

# **CHAPTER 4**

## **Home Affairs Department**

<p><b>Provision of district council funds for community involvement projects</b></p>
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**Audit Commission  
Hong Kong  
3 April 2017**

*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. 68 of the Director of Audit contains 8 Chapters which are available on our website at <http://www.aud.gov.hk>

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# **PROVISION OF DISTRICT COUNCIL FUNDS FOR COMMUNITY INVOLVEMENT PROJECTS**

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# PROVISION OF DISTRICT COUNCIL FUNDS FOR COMMUNITY INVOLVEMENT PROJECTS

## Executive Summary

1. It has been the Government's long-standing policy to foster a sense of belonging and mutual care among the people of Hong Kong. To this end, the Home Affairs Department (HAD) formulates and develops initiatives in respect of community building. An important vehicle for community building is community involvement projects (CI projects). CI projects aim at enhancing community spirit and social cohesion and promoting well-being of the people in the 18 districts of Hong Kong. Examples of CI projects organised included district festivals, activities to promote sports and culture, and activities to care for the disadvantaged groups. CI projects are implemented through District Councils (DCs). The HAD provides funds to DCs for implementing CI projects in districts annually (DC-CIP funds).

2. In 2015-16, the provision of DC-CIP funds amounted to \$361.6 million. Implementation parties, such as government departments (mainly the Leisure and Cultural Services Department (LCSD)) and non-governmental organisations (NGOs), can apply to DCs for DC-CIP funds to carry out CI projects. The number of CI projects implemented in 2015 was 37,827, which had a total of 18.6 million participants. The Audit Commission (Audit) has recently conducted a review of the provision of DC-CIP funds by the HAD.

### **Allocation and use of district council funds for community involvement projects**

3. *Allocation of funds to DCs.* The HAD allocated DC-CIP funds to DCs through a mechanism: (a) a portion was allocated to individual DCs as basic allocation on a historical/equal basis; (b) a portion was allocated to individual DCs taking into account a number of factors (e.g. population and socio-economic factors); and (c) a small remaining portion was kept by the HAD as central reserve for contingency. Audit found that the factors adopted by the HAD in allocating the relevant portion of DC-CIP funds (see (b) above) had been subject to changes

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since 2008-09 (e.g. the population of the Sai Kung District had increased from 5.9% (420,100) of the 18 districts' total population in 2008-09 to 6.3% (463,700) in 2015-16). The HAD, however, had not taken into account changes in the factors in allocating the relevant portion. For example, in allocating the relevant portion of \$256.11 million in 2015-16, the allocation was based on the old data (e.g. district population) of 2008-09, 2012-13 and 2013-14. Audit also noted that it had been announced in the 2017 Policy Address that the annual provision of DC-CIP funds would be increased by \$100 million starting from 2017-18. The HAD needs to review the allocation of DC-CIP funds taking into account this additional annual provision as well as changes in the factors (paras. 2.2 to 2.5).

4. *Use of funds by DCs.* The number of CI projects and the number of participants in CI projects are key performance indicators of the HAD. Audit noted that: (a) for the period 2011 to 2015, the number of projects decreased by 3.3% from 39,127 to 37,827 and the number of participants decreased by 13.3% from 21.49 million to 18.63 million, whereas the expenditure of projects increased by 17% from \$272.35 million to \$319.52 million; (b) Audit's analysis of the \$205.63 million of DC-CIP funds spent in 2015-16 on the 15 categories of DC projects indicated that \$146.27 million (71%) were spent on the three categories of arts and cultural activities, recreational and sports activities, and festival celebrations and district festivals. The funds spent on some other categories were small. For example, each of the categories of civic education (\$2.42 million) and building management (\$1.7 million) incurred a spending of less than 2% of the \$205.63 million; (c) for some DC projects targeting specific groups of people, the number of projects and participants was low. For example, of the some 6,900 DC projects in total, there were only 133 (1.9%) projects for people with disabilities or special needs, and of the some 15 million participants, there were only 19,000 (0.1%) ethnic minorities; (d) the HAD had not made use of its data on DC-CIP funds and CI projects to conduct analyses to facilitate the management of the funds and projects; and (e) the annual provision of DC-CIP funds included funds which were designated for arts and cultural activities pursuant to the 2013 and 2015 Policy Addresses. However, 10 of the 18 DCs had used the designated funds on other activities, involving amounts ranging from \$220,000 to \$1.09 million (paras. 2.9, 2.10, 2.18, 2.20, 2.23, 2.25 and 2.27).

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### **Management of conflicts of interest in community involvement projects**

5. *Declaration of interests.* It is not unusual for members of DCs and DC committees to be associated with implementation parties (see para. 2) of CI projects. DC standing orders concerning management of conflicts of interest in CI projects require members to make a first-tier declaration of interests by reporting their registrable interests (e.g. remunerated directorships and “other declarable interests”) at the commencement of each DC/committee term or upon changes in the interests. Members shall also make a second-tier declaration of interests (e.g. at meetings) before dealing with matters on DC-CIP funds. Audit noted that: (a) as “other declarable interests” had not been clearly defined in DC standing orders, of the 129 second-tier declarations made by members at meetings in 2016, in 122 (95%) declarations (made by 76 members), positions (e.g. president or chairperson) held by members in implementation parties had not been reported in the first-tier declaration; (b) in seven meetings where members considered the earmarking of funding for implementation parties, 34 members had not declared connections with the implementation parties (e.g. as board members); and (c) for the nine DCs examined by Audit, their standing orders had not spelt out how declarations were to be made when matters were handled through circulation of papers (paras. 3.2, 3.3, 3.5 to 3.8).

6. *Handling of interests declared.* For the 129 cases of declaration of interests at meetings (see para. 5(a)), the related minutes of meetings indicated that in 73 (57%) cases (involving three DCs), contrary to the requirements of DC standing orders, rulings (e.g. a member may remain in the meeting as an observer) had not been made and recorded on the interests declared. Those who had declared interests continued their attendance in the meetings (para. 3.13).

7. *Management of conflicts of interest in working groups.* DCs and their committees have appointed working groups to help carry out specified functions. Audit noted that while DC standing orders have stipulated the procedures for managing conflicts of interest, the procedures are not applicable to working group meetings. Furthermore, of the nine DCs examined by Audit, there were three working groups (under three DCs) that endorsed applications for CI projects on behalf of DCs/committees. Audit noted that once project applications were endorsed by the working groups, CI projects could be implemented without DCs’ further endorsements. However, according to the District Councils Ordinance

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(Cap. 547), a DC may delegate its functions to a committee only (paras. 3.16, and 3.18 to 3.20).

### **Implementation of community involvement projects**

8. *Selection of NGOs for implementing projects.* Audit examined the practices of four DCs in implementing CI projects. Audit noted that: (a) designated NGOs (i.e. those which have a long-term working relationship with DCs) are earmarked with funds by DCs in their annual budgets for carrying out CI projects. Of the four DCs examined, one DC last reviewed its list of designated NGOs more than 10 years ago; and (b) it is a usual practice that partner NGOs are selected for implementing CI projects in partnership with committees/working groups of DCs through invitation (e.g. by posting an open invitation on the DC's website). However, for one DC, partner NGOs are nominated by DC members in charge of CI projects. There is scope for enhancing the openness and transparency of this selection process (paras. 4.2, 4.3, 4.6, 4.8 and 4.9).

9. *Performance management of projects.* According to the HAD Manual on the use of DC-CIP funds, a DC should have an evaluation system in place to monitor the effectiveness of CI projects. Audit noted that, of the four DCs examined by Audit (see para. 8): (a) one DC had discontinued the use of any evaluation systems in the six-year period 2011-12 to 2016-17; (b) another DC had not set any criteria for selecting projects for evaluation purpose. It only conducted project evaluations upon request by the HAD's district office concerned; (c) there were cases where the ratings given in evaluations of CI projects were not reflecting the actual situation. For example, in one project, the rating for the assessment item of number of participants was "Very Satisfactory", while the actual number of participants was only 33% of the expected number; and (d) Audit's examination of 38 projects held in 2015-16 at performance venues of the LCSD revealed that in 30 (79%) projects, the audience size reported by the implementation parties was higher than that recorded by the LCSD venue management, with variances ranging from 3% to 323% and averaging 71% (paras. 4.12 to 4.14, 4.16 and 4.18).



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### Audit recommendations

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

*Allocation and use of district council funds for community involvement projects*

- (a) taking into account changes in the factors (e.g. population and socio-economic factors) and the additional annual provision of DC-CIP funds, conduct a review of the allocation of the funds to ensure that they are allocated in the most appropriate manner (para. 2.6);
- (b) keep under review the number of CI projects and participants in the projects vis-à-vis the expenditure of the projects and take improvement measures as appropriate (para. 2.28(a));
- (c) produce analyses of DC projects to individual DCs to facilitate them to review whether their existing spending patterns best meet the needs of their districts (para. 2.28(b));
- (d) produce analyses of DC projects targeting specific groups of people to individual DCs to facilitate them to assess the need to initiate more such projects (para. 2.28(c));
- (e) periodically generate data and conduct different analyses for HAD management information purposes and for dissemination to DCs to facilitate their management of DC-CIP funds and CI projects (para. 2.28(d));
- (f) take measures to ensure that the funds for arts and cultural activities are spent as designated (para. 2.28(f));

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### *Management of conflicts of interest in community involvement projects*

- (g) provide guidelines with broad principles of what constitute “other declarable interests” to DC/committee members as appropriate to facilitate the reporting of “other declarable interests”, and remind them to make more efforts in declaring their interests (para. 3.9(a));
- (h) take more measures to ensure that DC/committee members declare their interests before earmarking funding for implementation parties (para. 3.9(b));
- (i) provide guidelines to DCs on how declarations of interests could best be made in handling matters through circulation of papers (para. 3.9(c));
- (j) remind DCs that rulings should be made and recorded on interests declared by members in DC/committee meetings (para. 3.14);
- (k) ensure that the stipulated procedures for handling conflicts of interest applicable to DC/committee meetings also apply to working group meetings (para. 3.21(a));
- (l) ascertain whether DCs’ practice of delegating functions to their working groups is in line with the District Councils Ordinance and take remedial action as appropriate (para. 3.21(b));

