

CHAPTER 5

Home Affairs Bureau

Hong Kong Academy for Performing Arts

**Audit Commission
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5 April 2016**

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. 66 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 ACADEMY FOR PERFORMING ARTS

Contents

	Paragraph
EXECUTIVE SUMMARY	
PART 1: INTRODUCTION	1.1 – 1.17
Audit review	1.18 – 1.19
General response from the HKAPA and the Government	1.20
Acknowledgement	1.21
PART 2: PROVISION OF ACADEMIC PROGRAMMES	2.1 – 2.5
Student enrolment	2.6 – 2.16
Audit recommendations	2.17
Response from the HKAPA	2.18
Response from the Government	2.19
Admission of non-local students	2.20 – 2.30
Audit recommendations	2.31
Response from the Government	2.32 – 2.33
Student unit cost	2.34 – 2.37
Audit recommendation	2.38
Response from the HKAPA	2.39
Response from the Government	2.40 – 2.41

	Paragraph
Graduate number and employment survey	2.42 – 2.50
Audit recommendations	2.51 – 2.52
Response from the HKAPA	2.53
Response from the Government	2.54
Non-government funded programmes	2.55 – 2.58
Audit recommendations	2.59
Response from the HKAPA	2.60
Response from the Government	2.61
PART 3: GOVERNANCE AND GOVERNMENT MONITORING	3.1 – 3.5
Council and committee proceedings	3.6 – 3.17
Audit recommendations	3.18 – 3.19
Response from the HKAPA	3.20
Response from the Government	3.21
Government monitoring	3.22 – 3.38
Audit recommendations	3.39 – 3.41
Response from the HKAPA	3.42
Response from the Government	3.43 – 3.44
PART 4: ADMINISTRATIVE ISSUES	4.1
Utilisation of teaching venues	4.2 – 4.9
Audit recommendations	4.10
Response from the HKAPA	4.11

	Paragraph
Utilisation of performance venues	4.12 – 4.16
Audit recommendations	4.17
Response from the HKAPA	4.18
Electricity charges and energy management	4.19 – 4.23
Audit recommendations	4.24
Response from the HKAPA	4.25
Management of fixed assets	4.26 – 4.33
Audit recommendations	4.34
Response from the HKAPA	4.35
Investment of surplus funds	4.36 – 4.38
Audit recommendations	4.39
Response from the HKAPA	4.40
PART 5: CAMPUS IMPROVEMENT AND EXPANSION	5.1
Wanchai Campus expansion project	5.2 – 5.15
Audit recommendations	5.16 – 5.18
Response from the HKAPA	5.19
Response from the Government	5.20 – 5.21
Planning for further campus expansion	5.22 – 5.30
Audit recommendations	5.31 – 5.32
Response from the HKAPA	5.33
Response from the Government	5.34

Appendices	Page
A : HKAPA: Organisation chart (December 2015)	85
B : HKAPA's income and expenditure (2010-11 to 2014-15)	86
C : Awards and achievements of HKAPA students and graduates in performing arts events (2015)	87
D : Acronyms and abbreviations	88

HONG KONG ACADEMY FOR PERFORMING ARTS

Executive Summary

1. The Hong Kong Academy for Performing Arts (HKAPA) was established in 1984 by The Hong Kong Academy for Performing Arts Ordinance (Cap. 1135) to foster and provide training, education and research in the performing arts and related technical arts. The HKAPA offers undergraduate degree programmes, sub-degree programmes and junior programmes with government funding. It also offers self-financing Master's degree programmes. The Home Affairs Bureau (HAB) oversees the funding and operations of the HKAPA. In the financial year 2014-15 (ended on 30 June 2015), government subvention to the HKAPA amounted to \$309 million, accounting for 66% of the HKAPA's total income of \$467 million. With a total expenditure of \$437 million, the HKAPA recorded a surplus of \$30 million in 2014-15. The Audit Commission (Audit) has recently conducted a review of the HKAPA.

Provision of academic programmes

2. *Enrolment shortfall in government-funded programmes.* As at 31 October 2015, there were 643 students enrolled for the HKAPA's undergraduate degree programmes and 142 students for sub-degree programmes. The 785 enrolled students comprised 698 (89%) local students and 87 (11%) non-local students. The HKAPA sets student enrolment targets every year. For undergraduate degree and sub-degree programmes, there were enrolment shortfalls in the academic years 2012/13 to 2015/16, increasing from 14 places (2%) in 2012/13 to 40 places (5%) in 2015/16. In 2015/16, local students only filled 85% of the enrolment target of 825. The shortfall was partially made up by non-local students (see para. 3). Among the HKAPA's six Schools, the School of Chinese Opera had the highest number (16) and percentage (26%) of enrolment shortfall in 2015/16. With increasing competition from other higher education institutions against the trend of a falling student population, the HKAPA needs to plan strategically to meet the challenges in student enrolment (paras. 1.7, 2.6, 2.8, 2.10 and 2.13).

Executive Summary

3. ***Need to review HKAPA policy on admission of non-local students.*** The Government has adopted a policy to attract quality non-local students to study in Hong Kong as a way to internationalise the local higher education sector. In December 2014, the Government refined the policy such that for education institutions funded by the University Grants Committee (UGC), starting from 2016/17, all new non-local students should be admitted through over-enrolment outside the approved student number targets, capped at 20% of the targets. The refined policy ensures that all UGC-funded places are for local students only. The HKAPA has adopted a policy of admitting non-local students up to 20% of the total student number, with no differentiation of its student number target between local students and non-local students. The HAB needs to review whether and to what extent the principles of the refined policy for UGC-funded institutions would apply to the HKAPA, and to draw up a policy on admission of non-local students for the HKAPA (paras. 2.20, 2.23, 2.26 and 2.27).

4. ***Tuition fee for non-local students not recovering all additional direct costs.*** For undergraduate degree programmes, the HKAPA has adopted the policies of aligning the tuition fee with that of UGC-funded institutions (set for some years at \$42,100 a year), and charging non-local students the same tuition fee. By contrast, UGC-funded institutions are required to charge non-local students tuition fee at a level that was at least sufficient to recover all additional direct costs. In 2015/16, their fees ranged from \$110,000 to \$146,000. In response to the HAB's request of February 2015 for the HKAPA to review its tuition fee policy for non-local students, the HKAPA indicated that it was formulating a proposal of phased introduction of fee increase (paras. 2.28 and 2.29).

5. ***Increasing student unit cost.*** The HKAPA's student unit cost, being an important performance indicator, is published in the HAB's Controlling Officer's Report. There has been an increasing trend in the HKAPA's student unit cost, which increased by 80% from \$171,000 in 2005/06 to \$308,000 in 2014/15. The HAB and the HKAPA need to examine the underlying reasons and monitor the student unit cost closely (paras. 2.34 and 2.36).

6. ***Decreasing number of graduates.*** In line with the new academic structure, the HKAPA started in 2012/13 to migrate to a four-year undergraduate degree structure. In the transition, the HKAPA expanded its enrolment of undergraduate degree programmes and phased out some sub-degree programmes. As a result, the total number of graduates decreased by 47% from the peak of 418 in

Executive Summary

2011/12 to 222 in 2014/15. This has reduced the supply of HKAPA graduates to the performing arts sector (paras. 2.42 to 2.44).

Governance and government monitoring

7. *Lower meeting attendance rates of some committees and Council members.* The Council, supported by seven committees, is the governing body of the HKAPA. While from 2011 to 2015 the overall attendance rates at meetings of the Council and its committees were generally above 70%, one committee in 2013 and another in 2011, 2013 and 2015 had lower overall attendance rates (ranging from 60% to 69%). Furthermore, two Council members had low attendance rates (29%) at Council meetings during their term from 2013 to 2014. However, both were re-appointed for another term from 2015 to 2016 (paras. 3.2, 3.3, 3.7 and 3.8).

8. *Need to impose additional requirements for monitoring.* In 2001, the HAB and the HKAPA entered into a Memorandum of Administrative Arrangements (MAA) setting out the framework of administrative arrangements between them. As the MAA has not been updated, some important reporting requirements specified in subvention guidelines issued by the Government after 2001 are not incorporated, such as the requirement to submit an audited annual financial report on subvented programmes with an auditor's opinion on the compliance with all government requirements and subvention guidelines (paras. 3.22, 3.24 and 3.25).

9. *Unspent balances not returned to the reserve.* The HKAPA may keep as reserve any savings from its annual recurrent subvention, up to a limit. It might make allocation from the reserve for a specific purpose. When the purpose has been accomplished, the unspent balance should be returned to the reserve. However, there were cases where the unspent balances totalling some \$18 million were not duly returned to the reserve (paras. 3.26 and 3.29).

Administrative issues

10. *Low utilisation rates of some teaching venues.* Audit analysis based on available records indicated that the average utilisation rates of the HKAPA's teaching venues in 2014-15 were: (a) 32% to 79% for those at the Wanchai Campus; (b) 3% to 28% for those at the Bethanie Campus; and (c) 12% to 35% for

Executive Summary

those at leased premises at commercial buildings. The utilisation rates recorded for some teaching venues were low, although according to HKAPA records there have been repeated comments of acute shortage in teaching space (paras. 4.5 to 4.7).

11. *Low utilisation rates of some performance venues.* The HKAPA has a number of performance venues, which are available for hiring by outside parties when they are not being used for teaching purposes. Based on statistics compiled by the HKAPA, the utilisation rates of these performance venues in 2014-15 were: (a) 50% to 94% for those at the Wanchai Campus; and (b) 19% to 31% for those at the Bethanie Campus. There is scope for promoting the hiring of the performance venues with low utilisation rates (paras. 4.12 to 4.14).

Campus improvement and expansion

12. In June 2012, the Finance Committee of the Legislative Council (LegCo) approved a funding of \$444.8 million for the HKAPA to carry out an expansion and improvement project of the Wanchai Campus. The core part of the project was an on-campus expansion (OCE) project, scheduled for completion in December 2015. As at January 2016, the OCE project was expected to be completed in December 2017, two years behind schedule (paras. 5.3 and 5.5).

13. *Change in project design after funding approval.* The HKAPA's original plan was to invite tenders in January 2013. However, it only did so in October 2013 after making design changes found necessary in: (a) a strategic review initiated in November 2012, which concluded in April 2013 that a digital technology enhanced educational environment would be a key priority; and (b) a value re-engineering exercise conducted from January to March 2013 with a view to reducing the project cost, after it found from the pre-tender estimate in December 2012 that the approved project estimate (APE) of \$444.8 million might be exceeded. However, the returned tender prices were still higher than the estimates. In March 2014, the HAB made a proposal to the Financial Services and the Treasury Bureau (FSTB) to seek supplementary provision of \$150 million to cover the increased cost of the OCE project (about \$105 million) and to meet the expenditure for specialist equipment (about \$45 million) not included in the original project scope. The FSTB commented that it was highly undesirable for the HKAPA to initiate changes that would affect the APE after funding approval, and asked the HAB and the HKAPA to critically review the project scope and works specifications to contain the project cost within the APE (paras. 5.6 and 5.8).

Executive Summary

14. ***Project scope reduction not reported to LegCo.*** In June 2014, the HAB and the HKAPA worked out a cost containment proposal to bring about savings of \$68 million to contain the project cost within the APE by excluding the construction of a one-storey lightweight structure on the roof of an existing block. The original total construction floor area of 10,889 square metres would be reduced by about 10%. According to a Financial Circular, LegCo approval should be sought for changes that constitute a significant deviation from the approved project scope and the FSTB may approve minor changes to project scope. There are currently no guidelines and procedures for determining what constitutes a significant change in project scope where LegCo approval has to be sought. In this case, the FSTB deferred to the HAB to consider whether and, if so, how to report the reduction in project scope to LegCo. The HAB considered it not necessary to report to LegCo as the proposal would not constitute a substantial change in project scope. In August 2014, the HKAPA awarded the contract according to the cost containment proposal. Up to February 2016, the HAB had not informed LegCo of the project delay and reduction in scope (paras. 5.6 and 5.9 to 5.13).

Audit recommendations

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

- (a) **closely monitor the student enrolment situation and address the enrolment shortfall (para. 2.17(a));**
- (b) **in conjunction with the Secretary for Home Affairs, closely monitor the student unit cost and take effective measures to contain the increasing trend (para. 2.38);**
- (c) **in conjunction with the Secretary for Home Affairs, review the effects of the reduction in number of graduates (para. 2.51);**
- (d) **take measures to improve the attendance rates at Council and committee meetings (para. 3.18(a) and (b));**
- (e) **return to the reserve the unspent balance of an allocation when the purpose of the allocation has been accomplished (para. 3.39(b));**

Executive Summary

- (f) **monitor the utilisation rates of teaching venues and performance venues, and improve the utilisation of those with low utilisation rates (paras. 4.10 and 4.17); and**
 - (g) **implement future government-subsented capital works projects in strict accordance with the approved scope, and avoid making changes to the design and specifications that would increase the APE (para. 5.16(b)).**
16. **Audit has *recommended* that the Secretary for Home Affairs should:**
- (a) **draw up a policy on admission of non-local students for the HKAPA (para. 2.31(a));**
 - (b) **pursue further with the HKAPA on setting a tuition fee level for non-local students to recover all additional direct costs (para. 2.31(b));**
 - (c) **update the MAA with the Government's prevailing subvention guidelines (para. 3.40(a));**
 - (d) **follow up the return of unspent balances of allocations made from the HKAPA's reserve (para. 3.40(b));**
 - (e) **provide timely guidance to subsented organisations to remind them to implement subsented capital works projects in strict accordance with the approved scope, and complete the projects on time and within budget (para. 5.17(b)); and**
 - (f) **report the progress of the OCE project to LegCo with a detailed account of the delay and reduction in scope (para. 5.17(c)).**

Response from the HKAPA and the Government

17. The Director, HKAPA and the Secretary for Home Affairs 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 The Hong Kong Academy for Performing Arts (HKAPA) was established in 1984 by The Hong Kong Academy for Performing Arts Ordinance (HKAPA Ordinance — Cap. 1135). It is a tertiary education institution in performing arts. According to the Ordinance, the objects of the HKAPA are to foster and provide training, education and research in the performing arts and related technical arts. According to its mission statement, the HKAPA seeks to capitalise on its position within a dynamic and diverse cultural metropolis and its strong industry and community partnerships to provide students with an innovative, multidisciplinary and globally focused education. Apart from being a higher education institution, the HKAPA has a unique role in the Government's arts and cultural policies. As the only degree-awarding institution that provides professional training for performing arts practitioners, the HKAPA is a key strategic partner of the Government and plays a pivotal role in training performing arts talents. The HKAPA works closely with the local performing arts sector and the Government to ensure that the training would meet the needs of the sector.

Schools and academic programmes

1.3 The HKAPA has six Schools grouped under two Colleges:

- (a) the College of Allied Arts, comprising the School of Chinese Opera, the School of Dance, and the School of Music; and
- (b) the College of Theatre and Media Arts, comprising the School of Drama, the School of Film and Television, and the School of Theatre and Entertainment Arts.

1.4 The HKAPA offers the following academic programmes:

- (a) undergraduate degree programmes for all the six disciplines. These programmes are the core of the HKAPA's academic programmes;

Introduction

- (b) post-secondary programmes (i.e. sub-degree programmes) for Chinese opera, dance, music, and theatre and entertainment arts;
- (c) junior programmes for dance and music; and
- (d) Master's degree programmes for the five disciplines other than Chinese opera. Unlike the programmes mentioned above, the Master's degree programmes are self-financing, i.e. not covered by government subvention.

1.5 According to the HKAPA:

- (a) the HKAPA has developed a unique suite of conservatoire style performing arts programmes (Note 1) to train high quality performing artists to contribute to the development of the cultural life of Hong Kong; and
- (b) the delivery of such programmes requires an institution with a range of unique attributes, including:
 - (i) highly skilled teachers and practitioners with a strong professional and industry background;
 - (ii) talented students selected through a rigorous auditioning and interview process emphasising “quality” over “quantity”;
 - (iii) specialist, discipline-specific facilities;
 - (iv) a curriculum that privileges performance-based training while complementing it with breadth studies in the humanities and areas of professional need; and
 - (v) an intensive teaching model often requiring small classes and one-to-one interaction.

Note 1: *In the HKAPA's view, such programmes, and the nature of its “research” outcomes which are “documented” through the creation of a new work or performance rather than through the university model of publication, differentiate it from a typical university.*

1.6 The HKAPA started to migrate from a three-year to a four-year undergraduate degree structure in the academic year 2012/13, in line with the new academic structure for senior secondary education and higher education academic system. The HKAPA's academic awards are accredited by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications.

1.7 As at 31 October 2015, there were 643 students enrolled for the HKAPA's undergraduate degree programmes, 142 students for sub-degree programmes, 690 for junior programmes, and 133 for Master's degree programmes.

1.8 The HKAPA has two wholly-owned subsidiary companies limited by guarantee, namely the Extension and Continuing Education for Life Limited (the EXCEL), and the Young Academy Cantonese Opera Troupe Company Limited (the Troupe). The EXCEL, set up in 2005, is the continuing education arm of the HKAPA and offers performing arts education programmes to the general public of all age groups. The Troupe, set up in 2011, carries out outreach activities and provides employment opportunities to graduates of the School of Chinese Opera.

Governance and administration

1.9 According to the HKAPA Ordinance:

- (a) the Council is the governing and executive body of the HKAPA. It shall consist of not more than 15 persons (including the Council Chairman) appointed by the Chief Executive of the Hong Kong Special Administrative Region, the Director (see (b) below), and two persons elected by and from among the HKAPA's staff. It may create committees for any general or special purposes;
- (b) the Council shall appoint a Director. The Director is responsible to the Council and is vested with the management, conduct and administration of the HKAPA, the maintenance of academic standards and the discipline of students. The Director is assisted by two deputy directors. Appendix A shows an organisation chart of the HKAPA; and

Introduction

- (c) the Academic Board has the power and duty to review and develop academic programmes, direct and regulate the training, education and research conducted in the HKAPA, and regulate the examinations leading to the conferment of academic awards, etc. It shall consist of the Director (see (b) above) who shall be the Board Chairman, and persons appointed by the Council.

