 2014 (Note 7).

Note 6: *According to information provided on the website of the electricity supply company, a non-domestic electricity account with a monthly consumption of over 20,000 kilowatt-hours may select the bulk tariff (instead of the general service tariff) to achieve overall savings from the lower unit charge rates. The actual amount of savings would depend on the level and pattern of electricity consumption.*

Note 7: *The electricity account of the sports complexes (Item (a) in Table 10) achieved a saving of 11% in 2014 by selecting the bulk tariff. Applying this percentage saving to the two high-consumption electricity accounts currently charged under the general service tariff would arrive at a potential saving of \$1.3 million (i.e. 11% × (\$7.23 million + \$4.66 million)).*

4.20 Furthermore, the HKSI can also consider merging the three electricity accounts at the Fo Tan venue into one single account for charging purpose. In doing so, their consumption level may reach the threshold required for using the large power tariff (with unit charge rates even lower than those of the bulk tariff). The HKSI needs to review the charging arrangements of its electricity accounts and select the most economical tariff to save electricity charges. In January 2015, Audit informed the HKSI of this observation for taking appropriate follow-up action (see para. 4.23).

Need to conduct energy audits

4.21 The Electrical and Mechanical Services Department has advocated the conduct of energy audits and issued guidelines for public information. An energy audit is an examination of an energy-consuming equipment/system to ensure that energy (particularly electricity) is used efficiently and to identify energy-saving opportunities. In June 2014, the HKSI commissioned a consultant to carry out an energy audit for its new premises, including the main building, the swimming complex, the sports complex annex and the rowing boathouse. In November 2014, the consultant prepared a draft report with recommendations for implementing energy-saving measures to reduce electricity consumption. As at February 2015, the report had not yet been finalised. There is a need to implement the energy-saving measures with a view to achieving savings in electricity consumption. Moreover, the scope of the HKSI's energy audit did not cover the main sports complex (Note 8). The HKSI needs to conduct an energy audit for this complex in due course.

Audit recommendations

4.22 **Audit has recommended that the HKSI should:**

- (a) **take prompt action to review the charging arrangements of its electricity accounts and select the most economical tariff to save electricity charges;**

Note 8: *The main sports complex was built in 1982 and renovated in 2010, with further works carried out between April 2013 and December 2014.*

Administrative issues

- (b) **expedite action to finalise the energy audit report and implement the recommended energy-saving measures at an early date; and**
- (c) **consider conducting an energy audit on the main sports complex in due course.**

Response from the HKSI

4.23 The Chief Executive, HKSI accepts the audit recommendations. She has said that the bulk tariff application for the main building and swimming complex was submitted to the electricity supply company in January 2015.

Shuttle bus services

4.24 The HKSI provides free shuttle bus services to its staff and athletes. The services facilitate their travel between the Fo Tan venue and the MTR Tai Wai Station, and between the Fo Tan venue and the Sha Tin downtown. The services have been contracted out to a private operator at a cost of \$0.5 million in 2014. Table 11 shows the details of the services.

Table 11

**Shuttle bus services
(2014)**

Route no.	Scheduled time	Route	No. of trips (a)	Average no. of users per trip (b)	Annual service fee (c) (\$)	Average cost per user per trip (d) = $\frac{(c)}{(a) \times (b)}$ (\$)
<i>For going to and from office</i>						
1	7:00 a.m. Monday to Sunday	MTR Tai Wai Station to HKSI (Note)	270	2.1	72,000	127
2	8:40 a.m. Saturday	MTR Tai Wai Station to HKSI (Note)	36	2.8	10,800	107
3	1:15 p.m. Saturday	HKSI to MTR Tai Wai Station (Note)	36	3.2	10,800	94
4	8:40 a.m. Monday to Friday	MTR Tai Wai Station to HKSI	247	9.7	96,000	40
5	6:12 p.m. Monday to Friday	HKSI to MTR Tai Wai Station	247	11.0	96,000	35
6	10:20 p.m. Monday to Sunday	HKSI to MTR Tai Wai Station	361	2.7	108,000	111
<i>For lunch purpose</i>						
7	12:40 p.m. Monday to Friday	HKSI to Wai Wah Centre, Sha Tin	247	15.8	54,000	14
8	1:40 p.m. Monday to Friday	Wai Wah Centre, Sha Tin to HKSI	247	9.1	54,000	24
Overall			1,691	7.7	501,600	

Source: Audit analysis of HKSI records

Note: In August 2014, the HKSI conducted a review of the utilisation of the shuttle bus services. Due to the low usage of these three routes (Routes no. 1 to 3), the HKSI had suspended their operation since October 2014.

Administrative issues

Low usage of shuttle bus services

4.25 Table 11 shows that the usage of the shuttle bus services was low. During 2014, the average numbers of users per trip ranged from 2 to 16 among the routes, and the average costs per user per trip ranged from \$14 to \$127.

4.26 According to Audit's observations on site, it takes about five to six minutes to travel on foot between the HKSI's Fo Tan venue and the MTR Fo Tan Station, four minutes to travel by train between the Fo Tan and Sha Tin Stations (with a fare of \$3.5), and seven minutes between the Fo Tan and Tai Wai Stations (also with a fare of \$3.5). According to the HKSI, it has conducted regular annual reviews of the utilisation of the shuttle bus services. Following the August 2014 review, the HKSI had suspended three of the routes (see Note to Table 11). In view of the low usage of the shuttle bus services, the HKSI needs to re-examine the justifications and cost-effectiveness of providing the services.