### *Implementation of community involvement projects*

- (m) provide DCs with suitable guidelines to facilitate their reviewing of designated NGOs and incorporate the guidelines into the HAD Manual (para. 4.10(a));
- (n) set out in the HAD Manual, for DCs’ reference, good practice guidelines on the selection of partner NGOs as adopted by most DCs (para. 4.10(b));
- (o) advise the DC concerned (see para. 8(b)) to review its existing practice of selecting NGOs with a view to enhancing the openness and

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**transparency of the selection process, taking account of the good practice guidelines mentioned in (n) above (para. 4.10(c));**

- (p) take measures to ensure that DCs set up a system for evaluating CI projects (para. 4.20(a));**
- (q) take measures to ensure that DCs set proper criteria for selecting CI projects for evaluation, and that CI projects meeting the criteria are evaluated (para. 4.20(b) and (c));**
- (r) remind DC secretariats to follow up with evaluators in cases where the ratings given by them in evaluation of CI projects are not in line with the actual situation (para. 4.20(e));**
- (s) ascertain the discrepancies between the size of audience reported and that recorded by the LCS D venue management, and take measures to ensure the accuracy of the number of participants reported (para. 4.20(g)); and**
- (t) consider reviewing the existing methods adopted by implementation parties for counting the number of participants (para. 4.20(h)).**

## **Response from the Government**

11. The Director of Home Affairs agrees with the audit recommendations.

## **PART 1: INTRODUCTION**

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

### **Background**

#### *Community involvement projects*

1.2 It has been the Government's long-standing policy to foster a sense of belonging and mutual care among the people of Hong Kong. The Government strives to maintain Hong Kong as an integrated and harmonious society, with broad public participation in community affairs and a strong sense of commitment to the well-being of the community. To this end, the Home Affairs Department (HAD) formulates and develops initiatives in respect of community building.

1.3 An important vehicle for community building is community involvement projects (CI projects). CI projects aim at enhancing community spirit and social cohesion and promoting well-being of the people in the 18 districts of Hong Kong. Examples of CI projects organised included district festivals, activities to promote sports and culture, activities to care for the disadvantaged groups, and activities to foster inter-cultural understanding.

#### *Implementation of CI projects through District Councils*

1.4 CI projects are implemented through District Councils (DCs). DCs are established under the District Councils Ordinance (Cap. 547). There are 18 DCs (9 in urban areas and 9 in the New Territories) in Hong Kong. The main functions of a DC are to advise the Government on matters affecting the well-being of the people living and working in the district, on the provision and use of public facilities and services within the district, on the adequacy and priorities of government programmes for the district, and on the use of public funds allocated to the district for community activities and local public works. For the present DC term of

## Introduction

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2016-19 (from 1 January 2016 to 31 December 2019), the 18 DCs have a total of 458 DC members (Note 1).

1.5 The HAD provides funds to DCs for implementing CI projects in districts annually (hereinafter funds for implementing CI projects are referred to as DC-CIP funds). In 2015-16, the provision of DC-CIP funds amounted to \$361.6 million (Note 2) while the actual spending was \$361.38 million.

### *Provision of DC-CIP funds*

1.6 DC-CIP funds are provided to DCs as follows:

- (a) the funds are approved annually by the Legislative Council under the General Revenue Account in the context of the Estimates. The provision of DC-CIP funds to individual DCs for 2015-16 is at Appendix A. The HAD allocates the approved funds to individual DCs having regard to a number of factors (e.g. population size and land area of the district);
- (b) with the allocated funds, DCs identify and initiate CI projects for implementation (see paras. 1.9 to 1.12); and
- (c) DCs monitor the progress of CI projects. Any unspent DC-CIP funds at the end of a financial year will lapse, and cannot be carried forward to the next financial year.

1.7 In 2006, the Government conducted a review on the role and functions of DCs. As recommended by the review, the following changes regarding DC-CIP funds were made in 2008-09:

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**Note 1:** *DC members are paid honoraria, allowances and reimbursements by the HAD, totalling \$424.7 million in 2016-17.*

**Note 2:** *The provision of DC-CIP funds forms part of the HAD's overall spending on community building (see para. 1.2). For 2016-17, the estimated spending on community building was \$1,086.9 million.*

- (a) leisure and cultural activities carried out at district facilities by the Leisure and Cultural Services Department (LCSD) (previously funded by the LCSD) should be regarded as CI projects and covered by DC-CIP funds. The LCSD would apply to DCs for DC-CIP funds to carry out such activities (i.e. recreational and sports activities, cultural and entertainment activities, and library extension activities); and
- (b) the annual provision of DC-CIP funds was increased to \$300 million (Note 3).

1.8 Table 1 shows the provision of DC-CIP funds and the actual spending on CI projects in the period 2008-09 to 2015-16.

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**Note 3:** *The provision for 2008-09 of \$300 million comprised the amount of DC-CIP funds provided in the preceding year (\$147.5 million), an amount transferred from the LCSD's budget for funding LCSD activities to be covered by DC-CIP funds (\$68.0 million), and an increase in the provision of DC-CIP funds (\$84.5 million).*

**Table 1**

**Provision of DC-CIP funds and actual spending on CI projects  
(2008-09 to 2015-16)**

<b>Year</b>	<b>Provision (a) (\$ million)</b>	<b>Actual spending (b) (\$ million)</b>	<b>Spending rate (c) = (b)/(a) × 100%</b>
2008-09	300.00	298.92	99.64 %
2009-10	300.00	299.08	99.69 %
2010-11	300.00	298.73	99.58 %
2011-12	300.00	299.14	99.71 %
2012-13	320.00	319.58	99.87 %
2013-14	340.80 (Note 1)	340.49	99.91 %
2014-15	340.80	340.66	99.96 %
2015-16	361.60 (Note 2)	361.38	99.94 %

*Source: HAD records*

*Note 1: The annual provision was increased by \$20.8 million to \$340.8 million for 2013-14 and the ensuing years for the promotion of arts and cultural activities.*

*Note 2: The annual provision was increased by another \$20.8 million to \$361.6 million for the five years 2015-16 to 2019-20 for the further promotion of arts and cultural activities. According to the 2017 Policy Address, the annual provision would be increased by \$100 million from 2017-18 onwards.*

### ***Implementation of CI projects***

1.9 The HAD has set up a district office in each of the 18 districts. A DC secretariat is set up under each district office to provide secretariat services to the DC concerned. Other functions of district offices include acting as a link between DCs and government departments, and helping DCs implement CI projects.

1.10 To provide guidelines on the implementation of CI projects, the HAD has compiled a Manual on the Use of District Council Funds (the HAD Manual). The key procedures for implementing CI projects are outlined in paragraphs 1.11 to 1.16.

1.11 *Ambit of DC-CIP funds.* The funds are used for meeting district needs, for example, in the following categories of projects/activities:

- (a) district leisure and sports activities (e.g. sports competitions — see Photograph 1);
- (b) district cultural and entertainment activities (e.g. concerts — see Photograph 2);
- (c) activities undertaken at district facilities (e.g. carnivals — see Photograph 3); and
- (d) activities to promote community building, social harmony and public participation in community affairs (e.g. seminars — see Photograph 4).

### Photograph 1

#### A sports competition financed by DC-CIP funds



Source: HAD records



**Photograph 2**

**A concert financed by DC-CIP funds**



*Source: HAD records*

**Photograph 3**

**A carnival financed by DC-CIP funds**



*Source: Photograph taken by Audit Commission*

**Photograph 4**

**A seminar financed by DC-CIP funds**



*Source: HAD records*

1.12 **Implementation parties.** The following parties can apply to DCs for DC-CIP funds to carry out CI projects:

- (a) **Government departments.** Government departments, mainly the LCSD (Note 4), can apply for funds to carry out CI projects;
- (b) **Non-governmental organisations (NGOs).** NGOs, particularly district-based organisations (e.g. kaifong associations), can apply for funds; and

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**Note 4:** *Occasionally, some other government departments (e.g. the Independent Commission Against Corruption) may apply for DC-CIP funds. The amount involved is, however, not significant. For example, for 2015-16, it accounted for about 1% (\$4.48 million) of the actual spending (\$361.38 million) on CI projects.*

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- (c) ***Committees/working groups under DCs/district offices (Note 5).*** Committees/working groups under DCs/district offices can apply for DC-CIP funds. They can carry out CI projects as follows:
- (i) ***In partnership with NGOs.*** Committees/working groups under DCs/district offices can carry out projects in partnership with NGOs. For example, committees responsible for enhancing social harmony may carry out projects benefitting disadvantaged people in partnership with NGOs from relevant sectors; and
  - (ii) ***With assistance of district offices.*** Committees/working groups under DCs/district offices can carry out projects with the assistance of district offices concerned (see para. 1.9). For example, district offices may help committees responsible for publicity matters carry out projects on producing and distributing calendars.

1.13 ***Permissible expenditure.*** For each CI project, DCs can provide a grant of up to \$2.5 million. The grant can only be used to meet expenditure which is permissible and is wholly and necessarily incurred for the project. The HAD Manual has specified a list of permissible expenditure items (e.g. employment of project staff including temporary or casual workers), with limits imposed on some of them (e.g. 25% of the approved project sum for staff cost).

1.14 ***Processing of applications.*** An application for DC-CIP funds is firstly processed by the responsible DC secretariat, which examines the application to ensure that various requirements are met (e.g. the project is within the ambit of DC-CIP funds (see para. 1.11) and the applicant is eligible for the funds (see para. 1.12)). The application is then submitted to the DC for consideration and endorsement (Note 6). The Director of Home Affairs or any officer authorised by

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**Note 5:** *DCs have set up committees (ranging from four to seven committees — see para. 3.2) to help discharge their functions. Similarly, district offices have also set up committees, for example, area committees for promoting district administration.*

**Note 6:** *According to DC standing orders (see para. 3.3), where a committee is delegated the authority by the DC, the committee may endorse CI projects for the DC.*

the Director (usually the District Officer or the Assistant District Officer concerned) then approves the funding of the project if he/she is satisfied that the project falls within the ambit of DC-CIP funds.