1.10 As at 30 September 2015, there were 404 full-time posts in the HKAPA's establishment, comprising 5 directorate, 116 academic, 63 administrative and 220 supporting posts. There were also 403 part-time teaching staff and a number of part-time staff for other purposes.

1.11 The Home Affairs Bureau (HAB) is responsible for formulating policies and programmes on culture and the arts. It oversees the operations of the HKAPA in delivering training and education programmes in performing arts. In 2001, the HAB and the HKAPA entered into a Memorandum of Administrative Arrangements (MAA). The MAA sets out the framework of administrative arrangements between the Government and the HKAPA, and is founded on the principle that the HKAPA should have autonomy and flexibility in utilising its funds as is compatible with the HKAPA Ordinance.

Government subvention

1.12 The HKAPA receives subventions from the Government, mainly via the HAB. According to the HAB, a suitable subvention policy is vital to enabling the HKAPA to carry out its unique role as the Government's key strategic partner in fostering the arts and cultural development of Hong Kong.

1.13 Unlike tertiary education institutions funded by the University Grants Committee (UGC — Note 2) where student numbers are a key factor for calculating

Note 2: *The UGC is an advisory committee responsible for advising the Government on the development and funding needs of higher education institutions of Hong Kong. Currently, there are eight higher education institutions funded through the UGC, namely, City University of Hong Kong, Hong Kong Baptist University, Lingnan University, The Chinese University of Hong Kong, The Hong Kong Institute of Education, The Hong Kong Polytechnic University, The Hong Kong University of Science and Technology, and The University of Hong Kong.*

subvention, the amount of subvention for the HKAPA in a particular year is determined by taking into account a number of factors, including the HKAPA's baseline expenditure, approved funding for new initiatives, estimated income, impact of civil service pay adjustment, and the overall government budgetary situation, etc. The HAB considers that the subvention arrangement for the HKAPA, instead of being driven solely by student numbers, should take into consideration the unique nature and functions of a quality performing arts education provider.

1.14 Based on the audited financial statements for the financial year 2014-15 (ended on 30 June 2015), government subvention to the HKAPA amounted to \$309.1 million, accounting for 66% of the HKAPA's total income of \$466.7 million. The government subvention in 2014-15 included the following:

- (a) recurrent subvention of \$280.5 million;
- (b) capital subvention of \$13.8 million related to the acquisition of minor capital items (up to \$2 million each); and
- (c) capital subvention of \$8.1 million related to the acquisition of major capital items (over \$2 million each) and works projects.

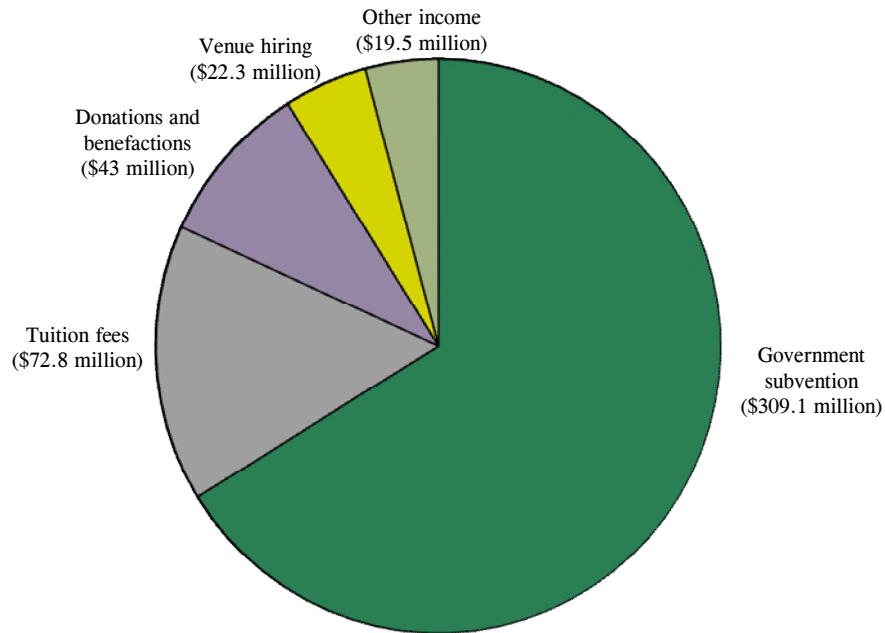
Financial performance

1.15 With a total expenditure of \$436.9 million, the HKAPA recorded a surplus of \$29.8 million in 2014-15. Figure 1 analyses its income and expenditure. Appendix B shows the HKAPA's income and expenditure for the financial years 2010-11 to 2014-15, together with an analysis of the rates of increase/decrease of the individual items.

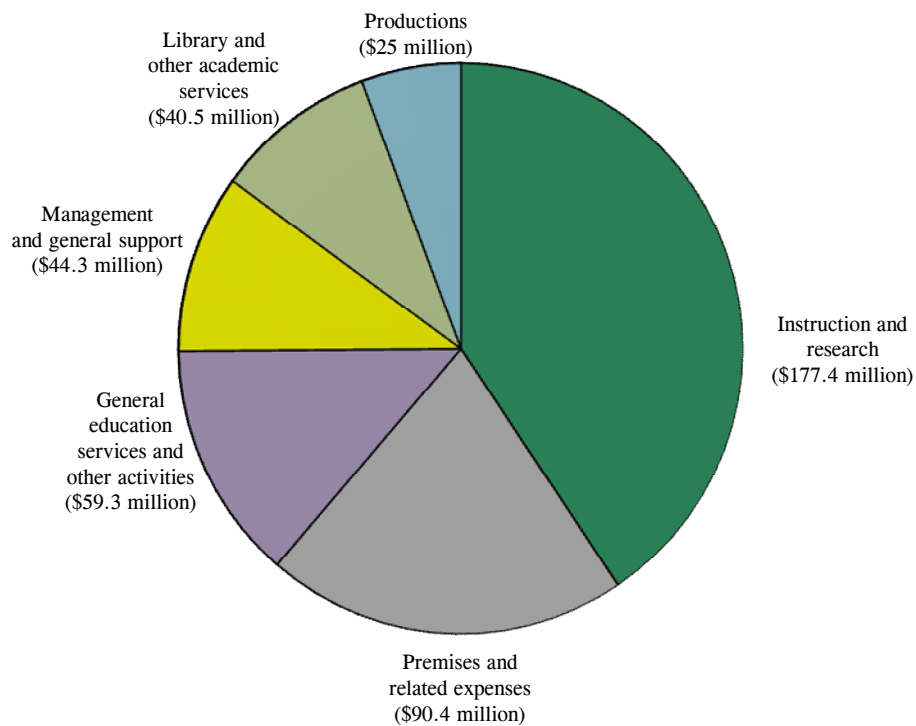
Figure 1

**HKAPA's income and expenditure
(2014-15)**

Income (\$466.7 million)



Expenditure (\$436.9 million)



Source: Audit analysis of HKAPA records

Campuses

1.16 The HKAPA has two campuses. The main campus is the Wanchai Campus located in Wanchai waterfront (see Photograph 1), which is now undergoing an expansion project. The other campus is the Bethanie Campus located in Pokfulam (see Photograph 2), which is a heritage site.

Photograph 1

Wanchai Campus



Source: HKAPA records

Photograph 2

Bethanie Campus



Source: HKAPA records

Introduction

Aspirations and awards

1.17 In 2014, the HKAPA celebrated its 30th anniversary. During the three decades, the HKAPA provided training and education to many artists and professionals for the local performing arts sector. According to the HKAPA's strategic plan for 2013 to 2023, it aspires to remain the institution of choice for talented local performing arts students, and to make its graduates the first choice of local performing arts companies. The important role played by the HKAPA in the performing arts sector of Hong Kong will continue to rise in the years to come in view of the development of the West Kowloon Cultural District, bringing about an increasing demand for performing artists. Appendix C shows the awards and achievements of the HKAPA students and graduates in performing arts events in 2015.

Audit review

1.18 In October 2015, the Audit Commission (Audit) commenced a review of the HKAPA. The review has focused on the following areas:

- (a) provision of academic programmes (PART 2);
- (b) governance and government monitoring (PART 3);
- (c) administrative issues (PART 4); and
- (d) campus improvement and expansion (PART 5).

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

General response from the HKAPA and the Government

1.20 The Director, HKAPA and the Secretary for Home Affairs generally accept the audit recommendations. The Director, HKAPA has provided Audit with the following comments on the value of the work of the HKAPA:

- (a) while there are effective accounting processes for measuring costs, measuring the value of the work of the HKAPA is a different and, due to the subjective and qualitative elements of the performing arts, a somewhat more challenging process; and
- (b) the HKAPA believes that the value of its work should embrace its contribution to education, culture and society. As a developed economy and knowledge-based society, Hong Kong has a rich cultural life framed within a dynamic and diverse cultural metropolis at a unique point of intersection between the Eastern and the Western cultural practice. The role of the HKAPA, which contributes to the development of the cultural life of Hong Kong, is of significant value. As such, the HKAPA should be continually nurtured and appropriately supported, and its future should never be taken for granted.

Acknowledgement

1.21 Audit would like to acknowledge with gratitude the assistance and full cooperation of the staff of the HKAPA and the HAB during the course of the audit review.

PART 2: PROVISION OF ACADEMIC PROGRAMMES

2.1 This PART examines the following issues relating to the HKAPA's provision of academic programmes:

- (a) student enrolment (paras. 2.6 to 2.19);
- (b) admission of non-local students (paras. 2.20 to 2.33);
- (c) student unit cost (paras. 2.34 to 2.41);
- (d) graduate number and employment survey (paras. 2.42 to 2.54); and
- (e) non-government funded programmes (paras. 2.55 to 2.61).

Academic programmes

2.2 As a tertiary education institution, the HKAPA offers academic programmes in its six Schools:

	<i>College of Allied Arts</i>		<i>College of Theatre and Media Arts</i>
(a)	School of Chinese Opera	(d)	School of Drama
(b)	School of Dance	(e)	School of Film and Television
(c)	School of Music	(f)	School of Theatre and Entertainment Arts

2.3 ***Government-funded programmes.*** All the six Schools offer undergraduate degree programmes which are the core of the HKAPA's academic programmes. Sub-degree programmes (certificate, diploma and advanced diploma programmes) are offered in four Schools (Chinese Opera, Dance, Music, and Theatre and Entertainment Arts). The School of Dance and the School of Music also offer junior programmes (part-time) to talented school students with government funding.

2.4 *Non-government funded programmes.* According to the MAA, the HKAPA is allowed to operate non-government funded programmes on a self-financing basis. The HKAPA has set up a Graduate Education Centre to offer Master's degree programmes on a self-financing basis for five disciplines other than Chinese Opera. The HKAPA's two subsidiary companies also offer non-government funded programmes. The EXCEL provides part-time programmes in performing arts for students of all ages. The Troupe provides continuing education, training and performance opportunities for young Cantonese opera artists (including HKAPA graduates).

2.5 The Academic Board, chaired by the Director and comprising senior academic staff and student representatives, is responsible for reviewing and developing academic programmes, directing and regulating the training, education and research conducted in the HKAPA. The Director reports to the Council on matters decided at the Academic Board for the Council's information or decision.

Student enrolment

2.6 The HKAPA sets student number targets every year. The six Schools set admission targets for first-year students and overall enrolment targets to facilitate tracking of enrolment trends and revealing anomalies, which help the HKAPA monitor performance, evaluate its academic programmes as well as develop future recruitment strategy. The targets are projected figures and take into account the current student enrolment situation and anticipated changes. After approval by the Academic Board, the targets are submitted to the HAB together with the annual budget of the corresponding financial year (Note 3).

Enrolment shortfall in government-funded programmes

2.7 In line with the government education policy on new academic structure, the HKAPA started to migrate from a three-year to a four-year undergraduate degree structure from the academic year 2012/13. The migration was completed by the end of 2014/15. Audit analysed the enrolment targets provided by the HKAPA

Note 3: *The HKAPA updates the targets after completing the auditions and interviews of applicants for its academic programmes, taking into account the number of offer letters issued to applicants.*

Provision of academic programmes

to the HAB and the actual student numbers of the undergraduate degree and sub-degree programmes from 2012/13 to 2015/16. Table 1 shows the results.

Table 1
Target and actual number of students
(2012/13 to 2015/16)

Academic year	Undergraduate degree programmes			Sub-degree programmes			Total		
	Target (No.)	Actual (No.)	Under/ (over)- target (No.)	Target (No.)	Actual (No.)	Under/ (over)- target (No.)	Target (No.)	Actual (No.)	Under/ (over)- target (No.)
2012/13	653	626	27	146	159	(13)	799	785	14
2013/14	634	629	5	171	152	19	805	781	24
2014/15	677	654	23	135	130	5	812	784	28
2015/16	677	643	34	148	142	6	825	785	40

Source: Audit analysis of HKAPA records

Remarks: Each year, the HKAPA may conditionally admit some students who do not meet the general admission requirements. These students are required to retake certain subjects in public examinations within two years in order to fulfil the general admission requirements. For the academic year 2015/16, among the 785 enrolled students, there were 32 first-year students on conditional admission.

2.8 Table 1 shows that, for undergraduate degree programmes, the enrolment targets were not met for all four years. For sub-degree programmes, the enrolment targets were not met for three years (except for 2012/13). Overall, there were enrolment shortfalls, increasing from 14 places (2%) in 2012/13 to 40 places (5%) in 2015/16. It should be noted that the student enrolment figures reported by the HKAPA included non-local students (see paras. 2.20 to 2.27). In 2015/16, the 785 enrolled students comprised 698 (89%) local students and 87 (11%) non-local students. Local students only filled 85% of the enrolment target of 825. The shortfall was partially made up by non-local students.

Provision of academic programmes

2.9 Audit further analysed the 2015/16 enrolment situation of each of the six Schools. Table 2 shows the results.

Table 2
Target and actual number of students
(2015/16)

School	Target (No.)	Actual (No.)	Under/(over)-target	
			(No.)	(%)
Chinese Opera (Note)	62	46	16	26
Music	197	187	10	5
Dance	142	134	8	6
Drama	99	95	4	4
Film and Television	117	113	4	3
Theatre and Entertainment Arts	208	210	(2)	(1)
Total	825	785	40	5

Source: Audit analysis of HKAPA records

Note: In 1998, the HKAPA set up the Centre for the Chinese Traditional Theatre to provide sub-degree programmes in Chinese opera. In 2013, the Centre was upgraded to become the School of Chinese Opera to offer both undergraduate degree and sub-degree programmes starting from the academic year 2013/14.

2.10 Table 2 shows that the School of Chinese Opera had the highest number (16) and percentage (26%) of enrolment shortfall in 2015/16. HKAPA records also showed that:

- (a) in 2012/13, when only sub-degree programmes were offered (see Note to Table 2), the School had 61 students; and

Provision of academic programmes

- (b) since 2013/14, the School has offered both undergraduate degree and sub-degree programmes. The number of students of the School has been decreasing from 57 in 2013/14 to 46 in 2015/16.

In Audit's view, special attention is required to tackle the enrolment shortfall problem in the School of Chinese Opera.

Challenges ahead on enrolling students

2.11 In Audit's view, the HKAPA needs to monitor closely the student enrolment situation. In recent years, in its annual budget submissions to the HAB, the HKAPA explained that the enrolment shortfall was the results of:

- (a) difficulties in recruiting qualified students, especially for the School of Chinese Opera;
- (b) students with good examination results normally applying for places in institutions funded by the UGC; and
- (c) potential candidates withdrawing due to competition from UGC-funded institutions. Many candidates tended to take the offer from the UGC-funded institutions instead of joining the HKAPA. Family pressure often contributed to this decision.

2.12 The HKAPA needs to take measures to address the enrolment shortfall. This is particularly important in view of the recent developments in the higher education sector. In December 2014, the Education Bureau (EDB) informed the Legislative Council (LegCo) that:

- (a) the Government expected a continuous drop in the population of the relevant age cohort proceeding to post-secondary education in the coming decade. The number of local secondary school graduates would drop significantly, from about 62,000 in 2014 to 42,700 in 2022;
- (b) the Government would take a series of measures to further increase subsidised higher education opportunities, in order to provide school leavers with broader and more diversified articulation pathways; and

- (c) on full implementation of these measures, and given the declining student population, the Government envisaged that there would be sufficient publicly-funded and self-financing first-year-first-degree places for all secondary school leavers who meet minimum university entrance requirements by 2016/17.

2.13 These recent developments indicate that there will be increasing competition from the UGC-funded institutions and other higher education institutions against the trend of a falling student population. The HKAPA needs to plan strategically to meet the challenges.

Need for measures to enhance student application

2.14 The HKAPA admits students with results from the Hong Kong Diploma of Secondary Education (HKDSE) Examination to its academic programmes. The admission is by direct application in hardcopy at a fee of \$300. There has been a decreasing trend in the number of applications for undergraduate degree and sub-degree programmes in the last four academic years: 2012/13 (1,901), 2013/14 (1,821), 2014/15 (1,717) and 2015/16 (1,494). The HKAPA admitted 222 first-year students in 2015/16.

2.15 The HKAPA has not joined the Joint University Programmes Admissions System (JUPAS) which is a scheme and the main route of application designed to assist students with HKDSE Examination results to apply for admission to tertiary education programmes. Initially, JUPAS was participated by the eight UGC-funded institutions. In 2007, the Open University of Hong Kong joined JUPAS in respect of its self-financing programmes. In 2015, five private tertiary institutions also joined JUPAS in respect of their programmes funded by the EDB. JUPAS makes use of an online platform to streamline the application process and charges a fee of \$420 per applicant.

2.16 Audit considers that the HKAPA needs to explore measures to improve its admission procedures with a view to attracting more applicants for its academic programmes, making reference to operations of JUPAS.