Audit recommendation

4.27 **Audit has recommended that the HKSI should continue to keep under review the justifications and cost-effectiveness of providing the shuttle bus services to its staff and athletes.**

Response from the HKSI

4.28 The Chief Executive, HKSI accepts the audit recommendation. She has said that the HKSI will certainly continue the review process.

Procurement and management of fixed assets

Procurement

4.29 According to the HKSI's guidelines on procurement:

- (a) when the purchase value of a purchase is up to \$250,000, the laid-down quotation procedures should be applied in making the purchase. When the purchase value is above \$250,000, the laid-down tender procedures should be applied; and
- (b) suppliers invited to bid must be on the HKSI's register of suppliers.

4.30 The Purchasing and Supplies Section under the Corporate Services Division is responsible for making purchases. The Section has prepared an operation manual on detailed purchase procedures. According to the operation manual, the procedures for shortlisting suppliers for inviting them to bid are as follows:

- (a) for a purchase via the quotation procedures, registered suppliers of the category of the goods/services to be purchased are shortlisted with consideration on their capacity in meeting the goods/services specification requirements, and their performance in past invitations. For repeated and general goods/services, suppliers are shortlisted on a rotational basis as far as possible; and
- (b) for a purchase via the tender procedures, there are two shortlisting approaches. One approach is the same as that mentioned in (a) above. Regarding the other approach, all registered suppliers of the category of the goods/services to be purchased (or all local suppliers) are invited to express interest. Interested suppliers are then shortlisted with consideration on their expressions of interest.

4.31 In 2014-15 (up to 31 December 2014), the HKSI spent about \$26 million on purchasing goods and services. Of the \$26 million, \$15 million was via inviting quotations and \$11 million was via inviting tenders.

Room for improvement in procurement practices

4.32 Audit examined 10 purchases, comprising 6 purchases via inviting quotations (with a total purchase value of \$0.9 million) and 4 purchases via inviting tenders (with a total purchase value of \$3.2 million). Audit noted that:

Administrative issues

- (a) for 3 of the 6 purchases via inviting quotations, single quotations were invited. For these single-source purchases, justifications (i.e. sole supplier) were provided; and
- (b) for the 3 remaining purchases via inviting quotations, in 2 cases, there was no documentation on the reasons for shortlisting particular suppliers (e.g. their performance in submitting valid or successful bids in past invitations). The HKSI needs to document such reasons to ensure accountability and achieve value for money in shortlisting suppliers.

Management of fixed assets

4.33 The HKSI has set up the Fixed Assets Registration System for recording fixed asset items. At the end of a financial year, the system generates Fixed Assets Register Lists as at 31 March which will be forwarded to various units for verification and confirmation. In addition, the Administration Section conducts an annual physical stocktake (by checking a sample of selected items). Table 12 shows the value of the HKSI's fixed assets and the extent of checking of the Administration Section's annual physical stocktake.

Table 12

**HKSI's fixed assets and annual physical stocktake
(2011-12 to 2013-14)**

Financial year	Year-end amount shown in financial statements (at cost) (\$ million)	Total no. of items	Annual physical stocktake	
			No. of items checked	Cost of fixed assets checked (\$ million)
2011-12	71	3,247	43 (1%)	2.4 (3%)
2012-13	96	3,751	54 (1%)	2.0 (2%)
2013-14	129	9,640	110 (1%)	17.4 (13%)

Source: HKSI records

Need to enhance the annual physical stocktake

4.34 Table 12 shows that for 2011-12 to 2013-14, the extent of checking of the Administration Section's annual physical stocktake was only 2% to 13% of the asset costs. The HKSI needs to consider enhancing the annual physical stocktake.

Audit recommendations

4.35 **Audit has recommended that the HKSI should:**

- (a) **in shortlisting suppliers for inviting them to submit quotations, document the reasons for shortlisting particular suppliers; and**
- (b) **consider enhancing the annual physical stocktake of fixed assets.**

Response from the HKSI

4.36 The Chief Executive, HKSI accepts the audit recommendations. She has said that the existing fixed asset count is conducted on a rotational test basis. With the completion of the redevelopment project, the asset value has significantly increased. The HKSI agrees to enhance the annual rotational test count system.

Guidelines on official entertainment

4.37 According to the HKSI's guidelines on official entertainment expenses, such expenses should be reasonable and not extravagant, subject to the maximum allowable rates for lunch (\$300 per head) and dinner (\$500 per head).

4.38 Audit examined four accounts (i.e. Corporate Functions, Entertainment Expenses, Overseas Duty Visits and Athlete Welfare) of the HKSI's 2014-15 ledger (up to 30 November 2014) which might contain official entertainment expenses. It was noted that, for the Corporate Functions account, there were two lunches with the expenditure per head exceeding the limit of \$300 laid down in the entertainment

Administrative issues

guidelines. In view of this, Audit extended the checking on this account to cover all lunches/dinners in the period 2010-11 to 2013-14. Table 13 shows the checking results.

Table 13

**Results of checking on the Corporate Functions account
(2010-11 to 2014-15)**

Financial year	No. of lunches/dinners	Total expenditure on lunches/dinners (\$)	No. of lunches/dinners with expenditure per head exceeding the limit (\$300 for lunch and \$500 for dinner)
2010-11	1	900	0
2011-12	2	1,400	0
2012-13	14	21,100	8
2013-14	15	29,000	5
2014-15 (up to November 2014)	3	3,600	2
Total	35	56,000	15

Source: Audit analysis of HKSI records

***Guidelines not applicable to
official entertainment expenses for corporate functions***

4.39 Upon enquiry, the HKSI informed Audit in January 2015 that the guidelines on official entertainment expenses did not apply to expenses charged to the Corporate Functions account. Audit considers that the expenses for lunches/dinners charged to the Corporate Functions account were in the nature of official entertainment. The HKSI needs to consider applying the guidelines on official entertainment expenses to such expenses.