1.15 ***Payment arrangements.*** There are different arrangements for CI project payments, as follows:

- (a) for CI projects carried out by government departments, the HAD transfers funds in advance to the departments;
- (b) for CI projects carried out by NGOs (including projects carried out by committees/working groups under DCs/district offices in partnership with NGOs — see para. 1.12(c)(i)), the district offices concerned arrange reimbursements to NGOs upon completion of projects. Nevertheless, NGOs can apply for advance payments and partial reimbursements before project completion; and
- (c) for CI projects carried out by committees/working groups under DCs/district offices with the assistance of district offices (see para. 1.12(c)(ii)), the district offices concerned use DC-CIP funds to directly settle the expenditure incurred.

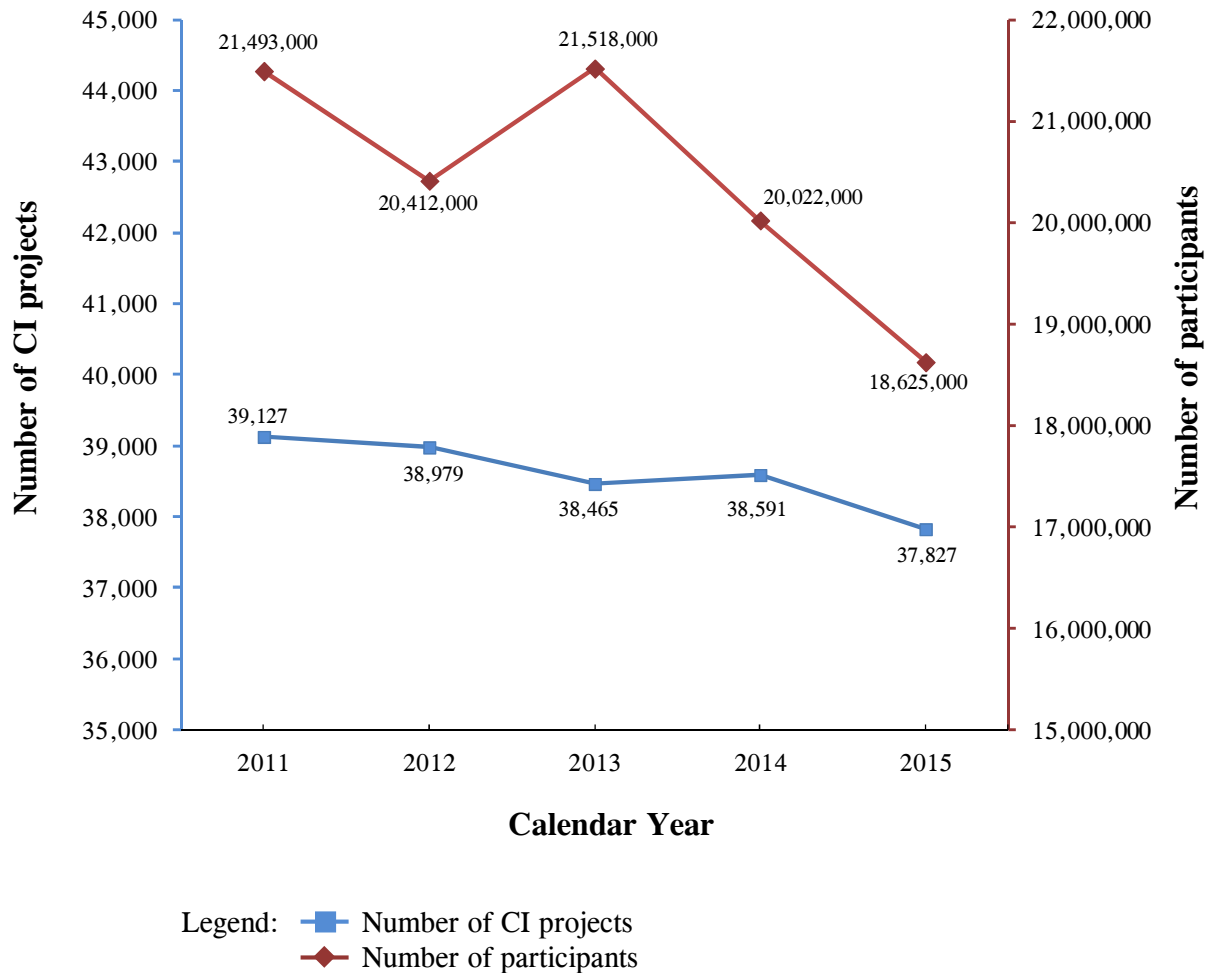
1.16 ***Monitoring arrangements.*** Implementation parties (see para. 1.12) are required to submit a final report for each CI project, providing information such as total expenditure, scheduled and actual dates of activities, expected and actual number of participants, participants' response and results of evaluation of project achievement. The final report needs to be submitted to the DC secretariat concerned within two months of project completion.

### ***Number of CI projects and participants***

1.17 Figure 1 shows the number of CI projects and participants in the period 2011 to 2015.

Figure 1

Number of CI projects and participants  
(2011 to 2015)



Source: HAD records

## Audit review

1.18 In September 2016, the Audit Commission (Audit) commenced a review to examine the provision of DC-CIP funds by the HAD. The review focused on the following areas:

- (a) allocation and use of DC funds for CI projects (PART 2);

- (b) management of conflicts of interest in CI projects (PART 3); and
- (c) implementation of CI projects (PART 4).

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

### **Acknowledgement**

1.20 Audit would like to acknowledge with gratitude the assistance and full cooperation of the staff of the HAD during the course of the review.

## **PART 2: ALLOCATION AND USE OF DISTRICT COUNCIL FUNDS FOR COMMUNITY INVOLVEMENT PROJECTS**

2.1 This PART examines the allocation and use of DC-CIP funds, focusing on the following issues:

- (a) allocation of funds to DCs (paras. 2.2 to 2.7); and
- (b) use of funds by DCs (paras. 2.8 to 2.31).

### **Allocation of funds to District Councils**

#### *Mechanism of allocating DC-CIP funds*

2.2 As shown in Table 1 in paragraph 1.8, the annual provision of DC-CIP funds was \$300 million in 2008-09. It was increased by \$20 million to \$320 million in 2012-13, by \$20.8 million to \$340.8 million in 2013-14, and by another \$20.8 million to \$361.6 million in 2015-16. The HAD allocated the \$300 million and the subsequent increases through the following mechanism:

- (a) a portion was allocated to individual DCs as basic allocation on a historical/equal basis;
- (b) a portion was allocated to individual DCs taking into account a number of factors including population, socio-economic factors, land area and past pattern of fund utilisation of individual DCs; and
- (c) a small remaining portion was kept by the HAD as central reserve for contingency (e.g. to cover the situation where a DC needed to spend more than its allocation).

2.3 Table 2 illustrates, using 2015-16 as an example, the HAD's allocation of DC-CIP funds based on the above mechanism.

**Allocation and use of district council funds  
for community involvement projects**

**Table 2**

**HAD's allocation of DC-CIP funds  
(2015-16)**

<b>Provision of DC-CIP funds (see para. 2.2) (\$ million)</b>	<b>Allocated as basic allocation (see para. 2.2(a)) (\$ million)</b>	<b>Allocated according to a number of factors (see para. 2.2(b)) (\$ million)</b>	<b>Kept by HAD as central reserve (see para. 2.2(c)) (\$ million)</b>
300.0	73.59 (Note 1)	223.51	2.9
20.0	9.00 (Note 2)	9.00	2.0
20.8	9.00 (Note 2)	11.80	Nil
20.8	9.00 (Note 2)	11.80	Nil
361.6	100.59	256.11	4.9

*Source: HAD records*

*Note 1: The \$73.59 million was allocated on a historical basis, whereby each DC received an amount equal to the 2006-07 expenditure of leisure and cultural activities carried out at facilities of the district concerned by the LCSD (such activities were subsequently regarded as CI projects — see para. 1.7(a)).*

*Note 2: The \$9 million was allocated on an equal basis whereby each DC received \$0.5 million.*

***Need to review the allocation of DC-CIP funds***

2.4 Audit examined the HAD's allocation of DC-CIP funds. Audit found that the factors taken into account by the HAD in allocating the funds (see para. 2.2(b)) had been subject to changes since 2008-09. For example, the population of the Sai Kung District had increased from 420,100 in 2008-09 to 463,700 in 2015-16 (or from 5.9% to 6.3% of the 18 districts' total population), while that of the Kwai Tsing District had decreased from 528,700 to 514,600 (or from 7.4% to 7% of the 18 districts' total population) in the same period.



## **Allocation and use of district council funds for community involvement projects**

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2.5 Audit noted that the HAD had not taken into account changes in the factors in allocating the DC-CIP funds. For example, for the allocation of DC-CIP funds in 2015-16, the amount of \$256.11 million (see Table 2 in para. 2.3) was allocated based on the old data (such as the district population) of 2008-09, 2012-13 and 2013-14. Audit considers that the HAD needs to review the allocation of DC-CIP funds taking into account changes in the factors so as to ensure that the funds are allocated in the most appropriate manner. In this connection, Audit noted that it had been announced in the 2017 Policy Address that the annual provision of DC-CIP funds would be increased by \$100 million starting from 2017-18. In reviewing the allocation, the HAD therefore also needs to take into account this additional annual provision.

### **Audit recommendation**

2.6 **Audit has recommended that the Director of Home Affairs should, taking into account changes in the factors (e.g. population and socio-economic factors) and the additional annual provision of DC-CIP funds, conduct a review of the allocation of DC-CIP funds to ensure that the funds are allocated in the most appropriate manner.**

### **Response from the Government**

2.7 The Director of Home Affairs agrees with the audit recommendation.

### **Use of funds by District Councils**

2.8 Around the beginning of a financial year, the LCSD submits plans for implementing CI projects (generally one plan for one type of activities, i.e. recreational and sports activities, cultural and entertainment activities, and library extension activities — see para. 1.7(a)) for endorsement by DCs (these projects are hereinafter referred to as LCSD projects). On the other hand, during a financial year, other government departments, NGOs and committees/working groups under DCs/district offices (see para. 1.12(a) to (c)) submit individual CI project applications for endorsement by DCs (these projects are hereinafter referred to as DC projects). For LCSD projects, the LCSD submits regularly papers to DCs reporting the progress and achievements of projects. For DC projects, they are subject to individual project evaluations (see para. 4.12). For

## **Allocation and use of district council funds for community involvement projects**

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the five years from 2011 to 2015, the DC-CIP funds spent for LCSD projects and DC projects averaged \$298 million per year. Of this amount, \$105 million (35%) and \$193 million (65%) were incurred on LCSD projects and DC projects respectively.