Audit recommendations

2.17 **Audit has *recommended* that the HKAPA, in consultation with the Secretary for Home Affairs, should:**

- (a) **closely monitor the student enrolment situation and address the enrolment shortfall, particularly for the School of Chinese Opera;**
- (b) **plan strategically to meet the challenges presented by the decreasing population of secondary school graduates and the increasing competition from other higher education institutions; and**
- (c) **explore measures to attract more suitably qualified students to apply for its academic programmes, including ways to improve its admission procedures.**

Response from the HKAPA

2.18 The Director, HKAPA generally accepts the audit recommendations. He has said that:

- (a) the HKAPA is taking steps to address the key issues relating to enrolment numbers, including reviewing the relevant entry and articulation pathways. Separately, the HKAPA is planning to develop an online web-based platform for local and international students to submit their applications with a view to reaching out to a wider pool of suitably qualified candidates and facilitating their applications; and
- (b) since the School of Chinese Opera is the youngest school of the HKAPA and still in its fledging phase, its impact and potential has yet to be fully realised. Also, training in Chinese opera at a pre-tertiary level in Hong Kong has not been widely developed.

Response from the Government

2.19 The Secretary for Home Affairs generally accepts the audit recommendations.

Admission of non-local students

Government policy on non-local students

2.20 Under the Government's education hub policy, Hong Kong is to be developed as a regional education hub. It aims to attract quality non-local students to study in Hong Kong and, through this process, further internationalise the local higher education sector and increase the exposure of local students. Under this policy, higher education institutions enrol non-local students in accordance with the Government's admission policy and admission quota.

2.21 In October 2007, the Government decided to increase the non-local student quota for publicly-funded programmes at the sub-degree, undergraduate degree and taught postgraduate level in phases, from 10% to 20% of the approved student number targets. The 20% would be split into 4% ("4%-in policy") within approved student number targets and 16% outside approved student number targets in respect of the UGC-funded institutions. In other words, the approved student number targets of UGC-funded institutions might include up to 4% of non-local students with government funding.

2.22 In recent years, some LegCo Members and members of the public expressed concerns that all approved UGC-funded places should be fully utilised to admit local students, so as to maximise the use of public resources for the benefit of local students. Even though the majority of non-local students were admitted to UGC-funded institutions through over-enrolment, they remained concerned whether the "4%-in policy" would displace local students.

2.23 In December 2014, the Chief Executive-in-Council approved to refine the policy and the Government announced that:

- (a) starting from the academic year 2016/17, all new non-local students should be admitted through over-enrolment outside the approved UGC-funded student number targets, capped at a level equivalent to 20% of the approved UGC-funded student number targets for sub-degree, undergraduate degree and taught postgraduate programmes by study level; and

Provision of academic programmes

- (b) non-local students would continue to be required to pay tuition fee at a level that was at least sufficient to recover all additional direct costs but not the full cost (Note 4).

The refined policy on non-local students is to ensure that, starting from the academic year 2016/17, all UGC-funded places are for local students only. Non-local students would be admitted through over-enrolment outside the student number targets.

2.24 In its letter of February 2015 to the HKAPA, the HAB drew the HKAPA's attention to the refined policy for UGC-funded institutions. The HAB informed the HKAPA that the refined policy highlighted the policy intention that:

- (a) publicly-funded higher education places should entirely be allocated to local students; and
- (b) all non-local students enrolling in publicly-funded programmes should be charged at a level which was at least sufficient to recover all additional direct costs.

2.25 In the letter of February 2015, the HAB also said that while the funding and student enrolment mechanism for UGC-funded institutions did not automatically apply to the HKAPA, the HAB suggested the HKAPA to duly take into account the above new development in the UGC sector in conducting its review on the tuition fee charging policy for non-local students so that it would become more compatible with the policy applicable to the local tertiary education sector at large.

Admission of non-local students at HKAPA

2.26 The HKAPA has adopted a policy of admitting non-local students, up to 20% of the total student number. The non-local students were counted as intake in

Note 4: *In its 2011 report on the development of education services in Hong Kong, the Education Commission recommended that education institutions, both within and outside the UGC-funded sector, should charge non-local students at a level that could at least recover all additional direct costs and could consider charging non-local students at the full cost level.*

meeting the student number target and thus were funded by the Government. In 2015/16, the number of non-local students was 87, or 11% of the total student number of 785. Compared with an overall enrolment target of 825 students, there was an overall shortfall of 40 (5%) students if non-local students were counted, or an overall shortfall of 127 (15%) students if non-local students were not counted (see para. 2.8).

2.27 From HAB and HKAPA records, there was no differentiation of the student number target between local students and non-local students. Since the HKAPA is also providing publicly-funded places in tertiary education, the HAB needs to review whether and to what extent the principles of the government policy on admission of non-local students in UGC-funded institutions (see para. 2.24) would apply to the HKAPA, and to draw up a policy on admission of non-local students for the HKAPA.

Tuition fee for non-local students not recovering all additional direct costs

2.28 The HKAPA has adopted a policy of aligning the tuition fee of undergraduate degree programmes with that of the UGC-funded institutions. The tuition fee for undergraduate degree programmes has been set for some years at \$42,100 a year. The HKAPA has also adopted a policy of charging non-local students the same tuition fee as local students. By contrast, for the academic year 2015/16, UGC-funded institutions charged non-local students tuition fee at a level ranging from \$110,000 to \$146,000, on the basis that the fee level was at least sufficient to recover all additional direct costs.

2.29 In February 2015, the HAB requested the HKAPA to review its tuition fee policy for non-local students (see para. 2.24). In July 2015, the HKAPA explained to the HAB that the existing policy would allow it to attract talented non-local students given that the HKAPA did not provide a hostel to non-local students. The HKAPA proposed to move towards full implementation of the new tuition fee policy for non-local students after the completion of a student hostel in the academic year 2024/25. The HKAPA was formulating a proposal of phased introduction of fee increase for consideration by the HAB. In late 2015, the HKAPA initiated the admission procedures for the academic year 2016/17 and published fees of undergraduate degree programmes for local and non-local students, both at \$42,100.

Provision of academic programmes

2.30 In Audit's view, the HAB should pursue further with the HKAPA on the review of its tuition fee policy for non-local students, having regard to the policy applicable to UGC-funded institutions. The HAB should also take into account the views of the EDB on this matter.

Audit recommendations

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

- (a) **in consultation with the Secretary for Education, draw up a policy on admission of non-local students for the HKAPA, making reference to the principles of the policy applicable to UGC-funded institutions; and**
- (b) **in consultation with the Secretary for Education, pursue further with the HKAPA on setting a tuition fee level for non-local students to recover all additional direct costs.**

Response from the Government

2.32 The Secretary for Home Affairs generally accepts the audit recommendations. He has said that the HAB will continue to follow up with the HKAPA with a view to working out a set of clear enrolment and tuition fee policy for non-local students, having regard to the academic needs of the HKAPA for a satisfactory international mix of student population, the overall quality of the learning environment and experience for HKAPA students, cost-effectiveness of the use of public funds as well as the rationale behind the policy adopted by UGC-funded institutions.

2.33 The Secretary for Financial Services and the Treasury has said that the HAB should, in consultation with the EDB, follow up the audit observations regarding the inconsistency between the HKAPA and UGC-funded institutions on admission of non-local students.

Student unit cost

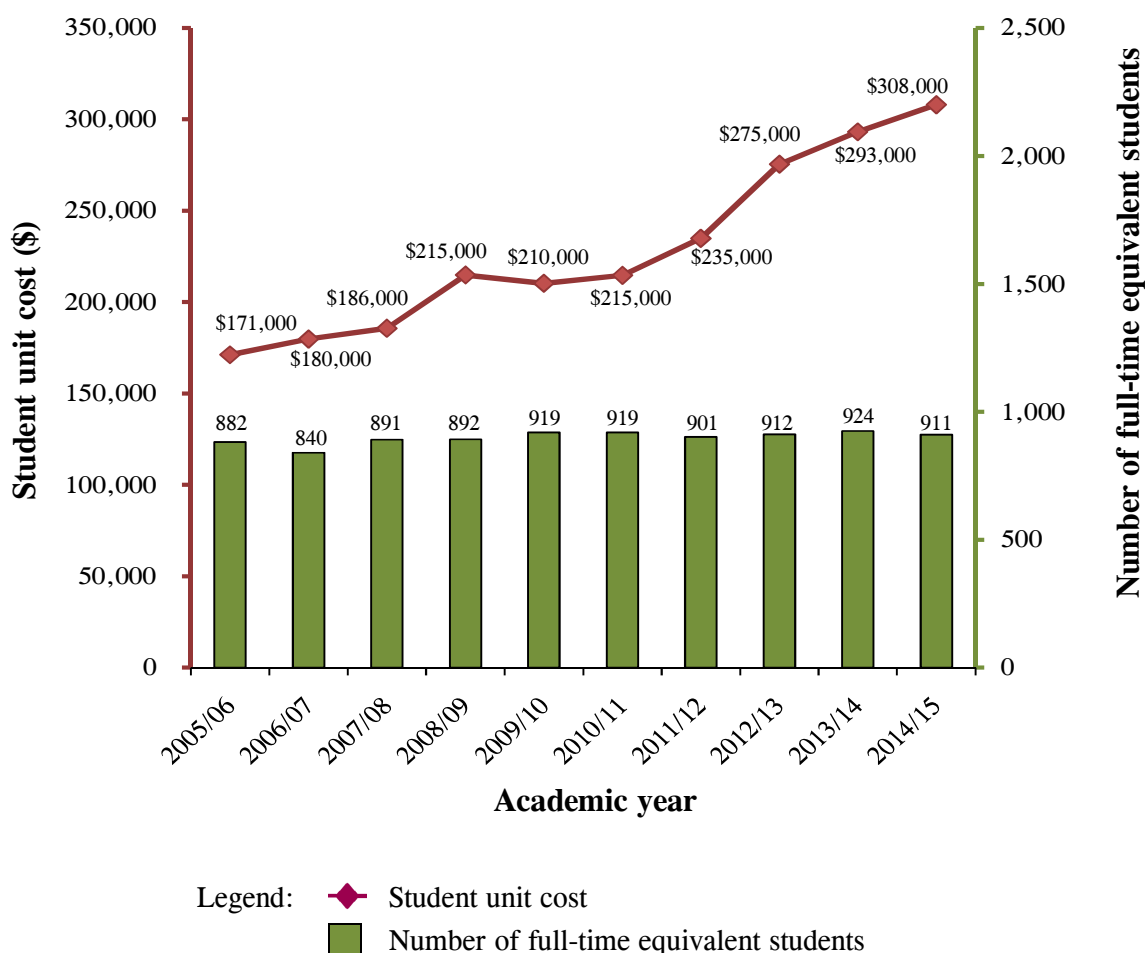
2.34 According to government subvention guidelines, the Controlling Officer of subvention should, in consultation with the subvented organisation, formally define the objectives (with quantifiable results) to be achieved through the provision of subvention, and review achievements against those objectives to assess the value for money obtained from the subvention provided. While other factors are considered in the subvention arrangement for the HKAPA (see para. 1.13), the student unit cost is an important performance indicator, as for UGC-funded institutions. The HKAPA's student unit cost is published in the Controlling Officer's Report of the HAB.

Need to address the increasing student unit cost

2.35 In calculating the student unit cost, the HAB and the HKAPA take the government recurrent subvention as the cost element and divide it by the number of full-time equivalent students of all the subvented programmes, i.e. undergraduate degree, sub-degree and junior programmes. Figure 2 shows the HKAPA's student unit cost over the 10-year period from 2005/06 to 2014/15.

Figure 2

HKAPA's student unit cost
(2005/06 to 2014/15)



Source: HAB records

2.36 Figure 2 shows that there has been an increasing trend in the HKAPA's student unit cost. It increased by 80% from \$171,000 in 2005/06 to \$308,000 in 2014/15. The Consumer Price Index increased by only 34% over the same period. The HAB and the HKAPA need to examine the underlying reasons and monitor the student unit cost closely.

2.37 The UGC compiles and publishes average student unit costs of all UGC-funded institutions, in total and by different academic programme categories based on information provided by institutions. In Audit's view, the student unit costs of UGC-funded institutions provide a useful reference for the HAB and the

HKAPA in analysing the student unit cost of the HKAPA. According to the available information on the UGC's website, from 2009/10 to 2014/15, for the programme category of arts, design and performing arts, the average student unit cost of undergraduate degree programmes decreased by 5% from \$213,000 to \$203,000. Over the same period, the student number in this programme category increased by 67% from 1,667 to 2,782. For the HKAPA, from 2009/10 to 2014/15, its student unit cost increased by 47% while the student number decreased by 1% from 919 to 911.

Audit recommendation

2.38 **Audit has *recommended* that the HKAPA and the Secretary for Home Affairs should closely monitor the student unit cost and take effective measures to contain the increasing trend, making reference to student unit costs of UGC-funded institutions.**

Response from the HKAPA

2.39 The Director, HKAPA generally accepts the audit recommendation. He has said that:

- (a) the HKAPA will continue to review the student unit cost and the overall cost-effectiveness of its programmes; and
- (b) the university-based arts programmes offered by UGC-funded institutions are very different from the conservatoire style performing arts programmes offered by the HKAPA, mainly in terms of the specialised delivery methodologies of the latter which requires a higher faculty staff ratio than that of a university, as well as the incorporation of productions and performances as a core component of the HKAPA's curriculum which entails higher costs.

Response from the Government

2.40 The Secretary for Home Affairs generally accepts the audit recommendation. He has said that:

Provision of academic programmes

- (a) the Government will continue to monitor the cost effectiveness of the HKAPA's programmes and consider differentiating the student unit costs for different types of programmes to facilitate benchmarking with similar courses; and
- (b) on average, the student unit cost of the HKAPA has increased by around 5% to 6% per year, except for 2012/13. The more substantial increase (about 17%) in 2012/13 was primarily due to the provision of additional recurrent funding to the HKAPA for implementing the four-year undergraduate degree structure and meeting the fixed costs investment required for the migration.

2.41 The Secretary for Financial Services and the Treasury has said that the HAB should, in consultation with the EDB, follow up the audit observations on student unit cost.

Graduate number and employment survey

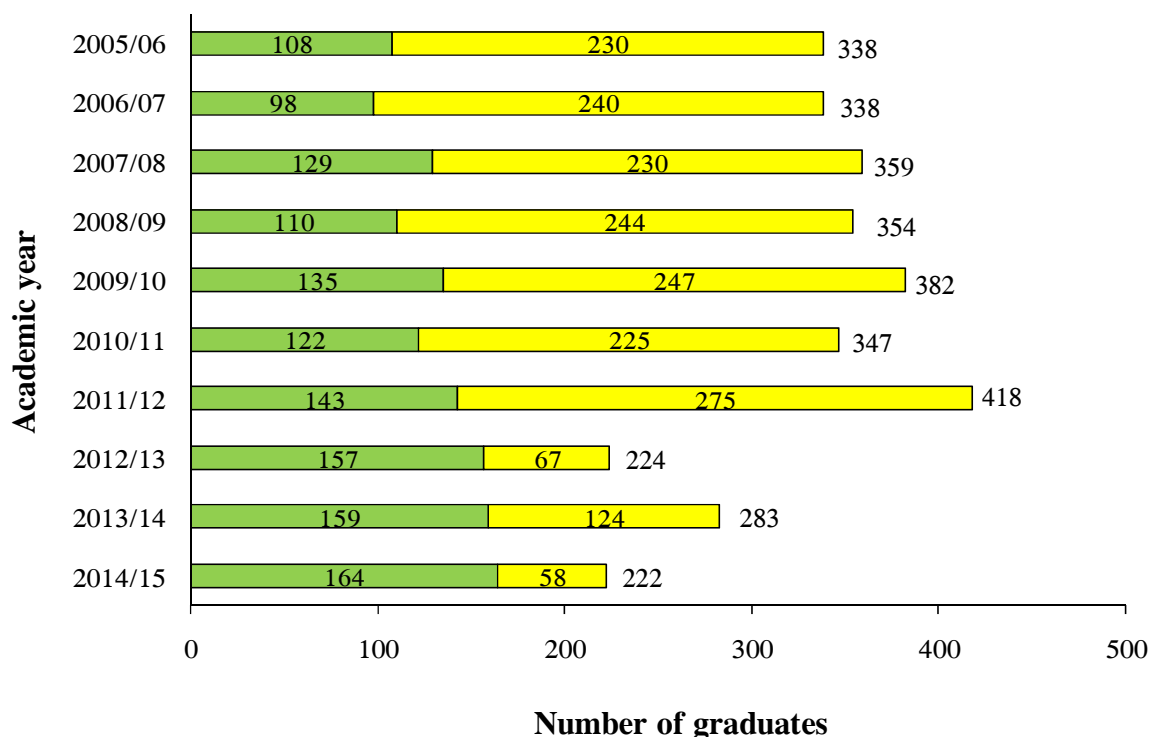
2.42 In 1985/86, the HKAPA started to offer sub-degree programmes. In 1991/92, the HKAPA introduced three-year undergraduate degree programmes. In line with the new academic structure, the HKAPA started in 2012/13 to migrate to the four-year undergraduate degree structure. The migration was completed by the end of 2014/15.

Decrease in the total number of graduates

2.43 In its transition to the four-year undergraduate degree structure, the HKAPA expanded its enrolment of undergraduate degree programmes while keeping the total student enrolment at about the same level. As a result, some sub-degree programmes were phased out and the student number of sub-degree programmes (with a normal study period of two years) had substantially reduced. Figure 3 shows the numbers of graduates of the HKAPA from 2005/06 to 2014/15.

Figure 3

**Number of graduates of the HKAPA
(2005/06 to 2014/15)**



Legend: Undergraduate degree programmes
 Sub-degree programmes

Source: *HKAPA records*

2.44 Figure 3 shows that since the migration to the four-year undergraduate degree structure in 2012/13, the total number of graduates had decreased by 47% from the peak of 418 in 2011/12 to 222 in 2014/15. This was mainly due to the substantial decrease of the number of graduates of sub-degree programmes from 275 in 2011/12 to 58 in 2014/15. The decrease in the number of graduates of sub-degree programmes and hence the overall number of graduates has reduced the supply of HKAPA graduates entering the performing arts sector. The HAB and the HKAPA need to review the effects of the reduction in number of graduates arising from the migration to the four-year undergraduate degree structure.