Audit recommendation

4.40 Audit has *recommended* that the HKSI should consider applying the guidelines on official entertainment expenses to all types of official entertainment regardless of the account the expenses are charged to.

Response from the HKSI

4.41 The Chief Executive, HKSI accepts the audit recommendation. She has said that the HKSI will undertake to formulate an appropriate corporate function policy.

PART 5: REDEVELOPMENT PROJECT

5.1 This PART examines the redevelopment of the HKSI venue at Fo Tan, focusing on the following areas:

- (a) implementation of the project (paras. 5.5 to 5.19); and
- (b) Government provision of land for use by the HKSI (paras. 5.20 to 5.32).

Redevelopment of the HKSI

5.2 The main venue of the HKSI is located at Fo Tan, Sha Tin. Its main sports complex was first completed in 1982. In support of the 2008 Beijing Olympic and Paralympic Equestrian Events (the Equestrian Events) co-hosted by Hong Kong, the HKSI was temporarily relocated to Wu Kwai Sha Youth Village at Ma On Shan in January 2007, with training operations conducted at sports venues of the LCSD. The HKSI site and facilities were converted by the HKJC into competition venues and supporting facilities for the Equestrian Events held in August and September 2008.

5.3 In June 2007 and June 2008, the FC approved a total funding of \$1,760 million for redeveloping the HKSI in situ after the Equestrian Events at Fo Tan. The project covered upgrading of the then existing facilities at the Fo Tan venue and the provision of additional facilities to meet the projected demand for emerging new elite sports over the next 10 to 15 years (Note 9). The HKSI was responsible for implementing the project under the monitoring of the HAB, which was provided with technical advice by the Architectural Services Department upon request.

Note 9: *Under the redevelopment project, the construction floor area of the Fo Tan venue would be increased from about 26,000 square metres to about 78,000 square metres.*

5.4 The redevelopment project was implemented in two phases. Phase One works mainly included the refurbishment of the existing main sports complex and the foundation works of new buildings, targeted for completion in the third quarter of 2009. Phase Two works mainly included the superstructure works of new buildings, targeted for completion in the third quarter of 2011 (see Table 14). Figure 3 shows an overview of the HKSI after redevelopment.

Table 14

Schedule of the redevelopment project

Contract	Major works item	Target completion date
Phase One		
1	Refurbishment of the existing main sports complex and construction of a temporary velodrome at Whitehead, Ma On Shan	2009 3rd quarter
2	Foundation works for a new multi-purpose building, a multi-purpose sports hall, a rowing boathouse, and an indoor swimming pool	2009 3rd quarter
Phase Two		
3	Superstructure works for the new facilities with foundation works completed under Contract 2	2011 3rd quarter
4	Alteration and addition works for the existing swimming pool, hostel wing and spectator stand, and refurbishment of the external areas and the multi-purpose hard court	2011 3rd quarter

Source: HKSI records

Figure 3

An overview of the HKSI after redevelopment



Source: HKSI records

Implementation of the project

5.5 As stated in the Public Works Subcommittee paper of May 2008, the redevelopment project had to be planned and phased very carefully to minimise disruption to the normal operations of the HKSI and athlete training. It was also desirable for the project to be completed as early as possible for the betterment of elite sport development in Hong Kong and to release as soon as possible the Wu Kwai Sha Youth Village and the LCSD's sports facilities temporarily occupied by the HKSI.

Delay in project completion

5.6 It was envisaged that, on completion of the Phase One works by the third quarter of 2009, the HKSI could move back to the Fo Tan venue to resume normal training operations. However, Phase One works were delayed and the HKSI could only move back in March 2010. The target completion date of Phase Two works (third quarter of 2011) was also not met. According to the HKSI, the redevelopment project was substantially completed in December 2014, except the rowing boat launching facilities (see paras. 5.11 to 5.14). Against the target date of overall completion in the third quarter of 2011, there was a delay of over three years. HKSI records indicated that the reasons for delay in project completion included:

- (a) delay in hand-over of works sites to contractors and knock-on effects of delays in earlier contracts;
- (b) time taken in letting the velodrome site at Whitehead to the HKSI;
- (c) unforeseen technical difficulties in construction of the concrete cycle track of the velodrome to meet international standards of safety and precision;
- (d) extra time needed for re-submitting tree survey and transplanting proposal to the Lands Department for approval; and
- (e) longer construction period allowed for better site safety, environmental management and quality of work.

5.7 Audit noted that as a result of the delay in project completion, the HKSI could not move back as planned in the third quarter of 2009 (see para. 5.6), but could only do so in March 2010 to resume normal operations. The delay had also brought about additional costs of \$22.3 million, as follows:

- (a) the lead consultant of the project claimed an additional fee due to prolongation of the works. The claim was settled in October 2014 at \$11.8 million;
- (b) an additional staff cost of \$7 million was incurred for the in-house technical team; and
- (c) the prolonged occupation of the Wu Kwai Sha Youth Village had incurred an additional \$3.5 million in rental charges.

As there were a provision for contingencies (\$130 million) and offsetting savings in other works items, the additional costs incurred did not result in a cost overrun of the whole project.

5.8 *Actual cost within approved project estimate.* The HKSI's Board considers that despite the complexity and length of the redevelopment project which commenced over six years ago and some delays, the HKSI will be able to complete

Redevelopment project

the entire project within the overall budget. According to the cost estimates prepared by the HKSI in February 2015, the overall approved project estimate of the redevelopment project (\$1,760 million) would not be exceeded, taking into account provisions for remaining works (mainly the rowing boat launching facilities). There would be a potential saving of \$36 million.