### ***Need to ascertain the reasons for decline in the number of projects and participants***

2.9 The number of CI projects (comprising LCSD projects and DC projects) and the number of participants in CI projects are the two key performance indicators shown in the HAD's Controlling Officer's Report. Audit analysed the performance indicators for the period 2011 to 2015. Audit found that:

- (a) the number of projects had been on the decrease. Altogether, it decreased by 3.3% from 39,127 in 2011 to 37,827 in 2015; and
- (b) the number of participants had also been on the decrease. Altogether, it decreased by 13.3% from 21.49 million in 2011 to 18.63 million in 2015.

2.10 Audit, nevertheless, also found that the expenditure of CI projects had increased by 17% from \$272.35 million in 2011 to \$319.52 million in 2015, while the expenditure per participant had increased by 35% from \$12.7 to \$17.2 in the same period. Table 3 shows the details of Audit's analysis.

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**Table 3**

**CI projects  
(2011-2015)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
No. of projects	39,127	38,979	38,465	38,591	37,827
No. of participants (million)	21.49	20.41	21.52	20.02	18.63
Expenditure (Note) (\$ million)	272.35	289.77	306.36	303.88	319.52
Expenditure per participant (\$)	12.7	14.2	14.2	15.2	17.2

*Source: HAD's Controlling Officer's Reports and Audit analysis of HAD records*

*Note: The expenditure of CI projects was only available in financial year. The financial year expenditure was therefore taken as approximate figures for the calendar year expenditure.*

*Remarks: As the number of projects and participants was in calendar year while the expenditure of projects was in financial year, the figures shown in the Table are only indicative figures to show the trends.*

2.11 Upon enquiry, the HAD informed Audit in February 2017 that:

- (a) DCs might identify and initiate projects for implementation to meet the needs of their districts. Depending on the scale and nature of projects, the number of projects and participants might vary from year to year. The Government had not set a target for DCs to carry out a certain number of CI projects and the number of projects and participants to be on an increasing trend;
- (b) the increases in funding in 2013-14 and 2015-16 (see paras. 2.2 and 2.25) were for the dedicated purpose of promoting arts and culture at district level. Generally speaking, the cost of organising arts and cultural activities might be higher; and

## **Allocation and use of district council funds for community involvement projects**

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- (c) the implementation of CI projects involved the procurement of goods and services as well as the engagement of project staff. The increase in price level and staff cost over the years would also have a bearing on the number and nature of projects organised. It was therefore natural that the cost per participant would increase over the years.

2.12 In March 2017, the LCSD informed Audit that:

- (a) over the years, in order to attract and retain professional coaches and trainers for the LCSD's recreation and sports programmes, which accounted for more than 90% of the DC-CIP funds spent on LCSD projects, the LCSD had to offer a decent and competitive remuneration package. Every year the LCSD would adjust the remuneration of part-time staff (i.e. instructors), which constituted a major part of the cost of organising these programmes. Except for 2014-15 where there was no increase, there had been an increase ranging from 2% to 5.3% in the remuneration of part-time staff in the past five years;
- (b) the LCSD strove to enhance the quality and variety of its recreation and sports programmes offered to the public. Many of the new programmes had higher operational costs. For example, the track and BMX cycling training courses made use of the LCSD's new Hong Kong Velodrome. The expenditures for organising the newly introduced Track Cycling Training and BMX fun days were about \$10,000 and \$9,000 respectively; and
- (c) the LCSD's recreation and sports programmes were mostly small-to-medium-sized regular training classes that lasted from 10 to 48 hours and involved professional instructors. Because of the nature of these programmes, they could not be compared directly with one-off large-scale events (e.g. carnivals and festivals), which would inevitably have lower expenditure per participant per project.

2.13 Audit considers that the HAD needs to keep under review the number of CI projects and participants in the projects vis-à-vis the expenditure of the projects and take improvement measures as appropriate.

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2.14 In March 2017, the HAD and the LCSD informed Audit that they were verifying the accuracy of the CI project statistics (i.e. the number of CI projects and the number of participants in CI projects) so as to ensure that the statistics were correct. Audit considers that the HAD and the LCSD need to complete the verification as soon as possible and take measures to ensure the accuracy of the project statistics.

### ***Need to analyse the use of DC-CIP funds***

2.15 District offices use the District Council Funds Information System (DCFIS) to manage DC-CIP funds and CI projects. The DCFIS contains data such as the number of approved projects, the number of project participants, the types of people benefitted from projects (e.g. the elderly and people with disabilities), and the project expenditure. The DCFIS is primarily for managing DC projects (Note 7).

2.16 Audit extracted data from the DCFIS and analysed the use of funds by DCs in 2015-16. Results of Audit's analyses are shown in paragraphs 2.17 to 2.22.

2.17 ***Spending of funds on different project categories.*** The HAD classifies DC projects into 15 project categories, for example, arts and cultural activities, recreational and sports activities, and festival celebrations and district festivals. Audit conducted an analysis of the project categories, which is shown in Table 4.

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**Note 7:** *LCSD projects are recorded in the DCFIS in a collective manner (e.g. a group of recreational and sports projects are recorded as one recreational and sports project), while DC projects are recorded individually in the system.*

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**Table 4**

**DC projects under different project categories  
(2015-16)**

Project category	No. of projects (a)	No. of participants (b) (million)	Expenditure (c) (\$ million)	Expenditure per participant (d)=(c)/(b) (\$)
1. Arts and cultural activities	989	2.92	66.43	22.8
2. Recreational and sports activities	3,311	1.29	45.98	35.6
3. Festival celebrations and district festivals	592	2.45	33.86	13.8
4. Social services	648	0.58	17.99	31.0
5. Health and public hygiene	198	0.81	9.11	11.2
6. Crime-fighting and corruption prevention	209	1.28	7.27	5.7
7. District administration	123	2.07	6.70	3.2
8. Environmental improvement and protection	91	1.12	3.58	3.2
9. Fire prevention	87	0.28	3.43	12.3
10. Transport and road safety	44	0.15	2.61	17.4
11. Civic education	59	0.56	2.42	4.3
12. Education	85	0.27	2.14	7.9
13. Heritage preservation and promotion	36	0.36	1.81	5.0
14. Building management	38	0.53	1.70	3.2
15. Library activities	18	0.13	0.60	4.6
Overall	6,528	14.80	205.63	13.9

Source: Audit analysis of HAD records

## **Allocation and use of district council funds for community involvement projects**

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2.18 As can be seen from Table 4:

- (a) of the \$205.63 million of funds spent in 2015-16 on the 15 project categories, \$146.27 million (71%) were spent on the three categories of arts and cultural activities, recreational and sports activities, and festival celebrations and district festivals. Projects under these categories included carnivals, variety shows and performances, exhibitions and festival decoration and lighting, tea gatherings and banquets, contests and competitions, and day-tours;
- (b) \$59.36 million (29%) were spent on the other 12 project categories. The funds spent on some project categories were small. For example, each of civic education (\$2.42 million) and building management (\$1.7 million) incurred a spending of less than 2% of the \$205.63 million spent on the 15 project categories; and
- (c) for the three project categories mentioned in (a) above, the average expenditure per participant was \$21.96 (\$146.27 million/6.66 million). For the other 12 project categories, the average expenditure per participant was \$7.29 (\$59.36 million/8.14 million), which was about one-third of the average expenditure per participant of the three project categories.

2.19 According to the HAD's Controlling Officer's Report, CI projects aim to achieve a wide spectrum of social objectives. Audit considers that the HAD needs to produce similar analyses of DC projects (see Table 4 above) to individual DCs. This would facilitate DCs to review whether their existing spending patterns best meet the needs of their districts. In this connection, Audit noted that LCSD projects were already focusing on leisure and cultural activities (see para. 1.7(a)), which might be similar in nature to those of the aforesaid three project categories.

2.20 *Projects targeting specific groups of people.* Some DC projects target specific groups of people. Such projects include, for example, "cricket training" for ethnic minorities, "adaptation to living in the territory" for new arrivals, and "leadership training" for women. Audit analysed the 2015-16 DC projects and found that for some projects targeting specific groups of people, the number of projects and participants was low (see Table 5). For example:

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- (a) of the some 6,900 projects in total, there were only 32 (0.5%) projects for women and 133 (1.9%) projects for people with disabilities or special needs; and
- (b) of the some 15 million participants, there were only 15,000 (0.1%) new arrivals from the Mainland and 19,000 (0.1%) ethnic minorities.

**Table 5**

**DC projects and target participants  
(2015-16)**

Target group	Project		Participant	
	No.	Percentage	No.	Percentage
District residents	3,630	52.8%	13,247,000	86.3%
Youth	678	9.9%	944,000	6.1%
Elderly	898	13.1%	522,000	3.4%
Building occupants/ owners	1,259	18.3%	367,000	2.4%
People with disabilities or special needs	133	1.9%	171,000	1.1%
Members of DCs/NGOs	153	2.2%	44,000	0.3%
Women	32	0.5%	24,000	0.2%
Ethnic minorities	49	0.7%	19,000	0.1%
New arrivals from Mainland	45	0.6%	15,000	0.1%
Total (Note)	6,877	100.0%	15,353,000	100.0%

*Source: Audit analysis of HAD records*

*Note: A DC project may target more than one specific group of people (e.g. middle-aged women and newly arrived women from the Mainland), and therefore there could be duplicate counting of the number of projects and participants in Audit's analysis. In 2015-16, the total number of DC projects was 6,528 and that of participants was 14.8 million (see Table 4 in para. 2.17).*



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2.21 Audit conducted a further analysis and found that there is scope for DCs to increase the number of projects targeting people of specific groups so that more of these people could participate in and benefit from these specific projects. For example, in 2015-16, only 19,000 ethnic minorities participated in DC projects while there were some 63,000 of them in Hong Kong (see Table 6).