Provision of academic programmes

Graduate employment survey

2.45 Employment survey is commonly used by tertiary education institutions to gauge the prospect and destination of their graduates. However, the HKAPA did not have the practice to conduct graduate employment survey. In a meeting held in December 2011, the HKAPA Council was informed that:

- (a) an important criterion for assessing the quality and applicability of a higher education system was the employability of its graduates. All UGC-funded institutions had been conducting for many years graduate employment survey on an annual basis; and
- (b) the HKAPA did not have the resources in the past to conduct graduate employment survey. If a graduate employment survey was of any meaningful impact, efforts had to be made to ensure a decent response rate of 75% or above.

2.46 In the meeting, the Council approved the appointment of a consultant to conduct graduate employment survey. The Council suggested that the survey should keep track of the whereabouts of the HKAPA graduates in the past five years, and should identify the number of graduates employed by the nine major performing arts groups funded by the Government in Hong Kong (Note 5).

2.47 In April 2013, the HKAPA management informed the Council on the results of the graduate employment survey covering graduates of the years 2010 to 2012. The management suggested that future survey should cover the employment situation of graduates of different Schools, graduates from the Mainland and overseas countries, and employment with performing arts groups other than the nine major performing arts groups. Thereafter, the HKAPA had completed graduate employment survey for 2013 and 2014 graduates. As at January 2016, the survey for graduates of 2015 was still in progress.

Note 5: *The nine major performing arts groups funded by the Government are, namely Hong Kong Philharmonic Orchestra, Hong Kong Chinese Orchestra, Hong Kong Dance Company, Hong Kong Repertory Theatre, Hong Kong Sinfonietta, Hong Kong Ballet, City Contemporary Dance Company, Chung Ying Theatre Company and Zuni Icosahedron.*

Need to disclose more graduate employment information

2.48 The HKAPA has published the results of surveys covering graduates of 2013 and 2014 on its website. However, only limited information was disclosed. There was no disclosure of important information as mentioned in paragraphs 2.46 and 2.47, e.g. graduates employed by the nine major local performing arts groups, and analyses of graduates of different Schools and graduates from the Mainland and overseas countries were not disclosed. The HKAPA needs to disclose more employment information of its graduates on the website.

Low response rate of graduate employment survey

2.49 It is generally considered that information collected from graduate employment survey is useful and representative only if the response rate is high (at 75% or above — see para. 2.45(b)). Audit examined the response rates of graduate employment surveys conducted by the HKAPA and two selected UGC-funded institutions. It was noted that the survey response rates of the HKAPA were 15%, 27% and 24% for the years 2012, 2013 and 2014 respectively, while those of the two selected UGC-funded institutions were all at or above 85%.

2.50 The response rate of the HKAPA's graduate employment survey was very low compared with those of the two institutions. In 2014, the HKAPA invited 329 graduates (of Master's degree, undergraduate degree and sub-degree) to participate in the survey but only 79 (24%) responded. This was far below the desired response rate of 75%. The HKAPA needs to improve the response rate of graduate employment survey.

Audit recommendations

2.51 **Audit has recommended that the HKAPA and the Secretary for Home Affairs should review the effects of the reduction in number of graduates arising from the migration to a four-year undergraduate degree structure.**

2.52 **Audit has recommended that the HKAPA should:**

- (a) **disclose more graduate employment information collected from graduate employment survey on its website; and**

Provision of academic programmes

- (b) **take measures to improve the response rate of graduate employment survey.**

Response from the HKAPA

2.53 The Director, HKAPA generally accepts the audit recommendations in paragraphs 2.51 and 2.52. He has said that:

- (a) in mapping out its strategic direction of migrating to four-year degree programmes and phasing out sub-degree programmes, the HKAPA has kept in close contact with the arts and cultural sector through its discipline-based advisory committees, which has enabled the HKAPA to gauge the views of the stakeholders and assess the implications of the strategic direction on the supply of appropriately qualified graduates; and
- (b) the HKAPA is in the process of conducting a comprehensive review of its four-year degree programmes and has set up a Task Force in December 2015 for this purpose.

Response from the Government

2.54 The Secretary for Home Affairs generally accepts the audit recommendation in paragraph 2.51. He has said that:

- (a) the HAB will continue to monitor the graduate number of the HKAPA taking into account the review being undertaken by the HKAPA on its four-year degree programmes and the needs of the arts sector; and
- (b) the number of graduates of sub-degree programmes had decreased due to the phasing out of some of these programmes as part of the HKAPA's strategy to migrate to four-year degree programmes. In deciding on such strategic direction, the HKAPA had taken into account the views and needs of the arts and cultural sector.

Non-government funded programmes

2.55 Besides government-funded academic programmes (see paras. 2.2 and 2.3), the MAA allows the HKAPA to conduct additional full-time and part-time programmes, junior programmes, summer courses and continuing education courses, etc. on a self-financing basis. Government subvention shall not be used on programmes operating on a self-financing basis to avoid cross-subsidisation. The HKAPA's non-government funded programmes include its Master's degree programmes (see para. 1.4(d)) and programmes operated by its two subsidiaries, i.e. the EXCEL and the Troupe (see para. 1.8). Table 3 is a summary of these programmes.

Table 3

**Non-government funded programmes operated by the HKAPA
(2014-15)**

	EXCEL programmes	Master's degree programmes	Troupe programmes
History	EXCEL was incorporated in 2005, limited by guarantee	Programmes provided since 2006-07	The Troupe was incorporated in 2011, limited by guarantee
Major programmes/ activities	Over 400 short courses for 5,000 part-time students	91 full-time and 46 part-time students	Outreach activities and performances
Operating results: (\$ million)			
Income	13.2	10.4	1.96
Expenditure	<u>11.7</u>	<u>9.3</u>	<u>1.94</u>
Surplus	<u><u>1.5</u></u>	<u><u>1.1</u></u>	<u><u>0.02</u></u>

Source: Audit analysis of HKAPA records

Provision of academic programmes

Different arrangements and different practices for cost recovery

2.56 The non-government funded programmes are conducted using services and facilities provided by the HKAPA. Under the principle of no cross-subsidisation of self-financing activities, the HKAPA should recover relevant costs from these programmes. However, Audit noted that there were different arrangements for recovering costs from the non-government funded programmes:

- (a) in 2007, with reference to the UGC guidelines, the HKAPA made a deed of arrangements with the EXCEL, outlining the bases for cost recovery;
- (b) in 2005, the HKAPA laid down a set of financial rules and procedures for recovering costs from the Master's degree programmes; and
- (c) no formal arrangements had been made for recovering costs from the Troupe programmes.

The HKAPA needs to lay down formal arrangements on a consistent basis for recovering costs from non-government funded programmes.

2.57 Apart from the different arrangements, Audit also noted that there were different practices in recovering costs from the non-government funded programmes, as shown in Table 4.

Table 4
Costs charged to non-government funded programmes
(2014-15)

Costs	Costs charged by HKAPA		
	EXCEL programmes	Master's degree programmes	Troupe programmes
Directly employed staff	Yes	Yes	Yes
Direct expenses	Yes	Yes	Yes
Staff provided by the HKAPA	Not applicable (Note)	Yes	No
Accommodation (e.g. teaching and performance venues, and staff offices)	Yes	No	No
Support services (e.g. information technology, accounting and staff training)	Yes	No	No
Royalties for using the HKAPA trademark	Yes	No	No

Source: Audit analysis of HKAPA records

Note: In 2014-15, the HKAPA did not provide staff to the EXCEL.

2.58 Table 4 shows that the HKAPA did not recover the costs of some services and facilities provided for Master's degree programmes and the Troupe programmes. The HKAPA needs to examine the cost-recovery bases to ensure that there is no cross-subsidisation of programmes operated on a self-financing basis.

Audit recommendations

2.59 **Audit has recommended that the HKAPA should:**

Provision of academic programmes

- (a) **lay down formal arrangements for recovering costs from all non-government funded programmes on a consistent basis; and**
- (b) **examine the current bases for recovering costs from the EXCEL, Master's degree programmes and the Troupe, and make necessary revisions to ensure that there is no cross-subsidisation of programmes operated on a self-financing basis.**

Response from the HKAPA

2.60 The Director, HKAPA generally accepts the audit recommendations. He has said that:

- (a) he agrees to the basic principle that self-financing programmes should be fully charged the relevant costs incurred by them; and
- (b) the Master's degree programmes and the Troupe programmes offer synergy to enrich the publicly-funded programmes as well as provide internship and employment opportunities for HKAPA graduates to enhance their performance skills and experiences. Furthermore, the surplus generated by the EXCEL programmes is ploughed back to the HKAPA for furtherance of its vision, mission and objectives.

Response from the Government

2.61 The Secretary for Financial Services and the Treasury has said that the HKAPA should put in place formal and consistent arrangements to ensure no cross-subsidisation of self-financing programmes.

PART 3: GOVERNANCE AND GOVERNMENT MONITORING

3.1 This PART examines the governance and government monitoring of the HKAPA. Audit has found room for improvement in the following areas:

- (a) Council and committee proceedings (paras. 3.6 to 3.21); and
- (b) government monitoring (paras. 3.22 to 3.44).

Governance structure

3.2 The HKAPA was established by the HKAPA Ordinance. According to the Ordinance, the Council is the governing body of the HKAPA, while the Academic Board is responsible for reviewing, developing, directing and regulating academic programmes. In addition, the Director is responsible to the Council and is vested with the management, conduct and administration of the HKAPA. As at January 2016, there were 18 Council members, comprising:

- (a) 15 persons appointed by the Chief Executive of the Hong Kong Special Administrative Region, including the Council Chairman, the Secretary for Home Affairs or his representative, and the Secretary for Education or his representative;
- (b) the Director (the ex-officio Council member); and
- (c) two members elected by and from among the HKAPA's staff.

3.3 The Council may create committees for any general or special purposes. As at January 2016, there were seven committees under the Council. Table 5 shows the major functions of the committees.

Governance and government monitoring

Table 5
Committees under the Council
(January 2016)

Committee	Major functions
Finance Committee	To advise and make recommendations on the management and regulation of the HKAPA's finance
Audit Committee	To monitor and make recommendations on the development and implementation of the HKAPA's audit policies and system, internal control, financial reporting and risk management framework
Senior Staff Appointments and Remuneration Committee	To consider and approve recommendations on the appointment of senior staff
Staff Retirement Benefit Schemes Management Committee	To advise and make recommendations on the management of staff retirement schemes (i.e. the HKAPA Provident Fund Scheme and the HKAPA Mandatory Provident Fund Scheme)
Main Tender Board	To consider and approve tenders of value above \$1 million
General Tender Board	To consider and approve tenders of value between \$200,001 and \$1 million
Honorary Awards Committee	To consider and advise on the conferment of honorary awards on suitably qualified persons

Source: HKAPA records

3.4 The HKAPA has prepared an Academy Committee Handbook (the Handbook) which provides operational guidelines and procedures for meetings of the Council and its committees, based on governance principles of integrity, accountability and transparency.

Best practices for corporate governance

3.5 In May 2010, the Efficiency Unit under the Chief Secretary for Administration's Office issued the "Guide to Corporate Governance for Subvented Organisations". The Guide sets out principles and best practices relating to the corporate governance of subvented organisations, advises on matters that have raised concern and provides checklists. The goal is to help sustain public trust in organisations which receive public funds. The Guide aims primarily at organisations which receive recurrent subventions, such as the HKAPA.

Council and committee proceedings

Attendance rates at Council/committee meetings

3.6 The effectiveness of an organisation's governing body in fulfilling its governing responsibilities is dependent on its members' knowledge, experience, competence and commitment to serving the organisation. Attendance at meetings is a key indicator to reflect members' commitment to serving the organisation and the organisation benefitting from members' experience and expertise. Table 6 shows the overall attendance rates at Council/committee meetings from 2011 to 2015.

Table 6

**Overall attendance rates at Council/committee meetings
(2011 to 2015)**

Council/committee (Note)	Overall attendance rate				
	2011	2012	2013	2014	2015
Council	82%	78%	79%	79%	78%
Finance Committee	71%	70%	75%	74%	85%
Audit Committee	90%	100%	80%	73%	88%
Senior Staff Appointments and Remuneration Committee	90%	80%	60%	80%	80%
Staff Retirement Benefit Schemes Management Committee	63%	81%	69%	71%	69%
Main Tender Board	100%	100%	100%	100%	100%
Honorary Awards Committee	71%	86%	83%	100%	83%

Source: Audit analysis of HKAPA records

Note: The General Tender Board conducts its business mainly by circulation of papers and seldom holds meetings (e.g. no meeting in 2015). Therefore, it was not included in the analysis.

***Lower attendance rates at the Staff Retirement Benefit Schemes
Management Committee meetings***

3.7 As shown in Table 6, the overall attendance rates from 2011 to 2015 were generally above 70% at meetings of the Council and its committees, except for the Senior Staff Appointments and Remuneration Committee (in 2013) and the Staff Retirement Benefit Schemes Management Committee (in 2011, 2013 and 2015). Audit further analysed the attendance rates at the Staff Retirement Benefit Schemes Management Committee meetings. The committee comprised five Council members and 10 to 12 staff representatives elected by and from among various groups of

staff. In 2011 to 2015, the overall attendance rates of Council members ranged from 33% to 67%, while those of staff representatives ranged from 74% to 88%. There is scope for improving the attendance rates at the Staff Retirement Benefit Schemes Management Committee meetings, particularly for Council members.

Low attendance rates of two Council members

3.8 From 2011 to 2015, the Council had 18 members. Two Council members had low attendance rates at Council meetings during their term from 2013 to 2014. They attended only two (29%) of the seven Council meetings held. However, the HAB nominated them for re-appointment and both were re-appointed for another term from 2015 to 2016. They each attended respectively one (33%) and none (0%) of the three Council meetings held in 2015.

3.9 According to the Handbook, the HKAPA should take actions (e.g. making enquiries and issuing reminders) to improve the attendance rates at Council/committee meetings of individual members with low attendance rates. However, there were no records showing that such actions had been taken. Furthermore, the HAB needs to take into account the meeting attendance rates of individual Council members in nominating them for re-appointment.

Vacancies in two committees

3.10 In 2015, there were vacancies in the Audit Committee and the Staff Retirement Benefit Schemes Management Committee, as follows:

- (a) according to the Handbook, the Audit Committee should comprise the chairman (who should be a Council member) and four other members appointed by the Council. In 2015, there were only three members other than the chairman. There was one vacancy throughout the year; and
- (b) according to the Handbook, the Staff Retirement Benefit Schemes Management Committee should comprise the chairman (who should be the Council Deputy Chairman), four other Council members, and 12 staff representatives elected by and from among various groups of staff (e.g. academic, administrative, and technical staff). In 2015, there were only 10 staff representatives. There were two vacancies throughout the year.

Insufficient disclosure of information on corporate governance

3.11 According to the Guide to Corporate Governance for Subvented Organisations (see para. 3.5), subvented organisations have an obligation to be accountable and transparent. The Guide advocates the public disclosure of the following information:

- (a) the composition of the governing body;
- (b) the key work carried out by the governing body, the number of meetings held, and the attendance rates of individual members; and
- (c) the terms of reference of the committees established under the governing body, the key work carried out by them, the number of meetings held, and the attendance rates of individual members.

3.12 For the HKAPA, there was no disclosure of information pertaining to paragraph 3.11(b) and (c) on its website or annual reports.

Late circulation of meeting papers and draft minutes

3.13 According to the Handbook, the agenda and meeting papers of a meeting should be circulated at least one week (7 days) in advance of the meeting, and the draft minutes should be circulated not more than two weeks (14 days) after the meeting. Audit carried out a sample check on the circulation of meeting papers and draft minutes for the Council and Finance Committee meetings in 2014 and 2015. Table 7 shows the checking results.

Table 7

**Circulation of meeting papers and draft minutes
(2014 and 2015)**

Council/committee	Circulation of agenda and first batch of meeting papers (Note)	Circulation of draft minutes
Council	7 days in advance for 4 meetings 6 days in advance for 2 meetings	61 to 156 days after a meeting (94 days on average)
Finance Committee	7 days in advance for 1 meeting 3 to 5 days in advance for 5 meetings	17 to 55 days after a meeting (32 days on average)

Source: Audit analysis of HKAPA records

Note: Meeting papers were normally circulated in two batches. Audit analysis of the number of papers circulated at the Council meetings revealed that, on average, 59% of meeting papers were circulated in the first batch together with the agenda.

3.14 As shown in Table 7, the agenda and meeting papers of a meeting were generally not circulated early enough to facilitate Council/committee members to prepare for the meeting. The draft minutes were also not circulated early enough to facilitate Council/committee members to confirm the minutes.

Annual declarations of interests not obtained

3.15 The Council resolved in June 1995 to adopt a two-tier reporting system for Council members in managing conflicts of interest, though the practice has not been incorporated in the Handbook. According to the adopted practice:

Governance and government monitoring

- (a) ***Annual declaration.*** A Council member has to declare his personal interests when he first joins the Council, and annually thereafter. The declaration has to be made on a standard form and shall be available for inspection by members of the public; and
- (b) ***Declaration at meetings.*** If a Council member (including the Chairman) has any direct interest in any matter under consideration, he has to declare the interest prior to the consideration of the matter. It shall then be decided whether the member concerned has to withdraw from the consideration of the matter.

3.16 The HKAPA usually requested annual declarations of interests from Council members in the first quarter of a year. However, in 2015, the HKAPA did not request such annual declarations from Council members (who were all existing members). It turned out that annual declarations were not submitted by Council members except the Council Chairman. Furthermore, in 2012 and 2013, the HKAPA did not have on file the annual declarations of two and six Council members respectively. The HKAPA needs to make efforts to obtain annual declarations of interests from all Council members.

Insufficient guidelines for Council/committee members

3.17 The Handbook provides operational guidelines and procedures for Council/committee meetings. However, the Handbook does not provide guidelines on such matters as duties and responsibilities of Council/committee members, confidentiality requirements, and management of conflicts of interest. These guidelines are essential to remind Council/committee members of their duties. The HKAPA needs to supplement the Handbook with these guidelines.