5.9 Audit noted that in June 2009, when the redevelopment project was in progress, the Hong Kong Paralympic Committee and Sports Association for the Physically Disabled raised a request for designated training facilities for disabled athletes to be located in the Fo Tan venue (Note 10). The HKSI agreed to the request with a view to enhancing the support to sports for both able-bodied and disabled athletes. In the event, the HKSI implemented an enhancement project to convert the old hostel wing into a multi-purpose training centre for both able-bodied and disabled athletes, with training facilities, changing rooms and coach offices, etc. Under the original project scope, the old hostel wing was to be partly demolished for constructing the entrance of the new swimming pool and upgrading the existing spectator stand.

5.10 As the enhancement works were outside the project scope approved by the FC (see para. 5.3), additional funding over the approved project estimate had to be sought. To this end, the HKSI was able to secure a sponsorship of \$103.2 million from the HKJC to meet the funding requirement. The enhancement project was subsequently packaged under Contract 4 with separate accounts for funding control. As at January 2015, the enhancement project was substantially completed. According to the HKSI, it has all along made efforts to keep the project cost within the HKJC sponsorship and the estimated final cost of the enhancement project would be about \$84.8 million, well within the sponsorship funding of \$103.2 million.

Outstanding works to be completed

5.11 As at January 2015, Audit noted on site that though the redevelopment project was reported by the HKSI as substantially completed (see para. 5.6), there

Note 10: *Beside able-bodied elite athletes, the HKSI also supports the training of elite athletes competing in sports for the disabled. As at December 2014, there were 145 disabled athletes supported by the HKSI. Sports for the disabled are not counted as one of the 16 elite sports (see para. 2.3) supported by the HKSI.*

were still a number of outstanding remedial works at the Fo Tan venue. HKSI records also showed that there was one major outstanding works item, namely the rowing boat launching facilities.

5.12 The redevelopment project included a new rowing boathouse to provide facilities for training in boat rowing at the Shing Mun River. The two-storey boathouse was completed in December 2012 under Contract 3. However, as at January 2015, works for constructing the boat launching facilities, an integral part of the rowing facility, had not started.

5.13 The proposed site for constructing the launching facilities was outside the boundaries of the Fo Tan site that has been allocated to the LCSD (which has leased it to the HKSI — see paras. 5.26 and 5.27). Land issues were involved, including planning permissions/amendments and a change of the Government land allocation. After the approval of funding for the redevelopment project in June 2008, the HKSI initiated action to tackle the land issues in September 2010. Four years later, in mid-2014, after considering various options and locations, the HKSI completed a design of the launching facilities, comprising mainly a loading platform, a gangway and a floating pontoon with an estimated cost of \$40 million. As at January 2015, the HKSI was still discussing with relevant Government departments to resolve the outstanding issues concerning the works site. There was no timetable for completing the launching facilities.

5.14 Before the completion of the HKSI's rowing boat launching facilities, the interim arrangement was to have all the rowing boats transported manually from the boathouse across the public cycle track and pedestrian footbridge to the nearby (about 100 metres away) Sha Tin Rowing Centre (operated by the Hong Kong, China Rowing Association) to share the launching facilities there. According to the HKSI, it was having increasing difficulties in getting the timeslots due to the Centre's own heavy commitments. There is a need to expedite action on the construction of the rowing boat launching facilities.

On-site training facilities not provided for some elite sports

5.15 There are currently no on-site training facilities provided for some of the elite sports and off-site facilities have been arranged instead. Examples are as follows:

Redevelopment project

- (a) **Cycling.** The old outdoor velodrome at the Fo Tan venue was demolished to make way for the new nine-storey multi-purpose building. Under the redevelopment project, a temporary outdoor velodrome was constructed on a site at Whitehead (see Contract 1 of Table 14 in para. 5.4). In December 2013, the LCSD completed the new Hong Kong Velodrome at Tseung Kwan O and the HKSI has hired the facilities as the cycling training base for elite athletes;
- (b) **Gymnastics.** Not having been an elite sport for some years, gymnastics returned to the elite sports system in 2011-12. There was no provision for a gymnastic hall and gymnastic facilities in the redevelopment project. The gymnastic NSA has hired the LCSD's Shun Lee Tsuen Sports Centre to operate its training programme for elite athletes. The venue is considered small and its facilities are not fully meeting the training requirements; and
- (c) **Rugby sevens.** It has become an elite sport since 2013-14. It is the only team sport among the elite sports. There is currently no designated rugby field at the HKSI. The rugby team shares the grass infield of the athletics field with other athletes. The rugby NSA also has its own grass pitches at the King's Park Sports Ground.

Looking ahead, there may be other sports entering the elite sports system and similar issues of not having on-site training facilities provided for such sports.

5.16 Upon enquiry, the HKSI informed Audit in March 2015 that:

- (a) from a professional elite sport perspective and as a standard around the world, no sports institute could possibly cater on-site facilities for all possible sports. Sports institutes commonly had some non-centralised or satellite training venues and mobile support teams travelling to the off-site venues (and competitions) to provide the needed services; and
- (b) given the physical constraints of the Fo Tan venue, the hiring of necessary satellite venues would continue to be a normative part of sports facilities provision in future.

5.17 The HAB also informed Audit in March 2015 that it was not the intention to provide all elite training facilities on-site at the HKSI. The Government, the HKSI and NSAs together could decide on how best and where the training facilities should be provided, taking into account the specific needs of the sports concerned.