**Table 6**  
**DC projects targeting specific groups of people**  
**(2015-16)**

Target group	No. of projects	No. of participants (Note)	Population of target participants in Hong Kong
Elderly	898	522,000	1,117,300
People with disabilities or special needs	133	171,000	578,600
Ethnic minorities	49	19,000	63,200
New arrivals from Mainland	45	15,000	38,300

*Source: Audit analysis of HAD records and statistics published by the Census and Statistics Department*

*Note: As the same person might have participated in a number of projects, the actual number of participants could be smaller than that shown in the Table.*

2.22 In February 2017, the HAD informed Audit that people of specific groups could also participate in activities targeting district residents in general (see Table 5 above), and that government bureaux/departments also granted funding to NGOs to provide support services for these specific groups. Nevertheless, Audit considers that there is room for organising more events that cater for the needs of specific groups (e.g. ethnic minorities) as well as promoting diversity and inclusiveness in the community. The HAD needs to produce similar analyses (see Table 6 above) to individual DCs to facilitate them to assess the need to initiate more such projects.

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2.23 *Need to analyse data on a periodic basis.* In conducting the audit analyses, Audit noted that while the DCFIS contained useful data on DC-CIP funds and CI projects, the HAD had not made use of the data to conduct analyses periodically to facilitate the management of the funds and projects. Audit considers that the HAD needs to periodically generate data from the DCFIS and conduct different analyses for HAD management information purposes and for dissemination to individual DCs to facilitate their management of DC-CIP funds and CI projects.

### ***Need to improve data accuracy***

2.24 In carrying out the audit analyses, Audit noted cases where inaccurate and incomplete information had been input by district offices into the DCFIS. The irregularities are summarised below:

- (a) ***Lack of prompt update of the number of participants.*** As at 25 November 2016, of the 6,528 DC projects which had all been completed, in 385 (5.9%) projects, the number of participants had not been input into the DCFIS. In another 24 (0.4%) projects, the number of participants was input as zero. Furthermore, one district office had not input the number of participants for any of the DC projects (678 projects in total) completed in the period 2011-12 to 2014-15. The district office only started to input the number of participants for DC projects in 2015-16; and
- (b) ***Improper classification of projects and incorrect input of project names.*** Of the 6,528 projects:
  - (i) 238 (3.6%) projects were classified as “others”. Audit reviewed the project records and found that these projects could have been classified into the 15 project categories (see para. 2.17);
  - (ii) 477 (7.3%) projects were wrongly classified; and
  - (iii) for 225 (3.4%) projects, the names of project applicants were input as project names.

The HAD needs to rectify the above irregularities and take measures to ensure the accuracy and completeness of the information input into the DCFIS in future.

## **Allocation and use of district council funds for community involvement projects**

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### ***Need to monitor the use of DC-CIP funds for arts and cultural activities***

2.25 In the 2013 Policy Address, the Government planned to provide an additional \$20.8 million a year for CI projects to enhance the work of DCs in promoting arts and cultural activities at the district level. In the 2015 Policy Address, the Government decided to provide, in the coming five financial years, an additional annual funding of \$20.8 million for CI projects to further strengthen the support for DCs in promoting arts and cultural activities in the districts. The annual provision of DC-CIP funds has thus increased by \$20.8 million since 2013-14, and by another \$20.8 million since 2015-16 (see Table 1 in para. 1.8). These two new amounts of funds are designated for arts and cultural activities.

2.26 Since the provision of the additional funds in 2013-14, the HAD has required DCs to ensure that they spend in each year an amount no less than the amount spent by them on arts and cultural activities in 2012-13 (i.e. before the introduction of the designated funds in 2013-14), and that the two new designated funds are spent solely for such activities.

2.27 Audit examined the use of funds by DCs for arts and cultural activities in 2015-16 and found that 10 of the 18 DCs had used funds designated for these activities on other activities, involving amounts ranging from \$220,000 to \$1.09 million (see Table 7 below). Audit considers that the HAD needs to take measures to ensure that the funds for arts and cultural activities are spent as designated.

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**Table 7**

**Use of funds designated for arts and cultural activities  
on other activities for 10 DCs  
(2015-16)**

DC (Note)	Spending on arts and cultural activities in 2012-13	Amount of two new designated funds allocated to DC	Amount that should have been spent on arts and cultural activities	Spending on arts and cultural activities in 2015-16	Amount not spent on arts and cultural activities but on other activities	
	(a)	(b)	(c) = (a) + (b)	(d)	(e) = (d) - (c)	(e)/(c) × 100%
	(\$ million)					Percentage
A	1.98	1.80	3.78	2.69	(1.09)	(29%)
B	2.74	2.60	5.34	4.38	(0.96)	(18%)
C	1.22	1.60	2.82	1.96	(0.86)	(30%)
D	3.47	2.60	6.07	5.31	(0.76)	(13%)
E	4.48	2.80	7.28	6.53	(0.75)	(10%)
F	1.53	2.00	3.53	2.78	(0.75)	(21%)
G	2.17	2.00	4.17	3.57	(0.60)	(14%)
H	1.13	2.00	3.13	2.64	(0.49)	(16%)
I	1.20	2.20	3.40	3.08	(0.32)	(9%)
J	2.29	2.40	4.69	4.47	(0.22)	(5%)
Overall	22.21	22.00	44.21	37.41	(6.80)	(15%)

*Source: Audit analysis of HAD records*

*Note: DCs denoted by the alphabets in this Table may not be the same as those denoted by the same alphabets in other Tables of this Audit Report.*

*Remarks: Arts and cultural activities comprised activities of both DC projects and LCSD projects.*

## **Audit recommendations**

**2.28 Audit has *recommended* that the Director of Home Affairs should:**

- (a) keep under review the number of CI projects and participants in the projects vis-à-vis the expenditure of the projects and take improvement measures as appropriate;**
- (b) produce analyses of DC projects to individual DCs to facilitate them to review whether their existing spending patterns best meet the needs of their districts;**
- (c) produce analyses of DC projects targeting specific groups of people to individual DCs to facilitate them to assess the need to initiate more such projects;**
- (d) periodically generate data from the DCFIS and conduct different analyses for HAD management information purposes and for dissemination to DCs to facilitate their management of DC-CIP funds and CI projects;**
- (e) rectify the irregularities stated in paragraph 2.24 and take measures to ensure the accuracy and completeness of the information input into the DCFIS in future; and**
- (f) take measures to ensure that the funds for arts and cultural activities are spent as designated.**

**2.29 Audit has *recommended* that the Director of Home Affairs and the Director of Leisure and Cultural Services should:**

- (a) complete the verification of the CI project statistics (i.e. the number of CI projects and the number of participants in CI projects) as soon as possible; and**
- (b) take measures to ensure the accuracy of the project statistics.**

## **Response from the Government**

2.30 The Director of Home Affairs agrees with the audit recommendations.

2.31 The Director of Leisure and Cultural Services agrees with the audit recommendations in paragraph 2.29.

## **PART 3: MANAGEMENT OF CONFLICTS OF INTEREST IN COMMUNITY INVOLVEMENT PROJECTS**

3.1 This PART examines the management of conflicts of interest in CI projects, focusing on:

- (a) declaration of interests (paras. 3.2 to 3.10);
- (b) handling of interests declared (paras. 3.11 to 3.15); and
- (c) management of conflicts of interest in working groups (paras. 3.16 to 3.22).

### **Declaration of interests**

3.2 The 18 DCs have each appointed different committees (e.g. finance committee and culture, recreation and sports committee) to help carry out DC functions, including deciding on matters relating to CI projects. Individual DC members, as well as persons who are not DC members, may be appointed to serve as members of a committee. It is not unusual for DC/committee members to be associated with many CI projects (e.g. being chairpersons or other office bearers of the implementation parties).

## Management of conflicts of interest in community involvement projects

3.3 Under the District Councils Ordinance, a DC may make standing orders for regulating its procedures and those of its committees, including procedures for managing conflicts of interest in CI projects. The HAD has provided a model text of standing orders for DCs' reference. DCs have generally adopted the model text, with variations to suit their individual needs. The standing orders of individual DCs stipulate similar procedures for managing conflicts of interest and all the 18 DCs adopt a two-tier declaration system (Note 8), as follows:

- (a) ***First-tier declaration.*** Every member of the DC or its committees shall, using the registration form provided by the relevant district office, furnish the district office with particulars of the member's registrable interests. Registrable interests shall include remunerated proprietorships, partnerships or directorships in public or private companies; remunerated employments, offices, trades or professions; shareholdings (more than 1% of the company's issued share capital); financial sponsorships; overseas visits; land and property held in Hong Kong; names of clients (to whom a member of the Council or its committees renders personal services in his or her capacity as such); and other declarable interests. The particulars should be furnished:
- (i) within one month from the commencement of each DC/committee term; and
  - (ii) within 14 clear working days of any change in the member's registrable interests.

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**Note 8:** *According to a memorandum issued by the Secretary for Home Affairs in August 2005, government bureaux and departments should introduce one of the following systems for declaration of interests for each of the advisory and statutory bodies under their purview:*

- (a) ***One-tier reporting system.*** *A member should make full declaration on his/her interests whenever he/she perceives a potential conflict of interest in a matter placed before the board or committee; and*
- (b) ***Two-tier reporting system.*** *This system applies to certain boards and committees such as those responsible for the control and disbursement of substantial public funds. Under this system, in addition to reporting conflicts of interest as and when they arise (see (a) above), members should disclose their general pecuniary interests on appointment to these boards and committees and annually thereafter.*



## Management of conflicts of interest in community involvement projects

When finding that a member has direct pecuniary interests in a matter under consideration, the district office shall refer this to the chairperson of the DC or the relevant committee, who shall then decide whether relevant papers (e.g. meeting papers) shall be sent to the member concerned;

- (b) ***Second-tier declaration.*** Any member of the DC or its committees shall declare interests before dealing with matters on tender, quotation and DC-CIP funds if the member has any pecuniary or other interests in such matters, or has any links with the benefitted party or potential benefitted party;
- (c) ***Public accountability.*** Registration forms of the first-tier declaration, as well as minutes of meetings of the DC and its committees (containing information on the second-tier declaration), will be uploaded onto the homepage of the DC for public viewing; and
- (d) ***Non-compliance with requirements.*** DC/committee members who fail to comply with the requirements on declaration of interests may be admonished or reprimanded by the DCs concerned. Such admonishment or reprimand will be recorded in the minutes of meetings.