Audit recommendations

- 3.18 **Audit has recommended that the HKAPA should:**
- (a) **take measures to improve the attendance rates at the Staff Retirement Benefit Schemes Management Committee meetings, particularly for Council members;**

- (b) **take appropriate actions (e.g. making enquiries and issuing reminders) to improve the attendance rates at Council/committee meetings of individual members with low attendance rates;**
- (c) **fill the vacancies of committees in a timely manner;**
- (d) **on its website or annual reports, disclose the terms of reference, the key work carried out and the number of meetings held of the Council and its committees, and the attendance rates of individual members;**
- (e) **circulate the agenda, meeting papers and draft minutes of Council/committee meetings in a timely manner;**
- (f) **make efforts to obtain annual declarations of interests from all Council members; and**
- (g) **supplement the Academy Committee Handbook with guidelines on such matters as duties and responsibilities of Council/committee members, confidentiality requirements, and management of conflicts of interest.**

3.19 **Audit has *recommended* that the Secretary for Home Affairs should take into account the meeting attendance rates of individual members in nominating them for re-appointment to the Council.**

Response from the HKAPA

3.20 The Director, HKAPA generally accepts the audit recommendations in paragraph 3.18. He has said that the HKAPA is reviewing the structure and composition of some of its committees with a view to improving members' attendance rates and enhancing efficiency. The HKAPA will also review the Academy Committee Handbook to improve arrangements for Council/committee operation, especially the system of declaring interests, and the guidelines and procedures of meetings.

Response from the Government

3.21 The Secretary for Home Affairs generally accepts the audit recommendation in paragraph 3.19. He has said that the Government has all along appointed non-official members to advisory and statutory bodies based on the merit of the individuals concerned. When appointing or re-appointing a member to serve on the HKAPA Council, the attendance record is one of the factors considered. In addition, the HAB takes into consideration the candidate's ability, expertise, experience, integrity and commitment to public service, so as to ensure that the Council has the right mix of members to enable it to carry out its functions effectively. The HAB will continue to take into account the above-mentioned factors in considering appointment and re-appointment to the HKAPA Council.

Government monitoring

3.22 The HAB is responsible for formulating policies and programmes on culture and the arts. It oversees the operations of the HKAPA. The Secretary for Home Affairs or his representative is a Council member. In 2001, the HAB and the HKAPA entered into an MAA setting out the framework of administrative arrangements between the Government and the HKAPA. The MAA provides for the following:

- (a) the Government will fund degree, sub-degree and junior programmes. The HKAPA may conduct additional programmes on a self-financing basis. Government subvention shall not be used to fund the HKAPA's self-financing activities;
- (b) the HKAPA may keep as reserve any savings from its annual recurrent subvention. The level of this reserve shall not exceed 15% of its annual recurrent subvention. Amount in excess of the limit should be returned to the Government. Subject to the HAB's prior approval, the HKAPA may use its reserve for any activities permitted under the HKAPA Ordinance;
- (c) on an annual basis, the HKAPA may be invited to submit bids for additional funds for introducing new or improved services/activities. Such bids will be considered by the HAB along with other bids in the HAB's policy areas;

- (d) on an annual basis, the HKAPA shall submit to the HAB its estimates of expenditure for the next financial year. The estimates should provide details of the HKAPA's requirements for the next financial year to enable the HAB to perform the role of controlling the recurrent and capital subventions; and
- (e) for subject matters not specially covered in the MAA, the HKAPA undertakes to observe the Government's overall subvention policy and guidelines prevailing at the time.

3.23 In addition, according to the HKAPA Ordinance, the HKAPA has to submit annually to the Government a report of its activities and audited financial statements, which will be tabled in LegCo.

Additional requirements need to be included in the MAA

3.24 In 2004, the Government issued Financial Circular No. 9/2004 on "Guidelines on the Management and Control of Government Funding for Subvented Organisations". There are some important requirements specified in the Financial Circular that are missing from the MAA, as follows:

- (a) a subvented organisation should submit, besides the audited annual financial statements of the organisation, an audited annual financial report showing:
 - (i) the income and expenditure of the organisation's subvented programmes; and
 - (ii) the movements in the reserve of unspent subvention retained and assets acquired under the subvented programmes; and
- (b) the auditors' report accompanying the annual financial statements and annual financial report submitted should contain an opinion:
 - (i) on the annual financial statements as to whether they give a true and fair view of the state of affairs and the financial results and cashflows of the subvented organisation; and

Governance and government monitoring

- (ii) on the annual financial report as to whether the subvented organisation has complied with, in all material respects, the requirements set by the Government and all the terms and conditions of the subvention as specified in the relevant subvention guidelines and other relevant documents.

3.25 In the absence of the relevant requirements in the MAA, the HKAPA has not submitted to the HAB an audited financial report on its subvented programmes (see para. 3.24(a)) and the report of its auditors has not contained an opinion as to whether it has complied with all the subvention requirements, terms and conditions (e.g. no cross-subsidisation of self-financing activities — see para. 3.24(b)). Audit notes that an HAB officer is a member of the HKAPA Council and Finance Committee who regularly receives detailed financial information. Nevertheless, Audit considers that the requirements as mentioned in paragraph 3.24 need to be followed to ensure effective management and control of government subvention to the HKAPA. As at January 2016, the HAB was in the process of reviewing and updating the MAA. The HAB needs to include such requirements in the MAA for compliance by the HKAPA.

Monitoring of reserve allocations needs to be strengthened

3.26 As mentioned in paragraph 3.22(b), the HKAPA may keep as reserve any savings from its annual recurrent subvention, up to a limit of 15% of its annual recurrent subvention. Amount in excess of the limit should be returned to the Government. Subject to the HAB's prior approval, the HKAPA may use its reserve for any activities permitted under the HKAPA Ordinance. Table 8 shows the movements in the HKAPA's reserve in 2014-15.

Table 8
Movements in the HKAPA's reserve
(2014-15)

		Amount (\$ million)	Remarks
(A)	Opening balance	40.63	
(B)	Less: allocations made from reserve	0.83	Allocation made in May 2015 for leasing additional accommodation
		16.00	Allocation made in June 2015 for expanding the e-learning platform, etc. (see para. 3.28(b))
(C)	Add: unspent subvention	20.07	
(D)	Subtotal (D) = (A) - (B) + (C)	43.87	
(E)	Excess over reserve limit returned to Government (E) = (D) - reserve limit	1.57	The reserve limit is \$42.30 million (15% of 2014-15 recurrent subvention of \$282.03 million — Note)
(F)	Ending balance (F) = (D) - (E)	42.30	

Source: HKAPA records

Note: After returning the excess to the Government, the net recurrent subvention for 2014-15 was \$280.46 million (\$282.03 million less \$1.57 million).

3.27 Audit examined the HAB's monitoring of the HKAPA's reserve and allocations made from it. Audit found room for improvement in the monitoring of reserve allocations (see paras. 3.28 and 3.29).

3.28 ***HAB's approvals not obtained in a timely manner.*** Audit noted two cases in which the HKAPA did not obtain the HAB's approval in a timely manner for making allocation from the reserve:

Governance and government monitoring

- (a) on 19 June 2012, the Council endorsed to allocate \$7.2 million from the reserve to finance the costs for review and validation of academic programmes. The allocation was recorded in the financial year 2011-12. However, the HKAPA sought the HAB's approval only on 3 December 2012, about six months after the allocation had been made. On 14 February 2013, the HAB gave covering approval and reminded the HKAPA to obtain the HAB's prior approval in writing before deploying funds from the reserve in future; and
- (b) on 17 June 2015, the Council endorsed to allocate \$16 million from the reserve for various purposes (e.g. expanding the e-learning platform). On 18 June 2015, the HKAPA sought the HAB's approval, which was given on 7 August 2015, after the end of the financial year 2014-15 (i.e. 30 June 2015). However, in determining the reserve in excess of the limit as at the end of 2014-15, the HKAPA treated the \$16 million as allocation from the reserve (prior to the HAB's approval). As its approval was not given within the financial year 2014-15, the HAB needs to examine whether the \$16 million should be treated as allocation made in the year, or as part of the reserve in excess of the limit as at the end of 2014-15 for refund to the Government.

3.29 *Unspent balances not returned to the reserve.* From time to time, the HKAPA might make allocation from the reserve for a specific purpose. When the purpose was accomplished, the unspent balance should be returned to the reserve. However, Audit noted two cases where the unspent balance was not duly returned to the reserve:

- (a) in April 2013, the HKAPA allocated \$6.5 million from the reserve for financing part of the expenditure of the HKAPA's 30th anniversary celebration activities. In March 2015, after the completion of the celebration activities, the Council decided to return the unspent balance of \$1.4 million to the reserve. However, up to January 2016, the HKAPA had not done so; and
- (b) in November 2003 and December 2004, the HKAPA allocated from the reserve \$15 million and \$5 million respectively to set up a Bethanie Maintenance Reserve Fund for financing the initial operation and maintenance of the Bethanie Campus. At that time, the HAB was unable to provide recurrent subvention for that purpose. Nevertheless, in

2008-09, the HAB started to provide recurrent subvention for the operation and maintenance of the Bethanie Campus. Since 2007-08, there had been no spending from the Fund. The Fund balance stood at \$16.5 million as at the end of 2014-15. The HKAPA needs to review whether there is still a need to retain the Fund or to return the Fund balance to the reserve. As at January 2016, the HKAPA was planning to carry out a comprehensive survey on the building health, safety and stability of the Bethanie to determine the future maintenance needs. The HKAPA should take into account the outcome of the survey in the review.

Arrangement for funding and monitoring

3.30 In December 2008, the EDB commissioned the UGC to review the higher education system, with a view to recommending strategies for future development. In December 2010, the UGC published a review report entitled “Aspirations for the Higher Education System in Hong Kong”. In November 2011, the EDB submitted a LegCo brief stating the Government’s responses to the recommendations of the review report.

3.31 The UGC’s review report contained an observation on the arrangement for funding and overseeing the HKAPA:

- (a) to ensure consistency in allocating public resources in the publicly-funded degree sector, it would be logical to entrust the UGC with the responsibility of funding the HKAPA. This arrangement would have the added benefit of facilitating cooperation between the HKAPA and the eight UGC-funded institutions; and
- (b) the UGC recognised the unique nature of the HKAPA, and foresaw that the UGC’s funding and oversight regime would be able to accommodate that.

3.32 In a meeting held in March 2011, the HKAPA Council was briefed on the UGC’s suggestion. The Council supported the views stated in the relevant council paper as follows:

Governance and government monitoring

- (a) ***Governance.*** The HAB monitored the HKAPA through the perspective of supervising non-government organisations. The HKAPA might have closer affinity to the UGC as it saw itself as a higher education institution;
- (b) ***Funding formula.*** The UGC funding formula was adverse to the HKAPA as the HKAPA could not claim research funding. It could only await the UGC's special treatment; and
- (c) ***Academic planning and institutional development.*** The migration to the UGC's systems would undoubtedly require an adjustment of the HKAPA's current systems to meet the UGC's requirements.

3.33 In the meeting, the HAB considered that whatever option the HKAPA would eventually take in response to the UGC suggestion, as a key player in the arts and cultural development of Hong Kong and in providing training ground for performing arts talents, the HKAPA would be expected to continue its dialogue with the arts industry and its work in tandem with the arts and cultural policy of Hong Kong.

3.34 In the same meeting, the Council endorsed a statement on its interim response to the UGC's suggestion, which was subsequently submitted to the EDB. The statement mentioned that the HKAPA welcomed the opportunity for dialogue with stakeholders on the feasibility of the UGC's suggestion. The HKAPA recognised that joining the UGC system would impact on its institutional functions, infrastructural capacity and present activities. The HKAPA would wish to take an appropriate future opportunity to offer a more considered formal response in the eventuality of a concrete proposal from the UGC.

3.35 In November 2011, the EDB submitted a LegCo brief with the following views:

- (a) the HKAPA, as an institution specialised in training performing arts talent, had a unique mode of operation;

- (b) since the UGC would be heavily engaged in implementing the new academic structure, and since the HKAPA's current funding mode did not fit in the UGC's established funding methodology, the EDB saw no urgent need to rush to a conclusion; and
- (c) the EDB had an open mind and would welcome dialogue with the HKAPA if it was interested in exploring the UGC's idea further.

3.36 Since November 2011, there has not been further development on the issue of transferring the responsibility of funding and overseeing the HKAPA from the HAB to the UGC. For identifying the optimal arrangement, the HKAPA, the HAB and the EDB need to maintain dialogue with stakeholders and among themselves on the feasibility and desirability of transferring the responsibility of funding and overseeing the HKAPA from the HAB to the EDB/UGC.

Making reference to the UGC's policies/guidelines

3.37 From time to time, the HAB and the HKAPA referred to some of the UGC's policies/guidelines in handling matters faced by the HKAPA as a higher education institution. For example, the HAB/HKAPA followed the UGC's policies/guidelines when assessing space requirements (see para. 5.24) and setting the tuition fee of local students (see para. 2.28). However, there were also instances that the HAB/HKAPA's practices differed from the UGC's policies/guidelines. For example, the HKAPA decided to charge local and non-local students the same tuition fee, rather than to charge non-local students tuition fee at a level which was sufficient to recover all additional direct costs (see para. 2.28).

3.38 It appears that the HAB/HKAPA adopted a case-by-case approach in deciding whether to follow the UGC's policies/guidelines. In Audit's view, in order to obtain optimal results, the HAB needs to, in consultation with the EDB, draw up suitable guidelines for the HKAPA on making reference to the UGC's policies/guidelines.

Audit recommendations

- 3.39 **Audit has *recommended* that the HKAPA should:**
- (a) **obtain the HAB's approval in a timely manner for making allocation from the reserve; and**
 - (b) **return to the reserve the unspent balance of an allocation when the purpose of the allocation has been accomplished.**
- 3.40 **Audit has *recommended* that the Secretary for Home Affairs should:**
- (a) **update the MAA with the Government's prevailing subvention guidelines;**
 - (b) **monitor the movements in the reserve to ensure that an allocation is made only with the HAB's approval, and follow up unspent balance of an allocation made;**
 - (c) **examine whether the allocation made by the HKAPA as mentioned in paragraph 3.28(b) has been properly accounted for and take necessary follow-up action; and**
 - (d) **in consultation with the Secretary for Education, draw up guidelines for the HKAPA on making reference to the UGC's policies/guidelines.**
- 3.41 **Audit has *recommended* that the Secretary for Home Affairs should maintain dialogue with the HKAPA, the Secretary for Education and other stakeholders on the feasibility and desirability of transferring the responsibility of funding and overseeing the HKAPA from the HAB to the EDB/UGC.**

Response from the HKAPA

3.42 The Director, HKAPA generally accepts the audit recommendations in paragraph 3.39.

Response from the Government

3.43 The Secretary for Home Affairs generally accepts the audit recommendations in paragraph 3.40. He has said that:

- (a) the HAB will finalise the review of the MAA as soon as practicable and incorporate the relevant requirements in the prevailing subvention guidelines; and
- (b) the HAB has already examined the allocation made by the HKAPA as mentioned in paragraph 3.28(b), and noted that the HKAPA had made reference to the Council approval date instead of the HAB approval date in determining whether this allocation should be made from the reserve for the year 2014-15. The HAB will take appropriate follow-up action and remind the HKAPA that in future, it should account for the deployment of reserve funds in the financial year in which the HAB's formal approval was given.

3.44 Regarding the audit recommendation in paragraph 3.41, the Secretary for Home Affairs has said that:

- (a) the HAB is of the view that, given the unique role and functions of the HKAPA in implementing and furthering the Government's arts and cultural policies, it will be beneficial for the HAB to continue to provide subvention to the HKAPA direct rather than transferring it to the EDB/UGC;

Governance and government monitoring

- (b) the present funding arrangement reflects and reinforces the strategic partnership between the HAB and the HKAPA, and caters to the needs and aspirations of the stakeholders in the arts and cultural sector. Under the established funding arrangement, the HKAPA has a stable source of funding from the HAB such that it can continue to strive for excellence in the delivery of performing arts education programmes and the grooming of performing arts talents for Hong Kong, particularly in preparation for the commissioning of the world-class venues in the West Kowloon Cultural District; and

- (c) the HAB will seek the endorsement of the HKAPA Council and other relevant bureaux on maintaining the current funding arrangement for the HKAPA.

PART 4: ADMINISTRATIVE ISSUES

4.1 This PART examines the following administrative issues:

- (a) utilisation of teaching venues (paras. 4.2 to 4.11);
- (b) utilisation of performance venues (paras. 4.12 to 4.18);
- (c) electricity charges and energy management (paras. 4.19 to 4.25);
- (d) management of fixed assets (paras. 4.26 to 4.35); and
- (e) investment of surplus funds (paras. 4.36 to 4.40).

Utilisation of teaching venues

4.2 The HKAPA has various types of teaching venues at the Wanchai Campus and the Bethanie Campus, e.g. classrooms, studios, practice rooms and workshops. Teaching venues at the Wanchai Campus are mainly used by the five Schools other than the School of Film and Television, while those at the Bethanie Campus are mainly used by the School of Film and Television. The HKAPA also rents premises at three commercial buildings, close to the Wanchai Campus, to provide additional teaching venues.

4.3 The HKAPA has set up a computerised Central Timetabling System to optimise the allocation of timeslots of teaching venues among various Schools. The Central Timetabling System produces a central timetable at the beginning of each semester after accepting block bookings from Schools of teaching sessions. Any timeslots not occupied are available for booking by students and staff, which should also be input to the System.

Need to monitor utilisation of teaching venues

4.4 The Central Timetabling System contains useful data for analysing the utilisation rates of teaching venues. However, the HKAPA did not compile

Administrative issues

statistics from the System to monitor the utilisation rates of teaching venues on a regular basis. Audit noted from the minutes of the first meeting of the Learning Spaces Committee (Note 6) held in December 2015 that:

- (a) statistics from the Central Timetabling System showed that the utilisation rates of classrooms, conference rooms and dance studios during 9:00 a.m. to 7:00 p.m. were 60% to 76%; and
- (b) bookings of some other rooms were kept by respective Schools and Departments. There was no central mechanism that monitored the overall booking of these facilities.