Audit recommendations

5.18 **Audit has *recommended* that the HKSI should:**

- (a) **complete the outstanding works of the redevelopment project as soon as possible, particularly the rowing boat launching facilities; and**
- (b) **after completing the redevelopment project, conduct a post-implementation review of the project to identify lessons learnt for application to future projects, in particular:**
 - (i) **the reasons for the delay in project completion; and**
 - (ii) **the slow progress in constructing the rowing boat launching facilities.**

Response from the HKSI

5.19 The Chief Executive, HKSI accepts the audit recommendations. She has said that:

- (a) the HKSI has taken continuing action with a view to expediting the construction of the rowing boat launching facilities. While the project is complicated with technical difficulties in selecting an appropriate site for the facilities, the HKSI has endeavoured to take forward the project in a progressive manner; and

Redevelopment project

- (b) the HKSI considers the interim arrangement of launching boats from the Sha Tin Rowing Centre not unusual compared with overseas practices. The HKSI is extremely grateful to the Hong Kong, China Rowing Association for its patience and generosity in allowing the continued interim use of its launching facilities.

Government provision of land for use by the HKSI

Reduced site for redevelopment

5.20 Before redevelopment, the Fo Tan venue of the HKSI occupied a site of 15.9 hectares (Note 11). The site was allocated to the LCSD and was leased to the HKSI for elite sports training. In 2005, during the planning stage for co-hosting the Equestrian Events (see para. 5.2), the HKJC expressed intentions to retain the stables to be built on the site after the competition for its horse racing operations. There were concerns from the sports sector and LegCo Members that the reduction in the site area of the Fo Tan venue would undermine the HKSI's operations.

5.21 In April 2007, the Government decided to allow the HKJC to retain the stables to be built for the Equestrian Events (the stables site), on the grounds that:

- (a) the retention of the Olympic stables would provide a legacy value to the Equestrian Events and avoid the wastage of demolishing brand new facilities. This effective utilisation of the equestrian facilities would be welcomed by the international sports community;
- (b) the redeveloped HKSI at the reduced site should be capable of meeting its elite sports training needs over a period of 10 to 15 years. The HKSI and key stakeholders of the sports sector had showed support to the arrangement; and
- (c) the HKJC would use the equestrian stables for decanting horses during its redevelopment of the stable blocks of the Sha Tin Racecourse. It was mentioned that the reclaimed land on which the stable blocks were built was suffering from serious subsidence problems.

Note 11: *This referred to the Fo Tan venue before the temporary relocation to Wu Kwai Sha Youth Village in January 2007 (see para. 5.2).*

5.22 In April 2007, LegCo was informed that the HKJC would need to occupy the site on a temporary basis for 7 to 10 years. Some LegCo Members expressed concerns over the arrangement and asked for a timetable for returning the site.

5.23 With the policy support of the HAB, the stables site was rented to the HKJC, under a short-term tenancy at a nominal annual rent of \$1 for 4 years and 11 months starting from 1 January 2009, renewable for a further term of two years and thereafter yearly. Figure 4 shows the reduced HKSI site and the stables site leased to the HKJC. The stables site, with an area of about 4.7 hectares, represents about 30% of the total area of 15.9 hectares occupied by the HKSI before redevelopment.

Figure 4

The reduced HKSI site and the stables site



Source: Lands Department records

Remarks: Under the original whole-site redevelopment plan, the HKSI would provide a covered velodrome and two grass football pitches on the now stables site.

Redevelopment project

5.24 In August 2013, the HKJC served the Lands Department a notice of renewal of the stables site for a further term of two years and thereafter yearly. In November 2013, the Lands Department informed the HKJC that the option to renew the short-term tenancy for two years commencing from 1 December 2013 was accepted. The short-term tenancy was extended to 30 November 2015 and thereafter yearly.

5.25 As at January 2015, the HKJC had occupied the stables site for some six years since January 2009 (against the retention period of 7 to 10 years reported to LegCo). Upon enquiry, the HAB informed Audit in March 2015 that follow-up actions were being taken to deal with the future use of the site and the relevant information would be made available to the public when ready.

Need to review lease arrangements for HKSI

5.26 When the HKSI was first established by the HKJC as the Jubilee Sports Centre in 1982, the site was granted under a private recreational lease at a nominal one-off premium of \$1,000 and an annual rent of \$100. The lease was transferred to the Hong Kong Sports Development Board when the HKSI was subsumed into the Board in 1994. Upon the dissolution of the Board in 2004, the Government took back the site and allocated it to the LCSD. In turn, the LCSD leased the site and the facilities to the HKSI for its operations. The rent level was determined by the utilisation rates of the HKSI's facilities for commercial use and their respective rateable values assessed by the Rating and Valuation Department.

5.27 The lease arrangement was suspended during the period April 2007 to December 2008 for preparing and conducting the Equestrian Events (see para. 5.2). The lease arrangement continued in January 2009, except that the site area was reduced (see paras. 5.20 to 5.23). The tenancy was last renewed in April 2014 for a period of 36 months at a monthly rent of \$0.33 million (i.e. \$3.96 million a year). Audit noted that, in 2013, the HAB had proposed to the Financial Services and the Treasury Bureau (FSTB) that it would be more in line with the Government's policy in supporting sports development to charge a nominal rent on the HKSI instead of charging a rent based on its commercial income. The FSTB had raised concerns and sought clarifications regarding the proposal. In the event, the HAB did not pursue the nominal-rent proposal.