3.4 Of the 18 DCs in Hong Kong, Audit examined the practices on managing conflicts of interest in nine DCs (Note 9).

### ***Need to make more efforts on reporting interests***

3.5 Audit examined 129 declarations of interests made by DC/committee members at meetings (i.e. in the second-tier declaration — see para. 3.3(b)) in 2016 to ascertain whether these interests had also been reported in the first-tier declaration (see para. 3.3(a)) (Note 10). The meetings were held by seven DCs or

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**Note 9:** *The nine DCs comprised two DCs on Hong Kong Island, three DCs in Kowloon and four DCs in the New Territories.*

**Note 10:** *Audit compared the interests declared in the meetings by the members with those stated in their most updated registration forms (see para. 3.3(a)).*

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their committees (Note 11). Audit noted that, as at 31 January 2017, of the 129 declarations:

- (a) for seven (5%) declarations (made by six members), the interests had been reported in the first-tier declaration;
- (b) for the remaining 122 (95%) declarations (made by 76 members), the interests had not been reported in the first-tier declaration (see Table 8); and

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**Note 11:** *Implementation parties' (see para. 1.12) applications for CI projects were usually deliberated at DC/committee meetings. Audit examined a total of 31 applications which were deliberated at DC/committee meetings in 2016. These 31 applications involved 129 declarations of interests made by DC/committee members (each declaration was made by a DC/committee member in attendance at the meeting). The 31 applications comprised:*

- (a) *30 applications of six DCs (i.e. five applications for each DC); and*
- (b) *the only application of a DC which had interests declared during deliberation (there were no other applications with interests declared during deliberation).*

*For the remaining two DCs (i.e. the nine DCs examined by Audit less the seven DCs mentioned above), implementation parties' applications for CI projects were considered through circulation of papers.*

**Table 8**

**Reporting of interests in 129 cases  
(31 January 2017)**

<b>DC (Note)</b>	<b>No. of declarations</b>	
	<b>Made in meetings in 2016</b>	<b>With interests not reported in first-tier declaration</b>
A	24	24
B	2	2
C	38	37
D	25	25
E	18	17
F	11	7
G	11	10
Total	129	122

*Source: Audit analysis of HAD records*

*Note: DCs denoted by the alphabets in this Table may not be the same as those denoted by the same alphabets in other Tables of this Audit Report.*

- (c) in the 122 declarations where the interests had not been reported, there were incidents in which the interests had been in existence for a long time (see Case 1 below for an example).

**Case 1**

**Reporting of interests**

1. At a meeting in mid-2016, a DC committee deliberated an NGO's application for a CI project amounted to some \$111,000. The committee was responsible for handling culture, recreation and sports matters for the DC.

2. Of the 33 members in attendance at the meeting, 16 members made declarations of interests. The 16 declarations revealed interests that the members concerned were holding positions in the NGO as:

- (a) presidents (two members) and an honorary president (one member);
- (b) a chairperson (one member) and vice chairpersons (two members);
- (c) executive committee members (four members); and
- (d) executives (six members).

3. Minutes of a previous committee meeting in 2015 indicated that, of the 16 members, eight members were already holding the NGO positions in mid-2015. As at 31 January 2017, these members together with the other eight members had not reported the interests declared in the meeting in the first-tier declaration.

*Source: Audit analysis of HAD records*

3.6 The 122 interests noted by Audit (see para. 3.5(b)) were the holding of positions in implementation parties. Regarding the reasons that many members did not report such positions in the first-tier declaration, the HAD informed Audit in February and March 2017 that:

- (a) the interests referred to in the first-tier declaration emphasised pecuniary interests. Therefore, while DC standing orders required the reporting of "other declarable interests" in the first-tier declaration (see para. 3.3(a)), members might not regard their non-remunerated positions in implementation parties as "other declarable interests"; and

## **Management of conflicts of interest in community involvement projects**

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- (b) it is not necessarily the case that the declarations made in the meetings (i.e. second-tier declaration) must appear in the first-tier declaration, as the second-tier declaration concerns members having to make a declaration on the interests they have on a “matter under consideration” by the DC concerned.

3.7 Audit considers that there is a need for the HAD to clearly define “other declarable interests” in DC standing orders. In this connection, it should be noted that the positions held by some members in the implementation parties could be perceived to be the key decision-making or influential positions (e.g. a president or chairperson — see Case 1 in para. 3.5(c)). The HAD needs to provide guidelines (e.g. what kind of and the circumstances under which “other declarable interests” should be reported) to DC/committee members to facilitate a more consistent reporting of “other declarable interests”. It also needs to remind them to make more efforts in declaring their interests.

### ***Scope for improving second-tier declaration***

3.8 For the second-tier declaration, DC standing orders require that interests shall be declared before dealing with matters on DC-CIP funds (see para. 3.3(b)). However, the requirement had not been adequately observed in some situations, as follows:

- (a) ***Declarations not made when earmarking funding.*** At the beginning of every financial year, DCs might earmark funding for a number of implementation parties for budgetary purpose. Audit examined the minutes of eight meetings (involving eight DCs) in 2016 (Note 12) that considered the earmarking of funding, and noted that declarations of interests were only made in one meeting (involving one DC). For the other seven meetings (involving seven DCs), none of the 145 DC/committee members in attendance declared connections with the 63 implementation parties concerned. Audit, however, noted from examination of CI project applications (see Note 11 to para. 3.5) that in meetings where project applications were considered, 34 (23%) of the

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**Note 12:** *In 2016, of the nine DCs examined by Audit (see para. 3.4), eight DCs had earmarked funding for implementation parties individually. Audit examined the minutes of the relevant meeting for each of the eight DCs.*

## **Management of conflicts of interest in community involvement projects**

145 DC/committee members did declare connections with 14 of the 63 implementation parties (e.g. as vice-chairmen or board members of the implementation parties). This indicated that these 34 members might have overlooked the need to declare connections when considering the earmarking of funding. Audit considers that the HAD needs to take more measures to ensure that DC/committee members declare their interests before earmarking funding for implementation parties each year; and

- (b) *Need to provide guidelines on making declarations when handling matters through circulation of papers.* Audit noted that, for the nine DCs examined, while their standing orders required members to declare interests before handling DC matters, the standing orders did not spell out how declarations were to be made when matters were handled not in meetings but through circulation of papers. Furthermore, Audit noted that for two of the nine DCs, applications for CI projects were frequently endorsed by DC/committee members through circulation of papers. The practices of declaring interests, however, varied between the two DCs:
- (i) for one DC, the feedback slips attached to the circulation papers requested members to declare interests and not to make views on the project applications after declaring interests; and
  - (ii) for the other DC, the feedback slips attached to the circulation papers did not request members to declare interests. Upon enquiry, the HAD informed Audit in February 2017 that although the DC members were not reminded of the declaration requirement every time there was a paper circulation, they had been reminded of the requirement at a DC meeting held in September 2016.

Audit considers that the HAD needs to provide guidelines to DCs on how declarations of interests could best be made in handling matters through paper circulation.

## **Audit recommendations**

- 3.9      **Audit has *recommended* that the Director of Home Affairs should:**
- (a)      **provide guidelines with broad principles of what constitute “other declarable interests” to DC/committee members as appropriate to facilitate the reporting of “other declarable interests”, and remind them to make more efforts in declaring their interests;**
  - (b)      **take more measures to ensure that DC/committee members declare their interests before earmarking funding for implementation parties; and**
  - (c)      **provide guidelines to DCs on how declarations of interests could best be made in handling matters through circulation of papers.**

## **Response from the Government**

- 3.10      The Director of Home Affairs agrees with the audit recommendations.

## **Handling of interests declared**

- 3.11      The standing orders of each DC stipulate similar procedures for handling interests declared, as follows:

- (a)      when a member of the DC or a committee declares an interest in a matter, the chairperson of the DC or the committee shall decide (Note 13) whether the member:
  - (i)      may speak or vote on the matter;

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**Note 13:** *When the chairperson of the DC declares an interest in a matter, the vice chairperson shall decide. When the chairperson of a committee declares an interest in a matter, all other members without interests declared shall decide.*

## **Management of conflicts of interest in community involvement projects**

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- (ii) may remain in the meeting as an observer; or
  - (iii) should withdraw from the meeting; and
- (b) all cases of declaration of interests shall be recorded in the minutes of the DC/committee meetings.

3.12 Furthermore, according to the HAD Manual, all declarations of interests should be recorded in the minutes of the meeting, stating the nature of interests declared, the decisions of the meeting and the rationale behind the decisions as appropriate.

### ***Rulings not made and recorded on interests declared***

3.13 For the 129 cases of declaration of interests at meetings (see para. 3.5), the related minutes of meetings indicated that in 73 (57%) cases (involving three DCs), contrary to the standing order requirement (see para. 3.11(a)), rulings had not been made and recorded on the interests declared (Note 14 ). In the circumstances, those who had declared the interests continued their attendance in the meetings (see Case 2 for an example).

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**Note 14:** *For the remaining 56 (43%) cases (involving four DCs), the related minutes of meetings indicated that rulings had been made on the interests declared. In 44 (79%) out of the 56 cases, the members concerned remained as observers or withdrew from the meetings. In the other 12 (21%) cases, the members concerned were allowed to speak or vote in the meetings.*



### **Case 2**

#### **Members continued to participate in a meeting after declaring interests**

1. At a meeting in mid-2016, a DC committee considered an NGO's application for a CI project amounted to \$20,000. The committee was responsible for handling finance and economic affairs for the DC.
2. Of the 13 members in attendance at the meeting, three members made declarations of interests. The three members were holding offices in the NGO, i.e. a chairperson, a vice-chairperson and an executive of the NGO.
3. Minutes of the meeting did not indicate that the chairperson of the meeting had made rulings on the interests declared. The three members continued to participate in the deliberation of the NGO's application.
4. The meeting endorsed the NGO's application for the CI project.

#### ***Audit comments***

5. It was unsatisfactory that in a large proportion (57%) of cases (including this case), rulings on interests declared by members had not been made and recorded in the minutes of meetings.