Audit considers that the HKAPA needs to compile statistics, from both the Central Timetabling System and records kept by Schools and Departments, to monitor the utilisation rates of teaching venues.

Low utilisation rates of some teaching venues

4.5 Based on bookings recorded in the Central Timetabling System, and bookings not recorded in the System but manually kept by the School of Music and the School of Theatre and Entertainment Arts, Audit compiled an analysis of the utilisation rates of the HKAPA's teaching venues in 2014-15. Table 9 shows the results.

Note 6: *The Learning Spaces Committee was formed in October 2015 to explore and monitor the appropriate and effective use of physical and virtual learning spaces in the HKAPA.*

Table 9
Utilisation rates of teaching venues
(2014-15)

Venue		Utilisation rate (Note 1)		Percentage of days below 30% utilisation rate
		Daily maximum	Average	
<i>Wanchai Campus</i>				
1.	25 classrooms (Note 2)	89%	79%	7%
2.	11 practice rooms (Note 2)	76%	69%	9%
3.	27 studios (Note 2)	78%	68%	13%
4.	13 workshops	63%	32%	54%
<i>Bethanie Campus</i>				
5.	4 workshops	78%	28%	64%
6.	11 classrooms	30%	14%	76%
7.	2 studios	38%	3%	97%
<i>Leased premises</i>				
8.	3 studios	100%	35%	53%
9.	1 studio	75%	22%	52%
10.	1 classroom	67%	12%	94%

Source: *Audit analysis of HKAPA records*

Note 1: *The utilisation rates were based on the hours available for use from 9:00 a.m. to 7:00 p.m. on Mondays to Fridays, and from 9:00 a.m. to 1:00 p.m. on Saturdays during the term time in 2014-15 from July 2014 to June 2015 (a total of 206 days, excluding Sundays, school holidays and term breaks).*

Note 2: *For the School of Music, manual records of student bookings in 2014-15 were not available. Audit estimated the student bookings in 2014-15 based on those in the period from September to November 2015 with projection to a full-year basis.*

4.6 Table 9 shows that the average utilisation rates of the HKAPA's teaching venues in 2014-15 were:

- (a) 32% to 79% for venues at the Wanchai Campus;

Administrative issues

- (b) 3% to 28% for venues at the Bethanie Campus; and
- (c) 12% to 35% for leased premises at commercial buildings.

4.7 It appears that, according to available records for compiling Table 9, the utilisation recorded for some teaching venues was low, particularly for those at the Bethanie Campus and leased premises. The HKAPA needs to review the utilisation rates of teaching venues and examine how to improve their utilisation. According to HKAPA records, there have been repeated comments that there was an acute shortage in teaching space. Capital works projects are on-going or under planning for expansion and improvement of the campus (see PART 5). However, this is not supported by the low utilisation recorded for some of the teaching venues. The HKAPA needs to examine this inconsistency.

No detection and follow up on unused bookings

4.8 The analysis of utilisation rates shown in Table 9 was compiled by Audit based on the bookings recorded in the Central Timetabling System and bookings on manual records. The HKAPA has not put in place a mechanism to check whether the user has actually used the venue at the booked session. To ascertain whether the venues were actually used as booked, Audit conducted site inspections at the Wanchai Campus for 5 days in January 2016, covering a number of selected venues (10 practice rooms and 6 classrooms) at 8 selected timeslots (4 in the morning and 4 in the afternoon). Results of the inspections were as follows:

- (a) there were 85 bookings among the 128 selected timeslots (16 venues times 8 timeslots); and
- (b) among the 85 bookings, there were 15 cases (18%) where the users did not show up and the venues were left unused.

4.9 It is undesirable that booked venues were not utilised as noted from the site inspections. If the utilisation rates of teaching venues are further discounted by this factor, they would become even lower than those shown in Table 9. The HKAPA needs to put in place a system to detect and follow up booked venues which were eventually not utilised.

Audit recommendations

- 4.10 **Audit has recommended that the HKAPA should:**
- (a) **regularly compile statistics to monitor the utilisation rates of teaching venues to ensure that they are optimally utilised;**
 - (b) **review the utilisation rates of teaching venues and examine how to improve the utilisation of those teaching venues with low utilisation rates; and**
 - (c) **put in place a system to detect and follow up cases of booked venues not utilised.**

Response from the HKAPA

4.11 The Director, HKAPA generally accepts the audit recommendations. He has said that the analysis in Table 9 in paragraph 4.5 does not fully reflect the utilisation situation due to incomplete utilisation records. The HKAPA is reviewing the utilisation rates of all its venues, and will enhance the Central Timetabling System to streamline the room booking operation. Since many teaching venues are specialised facilities catering for divergent training needs of different performing arts disciplines, they are only suitable for designated usage. Hence, the utilisation rates of these facilities should be considered in a different light, and reported separately under the Central Timetabling System.

Utilisation of performance venues

4.12 The HKAPA has a number of performance venues in its Wanchai Campus and Bethanie Campus. Under an established arrangement, these performance venues are available for hiring by outside parties when they are not being used for teaching purposes. The HKAPA's Customer Services Department handles the hiring of these performance venues under a set of procedures and guidelines, with published rate cards for individual venues.

Administrative issues

Low utilisation rates of some performance venues

4.13 The Customer Services Department maintains hiring records of all performance venues and compiles annual utilisation statistics for management information and submission to the HAB. Based on the annual utilisation statistics, Audit analysed the utilisation rates of the HKAPA's performance venues in 2014-15. The results are shown in Table 10.

Table 10
Utilisation rates of performance venues
(2014-15)

	Performance venue	Capacity (no. of seats)	Utilisation rate (Note 1)		
			By HKAPA	By external hirers	Total
<i>Wanchai Campus</i>					
1.	Recital Hall	202	90%	4%	94%
2.	Concert Hall	382	79%	6%	85%
3.	Lyric Theatre	1,181	11%	73%	84%
4.	Studio Theatre	200	70%	5%	75%
5.	Drama Theatre	415	31%	39%	70%
6.	Dance Studio	100	53%	3%	56%
7.	Amphitheatre	600	38%	12%	50%
<i>Bethanie Campus</i>					
8.	Chapel (Note 2)	100	2%	29%	31%
9.	Wellcome Theatre	153	23%	3%	26%
10.	Sir Y K Pao Studio	100	18%	1%	19%

Source: HKAPA records

Note 1: The utilisation rates were calculated based on the number of hours available for use in 2014-15 from July 2014 to June 2015. The utilisation by the HKAPA included all academic-related activities, such as teaching, rehearsal, and performance activities.

Note 2: The Chapel is not a performance venue. It is available for hiring, mainly for wedding and religious services.

4.14 Table 10 shows that, for the performance venues at the Wanchai Campus, their utilisation rates ranged from 50% to 94%. The utilisation rates of the Dance Studio (56%) and the Amphitheatre (50%) were relatively low. For the Bethanie Campus, the utilisation rates of all three venues were low, ranging from 19% to 31%. There is scope for promoting the hiring of the performance venues with low utilisation rates.

4.15 In March 2016, upon enquiry, the HKAPA informed Audit that all performance venues were also teaching spaces, and were assigned to educational activities as the topmost priority. The HKAPA would benchmark with similar performance venues in Hong Kong and elsewhere, and adopt a best-practice and consistent utilisation calculation methodology, taking into account venue maintenance requirements, the available hireable hours, and the number of allowable external hires per day, etc., for monitoring the utilisation rates of these performance venues. The HKAPA also said that:

- (a) the Dance Studio was available for public hire only on Sundays and term breaks. It was often difficult for hirers to mount a public performance when only one day of the weekend of the venue was available;
- (b) the Amphitheatre was commonly used for conferences, seminars, workshops and mini-events the duration of which was usually several hours instead of a full day. Given the current policy of allowing only one external hire of each venue per day, it would be difficult for the Amphitheatre to achieve high utilisation rate;
- (c) the Wellcome Theatre had recently been upgraded. It was expected that both the HKAPA's and external hirers' utilisation would increase gradually in the near future; and
- (d) as for the Sir Y K Pao Studio, the HKAPA was considering bundling it with the Chapel for wedding reception purposes as a hiring package in order to improve its utilisation.

Need for effective measures for improving utilisation

4.16 In early 2014, after noting the low utilisation rates of performance venues, the HAB requested the HKAPA to look into the possibility of improving the

Administrative issues

utilisation rates to promote cultural development and to build audience. The HKAPA conducted a review and, in mid-2014, implemented improvement measures to:

- (a) provide discounts for vacant timeslots of performance venues; and
- (b) reduce the hiring rates of the Wellcome Theatre and the Sir Y K Pao Studio at the Bethanie Campus.

The HKAPA needs to monitor the effectiveness of these measures and explore additional measures to improve the utilisation of performance venues.

Audit recommendations

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

- (a) **monitor the utilisation rates of performance venues; and**
- (b) **monitor the effectiveness of the measures taken to improve utilisation of performance venues and explore additional measures for further improvement.**

Response from the HKAPA

4.18 The Director, HKAPA generally accepts the audit recommendations.

Electricity charges and energy management

Electricity accounts not using the more economical tariff

4.19 The electricity supply company on the Hong Kong Island, where the HKAPA's campuses are located, offers two tariffs to its non-domestic customers, i.e. the maximum demand tariff and the block rate tariff. The maximum demand tariff offers lower charging rates for the energy charge, but is only available for high-consumption electricity accounts (i.e. accounts with a monthly consumption over 24,000 kilowatt-hours).

4.20 The HKAPA incurred electricity charges of \$14 million in 2014-15. It has nine electricity accounts, comprising six for the Wanchai Campus and three for the Bethanie Campus. Audit examined the electricity consumption in 2015 of these nine electricity accounts and noted that there were seven high-consumption accounts, but only two accounts were using the maximum demand tariff. For the five high-consumption electricity accounts using the block rate tariff, selecting the more economical maximum demand tariff would achieve savings in electricity charges. Audit estimated that, if the maximum demand tariff had been used for these five accounts, electricity charges of \$0.35 million (or 5.5%) could have been saved from their electricity charges of \$6.28 million in 2015 (Note 7). In November 2015, Audit advised the HKAPA to apply to the electricity supply company for selecting the maximum demand tariff for these five accounts. In the same month, the HKAPA made enquiries with the company for determining the more economical tariff type for its high-consumption electricity accounts.

4.21 The electricity supply company also offers summation metering for combining individual electricity accounts in the same premises into one account. This can achieve further savings in overall electricity charges by reducing both the energy charge and demand charge. The HKAPA may explore the opportunities for using summation metering for its electricity accounts.

Energy conservation measures under implementation

4.22 The Government 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 opportunities to save energy. In 2013, the HKAPA commissioned a consultant to conduct an energy-cum-carbon audit (i.e. an energy audit with an additional objective to identify opportunities to reduce greenhouse gas emission) on both the Wanchai and the Bethanie Campuses. The audit started in March 2013. During the site inspections, the consultant found areas where electricity consumption could be reduced by good housekeeping measures, e.g. empty rooms with lights and air-conditioning switched on. The consultant also

Note 7: *The two electricity accounts using the maximum demand tariff achieved a saving of 5.5% in electricity charges in 2015 by using such tariff. Applying this percentage to the five high-consumption electricity accounts using the block rate tariff would arrive at a potential saving of \$0.35 million (i.e. 5.5% × \$6.28 million).*

Administrative issues

examined the various building services installations to identify energy conservation measures through adjustments and retrofitting old and inefficient equipment.

4.23 The energy-cum-carbon audit was completed in March 2015 with the production of a Full Action Report in which the consultant recommended a number of energy conservation measures for reducing electricity consumption. Some of the measures were administrative measures involving no capital investment while some involved capital investment and payback considerations (e.g. replacing T8 fluorescent tubes with more energy-efficient T5 fluorescent tubes, and retrofitting an old and inefficient chiller plant). Audit noted that, as at January 2016, the HKAPA was implementing the recommended energy conservation measures.

Audit recommendations

4.24 **Audit has *recommended* that the HKAPA should:**

- (a) **follow up with the electricity supply company for selecting the more economical tariff for the high-consumption electricity accounts, and using summation metering to achieve further savings in electricity charges; and**
- (b) **continue to implement the energy conservation measures with a view to reducing electricity consumption.**

Response from the HKAPA

4.25 The Director, HKAPA generally accepts the audit recommendations. He has said that the HKAPA is taking steps to review and determine the more economical tariff type for its high-consumption electricity accounts and is following up the opportunities to use summation metering for its electricity accounts. Whether or not the HKAPA could take advantage of the maximum demand tariff depends on a number of factors such as the HKAPA's seasonal demand change. The HKAPA will also continue to adopt appropriate energy conservation and housekeeping measures with a view to further optimising energy consumption.

Management of fixed assets

4.26 The HKAPA has laid down a set of Fixed Assets Management and Control Procedures (the Fixed Asset Procedures). According to the Fixed Asset Procedures, fixed assets include buildings, furniture, equipment and other assets which have an estimated useful life of over 12 months and a unit cost of over \$2,000. Schools and Departments are responsible for the management (i.e. custody, care, maintenance and control) of their fixed assets. The Supplies Office under the Finance Department is responsible for the overall management of fixed assets. It maintains a computerised Fixed Asset Register. As at June 2015, the Fixed Asset Register contained about 15,100 items of fixed assets (excluding buildings) with a total cost of about \$540 million.

Physical checks of fixed assets

4.27 Physical check of fixed assets on a regular basis is essential for the management of fixed assets. According to the Fixed Asset Procedures:

- (a) every School/Department conducts a physical check of its fixed assets at least once every year; and
- (b) the Supplies Office coordinates and conducts a physical check of the fixed assets of all Schools/Departments once every three years.

4.28 Audit examined the HKAPA's physical checks of fixed assets and found room for improvement in the following areas:

- (a) ***Annual physical checks not conducted.*** Each year, the Supplies Office should issue a memorandum to every School/Department, attaching a list of the School/Department's fixed assets and requesting it to conduct an annual physical check. Audit noted that the Supplies Office had not issued the memoranda in 2015. In the event, annual physical checks of fixed assets were not conducted by Schools/Departments in 2015; and

Administrative issues

- (b) *Follow-up actions on discrepancies not fully documented.* The Supplies Office completed the last triennial physical check in September 2014 and documented the results, including discrepancies found. However, follow-up actions taken on the discrepancies found were not fully documented. Furthermore, the Supplies Office did not compile a report of the results of the triennial physical check to senior management.

Need to minimise loss of fixed assets

4.29 According to the Fixed Asset Procedures, when a fixed asset no longer meets operational needs, is beyond economic repair, or is lost, the School/Department concerned has to forward a Fixed Asset Disposal Requisition Form to the Supplies Office. The Supplies Office will check whether the disposal is reasonable. The disposal of a fixed asset has to be approved by the Head of the Finance Department. In 2014-15, the HKAPA disposed of 981 fixed assets with a total cost of \$18 million, including 118 fixed assets reported lost with a total cost of \$707,000. The HKAPA needs to strengthen its control on fixed assets to minimise loss.

Inconsistencies between fixed asset records

4.30 In the Fixed Asset Procedures, the HKAPA defines its fixed assets as capital items each costing over \$2,000. On the other hand, the HKAPA's accounting policy stipulates that fixed assets are capital items each costing over \$8,000. The Accounts Office under the Finance Department maintains a separate set of fixed asset records based on this accounting policy. Audit examined the two sets of fixed asset records of the Supplies Office and the Accounts Office. Although both sets of records were generated from the Fixed Asset Register, there were discrepancies between them, as follows:

- (a) 177 items each costing over \$8,000 (with a total cost of \$6.1 million) were found in the Supplies Office's records but not in the Accounts Office's records;
- (b) 20 items (with a total cost of \$1.1 million) were found in the Accounts Office's records but not in the Supplies Office's records; and

- (c) 27 items already disposed of (with a total cost of \$1.2 million) were still found in the Accounts Office’s records.

The HKAPA needs to reconcile the discrepancies and make necessary adjustments in the fixed asset records and accounting records.

Need to enhance control on loaned items

4.31 According to the Fixed Asset Procedures, when an asset is loaned to students, teachers or other parties for the HKAPA’s activities, the School/Department concerned shall have procedures in place to record the details and to ensure that the asset is returned in good condition. Audit selected two schools (the School of Chinese Opera and the School of Drama) and examined their control on loaned items. Audit found that there were many items on loan for a long period. Table 11 shows an age analysis of items loaned during the period from January 2012 to June 2015 which had not been returned as at December 2015.

Table 11

**Age analysis of items on loan
(December 2015)**

Loan period	School of Chinese Opera	School of Drama
0.5 to <1 year	25 (7%)	25 (14%)
1 to <2 years	129 (35%)	79 (44%)
2 to <3 years	148 (41%)	40 (22%)
3 to <4 years	62 (17%)	37 (20%)
Total	364 (100%)	181 (100%)

Source: Audit analysis of HKAPA records

4.32 As shown in Table 11, for items loaned during the period January 2012 to June 2015:

Administrative issues

- (a) for the School of Chinese Opera, there were 364 items on loan as at December 2015. Of them, 62 items (17%) had already been on loan for 3 to 4 years; and
- (b) for the School of Drama, there were 181 items on loan as at December 2015. Of them, 37 items (20%) had already been on loan for 3 to 4 years.

The HKAPA needs to strengthen control over items on loan for a long period.

4.33 Audit also noted that different Schools/Departments had different procedures on controlling loaned items. The School of Chinese Opera used a standard form, while the School of Drama used a register to record loaned items. In comparison, the School of Drama's register did not record information necessary for controlling loaned items (such as the borrower's particulars, and the loan period). The HKAPA needs to lay down more guidelines on loaning of assets, covering such areas as the maximum loan period, the approving authority and the required documentation. Such guidelines are necessary for providing guidance to Schools/Departments to protect the assets of the HKAPA.