5.28 Audit noted that there were considerable administrative efforts in renewing the tenancy agreement and reviewing the rent level regularly, which included the preparation of financial estimates of revenue-generating activities by the HKSI for submission to the LCSD for calculating the rent level, and seeking the approval of the FSTB on the proposed rent level. In addition, the current lease arrangement does not seem to be commensurate with the Government's long-term support to elite sports through the HKSI.

5.29 When the HKSI was first established as the Jubilee Sports Centre in 1982, it was granted the whole site under a private recreational lease at a nominal premium (see para. 5.26). As at March 2013, there were 69 such leases granted at a nominal premium to different parties, including private sports clubs, NSAs, and welfare organisations (Note 12). The HKSI is the Government's agent for delivering elite sports training, and all its directors are nominated by the HAB. In Audit's view, the HAB may further explore whether there is merit in granting the site to the HKSI under a private recreational lease at a nominal premium (Note 13). Apart from saving the efforts spent in collecting rent from the HKSI, this may also provide a more steady and stable environment for the HKSI in launching its long-term strategies for elite sports development.

Audit recommendation

5.30 **Audit has recommended that the Secretary for Home Affairs should, subject to the result of the HAB's review of private recreational lease policy, consider whether there is merit in granting the Fo Tan site to the HKSI for its long-term operations under a private recreational lease at a nominal premium.**

Note 12: *In October 2013, Audit conducted a review of private recreational leases. The results were reported in Chapter 1 of the Director of Audit's Report No. 61. A private recreational lease usually has a term of 21 years, and can be extended for 15 years on expiry.*

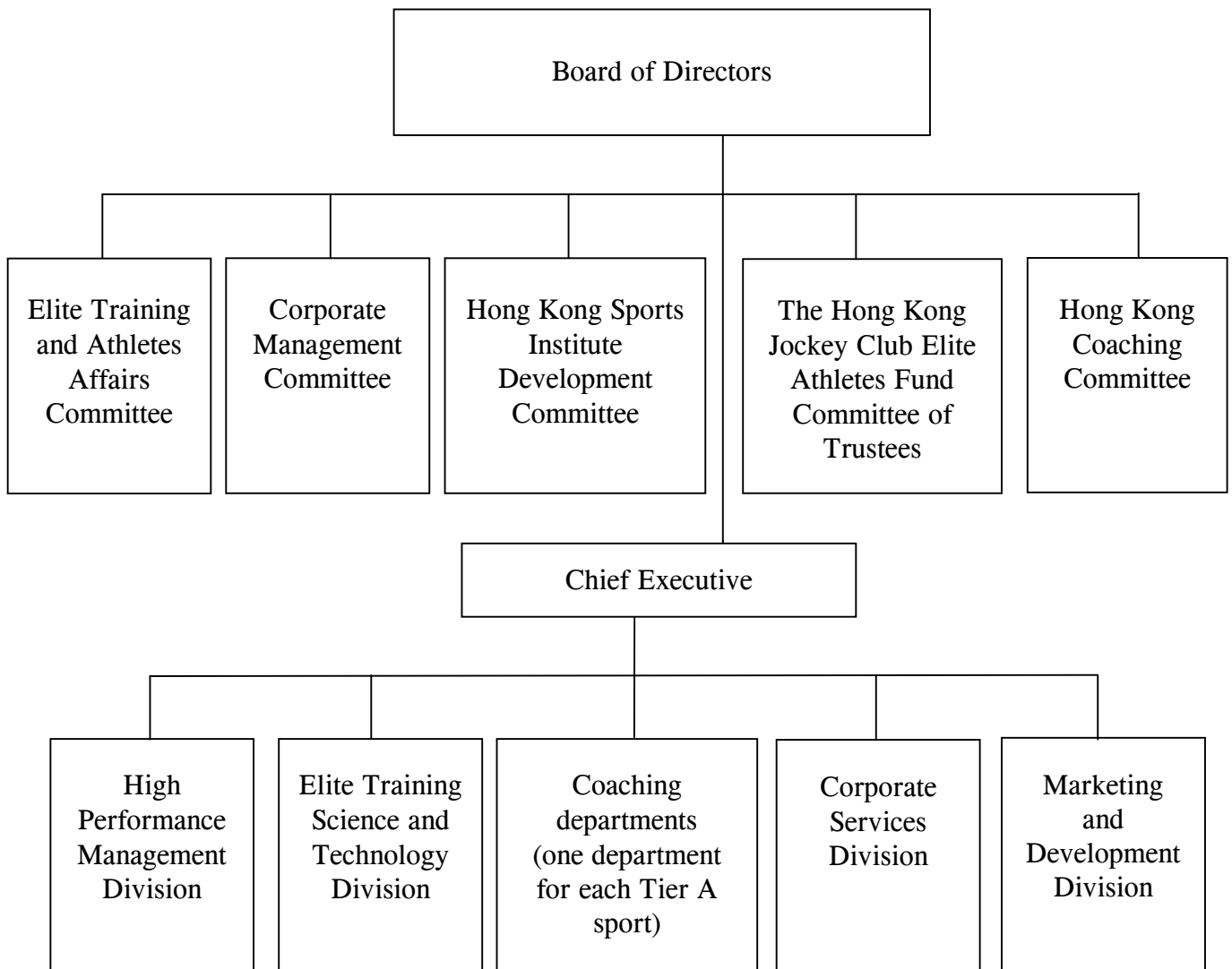
Note 13: *As at December 2014, the HAB was conducting a review of private recreational lease policy.*

Response from the Government

5.31 The Secretary for Home Affairs generally agrees with the audit recommendation. He has said that the HAB will consider a suitable form of land grant for any future site that may be allocated for use by the HKSI.