*Source: Audit analysis of HAD records*

### **Audit recommendations**

3.14 **Audit has recommended that the Director of Home Affairs should remind DCs that:**

- (a) **rulings should be made on interests declared by members in DC/committee meetings; and**
- (b) **the rulings made and the rationale behind the rulings should be recorded in the minutes of the meetings as appropriate in accordance with the HAD Manual.**

## **Response from the Government**

3.15 The Director of Home Affairs agrees with the audit recommendations.

## **Management of conflicts of interest in working groups**

3.16 DCs and their committees have appointed working groups to help carry out specified functions. The standing orders of the nine DCs examined by Audit have stipulated similar arrangements for the operation of working groups, as follows:

- (a) any decision made by a working group shall not be regarded as the decision of the DC unless it is endorsed by the DC or the committee concerned; and
- (b) minutes of meetings of a working group shall record the final decisions of the discussion only. They shall be uploaded onto the homepage of the DC except for closed-door meetings.

### ***Inadequate procedures for managing conflicts of interest***

3.17 Some working groups had been assigned the duties of considering applications for CI projects. The working groups recommended the applications for further consideration by DCs/committees, or endorsed the applications on behalf of DCs/committees.

3.18 Of the nine DCs examined, there were three working groups (under three DCs) that endorsed applications for CI projects on behalf of DCs/committees. Audit examined their 2016 minutes of meetings and found that of the three working groups:

- (a) in one working group, the minutes of meetings disclosed only the final decisions of project applications. Other information, such as members in attendance, interests declared and rulings on interests declared, had not been disclosed; and

## **Management of conflicts of interest in community involvement projects**

- (b) in the other two working groups, the minutes of meetings disclosed more information including interests declared. However, the minutes of meetings did not indicate that rulings had been made on the interests declared. The members concerned continued to participate in the meetings.

3.19 Audit noted that while DC standing orders have stipulated the procedures for managing conflicts of interest (see para. 3.11) as well as the need to publicise minutes of DC/committee meetings (containing information on declaration of interests) for public viewing (see para. 3.3(c)), the procedures are not applicable to working group meetings. There are no laid-down procedures for handling conflicts of interest in working groups. In this regard, the HAD informed Audit in February 2017 that:

- (a) the principle of requiring DC members to declare interests as appropriate applies to DC, committee, and working group meetings, though “working group” is not explicitly mentioned in DC standing orders; and
- (b) working group members are either DC members or co-opted members. According to the HAD Manual, DC members (including co-opted members) should, as far as practicable, make a declaration of interests before a matter is discussed. This would have governed the declaration of interests by members of working groups when handling CI projects.

Nevertheless, the HAD also informed Audit that it was prepared to consider adding “working group” to DC standing orders.

### ***Working groups’ practices not in line with District Councils Ordinance***

3.20 In reviewing the minutes of meetings of the three working groups, Audit noted that once project applications were endorsed by the working groups, CI projects could be implemented. The working groups did not seek their DCs’ further endorsements for the CI projects. Audit further noted that the three working groups had been delegated by their respective DCs with the authority to endorse a project application not exceeding \$24,500, \$100,000 and \$200,000 respectively. For projects exceeding the funding ceilings, the working groups would need to seek endorsement of their respective DCs/committees. Audit

## **Management of conflicts of interest in community involvement projects**

considers that such delegation arrangements may not be entirely proper as according to the District Councils Ordinance, a DC may delegate its functions to a committee only.

### **Audit recommendations**

- 3.21 **Audit has *recommended* that the Director of Home Affairs should:**
- (a) **ensure that the stipulated procedures for handling conflicts of interest applicable to DC/committee meetings also apply to working group meetings; and**
  - (b) **ascertain whether DCs' practice of delegating functions to their working groups is in line with the District Councils Ordinance and take remedial action as appropriate.**

### **Response from the Government**

- 3.22 The Director of Home Affairs agrees with the audit recommendations.

## **PART 4: IMPLEMENTATION OF COMMUNITY INVOLVEMENT PROJECTS**

4.1 This PART examines the implementation of CI projects, focusing on the following issues:

- (a) selection of NGOs for implementing projects (paras. 4.3 to 4.11); and
- (b) performance management of projects (paras. 4.12 to 4.21).

4.2 In examining the implementation of CI projects, Audit selected four DCs (one on Hong Kong Island, one in Kowloon and two in the New Territories) for examining the practices and procedures.

### **Selection of NGOs for implementing projects**

4.3 As mentioned in paragraph 1.12, implementation parties, which include the LCSD, NGOs and committees/working groups under DCs/district offices, can apply to DCs to carry out CI projects. In respect of NGOs, there are three ways that NGOs can carry out CI projects:

- (a) NGOs can submit applications for CI projects for DCs' consideration and endorsement;
- (b) NGOs, which have a long-term working relationship with DCs, are earmarked with funds by DCs in their annual budgets for carrying out CI projects (hereinafter these NGOs are referred to as designated NGOs). These designated NGOs can later submit applications for using the earmarked funds in CI projects; and
- (c) NGOs can carry out CI projects in partnership with committees/working groups under DCs/district offices.

## Implementation of community involvement projects

4.4 Table 9 shows the amounts of DC-CIP funds paid to implementation parties in 2015-16.

**Table 9**

**Amounts of DC-CIP funds paid to implementation parties  
(2015-16)**

Implementation party	DC-CIP funds	
	Amount (\$ million)	Percentage
Government departments (mainly the LCSD)	119.78	37%
NGOs (see para. 4.3(a))	67.69	21%
Designated NGOs (see para. 4.3(b))	26.37	8%
NGOs in partnership with committees/working groups under DCs/district offices (see para. 4.3(c))	50.27	16%
Committees/working groups under DCs/district offices	57.99	18%
Total	322.10 (Note)	100%

*Source: Audit analysis of HAD records*

*Note: According to the HAD Manual, a DC is allowed to use DC-CIP funds to employ a pool of dedicated staff to help implement CI projects of various implementation parties. In 2015-16, the amount paid for employing such staff was \$39.28 million. As this amount was not paid to implementation parties, it is not included in the Table. When included, the total amount of DC-CIP funds spent in 2015-16 was \$361.38 million (see Table 1 in para. 1.8).*

## Implementation of community involvement projects

### *Need to establish guidelines for reviewing designated NGOs*

4.5 As shown in Table 9, in 2015-16, the amount of \$26.37 million paid to designated NGOs accounted for 8% of the total amount of DC-CIP funds paid to implementation parties. Table 10 further shows a breakdown of the \$26.37 million paid by individual DCs to designated NGOs.

**Table 10**

**DC-CIP funds paid to designated NGOs  
(2015-16)**

<b>DC (Note)</b>	<b>No. of designated NGOs</b>	<b>No. of projects carried out by designated NGOs</b>	<b>DC-CIP funds paid to designated NGOs  (\$ million)</b>
A	7	47	4.12
B	8	100	2.98
C	6	34	2.32
D	4	20	2.16
E	5	44	2.11
F	6	39	1.78
G	5	61	1.60
H	4	30	1.55
I	7	30	1.37
J	5	143	1.23
K	8	36	0.99
L	6	42	0.97
M	4	21	0.83
N	3	19	0.78
O	10	21	0.57
P	1	27	0.53
Q	5	15	0.48
R	0	0	0.00
<b>Total</b>	<b>94</b>	<b>729</b>	<b>26.37</b>

*Source: Audit analysis of HAD records*

*Note: DCs denoted by the alphabets in this Table may not be the same as those denoted by the same alphabets in other Tables of this Audit Report.*

## **Implementation of community involvement projects**

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4.6 Audit noted that of the four DCs examined (see para. 4.2), in the period 2011-12 to 2016-17:

- (a) two DCs had reviewed their lists of designated NGOs on an annual basis;
- (b) another DC had reviewed its list of designated NGOs on a biennial basis; and
- (c) the remaining DC had not reviewed its list of designated NGOs in the period 2011-12 to 2016-17. The HAD informed Audit in February 2017 that the DC had reviewed the arrangement of designated NGOs in 2005-06 (more than 10 years ago) and DC members had been informed that the arrangement remained unchanged in the current DC term (i.e. in March 2016).

Audit further noted that there were no laid-down guidelines (e.g. the frequency of reviews, the factors to be considered for review purposes, and the need to document reviews) on how reviews of designated NGOs should be conducted.

4.7 Audit considers that to enhance public accountability in the use of DC-CIP funds, there is merit for DCs to regularly review their lists of designated NGOs to ensure that only NGOs with good performance are included in the lists. The HAD needs to provide DCs with suitable guidelines to facilitate their reviewing of designated NGOs.

### ***Inadequacy in the selection of partner NGOs***

4.8 As shown in Table 9 in paragraph 4.4, in 2015-16, the amount paid to NGOs for implementing CI projects in partnership with committees/working groups under DCs/district offices accounted for 16% (\$50.27 million) of the total amount of DC-CIP funds paid to implementation parties. It is a usual practice that partner NGOs are selected with the assistance of DC secretariats, i.e. a DC secretariat issues an open invitation (e.g. by posting the invitation on the DC's website) or a restricted invitation (e.g. by mailing invitation letters to a number of NGOs in the district) and interested NGOs submit applications to the DC for consideration.



## **Implementation of community involvement projects**

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4.9 Of the four DCs examined, Audit noted that with the exception of one DC, the other three DCs followed the aforesaid practice in selecting partner NGOs. For that DC, it does not invite, through the DC secretariat concerned, NGOs to submit applications for implementing CI projects as partner NGOs. Instead, working groups are formed under the DC's committees for implementing CI projects. In the first meeting of a working group tasked with implementing CI projects, members are appointed to take charge of the projects (hereinafter referred to as members-in-charge). At the same time, partner NGOs are nominated by the members-in-charge (Note 15). With the majority votes of the members of the working group in the meeting, the partner NGOs are selected and will later be invited by the members-in-charge to submit project applications. Case 3 describes the practice of the DC concerned.

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**Note 15:** *Members-in-charge were usually connected to the partner NGOs nominated by them (see PART 3 for separate audit findings on conflicts of interest).*

**Case 3**

**A DC's practice of selecting partner NGOs**

1. In March 2015, the working group (of 35 members) for road safety formed under a committee of a DC held its first meeting. In the meeting, the following matters were resolved:

- (a) the 2015-16 plan and budget for implementing five CI projects for promoting road safety in the district;
- (b) the appointment of members-in-charge for the planned projects (for each project, one DC member was nominated and appointed as the member-in-charge); and
- (c) the selection of partner NGOs (for each project, one NGO was nominated by the member-in-charge and selected as the partner NGO).

2. After the meeting, the selected partner NGOs submitted applications for their respective CI projects to the Vetting Working Group, which was responsible for vetting project applications, for approval.

