

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.