5.32 The Director of Leisure and Cultural Services agrees with the audit recommendation.

**HKSI
Organisation chart
(December 2014)**



Source: HKSI records

**Eligibility criteria for direct financial support grants
(December 2014)**

	Elite Training Grants	Sports Aid Grants	Sports Aid Grants for Athletes with Disabilities	Individual Athletes Support Scheme grants (Note 1)
(I) Olympic/Asian Games sports:				
(A) Tier A sports				
(a) Athletes under HKSI's Elite Training Programme	✓			
(b) Athletes not under HKSI's Elite Training Programme		✓		
(B) Secondary disciplines of Tier A sports (Note 2) or non-Tier A sports				
(a) Athletes with EVSS Point 3 or above	✓			✓
(b) Athletes without EVSS Point 3 or above		✓		
(II) Athletes of non-Olympic/non-Asian Games sports		✓		
(III) Athletes with disabilities			✓	

Source: HKSI records

Note 1: The grants are programme grants provided to the NSAs concerned to conduct training programmes for elite athletes of secondary disciplines of Tier A sports or non-Tier A sports.

Note 2: Secondary disciplines are disciplines with insufficient cohorts for sustainable development.

Case 2

Handling of conflict of interest in Board/committee meetings

1. In August 2012, with the Board's approval, the HKSI appointed an education consultant (the Consultant) to make proposals on the provision of integrated education services for young elite athletes with the objective of allowing them to be trained as full-time professionals without sacrificing their educational development. The services would include, among others, the launching of a Secondary Education Programme with partnership schools nearby the HKSI to provide a sports education curriculum with the following features:

- (a) the athletes' sports training knowledge and experience would be integrated into the academic subjects;
- (b) the athletes' timetables would be designed in order not to clash with their training and competition schedules; and
- (c) the athletes' Hong Kong Diploma of Secondary Education results could meet the minimum entry requirements for local universities.

2. In October 2012, the Board set up an Athlete Education Advisory Panel (the Panel) to oversee the progress of the consultancy. The Chairman of the Board was appointed Chairman of the Panel, with seven other members (including a representative of the HAB).

3. In June 2013, the HKSI Management presented the Consultant's draft final report to the Panel and thereafter to the Board. On the Board's advice, the report was revised and re-submitted to the Panel and thereafter to the Board in October 2013. The Panel endorsed and the Board approved in principle the Consultant's recommended feasibility model for launching the Secondary Education Programme and the implementation timetable.

4. The Consultant's recommended feasibility model for launching the Secondary Education Programme for young elite athletes as approved at the Board meeting of October 2013 was as follows:

- (a) ***Establishing an Elite Athlete-friendly School Network (School Network).*** The Consultant proposed to invite schools which provided significant support to student athletes to join the School Network. This would give them public recognition for the support they provided. The Consultant recommended a set of key criteria for identifying such network schools. One key criterion was that the school should have good experience in handling a group of elite athletes (at least 10 elite athletes who were studying in the school). Based on the key criteria, the HKSI Management identified six likely candidate schools as the basis to form the School Network; and
- (b) ***Implementing a Partnership School Programme.*** The Consultant proposed to select from the network schools (a total of six as mentioned in (a) above) a smaller number of schools for further and deeper collaboration under a partnership arrangement. The HKSI would provide some funding to the selected schools to support their provision of a tailor-made and integrated sports education curriculum for young elite athletes (see para. 1).

5. At the Board meeting of October 2013, the Board was informed that:

- (a) among the six schools identified as the likely candidate schools to form the School Network, Schools A and B had already expressed interest in the partnership school collaboration; and
- (b) as a pilot scheme, the HKSI Management would work with Schools A and B for the partnership school arrangement.

After the Board's approval of the Consultant's feasibility model in October 2013, the HKSI Management proceeded with the implementation of the Secondary Education Programme.

6. At the March 2014 Board meeting, the HKSI Management reported the progress of the Secondary Education Programme as follows:

- (a) a seminar on "Elite Athlete Education Support" was conducted in March 2014. The School Network initiative was introduced to attending schools and their participation in the Network was invited; and
- (b) regarding the Partnership School Programme, proposals had been received from three schools, which would be presented to the Board via the Panel at their coming meetings.

7. In May 2014, the HKSI Management reported to the Panel that:
- (a) 25 secondary schools had confirmed to join the School Network (Note 1); and
 - (b) Schools A and B and School Organisation C (Note 2) had submitted proposals (with cost estimates) to the HKSI for the Partnership School Programme.
8. In this connection, Audit noted that the Secondary Education Programme had been expanded beyond the scope of the feasibility model recommended by the Consultant and approved by the Board in October 2013:
- (a) the number of network schools had increased from 6 to 25. Many of the network schools had fewer than 10 elite athletes (see para. 4(a)); and
 - (b) while schools for the Partnership School Programme should be selected from the candidate schools meeting the key criteria (see para. 4(b)), School Organisation C, not listed as a candidate school initially, had been included.
9. Upon enquiry, the HKSI informed Audit in March 2015 that:
- (a) the Board did not restrict the number of schools involved in the Secondary Education Programme. It was an open programme for any schools willing to assist young elite athletes; and
 - (b) updated progress of the Programme, including the number of participating schools, had been reported to the Board at its meetings held in March (see para. 6) and June 2014 (see paras. 11 and 12).
10. At the May 2014 Panel meeting (see para. 7), the Chairman declared his capacity as the Chairman of School Organisation C and the Chief Executive, HKSI declared her capacity as a member of the management committee of School A. It was recorded that neither of them had been involved in the preparation of the related partnership proposals. They continued to participate in the meeting in which the three proposals were presented. After the presentations, the Panel deliberated on the proposals and came to the view that the proposals from School B and School Organisation C could offer the models needed for the dual development pathway for athletes.