Audit recommendations

4.34 **Audit has *recommended* that the HKAPA should:**

- (a) **conduct annual physical checks of fixed assets in accordance with laid-down procedures;**
- (b) **require the Supplies Office to fully document follow-up actions taken on the discrepancies found during the triennial physical check of all fixed assets, and compile a report to senior management;**
- (c) **strengthen the control on fixed assets to minimise loss;**
- (d) **reconcile the discrepancies between the two sets of fixed asset records kept by the Supplies Office and the Accounts Office respectively; and**
- (e) **lay down formal guidelines on loaning of assets to students and staff, and strengthen controls to ensure timely return of loaned items.**

Response from the HKAPA

4.35 The Director, HKAPA generally accepts the audit recommendations. He has said that the HKAPA is enhancing the guidelines and procedures on fixed asset management. The HKAPA will also improve the procedures to ensure timely return of loaned items.

Investment of surplus funds

4.36 The HKAPA invests surplus funds in time deposits. As at 30 June 2015, the total cash amounted to \$21 million and the total time deposits amounted to \$436 million. In 2014-15, annual interest rates of time deposits placed by the HKAPA ranged from 0.22% to 1.52%. The interest income in 2014-15 was \$5.2 million.

Areas for improvement in placing time deposits

4.37 The HKAPA has not laid down procedures in placing time deposits. Under the existing practice, when there was surplus cash or maturity of time deposits, the Finance Department would carry out cashflow forecast and determine appropriate deposits amounts, with decisions made by the Head of the Finance Department. Audit noted that there was room for improvement as follows:

- (a) ***Insufficient number of banks for inviting quotations.*** The HKAPA maintains a list of banks for inviting interest rate quotations and placing time deposits. For some years, the list has contained the same four banks. In order to obtain more competitive interest rates, the HKAPA needs to expand its list of banks for placing time deposits and select banks from the list by rotation for inviting interest rate quotations; and
- (b) ***Scope for increasing deposit amounts.*** Audit examined the HKAPA's daily balances of cash (including balances of savings and current accounts and cash on hand) for the period from January to June 2015. The average daily balance amounted to \$27 million (ranging from \$7 million to \$58.5 million). There might be scope for increasing the amount of time deposits for earning more interest income.

Investment guidelines not yet finalised

4.38 The HKAPA has not developed investment guidelines. In March 2014, the HKAPA prepared a draft on investment guidelines. After discussion in the Council, it was decided that an Investment Group would be formed under the Finance Committee to help modify the draft. In May 2014, the Investment Group held its first meeting and considered that it was necessary to make reference from more sample investment guidelines from the Government. Up to January 2016, there has not been further progress in finalising the investment guidelines. There is a need for the HKAPA to finalise its investment guidelines for providing guidance on investing surplus funds.

Audit recommendations

4.39 **Audit has *recommended* that the HKAPA should:**

- (a) **expand its list of banks for obtaining interest rate quotations and placing time deposits;**
- (b) **explore the possibilities of increasing the amount of time deposits for earning more interest income; and**
- (c) **finalise its investment guidelines for investing surplus funds.**

Response from the HKAPA

4.40 The Director, HKAPA generally accepts the audit recommendations. He has said that the HKAPA will expand its list of banks for obtaining interest rate quotations and placing time deposits, with a view to enhancing interest income while ensuring sufficient liquidity for operational needs.

PART 5: CAMPUS IMPROVEMENT AND EXPANSION

5.1 This PART examines the planning and implementation of works projects for improvement and expansion of the HKAPA's campus, focusing on the following areas:

- (a) Wanchai Campus expansion project (paras. 5.2 to 5.21); and
- (b) planning for further campus expansion (paras. 5.22 to 5.34).

Wanchai Campus expansion project

5.2 The main campus of the HKAPA in Wanchai is composed of the Academy Block, the Theatre Block and the Administration Block. When the campus was completed in 1984, the design capacity was to house 600 full-time students. With the development of the HKAPA's academic programmes and gradual expansion of student populations over the years, the number of students had exceeded the original capacity of the Wanchai Campus, resulting in a space shortage problem. Although the HKAPA was offered in 2003 the Bethanie in Pokfulam as a second campus, the space shortage problem could only be partly relieved. In 2009, the HKAPA proposed to migrate to a four-year undergraduate degree structure under the new academic structure and estimated that the number of full-time equivalent students would increase to 997 by the academic year 2015/16. The HKAPA estimated that the shortfall of space would increase to 8,287 square metres (m²) in net operational floor area (NOFA — Note 8).

5.3 In June 2012, to relieve the HKAPA's space shortfall and to support the implementation of the four-year undergraduate degree structure, the Finance Committee of LegCo approved a funding of \$444.8 million for the HKAPA to carry out an expansion and improvement project of Wanchai Campus of the HKAPA. The scope of the project comprised three components, namely:

Note 8: *NOFA refers to the total internal areas of rooms/spaces within the approved schedule of accommodation, excluding all structures and partitions, circulation areas, staircases, staircase halls, lift landings, and the space occupied by toilet facilities, mechanical and electrical services such as lift and air-conditioning systems.*

Campus improvement and expansion

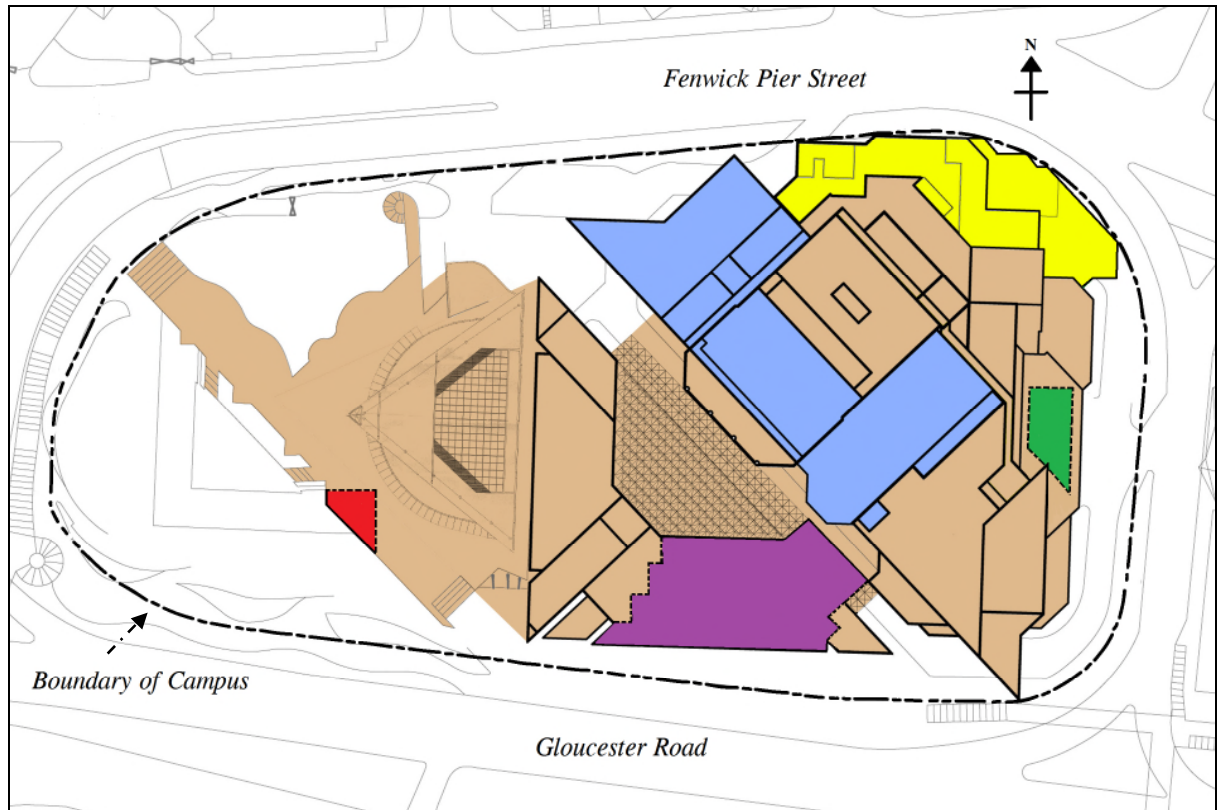
- (a) an on-campus expansion (OCE) project, at an estimated cost of \$422.1 million, to provide an additional 5,020 m² in NOFA to accommodate classrooms, studios, laboratories, music rooms, offices, workshops and support facilities by the construction of:
 - (i) a nine-storey annex building block adjoining the Theatre Block;
 - (ii) a one-storey lightweight structure on the roof of the Theatre Block;
and
 - (iii) an additional floor at the void space on the upper ground floor of the Theatre Block;
- (b) conversion of the existing fountain pump room to provide an additional 100 m² in NOFA for an administration office and a store room, at an estimated cost of \$3.3 million; and
- (c) redesign and reconfiguration of the existing library, at an estimated cost of \$19.4 million.

With a total construction floor area of 10,889 m², the project would provide an additional 5,120 m² in NOFA.

5.4 Figure 4 shows a layout of the expansion and improvement project of Wanchai Campus.

Figure 4

Expansion and improvement of HKAPA Wanchai Campus



- Legend:
- Nine-storey annex building adjoining Theatre Block
 - One-storey lightweight structure on roof of Theatre Block
 - Additional floor at void space on upper ground floor of Theatre Block
 - Conversion of pump room at basement of Administration Block
 - Reconfiguration of library on ground floor of Academy Block

Source: *Audit analysis of HKAPA records*

Progress of project implementation

5.5 The whole expansion and improvement project was scheduled for completion in December 2015. In the event, as at January 2016, the conversion of the pump room and the reconfiguration of the library (see para. 5.3(b) and (c)) had been completed on schedule and within budget. On the other hand, the core part of the whole project, i.e. the OCE project (see para. 5.3(a)) was experiencing an estimated delay of two years. The progress of the OCE project is summarised in Table 12.

Campus improvement and expansion

Table 12

**Progress of the OCE project
(As of January 2016)**

Work programme	Planned date (Note)	Actual/(Expected) date	Delay (month)
Tender invitation	January 2013	October 2013	9
Tender return	February 2013	December 2013	10
Contract award	March 2013	August 2014	17
Works commencement	April 2013	August 2014	16
Works completion	December 2015	(December 2017)	24

Source: HKAPA records

Note: Planned dates are based on information provided by the HKAPA to the HAB as summarised in the June 2012 Finance Committee paper (see para. 5.3).

Change in project design after funding approval

5.6 When funding approval was obtained from the Finance Committee of LegCo in June 2012, the original plan was to invite tenders for the main contract of the OCE project in January 2013 and award the contract in March 2013. However, due to changes in project design after funding approval, the HKAPA only invited tenders in October 2013 and awarded the contract in August 2014. A summary of the key events leading to the delay is as follows:

- (a) ***Strategic review.*** In November 2012, the HKAPA initiated a comprehensive review of the strategic development of the HKAPA. In April 2013, the review concluded that the provision of a digital technology enhanced educational environment would be a key priority in the strategic direction. The HKAPA considered that there was room to further optimise the facilities and provisions under the OCE project to facilitate this strategic direction;

- (b) ***Value re-engineering exercise.*** In December 2012, the HKAPA found that the pre-tender estimate of the main contract was higher than the original estimate and might cause the approved project estimate (APE) of \$444.8 million to be exceeded. From January to March 2013, it conducted a value re-engineering exercise with a view to reducing the project cost;
- (c) ***Proposal to seek additional funding.*** In October 2013, the HKAPA invited tenders for the main contract after making design changes found necessary in the strategic review (see (a) above) and value re-engineering exercise (see (b) above). In December 2013, noting that the returned tender prices were still higher than the original estimates in spite of the attempts made in cost cutting, the HKAPA started to explore various options to proceed with the project, including tender negotiation, re-tendering, further cost cutting, and application for increase in APE. In March 2014, the HAB, with input from the HKAPA, proposed to seek approval from the Finance Committee for a supplementary provision of \$149.6 million to increase the APE of \$444.8 million to \$594.4 million by 34%. The additional amount was to cover the increased cost of the OCE project (about \$104.7 million), and to meet the expenditure for specialist equipment (about \$44.9 million) not included in the original project scope; and
- (d) ***Reduction in project scope.*** In late April 2014, the HAB's application for supplementary provision was declined. The Financial Services and the Treasury Bureau (FSTB) asked the HAB and the HKAPA to critically review the project scope and works specifications of the project, with a view to containing the project cost within the APE (Note 9). In mid-June 2014, the HAB worked out a cost containment proposal with the HKAPA, as follows:

Note 9: *The FSTB also asked the HAB and the HKAPA to consider the possibility of further tender negotiation or re-tendering the contract. The HAB and the HKAPA considered this option not desirable having regard to the then market trend of rising construction costs and the further delay that would be caused to the project.*

Campus improvement and expansion

- (i) taking into consideration the lowest conforming tender and related discount offer, savings from cost cutting exercise, and the associated adjustment for contract fluctuation, the HKAPA calculated that the scope of the main contract had to be reduced to bring about savings of \$68 million so that the project cost could stay within the APE;
- (ii) after careful consideration of the needs to meet the savings of \$68 million and to attain the objective of the OCE project as far as possible, the HKAPA proposed to exclude the construction of the one-storey lightweight structure on the roof of the Theatre Block (see para. 5.3(a)(ii)). As a result, the original total construction floor area of 10,889 m² would be reduced by 1,132 m², or about 10% (Note 10); and
- (iii) the HKAPA also proposed alternatives, through reassignment of space and converting the new space into multi-use facilities, to minimise the impact of the reduction in space such that the project objective could still be met.

The HAB forwarded the cost containment proposal to the FSTB for consideration. In parallel, the HAB also sought technical advice from the Development Bureau and the Architectural Services Department. In late June 2014, with the consent of the FSTB, the HAB advised the HKAPA to proceed with the proposed change in project scope. In August 2014, the HKAPA awarded the contract according to the cost containment proposal.

5.7 Requirements on project implementation. Financial Circular No. 3/2012 on “Capital Works Programme” stipulates procedures for creating and managing capital works projects under the Capital Works Programme. According to the Circular, the Directors of Bureaux and works directors must ensure that each project is implemented in strict accordance with the scope of the project as approved by the Finance Committee. As a general rule, they are responsible for ensuring that

Note 10: *HKAPA records showed that the corresponding reduction in NOFA was about 700 m², or 14% of the total NOFA of 5,120 m² of the whole project (see para. 5.3).*

projects should be implemented without delay and within budget. Any delay in implementation timetable and revision of project requirements that may lead to increase in the APE should be avoided.

5.8 In April 2014, in processing the HAB's proposal for supplementary provision (see para. 5.6(c)), the FSTB drew the HAB's attention to relevant provisions of Financial Circular No. 3/2012. The FSTB also commented that the OCE project had been substantially delayed and new requirements for specialist equipment had been added as a result of the strategic review by the HKAPA. From the financial management perspective, it was highly undesirable for the HKAPA to initiate changes that would affect the APE after funding was approved. In March 2016, in response to Audit's enquiry, the HAB and the HKAPA said that:

- (a) the HAB and the HKAPA had been mindful of the need to implement the project within the APE and without delay;
- (b) it was a necessary step for the HKAPA to conduct the value re-engineering exercise when the pre-tender estimate was found to be exceeding the APE in December 2012, although it might cause further delay. Unfortunately, the returned tender prices had still exceeded the APE; and
- (c) after consulting the technical departments, the HAB noted that, given the specific site constraints of the project, it was difficult to accurately estimate the project cost at the funding application stage.

Audit concurs with the FSTB that each capital works project should be implemented in strict accordance with the approved project scope, and should be completed without delay and within budget. It was highly undesirable for the HKAPA to make changes that would affect the completion date and the APE. The HAB should also have provided prompt guidance to the HKAPA in implementing the OCE project.

Project scope reduction not reported to LegCo

5.9 ***Requirements on changes in project scope.*** According to Financial Circular No. 3/2012, when the APE and/or the approved scope of a project require a substantial change, approval should be sought from the Finance Committee. The Circular defines that "substantial change" includes all changes causing an increase

Campus improvement and expansion

in the APE by more than \$15 million or changes which, albeit not increasing the APE by more than \$15 million, constitute a significant deviation from the approved scope of the project. The FSTB may approve, under delegated authority from the Finance Committee, minor changes to project scope or increase in APE which does not exceed \$15 million.

5.10 In May 2014, the HAB sought advice from the FSTB whether LegCo approval was required for the reduction in project scope to contain the project cost (see para. 5.6(d)). The FSTB drew the HAB's attention to relevant provisions of Financial Circular No. 3/2012 and reminded the HAB to consider the need to inform or seek approval from LegCo. In June 2014, the FSTB said that it would defer to the HAB to consider whether and, if so, how to report the reduction in project scope to LegCo. The HAB considered that the key elements of the OCE project would continue to be implemented and the change in project scope would not compromise the delivery of the project's intended functions to provide additional space. In late June 2014, in its reply to the FSTB, the HAB considered it not necessary to report to LegCo as the proposal would not constitute a substantial change in project scope. The HAB also said that it would consider whether and, if so, how to keep LegCo informed of the change at a suitable juncture.

5.11 Audit notes that, up to February 2016, the HAB has not yet informed LegCo of the progress of the OCE project. Under the current schedule, the completion of the OCE project has been delayed for two years with a reduced project scope. Audit considers that the HAB needs to provide a detailed account of the project progress to LegCo.

5.12 According to Financial Circular No. 3/2012, the FSTB may approve, under delegated authority from the Finance Committee of LegCo, minor changes to project scope or an increase in the APE which does not exceed \$15 million (see para. 5.9). However, after examining the relevant records, Audit could not find any formal documents for seeking and giving approval for the reduction in scope of the OCE project. All the discussions between the HAB and the FSTB about the reduction in project scope were conducted by means of e-mails, without formal documents. In contrast, Audit notes that there are detailed procedures and formal documents for the FSTB to process requests for supplementary provision of not more than \$15 million, recording the application, justifications and approval. However, there are no formal arrangements for

considering and approving minor changes in project scope by the FSTB. The FSTB needs to develop such arrangements and procedures.

5.13 In this case, the FSTB, as the approving authority for minor changes in project scope, had deferred to the HAB to decide whether the reduction in scope was significant for reporting to LegCo (see para. 5.10). In the event, the reduction in scope was considered by the HAB and the HKAPA as not significant as it only reduced the total construction floor area by 10% (see para. 5.6(d)(ii)). However, in terms of project cost, the reduction in scope involved cost savings of about \$68 million. This amount is higher than the \$15 million threshold for seeking approval for supplementary provision from the Finance Committee. Nevertheless, there are currently no guidelines and procedures for determining what constitutes a significant change in project scope where LegCo approval has to be sought. This case has highlighted the need for the FSTB to consider issuing such guidelines.