***Audit comments***

3. Of the four DCs examined, this was the only DC that did not invite, through the DC secretariat concerned, NGOs to submit applications for implementing CI projects as partner NGOs. In 2015-16, the DC implemented 152 CI projects with its partner NGOs, involving a total project expenditure of \$8.32 million. To enhance the openness and transparency of the selection process, the HAD needs to advise the DC to review its practice of selecting partner NGOs. The HAD also needs to set out in the HAD Manual good practice guidelines on the selection of partner NGOs.

*Source: Audit analysis of HAD records*

### **Audit recommendations**

- 4.10 **Audit has *recommended* that the Director of Home Affairs should:**
- (a) **provide DCs with suitable guidelines to facilitate their reviewing of designated NGOs and incorporate the guidelines into the HAD Manual;**
  - (b) **set out in the HAD Manual, for DCs' reference, good practice guidelines on the selection of partner NGOs as adopted by most DCs; and**
  - (c) **advise the DC in Case 3 to review its existing practice of selecting NGOs with a view to enhancing the openness and transparency of the selection process, taking account of the good practice guidelines mentioned in (b) above.**

### **Response from the Government**

- 4.11 The Director of Home Affairs agrees with the audit recommendations.

### **Performance management of projects**

4.12 According to the HAD Manual, apart from the submission of final reports by implementation parties (see para. 1.16), a DC should have an evaluation system in place to monitor the effectiveness of CI projects. DCs are given the flexibility to devise their own evaluation systems. In practice:

- (a) DCs evaluate DC projects (but not LCSD projects — see para. 2.8); and

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- (b) DCs adopt an evaluation system whereby if a project meets the criteria set by the DC for evaluation (e.g. projects with an approved project grant of \$10,000 or above, or projects involving a ceremony), the project will be evaluated by an evaluator (Note 16) by filling in a standard evaluation form prescribed by the HAD. The completed evaluation form will be submitted by the evaluator to the DC secretariat concerned.

### ***Scope for improvement in performance management of projects***

4.13 ***Absence of an evaluation system.*** Audit examined the four DCs' evaluation systems and noted that of the four DCs, one DC had discontinued the use of any evaluation systems in the period 2011-12 to 2016-17. It was only in November 2016 that the DC planned to re-introduce a system in 2017-18.

4.14 ***Projects not evaluated.*** Of the three DCs that adopted the aforesaid evaluation system (see para. 4.12(b)), Audit noted that in 2015-16:

- (a) one DC had evaluated all the 250 projects that met its criteria for evaluation;
- (b) another DC had evaluated 85 of the 91 projects that met its criteria for evaluation, leaving six projects not evaluated; and
- (c) the remaining DC had adopted the evaluation system (i.e. it intended to have an evaluator conducting an evaluation if the project met the evaluation criteria), but it had not set any criteria for evaluation purpose. After the DC secretariat concerned found in the final reports (see para. 1.16) that 180 of the 440 projects of the DC would require evaluation (as the project activities had been attended by DC members), evaluation forms were completed for the 180 projects.

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**Note 16:** *The evaluator is usually a DC member who is not involved in the administration of the project and who does not have an interest in the implementation party (e.g. an NGO) under evaluation. As part of the evaluation, the evaluator needs to attend the project activities. Sometimes, the evaluator is an HAD staff.*

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4.15 ***Evaluation results not input into DCFIS.*** The above audit findings were based on the results of examination of evaluation forms. Audit further noted that for some of the above projects, the evaluation results as contained in the evaluation forms had not been input into the DCFIS by the DC secretariats concerned. Details are as follows:

- (a) of the 250 evaluated projects of the DC mentioned in paragraph 4.14(a), the results of 47 (19%) projects had not been input into the DCFIS (i.e. 203 had been input); and
- (b) of the 85 evaluated projects of the DC mentioned in paragraph 4.14(b), the results of four (5%) projects had not been input into the DCFIS (i.e. 81 had been input).

The evaluation results of the 180 evaluated projects of the DC mentioned in paragraph 4.14(c) had all been input into the DCFIS.

4.16 ***Ratings not reflecting the actual situation.*** In the standard evaluation form (see para. 4.12(b)), among other assessment items (Note 17), an evaluator is required to rate an assessment item known as “No. of participants as compared with the estimated no. of participants” by choosing one of the four ratings of “Very Satisfactory”, “Satisfactory”, “Acceptable” and “Unsatisfactory”. For the three DCs that adopted the evaluation system (see para. 4.14), Audit analysed the evaluation results maintained in the DCFIS and noted that there were cases where the ratings given by evaluators were not reflecting the actual situation. For example:

- (a) of the 464 projects of the three DCs (203 + 81 + 180, see para. 4.15), in five projects, while the actual number of participants was below 50% of the expected number of participants, the rating was “Very Satisfactory”. For example in one project of one DC, while the actual number of participants was only 33% of the expected number, the rating was “Very Satisfactory”; and

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**Note 17:** *Other assessment items include “Objectives of the activity met”, “Expected benefits achieved”, “Response of the participants”, “Effectiveness of the use of funds”, and “Acknowledgement given to the (District) Council”.*

## **Implementation of community involvement projects**

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- (b) in two projects of another DC, while the actual number of participants was 100% of the expected number in one project and 123% in the other project, the rating was only “Acceptable”.

4.17 ***Completed evaluation forms not directly submitted to DC secretariats.*** For the three DCs that adopted the evaluation system (see para. 4.14), Audit noted that after conducting an evaluation, it was a usual practice that the evaluator submitted the completed evaluation form to the DC secretariat concerned through the implementation party (e.g. an NGO). To maintain impartiality in evaluations, a better arrangement would be for the evaluator to submit the completed evaluation form directly to the DC secretariat.

4.18 ***Number of participants overstated.*** Audit conducted a checking to ascertain the accuracy of the number of participants disclosed in final reports. For the four DCs, Audit examined 38 projects held in 2015-16 at LCSD performance venues. For each of these projects, Audit compared the audience size as disclosed in the final report with that recorded by the LCSD venue management. Audit found that in 30 (79%) projects, the audience size disclosed in the final report was higher than that recorded by the LCSD venue management (with variances ranging from 3% to 323% and averaging 71%). Case 4 shows an example.

### Case 4

#### Number of participants overstated in a final report

1. According to the implementation party's final report for a project of a DC held in January 2016 at an LCSD performance venue, there was an audience of 900 people, 250 performers and four guests. These figures were the same as the expected numbers of audience, performers and guests stated in the project application.

2. According to the information provided by the LCSD venue management to Audit, the audience size was 213 instead of 900 (i.e. a variance of 323%).

#### *Audit comments*

3. The HAD needs to ascertain the discrepancy by, for example, making enquiries with the implementation party and the LCSD, and to take measures to ensure the accuracy of the number of participants disclosed in the final report. Furthermore, in view of the many projects involved (30 projects or 79% of those examined by Audit — see para. 4.18), the HAD also needs to consider reviewing the existing methods adopted by implementation parties for counting the number of participants.

*Source: Audit analysis of HAD records and information provided by the LCSD*

4.19 ***Need to improve the efficiency of reporting achievement of performance pledge.*** The HAD has pledged to release the reimbursement of a project within 30 working days after receiving all documents and information necessary for supporting the reimbursement. This performance pledge is posted on the HAD's website. On a quarterly basis, the HAD needs to compile manually management information to find out the extent that the pledge has been met. Audit noted that, certain data of projects (e.g. the project approval date, the project commencement date, and the project completion date) are recorded by the DCFIS. Audit considers that the efficiency of reporting the achievement of the performance pledge could be improved if the following data of projects are also captured by the DCFIS so that the relevant information can be generated electronically:

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- (a) the date that all documents and information necessary for supporting the reimbursement (e.g. the final report and the reimbursement claim) are submitted; and
- (b) the date that the reimbursement is released.

### **Audit recommendations**

4.20 **Audit has *recommended* that the Director of Home Affairs should:**

- (a) **take measures to ensure that DCs set up a system for evaluating CI projects;**
- (b) **take measures to ensure that DCs set proper criteria for selecting CI projects for evaluation;**
- (c) **take measures to ensure that CI projects meeting the criteria set by DCs are evaluated and that evaluation forms are completed for projects evaluated;**
- (d) **take measures to ensure that evaluation results contained in project evaluation forms are input into the DCFIS in a timely manner;**
- (e) **remind DC secretariats to follow up with evaluators in cases where the ratings given by them in evaluation of CI projects are not in line with the actual situation;**
- (f) **take measures to ensure that evaluators submit completed evaluation forms directly to the DC secretariats concerned;**
- (g) **ascertain the discrepancies between the size of audience disclosed in final reports and that recorded by the LCSD venue management, and take measures to ensure the accuracy of the number of participants disclosed in final reports;**
- (h) **consider reviewing the existing methods adopted by implementation parties for counting the number of participants; and**



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- (i) **consider making use of the DCFIS to improve the efficiency of reporting the achievement of the performance pledge relating to the release of reimbursements.**

## **Response from the Government**

4.21 The Director of Home Affairs agrees with the audit recommendations.

**Provision of DC-CIP funds to individual District Councils  
(2015-16)**

<b>DC</b>	<b>Funds allocated (\$ million)</b>
Kwun Tong	25.80
Yuen Long	25.70
Sha Tin	24.50
Tuen Mun	24.40
Kwai Tsing	23.70
Eastern	22.70
Wong Tai Sin	22.20
Sham Shui Po	21.40
Yau Tsim Mong	19.90
North	19.10
Sai Kung	18.00
Tai Po	17.70
Tsuen Wan	16.40
Kowloon City	16.30
Central and Western	15.90
Islands	15.80
Southern	14.90
Wan Chai	12.30
HAD central reserve (Note)	4.90
<b>Total</b>	<b>361.60</b>

*Source: HAD records*

*Note: This amount was kept by the HAD for contingency (e.g. to cover the situation where a DC needed to spend more than its allocation — see para. 2.2(c)).*

**Acronyms and abbreviations**

Audit	Audit Commission
CI projects	Community involvement projects
DCs	District Councils
DCFIS	District Council Funds Information System
HAD	Home Affairs Department
LCSD	Leisure and Cultural Services Department
NGOs	Non-governmental organisations