11. In June 2014, the three proposals (with cost estimates), incorporating the Panel's advice, were submitted to the Board for discussion. At the meeting, declaration of interest was made by:

- (a) the Chairman of the Board, as Chairman of School Organisation C;
- (b) Director C (Note 3), as Supervisor of School B; and
- (c) the Chief Executive, HKSI, as a member of the management committee of School A.

12. After declaring their relevant interests, no objections were made for the three persons to continue to participate in the meeting. After deliberations, the meeting approved in principle for the HKSI Management to continue working with School B and School Organisation C for the Partnership School Programme with a view to initiating the pilot integrated education programmes.

13. A provision of \$2 million was made in the HKSI's 2015-16 budget for providing funding to partnership schools in implementing the Secondary Education Programme.

Audit comments

14. The HKSI has strict rules on dealing with conflicts of interest in Board/committee proceedings. Its Articles of Association specify the following rules:

A director or officer shall disclose the nature of his interest in any matter concerning the Institute and shall not attend or vote in any meetings of the Institute or engage in any discussion whereby matters that he is interested in would be considered or discussed.

15. Audit however noted that:
- (a) at the Panel meeting of May 2014 (see paras. 7 and 10), the Chairman and the Chief Executive, HKSI declared interests on the subject matter but continued to participate in the meeting;
 - (b) similar issues involving the Chairman, Director C and the Chief Executive, HKSI occurred at the Board meeting of June 2014 (see paras. 11 and 12); and
 - (c) no declarations of interests were made at the Panel and Board meetings before May 2014.
16. Upon enquiry, the HKSI informed Audit in March 2015 that:
- (a) the HKSI's position regarding the interpretation and application of regulatory imperatives was that the objective reasonable person test would always be applied in applying risk assessments to any potential conflict of interest, and to whether the nature of the interest was of such materiality as to require any member to absent him/herself from a meeting. This was according to the guidelines provided by the Independent Commission Against Corruption, the Efficiency Unit, as well as the Companies Ordinance;
 - (b) in this case, as the directors/officer concerned had no financial interests in the schools, it was not so considered, as evidenced by the facts of the case and the relevant minutes which provided a summary of the meeting discussion;
 - (c) furthermore, no objections were raised in the relevant meetings regarding the decisions made. Therefore, the results would have been no different if the directors/officer had not been there;
 - (d) importantly as recorded in the minutes, neither the directors nor the officer lobbied for the school about which they had openly and fully declared their interests; and

(e) the final approval for the partner schools with the associated budgets was not made until 16 March 2015, during which meeting relevant directors declared their interests and with the agreement of the Board continued to attend the meeting but abstained from voting.

17. In Audit's view, the HKSI needs to ensure that the rules on dealing with conflicts of interest in Board/committee proceedings as specified in the HKSI's Articles of Association are strictly followed.

Source: Audit analysis of HKSI records

Note 1: The School Network was officially launched in early June 2014, with 25 network schools, including five of the six candidate schools complying with the key criteria recommended by the Consultant (see para. 4(a)) and seven schools of School Organisation C.

Note 2: Schools A and B were among the six candidate schools. School Organisation C comprised a number of schools. The proposal of School Organisation C involved only two of its schools.

Note 3: Director C was not a member of the Panel.

**Sports facilities of the HKSI
(December 2014)**

Location	Facilities	Approximate area (Square metre)	No. of units available
<i>Fo Tan venue</i>			
Main sports complex	Fencing hall	820	19 pistes
	Badminton hall	2,410	16 courts
	Karatedo hall	280	1 court
	Table tennis hall	825	16 tables
	Squash court	850	11 single courts
Sports complex annex	Bowling centre	1,100	12 lanes
	Billiard centre	215	6 billiard tables
	Squash court	385	4 single courts convertible into 3 double courts
	Wushu hall	1,450	4 mats
Swimming complex	52-metre swimming pool	2,770	10 lanes
Outdoor	Athletics track and field	16,190	1 venue
	Basketball court	1,200	2 courts
	Grass pitch ground	6,300	1 venue
	Tennis court	6,035	8 courts
<i>Ma On Shan satellite site</i>			
Velodrome	Velodrome	6,100	1 venue

Source: HKSI records

**Other facilities of the HKSI
(December 2014)**

Location	Facilities	Approximate area (Square metre)	Capacity/No.
Fo Tan venue	Athlete hostel	5,748	185 rooms
	Sports residence	2,187	74 rooms
	Carpark	7,511	216 covered spaces and 70 outdoor spaces
	Canteen	1,151	1 (300 seats)
	Lecture theatre	407	1 (400 seats)
	Boardroom	101	1
	Meeting room	649	11
	Function room	219	1
Ma On Shan satellite site	Meeting room	42	1

Source: HKSI records

Acronyms and abbreviations

Audit	Audit Commission
EADF	Elite Athletes Development Fund
EVSS	Elite Vote Support System
FC	Finance Committee
FSTB	Financial Services and the Treasury Bureau
HAB	Home Affairs Bureau
HKJC	Hong Kong Jockey Club
HKSI	Hong Kong Sports Institute Limited
LCSD	Leisure and Cultural Services Department
LegCo	Legislative Council
NSAs	National Sports Associations
School Network	Elite Athlete-friendly School Network
SF&OC	Sports Federation and Olympic Committee of Hong Kong, China