Impact of project slippage and scope reduction

5.14 As at January 2016, the OCE project was still in progress and was scheduled for completion by December 2017, two years behind the original schedule of December 2015. The project scope was also reduced with a decrease of 1,132 m² in construction floor area. The project delay and reduction in scope might have a significant impact on the space shortage problem of the HKAPA. Moreover, the HKAPA had to extend its leases for commercial premises in Wanchai (with a monthly rental of \$166,710) for providing necessary accommodation. A two-year project delay would result in additional rental of \$4 million. The HKAPA needs to make plans to deal with the impact of the delay and reduction in scope of the OCE project on delivering its academic programmes and other services.

5.15 In February 2016, in response to Audit's enquiry, the HKAPA said that, apart from the delay in tender invitation and contract award, the project delay was also attributable to inclement weather and unforeseeable additional requirements on the foundation works.

Audit recommendations

5.16 Audit has *recommended* that the HKAPA should:

- (a) endeavour to complete the OCE project within budget by December 2017;
- (b) for future government-subsented capital works projects, implement the project in strict accordance with the scope of the project as approved by the Finance Committee of LegCo, and avoid making changes to the design and specifications of the project that would increase the APE after funding approval; and
- (c) make necessary arrangements to deal with the impact of the delay and reduction in scope of the OCE project on delivering its academic programmes and other services.

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

- (a) monitor closely the progress of the OCE project to ensure that the HKAPA completes it within budget by December 2017;
- (b) in performing the role of vote controller of subsented capital works projects, provide timely guidance to subsented organisations to remind them to implement subsented projects in strict accordance with the approved scope of the projects, and complete the projects on time and within budget; and
- (c) report the progress of the OCE project to LegCo with a detailed account of the delay and reduction in project scope.

5.18 Audit has *recommended* that the Secretary for Financial Services and the Treasury should consider developing suitable guidelines and procedures for approving changes in scope of capital works projects, with criteria for assessing whether a change in scope is significant and requires the approval of LegCo.

Response from the HKAPA

5.19 The Director, HKAPA generally accepts the audit recommendations in paragraph 5.16. He has said that the HKAPA has already put in place additional measures in project monitoring and management to ensure that the OCE project would be implemented within budget by December 2017. It has also adopted measures to enable the smooth delivery of academic programmes and other services pending completion of the OCE project.

Response from the Government

5.20 The Secretary for Home Affairs generally accepts the audit recommendations in paragraph 5.17. He has said that, to contain the overall budget within the APE approved by the Finance Committee, the HKAPA had no choice but to adopt cost containment measures. It has been the HAB's plan to submit a paper to the LegCo Panel on Home Affairs in early 2016 to report on the progress of the OCE project. The HAB will continue to closely monitor the progress of the OCE project to ensure that the HKAPA will complete it within budget by December 2017. The HKAPA is required to submit quarterly reports on the progress of the project and report to the HAB any irregularities in the first instance.

5.21 The Secretary for Financial Services and the Treasury agrees with the audit recommendation in paragraph 5.18. He has said that, in reality, the scope of a project might need to be adjusted to cater for unforeseen circumstances after funding approval. The assessment on whether a change in project scope is significant should be guided by the principle of prudent use of public money. Whether the primary objectives of a project could still be met despite the change is also a pertinent consideration. The FSTB is prepared to offer guidance on principles.

Planning for further campus expansion

5.22 In 2009, the HKAPA conducted an assessment on space requirements for migration from a three-year to a four-year undergraduate degree structure under the

Campus improvement and expansion

new academic structure (see para. 5.2). The assessment indicated that the space shortfall would be 7,201 net assignable square metres (NASM — Note 11), as follows:

Estimated space requirements	18,716 NASM
Less: Total space provision	<u>11,515 NASM</u>
Estimated space shortfall	<u><u>7,201 NASM</u></u>

5.23 The estimated space shortfall of 7,201 NASM corresponded to 8,287 m² in NOFA which formed the basis of the expansion and improvement project of Wanchai Campus approved in June 2012 (see para. 5.3). According to the HKAPA's calculation, after the implementation of the project which would provide 5,120 m² in NOFA, there would still be a shortfall of 3,167 m² in NOFA. To meet the remaining space shortfall and space requirements for additional facilities not included in the space requirements (including a student hostel), the HKAPA put forward a proposal in 2014 to redevelop the west wing of its Wanchai Campus. The project is currently under planning and pending allocation of resources.

Need to review student number for estimating space requirements

5.24 Under the UGC space planning standards, the number of students was the key parameter in determining the space requirements for different categories of facilities, including classrooms, study spaces, specialist teaching facilities, libraries, amenities and indoor sports facilities, etc. In assessing its space requirements in 2009, the HKAPA adopted the UGC space planning standards, with adjusted calculation bases to cater for its practice-based teaching method. In the process, the HKAPA projected the student number for the academic year 2015/16 under a four-year undergraduate degree structure. Table 13 shows a 9% over-estimation of the projected over actual number of full-time equivalent students in 2015/16.

Note 11: *NASM refers to the spaces/rooms assignable for teaching, learning, academic and related administration activities. In the UGC's Space Inventory Manual, NASM is equivalent to NOFA (see para. 5.2). The HKAPA has adopted NASM as NOFA excluding dressing rooms and stores which are specific to its operations.*

Table 13

Projected and actual number of full-time equivalent students in 2015/16

Programme	Projection (A)	Actual (B)	Over/(Under) estimation (C) = (A)-(B)
Undergraduate degree programmes	721	643	78
Sub-degree programmes	122	142	(20)
Subtotal	843	785	58
Master's degree programmes	154	133	21
Total	997	918	79 (9% over-estimation)

Source: Audit analysis of HKAPA records

5.25 The HKAPA had included the student numbers of its undergraduate degree, sub-degree and Master's degree programmes in applying the space planning standards to calculate the space requirements (Note 12). The total number of students was 997. However, it should be noted that all along the HKAPA runs its Master's degree programmes on a self-financing basis without subvention from the HAB. It is not appropriate to include student number from non-subsented programmes in the calculation of space requirements for government-funded accommodation. If the student number of Master's degree programmes was excluded, the projected number of students in the assessment would be 843, or 85% of the adopted number of 997. The estimated space requirements would be considerably reduced. The HAB needs to examine whether it is appropriate for the

Note 12: *The HKAPA did not include students of the government-funded junior programmes (for young people aged from 5 to 18) in calculating the space requirements. As at October 2015, there were 690 part-time students (a full-time equivalent of 115 students) under such programmes. These students attended classes mostly on Saturdays when there were few scheduled classes for students of undergraduate degree and sub-degree programmes. The UGC's space planning standards do not mention space requirements for students of junior programmes.*

Campus improvement and expansion

HKAPA to include the number of students of self-financing Master's degree programmes in the HKAPA's assessment of space requirements.

5.26 Regarding the undergraduate degree and sub-degree programmes, the projected 2015/16 total student number was 843. Table 13 shows that the actual enrolment number was 785, with a shortfall of 58 (or 7%) from the projection. The reduction in student number would also reduce the space requirements correspondingly. The HKAPA needs to make use of up-to-date student numbers and projections in its estimation of space requirements.

Existing space provision without underlying records

5.27 To facilitate the UGC's assessment on institutions' space and accommodation needs, all institutions are required to compile a space inventory and submit it to the UGC every three years for checking. The space inventory provides useful information for the UGC's assessment on proposals for capital works projects from the institutions. In the government context, government bureaux and departments are required to compile and maintain similar records of the premises allocated for their use, called a schedule of accommodation (SoA). If additional accommodation is required, they are required to submit full details of the SoA for consideration by the relevant authorities (i.e. the Government Property Agency and the Property Vetting Committee).

5.28 In the HKAPA's 2009 estimation of space shortfall, it was stated that the space provision at the time was 11,515 NASM (see para. 5.22). The information was recorded on a one-page summary spreadsheet with breakdown of the total space provision into several broad categories. In December 2015, Audit requested the underlying records of the 2009 spreadsheet, i.e. a detailed SoA, supporting the space provision of 11,515 NASM. Up to January 2016, the HKAPA was not able to provide a detailed SoA for Audit's review. This is less than satisfactory and the HKAPA needs to compile and maintain a detailed SoA of its space provision for management and allocation of accommodation, for management information, and as supporting documents in requesting additional accommodation.

5.29 From the HAB records, Audit was able to find a set of detailed SoA (with 18 pages) of the HKAPA dated back to 1999 when the HKAPA bid for the Bethanie as its second campus to relieve its space shortage problem. This 1999 SoA provided

Campus improvement and expansion

detailed information of the individual teaching facilities, performance venues and supporting facilities, including the size, location and usage. Audit has compiled a summary of the 1999 SoA to compare with the information in the 2009 spreadsheet as shown in Table 14.

Table 14

Space provision between the 1999 SoA and the 2009 spreadsheet

Facility	Space provision (NASM — Note 1)		
	1999 SoA (A)	2009 spreadsheet (B)	Discrepancy (C) = (A) – (B)
Classrooms	1,341	537	804
Specialist teaching areas (Note 2)	8,412	8,131	281
Offices	2,521	1,325	1,196
Library	733	873	(140)
Amenities and sport facilities	585	649	(64)
Total	13,592	11,515	2,077

Source: Audit analysis of HAB and HKAPA records

Note 1: The areas included the space provided at both the Wanchai Campus and the Bethanie Campus.

Note 2: Specialist teaching areas include all the specialist teaching space such as dance studios, music rooms, television studios, computer rooms, etc.

5.30 Table 14 shows that the 1999 SoA recorded a total space provision of 13,592 NASM, which is 2,077 NASM (or 18%) more than the 11,515 NASM as recorded in the 2009 spreadsheet, mainly in such facilities as classrooms, specialist teaching areas and offices. Audit considers that the HKAPA should, in compiling its SoA for its current space provision, taking account of the discrepancies between the information in the 1999 SoA and the 2009 spreadsheet to ensure that the SoA so compiled is accurate and reliable.

Audit recommendations

- 5.31 Audit has *recommended* that the HKAPA should:
- (a) re-examine its assessment of space requirements, using the up-to-date projection of student numbers, to provide a more accurate estimate;
 - (b) compile a detailed SoA of its current space provision, taking account of the discrepancies between the 1999 SoA and the 2009 spreadsheet; and
 - (c) update its space shortfall for planning future development projects, taking account of the results of (a) and (b) above.

5.32 Audit has *recommended* that the Secretary for Home Affairs should, in consultation with the Secretary for Education, examine the basis adopted by the HKAPA in its assessment of space requirement, including whether it should include the number of students of self-financing Master's degree programmes.

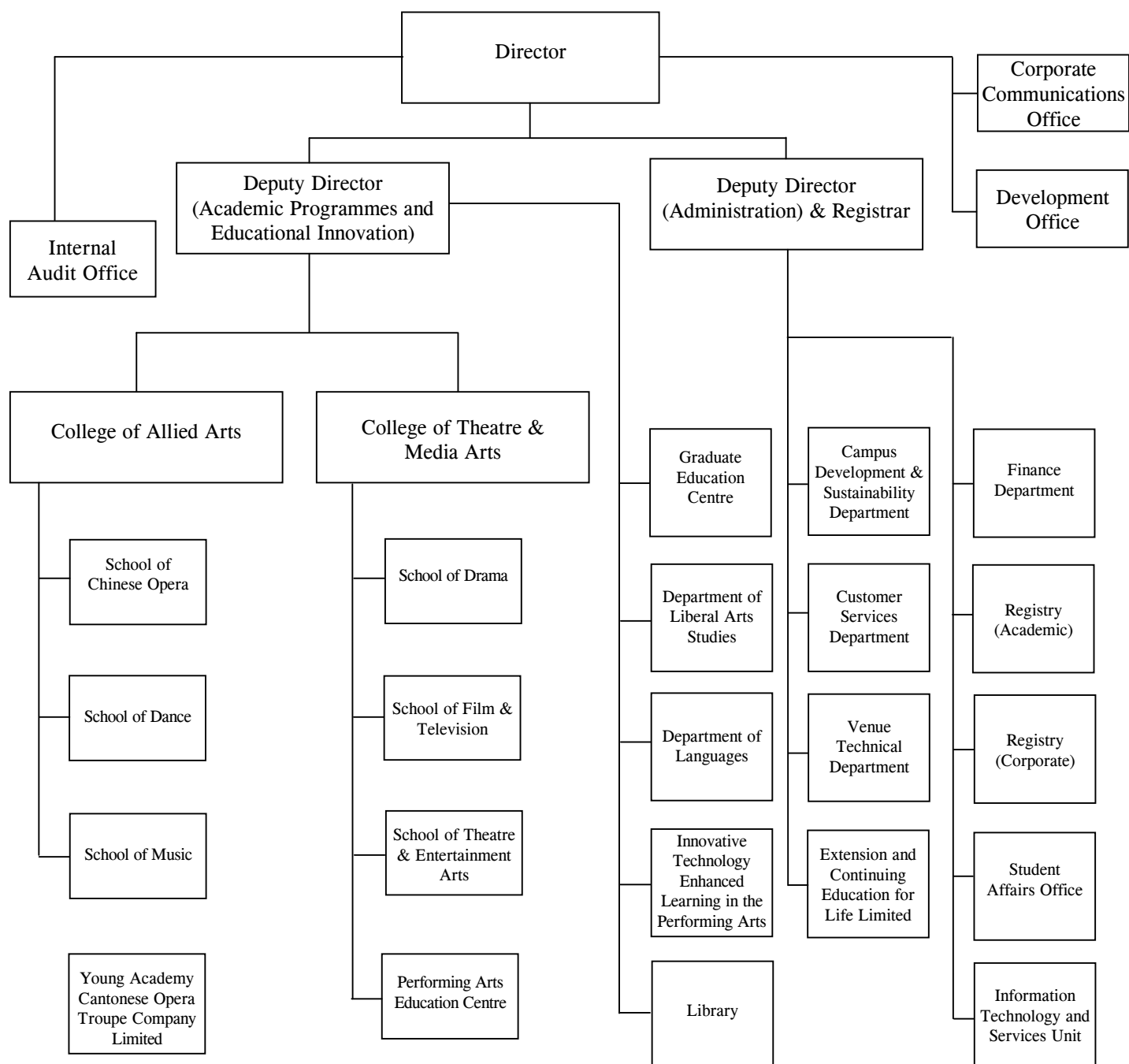
Response from the HKAPA

5.33 The Director, HKAPA generally accepts the audit recommendations in paragraph 5.31.

Response from the Government

5.34 The Secretary for Home Affairs generally accepts the audit recommendation in paragraph 5.32. He has said that the HAB will re-examine the basis on which space requirements for the HKAPA should be assessed having regard to all relevant factors including the nature of the programmes, performance/production requirements, and other teaching and learning needs.

**HKAPA: Organisation chart
(December 2015)**



Source: HKAPA records

**HKAPA's income and expenditure
(2010-11 to 2014-15)**

	Amount (\$ million)					Increase/ (decrease) from 2010-11 to 2014-15
	2010-11	2011-12	2012-13	2013-14	2014-15	
<i>Income</i>						
Recurrent government subvention	187.4	211.5	251.2	260.5	280.5	50%
Other government subvention	66.9	30.1	53.4	38.0	28.6	(57%)
Tuition fees	63.2	67.1	70.5	72.9	72.8	15%
Donations and benefactions	56.6	42.8	48.6	48.3	43.0	(24%)
Venue hiring	20.7	24.1	22.0	19.7	22.3	8%
Other income	11.4	17.2	14.3	15.8	19.5	71%
Total income	406.2	392.8	460.0	455.2	466.7	15%
<i>Expenditure</i>						
Instruction and research	135.6	144.7	159.4	169.3	177.4	31%
Premises and related expenses	91.8	90.0	99.7	85.9	90.4	(2%)
General education services and other activities	46.6	51.1	50.5	56.1	59.3	27%
Management and general support	31.5	36.6	42.2	39.1	44.3	41%
Library and other academic services	25.5	29.8	33.8	37.5	40.5	59%
Productions	20.3	20.3	21.7	23.2	25.0	23%
Total expenditure	351.3	372.5	407.3	411.1	436.9	24%
Surplus	54.9	20.3	52.7	44.1	29.8	(46%)

Source: Audit analysis of HKAPA records

**Awards and achievements of
HKAPA students and graduates in performing arts events
(2015)**

Performing arts event	No. of awards
16th International Chopin Piano Competition in Asia	8
2015 Hong Kong Dance Awards	7
24 Frames & Creative Media Festival	1
Fresh Wave 2015 - International Short Film Festival	7
HK4As Kam Fan Student Merit Award	1
Hong Kong Arts Development Awards 2014	5
International Competition of YOUKI 16 International Youth Media Festival in Austria	1
The 9th Shenzhen Hong Kong Life Awards	1
The 16th Osaka International Music Competition	1
The 52nd Golden Horse Awards in Taiwan	1
The 64th ARD International Music Competition in Munich	1
The 79th Steinway & Sons International Youth Piano Competition (China Final)	5
TVB Anniversary Awards 2015	1

Source: HKAPA records

Acronyms and abbreviations

APE	Approved project estimate
Audit	Audit Commission
EDB	Education Bureau
EXCEL	Extension and Continuing Education for Life Limited
FSTB	Financial Services and the Treasury Bureau
HAB	Home Affairs Bureau
HKAPA	Hong Kong Academy for Performing Arts
HKDSE	Hong Kong Diploma of Secondary Education
JUPAS	Joint University Programmes Admissions System
LegCo	Legislative Council
m ²	Square metres
MAA	Memorandum of Administrative Arrangements
NASM	Net assignable square metres
NOFA	Net operational floor area
OCE	On-campus expansion
SoA	Schedule of accommodation
Troupe	Young Academy Cantonese Opera Troupe Company Limited
UGC	University Grants Committee